

November 15, 1957

MEMORANDUM

SUBJECT: Discussion at the 345th Meeting
of the National Security Council,
Thursday, November 14, 1957

Present at the 345th Council Meeting were the President of the United States presiding; the Vice President of the United States; the Secretary of State; the Secretary of Defense; and the Director, Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Attorney General; the Director, Bureau of the Budget; the Special Assistant to the President for Disarmament; Mr. Harold Vance for the Chairman, Atomic Energy Commission; the Federal Civil Defense Administrator; the Director, International Cooperation Administration; Mr. Saxton Bradford for the Acting Director, U. S. Information Agency; the Under Secretary of State; the Deputy Secretary of Defense; the Secretary of the Army; the Secretary of the Navy; the Secretary of the Air Force; the Chairman, Joint Chiefs of Staff; the Chief of Staff, U.S. Army; the Chief of Naval Operations; the Chief of Staff, U.S. Air Force; the Commandant, U.S. Marine Corps; the Deputy Director, Bureau of the Budget; the Chairman, Council of Economic Affairs; Assistant Secretary of State Gerard C. Smith. Also present for the Department of Defense were: Assistant Secretary W. J. McNeil; Assistant to the Secretary of Defense William M. Holaday; Colonel E. H. Nigro, USAF; Captain J. W. O'Grady, USN; Colonel Richard Fellows, USAF; Colonel Willis D. Crittenberger, USA; and Mr. Max Lehrer. Also present at the meeting were the Director of Central Intelligence; the Assistant to the President; the Deputy Assistant to the President; Special Assistants to the President Cutler and Dearborn; the White House Staff Secretary; Mr. Bryce Harlow, Administrative Assistant to the President; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

There follows a summary of the discussion at the meeting and the main points taken.

DECLASSIFIED
E.O. 12356, SEC. 3.4 (b)

MR 78-148-22
BY SLD DATE 11/14/86

PORTIONS EXEMPTED
E.O. 12356, SEC. 1.3 (4)
NSC letter 8/14/86
NIE DATE 11/14/86

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November 14, 1957

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1. U.S. MILITARY PROGRAMS FOR FY 1959

General Cutler indicated that at this meeting the Defense Department would make the initial presentation of the U.S. Military Programs for FY 1959. After indicating the order of the speakers, General Cutler pointed out that at the end of the presentation, there would be ample opportunity for the Council members to express their views on the FY 1959 military program. General Cutler also emphasized that the President would like to obtain at this meeting the benefit of the corporate judgment of the members of the Council. Such a course would likewise be helpful to the Defense Department in making its final determinations which would be presented at the next Council meeting. He thereupon called on Secretary McElroy (A copy of General Cutler's introductory remarks are filed in the minutes of the meeting).

In his opening remarks Secretary McElroy explained that the figures in the proposed FY 1959 Budget were based on the 38 billion dollar overall limit. The Budget did not contain a figure for the cost of the implementation of the Cordiner Report. Secretary McElroy added that the military departments would also separately present certain programs which it was their conviction we should implement but which could not be included under the 38 billion dollar ceiling which the Secretary of Defense had instructed the military departments to observe. Thereafter Secretary McElroy called on General Twining.

General Twining explained the background against which the FY 1959 Budget had been developed, referring in the course of these general remarks to a chart entitled, "Force Levels for the FY 1959 Budget." He added that the substance of his report would be presented by Colonel Nigro, USAF, and Captain J. W. O'Grady, USN. Colonel Nigro discussed the following subjects with the aid of charts: (1) Major Army Forces. Among other things he pointed out that the 18 Army divisions which had been in existence on June 30, 1957 would be reduced to 14 by June 30, 1959. On the other hand, missile commands would increase from 2 to 4. The overall personnel strength of the Army which amounted to 998,000 on June 30, 1957 would have to be reduced to 850,000 by June 30, 1959. (2) Major Naval Forces. Colonel Nigro pointed out that the overall personnel strength of the Navy would have to be reduced from the FY 1957 figure of 877,000 to 800,000 in FY 1959. (3) Colonel Nigro's next chart portrayed Major Air Forces. In his comments Colonel Nigro pointed out that under the FY 1959 Budget planning, SAC wings would be reduced by 7 from the 50 of June 30, 1957 to 43 on June 30, 1959. In part this was compensated for by significant increases in missile programs. There would be a very significant reduction in tactical Air Force wings and in the total personnel of the Air Force from 920,000 to about 850,000.

