

Outgoing Cipher Message

TO: S

EYES ONLY

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TO: RICHARDSON
FM: SMITH

EYES ONLY

251115 EYES ONLY

IN THE WEEK SINCE MY RETURN TO WORK I HAVE BEEN TRYING TO GET A FEEL OF HOW ECONOMY EFFORTS ARE GOING, AS A BASIS FOR MAKING A CONSTRUCTIVE REPLY TO YOUR LETTER OF 15 OCTOBER STATING THE DISCOURAGING RESULT OF YOUR INVESTIGATION OF THE POSSIBILITY OF MORE FUNDS FOR THIS FISCAL YEAR.

AFTER AGAIN REVIEWING WHAT POSSIBILITIES ARE EVIDENT AT THIS POINT FOR FURTHER SAVINGS IN AN EFFORT TO CLOSE THE \$148,000 GAP IN MEETING THE TARGET OF \$13,371,000, I HAVE HAD TO COME BACK AGAIN TO THE BELIEF AT THIS POINT THAT UNLESS WE WERE TO TAKE SOME OF THE STEPS (WHOLLY UNACCEPTABLE STEPS) DISCUSSED IN MY MEMORANDUM OF 8 SEPTEMBER, (ENCLOSURE 1 TO MY 8 SEPTEMBER MEMORANDUM "SUBMISSION OF 'CUT-BACK' FY 1966 RFE BUDGET") WE CAN NOT GUARANTEE DOING MUCH IF ANY BETTER THAN THE CUT-BACK BUDGET ALLOCATIONS WE HAVE SUBMITTED. AS STATED IN MY 8 SEPTEMBER MEMORANDUM, TAKING ANY OF THESE STEPS TO MAKE ADDITIONAL SUBSTANTIAL SAVINGS WOULD IN MY OPINION SERIOUSLY JEOPARDIZE RFE'S EFFECTIVENESS.

WE WILL OF COURSE KEEP ON TRYING TO MAKE ADDITIONAL SAVINGS IN AN EFFORT AT LEAST TO TRY TO CLOSE THE \$75,000 GAP WHICH WOULD STILL REMAIN EVEN IF YOU ARE ABLE TO MAKE THE GENEROUS INCREASE OF \$75,000 IN OUR ALLOCATION WHICH YOU REFERRED TO IN YOUR LETTER. PERHAPS WE WILL SEE MORE LIGHT IN OUR CONTINUING SEARCH FOR SAVINGS BY THE TIME WE REVIEW THE SITUATION AGAIN IN JANUARY.

THERE IS EVIDENCE THAT WE HAVE MADE PROGRESS IN GENERATING A WIDESPREAD SPIRIT OF LIVING AS FRUGALLY AS IT IS POSSIBLE TO DO YET STILL KEEP THE OPERATION MOVING WITHOUT SERIOUS RETROGRESSION. IF ON TOP OF THAT WE HAVE UNUSUAL GOOD FORTUNE IN SUCH THINGS AS THE WEATHER SO AS TO SAVE IN OUR HEATING BILLS, AND IF THE USUAL CROP OF

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UNFORESEEN DEMANDS TURNS OUT TO BE SMALLER THAN USUAL, AND IF OTHER GOOD FORTUNE COMES OUR WAY, PERHAPS WE CAN SCRAPE TOGETHER SOME ADDITIONAL SAVINGS TO APPLY AGAINST THE DEFICIT. BUT THESE ARE A LOT OF "IFS", AND IN THIS WORLD WE ARE LIVING IN COSTS OF ALL TYPES OF SERVICES AND SUPPLIES ARE RISING, AND UNEXPECTED EVENTS ALMOST INVARIABLY DO OCCUR. THUS IT WOULD JUST AS WELL TURN OUT THAT OUR DEFICIT WILL GROW LARGER RATHER THAN DECREASE, NO MATTER HOW HARD WE TRY. WE HAVE TO RECOGNIZE THAT THIS RISK IS CONSIDERABLE, ESPECIALLY IN THE LIGHT OF OUR ALLOCATIONS ALREADY BEING PARED MORE TIGHTLY THAN EVER BEFORE, LEAVING LITTLE ROOM FOR ADJUSTMENT.

OUR BATTLE TO MAKE TERMINATIONS AND CLOSE T/O SLOTS IS MAKING SOME PROGRESS, BUT VERY SLOWLY. TEN ACTIONS HAVE BEEN TAKEN TO DATE IN MUNICH AND FISCHER IS WORKING ON THREE OR FOUR IN NEW YORK. MEANWHILE WE SEEM TO BE MAKING CONSIDERABLE SAVINGS FROM FROZEN SLOTS, WHICH I BELIEVE WILL GIVE US SOME ADDITIONAL FUNDS FOR MAKING MORE TERMINATIONS, AS EXPLAINED IN MY 8 SEPTEMBER MEMORANDUM. FOR SAVINGS TO BE FULLY REALIZABLE IN FY 1967, OUR TERMINATION PROGRAM SHOULD HAVE PROGRESSED FURTHER BY 30 SEPTEMBER THAN IT DID, AND DEFINITELY MUST NOT LAG BEYOND 31 DECEMBER. WE MUST THEREFORE TRY TO FIND MORE TIME TO DEVOTE TO THIS WITH DEPARTMENT HEADS, BUT IT IS RUGGED GOING AND UNLESS WORKED ON HARD AND RELENTLESSLY FROM TOPSIDE SIMPLY BOGS DOWN IN THE DEEPEST SORT OF FEATHERBED RESISTANCE WHICH AT TIMES IS SO SUBTLE AS NOT TO SEEM LIKE RESISTANCE AT ALL. FINDING THE TIME TO KEEP FOLLOWING THROUGH IS TRULY DIFFICULT.

IT IS GOOD NEWS THAT WE MIGHT HAVE MORE FLEXIBILITY IN YEAR END FISCAL PROCEDURES. THE BIGGEST GAIN FROM SUCH IS WHEN WE COME OUT WITH SOME APPRECIABLE SAVINGS TO OBLIGATE AGAINST NEXT YEAR'S NEEDS. SINCE THIS IS SO UNLIKELY THIS YEAR, OUR PROBLEM MAY BE TO FIND SOME WAY OF CARRYING FORWARD OBLIGATIONS WE ARE UNABLE TO PAY THIS YEAR. AS THE SITUATION UNFOLDS WE WILL IN DUE COURSE SET FORTH RECOMMENDATIONS APPROPRIATE TO THE SITUATION.

END MSG