

The
PRESIDENTIAL
RECORDINGS

JOHN F. KENNEDY

→→→ *THE GREAT CRISES, VOLUME ONE* ←←←

JULY 30–AUGUST 1962

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Thursday, August 9, 1962

The President had an especially difficult set of problems, foreign and domestic, to occupy his time. He was in the midst of two major discussions on future policy toward Peru and on the quickie tax cut that were being followed closely in the press. Any delay in those might signal indecision. The recognition of the Peruvian junta was the first decision he would tackle this day.

10:00–10:55 A.M.

Mr. President, I think we ought to consider seriously whether or not the [Central Intelligence] agency should not be entrusted to continue with the evaluation of personalities and possibilities to see whether or not a plan could be developed with our help, which might be coordinated and sensible and might have some chance of success both in terms of removing [François] Duvalier and replacing him with something we can live with.

Meeting on Peru and Haiti¹

President Kennedy faced two important decisions. Since the end of July, he had wanted to recognize the military junta in Peru if a way could be found that would not make him look like a hypocrite. The President had identified himself with the policy of not recognizing the government. To find a way out, the President used the State Department and his friend the jour-

paper outlining certain possible U.S. responses to the establishment of a Soviet submarine base in Cuba. Although State Department experts considered the possibility “too remote to waste time on,” Lansdale circulated the report anyway (see “Thoughts for 2:30 Meeting,” 10 August 1962, *FRUS*, 10: 920–23).

1. Including President Kennedy, McGeorge Bundy, Richard Goodwin, Richard Helms, J. C. King, Edwin Martin, Graham Martin, Teodoro Moscoso, and Frank Sloan. Tape 8, John F. Kennedy Library, President’s Office Files, Presidential Recordings Collection.

nalist Charles Bartlett to present a three-point package to the Peruvian generals that would allow the U.S. government to recognize them.

The junta had responded favorably to U.S. actions. In an interview with Ben Meyer of the Associated Press on August 5, the head of the junta, Major General Ricardo Pío Pérez Godoy, promised the restoration of civil rights, committed the junta to a free and fair election in June 1963, for which none of the junta members would be candidates, and added that, if asked, the junta would allow OAS observers during the election campaign. These were the three conditions for recognition established by the Kennedy administration.

When President Kennedy read about this the next morning, he was prepared to establish relations with the junta. He was persuaded by Edwin Martin and Arthur Schlesinger, however, to wait until at least August 8, the date of a scheduled Organization of American States (OAS) Council meeting at which the Peruvian delegation might formally reaffirm these promises.²

The second issue for the President also involved making a choice between Edwin Martin, the assistant secretary of state for inter-American affairs, and other members of his Latin American policy team. Haiti's leader, François "Papa Doc" Duvalier, had become an embarrassment to Washington. An ally of the United States since coming to power in 1952, Duvalier was diverting U.S. economic assistance to build monuments to himself while using U.S. military support to raise a civilian militia that only he controlled.

Duvalier's decision to "re-inaugurate" himself in May 1961 after only four years of a six-year term set off a reexamination of the Kennedy administration's policy toward the dictator. There was much talk of possibly a military solution to remove Duvalier. But no new policy initiatives emerged. Secretary of State Rusk summed up the prevailing feeling: "[W]aiting for a chance to use force is no answer either, because the problem is neither military nor cloak and dagger."³

Official U.S. patience with Duvalier, especially on the part of the State Department, waned over the next 12 months, especially as evidence mounted of the misuse of U.S. development assistance to build Duvalierville, a huge complex dedicated to the glorification of the dictator and his family. On June 1, in a meeting with U.S. ambassador

2. Memorandum for the Record, 6 August (Maxwell Taylor Papers), cited in *FRUS*, 12: 876.

3. Rusk to Department of State (from Paris), 2 June 1961, *FRUS*, 12: 757-58.

Raymond L. Thurston and the deputy assistant secretary of state for inter-American affairs Richard Goodwin, President Kennedy authorized a policy of identifying and supporting a "viable alternative" to Duvalier, putting in motion what was termed a "probing operation."⁴ Meanwhile it was decided to close down most of the Agency for International Development program in Haiti and to suspend deliveries under the Military Assistance Program [MAP].⁵

In early August signs that a coup to overthrow Duvalier might be at hand set off a policy debate in Washington. On August 2, Thurston cabled that a pro-American group of Haitian military and civilian officials represented the "most cohesive and effective challenge to Duvalier that has come to our attention."⁶ Although both State and the CIA agreed that Thurston had probably exaggerated the capabilities of this group, the agencies disagreed over what to do about it.⁷ The CIA, in the person of Richard Helms, the deputy director for plans, and his chief of the Western Hemisphere Division, J. C. King, believed that there was little that U.S. covert assistance could do to undermine Duvalier in the short run. The State Department's Edwin Martin, on the other hand, wished the CIA to take a more active stance.

Just as this meeting with Kennedy was to begin, news reached Washington that seemed to confirm the CIA's pessimism. On August 8 Duvalier had foiled a coup attempt by the chief of staff of the Haitian Army, General Jean René Boucicaut. Within hours of reporting his intentions to Colonel Robert Heintz, the head of the U.S. Naval Mission in the Haitian capital of Port-au-Prince, Boucicaut had sought asylum at the Venezuelan Embassy.⁸ For the State Department this was especially ominous news. Boucicaut had been considered Duvalier's most serious

4. Memorandum from the Executive Secretary of the Department of State (Brubeck) to the President's Special Assistant for National Security Affairs (Bundy), 1 June 1962, *FRUS*, 12: pp. 764–66.

5. Oral History Interview with Raymond Thurston, 9 June 1970, John F. Kennedy Library; Port-au-Prince to SecState, 7 July 1962, "Haiti" folder, National Security Files, Box 103, John F. Kennedy Library.

6. Telegram 56, Port-au-Prince to SecState, 2 August 1962, *FRUS*, 12: 769, note 4.

7. "The Situation in Haiti," *FRUS*, 12: pp. 767–69.

8. Thurston's cable describing Boucicaut's flight to the Venezuelan Embassy reached the State Department at 10:45 A.M., 9 August 1962. Telegram 67, Port-au-Prince to SecState, 9 August 1962, National Security Files, Haiti, Box 103, John F. Kennedy Library. Comments by the CIA representatives of the 10:00 A.M. meeting with President Kennedy indicate that CIA headquarters learned of Boucicaut's flight earlier.

opponent. Now the question for President Kennedy was whether, in view of the failure of the local Haitian opposition, the United States should adopt a policy of creating a viable alternative.

The meeting began with a report from Edwin Martin on the Peruvian junta's statement at the Council of the OAS.

Edwin Martin: Yes, well, not very fully, but we did know about it a little before it was made public, fortunately.

President Kennedy: Then why did . . . They [the Peruvian junta] had said there would be [*unclear*]. Didn't they?

Edwin Martin: Their man here had said that, but they didn't live up to that.

I think, we feel that we probably, in getting the formal statement to the OAS—of things they have said previously elsewhere—have gotten what they consider to be a major concession and are not going to [*unclear*] anything more.⁹

President Kennedy: Was there anything about the observers?

Edwin Martin: They will not make any formal statement about observers. What they have said is that they will welcome representatives, individuals or groups, who will observe the election [*unclear*] the country, if they wish. And it is possible that they may invite somebody.

What we're hoping to show the Secretary this morning . . . is a statement on resumption which calls attention to the commitments they have made, emphasizes the fact that they have offered to let people in. They just need to come forward . . . for us to arrange to have—

President Kennedy: When did they make the statement about inviting people in?

Edwin Martin: Well, they made this first in the Godoy statement to Ben Meyer, of the AP; and then they reaffirmed it yesterday at the OAS, quite categorically.¹⁰ And . . . that we are looking forward to arranging

9. At the OAS, the junta's representative agreed to permit OAS observers at the 9 June 1963 election. It was in hopes of getting this statement at the OAS that Martin had counseled delay in recognizing the junta.

10. Ben F. Meyer, "Peru Chief Pledges Anti-Red Stand," *Washington Post*, 6 August 1962. For a text of the full interview see "Interview Granted by Major General Ricardo Pérez Godoy, president of the government Junta of Peru, to Mr. Ben Meyer, Associated Press correspondent in Washington," "Peru" folder, National Security Files, Box 151, John F. Kennedy Library. In response to a question about "inviting an impartial group of eminent persons to observe the elections in June 1963," Godoy said, "It is possible that qualified groups or persons will be invited for that purpose."

for people of international stature to be present to see how they carry out these commitments that they have made.

President Kennedy: What about—Did you see, was it, Tad Szulc's article this morning?¹¹

Edwin Martin: Yes, we knew he had the—one of our people was there when the tape was shot.

President Kennedy: How was the tape taken?

Edwin Martin: I guess that if anything he just did [it] without telling anybody, he had it someplace around the room.

President Kennedy: [*Unclear.*]

Edwin Martin: Yes.

Unidentified: I'd say he has a great deal of experience. [*General laughter.*]

President Kennedy: But I would think that . . . that makes it a little more [*unclear*].

Edwin Martin: Oh, Víctor Belaunde has been running around town making very strange statements, I spent an hour with him and—

President Kennedy: Does he represent the government here or is he sort of self-appointed?

Edwin Martin: I think there was a certain amount of [*unclear*]. He's not an official representative in any sense, but they are happy to have him come and use his international stature if that's good to lobby for their cause. But I don't think you could label him as an official representative, in any sense. They would be free to disown what he said if they chose.

President Kennedy: How can we get this in a way in which these points that have been made . . . and there haven't . . . I think we can point to quite a lot of—

Edwin Martin: Yeah.

President Kennedy: progress, verbal and—

Edwin Martin: And the recognition of the inter-American system by making the commitment publicly and formally to the OAS. I think we've got to say that . . . which helps.

President Kennedy: The thing is, what would you see as the time schedule on this?

Edwin Martin: Well, I think it's, as far as we're concerned, I think we could be ready for tomorrow, [*unclear*] tomorrow noon, especially when

11. "Peru Bids Latins Oppose U.S. Move," *New York Times*, 9 August 1962. Szulc reported statements made by Dr. Víctor Andrés Belaunde, a special envoy of the junta, during official visits in Washington.

we know and give a little more time to the Latin American countries to notify their . . . We're checking—

President Kennedy: What about the Venezuelans, et cetera, what would be their position?

Edwin Martin: Well, they, I think, from the start have made it clear that they will *not* resume relations.

President Kennedy: What about the small, the small countries?

Edwin Martin: I'm not so sure about Costa Rica. But certainly the Dominican Republic. Costa Rica and Honduras are a little less clear. But two would certainly not.

President Kennedy: Do they feel that we have . . . ?

Edwin Martin: Well, I think that we have a chance at helping with them. I don't think they will feel hurt that we've resumed relations. They've expected this and [*unclear*] to be isolated on this. They accept that. But they introduced yesterday a modified resolution for a foreign ministers' meeting; instead of asking for a decision then to convoke at another time, they said, "we propose that a committee be appointed to study the question of the time, place and agenda for a foreign ministers' meeting," which is a little less severe. And our present feeling is that, in view of the failure of the Peruvians to come forward with an invitation to the OAS, we perhaps ought to vote for this: a meeting at an indefinite future, perhaps with a somewhat broadened agenda possible. This is coming up for a vote tomorrow afternoon.

President Kennedy: Will it carry?

Edwin Martin: With our vote, we think it will.

President Kennedy: Yeah. All right.¹²

Their statement with regard to observers, I heard you say, I didn't see anything about it in the paper, really, today?¹³

Edwin Martin: There is not, no. But—

President Kennedy: You said that they would correct the [*unclear*].

Edwin Martin: Yeah.

President Kennedy: Clear it up. Is there any way we can still take that up, the . . . ?

12. The United States abstained on the Venezuelan resolution at the OAS meeting. It did not pass. In his memoirs, Edwin Martin writes that this vote took place 9 August. Edwin Martin, *Kennedy and Latin America* (Lanham, MD: University Press of America, 1994), pp. 355–56.

13. Kennedy is concerned that the junta's 8 August statement at the OAS Council guaranteeing an invitation to OAS election observers is not widely enough known.

Edwin Martin: Yes. Well, I think we can take that up.

President Kennedy: The OAS, up?

McGeorge Bundy: Have they gone that far, Ed?

Edwin Martin: Well, that they would be willing to receive, and that their country is open to observers, either individuals or from organizations.

Bundy: That goes a little bit further than the interview then?¹⁴

Edwin Martin: A little bit I think, yeah.

President Kennedy: Would we be, could we —

Edwin Martin: Don't have that.

President Kennedy: We couldn't get the OAS to accept that and say that they will send them, would they?

Edwin Martin: No, I don't think so at this time. The noninterventionists would oppose, would block an OAS resolution to say, "we accept we're going to send."¹⁵ We've explored that and we think not.

If the situation should develop in a somewhat unsatisfactory [way] such that maybe next spring you could have a better chance of getting it; but this leaves it the [unclear] open for the OAS to make a decision.

President Kennedy: Do you think that we ought to wait until next week or go ahead tomorrow?

Edwin Martin: I think we ought to go ahead myself.

President Kennedy: Yeah.

Edwin Martin: I think that we've squeezed all the juice we're going to get out of this. Jim feels, I think, the same way.¹⁶

We've got one other little problem that also presses for time. The sugar issue is ominous. The Department of Agriculture, not realizing the pitch, okayed a couple of shipments a couple of days ago. And, up to that point, the sugar companies, both [unclear] Grace did not apply; but one of the companies that is less cooperative did apply for two shipments and Larry Myers from Agriculture called me yesterday to say that we had just found out that one of his people had okayed it.¹⁷ Now this is a legal problem; there's some question whether he was legally authorized to do so and Larry is trying to [unclear] —

14. The interview with Ben Meyer of the Associated Press; see note 4.

15. The noninterventionists were countries like Mexico that opposed all intervention by the OAS in the internal affairs of member states.

16. James Loeb was the U.S. ambassador to Peru and had returned to the United States after the military coup.

17. Lawrence Myers was the director of the Sugar Branch, U.S. Department of Agriculture.

President Kennedy: How could he okay it with all that has been in the paper about Peru and . . . Did he not see it?

Edwin Martin: One would have thought so. [*Laughter.*] Larry Myers is trying to persuade the company to let it sit in the in box until the end of the week, and not get any publicity on it.

President Kennedy: Why . . . do you think that the publicity would . . .

Edwin Martin: Well, the publicity would—we would have to explain how we did it under the law and this would give [*unclear*].

President Kennedy: What? Because we haven't recognized them?

Edwin Martin: Because we haven't [*unclear*].

President Kennedy: Couldn't we override the—

Edwin Martin: Well, I don't know if we could withdraw the authorization already given or not. This would be a little problematic [*unclear*].

President Kennedy: Well, in any case . . . the only thing would be, it seems to me, that Belaunde, that earlier Szulc's et cetera, [*Martin mumbles agreement*] doesn't it raise the question of whether we want to go ahead this week or [*unclear*] wait till Monday? But it's a little bit like . . .

Edwin Martin: We're operating under pressure?

President Kennedy: Well, yeah, particularly as their statements did not get the kind of publicity that would have—

Edwin Martin: Yeah.

President Kennedy: —made it easier, but we can think about that.

Edwin Martin: We will. We'll do that. I'll talk to the Secretary about that.

Bundy: Do we have a text that would, in fact [*unclear*]?

Edwin Martin: I have not seen an English translation as yet, at the moment. [*Unclear*] or not. I didn't get a chance to see it. [*Unclear.*]

President Kennedy: You can't think of any [*unclear*] way that, so that it doesn't look like [*unclear*] . . .

Edwin Martin: Yeah.

President Kennedy: You see, we haven't gotten really the kind of publicity yet. . . . He may [*unclear*] and get conscious of the degree . . . how far really they've gone.

Edwin Martin: And of course, the most previous *New York Times* story that focused on Belaunde saying [*unclear*]. So that won't be a surprise. [*Unclear.*] But it would be nice if the *New York Times* [*unclear*]. The *New York Times* [*unclear*].

Martin then turned the conversation to the principal item on the meeting's agenda, U.S. relations with François Duvalier of Haiti.

Edwin Martin: With respect to Haiti, Mr. President, I'd just like to make two or three general observations and then ask for various agency representatives here to comment on their situation.

I think we have come to the very firm conclusion that the Duvalier regime is irredeemable, there's no possibility of persuading them to adopt a more reasonable course. That it is one of the most brutal and dictatorial [regimes] that Haiti has suffered. They're doing little, if anything, to help the people with their economic or social development of any kind. And it is following a consistent policy of encouraging a buildup of a militia devoted to Duvalier at the expense of the regular armed forces.

As a result of this situation, we feel that we must consider seriously: one, the prospect that unrest within will accelerate and cause a crisis—particularly, unrest stimulated by the military fear that time is against them.

And we must consider secondly, what it is in our interest to do, following upon this framework.

There is also some reason for concern about Castro influence. Duvalier has replaced some of his top officials with people who've had Marxist-Leninist connections and there are some elements that might take advantage of chaos to move in this direction. I don't think we feel Duvalier has any particular principles and would move in whatever direction that suited his purpose in maintaining himself in power.

Within this framework, we have to some degree encouraged dissatisfaction by a series of actions making it clear or trying to make clear that we were not in full-hearted support of the Duvalier regime. And this is clearly known to Duvalier and to informed people in Haiti, I believe, at the present time. We have just taken some further steps which will be interpreted in this way, although their basis was essentially technical problems with the aid programs.

And, I think it would be useful if Graham Martin could explain just where we stand on economic aid.¹⁸ And then [Frank K.] Sloan can explain where we stand on military aid at the present time.¹⁹ Because these do affect not only our aid program but the political situation in Haiti because of their impact.

Graham Martin: When [Under] Secretary [George] Ball on July 21 signed off on the joint AID-ARA recommendation cutting down to a

18. Graham Martin was deputy coordinator, Alliance for Progress.

19. Frank K. Sloan was deputy assistant secretary of defense for international security affairs.

hard core, we put in motion the cancellation of the Artibonite area development²⁰ and the Poté Colé area development project.²¹ We decided to go ahead on the airport loan on the basis that we had to do something to stay within the policy guidelines about the [*unclear*]. This has the advantage as we understand it of providing a jet-capable airport that we assume [*unclear*] would be for military use.²² We decided not to go ahead with the road project because this would automatically trigger an IDB loan, which was a maintenance thing, which would come along afterward.²³ We had canceled other parts of the program, leaving, in effect, those elements which were more of a humanitarian nature, fairly educational:

A rural educational project which is small but fairly well based

The malaria eradication program, which is largely and jointly, an international program under the WHO²⁴

We can phase our personnel down from the current strength, the ongoing strength of about 70 to about 36 over the next few weeks. This about, I think, sums it up.