This subject was followed by comments on the status of the Air Defense System in FY 1959 and this in turn by a chart indicating the forthcoming FY 1959 deployments of the three military services in the Pacific-Far East area. It was pointed out that under the proposed budget it would be necessary to withdraw one U.S. division from Korea. This would be offset to some degree at least by an increase of two missile commands. The total reduction in personnel deployed in this area would amount to 51,000 by June 30, 1959. As for the deployment of naval forces there would have to be a reduction in the number of aircraft carriers and a reduction in our submarine capabilities in the Pacific. It was hoped that these reductions might be offset through the maintenance of combat-ready naval forces in the Central and South Pacific. With respect to the Air Force, there would be six wings in the area on June 30, 1959, a marked reduction from the levels of FY 1957. On the other hand, the strength of the Air Force wings would be enhanced by increased nuclear capabilities.

Chart 7 indicated the character of the deployment of U.S. military forces in the Europe-Middle East area which it was pointed out was the most critical area. Colonel Nigro and Captain O'Grady pointed out that the Army now had 5 divisions in Western Europe. The proposed FY 1959 program would require the withdrawal of two battle groups from this force. The result would be an overall decrease in U.S. Army forces in this area by approximately 18,500 men. Navy capabilities would likewise have to be reduced in the area and there would be significant decreases in the Air Force. Some 17 squadrons would have to be pulled out of the area. Inasmuch as these reductions related to the NATO commitment, the next chart indicated current U.S. NATO commitments.

The concluding subject and chart consisted of observations on the three most critical problems confronting those who had drawn up the military program for FY 1959. These were the problems of modernization, deployment and firepower. The general conclusion was a clear statement of the decrease in U.S. military capabilities in FY 1959 as compared to these capabilities in FY 1957. General Twining felt that this was a serious matter which required the most careful study.

At the conclusion of this portion of the presentation, the President said that he had thought it rather curious that while there was a proposed reduction in the total number of Air Force wings, the program nevertheless proposed an increase in the number of tanker aircraft squadrons. Colonel Nigro explained to the President that as B-52's gradually replaced B-36's, it was necessary to have additional jet tankers which accounted for the increase in the tanker squadrons.

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At Secretary McElroy's suggestion, Assistant Secretary McNeil presented the budget figures for all three of the military services pointing out that they were within the 38 billion dollar ceiling directed by Secretary Wilson. He likewise pointed out that subsequently the Service Secretaries and the Chiefs of Staff were to be permitted to indicate what each service felt it required above the 38 billion dollar limit.

Secretary McNeil dealt at great length and in detail with three major subjects illustrated by charts. The first of these gave the figures for New Obligation Availability, Direct Obligations, and Expenditures for the FY's 1957, 1958 and 1959. The second chart broke down these figures in detail in terms of the major military categories of expenditure such as Military Personnel, Operations and Maintenance, Major Procurement, etc. The third chart broke down the second chart into the amounts each service would require for each of the above-mentioned military categories.

In concluding his detailed report, Secretary McNeil pointed out that the figures he had presented did not include the cost for implementing the Cordiner recommendations or recommendations for a civilian pay raise.

Secretary McElroy next called on Secretary Quarles. The latter stated initially that the formulation of the FY 1959 military program had been an austere exercise. Moreover, certain urgently desirable programs had not been included in this 1959 Budget because of the ceiling placed on expenditures and NOA. Some of these urgent additional programs had Department-wide bearing and implications. It was with these that Secretary Quarles said he would deal, leaving to the Service Secretaries other add-on programs which each service felt to be necessary.

Thereafter, Secretary Quarles in line with these comments dealt first with the feeling in the Defense Department that the Cordiner recommendations should be implemented. If this was ultimately agreed, the implementation of the Cordiner plan and related matters would involve an addition of some 700 million dollars annually in the Defense Department Budget.

