

When Military Problems Become Economic Problems

As Secretary of Defense, McNamara was concerned in equal parts with organizing defense policy and with economic and budgetary problems. As a result, it was inherent to his position that he would recognize the economic implications of chosen policies for South Vietnam sooner than most. His support for counterinsurgency strategies in the spring of 1962 coincided with important developments on the economic front and, as such, was conditioned as much by economic as military considerations. Internationally, the balance of payments and gold outflow problem became especially acute, and domestically, an activist Senate squeezed the budget that financed operations in Vietnam. Both contributed to a sense of urgency to move on the problems in South Vietnam in a way that would contain the problem and reduce its potential economic impact.

McNamara may have been, as David Halberstam described, the “can-do man in the can-do society in the can-do era,”¹ but by 1962, both he and Kennedy had become more modest. Their bruising experiences with the Bay of Pigs, the Berlin standoff and the Cuban Missile Crisis had had a sobering effect and brought home the United States’ vulnerabilities, not least in its economic foundations.² By July 1962, at the same time that McNamara initiated his withdrawal plans from Vietnam, the balance of payments situation had reached a particularly alarming stage. As Dillon informed the President, “Whereas in 1961 only about one-third of our over-all deficit was reflected in a gold loss, so far in 1962 almost 60 percent of our deficit has been reflected in gold losses.”³ Moreover, these

developments happened against the backdrop of a weak domestic economic picture. In June 1962, in the second largest financial crash on record, the US stock market had lost a quarter of its value just as the economy was beginning to recover from a lingering recession that kept unemployment figures around the 6 percent mark.

For the Kennedy administration, this looked like a perfect storm. As David Rockefeller had suggested to the President, the "time honored" and easy method to get claimants to hold their dollars would have been to increase interest rates, but this was not possible for an administration that had pledged to kick-start the economy in the face of a recession.⁴ In 1961, the Treasury introduced a gimmick that reconciled competing interest rate needs. It was called Operation Twist. As the name suggests, it twisted the interest rates to keep long-term interest rates low but short-term interest rates high. On gold, Dillon used his clout as someone "known in Europe" to create the London Gold Pool at the end of 1961 whereby the United States, together with seven European countries, agreed to collaborate on a joint gold pool to prevent prices from going up as they had during the "gold flutter of 1960." In addition, in July 1963, the administration passed the Interest Equalization Tax, which essentially taxed US investments in foreign countries. Combined with other "buy American" programs, by 1963 the administration seemed to have created a complete program to address its economic concerns. However, all of these steps and the suggestion from Rockefeller and others that the administration should boost trade could not ultimately compensate for the fact that it was not trade but defense installations abroad that drove the balance of payments deficit.

John Kenneth Galbraith's letters to Kennedy shed light onto the type of considerations that informed McNamara's proposed solutions and his decision to focus on troop withdrawals, including in Vietnam. In April 1962, McNamara met with Galbraith for three hours. They knew each other well: they had met while McNamara was teaching at Harvard University and had collaborated on a book on corporate structures when McNamara was at the Ford Motor Company. (The only longer meeting during this period was with Robert Thompson.⁵)

After his meeting with McNamara, Galbraith wrote to President Kennedy that they were in "basic agreement" over Vietnam. Galbraith and his friend Harriman were part of a vocal minority of civilian advisors who argued that the United States was entering into a continuum of external aggression in Vietnam that was doomed to fail.⁶ Although McNamara shied away from making this kind of sweeping geopolitical

judgment, he knew and respected Galbraith's judgment and would have agreed with another letter where Galbraith warned:

Our present deployment is based on tradition, accident, the mystique of conventional force, and the recurrent feeling that, in the absence of any other feasible lines of action, the movement of troops might help. (I hasten to allow for rational factors as well.) On the whole dollars have not entered the calculation at least until lately. It is much better that they enter as a consideration now than on some subsequent day when we run out. At least why not have a high-powered team draw up a deployment strategy designed to minimize the dollar outlays. The logistical framework and small forces would remain forward. Behind our dollar account would be the troops (and their families) with great emphasis on mobility and air-lift. We might, as compared for example with the sterile commitment in Korea, find it a lot better.

In the same letter, Galbraith attacked the aid program to Formosa and Korea and wondered how "economical" these were and whether the United States was funding "excessively expensive military establishments."⁷ Returning to the dollar and gold outflow problem, he cautioned, "We should remind ourselves that our commitments here were established when dollars were plentiful. A dollar shortage would have been good for [Eisenhower's Secretary of State] Mr. [John Foster] Dulles."⁸

Faced with a "dollar shortage," or at least a perceived one, Kennedy did what Galbraith suggested and on June 22, 1962, created a "high-powered team," the Cabinet Committee on Balance of Payments with Dillon as its chairman and McNamara as the driving bureaucratic force behind it. Not only were these two men among the most "high-powered" in the administration, they were also members of the Cabinet who interacted with Kennedy socially and were friends whom he trusted.