Unidentified: Would you say . . . why were you in trouble there . . . the technical reasons?

Graham Martin: Well, the technical reasons are that on the use of personnel there has been a progressive, both on equipment and personnel . . . a diversion of the resources for purely political uses of the Duvalier regime. Because of this, actually, the Artibonite and Poté Colé suspension

20. In the Artibonite Valley Project, the U.S. Agency for International Development [AID] supplied assistance to promote vegetable and fruit production in the valley. A State Department inspection in late June 1962, conducted by the Bureau of American Republics Affairs [ARA], concluded that AID should divorce itself from the Artibonite Project: "Massive expenditures over a long period of time, plus a level of Haitian administrative, technical, and financial support which we see no serious prospect of coming into being, would be required to make the project work" (J. K. Mansfield to Fowler Hamilton, 26 June 1962, RG 59, Haiti 1952-64, Box 4, Archives II. Mansfield was a special assistant to the Secretary of State for foreign aid coordination. See Oral History Interview with Raymond Thurston, 9 June 1970, John F. Kennedy Library).

21. The Poté Colé area development project was under joint U.S.-Haitian management, initiated in 1958, in the northern part of Haiti. The goal was to assist the development of small manufacturing plants and tourist facilities. ("Designation, Joint Responsibilities and Duties of Principal Haitian and American Officials in Operations Poté Colé," 4 May 1961, RG 59, Haiti 1952-64, Box 4, Archives II.)

22. The Department of Defense (DOD) and the Commander in Chief, Atlantic (CINCLANT) were interested in the completion of the new commercial airfield in Port-au-Prince. In May 1962 the DOD was able to alter the specifications of the runway, lengthening it from 7,460 to 8,000 feet, to accommodate jets (see correspondence on the Airport Loan, *ibid.*).

23. The abbreviation IDB stands for the International Development Bank.

24. The acronym WHO stands for the World Health Organization.

is not really being noticed, because in effect they had been suspended for quite some time while this technical issue was in debate over there.

President Kennedy: Is there—did we make, did we make a commitment in front of [unclear] in regard to the [unclear] project or [unclear] project?

Graham Martin: It's a question of whether it actually was a commitment on the airport loan and the highway loan.²⁵ And they were discussed.

Unidentified: And I think that there was a commitment.

President Kennedy: There was?

Unidentified: Since we [unclear] at the time.

Unidentified: Was it? Was it? It was—

Unidentified: And they understood it as well.

Unidentified: It was a commitment, Mr. President, that had certain conditions attached to it, that the Haitians were to perform in connection with the loans. That they were to meet normal requirements established for loans of this type and one of the serious difficulties we have had with the Haitians is that they have violated written assurances on the diversion of equipment as Mr. Martin has said from our projects for entirely political purposes.

President Kennedy: To do what?

Unidentified: They have used trucks and earthmoving equipment for a special project arranged by President Duvalier, which is entirely, almost entirely a shakedown of the business community in Port-au-Prince. This is supposed to be a model city called Duvalierville. The earthmoving equipment has been diverted to the preparation of the ground for this undertaking. In the May 22 ceremonies marking the reinauguration, the anniversary of the reinauguration of Duvalier, they stripped the Artibonite project of trucks and used them to haul civil militia and the peasantry into Port-au-Prince for the celebration.²⁶

Edwin Martin: They were gone ten days, weren't they?

Unidentified: They were gone ten days—yes, sir. And they have, they . . . this kind of diversion which had existed in the past and on which we had received written assurances from the Haitians—

President Kennedy: How much is involved in these two projects?

Unidentified: The Artibonite, for the last year, took about 1 million

25. An AID loan to build a road to Aux Cayes.

26. On 22 May 1961, four years after his election to a six-year term, François Duvalier had "reinaugurated" himself for an additional six-year term, thus effectively canceling the presidential election scheduled for May 1963.

of the total 7.25 million of the, what we call a hard-core aid program, aside from the loans. The Poté Colé has about 750,000 dollars.

President Kennedy: Were these very important to him?

Unidentified: The . . . this is the point I would like to make, Mr. President, one of the very important factors we have to take into account is Duvalier's use of our economic assistance and the military assistance as evidence of U.S. support for him. He plays this line very hard and it has had a substantial impact in the past on the opposition to him, who look upon it as evidence of our—

President Kennedy: How much opposition is there to him?

Unidentified: The opposition—it's hard to give in numerical figures, Mr. President, but it is very widespread. It is centered in the business community, in most of these military sectors and among the intellectuals.

President Kennedy: Now, what about the . . . our Army mission there . . . Marine mission? What's gonna—what are we going to do with that?

Edwin Martin: Do you want to talk about the [*unclear*]?

Frank Sloan:²⁷ Necessarily, the status of it is, the MAP²⁸ [*unclear*] deliveries were all suspended a couple of months ago for the very same reason, that they were, well first, that they were refusing to account for the material and to permit our people to inspect them.²⁹ And I think you have a good bit of the ammunition in the basement of the palace and were not permitted to be examined and they were all—³⁰

Edwin Martin: This is under the palace guard, which is not part of the regular military that is supporting us. . . . And the military did not have access to [*unclear*] [stock]piles.

Sloan: Yes, that's correct, and he's building up also the militia units which have nothing to do with the MAP planning program for the regular army units with which we are working.

President Kennedy: Is that Marine . . . Marine colonel in charge of it?

27. This is a tentative voice identification. Frank Sloan's voice has not been identified. However, he is listed as the DOD representative at this meeting, and this is the voice that briefs the President on the DOD situation in Haiti.

28. The acronym MAP stands for Military Assistance Program.

29. Although the suspension took place, the United States chose not to make a public announcement of the suspension of military assistance.

30. The U.S. ambassador, Raymond Thurston, later recalled that the United States was "sending in a million dollars a year in ammunition, small arms and so on" (Thurston, Oral History, 9 June 1970, John F. Kennedy Library).

Sloan: Yes, Colonel [Robert D.] Heidl.³¹ [*An unidentified speaker also says "Heidl."*]

President Kennedy: He's living at the Palace?

Unidentified: No, sir.

President Kennedy: Where does he operate out of now?

Sloan: He worked with the regular Army people.

Unidentified: He works out with General [*unclear*].

President Kennedy: Now you keep him, you keep this mission there, will you.

Sloan: Yes. We have 21 officers and 19 enlisted. The ambassador suggested that we might at one time consider letting this decrease gradually by normal attrition but counter to that is the problem of not only maintaining our connection with the military that is very friendly to us but also the use of these people on the ground in case of a coup or an uprising because the ambassador and General [Andrew P.] O'Meara have also suggested a thing which we are going forward with CINCLANT to consider at this time, the repositioning of some riot stuff and small arms and things of that sort which can be put in there quickly.³² And the principal problem in this, from a strictly military viewpoint, is not getting the stuff there but getting it distributed and having it used in a controlled and sensible manner. And so, I think that we have determined, both for its military value and because it probably has very little effect on Duvalier anyway to try to reduce the number of missions as a pressure proposition, to just go along with them at their present strength and—

Edwin Martin: We [*unclear*] assumption that we've made clear was that we did not want them to press Duvalier so far that he would throw the missions out—

Sloan: Right, right.

Edwin Martin: We thought it was important to keep them in.

President Kennedy: Yeah. Now our relations are pretty good with the . . . Is the Haitian army disturbed by the development of the militia?

31. Colonel Robert D. Heidl, Jr., was a Marine officer who had written a history of the Marines. Thurston recalled him as "a very rambunctious, colorful guy" who "came down here with the idea that the Marines still had a historical role to play in Haiti." He "pictured himself as kind of the chief American, you know, sort of reincarnation of the Marine occupation in somewhat different conditions." However, as Thurston describes it, it was Duvalier who ultimately took advantage of Heidl, regularly inviting the large Marine component of the naval mission to attend presidential gatherings in their dress whites, seeming to act the part of Duvalier's protectors (*ibid.*).

32. General Andrew P. O'Meara, commander in chief, Caribbean, visited Haiti on 23–24 July.

Sloan: Oh, very much so. I—

President Kennedy: The militia, they have what, about five thousand?

Sloan: Yes, sir.

President Kennedy: It's [*unclear*] . . . What? . . . put to ten [thousand]?

Sloan: Well, we're applying all the pressure we can to—

President Kennedy: Oh.

Sloan: —prevent this; but they're [*unclear*]—

President Kennedy: What pressure can we put . . . what pressure can we put on Duvalier now? Not much, I suppose—

Sloan: We haven't been very successful. General O'Meara in his meeting there laid these things very hard out on the line to Duvalier,³³ but apparently got very little response.³⁴ And about all we can do is what we have done, suspend the deliveries and press forward with trying to keep the army, which is U.S.-oriented, in a better condition and better—

President Kennedy: What about . . . the . . . possibly on the political, military . . . you keep the military mission there, you go ahead with this air base, which costs, this jet strip, which costs how much?

Unidentified: Two-point-seven million, Mr. President.

President Kennedy: And will be finished by when?

Unidentified: Probably in late '63 it would be—

President Kennedy: The reason for that is primarily milit—, it is primarily military, partly political?

Unidentified: Well, this is . . . [*He shows a chart to the President.*] The maintenance of the road loan, of the airport loan was a device to give Duvalier something in order to avoid a premature showdown with him. But an additional consideration, which was important, although not decisive, is this military interest—

Unidentified: That's right.

Unidentified: —in a jet-capable airport in Port-au-Prince for contingencies.

33. General O'Meara met Duvalier for an hour on 23 July 1962. O'Meara raised four problem areas with the President: (1) civil militia, (2) continued closedown of military academy, (3) misuse of and premature retirement of U.S.-trained Haitian military personnel, and (4) Heintz's difficulties in obtaining access to MAP materiel and ammunition in the basement of the National Palace (see Brubeck to McGeorge Bundy, "Haiti—Report on Conversation of General O'Meara with President Duvalier," August 1962, "Haiti" folder, National Security Files, Box 103, John F. Kennedy Library).

34. According to Ambassador Raymond Thurston, who attended the meeting, Duvalier deflected O'Meara's presentation with "characteristic tactics of distortion, evasion, obfuscation, and outright mendacity." He pretended not to care that the United States had suspended MAP assistance (*ibid.*).

Edwin Martin: The airport is to be run by Pan Am and [*unclear*].

Unidentified: Yes, I mean, this is a turnkey contract and the airport, as Mr. Martin points out, is to be administered by Pan Am.

President Kennedy: What is, what are we saying to Duvalier? What is our political proposal to him now? Under what condition would we renew? Or what is it we're, what is the attitude the United States has towards him, now?

Edwin Martin: I think that we have not made any political conditions to him, only discussing aid matters, particularly in terms of technical factors involved in specific cases; but—

President Kennedy: The stories in the paper—what, a week or ten days [ago] . . . it looked as if we'd [*unclear*] for political reasons, we had more or less—

Edwin Martin: Well, I think that—

President Kennedy: That's all right.

Edwin Martin: [*Unclear*] a story saying it was a technical factor.

President Kennedy: Yeah.

Edwin Martin: And this is the line we take with Duvalier.

President Kennedy: What does, what is the opinion in Haiti in regard to? Is it known that we've—

Unidentified: Oh, yes, this is—

President Kennedy: —had a break with him?

Unidentified: I don't think that Duvalier is under any illusions about our unhappiness with him. We have not had a confrontation with him on the political level. On the public side, on the opposition side, the various actions which have been taken, specifically the recall of Thurston from the—

Edwin Martin: I would think that a note disclaiming his assertion that the continuation of our aid meant we endorsed his artificial reelection—

Unidentified: Reelection, yes.

Edwin Martin: —for another six-year term, which he [*unclear word from Martin because of an unclear interjection from another speaker*] last year without the course of the term expiring, he got himself elected for another six years. . . . He said that our aid meant that we believed there needed to be a strong man in there and we're supporting him. And we sent an official aide-mémoire which managed somehow to get out to a . . . public notice saying this was not true.

President Kennedy: OK.

Unidentified: No, on the—another very important recent development, Mr. President, along these lines was a letter sent from Heinl, as chief of naval mission to the chief of staff of the [Haitian] armed forces

commenting on the technical level about the effects of the existence of the civil militia on the role of the naval mission and the limitations which it put upon the activities of the mission and the general negative effects it had upon the development of the Haitian armed forces. Now this is—boot-leg copies of this have circulated in Port-au-Prince—and have had the effect of indicating again that Duvalier is not our boy. So I think that in opposition circles and within government circles there is no question about our—

President Kennedy: Right.

Unidentified: —general posture.

President Kennedy: But the only question is—what will all this cause him to do? What are we waiting . . . for what?

Unidentified: [*Unclear.*]

President Kennedy: Yeah.

Edwin Martin: At this point I would ask the [Central Intelligence] agency—

President Kennedy: Yeah.

Edwin Martin: —to talk a little about the plotting that's going on. [*Unclear.*]

President Kennedy: Yeah.

Richard Helms: I might say, Mr. President, that the plotting doesn't seem to be very successful. General [Jean-René] Boucicaut, the chief of the armed forces, told Colonel Heinl yesterday morning that he is planning to have the coup in October. And by afternoon he and his family had sought asylum in the Venezuelan embassy. So [*some others begin to laugh*] it didn't take Duvalier very long to move in on him, apparently. The other plotters that we know about—

President Kennedy: I just wonder about the colonel, doesn't that look . . . This was going on for some time?

Helms: Apparently he's had this in his mind for some time. He just told the colonel this quite openly, to qualify—³⁵

J. C. King³⁶: We've had reports for some time that he was interested.

35. During O'Meara's visit to Boucicaut in late July, the Haitian general told Thurston that he found Heinl's critical report on the civil militia very helpful (Thurston to State Department, 24 July 1962, "Haiti" folder, National Security Files, Box 103, John F. Kennedy Library).

36. This is a tentative voice identification. J. C. King's voice could not be identified. However, King, the head of the Western Hemisphere Division of the CIA's Directorate of Operations, is listed as a participant in this meeting, and this voice complements Richard Helms's presentation of the intelligence situation in Haiti.

Helms: Yeah, but apparently he's had it now. There is a man here in Washington named [*unclear*], with whom we've been in touch, at the suggestion of the department, who also has a plan of action. He has four cells, one in New York, one in Washington, one in Caracas, and one [*unclear*] Puerto Rico or Santo Domingo. Whether this—

King: He works for the Pan American Union.³⁷

Helms: He works for the Pan American Union. He is a sort of an exile from Haiti. His family, though, is still there, a wife and four children, which makes this kind of complicated. We haven't gotten far enough along with this to find out whether he is the strong reed, but he looks as though he might be.

But he has an organization called the National Democratic Union which seems to stand for the right things and as far as anybody knows and from our conversations with him, is a relatively honest person. He is a 45-year-old man who used to be head of the Coast Guard in Haiti and is supposed to be a very good administrator. But frankly we haven't gotten far enough along now to find out whether he really has the assets that he claims to have.

Now we think it might be useful to try and spin this out. See if we can get down to brass tacks and [*unclear*] further, then find out if he indeed does have something inside and possibly this would be a useful mechanism. But this is all brand new now, and we are in no position yet to talk about any specific plans or anything of that kind.

King: Our impression [is] that there are a good many different elements in the military in Haiti . . . have come to us. But the atmosphere there is such that none of them trust each other, and we know a lot more about the various people that are dissatisfied than any of them are willing to share with each other.

Helms: That's right.

Unidentified: You have an impression there are congeries of little groups, all of them the same with not too many contacts with each other.

President Kennedy: Right.

Richard Goodwin: I say one thing that I think is important that Duvalier is surrounded by two or three militants—Dessimore Blancher and [*unclear*], who are very anti-U.S., [*unclear*] a Communist background. And I think that if Duvalier really loses hope that he can ever

37. The Pan American Union was a predecessor to the Organization of American States and, as an institution in Washington, D.C., was incorporated into the Secretariat of the OAS.

deal with the United States it can't help but strengthen their position within the government and their obvious efforts to strengthen their positions for the time when Duvalier goes. I think this is a danger [*unclear interjection*] of a holding operation that they will get stronger. At Punta del Este, the Haitians there were about as far left as Che Guevara was at his press conference and [*unclear*] just probably following instructions but those leaders there were fantastically . . .³⁸

Helms: Well, Mr. President, one organization we haven't even mentioned this morning: the secret police, known as the Ton Ton Macoutes (TTMs) which is, estimates say it varies in size from 1 to 5,000 people. It is a repressive force of no mean substance, and this is the one that goes into the houses and takes the people out to jail and shoots them and so forth and is pretty all-pervasive these days. So it makes plotting rather dangerous business.

King: And it lives on theft.

Unidentified: Extortion.

King: Extortion.

Helms: Graft, extortion and all the other undesirable things.

Unidentified: The details . . . we really don't have. I wouldn't characterize it as the secret police. Say they are sort of the bully boys of the regime. They're not—

Helms: They're goon squads.

Goodwin: I think in a lot of ways, we really ought to avoid any more public anti-Haitian [*unclear*] until we have an idea that something's definitely going to happen as a consequence. Because these people are very dangerous fellows and they'll succeed in strengthening their hands with Duvalier if they feel that the U.S. is moving away from him very strongly.

Edwin Martin: I might say, Mr. President, on this business of open moves that I was called in two weeks ago by the Latin American Subcommittee of the Senate Foreign Relations Committee for a session on Haiti. And this went for two hours. This was stimulated by a letter that Senator [Wayne] Morse had received from a *Newsweek* correspondent with a rather full account of a so-called crucifixion that got some publicity up here and with other charges against the brutality of the regime and—³⁹

President Kennedy: Who are they supposed to have crucified?

Edwin Martin: It was a watchman on a [*unclear*] project financed by

38. Ernesto "Che" Guevara was an Argentine-born Cuban revolutionary.

39. Senator Wayne Morse (D-Oregon) was the chairman of the Latin American Subcommittee of the Senate Foreign Relations Committee.

the IBRD.⁴⁰ [Unclear] the TTMs had tried to get the tires [unclear] come back a few minutes later and strung him up, apparently.

I think that the committee, Hickenlooper and Morse, particularly, I think, are quite convinced that there is no hope for Duvalier.⁴¹ Capehart wasn't quite so sure, although he, I think, tended in the end to accept our position.⁴² I think that . . . I emphasized the importance of training . . . of not getting in[to a] crisis before anybody was ready for it, which is very important. I think that this perhaps may have helped to dissuade some of them who had been thinking of a resolution on the Senate floor cutting off aid and the like [unclear] and so forth. But we would want to be sure that this may not happen. But at the moment at least, this seems to be sidetracked. But there is some active interest up there in this . . .

