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TAB DEconomic Impact

A proposal freezing operational inventories of SDV's to July 1964 levels and limiting production to maintenance, modification and replacement, should have little if any adverse effect on the US aircraft industry. It might well prove salubrious if the released funds were pumped back into research and development in fields other than missile production. Production of medium and long range bombers has been discontinued for some time and current maintenance and modification programs (such as the B52 tail modification) would probably be emphasized to offset with quality the restricted quantity of the force.

With respect to missiles we can expect the greatest effect to be felt from curtailment of production of Minuteman and Polaris missiles. 350 Minuteman missiles are scheduled to be produced to equip new units between July 1964 to July 1966. Cancellation of this production would reduce output to about 130 complete missiles to replace those scheduled to be expended in reliability testing and training. In addition, of course, spare parts must be manufactured for maintenance and modification needs. The effect upon rocket motor production would be relatively slight because according to current estimates rocket motors will require replacement every 4 or 5 years. For the July 1964 force of 600 operational missiles this would mean continuation of substantial production.

Polaris production now scheduled to take place between July 1964 and July 1966 provides for a total of 507 missiles of which 262 are considered equipment for new units. These latter missiles would be

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cancelled under the proposal discussed here and production limited to maintenance and modification parts plus some 85 missiles for test replacements.

The above figures do not take into account what might be a substantial manufacturing requirement -- replacement of early model Minuteman and Polaris missiles with the latest models now scheduled for production.

By July 1964 Titan and Atlas units will have received sufficient missiles to equip their units. Production of about 12 Titan and 12 Atlas missiles would be required each year to replace complete missiles destroyed in testing. Again there would be a continuing requirement for rocket motors and other replacement parts.

The Economic Adjustment Advisor in OSD is conducting a study to develop in terms of men and money a more precise picture. (The question was formulated so as to cover either 50% reduction in forces or a freeze so that the request is only one more theoretical alternative of many being considered by I&L.)

Summary: With the exception of Minuteman (Boeing-Seattle) and Polaris (Lockheed-Palo Alto) the economic impact on existing contract would be slight. These programs would not be killed but cut back to a level adequate to maintain the relatively large forces in existence at that time. In fact the freeze if maintained for 10 years might result in a long term net increase for these corporations, since these weapons would not be phased out of operation. The major impact would be on Defense contractors expectations for many believe that large new strategic weapons will be granted in the near future.

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