Secondly, Secretary Quarles dealt with the impact of the Report of the Security Resources Panel (the so-called Gaither Report) which had been presented to the National Security Council on November 7 of this year. Secretary Quarles pointed out that if we implemented the list of programs to which the Gaither Panel had assigned an A priority, it would cost an additional 2.8 billion dollars in FY 1959. If we went further and implemented the recommendations to which the Gaither Panel had given a B priority, there would be an additional cost of 1.86 billion dollars. Secretary Quarles pointed out that these were definitely additive programs and had not been included in

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the estimates thus far given in this presentation. There would be further allusions to these recommendations in the subsequent reports by the Service Secretaries and the Chiefs of Staff of the Services.

Thirdly, Secretary Quarles discussed the impact of the reductions which would have to be made in the FY 1959 programs on our forces deployed overseas. The most serious effect would be felt in NATO. The proposed 1959 Budget would call for the withdrawal of 2/5 of one of our five divisions deployed in Western Europe. General Norstad felt that such a reduction would have a most unfortunate effect as regards the current climate in NATO. It was not clear what could be done to meet General Norstad's objections and anxiety but the Defense Department was trying to work out some plan which would not necessitate our going to the Paris NATO meeting next month with proposals for reducing the personnel of U.S. forces in the NATO area.

airforce

Secretary Quarles indicated that/reductions in the NATO area were likewise a matter of great concern to General Norstad. Secretary Quarles thought it was possible that some of the aircraft and personnel which we had thought it necessary to take out of the NATO area could be left there as the result of a new plan they were working out with General Norstad but if this was successful it would add another 39 million dollars to the FY 1959 Budget.

In the case of Korea, the proposed withdrawal of one of the two U.S. Army divisions was completely unacceptable from the point of view of our political relations with the Republic of Korea and affected our hope of inducing the ROK to make a substantial reduction of its own force levels. Accordingly, we were also trying to work out a plan which would avoid a decrease in U.S. Army personnel in Korea.

Secretary Quarles next turned to the problem of defense against Soviet Intercontinental Ballistic Missiles. The sum of approximately 200 million dollars had been budgeted for this purpose by the Services for FY 1959. On the other hand, the Gaither Committee recommended strongly an acceleration of the programs for our defense against ICBM's. Accordingly, the Defense Department believed that it was an urgent necessity that we add some 100 million dollars more to this program for FY 1959 although this amount would still fall short of meeting the acceleration recommended by the Gaither Panel.

As for our satellite programs, the reconnaissance satellite and space research and development, approximately 100 million dollars would be required although here again this sum would not meet the expectations and demands of enthusiastic protagonists of space research.

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In conclusion Secretary Quarles pointed out that the three services in presenting their individual add-on programs would do so as a result of individual appraisal of the needs of each of the services by that service. The total of the resulting sums would, Secretary Quarles thought, doubtless be well in excess of what we judge to be feasible in the light of our overall fiscal situation. Accordingly, at the next Council meeting on this subject, Secretary Quarles indicated that the Department of Defense would be in a position to present a Defense Department package containing the approved add-on programs as opposed to the individual service estimates of what was required by way of add-on programs.

When Secretary Quarles had concluded his portion of the presentation, the President pointed out that Secretary Quarles had made mention that the Department of Defense as such was taking over direction of all the satellite programs. Secretary Quarles had then proceeded to mention the program for achieving an Air Force reconnaissance satellite. Did this mean that the Defense Department was not taking over direction of all satellite programs?

Secretary McElroy assured the President that all such programs would be taken over from the individual services by the Department of Defense. He then called upon Secretary Brucker to discuss the FY 1959 Army program. Secretary Brucker indicated that both he and General Taylor would deal with this subject. General Taylor first exhibited a chart entitled, "Application of Resources within Expenditure Ceiling of 8.6 Billion for FY 1959". After explaining the application of resources, General Taylor stated his strong agreement with the comments of earlier speakers as to the seriousness of reducing Army deployments and capabilities in Western Europe and in Korea. General Taylor felt that there were three serious problems. The first was the reduction of Army overseas deployments, the second was the reduction of mobile strategic divisions at home in the U.S. and the third was the slow progress in the development of continental defense. If these problems could be satisfactorily solved, the U.S. Army and our Allies would find themselves at a serious disadvantage vis-a-vis the USSR as the military capabilities of the latter continued to increase.