President Kennedy: Now, Duvalier has a . . . The ambassador spoke to me about these left-wing people he has got around him, and then he has this militia. Then he has this secret police. Now [unclear] let's hope in opposition to him. The question is really [unclear] what Dick brought up? How do we sort of adjust ourselves so that the Communists do not become his heirs and the opposition will?

That's why we really should just pursue our [unclear] I think that [unclear] antiseptic attitude towards him, somewhat removed but not in any way, not verbalizing it. Because another coup really doesn't do any good if you don't have anybody to work with. If all you've got is one fellow here in the United States and there is no evidence that he's got anything in the island itself. And there isn't really very much hope right now of doing anything about him [unclear].

Edwin Martin: I think that publicly our position should certainly be an antiseptic one, in which the aid actions are taken for technical reasons and we do have the paper. The inspector general was in there, and he was in trouble with the Port Authority, therefore he has it. He takes [unclear].

Unidentified: [Unclear] the heat.

Edwin Martin: [Unclear] talked about a hearing [unclear] . . .

Unidentified: It does raise the question about a Port Authority hearing and whether the stance that we take there will prevent this sort of [unclear] to emerge.

Edwin Martin: Well, I think this would be desirable. On the other

40. The abbreviation IBRD stands for International Bank for Reconstruction and Development (World Bank).

41. Senator Bourke B. Hickenlooper (R-Iowa).

42. Senator Homer E. Capehart (R-Indiana).

hand, Mr. President, I think we ought to consider seriously whether or not the [Central Intelligence] agency should not be entrusted to continue with the evaluation of personalities and possibilities to see whether or not a plan could be developed with our help, which might be coordinated and sensible and might have some chance of success both in terms of removing [François] Duvalier and replacing him with something we can live with. I would think that the next step that I would foresee would be in this direction. Now they have done some preliminary thinking . . . [*unclear*] discussions.

President Kennedy: [*quietly*] What would the reaction to this be?

Bundy: [*whispered*]—[*unclear*].

Edwin Martin:—discussions we have had. But . . . I would think it would be useful, if you agree, to move, to indicate you would like this to proceed—

Thirty seconds excised as classified information.

King: Not very much. He's got—They have done fairly full reporting on people that come in and names of people that are [*unclear interjection*] good contacts.

President Kennedy: What's the last time he saw Duvalier?

Unidentified: About three weeks ago, Mr. President. They had a long talk. He was flying on the 23rd July with General O'Meara.

President Kennedy: Yeah.

Unidentified: They had a long discussion at that time.

King: They are in contact, I mean there is no breakup. [*Unidentified speaker agrees.*]

President Kennedy: What is, what was the attitude at that meeting?

Unidentified: Well, General O'Meara made the military pitch, our general unhappiness with the Haitian conduct on our military programs. Duvalier took note but made no promises of correcting the situation. It was, in other words the U.S. position was made very clear but there were no—

President Kennedy: Promises.

Unidentified:—promises of [*unclear*]—

Edwin Martin: Since then we've gotten pretty much a brush off on the Heintz memorandum about the naval program.

Sloan: Yes, [*unclear interjection*] [*unclear*] . . . a little rejection, that sort of thing. The thrust of Heintz's memorandum was that he had built up this civil militia that was destroying morale and the usefulness of his army, his organized regular army. He sent him back with a two line . . .

Unidentified: Yes.

Edwin Martin: "The morale is fine. The militia is an essential adjunct of the military forces." [*He laughs.*]

Sloan: Right. Yes.

Unidentified: “And this letter goes beyond the limits of technical advice.”

President Kennedy: Oh, is that what he said?

Unidentified: Yes.

Thirty seconds excised as classified information.

President Kennedy: Is it—do we want to encourage or discourage our military and State Department people from engaging in these conversations? Because then it becomes . . . But I’m sure it goes right back to Duvalier; and then if we . . . whether we produce anything from these rather gossipy things, about whether it’s Duvalier or some person very far up.

Edwin Martin: People ask to come to see us; but it’s a little hard to turn these around.

President Kennedy: Do you have any instructions, though, [about] what their response should be?

Edwin Martin: The one question that has come up is [that] one or two of them have asked whether or not, in case they undertook a coup, we would come in to protect the Duvalier government as the established regime. We have sent back a response that “you should not volunteer any response to this but if you continue to be pressed on this point, you should say that, well, you are sure that the normal U.S. policy of nonintervention would be applied.” And if this gets back to Duvalier, we see no harm in that either. This is good for both sides. [*The President murmurs.*]

Unidentified: There is one point, Mr. President, regarding here, I think. Duvalier’s constitutional term of office expires in May of ’63. As you know there was this phony—

President Kennedy: Yeah.

Unidentified: —reelection in ’61 extending his period to ’67. Now from a legal point of view, we would be in a very good position to withdraw recognition from him after the first of the, May 15th, ’63. And, on that occasion, if I assume we would be joined by Venezuela, the Dominican Republic, Colombia, and others who are concerned about the Haitian situation—on that occasion we would have an opportunity if we wanted to take it, of a showdown with him. And this, in effect, this date is a touchstone to the opposition. If we were to continue to recognize the legality of Duvalier’s [*unclear*] beyond the 1st of, beyond May of ’63, this would crush all hopes on the part of the opposition—

Edwin Martin: [*Unclear*] this recognition problem is a ticklish one. So, if anything’s going to happen, it’d be desirable to happen before May ’63.

Unidentified: Right. Make it clear that [*unclear*].

President Kennedy: The fact that, it says here there are definite indications of awareness on the part of the Haitian officials that Duvalier no longer enjoys unqualified United States support [*unclear*]. Does it weaken him or is he able to appeal to the laymen? [*Unclear response.*]

Unidentified: I think there's no question that it weakens him, Mr. President.

Edwin Martin: He's liable to appeal to national sentiment. [*Unclear.*]

Unidentified: [*Unclear.*]

Unidentified: No, I think the great mass of the people are inert politically; I think that he can, he or any strong leader can get them behind it but they don't identify themselves particularly with him. If there were a change, I think that the adjustment in the countryside would be relatively easy.

President Kennedy: Well, all we want to be able to do now is to maintain a relationship with Duvalier sort of removed, we're not going to, I mean we're going to keep our military mission there, do the airport.

Nine seconds excised as classified information.

Unidentified: See if we can slow down the other program and the aid cut off.

Edwin Martin: And see if we can develop some kind of program with the personalities that we know about that is worthy of consideration by you or perhaps the Special Group.⁴³

President Kennedy: I think that probably we should not encourage . . . well, we know a lot . . . but this cancellation no matter whether we put it on about technical grounds or not—

Edwin Martin: I think so.

President Kennedy: —[should] be interpreted the best. We probably ought not to give him any more of an excuse because if it looks like we're carrying out a—he will obviously go more and more off . . . and if the timing isn't right then we don't want [*agreement from an unidentified speaker*] [to] have him liquidate all our chances, so I think we oughtn't to indicate any . . . you said that one of the recommendations [is] we carry out on occasion acts of hostility towards him. Now it doesn't seem to me there's much use in that now. We've made the point. I'd like to have you all meet again next month on the—

Goodwin: I think also, [*unclear*] conversation between the ambassador [*unclear*]. We ought to keep open with Duvalier at least [*unclear*].

43. The Special Group (Augmented) of the National Security Council oversaw U.S. covert action (see "Meeting on Brazil," 30 July, 1962).

President Kennedy: Yeah. We'd set some conditions if he would do something about that—

Goodwin: That's right.

President Kennedy: —these. We shouldn't have him feel that this is a . . . We don't, until . . . unless we see some alternative then there might become a time when we just break it. But when we don't have any alternative today, I think it's just foolish to push him into extreme positions. I'd like the [unclear] to find out . . . The only thing that I would like to have added here is: What is it that we'd like Duvalier to do? So that at least Thurston understands if he ever gets into a conversation, what it is . . . We have what appears to be a reasonable posture [unclear].

Edwin Martin: [Unclear] about that.

Unidentified: Mr. President, if I—

President Kennedy: [Unclear] Duvalier [unclear].

Unidentified: —might make one point, in connection with this Communist influence, I think we should all bear in mind that the continued existence of Duvalier in itself, the repressive apparatus does stimulate either the growth of Communist [unclear] or there is no . . . there are two sides to this question of his turning to Communists for support in the face of pressure from us. Even [unclear interjection] if we were to withdraw completely from pressure, Communism will be stimulated by his continuance in office.

President Kennedy: Yes, I know he's staying until we look like we have some opposition [unclear]. I suppose that we have to maintain—he may be, he may be, he may be all we have.

Unidentified: That's right.

President Kennedy: I mean, if we had something else then I think, I agree go [unclear] him out; but it seems to me—

Edwin Martin: We need to try to create something else.

President Kennedy: Yes, but pending creating something else, you maintain at least a link which would permit either he or us to a degree to walk back towards each other, if that should prove desirable, if we don't have anything else. So I think the odds are . . . But I think we ought to meet next month. I'd like to have . . . Perhaps we could see what it is we're . . . instructions we're sending to Thurston, as to what the conversation, what the response would be by Americans if they're approached by Haitians asking for some assistance. We ought to have a rather formal answer. We don't want a lot of different fellows talking to different people.

Edwin Martin: So far we have just listened and given no answers . . . agreed to do nothing.

President Kennedy: What do you think that colonel said to the chief of staff, though, yesterday morning?⁴⁴ We ought to know.

Sloan: Sir, that's already done. [*Unclear.*]

President Kennedy: I think we ought to, we ought to get a general line on these talks. Otherwise we may all be out there [*unclear*]— [*Unclear response by Edwin Martin.*]

Meeting broke up. The President left the recording machine running as the Haiti team filed out and the next group of national security advisers arrived.

The concerns expressed by President Kennedy at the end of the meeting restrained U.S. policy toward Duvalier. There would be no active effort to remove him in the short term. On August 10, Ambassador Thurston in Port-au-Prince was advised that “subsequent discussions here at highest levels have led to conclusion that until we see more clearly path to better future we should keep channels open to President Duvalier should he attempt [to] seek accommodation with us.”⁴⁵

Having just attempted to restore some control over U.S. government plotting against the Duvalier regime, the President now turned to a more-pressing security problem: Berlin. The cast of characters changed in the Cabinet Room. President Kennedy may have stepped out as the men got settled.

44. Kennedy is apparently asking whether Colonel Heintz encouraged General Boucicaut to stage a coup.

45. Martin to Thurston, 10 August 1962, “Haiti” folder, National Security Files, Box 103, John F. Kennedy Library.

10:55 A.M.—12:15 P.M.

[T]here is still a lingering attachment to the old philosophy that if you simply threaten to use nuclear weapons, then the Soviets will be deterred from any military action or political aggression.

Meeting on Berlin⁴⁶

President Kennedy was personally immersed in the ongoing Berlin crisis. Not content to deal with only the broad questions involved, he called a briefing meeting on Berlin contingency planning in order to educate himself again in the minutiae of the problem. Deputy director of the Berlin Task Force John Ausland used National Security Action Memorandum 109, approved by the President in October 1961, as the basic guideline for Berlin planning. Ausland's briefing had already been given to General Maxwell Taylor, McGeorge Bundy, and Dean Rusk. The President now asked to receive it. The briefing covered not only current conditions in Berlin and contingency planning but also diplomatic, military, economic, and legislative aspects. It also dealt with positions, options, and possible actions of NATO, the United Nations, and the Soviet Union.

President Kennedy had severe misgivings about the feasibility of NATO's policy of massive retaliation—using all available nuclear weapons—as the West's response to any sort of Soviet aggression in Central Europe. NATO, and especially the United States, faced either humiliation or nuclear war under that policy should the Soviets invade West Germany or escalate a situation over Berlin access routes to the point of conflict. The Kennedy administration's proposals to increase conventional forces in Europe to allow a more-measured escalation of conflict met with little enthusiasm from the Western allies when Secretary of Defense McNamara presented them at the NATO Conference in Athens, Greece, in May 1962. The strongest reaction came from French president Charles de Gaulle, who resented the implicit attack on national nuclear forces. British prime minister Harold Macmillan also favored a policy of

46. Including President Kennedy, John Ausland, McGeorge Bundy, Walter Dowling, Carl Kayser, Robert McNamara, and Dean Rusk. Tapes 8 and 9, John F. Kennedy Library, President's Office Files, Presidential Recordings Collection.

relying on national nuclear forces but, anxious to preserve Britain's special relationship with Washington, was never as critical as the French. The West Germans objected to the new policy for different reasons. They believed that it would encourage the Soviets to grab as much German territory as possible while calculating at what point the United States would actually shift from a conventional to a nuclear response.

Unclear discussion occurs as the recording machine picks up the chatter of officials taking their places. Only fragments are intelligible. As the men settled down there is an intelligible segment of 27 seconds that has been excised as classified information. An unidentified official is then heard saying, "From a military point of view. . . ." The secretary of state, Dean Rusk, opened the meeting.

Dean Rusk: Mr. President, we thought it would be helpful to give you a brief review of the probable sequence of events in the event of a major crisis on Berlin. Mr. [John] Ausland is going to give you the outline. There are a good many details under each subheading which we could [*unclear*] at any point which you might require. But you might want to see how this shapes up from beginning to end on a sequential basis. Mr. Ausland, would you . . .

John Ausland: Mr. President, gentlemen. During the past year, the United States and its allies have devoted considerable time and effort to contingency planning for Berlin. The Berlin task force has prepared an inventory of this planning, with a view to determining what has been accomplished. This briefing is designed to review the results of this inventory. In doing this, we shall use the four-phase framework set forth in NSAM 109, which is commonly called Poodle Blanket.⁴⁷

I shall begin by reviewing in general the four phases. I will then examine each of the phases in more detail. This examination will describe the political, military, economic, and covert actions which might occur in each phase. The description will also include an account of allied planning, the extent of allied agreement, and the degree to which governments are committed in advance to a given course of action.

Following this review of the four phases, I would like to examine briefly the allied organizational arrangements for Berlin planning and operations. Finally, I shall review briefly the planning currently in progress.

National Security Action Memorandum 109 divides the developing

47. See "Meeting on Berlin," 3 August 1962.

Berlin crisis into four possible phases. Phase I, during which Soviet or G.D.R. interference with access is short of a significant blockage of access to Berlin. Phase II, after there is a significant blockage of access, such as a blockage of civilian ground access to Berlin. This essentially noncombatant phase would be characterized primarily by intense diplomatic activity, a NATO military mobilization, economic countermeasures, and naval measures not involving use of force.

Phase III, during which substantial blockage of access continues. The dominant event in this stage would be the use of force, which would include nonnuclear ground and/or air action in East Germany or possibly Eastern Europe. These could be supplemented by worldwide naval measures involving use of force. The purpose would be to induce the Soviets to restore access. Phase IV would take place only after nonnuclear actions had failed to restore access. The dominant event in this phase would be the use of nuclear weapons.

Now, I should like to emphasize at this point that this is a conceptual framework which indicates the order in which we would prefer events to occur and is useful as a basis for planning. It's not an attempt to predict necessarily how history will unroll. I might also mention that we have no idea of rushing from one phase to another. Our aim rather would be to stabilize the situation as early in the scenario as possible and work out an acceptable arrangement on Berlin with the Soviets.

The four phases have now been examined quadripartitely by the U.S., U.K., France, and Germany in some detail. I believe it's safe to say that there is considerable agreement on them. The differences regarding some of the details will emerge in the course of this briefing. Now I'd like now to examine the four phases in more detail.

During phase I, allied vital interests remain substantially intact but are actively challenged by the Soviets or the G.D.R. I should say that we are presently in this phase. We will remain in it until some means of access to Berlin is interrupted or until an actual agreement on Berlin is reached.

The recording stops. The following portion of the briefing was not captured on tape:

The U.S. goal during this phase was to maintain its vital interests and to seek an agreement on Berlin with the Soviet Union.

The bulk of allied planning had been devoted to this stage. There was general agreement on measures to be taken in this stage, particularly with regard to the preservation of ground and air access to Berlin. The major exception was related to naval countermeasures. The United States, France, and Germany believed that it might be suitable to use naval meas-

*ures not involving the use of force to supplement direct responses to Soviet/G.D.R. harassment of access. The United Kingdom, although agreeing to plan quadripartite naval measures, did not believe they should be used before phase II.*⁴⁸ *The recording resumes in midsentence.*

Ausland: . . . preservation of ground and air access to Berlin. The major exception, as I shall explain, [*unclear*], is related to naval counter-measures.

Now, I'd like to describe the events which might occur in phase I. This current phase, the same as phase II, is dominated by diplomatic activity. Although a summit conference is not excluded, the effort to reach agreement is pursued primarily at the foreign minister and ambassadorial levels. As specific problems arise, a resolution is pursued at the appropriate level. This might be the commandant in Berlin, as in the case of sector border incidents, or the foreign ministers in Geneva, as in the case last March with regard to the air corridor incident.

Rusk: Or it might at this stage also include a reference to the U.N. in certain circumstances.

Ausland: In 1959, the U.S., U.K., and France set up a tripartite staff in Paris known as Live Oak, under the command of the U.S. commander in chief for Europe. Within the framework of Live Oak plans, the allies have made military preparations to deal with possible interference with the allied access to Berlin.

Considerable tripartite planning has been done to preserve air access to Berlin, for the most part within the framework of what is known as the Jack Pine plans. This planning includes provision for dealing with Soviet or G.D.R. efforts to threaten or interfere with civil flights. In event civil flights should cease, there is provision to continue flying civil aircraft with military crews. Should the Soviets damage, shoot down, or force down and destroy an aircraft, there is provision for the use of fighter protection. There is also provision for flights over 10,000 feet, in certain circumstances. At the present time, although we maintain the right to fly over 10,000 feet, we do not in fact do so. Finally, there is a plan for attacks on anti-aircraft or [surface-to-air] SAM sites if they fire on allied planes.

Now, within the framework of the Jack Pine plans, the U.S. and U.K. governments, but not the French, have delegated certain authority to

48. John C. Ausland, "Briefing for President Kennedy: Berlin Contingency Planning," in *Kennedy, Khrushchev, and the Berlin-Cuba Crisis: 1961-1963* (Oslo, NOR: Scandinavian University Press, 1996), p.159.

