

MEMORANDUM

October 6, 1949

Mr. Clark submitted a proposed draft of our memorandum for the third quarter to Mr. Keyserling and me on October 4. We made quite minor suggestions which he found acceptable and checked this version back with the staff, thus evolving a final draft to which we gave a last check this morning, after which we initialled it and took it to the President at twelve o'clock.

I opened the conference by saying that "Mr. Clark was the master scrivener of this document, and I think that he and Mr. Keyserling may wish to make some comments outlining its major points." I had told Mr. Clark that I would follow this procedure. He seemed pleased, and as soon as the President turned to him, he made a clear and pleasing presentation of the major points. His summary was of a quite optimistic character, and Mr. Keyserling added a few words endorsing this optimism. I made no comment.

Mr. Clark said that if we go forward on a basis of reasonably well sustained prosperity without a real postwar break, it will be an achievement that has never been accomplished before, adding: "It will be the pay-off on constructive policies which have been developed during the past fifteen years or so." The President was immensely pleased at this, but it seems to me that the report itself, with the kind of commentary that Clark made and the President's reaction, indicate complacency with all current policies and a lack of awareness of pitfalls in the present spending-deficit situation, which seems to me dangerous. I cannot feel that it is good staff work on the part of the Council to encourage the President in this easy optimism.

Since I have stressed a different point of view both in my letter to the President of August 26 and in my addendum to NSC 52/2, I did not feel disposed to insist on the point in this morning's memorandum or in the oral discussion. I am considering seriously, however, writing a final supplementary note to the President before the end of the month, registering the fact that, in spite of the superficially favorable aspects of the outlook for the remainder of 1949 and for 1950, these less pleasing possibilities cannot safely be overlooked.

(Filed
with
memo
Oct. 11
+
memo
Aug 26
NSC)

The President said he was highly gratified to have the encouraging report that was presented this morning, that he had felt that way but was glad to have our verification. He said he thought that the steel strike would be settled next week and that he was not holding Congress here much longer as they had passed most of what he had called for. He added that he was very much gratified and reassured also as to the international situation and thought that we were definitely working toward peaceful settlements.

When we left, Mr. Clark said: "Good day, Mr. President." I am not quite sure what Keyserling said. But I definitely said Goodbye. Whether or not he noticed the word or attached any significance to it, I cannot say, but I definitely assume that this is the last time that I shall ever be in his office.