Secretary Brucker first spoke of the decline in the Army's operational capabilities which would result from significant reductions in money available to the Army. He illustrated his point with charts entitled "The Decline of Available Money FY 1958-FY 1959" and a second chart indicating how under the FY 1959 Budget the Army's rate of modernization would decline.

In his summary Secretary Brucker strongly recommended a reversal of the trends portrayed by the above-mentioned charts and asked for supplementary resources for the Army in FY 1958 and additional appropriations in FY 1959. He indicated a strong conviction that we should retain our present NATO and Korean deployments. The Army also recommended

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acceleration of the rate of modernization. If these Army recommendations were accepted, the result would be an increase of 53,000 men in the ranks of active Army personnel and in an increase of 738 million dollars for the Army FY 1959 Budget.

At Secretary McElroy's suggestion Secretary Gates covered the presentation of the Navy Department Budget for FY 1959. He noted that if the recommendations of the Navy for programs which ought to be added to those now proposed under the 38 billion dollar ceiling were accepted, the result would be to raise the Navy Budget for FY 1959 by a figure of 1 billion 370 thousand dollars.

Similarly, Secretary Douglas explained the Air Force program for FY 1959 under guidelines which established a ceiling of 18.1 billion dollars for the Air Force program in FY 1959. Thereupon Secretary Douglas suggested various add-on programs which the Air Force deemed it essential to include in the FY 1959 Budget. The total add-on programs suggested by Secretary Douglas involved supplemental appropriations for the Air Force for FY 1958 of 349.4 million as well as an additional appropriation for FY 1959 of 1.97 billion dollars.

Secretary Douglas was followed by General White who emphasized the highlights of the Air Force FY 1959 Budget which in summary he said would cut out all the fat and quite a bit of muscle as well.

(At this point Secretary Dulles joined the meeting. 11:05 am)

When General White had concluded his remarks, the President inquired about the current status of the procurement of B-58 jet bombers and why we were continuing to procure B-52's while also procuring the improved B-58's. General White replied to the President by stating that we were giving these new bombers full and complete tests but that no B-58's had yet been put into operational units and would not be until we knew more about them.

In his concluding remarks on the Defense Department presentation Secretary McElroy noted the intention of the Department of Defense to review all the several priority add-on programs suggested during the presentation. A final Budget for the Department of Defense would be presented at the next Council meeting on the 21st or the 25th of the month.

The President then stated that he rather doubted the worth of the Council's digging into all these matters before the next meeting on the subject but he did have one or two points to make. He was troubled that none of the statements made in the course of the presentation indicated that the implementation of the Cordiner Report

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would result in a reduction in the total level of military personnel. The President also inquired as to what changes were being made in the atomic submarine SEA WOLF which the President understood was a first class vessel. Secretary Gates indicated that the power plant of the SEA WOLF was considered to be dangerous and that it was proposed to change the type of atomic power plant in that submarine.

The President said that he kept hearing in the course of the presentation that the Defense Department was going to continue with both the TITAN and the ATLAS ICBM programs and also continue both the THOR and the JUPITER IRBM programs. The President said that it was his understanding that these ICBM and IRBM programs were only to be developed to a point which would enable us to choose the most effective of the ICBM and IRBM missiles. Secretary McElroy replied that we would indeed choose one or another of these missile programs or possibly both if both proved successful. The President warned that he did not wish large numbers of these missiles to be procured until they had been proved out in tests.

The President likewise stressed his conviction of the need for greater centralization of research and development in the Defense Department. This, he believed, would effect great savings of money and of the time and energy of our scientists. Secretary McElroy indicated that the Defense Department would soon be gaining valuable experience as to the desirability of the President's view as a result of the Department's experience with its centralized outer space research programs.