[SACEUR] General [Lauris] Norstad. This existing authority extends up to, but does not include, attacks on ground installations. In other words, it extends through the introduction and use of fighter aircraft. There has also been planning to deal with interference with ground access. Since the end of the blockade in 1949, both German and allied access have been subjected to intermittent but frequent harassment. Methods of dealing with minor harassment have been developed informally. They are characterized by brief resistance and negotiation of each incident until the incident is resolved.

Now recent, more formal planning includes serious forms of interference which border on blockage. Live Oak, for example, has submitted to governments proposals for rules of conduct for allied convoys in event they encounter unacceptable harassment. The U.S. has approved these proposals for use for U.S. convoys pending allied agreement, which we expect to reach in the near future. The rules of conduct and the delegation of authority under the Jack Pine air access plan, constitute the extent of advanced commitments by the U.S. government regarding precisely what we will do in various contingencies on Berlin. [*Unclear*], we would suspend with the actual decision, reserved until the event.

If allied autobahn access appears to be blocked, Live Oak plans provide for several alternative tripartite military probes, which are known as Free Style. These range from a few vehicles to platoon size. Governments have, however, not delegated advance authority to employ any of these probes. Planning has also been done to deal with German access, largely through the application of countermeasures, economic countermeasures.

We, the French, and the Germans have agreed that the allies might use naval measures not involving the use of force, such as in-port harassment and close surveillance at sea of Soviet-G.D.R. ships, to counter severe interference with access analogous to some of the interference last February and March. The British have, however, thus far resisted the concept of using naval measures prior to blockage of access, although they have agreed to plan for it.

Now, with regard to economic countermeasures, the nearly complete ban on issuance of temporary travel documents to the East German residents, which was put into effect in September 1961 after the division of Berlin, continues. Although there might have been advantages to further relaxing the ban, so as to be able to use it again, on balance we have thought it best not to lift it, in order to bring pressure to bear on the G.D.R. to relax restrictions on travel to East Berlin. Quadripartite agreement has been reached in principle on mildly restricting bloc travel to the West if access to East Berlin is denied to the allies. Tentative

agreement has been reached with the Germans and the French to take selective economic countermeasures [*unclear*] if persistent harassment of access to West Berlin occurs. The British, however, reserve their decision until the event. NATO has also agreed in principle to cut off air traffic to and from the Soviet bloc if a serious incident of physical interference with an allied airliner occurs in the corridors.

Now, it is not possible to predict exactly how long phase I will last. By definition, it will end when it becomes clear that the Soviets or G.D.R. are prepared to use force to maintain a significant blockage of access to Berlin or until a viable agreement is reached on Berlin. The Soviets have given every indication thus far of preferring to minimize their risks and avoid a step which seriously challenges allied vital interests. There is no guarantee, however, that this will continue. There have been indications recently that the Soviets may be planning to sign their long-heralded peace treaty with the G.D.R. If they do, the scenario will obviously be significantly altered. I'd like, therefore, to examine this contingency briefly.

Allied planning for a peace treaty, which now is once again under review, has been based on two assumptions. First, while we seek to discourage the Soviets from signing the treaty, in the last analysis we probably cannot prevent this step without the use of force. Second, we are prepared to continue our normal use of rail and autobahn access routes if the Soviets withdraw from the checkpoints and the G.D.R. personnel take their place and continue to carry out differing procedures. Now, these assumptions in effect set the limits for allied reactions to any Soviet move to sign a peace treaty. Prior to any peace treaty conference called by the Soviets, we would propose to take action designed to deter the Soviets from concluding a treaty, especially one which would infringe our vital interests. At the same time, we would not want to engage our prestige too heavily in the signature of the treaty itself. Our actions after the treaty would depend on our estimate of the possible effects of the implementation of its provisions. Our measures would be directed toward deterring the Soviets or the G.D.R. from taking steps which could lead to infringement of our vital interests respecting Berlin.

If the Soviets decide to conclude a treaty, they could bring this about in a time period ranging from a few days to a matter of months. However, it seems most likely that they would first take time to enlist political support, including a possible U.N. initiative.

Now, a peace treaty would undoubtedly precipitate a crisis atmosphere. Nevertheless, given careful handling and determination, it should prove manageable. In the absence of overt action on their part, we would attempt

to treat the treaty as of no more significance than the Soviet agreements with the G.D.R. in 1955. It is, however, always possible that either intentionally or through miscalculation, Soviet or G.D.R. action will result in some infringement of our vital interests such as a significant blockage of access to Berlin. In this case, we would find ourselves in phase II.

Phase II would provide our last chance to resolve the Berlin problem without the use of force. The prestige of both sides would be heavily engaged and tensions would be running high. We can expect the dominant pressure of world opinion would be to make concessions to the Soviets in order to avoid the risk of war, although there of course would be some pressures in the other direction.

The allied goal during phase II would be to employ noncombatant actors to restore their vital interests. The Soviets, on the other hand, would probably aim at negotiations without access restored, on the assumption that this situation would exert maximum pressure on the allies to make concessions.

Now it's become evident in our quadripartite discussions that the U.S., U.K., France, and Germany are in general agreement as to the preferred configuration of phase II. Particularly as we have examined the alternatives available in phases III and IV, it has been agreed that we should be prepared to use all measures short of force to reach an acceptable settlement during phase II.

During this phase, diplomatic activity would continue to dominate events. At an early point, we will probably find ourselves in the Security Council, if we weren't there already, if not on our initiative, [then] on some other country's. Plans have been prepared, for example, to go to the Security Council as soon as Soviet activity in the air corridors requires the introduction of fighters. This could be in phase I or phase II. We would at this point probably want to make unpublicized warnings to the Soviets as well as the satellites. We would, however, probably try to avoid a formal conference until the Soviets indicate a willingness to restore access. Now, this diplomatic activity would be conducted against a background of mounting pressure. To make clear to the Soviets our intentions, determination and prepare for the possible failure of our combination of diplomatic and noncombatant pressures, there is quadripartite agreement that NATO should engage in a further military buildup or mobilization. There have, however, been no commitments on details on this.

Robert McNamara: May I interrupt just a moment, Mr. President, this is one of the weaknesses of our present plan: the lack of agreement on the extent and type of the schedule for mobilization in phase II. It depends to some degree on acceptance of the sequence of military opera-

tions considered for phases III and IV, and until we can get further agreement on phases III and IV, it's unlikely we can obtain any agreement on the type of mobilization for phase II. But I simply draw your attention to the fact that it doesn't exist at the present time and we will have to work toward it in the weeks ahead.

President Kennedy: What holds this . . . Now what is the difficulty of getting the planning on phase III?

McNamara: Phase III. Well, it goes to phase IV, basically. There's still disagreement as to the character and timing of nuclear operations. Several of our allies believe they should occur earlier than we do in the sequence of military operation, and this of course affects the extent to which they would be willing to mobilize in phase II. But these problems are being talked out at the present time and I think we're making a little progress, but it's very, very slow.

President Kennedy: Where is the . . . Where do you have these discussions?

McNamara: In the quadripartite military subcommittee.

President Kennedy: Oh.

Rusk: Mr. President, I can't help but observe . . . I think that this difference, basically, though, is still a readiness in Europe to rely heavily upon the fact that if you threaten nuclear weapons nothing will happen.

McNamara: This is exactly [unclear] point [unclear].

Rusk: It is based upon an actual sequence of events.

McNamara: Neither do I, but it's a . . .

Rusk: So the [unclear] agreement is [unclear]. The other side is not thinking about this on the same basis in which we're thinking about it.

President Kennedy: And in addition, of course, by . . . They feel that if we announce our willingness, that lessens the necessity for them to take some of the economic and military [unclear] measures. [Unclear exchange.]

Rusk: On the one side, they want you to [unclear] ahead of the event. [To] threaten immediate use of nuclear weapons, but when you get around to talking about what you actually do, then the Germans, for example say, "Well, let's go in with naval countermeasures at maximum risk" definitely rather than use the military measures, than phase III.

McNamara: But because they talk and think in those terms, they can't bring themselves to consider the mobilization actions necessary to provide an alternative capability. This is why we're having trouble in phase II. And that trouble won't be resolved until we resolve the differences in phases III and IV.

President Kennedy: How much is . . . This story in the *New York*

Times this morning, was there some background briefing in an attempt to . . . when we disagreed with [West German defense minister Franz Joseph] Strauss? There's a story in the *Times* [*unclear*] be giving our view that we never asked them to go to 750,000 after this . . .⁴⁹

Rusk: I don't know the source of that and . . .

McNamara: I don't either.

President Kennedy: So have you ever asked them to go to 750,000?

McNamara: I personally asked Strauss to go above—

President Kennedy: Five hundred thousand.

McNamara: Five hundred thousand, not necessarily to 700,000, but to the point at which he could fulfill the NATO commitments.

Rusk: My understanding is he asked you to ask him to go to that [*unclear*]

McNamara: He specifically asked me to ask him.

Bundy: Exactly!

President Kennedy: So now he's saying that we asked him but that . . . well . . . [what] happened?

McNamara: Well, he blows hot and cold, and at the moment he's saying in effect that we asked him, and he refused. Now somebody has said this isn't true, but it's not true, on either account, that we did ask him and he didn't refuse. [*Laughter.*]

President Kennedy: Then I wonder who . . . That story this morning sounds like a very precise briefing.⁵⁰

McNamara: It couldn't have come from the Pentagon because there are only a hand[ful] . . . there are only three or four of us that know of this conversation—Ros[well Gilpatric] and I and Paul [Nitze]. We're the only ones that know of it.

President Kennedy: We didn't put this out? That's how [*unclear*].

McNamara: No, definitely not. Definitely not.

Unidentified: The *Times* had been working on it for two or three days. [*Unclear*] called . . . [*Unclear*] asked me about a figure and I unfortunately never heard of him, so . . .

President Kennedy: Well, I suppose this is all really tied in because

49. The day's *New York Times* carried a story, "U.S. Aides Dispute Strauss on Army." Officials in both the Defense and State Departments denied telling Strauss that the United States expected the West Germans to increase their forces from 500,000 to 750,000. For details about conversations between Strauss and Kennedy administration officials in early June 1962, see "Meeting about Berlin," 3 August 1962.

50. With the Hanson Baldwin investigation still going on, the President is especially sensitive to the problem of leaks.

this article this morning, there's all this question of when, at what point to use nuclear weapons. Is there a basic, is this because they're unwilling to do the conventional [*unclear*] responsibility for us for . . . by our own insistence on building up conventional . . . [*unclear*] ruining the credibility of this really genuine feeling or is it just because they want to put—

Rusk: What they are worried about is that if we don't use nuclear weapons or make it highly likely that we would early, that the Soviets will grab off a considerable part of Germany and then want to negotiate at that point, holding onto—

Unidentified: What they've got.

Rusk: —large bites of Germany. Now, what we've been trying to do is to get the conventional forces up so that we have a genuinely forward strategy in Germany, so that you don't rely upon these plans that pull you back 1,500 miles that the General proposed in the [*unclear*].

President Kennedy: But even with the use of nuclear weapons, I thought the conventional force level of 30 divisions is a . . . that force level was set on the presumption that you could use nuclear weapons quite early.⁵¹

Walter Dowling: That's right.

Rusk: That [*unclear*] force level is the initial level.

McNamara: But Mr. President, the analyses of last summer indicated that with 30 divisions, assuming the Soviet buildup didn't exceed something on the order of 50, the 30 divisions would be adequate to carry on conventional warfare for some reasonable period of time during which negotiation could continue. [When] I say reasonable period of time, I don't mean months, but at least weeks.

Rusk: Several weeks.

President Kennedy: I'm just trying to understand what the basis is for the last month's difficulty which you connected with the change in demands at least as a signal and whether Strauss is putting these arguments out for his own purposes or whether there is a genuine dispute.

Dowling: I think there is perhaps a genuine dispute coming from some . . . coming from one respect. That and I think that Strauss would never really, or at least his military men would [never], accept that there's a concept that you really could carry on with conventional means for a very long period. There seems to be a feeling that very early on in this [*unclear*]. This is the only real basis of this. The rest of it is just [*unclear*]. . . .

51. NATO policy directive MC 26/4 of 1961 established Central European ground strength at 30 divisions.

President Kennedy: That's because they're unwilling, though . . . that's because they're unwilling to pay the price of the conventional buildup, isn't it?

Dowling: No, I think actually the Germans are doing about as much as anybody in Europe in the conventional field, but they wanted to tie it in very closely with the use of tactical nuclear weapons. Is this right, Bob?

McNamara: I would say, that it's the result of three differences in judgment, or I would call them errors in judgment. One is an overestimate of the Soviet conventional capabilities.

Dowling: Yes, yes, this is a great error.

McNamara: This has been a point of difference. It remains a point of difference. It is not as great a point of difference today as it was a year ago but it is still a point of difference. We're continuing to try to bring the two views closer together.

Secondly, they believe that there is a salvation in tactical nuclear weapons. I think part of this is a function of lack of understanding of the use of tactical nuclear weapons and the results thereof.

And thirdly, an unwillingness to build to the conventional force limits that they have agreed to in the NATO Councils. Now those three factors combined lead them to seek alternatives other than the use of conventional forces. So then I think we can attack all three of those problems and we have, and are making some progress.

Rusk: So far as we know, Adenauer did not put any pressure on General de Gaulle to get de Gaulle's contribution.

Dowling: Increased.

Rusk: Increased. [*Unclear.*] When I was there, but Adenauer isn't trying to do something about that because it's the French contribution that is standing in the way most now of this forward strategy.⁵²

President Kennedy: Why is it, Ambassador, that they didn't go into these . . . this at the meetings because it means it is difficult for us. We seem complacent. They spend so much time emphasizing that. And we'll never take on this French issue, but the reason, I think . . . at least it's high for us, which are highly publicized and never with the French?

Dowling: I think that basically . . .

Unidentified: Watching to see [*unclear*].

Unidentified: Which isn't to say that [*unclear*].

Rusk: Oddly enough Mr. President, I think it also is that he [Adenauer] knows really that he can be more certain about American

52. France had shifted only two of its required four divisions under MC 26/4 to Central Europe.

policy than he can about de Gaulle's policy, so he doesn't want to let de Gaulle win. This is the anomaly of the situation.

Dowling: Yeah. That's true.

Rusk: And he can afford to be fretful about us because he knows he can rely on us [*unclear*] events.

McGeorge Bundy: It doesn't give you much comfort. [*Unclear exchange.*]

President Kennedy: But I think [*unclear*] because we spend an awful lot of time reassuring, don't we, and probably the French don't do it. I don't know whether . . .

Dowling: Well, the French tend to, the French do, and I think that every time that de Gaulle and Adenauer meet, Adenauer comes away with a sort of euphoria: the most wonderful man in the world [*referring to de Gaulle*], a great leader, [*unclear*] but actually to a lesser extent, the problem isn't between the French and the Germans. It's [*unclear*] the continent. But it's nothing they'd [*unclear*] debate [*unclear*].

Rusk: But they can rely upon us.

Dowling: They can rely on us. But I think that—we've talked about this—I think the problem is to tie this to some [*unclear*]. [*Unclear*] tell Adenauer. [*Unclear.*]

Rusk: But we've got to turn this inquiry around. If they can keep asking questions, and throwing up questions about our motives first, we've got to convert that into a flagging to us that there's something wrong with their side; therefore they've got to find a way to reassure us about what they'll do. [*All sit silent for a moment. Ausland continues his briefing.*]

Ausland: If Soviet action resulted in . . .

Rusk: [*Unclear*] just a little, Mr. Ausland? Speak up just a little [*unclear*].

Ausland: Okay. If allied ground access were affected by the Soviet action, plans exist for a garrison air lift to carry the necessary passengers and freight. If civilian ground access were blocked, it would become necessary to resort to the Berlin stockpile, and implement QBAL, or the Quadripartite Berlin Airlift. The quadripartite powers are also examining the possibility of the alliance taking civilian motor traffic at some point under their aegis. This would involve giving civilian motor traffic the outward character of allied military traffic. If such an attempt were resisted by the Soviets, which seems likely, the Soviets would have directly engaged the allies on the ground, and contingency planning for a blockage of allied access would become applicable.

Now if the interruption in phase I were related to air access, the

Soviet challenge would have been met within the framework of the Jack Pine plans, which I described in connection with phase I. These actions, such as the Military Sponsored Air Service, which would [*unclear*] civil planes, or fighter escorts, could carry over into phase II.

Quadripartite agreement has also been reached that naval measures not involving the use of force, such as close surveillance of Soviet/G.D.R. ships, and declaration of exercise areas across sea lanes used by Soviet or G.D.R. vessels, could be used at this time to bring pressure on the Soviets.

There is also quadripartite agreement that another form of pressure that we could bring to bear on the Soviets would be economic countermeasures. Now these fall into three categories: severing or limiting exchanges with the bloc in other than trade fields, such as cultural, restrictions on transport and movement of persons, particularly those involved in trade, and selective or full trade embargo, including interzonal trade. And the extent to which you would go in implementing full embargo I think would depend on the situation at the time.

The NATO Council has examined these measures and substantial agreement has been reached, particularly regarding the total embargo and air countermeasures which would involve stopping Soviet flights into the West.

The U.S. would also propose during this phase to encourage passive resistance in the G.D.R., and we are at present discussing this with our three allies.

Now the question [*is*] sometimes asked, "How long would phase II last?" This has been hard to predict with any certainty. Since, however, unless blockage were ended, phase II would last until either we or the Soviets resorted to force to resolve the impasse, we could hope that it would be a matter of months rather than days.

President Kennedy: How much of the selective or full trade embargo has been agreed upon for example, with regard to NATO countries as opposed to Soviet bloc countries? Is there any agreement on that?

Ausland: They've agreed in principle, sir. The best that you have there is an agreement in principle.

Rusk: I think if we have a complete embargo of Berlin, I think measures would move very fast. I really don't think that in the face of that embargo you would have much trouble getting [*unclear*] agreement on this.

Ausland: As I say, we would hope that phase II would last a matter of months rather than days. We and our allies would want to explore every avenue for a peaceful result. We would also want to give the pressures we will bring to bear on the Soviets a chance to take effect. Time will

also be required for our mobilization, to place us in a position to use force, if necessary, with acceptable risk. We should keep in mind, however, that the length of phase II will be conditioned by the fact that allied prestige will be heavily engaged in the restoration of our vital interests. Since we are unable to predict the length of phase II, we believe that our plans should be flexible enough to provide for various lengths.

Now, if despite the actions taken in phase II, allied rights are not restored, and there is a serious deterioration of the Berlin situation, the U.S. believes that the tripartite allies should take appropriate action to clarify whether the Soviets and G.D.R. intend to maintain blockage of ground or air access, while at the same time making clear allied intention to reopen access. This would be done with some sort of probe. Now, if it were clear that the Soviets or G.D.R. intend to maintain blockage of access, as a result of this probe, the U.S. believes that the allies should initiate military actions designed to induce the Soviets to reopen access.

Now this phase, or phase III, would mark the commencement of offensive, nonnuclear combat. It would be implemented by means of a plan, or plans, drawn from the Live Oak or NATO catalogue. It is the U.S. view that phase III should start under tripartite control, and that the shift to NATO control would take place at the time when a tripartite operation came under attack by Soviet or G.D.R. forces.⁵³

Now, plans available for phase III include, on the ground: the Live Oak battalion-level plan, Trade Wind, the division-level plan, June Ball, and the NATO BERCON Charlie plans, which range from one to four divisions.⁵⁴ In the air: Live Oak Jack Pine III, which is an attack on anti-aircraft or SAM sites in East Germany, and the NATO BERCON Alphas, which range from fighter sweeps of the corridors to large-scale attacks on Soviet bloc installations in Eastern Europe to attain local air superiority for a particular period [*unclear*]. At sea, quadripartite and NATO naval measures involving use of force, up to and including the worldwide blockade of the Soviet bloc. As you will recall, General [Lyman] Lemnitzer, on July 19, presented a more detailed briefing on these SACEUR and SACLANT plans.⁵⁵

53. The tripartite countries were the three Western occupying powers of Germany, the United States, Great Britain, and France.

54. The acronym BERCON stands for Berlin Contingency.

55. See the memorandum for the record, 19 July 1962, *FRUS*, 15: 230-32. The acronym SACEUR stands for Supreme Allied Commander, Europe; SACLANT stands for Supreme Allied Commander, Atlantic.

Phase IV, beginning in the U.S. use, first use of nuclear weapons in any form, follows phase III when it has become evident that the conventional measures which have been used have been unsuccessful in inducing the Soviets to restore allied rights to Berlin, and when conventional measures still in sight offer no reasonable prospect of success. BERCON BRAVO, SACEUR's plan for the demonstrative use of a limited number of nuclear weapons, is the only Berlin contingency plan which is exclusively nuclear.

The other plans, however, include nuclear annexes for provision of the use of nuclear weapons. These would be implemented with presidential authority under any one of the three following circumstances: First, prior use by the enemy; second, the necessity to avoid defeat of major military operations; or third, a specific political decision to employ nuclear weapons selectively in order to demonstrate the will and ability of the alliance to use them. In addition, depending upon the circumstances at the conclusion of phase III, phase IV could begin by direct recourse to general war.

Now, I think it's a little difficult to predict precisely what diplomatic activity would be taking place just before and during these operations. But it would be important that the allies make clear to the Soviets their intentions, particularly the terms on which they would discontinue any military operations. They should also make clear to the world their reasons for undertaking them.

During military operations, the U.S. would propose to encourage isolated acts of active resistance in East Germany, such as isolated acts of sabotage. The U.S. would seek, however, to avoid encouraging an uprising, unless general war appeared imminent. We are now discussing these questions of types of these activities [*unclear*] with the U.K., France, and Germany.

Now, having described the framework within which allied planning is taking place, I'd like to turn briefly to the machinery. Within the U.S. government, coordination is accomplished primarily by the Berlin Task Force, which meets regularly and includes all of the organizations listed here at the bottom: Commerce, Defense, JCS, State, CIA, Treasury, USIA,⁵⁶ and FAA.⁵⁷ The Ambassadorial Group is primarily responsible for the coordination of quadripartite contingency planning, and has under its aegis subgroups on East Germany information, contingency

56. The abbreviation USIA stands for U.S. Information Agency.

57. The abbreviation FAA stands for Federal Aviation Administration.

coordination, and that's really a political body, economic committee, and military subgroup.

Then, on the . . . taking into account the organization in Europe as well, you get a fairly full picture of the organizational arrangement involved. The Ambassadorial Group is responsible, under the authority of the governments, for coordination of the activities of all these various groups. Live Oak is the tripartite body responsible for tripartite military planning with regard to Berlin and uses British Headquarters for ground planning, the U.S. Air Force headquarters in Wiesbaden [West Germany] for air planning, that also has a tripartite command post to conduct actual air operations. Live Oak also, of course, is U.S. CINCEUR⁵⁸ and SACEUR, and in this capacity keeps NAC, the NATO Council, fully informed on what he is doing. We also look to our four permanent representatives to the NATO Council for pursuing our interests in the council.

The Quadripartite Committee in Bonn is responsible for political planning, the commandants in Berlin for planning regarding Berlin itself, and for this purpose, they have a tripartite allied staff [*unclear*]. And then of course we look to our four ambassadors in the U.N., who are there. But that gives at least a simplified view of the machinery.

Now, in conclusion, I'd like to review briefly some of the planning details on these works now in progress. The military subgroup of the Ambassadorial Group is at present, as Mr. McNamara indicated, discussing general strategic questions and, to that end, is preparing a draft four-phase paper for submission to the NATO Council in September in connection with consideration of the NATO military plans.

President Kennedy: Are we really in such disagreement with them when we get down to the practice of saying [*unclear*]? Because there's some theoretical argument that we're [*unclear*]?

McNamara: No, I don't believe we are, Mr. President, but because the theoretical argument continues, we haven't gotten down in the quadripartite planning to the level of detailed mobilization planning that we ought to have on hand as we enter phase II.

President Kennedy: As a practical matter, there wouldn't be really very much difference in the timing of the . . . using nuclear weapons, probably, once the situation began . . . ?

McNamara: I don't believe so.

President Kennedy: It's getting to be theoretical arguments; you're

58. The acronym CINCEUR stands for Commander in Chief, Europe.

never supposed to give way until . . . You'll never get a compromise on theoretical arguments. . . .

Rusk: I think this is a very important point, because in [*unclear*] case, when these decisions have to be made, you want to know an awful lot about the dozens of factors that have been proposed by every chief of government [*unclear*]. It's a lot of help to know . . . what the question is . . . a little more accurately before he tries to give a final answer, so there's bound to be a certain tentative element, and this tends to slow down the detail and the accuracy of planning, on some of these questions.

McNamara: Yeah, but I think, therefore, we must seek to move over this potential theoretical disagreement and into some assumptions, in saying, "Well, assuming that we defer nuclear weapons, their use for a certain period of time, what kind of conventional forces should we have at that point and how should we plan to mobilize them?" To see if we can't get some attention to this mobilization very quickly, which might come relatively soon. Now, in our own case I think we have some ideas of what's required. But to the best of my knowledge, there are no detailed mobilization plans for phase II for our allies.

President Kennedy: So they . . . Well, how would you see the time schedule as far as getting any . . . ?

McNamara: Well, I think within the next four to six weeks we should try to arrive at those in the quadripartite military subgroup.

Rusk: There are of course, events that could expedite that greatly because . . . simply of necessity.

McNamara: Yes.

Rusk: I think there are mobilization capabilities among our allies not directly related to phase II, if actually brought to bear, and the mobilization could start [*unclear*]—

McNamara: But they're so general.

Rusk: Yeah.

McNamara: They should be made far more specific. They're the same kind of capabilities we had a year ago spring which had to be greatly refined and changed to serve the purpose of last summer and fall.⁵⁹

Ausland: With regard to phase I, the contingency coordinating subgroup is conducting consultations on operational details such as Live Oak's proposals for rules of conduct for allied convoys, and the question of possible G.D.R. efforts to require passports and visas for travel by

59. McNamara is referring to the Berlin Crisis of 1961.

Germans to and from Berlin. We are also reviewing at present on an urgent basis, our existing planning for a peace treaty.

With regard to phase II, the military subgroup is planning to examine the details of a NATO mobilization and the question of coordination of quadripartite naval measures. With regard to phases III and IV, the NATO standing group has now examined the BERCON/MARCON plans,⁶⁰ and has returned the [unclear] submitted by SACEUR and SACLANT to them for amendment. At the same time, the field commanders are preparing the detailed plans.

Rusk: Mr. President, you had a briefing about ten days ago on phases III and IV. One of the key purposes of this briefing is to let you see in broader terms everything that comes before it. So you can see that a great deal would have happened before we get to these phases III and IV.

President Kennedy: When do we get on the . . . when do we . . . did you say you're meeting in September on the—?

McNamara: No, I said that I hope within the next four to six weeks that some of the mobilization questions will be advanced and answers will be developed within the quadripartite military subgroup. They're meeting continuously.

President Kennedy: I think that we ought to, if we can't seem to get an agreement on this question at what point we use our tactical weapons . . . and then they say that until we get an agreement on that, they won't go ahead with the divisions. It seems to me we ought to consider turning around and saying, "Well, we'll [unclear] your position on tactical [nuclear weapons], providing you will and the French and others will agree to a satisfactory buildup of forces because the 30 divisions assumed the use of tactical nuclear weapons almost immediately anyway.

McNamara: Yes, it did.

President Kennedy: So that's no excuse. It's not fair [unclear] their NATO 30 divisions [unclear]. This way, it seems they've put it on us, that we are less sympathetic [unclear] they can use that as the excuse for not going ahead with the system of the French and all the rest, I should think . . .

McNamara: However, Mr. President, I'm afraid that if we say that we would consider the use of tactical [nuclear] weapons early, they'll then go on to say, and, of course, . . . it's clear now that we don't need 30 divisions under those circumstances. This is the next move. [Henry] Kissinger makes this very clear, for example, in his July *Foreign Affairs*

60. The acronym MARCON stands for Maritime Contingency.

article, and I'm certain that this is an underlying belief in the minds of the Germans.⁶¹

Bundy: It's a number they'd like to get away from—

McNamara: Yes. But I think we can approach the problem somewhere along those lines, nonetheless, and say, "Well, assuming for the minute that we wish [for] an option at that point, either use nuclear weapons immediately or not use nuclear weapons [*unclear*], what kind of conventional forces should we approach at that point?"

Unidentified: But they say—

McNamara: What mobilization should we have?

President Kennedy: I completely agree that if you didn't have the problem of Berlin then you would say that they're right about this and then as the first Russian soldier comes across the West German border, then you'd consider using nuclear weapons. But given the problem over the probe into Berlin, and the fact that we would have to initiate it, and they have the forces up there, which may get involved in the fighting inside East Germany, that's what causes, it seems to me, our position of the use of nuclear weapons to have validity. Now, they don't agree with that? Even though . . . I think their position's not valid because of the Berlin corridor part of it.

McNamara: Well, as Secretary Rusk pointed out, they're quite unrealistic when they imply that nuclear weapons would be used very early without question, because the heads of government at that point would wish to seriously consider the alternatives in a way that those alternatives are not currently considered. There's no question in my mind but what that's true of the British. And yet the British representatives at various points in the military subgroup have talked as though they were strongly in favor of immediate use of nuclear weapons. I am positive, based on my own discussions with the British, that their government would take a different attitude when they reached that particular point in time.

President Kennedy: Well, the reason, though, for their theoretical position is that they don't want to meet the conventional [targets]. Is it an economic . . .

Unidentified: Well, he thinks—

61. Kissinger was a consultant to the Kennedy administration for German affairs. In July 1962, he published an article entitled, "The Unsolved Problems of European Defense," in *Foreign Affairs*, which argued that a conventional NATO force based on 30 divisions "reflected psychological and not strategic considerations."

Rusk: Mr. President, [*unclear*] they are hoping that nothing will happen and they won't have to pay the money for the additional [*unclear*]. Now this is just about what it amounts to.

McNamara: And there is still a lingering attachment to the old philosophy that if you simply threaten to use nuclear weapons, then the Soviets will be deterred from any military action or political aggression. And it's a combination of these two beliefs that leads them to the support of an immediate use of nuclear weapons.

President Kennedy: Yeah.

Carl Kaysen: Their older concept is just more comfortable with . . .

McNamara: Yes.

Dowling: I don't think any of these people that would advocate the early use of nuclear weapons, would have endorsed the use of nuclear weapons to take some of the military actions we discussed on page 3. That would be the one to go out and seize, say, to the Kassel salient. I don't think Strauss himself . . . [*unclear*] say that we should use nuclear weapons at that time because it presents a real hazard for West Germany.

Bundy: They're . . . It's only a good thing to do if you're never going to do it.

Dowling: That's exactly right. [*Unclear exchange. Someone says, "Yes, I'd expect it."*]

President Kennedy: Well, now what is it that we've got to do in this area? [*Unclear*] general [*unclear*].

Rusk: Well, I think we continue inspection on the political consultation, planning. The Germans want a final list to appear just before the [U.N.] General Assembly opens. And I know we probably ought to go along with that if the others agree. But I think the principal problem, really, is what Secretary McNamara was talking about, to get them moving on these military plans and reinforcement because those are the signals that the other side will pay some attention to.

President Kennedy: Now, it isn't considered likely that the peace treaty would be signed over a weekend?

Rusk: Well, I think there's a difference there, too. I don't think that they could move very fast. We are inclined to think that they would go through a period of preparation, and not get, get a few of their bloc people together to sign a peace treaty in secret and then suddenly announce it. They could do that; and that could happen over a weekend, but we are inclined to think that would go through a much more elaborate period of political preparations, going to the U.N. or soliciting support from neutrals or a variety of other threats. So we don't expect it, but it could happen, and we've got to be ready for it.

President Kennedy: If Khrushchev comes . . . If they come to the U.N. with a proposal in regard to Berlin that they would—a free city—there'll be strong pressure, I would think, that the U.N. for the recognition of East Germany. I don't think the unification of Germany has much appeal up there. The only thing that does have some appeal is the free choice of the Berliners. Do you think at any time we can indicate that we'll abide by the choice of the people as a counter to any proposal they might make at the U.N., that we will abide by the choice of the people of West Berlin: to either, one, accept the Soviet plan; two, provide for the continuation of the present arrangement; or three, accept U.N. supervision.

Rusk: Well, I would think that we, in the first place, took the line completely, of the West Berliners, on that point.

President Kennedy: That's right.

Rusk: Secondly, that we ought to make it clear that, if you could get to the U.N. that what the West Berliners think about [*unclear*] East Germans . . . would be very important to hear this at the U.N. I think in the U.N. that the weakest point the Soviets would have would be the lack of any self-determination for the East Germans as well as for the West Berliners.

President Kennedy: That would be the theme we'd stress?

Rusk: Right. Yeah.

President Kennedy: Well, now, you say over the next two months the chief problem really will be the . . . to fill out this framework? [*Unclear*] this commitment?

Rusk: Well, we're . . . as you may recall at Geneva, I urged Gromyko to pay some serious attention to our deputy foreign ministers' proposal, and he said that you'll have to take it up again in Moscow; they're not going to answer that in Geneva.⁶² He has not yet given us any reply on that, and [*Anatoly*] Dobrynin yesterday didn't have any new instructions.⁶³ But I think we may get a proposal from them of a sort that involves a ministers' meeting of some sort, perhaps with some conditions or circumstances that make it difficult for us, but I don't think they've dropped the idea at all yet of further discussions, either bilaterally or on a quadripartite basis.

President Kennedy: Now, if they should sign this treaty overnight at the end of August, over a weekend, what is it . . . have we got our response? Are we clear?

62. Andrei Gromyko was the Soviet foreign minister.

63. Dean Rusk met Soviet ambassador Anatoly Dobrynin on 8 August. Dobrynin explained that Gromyko and Soviet leader Khrushchev were on vacation. See "Secretary's Conversation of August 8 with Ambassador Dobrynin," 9 August 1962, *FRUS*, 15: 262–66.

Rusk and McNamara: Yes.

President Kennedy: It doesn't look like we —

Rusk: We have a good many. . . . We have notes. We have public statements drafted on a quadripartite basis, and actually at the last minute we are going to see what changes would have to be made in view of the circumstances. . . .

Bundy: Signing overnight, Mr. President, is extremely unlikely, because they do have to . . . They will at least have to issue invitations to those with a reasonable [*unclear*] the right to attend such a conference.

Dowling: I think they want to make it quite a show, sort of, you know, a big event. But I think they won't do it overnight, they were too [*unclear*].

Rusk: Mr. President, I think in the United Nations, whatever the attitude up there might be about the merits of the thing there would be powerful support throughout the Assembly for a simple [*unclear*] talk while you leave the situation [*unclear*] status and get the parties to get together and talk about it further. And that's the recommendation from the [*unclear*]. That we move that way first.

President Kennedy: What about this matter we were talking about the other day, about getting the Congress to give us powers to call up—?⁶⁴

McNamara: Mr. President, we've looked into that. I think it's our view at the present time that it would be unwise to attempt to obtain that authority now. We can obtain it rather quickly if it's required.

President Kennedy: [*Unclear.*]

McNamara: Exactly, but we thought we might wait to that point. In the meantime, we've developed alternative plans, as I told you we would, to call up Army units, either those that we have just demobilized or, alternative units to fill in our strength, and similarly for the air units, we're in a much stronger position, as you know, today than we were a year ago, and it wouldn't be necessary, to achieve the combat effectiveness level of a year ago, for us to call very many men. In the case of the Air Force, for example, we could accelerate the readiness dates of these new squadrons that we've activated by calling up about 2,000 men, and have a rough equivalent of the force that we called up a year ago, with a total strength then of 25,000 men. In the case of—

President Kennedy: [Can we] call up those 2,000 men [*unclear*]?

McNamara: We cannot call them up, at best, unless you declare a national emergency or unless we have a joint resolution as authority for that action.

64. See "Meeting on Berlin," 3 August 1962.

In the case of the Army, a year ago we had 11 combat-ready divisions. We added the two Reserve divisions, and then had a total of five divisions in training. Today we have 16 combat-ready divisions, or near thereto. We could flesh out the support of those divisions by calling up some additional Reserve or Guard personnel, anywhere from perhaps 10,000 up to as many as 80,000.

In the case of the Navy, we called up 40 destroyers last year, and 8,500 men, including the men for 18 antisubmarine warfare squadrons. Those 40 destroyers remain in what I call a semioperational condition today. They have not been deactivated. Each one of them has crews. We could place them on a fully ready condition by calling up something on the order of four or five thousand additional men, and the 18 antisubmarine warfare squadrons, if needed, could be called back to service. We've added to the Navy active strength over what it was a year ago by increasing the amphibious lift by about a third, and by increasing the logistical support ships.

So, it's conceivable that, apart from the political advantage associated with a call-up, we could avoid a call-up during phase II.

President Kennedy: Though we could decide [*unclear*], I would be sure we could get them to give us authority to call up 50,000, between . . . from the middle of [*unclear*]?

McNamara: Yes.