The President then observed philosophically that the presentation indicated that we were facing a very tough situation. The problem sometimes seemed to be almost insoluble. The Council would remember that only 2½ years ago the Joint Chiefs of Staff had gone off to Puerto Rico and had come up with the statement that 38 billion dollars a year would do what was necessary, at least as a minimum. Now, here we are only 2½ years later with a minimum well beyond the 38 billion dollar figure and beyond the additional resources which we could anticipate from the annual increment of our Gross National Product. Accordingly, the President expressed his satisfaction that the Department of Defense would now go over carefully the service estimates of additional funds which they felt were required.

At General Cutler's suggestion, Secretary Herter expressed the keen interest of the Department of State in the problems of maintaining our overseas deployments and the high level of equipment and the high quality of equipment of these forces. He believed that if we could maintain our existing deployment for approximately an additional 200 million dollars, this was a highly desirable course of action.

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Cutting our overseas deployment would have a great impact on our Allies and on our foreign policy. The President expressed the opinion that the interest of the Department of State was generally limited to assurance that mobile U.S. forces could be sent overseas promptly to meet critical situations. The President then asked Mr. Harold Vance, who was sitting for Admiral Strauss, if he had any comments on what he had listened to this morning. Mr. Vance expressed the opinion that the President was quite right in his belief that we could save considerable amounts of money if there were greater centralization of research in the Department of Defense.

General Cutler said that he and Secretary Anderson had been totaling up informally the total cost of the add-on programs which had been mentioned in the course of the presentation. Their total amounted to approximately 4 billion 800 million in new obligational authority. The President commented wryly that the trouble with new obligational authority levels was that these levels soon became formed into expenditure levels.

In response to a suggestion from General Cutler, Secretary Anderson made a brief comment on the implications of all these figures for the financial and economic well-being of the country. Up to recently we had been saying that if all our plans work out we would end up the fiscal year with a surplus of approximately 1.8 billion. At the present moment, however, the economy of the U.S. was certainly not in the course of an upward movement. Indeed if the economy stays at present levels or drops, we might for the first time in the present Administration be contemplating an unbalanced budget. While nobody could really foretell the size of the Treasury's income, it may now be nearer 72 billion than the 76 billion we had previously estimated. It is of extreme importance to realize the possibility of an unbalanced budget.

Again at the suggestion of General Cutler, Mr. Saulnier said that he merely wanted to make it clear to all concerned that any hopes for Treasury receipts in the range of 76 billion dollars were quite unrealistic at the present time. He said he believed that at the rate the economy was moving the Treasury receipts for FY 1958 would be around 72.8 billion. If this indeed proved to be the case there would be no significant surplus at the end of FY 1958 and possibly even a small deficit. This change in the budgetary outlook was due in general to a falling off of economic activity. This falling off was related to the fact of less expenditure. While Dr. Saulnier described himself as no deficit-expenditure theorist, we should bear in mind that our troubles do come in part from reduction in levels of expenditure both government and private. This trend could be reversed either by balancing the budget and providing a tax cut which would stimulate the economy or it might be met by increased government expenditure which would stimulate economic activity.

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Asked to comment by General Cutler, Director Erundage pointed out that he and his associates had been working very hard on the civilian side of the FY 1959 Budget. However, acts of Congress made it practically impossible to reduce civilian expenditures without new legislation. This meant serious political problems were going to face us in the future.

The President said that he wanted to repeat what he had said many times before. He was not so concerned about achieving a balanced budget in any one year but he did believe that you could not have a repeated unbalanced budget year after year and at the same time maintain the nation's security.

We must keep a very close watch on the relationship between expenditures and our Gross National Product. We must somehow try to achieve the right balance between a desirable defense program and our available resources. We could not take any risks to our national security but we would certainly have to make some very hard decisions.

(A copy of the Defense Department presentation given at this meeting is filed in the official Minutes of the meeting).

The National Security Council:

Noted and discussed an oral presentation of the current status of the U.S. Military Programs for FY 1959 as developed to date within the Department of Defense and presented at the meeting by the Secretary of Defense, the Chairman, Joint Chiefs of Staff, Assistant Secretary of Defense McNeil, the Deputy Secretary of Defense, and the respective Service Secretaries and Chiefs of Staff of the three Military Departments.