Unidentified: That's the point. [*Unclear exchange.*]

Unidentified: If we call for a smaller number, it's another period.

McNamara: Exactly so, being back [*unclear*].

Unidentified: You wouldn't have to have a lot of hearings. You can have a . . . speak to the leadership, you could get a joint resolution for this.

McNamara: And I thought if it was agreeable with you I would talk to [Senator Richard] Russell and [Congressman Carl] Vinson myself about this, and explain our views next week or the week after.⁶⁵

President Kennedy: Right. OK.

As the meeting broke up, there was considerable room noise. After five minutes of muffled and indistinct conversation, Rusk said, "Thank you very much, gentlemen, for your help." A few moments later, the machine was turned off.

65. Senator Richard Russell (D-Georgia) was the chairman of the Senate Armed Services Committee. Congressman Carl Vinson (D-Georgia) was the chairman of the House Armed Services Committee.

Meanwhile the President walked over to the Oval Office for a brief conversation with Philip Graham, the publisher of the *Washington Post*. Then, after making some telephone calls, the President went for his before-lunch swim.

The President would spend the afternoon mainly on domestic issues. After a short speech to a group of Peace Corp trainees, the President attended a reception for Jewish leaders in the Fish Room, off the Cabinet Room. All of this was secondary to the important fiscal discussion set to start at 4:30 P.M.

The newspapers that morning signaled that this day and the next would be the days of decision for the President as he considered whether to press for an immediate tax break this fiscal year to jump-start the economy. On this day he had a chance to listen to a group of business leaders explain their point of view on the matter.

The President, in his remarks, would underscore one of the more salient themes of his earlier foreign policy conversations: If he smelled failure, he was quite capable of walking away from an initiative in which he believed. He had committed himself to a tough policy against Peru only to see support of nonrecognition dissolve in the region. Now he wanted out of it. Covert action against Duvalier in Haiti was another good idea; but as he had just reminded his Haiti team, the idea was good insofar as there was actually a chance of removing Duvalier. Similarly, for the President the tax cut debate was becoming less a matter of preference than of pragmatism. The meeting on Monday with the powerful chairman of the House Ways and Means Committee, Wilbur Mills, had left the President unsure Congress would let him get his tax cut, regardless of whether it was the right thing to do or not. The business leaders visiting President Kennedy this afternoon—traditional opponents of Democratic fiscal policies who were still carrying bruises from April's steel price controversy—were also not likely to offer the political cover that Mills had been unwilling to extend. The President was looking for powerful allies. He would not seek a tax cut in 1962 alone.

4:30–5:47 P.M.

Let me ask you, isn't it partly . . . if you want to stimulate the economy, of course, you want to pass the cut. Really what you want is a . . . is a deficit, and you want more money being spent than is being taken out of the economy.

Meeting with Business Leaders on the Tax Cut Proposal⁶⁶

Following an earlier meeting (Monday, August 6) with Wilbur Mills, chairman of the House Ways and Means Committee, and anticipating a meeting the following day with his chief economic advisers, President Kennedy met this afternoon with a contingent of business leaders to discuss his tax cut and tax reform proposals. Republican secretary of the treasury Douglas Dillon joined the meeting as the President's representative, a symbol of Kennedy's appreciation for "sound financial policies," a strong dollar and for the general concerns of the U.S. business and banking communities.⁶⁷ Continuing to struggle with the business community after the April 1962 steel showdown, during which he famously referred to businessmen as "sons of bitches," Kennedy remained skeptical about the possibilities for cooperation from business leaders but knew, at the same time, that it would be hard for him to succeed on the economic policy front without their support and forbearance.

The ostensible leader of the contingent meeting with the President, Roger Blough, chairman of the U.S. Steel Corporation, somewhat chastened by the steel price showdown earlier that spring, had become a leader of the drive to help President Kennedy mend fences with the business community at large. Along with Alan Sproul, recently retired president of the New York Federal Reserve Bank, Blough urged Kennedy to keep the balance of payments problem foremost in his mind as he deliberated on his budget and tax policies.

Sproul, who began the meeting by reading from a prepared statement,

66. Includes President Kennedy, Henry Alexander, Roger Blough, Harold Boeschstein, C. Douglas Dillon, Crawford Greenewalt, Robert Roosa, and Alan Sproul. Tapes 9.2 and 10.1, John F. Kennedy Library, President's Office Files, Presidential Recordings Collection.

67. For a first-person description of Dillon's selection as secretary of the Treasury, see C. Douglas Dillon, "The Kennedy Presidency: The Economic Dimension," in *The Kennedy Presidency: Seventeen Intimate Perspectives of John F. Kennedy*, ed. Kenneth W. Thompson (Lanham, MD: University Press of America, 1985), pp. 128–31, 140–41.

had chaired a transition task force for President Kennedy in 1960–61. The international economic policy counterpart to Paul Samuelson's domestic economic policy task force, Sproul's transition task force outlined a program for the management of the nation's international payments difficulties. These difficulties, both real and potential, remained his chief concern. The President was no stranger to Sproul's opinions. The under secretary of the Treasury for monetary affairs, Robert Roosa, had worked for Sproul at the New York Federal Reserve Bank and would give much the same advice to Kennedy. In this meeting, the President would use Sproul as a sounding board for his own ideas and proposals. The other participants in the meeting were Harold Boeschstein, president of Owens-Corning Fiberglass Company; Crawford Greenewalt, retired president and current chairman of E. I. DuPont de Nemours; and Henry Clay Alexander, chairman of the Morgan Guaranty Trust.

The recording begins in midconversation.

Alan Sproul: [*reading from a written statement*]

... 10 percent in all income tax rates, both personal and corporate, with a greater percentage reduction in the highest personal tax bracket to the fixing of the lower maximum rate. And, three, the committee recommends that the administration, to avoid any possible loss of confidence in the dollar as a result of an enlarged deficit, cover a portion of the tax cut by reducing expenditures not less than three billion dollars in the current fiscal year, making reductions especially in foreign expenditures so that both the balance of payments and the domestic budget will be benefited. Further, that so long as the budget is in deficit, new programs that involve increased expenditures should be avoided. And finally, this recommendation assumes that every effort will be made to finance the deficit out of savings.

Then we pick up with the notes for discussion today:

Since we were here about a month ago, concern about the dollar has calmed down somewhat, but there has been no reliable improvement in its underlying position. Revised figures of the balance of payments for the second quarter of the year are not so good as earlier estimates indicated they might be and are really rather poor when the crisis flow of funds [*unclear*] from Canada to the United States

during the quarter is eliminated.⁶⁸ Nor do the July figures seem to be as good as they should be, taking account of the debt repayments to the United States by foreign governments during the month.

The paradoxical situation is that a month ago the balance of payments was looking better and the dollar looked worse, while now the balance of payments looks worse and the dollar is acting better. That is the danger of our exposed liquidity position, as distinguished from our long-term solvency. The dollar is continually subject to swings in confidence and sentiment on the part of foreign holders of short-term dollar balances. Such swings within limits are an ordinary part of the currency arrangements of the world, but the predominant position of the dollar as the reserve currency of the world limits its tolerance of continued uncertainty.

Meanwhile, the domestic economy has continued, in the aggregate, to lag behind our hopes and needs. The evidence of the leading indicators of business activity is that business is approaching the end of recovery from the recession of 1960–61. A certain amount of skepticism concerning the accuracy and timing of the signals given by these leading indicators is justified, particularly in view of the situation in steel during the past several months, but they can't be ignored.⁶⁹ At best the present prospect does not seem good enough in terms of continuing recovery and then sustained high levels of production and employment.

We continue, therefore, to recommend a change in the mix of monetary and fiscal policy as the best way of moving to correct a precarious position of the balance of payments and to promote a more vigorous recovery of the domestic economy. The way to such a program, in terms of the balance of payments, lies through increasing the willingness of foreigners to hold dollars and reducing their tendency to convert dollars into gold by permitting interest rates to rise to more competitive levels and thus giving additional evidence of the firmness of our purpose to defend the dollar.

The way to offset the effect of such monetary action upon the lagging domestic economy lies in a reduction of taxes such as we have recommended. The way to avoid the damage to confidence which a

68. Following the recent Canadian dollar devaluation.

69. The steel industry was then grappling with the problem of a widely reported lag in profits, caused chiefly by rising foreign competition.

tax-induced increase in the budgetary deficit might create is to avoid further increases in government spending and to bring about some reductions. A planned budgetary deficit growing out of action taken to reduce the tax burden on economic growth is less destructive of confidence than an unplanned budgetary deficit growing out of the failure of a sluggish economy to produce adequate revenues.

Our feeling of urgency has not abated. A loss of confidence in the dollar, illogical or irrational though it might be, is a constant threat. Our previous policy for meeting our responsibilities for the balance of payments and the domestic economy, which comprised balancing the budget for fiscal 1963, maintaining relatively easy money, and taking a number of special steps to improve particular items of the balance of payments, has now run down.

[*Stops reading to interject.*] And I might say there that we do not tend to play down what has been accomplished in the field of improving our financial relationships and our cooperative arrangements with international institutions and foreign central banks. We think a great deal has been accomplished, but we say, [*begins reading again*]:

that we are backing into a budget deficit, easy money no longer provides an obvious thrust to the economy, and that our various special moves to improve the balance of payments do not add up to a program which is easily understood and which gives assurance of strong purpose and ultimate success.

We think the hazards of waiting for further definition of our domestic position before moving on taxes and of relying on a more favorable balance of payments position which may exist *after* 1963—these hazards are greater than the risk of acting boldly now while our strength is still great and our repeated affirmations of our intention to maintain the gold value of the dollar still carry conviction. We and the international monetary system cannot afford many more dollar crises. We ought to move decisively now from the program suggested to reduce the hazard inherent in our short-term liability position. In that way we shall earn the time to grapple with the more difficult longer-term problems which involve our technical equipment and skills, our innovational ingenuity, and our cost-price levels as compared with other advanced industrial countries, all of which will ultimately determine our balance of payments position.

A strongly presented program for meeting the existing simple situation, which is simple in its outlines but comprehensive in its atten-

tion to the discipline of the balance of payments and the requirements of the domestic economy, could galvanize sentiment at home and abroad. It could be much more effective than promises of a favorable balance of payments after 1963 and of a tax cut effective in 1963.

We are not unaware of the obstacles for the adoption of such a program, which you can assess much better than we. We do think, however, that if such a program is not immediately feasible, you should support your declared intention of defending the value of the dollar with a further declaration that we will not countenance easier money and increased government spending as an alternative to the program we have outlined—an alternative which we believe would be disastrous to our balance of payments positions.

President Kennedy: You know . . . I don't know what impression you got up there at the Joint Committee, but Mills told me that he thought the committee was not convinced that there was a majority for a tax cut, that a number of the members are rather fractious.⁷⁰ He said that the . . . at least half of them were against any tax cut and the remaining half that might be for it, they'd all be for something so different that it'd be very difficult to get a consensus.⁷¹ Even though—looking over all the testimony—I would say that the general weight is probably more in favor of a tax cut, though a different kind.

Crawford Greenewalt: Well, the impression I got was that there was no enthusiasm, whatever, for a quickie.

President Kennedy: Yeah. That's right—

Greenewalt: By *quickie*, I mean a needle in and then to be pulled out later on. And I didn't feel that there was any enthusiasm for a tax cut to save a business recession. I didn't get the same feeling about a tax cut in principle, assiduously accomplished, which is the position I took very strongly.

President Kennedy: Well, you . . . the problem is that . . . I think that's right, that there's some . . . Paul Douglas has an article—who is considered to be, probably would have thought that he'd be more in favor of a tax cut. . . . That he'd done an article in the *New Republic* in which he is debating against it. . . .⁷²

70. Wilbur D. Mills was chairman of the House Ways and Means Committee.

71. See "Meeting with Wilbur Mills on the Tax Cut Proposal," 6 August 1962.

72. Paul H. Douglas was a Democratic senator from Illinois, 1949 to 1967, and vice chairman of the Joint Economic Committee, 1959 to 1967. Having earned a Ph.D. in economics at

So that we've got a very divided Congress here on this matter, and these problems are compounded by an election coming up in two and a half months. Most of their positions probably would be that they would only go in for a tax cut if the economic indicators were much clearer than they may be, number one, and, number two, that a cut in spending . . . And it's pretty tough, they're pretty good spenders up there this year. They will look pretty good on the cut in foreign assistance and security, but they put in a half a billion dollars more on defense. Their pay bill is tremendously more expensive than the one we suggested.⁷³ We failed in agriculture, and they put 150 million dollars in the . . . on the improvements and increases in welfare, which, with the recent bill on reorganizing public assistance . . . So that . . . and they haven't really done anything about the postal.

So that the chances of getting a three billion dollar cut, as I said a month ago, unless you took it right out of the hide of defense and space, which would be . . . you'd have to change the whole space program, and you'd have to take a pretty heavy cut at Defense, I don't know where you'd get the rest of it out. I know that you say . . .

Greenewalt: [*Unclear.*]

President Kennedy: But, you know, I know it's always impossible to say until you say you've got to. But I would think the three billion figure . . . we're going to hold back on the defense part. And we're going to hold back on some of these others, but I think we, probably . . . the most we'd get out of it, the total, you could by law, really, would be, probably be a billion [*unclear*] what the Congress appropriates in the nondefense areas.

Roger Blough: A few . . . a few of the members of the committee were talking about this. Mr. [Harold] Boeschstein just returned from a little visit to the Midwest where he visited what, eight installations?

Columbia University in 1921 and taught labor economics at the University of Chicago. Douglas came to be recognized as one of the leading economic policy experts in the U.S. Congress. He voted against President Kennedy's investment tax credit legislation in 1962, and he criticized the tax cut proposal for its eventual lack of progressive tax code reforms but ultimately voted for it in February 1964. See Paul Douglas, "A Tax Cut Now? II—It Would Be Wiser to Wait," *New Republic*, 13 August 1962, pp. 20–21. In this article Douglas suggested that "a tax cut now would inevitably make tax reform next year impossible" by leaving the administration nothing with which to "purchase" tax reform from conservative business lobbyists. He counseled easier money and stricter antitrust policy as a means to improve economic performance.

73. Legislation (H.R. 7927) signed into law by President Kennedy on 11 October 1962, just two months after this meeting. It passed in the Senate on October 3 and in the House on October 5, and it mandated that the federal government increase the salaries of its employees to levels more competitive with those prevailing in private industry. Its estimated cost for fiscal year 1963 was \$504 million, and for fiscal year 1964, \$1.049 billion.

Unidentified: Yes . . .

Harold Boeschenstein: Yes, some missile and space operators. I think there's some opportunities there.⁷⁴ I mean, I think three billion . . . three billion is an arbitrary kind of a figure. I think the important thing is establishing a principle . . . of holding the line and . . . and pulling some of this off wherever you can.

President Kennedy: Well I agree. We did save [*unclear*] last year, just about— [*Unclear exchange.*]

Boeschenstein: This is terribly important. This is really terribly important, and I think this is basically taken out of this kind of program. McNamara, who understands these things, is in a much better position because he's got a seasoned organization, besides, to work with . . . to work these things out.⁷⁵ I'm satisfied that he will. I think an agency like the space agency is like any new agency in government, in my experience, it is that they just aren't organized to handle things as competently and consequently there's just one hell of a lot of waste.

I think there's a failure, too, to profit by past experience. I spent three years down here during the war—the War Board and ran the allocation of materials and production for a period of time.⁷⁶ And what . . . we tried to coordinate everything by subcontracting, and handling all the subcontracts all over the lot is just an impossible undertaking. The logistics of it are impossible, and your control of the money and the time, are impossible. And I think they've got to learn to deal through trying . . . trying to deal through self-seeking, not established criteria and policies on all those things. This is part of the way of saving money and . . . and not losing effectiveness . . . but gaining effectiveness here.

President Kennedy: I agree; I think the space agency—

Boeschenstein: The same thing is difficult politically because the political pressures are terrific in these areas.

President Kennedy: No, well, it's not really that so much. . . . I agree with that and the space agency is the prime target for . . . And then it's rather . . . Well, it's the one area that the Congress gives them everything that [*unclear*]—

Boeschenstein: It sure does. That's right.

President Kennedy: There's no real congressional needle in as there is—

74. For cutting federal expenditures.

75. Robert S. McNamara, secretary of defense.

76. The War Production Board.

Boeschstein: Yeah.

President Kennedy: — in a good many other . . . foreign aid and the rest of them. Instead, everything they ask for they get, so it puts a tremendous burden on *us* to make sure that they—

Boeschstein: Any new agency, as AEC was, they all are . . . the new ones coming up.⁷⁷

Blough: Crawford, you had some ideas about this?

Greenewalt: Well, there's . . . there's nothing very novel about anything / have to say. I just . . . take an example of our own book. We were having a rugged time in 1958, with sales and profits all off, and we thought we simply had to cut our costs. And it was perfectly obvious that you could not approach it by finding a few big items and lopping them off. It couldn't be done that way.

The way you did it was to [*tape skips*] tell our departments simply to do their job for less money. We didn't cut out anything. There was no activity that we were engaged in that we could cut out. Well, the result of it all was we were able to get the cooperation of everybody in the management group right down to the foremen. There were some very silly little things that came up, but the net result of it was that we knocked 50 million dollars, annually, out of our costs. That was about 6 percent of our cost, ex raw materials. There was not an item that was as much as a million dollars. There were an enormous number of items for two thousand, three thousand, and some two hundred, and the way you had to do it—I couldn't do it—but the way you had to do it was to get the cooperation of everybody, that had any control whatever of the purse strings and simply say, "Well, will you do your job for 5, 6, 7, 10 percent less money?" Just do it.

And what this would mean is that Doug and his associates would have to start the line and get everybody down imbued with the idea of doing their job for less money.⁷⁸ Not cutting out anything, but just doing it for less. This will work. It can be done, but the thing is what it takes is an esprit de corps, that goes from the top to the bottom with no delay. It can happen, and it . . . as a matter of fact, you'd be astonished at the results that you could get if you could get that kind of cooperation. I think that really . . . I took this same position about a tax cut associated with a reduction of government expenditure before the Ways and Means Committee. But I think that really . . . a determination to do it, and a clear feel on the part of yourself and to members of your cabinet that you *are* going to do it. I think that if that was made clear to the public, I think

77. The abbreviation AEC stands for Atomic Energy Commission.

78. C. Douglas Dillon, secretary of the Treasury.

that would . . . that associated with a tax cut, would not be taken as an evidence of profligacy.

President Kennedy: Let me ask you, isn't it partly . . . if you want to stimulate the economy, of course, you want to pass the cut. Really what you want is a . . . is a deficit, and you want more money being spent than is being taken out of the economy.

Greenewalt: Well, I was asked that question by Mr. Ullman . . . wasn't it?⁷⁹ And I replied to him this way, that if you look at the psychological point of view, you make a tax cut in personal income tax rates in the order that we've been talking about, and everybody and his brother has got some money in his jeans that he didn't have before. This is going to be felt by 150 million people very directly and very personally. They've got money that they didn't have before. Now, to me this is a *very* important psychological factor. Whereas, for example, a cut in government expenditures of the sort that I'm talking about and in the *way* I'm talking about is not really going to be felt in a detrimental way by anyone.

There was an interesting study—I don't know whether you saw it, Doug—by the [*unclear*] people, who evaluated the tax cut that was made in '53. And they show that the leverage of the actual tax cut itself was multiplied by some three- or fourfold.

Boeschenstein: The turnover?

Greenewalt: So that it's so that if the tax cut was of the order of three billion dollars, they had to run a multiplier of . . . well, I don't think it was that much. But the effect on the GNP was something like three or four times that. There's a leverage to it, due to a feeling of confidence that was important. And the reverse on the part of government expenditure would not be so.⁸⁰

Blough: Mr. President, on the question of the economy, Mr. President, we had a lot of discussions about that. And we understand the problems that you know better than we do. I'd like, if Henry Alexander would comment on this, and give you a little bit of our thinking with respect to the timing.

79. Al Ullman was a Democratic congressman from Oregon and member of the House Ways and Means Committee.

80. President Kennedy's Keynesian economic advisers recognized a similar multiplier but tied it to Keynes's appreciation of a consumption function not materially affected in distinct ways by increased consumer or government spending. The tax cut to which Greenewalt referred became law in 1954. It totaled approximately \$7.4 billion, \$5 billion of which was due to the expiration of an existing Korean War income surcharge and excess profits tax. About \$1.4 billion of the tax cut stemmed from tax reforms, much of which was offset by a concurrent \$1.3 billion Social Security tax increase.

Particularly, the question of the uncertainty with respect to when the . . . You may have to face up to a very, very major problem as far as the dollar is concerned. And there is a number in the Ways and Means Committee . . . if . . . unless you and Henry testify that it'll actually recover with the total picture, that at least we're talking about, that is, reduction of expense, reduction of taxes, and change in the interest rates. I think we—

Henry Alexander: When I was here last time, Mr. President, I talked a good deal about my uneasiness about the dollar and gold.

President Kennedy: Yeah.

Alexander: And gold. And you asked me if I would cut taxes if we didn't have a balance of payments or a gold problem just to stimulate the economy at this stage, and I would say no. And I so testified before the Ways and Means Committee. However, before them, as before you last time, I did stress the point of maintaining the value of the dollar, and that money was, if not *running* out of the country, it was certainly *oozing* out of the country. And my whole approach and interest in the tax cut stemmed from my uneasiness about the dollar and the gold problem.

Then, I think, the first popular step that anyone would take is to level out the interest rates, but to the extent that that has any restraining effect, I favor the tax cut in order to ameliorate any conceivable degree of restraint with the [*unclear*]. I, obviously, just to my eyes, after three hours I suppose, I didn't get much reaction except I saw considerable interest on the part of the chairman [of the House Ways and Means Committee, Wilbur Mills] *in* the balance of payments, and the dollar, the gold . . . [*unclear*] which had not been stressed in perhaps the whole course of these hearings. It had to do with shall we have a tax cut to stimulate the economy and create a very big deficit. My whole thinking and my whole testimony was to the fact that it's a part of our job of defending the dollar.

Secondly, there's no quick trick that will do these. What's been done and the cooperation that you've gotten have been *terribly* helpful. I would guess essential, essential. Some of these arrangements that you have worked out in the trade [*unclear*] whole balance of foreign investment.

But the money is still oozing out, Mr. President. Your Telstar broadcast was effective; . . . there was some reaction to that.⁸¹ It was dramatic,

81. Due to the recent launching of the AT&T Telstar communications satellite on 10 June 1962, the first ten minutes of President Kennedy's 23 July 1962 news conference was broadcast live in Europe. Included in his remarks transmitted to the Europeans, were the sentences, "The United States will not devalue the dollar. And the fact of the matter is the United States can balance its

they saw you in person say that you were going to defend the dollar. But the flow of money is still outward, and the dollar is rather weak. And I'm uneasy that between now and even January we might have a heavy run on the dollar. It continues to be the subject of talk and conversation, both at home and abroad. And I think the orthodox, the clear way to cure that—and I believe this program *would*—is an increase in interest rates. And I'm not talking about *high* interest rates; I'm talking about a movement upward in the general area of foreign [*unclear*] long rate, that—offsetting any possible adverse effect by the tax cut—which in turn, I think would *surely* stimulate the economy. It surely would do it, more than any other way I could think of.

Of course, the members of the Ways and Means Committee, many of them would want . . . They are against high rates. As I talked about rates like they have in the Argentine which run as high as 25 percent, but they can't accept that [*unclear*] very well. We talked about currencies, then it's profligacy, and we're not talking about currencies that are depreciating 25 percent a year. Of course rates are bound to be high. In a good discussion I got no idea of what they really were thinking about, but I had enough time and enough questions to emphasize the gold and soundness of maintaining the dollar. Whether any of them were interested in that approach, I could . . . I think the chairman was.

President Kennedy: Probably there'd be a short-term flow of . . . tremendous [*unclear*] . . . losses. What are they primarily? [*Unclear.*]

Robert Roosa: Well, Mr. President, a lot of the . . . these short-term capital flows . . . part of it is the backwash following the turn around in the main position—things that came down have gone back. Part of it is a continuing spread of an awareness by American corporations that the . . . whether or not the dollar is weak, they can hedge their bet by putting a little more money abroad, taking care in advance of needs that may come later, and I think at a time when they were still shell shocked by the surprise of developments in Canada.⁸² This brought home these possibilities much more to American businessmen than they had seen previously.

So that a little bit of change by a number of firms caused a larger outflow for these reasons in July than anybody could have anticipated. I think that may already be slowing down. My own hunch is that this is

balance of payments any day it wants if it wishes to withdraw its support of our defense expenditures overseas and our foreign aid" [see *Public Papers of the Presidents of the United States, John F. Kennedy, 1962* (Washington, DC: U.S. Government Printing Office, 1963), pp. 568–76]. The broadcast led to a temporary break in the price of gold on the London market.

82. After the Canadian devaluation and imposition of import surcharges earlier in 1962.

partly borrowing against upward movement that wouldn't come later so that it'll still be a part of the same year's balance of payments deficit.⁸³ We just got more a little sooner.

President Kennedy: Where are these funds going to?

Roosa: Well, Mr. Alexander can tell Herb and I in detail, but broadly they've gone to Switzerland, Germany, Italy, and France. Now, in the case of Italy, I haven't had a chance to talk with this about this group, where the biggest increase has been, we've completely neutralized that flow . . . absolutely locked up those foreign currency operations. We've got nine hundred million dollars locked up. It didn't all come in this period, but all the increase, has—

Greenewalt: This is Italy?

Roosa: Italy. In the case of Switzerland, ourselves and the Federal Reserve, within the last three weeks we've locked up another two hundred million that went in there. So while it is bad . . .

President Kennedy: When you use the phrase "locked up," what do you mean?

Roosa: We . . . oh, about . . . what . . . well, all we do is provide a way in which, through offering facilities for forward cover—I have a memorandum on this which is coming through to you tonight, it should be here⁸⁴—providing forward cover for, that is, we sell the other currency forward to make it possible for them to maintain their dollar holdings without risk and keep investment *here*.⁸⁵ It just means, however, that the transfer of ownership has been to a foreigner, and it shows up as a loss in our balance of payments. It does *not*, though, lead to a pressing of those holdings on the foreign exchange market, and that is locked up in the sense that it will *not* produce a demand for gold. Well—

President Kennedy: Regarding the American companies' stake, what are they doing with them in July? What would they do? What is . . . where are those dollars going? I mean what . . .

Roosa: Well . . .

83. In the common parlance, particularly among political figures, the current account deficit—part of the overall balance of payments—was often referred to, incorrectly, as the balance of payments deficit.

84. "Memorandum from Secretary of Treasury Dillon to President Kennedy," 9 October 1962, *FRUS*, Foreign Economic Policy, 9: 35–43.

85. In these transactions, the U.S. Treasury would contract to sell any one of the subject currencies at a future date (often three or six months afterward) and at a fixed price. Were this currency to appreciate against the dollar over this period, the issuing country would be protected against losses incurred by maintaining, rather than cashing in, their dollar holdings for gold.

President Kennedy: For what purpose are they going?

Roosa: Well, for the most part, these are short-term investments, bank deposits, and other money market instruments in these countries. Some also under France but France is a little different case. A lot of companies want to plug a little money in there. There isn't much of a money market that goes into bank deposits there.

President Kennedy: Why do they want to move it into France?

Roosa: This is the most roaring, expanding economy. American businesses who are operating there, need funds. They can borrow or obtain the money here much more cheaply than in France. The borrowing rate in France is 7 percent.

President Kennedy: Yeah, now the thing I . . . the thing that I've . . . even if you affected your interest rate by the amount we talked about last time, which is half a percent—

Roosa: Yes.

President Kennedy: —that wouldn't, it seems to me, you'd still [unclear] it. You suggest that it would not have a very much of an adverse effect on our economy, it would seem to me it would not discourage a person who wanted to invest in France or get into the European . . . with that kind of a flow . . .

Boeschstein: That's, that's part of the— [Unclear exchange.]

President Kennedy: Now despite these . . . even with these high interest rates, these . . . none of these European countries permit the kind of flow we're talking about?⁸⁶ Do they out there?

Alexander: Yes they do. They—

Greenwalt: They permit— [Unclear exchange.]

President Kennedy: [Unclear] it's just the interest rate differential that keeps the flow going in the direction it's going? Is there a [unclear]?

Alexander: Well, it's—

President Kennedy: Controls of the national government?

Alexander: It's the interest rate plus, I think, Mr. President, now, from the outflow is motivated to some extent [unclear] Canadian devaluation.

President Kennedy: Yeah.

Alexander: Or we might have it here. And just yesterday, I guess it was, before I left the office, there was a customer I [unclear], a fairly big one out in the Middle West. They make a consumer product. They said, "We are thinking of building a plant in Holland in the next year . . . year

86. Regarding the flow of foreign currencies into the country, particularly U.S. dollars.

and a half. It's cost completed is five million dollars. We think we'd like to go ahead now"—they have dollars—"and buy guilders."

Unidentified: Right.

Alexander: They want to buy between five million dollars—they don't have that [*unclear*] be enough—of guilders. But meanwhile, they could be employed, in Holland, at a better rate. They can rest there at a better short-term rate than they can rest here. We now have them in Treasury bills and commercial paper.

Roosa: That difference isn't very much, though. They won't make more than—

Alexander: I know.

Roosa: —half of 1 percent.

Alexander: [*Unclear*] what they've got there if they want to—that doesn't cost them anything to do it.

Unidentified: [*Unclear*] devaluation.

Roosa: Uh-huh.

Alexander: And that doesn't cost anything. [*Unclear exchange*.]

President Kennedy: What . . . for a half or a quarter of 1 percent? [*Unclear exchange*.]

Sproul: You add slightly . . . a slight difference in interest rates to a concern about the dollar over the future. Then you can get quite a pull.

Alexander: And the fact that we are willing to raise them in this lagging economy would be psychologically a very different pull as an expression that the United States *will* move to defend the dollar.⁸⁷

President Kennedy: Let me just ask you, though, if this company . . . Now, I was just trying to figure out why if there's only a half a percent, right, that's some advantage. But they figure that maybe in two or three years we will have devalued the dollar?

Alexander: In the hope that—

Unidentified: [*Unclear*.]

President Kennedy: And they don't think the Dutch guilder would be devalued at the same time?

Alexander: In a year or two, they think that they may be short. They may be used . . . to be needing the money to build a plant in the next year and half. Plus there may be some droppage in the economy and they won't be allowed to move dollars abroad without a license [*unclear*].

President Kennedy: Well, now, I can see where that would be, really,

87. Raise interest rates.

possibly, though I think probably we could get out of it if we wanted to get out of it by changing the tax laws here . . . if you really want to make it . . . prevent them from running away. I mean, these are all things you *don't* want to do to defend the dollar.

Alexander: These are things that—

President Kennedy: But—

Alexander: —people have some fear of, though.

President Kennedy: They're going to just induce all these things is what they're going to do; that's—

Alexander: I know it. I just meant [*unclear*].⁸⁸

Blough: . . . we don't know, but the total industrial activity could be down somewhat next year. If any action is taken to . . . shall I say, move in a certain type of direction—I'd prefer not to name the direction, the direction we're talking about—is delayed too long, the difficulty of moving in that direction is going to become just that much greater . . . just that much greater. The possibility of changing interest rates will be that much harder. The possibility of the tax reduction that would in turn stimulate investment in this country is going to be that much greater when a deficit looms that is greater than the deficit that you . . . that you're now facing. The possibility of cutting government expenditures at a time like that is going to be that much greater because the . . . those who feel that the total amount of money that's pumped into the economy is what's necessary whenever you have a decline in economic activity are going to be that much more vocal in their approach.

So the total . . . problem—and I'm sticking to the balance of payments now and not anything else—the total problems, as I see it, is going to loom a great deal larger from the standpoint of any corrective action, and in the meantime our friends abroad are going to look over here at something, and they're going to say, "What are the avenues that are available to America?" And in my book they're going to pick out some avenues that are going to be different than the ones we're now suggesting. And when they decide that those are the avenues, then they're going to do just what you suggested a while ago. They're going to say, "Let's protect ourselves."

Now, I think that—for the small contribution I might make to this—I think that the last paragraph of the statement that Alan Sproul read

88. At this point Tape 9.2 ends and Tape 10.1 begins. Tape 10.1 covers the same meeting, but an undetermined gap went unrecorded between Tapes 9.2 and 10.1.

here is of a good deal of importance in the . . . in your immediate consideration. And we're . . . I think we're resolved among ourselves not to talk about politics, but we realize the problems that certainly could be involved between parties; we realize also a lot of other things. But when you're dealing with the value of the dollar you're talking about a *national* issue as distinguished from a party issue . . . at least that's the way I look at it. And you're dealing with confidence, both here and confidence abroad. And those things are not going to wait too long.

So, my view is that some kind of resolution should be made, and that certainly this would be the direction that we would recommend. And the second view I would have is that the actual implementation of your . . . of this resolution, and I think Fowler or Henry, or Alan here, could indicate to you, Doug . . . Doug raises the question of how you would do this.⁸⁹ Would you announce tomorrow a change in interest rates? No. But there are other things that could be done in preparation. [*Unclear*] or would you immediately come out for a tax cut now? No, not necessarily. I mean, we . . . we're not trying to indicate whether you should or you shouldn't; that's something that's way beyond us. But the kind of a . . . of a proposal, the nature of it, the timing of it, the separation, possibly, during the early months of 1963 between the stimulant-for-the-economy type of what we're talking about, the investment type . . . But the separation of that from the . . . shall I say, the reform-type proposals. In the consideration by Congress, it could, at least we guess, be separated and the two worked out separately.

President Kennedy: I don't understand, though, what you say about the rescue of a sinking ship. We resolve this matter now and therefore proceed again . . .

Blough: I'm talking about—

President Kennedy: [*Unclear.*]

Blough: —I'm talking about. I'm talking about your own options.

President Kennedy: Yeah, but what I'm talking about is whether we go . . . for what the problem is, is that we have to decide is whether we go for this tax cut now with the chance of getting it before this session of the Congress ends and with that we increase interest rates, or whether you're suggesting this is a matter that *can* be put off until—

Blough: Well—

President Kennedy: —after the election.

89. Henry H. Fowler was under secretary of the Treasury, January 1961 to March 1964. He was later appointed secretary of the Treasury by Lyndon Johnson in 1965, a position in which he served until December 1968.

Blough: —I don't think anybody knows. We were talking about that before.

Sproul: I would say that we would like . . . If *we* could do it, we would go for it now, but we think you're in a much better position to discern whether that's a practical program or not. And, that if you decide you can't get the whole program now, we . . . it's not a piecemeal program that could be done.

President Kennedy: I completely agree with you. If we had the administrative . . . if we had that set-aside power, we'd go right . . . I completely agree with you; there wouldn't be any question about—

Sproul: Well—

President Kennedy: —doing it right now on both these areas. But the problem really comes down to the question of what the effect will be of our recommending a tax cut and failing.

Sproul: I think that would be—

Boeschstein: I think we agree that that's bad.

Sproul: —that would be bad.

President Kennedy: So therefore, as tax cuts go, your judgment would be that this . . . you know, you see, you could do it two ways. Say that you recommend it, give the arguments for it, probably not get it, but increase your chances of centering attention on the matter and therefore perhaps get it more quickly, perhaps in a special election, a special session after November or in January. The other thing is, or the other thing would be to say, "Well, if you can't get it, then you shouldn't try because the fight itself would be damaging," particularly if you try and fail.

Blough: But then, let's see . . . there's still a third thing; that's the resolution for the program. Take a position, a direction . . .

President Kennedy: Well, how do you mean? I don't—

Sproul: Could that resolution be in your own mind and in your executive branch that you have decided this is the approach to the dollar?

President Kennedy: Well, yes, but I think we've decided about . . . we're obviously going for the tax cut. We're obviously either going for the tax cut now, or we're going for it in January. With the economic indicators . . . if we do not go for it now, and the economic indicators become more alarming, then we would definitely separate the reform. . . . We'd go . . . it would be much more important to have the stimulation of the economy. So that's, I think, quite clear.⁹⁰

90. In a televised evening broadcast the following Monday, 13 August 1962, President Kennedy announced that there would be no quickie tax cut (cutting rates temporarily) but

The question we have to decide is whether there's any hope of . . . depending on whether—what we take a look at from *our* view of the economic indicators—whether they would be clearly alarming enough to cause the Congress to support the action. If they're not, and they're mixed, then you have to make a judgment on whether the Congress would act. And if you assumed that it would not, then, unless the economic indicators were quite clear, my assumption is that it would not.

You then have to decide whether it would be . . . how disastrous it would be to try and fail . . . which I think, probably, what would happen is that we would fail probably. Now, when you say, therefore, we're right about resolving it, I'd resolve it in my own mind what I'd like to do if I were able to do it, but I haven't resolved what I'm able to do yet.