Noted that the Secretary of Defense, after further review in the light of the discussion, would present at the next Council meeting his recommendations as to the U.S. Military Programs for FY 1959.

NOTE: The action in b above, as approved by the President, subsequently transmitted to the Secretary of Defense.

S. Everett Gleason

S. EVERETT GLEASON

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Gen. Glavin

November 14, 1957

Informal Notes

1. The division for the FY 1959 military Budget of \$38 billion is shown below:

	<u>ROA</u>	<u>Direct Obligation</u>	<u>Expenditures</u>
Army	9.2	9.23	8.6
Navy	10.5	10.83	10.5
Air Force	16.1	18.51	18.1
GSD	.8	.75	.8
	<u>36.60</u>	<u>39.32</u>	<u>38.</u>
Less transfer	.32		
	<u>36.28</u>		
	36.28 Net		

2. The Joint Chiefs stated the opinion that the FY 1959 military posture as a result of the above budget would be a reduction in military capabilities from the existing posture. The Chairman of the Joint Chiefs emphasized in this regard a decline in modernization of equipment, a change in deployment, and a concentration on fire power at the expense of delivering and protecting fire power.
3. The items of "add on" presented by DOD and the Services to a \$38 billion budget for FY 1959, such add-ons being unscreened and unagreed and merely representing the total estimated necessary add-on by each Service, were:

<u>Department of Defense</u>	<u>ROA</u>	<u>Expenditures</u>
1. Pay increases for military and civilian personnel		\$700 mil.
2. Centralized satellite program		100 mil.
TOTAL		\$800 mil.
<u>Army</u>		
3. To maintain NATO deployment (16,842 men)		44 mil.
4. To maintain Korean deployment (33,158 men)		83 mil.
5. Modernization of equipment		525 mil.
6. Improvement Strategic Army Corps readiness (3,200 men)		9 mil.
7. Retain reserves of 700,000		77 mil.
TOTAL		\$738 mil.

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	<u>NDA</u>	<u>Expenditures</u>
<u>Navy and Marine Corps</u>		
8. Acceleration Polaris program for ballistic missile submarines	\$341 mil.	\$125 mil.
9. Expedite anti-submarine measures	400 mil.	60 mil.
10. Research and Development	133 mil.	
11. Immediate readiness of forces	473 mil.	100 mil.
12. Non reduction of Marine Corps personnel by 10,000	13.6 mil.	
TOTAL	\$1.36 billion	

<u>Air Force</u>		
13. Research and Development	\$147 mil.	\$72 mil.
14. Improved SAC alert and dispersal	\$29 mil.	141 mil.
15. Improved missile operational capability	144 mil.	352 mil.
16. Detection of ballistic missiles	115 mil.	
17. Modernization of equipment	1,004 mil.	119 mil.
18. NATO adjustment	37 mil.	29.4 mil.
TOTAL	\$1.372 billion	

R.C.

cc: Gen. Goodpaster
Mr. Lay
Mr. Gleason ✓

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November 21, 1957

MEMORANDUM FOR THE CHAIRMAN, ATOMIC ENERGY COMMISSION

SUBJECT: U.S. Military Programs for FY 1959

In accordance with the request received from your office, there is attached a copy of NSC Action No. 1816 for your information and files.

JAMES S. LAY, JR.
Executive Secretary

cc: Minutes ✓
Disaster
Registry
Chrono

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345 NSC Meeting
November 14, 1957

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NSC ACTION
NO.

SUBJECT

1816. U.S. MILITARY PROGRAMS FOR FY 1959

- a. Noted and discussed an oral presentation of the current status of the U.S. Military Programs for FY 1959 as developed to date within the Department of Defense and presented at the meeting by the Secretary of Defense, the Chairman, Joint Chiefs of Staff, Assistant Secretary of Defense McNeil, the Deputy Secretary of Defense, and the respective Service Secretaries and Chiefs of Staff of the three Military Departments.
- b. Noted that the Secretary of Defense, after further review in the light of the discussion, would present at the next Council meeting his recommendations as to the U.S. Military Programs for FY 1959.

NOTE: The action in b above, as approved by the President, subsequently transmitted to the Secretary of Defense.