Sproul: Well, is that your direction—

President Kennedy: A little bit depends on, well, for example, if the November election continued the House in about the way it was now so that there wasn't a sharp change, we could meet in November in a special session just on this one problem without the . . . Of course, if there's a marked change in the House or the Senate, then it would be regarded as a lame-duck session. There'd be a paralysis there, you'd have to go over till January. So that these are some of the [*unclear*] . . . but when you say, but I'm not quite clear, therefore, I think it would be well for us to decide whether we're going to do this—which we will over this weekend—*now*, or otherwise to wait. Is that what you . . .

Unidentified: [*Unclear.*]

Blough: Alan, you speak first.

Sproul: Well, now, I think that it's just possible that that resolution also include putting the *quietus* on talk and recommendations to you and recommendations outside from within the executive branch that no, you can do this by increased government spending and not increasing interest rates, or even lowering interest rates.

President Kennedy: Yes, I think the government spending . . . I think we're in agreement. I don't think we're going to . . . We're doing it in a number of areas, even though the Congress acts, so that if you particu-

that the administration would, instead, send up permanent tax cut legislation in 1963 (see "Radio and Television Report to the American People on the State of the National Economy," 13 August 1962, *Public Papers of the Presidents*, pp. 611–17). Use of the term *quickie tax cut* was derived from a 28 May 1962 memo sent to President Kennedy from CEA chair Walter Heller. It was sent on Blue Monday in response to the precipitous decline in the U.S. stock market witnessed that day. Heller saw the quickie tax cut as a way of shoring up business confidence while the administration planned for a permanent cut.

larly do . . . if you're going to . . . if you're going to try to go for the tax cut. If you're not going for the tax cut, then, of course, there really isn't much use in attempting to squeeze too hard between now and January, because you don't want to deepen the—⁹¹

C. Douglas Dillon: I think these gentlemen, one thing they're talking about is . . . I think they're very deeply concerned about the thrust of Mr. Patman's hearings on monetary policies, is that right?⁹²

Blough: That's right. Yes.

Unidentified: Yes.

Dillon: My idea is they might need to have lower . . . lower interest rates—

Unidentified: [*Unclear*] any route—

Dillon: [*Unclear*] think it's an alternative to a tax cut or something. [*Unclear exchange.*]

President Kennedy: We'd like to be sure that you—[*Unclear exchange.*]

Alexander: [*Unclear*] have made up your mind not to go for—

President Kennedy: No, I'm not a . . . I'm not a . . . what Sam Rayburn called a money crank. Why bother to destroy a great career by becoming a—

Boeschstein: A lot of people are preaching to you, Mr. President. And I happen to think the dollar would go down the drain if you did—

Greenewalt: I like it, I like that. That's all I can say.

Alexander: Having done that, if you've got a chance, after you see the figures, of putting this thing through now, I'd go ahead now. If you conclude, after seeing the figures and feeling around and all, that you can't put it through Congress in any decent way or workable way, then—very soon—I'd find some occasion to say that you are *not* going that money-crank route, that you are going to deal with this problem in a way, that this administration is going to try to deal with it in a way that is sensible, and in a way that it will cure it . . . namely watching these government expenditures. You're going to chance this for a higher level [of

91. Squeeze the budget.

92. Wright Patman, a populist representative from Texas and chairman of the Joint Economic Committee (JEC), had begun JEC hearings in the summer of 1962 on the state of the economy. Also as chairman of the House Small Business Committee, Patman had convened hearings in 1961 on the tax code abuses of charitable foundations. A perennial opponent of the Federal Reserve and the large banks that he believed dominated Fed policy, Patman also used these hearings as a platform from which to warn against the maintenance of artificially high interest rates.

unemployment] . . . are going to [*unclear*] a high level abundantly clear, Mr. President. But besides that, and that you, *are* in favor of—as early as possible—a tax cut to alleviate that, and if circumstances remain the same. The sooner you make that point, and if you can't get the legislation, you, the President of the United States, are *for* such a program, you'll do a great deed.

President Kennedy: Well, I intend to speak Monday night on that anyway.⁹³

Alexander: Are you? Well—[*Unclear exchange.*]

Boeschstein: [*Unclear*] what's the purpose of that and you have to state what the form of that would be.

Greenewalt: Mr. President, I'd like to make a comment on this tax cut question, because this rather bothered me . . . something that you said bothered me a bit, but . . . and I was somewhat bothered by the attitude of the Ways and Means Committee. This question of a recession, or the indicators in July, to my way of thinking, has nothing to do with the case at all.

Unidentified: [*Unclear.*]

Greenewalt: Conceivably, if you really, if the economy really fell on its face, you might have to take strong medicine; I don't think it's going to. Furthermore, I think we've been rocking along under the present tax system for a great many years; the economy's done very well. I think, however, it can do better. I think it can do substantially better. I think a tax cut will give a permanent, long-range stimulus to the economy. And I would recommend—

Sproul: All this growth fever?

Greenewalt: Growth? What growth?

Sproul: That's the word we use.

Unidentified: That's synonymous with stabilization. [*Unclear exchange.*]

Greenewalt: I hoped to avoid . . . I wanted to avoid growthmanship, but I have a very strong feeling that the economy would do better if taxes were cut, than it is now. It's *now* going at a very high level. Our company's having a record year, a wonderful year. We could do better . . . the whole economy could do better. So I don't think, really, a tax cut ought to be contemplated from the point of view of will it save us from some fate worse than death or will it do this? It ought to be contem-

93. As noted previously, the President delivered a live television and radio address on the economy and the tax cut proposal the following Monday evening.

plated from the point of view that this will be a long-range stimulus to a higher rate of growth.

President Kennedy: But of course, if you'd use that argument, then you really wouldn't try to do it in this session, would you?

Greenewalt: Well, that's what . . . that's what I said. I would . . . I think it's so important, that I don't think risks ought to be taken to having it turn out to be either no tax cut or the wrong kind of tax cut. Either one would be equally bad in my view. I'd like to make just one point on this stimulus question. . . . I'm not going to be argumentative, gentlemen. [*Laughter.*]

We've got a few differences of opinion. But, I'd like to make this point about the potential for growth. The DuPont Company's going to sell about 2.4 billion this year, which will be an all-time high, 8 to 10 percent higher than last year. We will operate this year at about 80 percent of capacity. This means that we have a[n untapped] sales potential of 600 million dollars. Now, if some needle could be stuck in the economy in a way that would encourage demand and would make people more willing to spend or buy things, so that we could realize some fraction of that 600 million potential sales that we have before us, without spending *anything* for capital investments, it's there. All we have to do is open the valve wider and make it and sell it.

Now, if we could . . . But this is built in. . . . I mean the whole chemical industry, I know, has this excess capacity. The fact that we're not selling, the fact that there is the excess capacity, weakens prices, weakens profits, and is frustrating for all participants. The minute you start the thing going up, so that you're approaching that capacity operations, your profits will improve, your competitive position will improve, and the capital investment program, at least as far as we're concerned, will take care of itself.

President Kennedy: I'd say, Craw—now what are you putting into capital investment this year, at DuPont?

Greenewalt: Well, we're authorizing—there's this distinction I want to make between expenditures and authorizations—we'll authorize this year some 400 million dollars. We'll spend this year perhaps 250 million to 300 million. I mean, the difference between authorization and expenditure is a lag of about two [*unclear*].

Alexander: [*Unclear.*]

Sproul: Now, while he is approaching it from the standpoint of a stimulus to the economy. I come in from the other side, from the balance of payments. While agreeing with what he says about seeing no need for a tax cut now to stimulate the economy if we're not going to fall on our face tomorrow. From the standpoint of the balance of payments and the

dollar and gold, it may be tomorrow, or it may be next month, it may be six months from now, that we might be faced with a run on the dollar, and that therefore the time element enters in aside from stimulus to the domestic economy. But that that gives *me* the feeling of urgency about this package of actions to meet the balance of payments problem, and not just as Henry says to ameliorate the effect of a rise in interest rates, [but] to alleviate it. I think we would get both relief of the balance of payments and an improvement in the domestic economy by a—

Greenewalt: I agree with what you are saying.

Alexander: Both purposes. I do say, both purposes. When you find out there in the thinking world, the tax reform bill is going to be—any way you figure it—they're going to hold hearings, it's going to be a long delayed thing, there are going to be arguments pro and con with the thing, and I do think that it would be important to think in terms of a two-part proposition.

Greenewalt: I would like—

Alexander: One that you can move on promptly, that accomplishes the package part of this thing, and the other to follow. *That's* needed anyway.

Greenewalt: I would like to second that very heartily. I would be very uneasy in the . . . if I understand the present temper of the Ways and Means Committee, in trying to pull through a tax cut right this minute, well, I'd be afraid. I believe it would fail, which might make it difficult to try again; or you'd get a tax cut, but it would be the wrong kind of a tax cut—

Alexander: Uh-huh.

Greenewalt: —from the point of view of the stimulus that I'm looking for. On the other hand, the thing that bothers me is that this tax cut question is wrapped up with tax reform. My God, you could go through a year and a half before you got anything. I was really hoping that the thing could be done in two packages; that you could recommend the kind of a tax cut that would do nothing to increase or decrease the inequities of the present system, and then do your tax reform question as a separate package.⁹⁴ I would hope very much that that could be done. Alan

94. President Kennedy's economic advisers were beginning to tell him the same thing, especially CEA chairman Walter Heller. On 7 June 1963, when Kennedy decided to postpone attempts at general tax reform, Heller conveyed his affirmation: "As you know, I opposed cluttering up the 1963 tax cut by the inclusion of tax reforms—and I never bought the argument that the vested interests, just because we fed them a high protein diet of tax cuts, would be any less venal or voracious when we kicked them in their private parts" (Memorandum, Walter Heller to President Kennedy, Tax Cut File, Papers of Walter Heller, John F. Kennedy Library).

could speak of the sense of urgency with respect to the balance of payments problem. From my point of view, the stimulus to the economy, if you will. . . . I would far rather do it in an orderly way and get what you're after, than to try to push it through now and fail. But this is a political decision, that—

President Kennedy: This is a matter, really, which is . . . We're ill equipped in this country, in Congress to deal with.

Greenewalt: Yes.

President Kennedy: The balance of payments, and move the tax program, really, underneath, sort of, a gun. With the domestic difficulty and also our foreign difficulty, it's really almost too difficult a question for a system of divided powers like ours to deal with. We have got the Federal Reserve independent of the Executive and the Congress, and the Congress independent of the Executive, and the body or division which is quite close to all of us. That is unprecedented. I'm sure from your experience before the committee, they just, really . . . When you look at the . . . just like almost the rest of us, because really, you can't . . . you don't get the proper balance between [unclear] we all know [unclear] on tax system and monetary policy in terms of everything.

Blough: Yes, it is in a way, but it's going to become more pressing—at least some of it looks like it—

President Kennedy: Then you've still got these carryovers, that are like Patman, where all . . . you know, this is [unclear] getting bribed [unclear]—

Unidentified: Yes.

President Kennedy: —on the money market. [Unclear exchange.] That's the group. That group . . . sort of people.

Blough: Well, Mr. President, you're looking across the table at two different industries and two different companies.⁹⁵ I shouldn't let you go away with the impression that the steel business is like the chemical business. Here we'll have a poor year. We would spend much more money if we had it this year to spend it. We would appropriate much more money this year. Now, Brother Dillon hears that well, you've helped some, perhaps, but we're the picture of industry, [that] generally, is not, shall I say, completely portrayed by the rosy glow that comes from the—

President Kennedy: Well, I won't go away like *that!* [Laughter.]

The . . . actually, the reason we put this in the [unclear] is because I thought the bill would . . . to get the Congress to act, and also this com-

95. Greenewalt's DuPont and Blough's U.S. Steel.

mittee hearing of Wilbur [Mills]'s was an effort to try to see if we could see what the temperature was without having to go out. But I think that we'd better call an end to. Which we will over this weekend and see whether we're going to or not. But I think this is very . . . this meeting has been very useful to try to . . . to try to—

Blough: Yes.

President Kennedy: —put this in a way that will have the most-desired effect. If we don't go, tomorrow I think we ought to indicate that . . . consideration of the matter.

Blough: I think what they're saying, Mr. President, is that whichever way you decide, this is the time when a kind of sketch of the approach and the reconciling of domestic needs and the balance of payments requirements ought to be brought forth, taking advantage of all the attention that has now befallen us.

President Kennedy: Probably—

Blough: Rather than regarding it as a retreat.

President Kennedy: [*Unclear*] but it's terribly difficult—

Sproul: It sure is.

President Kennedy: —matter.

Unidentified: This is the interesting—

President Kennedy: I find it interesting that whenever I talk with anybody about it that the whole thing is very [*unclear*]. Well, I think that, well, I . . . in any case, I do think it's time we indicated what we're going to do about the taxes and I gather that you meant, Roger, that we indicate the sort of philosophy behind the action taken?

Blough: Well, I think that—

President Kennedy: The philosophy of [*unclear*].

Blough: [*Unclear*] balance of payments, and we'll get the chance to [*unclear*].

Unidentified: Yes.

Sproul: And as far as your official family is concerned, that's it now, and not several contending parties who are trying to make up your mind for you.

President Kennedy: Well, that's a pretty good—

Dillon: That goes beyond [*unclear*]. That's a good order. [*Laughter.*] [*Unclear exchange.*]

President Kennedy: Well, you know what happened one time when they asked Mayor O'Brien in New York to elect . . . who he was going to appoint sheriff, he said, "They haven't told me." [*Laughter.*] [*Unclear exchange.*]

Dillon: I think at this point, that there weren't very many people [*unclear*] knowledgeable about this particular subject, that I . . . I would

say that, really, we had a very good meeting . . . a very good meeting.
[*Unclear exchange.*]

Unidentified: I said before the meeting [*unclear*].

At this point, the meeting broke up and the participants engaged in less formal discussions that can often not be heard over one another. Only the following segments are clear.

Unidentified: Yes . . . Yes.

Dillon: All right.

Sproul: [*Unclear*] 23 percent, down now [*unclear*].

President Kennedy: The industrials?⁹⁶

Boeschstein: Yeah, they've moved ahead because, they apparently read your . . . the market is more concerned about a couple of strikes that they had had that had tied up construction in northern California for 54 days, and in Seattle and the Northwest for about 40—

President Kennedy: What [*unclear*]—

Unclear exchange.

President Kennedy: [*Unclear*] broad industries index.

Blough: Do you remember Mayor O'Brien's platform?

President Kennedy: No, I don't think so.

Blough: He was for a larger army and navy. He was for being kind to mothers and children. [*Laughter; unclear exchange.*]

Unidentified: [*Unclear*] against . . . against everything.

Unidentified: Well, Mr. President, we'll keep thinking.

President Kennedy: Right.

Unidentified: And preaching.

President Kennedy: As far as the short-term part, though, as far as the broad governmental effect of the thing, as far as the American . . . aside from American investments abroad, that part . . . Short term, do you think that it can only be handled by interest rate adjustments, and not by any other—

Unidentified: Strategy?

Unidentified: That's right.

Greenewalt: That's right, Mr. President.

Alexander: And that is not going to affect development. It reflects what [*unclear*] expand development of business. It isn't that much.

96. Dow Jones industrial average.

Blough: We have relied [*unclear*].

Unidentified: Thank you, Mr. President. Bye.

President Kennedy: Bye.

Blough: [*Unclear.*] We have operated the business on [*unclear*].

President Kennedy: Oh yeah . . . right.

Blough: I have a suggestion. [*Unclear exchange.*]

If you wish that the 20th anniversary of your [*unclear*] and I would suggest that you are getting too close to anything else that we've ever had in the first or second week of September.

President Kennedy: If I can do it, could I do it the week after Labor Day? Do it the week after Labor Day?

Blough: Oh, well then, that would be, say, Thursday the 6th?

President Kennedy: Yeah.

Blough: That'd be a good day?

President Kennedy: Sort of . . . yeah.

Blough: So we could . . . late Monday, September 3d. Is that the holiday?

President Kennedy: Why don't we do it Thursday the 6th, at four o'clock?

Blough: Four o'clock?

President Kennedy: Right.

Blough: Fine. Right here?

President Kennedy: Right here.

Blough: One minute?

President Kennedy: Right.

Blough: And we'll meet and we'll talk with our people about this.

President Kennedy: Fine. OK. Good.

Blough: And shall I mention this thing to anyone else?

President Kennedy: I'll do it right now. I'll tell [*unclear*].

Blough: Thursday, September 6th.

President Kennedy: Good. Fine.⁹⁷

Blough: Thank you. [*Unclear exchange.*]

Crawford Greenewalt seemed to espouse views most similar to those of the President. Indeed, during the meeting with his economic advisers the following day, Kennedy would cite none but Greenewalt in his pres-

97. From 4:00 to 5:15 P.M. on Thursday, 6 September, the President did meet with the Business Council, which included Roger Blough.

entation of the business community perspective.⁹⁸ The idea introduced by Greenewalt was the notion that many large corporations were currently beset with excess capacity that might well be put to profitable use were a tax cut enacted that enlarged consumer purchasing power. And though the Kennedy administration had already introduced changes that promised to spur growth and investment with direct supply-side initiatives, it was this notion of demand-led growth and investment which seemed to captivate the President and to dovetail most favorably with the thinking of Kennedy's chief economic advisers.⁹⁹

For the remainder of the day, the President had a series of short meetings with Under Secretary of Commerce Clarence "Dan" Martin, Dean Rusk, Larry O'Brien, George Gardner, and Senator Thomas Dodd of Connecticut. He did not tape any of them.

Friday, August 10, 1962

The press reported the morning of August 10 that the President would not make his decision on an immediate tax cut for another week. Welcoming Wilbur Mills into his office at 9:30 A.M. for the second time in four days, the President needed to put an end to this policy debate. Although he and the powerful legislative leader disagreed over the advantages of a temporary tax cut, Kennedy had reason to be grateful to Mills. The House Ways and Means Committee, which Mills chaired, had just concluded two weeks of hearings on the tax cut without issuing a statement of any kind, though Kennedy assumed the committee opposed it. This had bought the administration some time, and now Kennedy wanted to talk with Mills about what came next.

The President had likely given up on getting a quickie tax cut in 1962, but he remained committed to some kind of significant tax relief in 1963. He would need Mills's support for that. Following their 30-minute chat in the Oval Office, which Kennedy did not tape, the President invited Mills to sit in on an administration discussion in the Cabinet

98. See "Meeting on the Tax Cut Proposal," 10 August 1962.

99. The supply-side initiatives were a 7 percent investment tax credit, wending its way through Congress at this point, and the accelerated depreciation guidelines, already enacted by executive order earlier in 1962.