Within a month and with his habitual application, McNamara suggested a list of steps to reduce the Defense Department's impact on the balance of payments. These included encouraging the sale of US military equipment primarily to Europeans, coordinating in-country programs with USAID, and working toward removing any redundancies or inefficiencies in the field especially by urging regional countries (such as Japan) to shoulder a greater burden of the costs. In Vietnam, his recommendations coincided with Operation Switchback and the Defense Department's absorption of many of USAID's programs as well as the first draft of the CPSVN.

McNamara's reassessment of troop deployments ran in parallel to the CPSVN and accelerated at the same time as did the CPSVN. In July 1962, McNamara instructed the Joint Chiefs of Staff to produce a five-year deployment plan, an audit of sorts of existing bases abroad "with a view

to eliminating all non-essential units," and asked that "this plan should be developed by country, by service, by unit, and fiscal year."⁹ This came five days after he had asked for a first draft for the CPSVN. Later, in March 1963, Kennedy asked his advisors to "bring our accounts into balance in a shorter period of time" and that all USAID and Defense programs abroad should be examined on an urgent basis.¹⁰ By April 1963, McNamara asked the JCS to further shorten the CPSVN's phaseout timeline while he also produced a new report for the Cabinet Committee where he described measures aimed out "thinning out our deployments."¹¹

In Vietnam as elsewhere, McNamara rationalized many of the troop withdrawals using Galbraith's exact logic, namely that the Defense Department's heavy investments in air- and sealift had removed the need for massive forward positioning of troops. As he explained to Kennedy: "I do not believe the proposed force redeployments will weaken significantly our ability to respond to Communist aggression. The increase in the procurement of Army equipment, airlift aircraft, and the increase in the ferry range of such aircraft have greatly increased our ability to deploy both air and ground forces from the US to theaters of operation within a period of strategic warning."¹²

As part of his reforms at the Defense Department, McNamara had stepped up investments in strategic lift capabilities and initiated a series of exercises culminating in the Big Lift exercise in the fall of 1963, whose purpose was "to test our system" but also to "demonstrate dramatically our redeployment capabilities to our Allies and to the Soviets."¹³ In other words, the exercises were designed to reassure allies that technological advances, which would allow for the rapid deployment of troops in the event of a crisis, could offset prospective troop withdrawals. As a result, by the end of 1963, following the logic of cost cutting, the Comptroller projected a worldwide troop reduction of 15 percent over two calendar years.¹⁴

As Francis Gavin has shown, in Europe the underlying rationale for troop withdrawals was essentially one of fairness: that Europeans should shoulder a greater share of the burden for their own security especially given the new, stated defense policy of flexible response. Kennedy was particularly harsh with European allies. In notes from a December 1961 meeting with the JCS in Palm Beach, Kennedy predicted that the administration would "face the question in 1963" but maintained that he "always felt we could force the Europeans to do more by pulling some of our forces out."¹⁵ In the absence of real movement on that front, Kennedy returned to his criticism of European countries in 1963. In Hilsman's notes of a private meeting, Kennedy complained, "We have to make

Europe pick up their burden. Ridiculous that they are not doing their part. We have pursued a very generous policy in the past. We have to get tougher about this. We must keep our economic house in order.”¹⁶

On the other hand, European states – especially Western Germany and France – also had significant leverage over the United States as they were major holders of dollar reserves.¹⁷ Throughout 1962, going hand in hand with negotiations on troop withdrawals, McNamara accelerated a program of military equipment sales to European countries designed to “offset” the balance of payments deficit.¹⁸ He launched a “buy American” program, reducing local purchases at the defense installations abroad, and he repatriated dependents or support staff in many of the bloated defense installations. These programs were especially successful in Germany and Italy: by 1963, the cost of the US presence in these countries had almost entirely been offset.¹⁹

In Asia, the dynamic was different. Here, in the preceding decade “Mr. Dulles” had fixed the United States to a number of expensive and “sterile commitments,” which Dillon and McNamara argued were more expensive than needed. Therefore, McNamara’s priority was to unstick open-ended and growing commitments and to favor instead a greater burden-sharing arrangement that presaged what would become the Nixon Doctrine in the 1970s.²⁰ Galbraith and McNamara were concerned with the impact of European military alliances on the balance of payments, but their criticisms were particularly scathing in Asia.

For both Galbraith and McNamara, the commitment to Korea was the most outdated and disproportionately expensive. Whereas by 1963 Japan had transitioned to an economic state where the administration could reasonably conclude that it “must depend more on its own self-defense capabilities in the future,”²¹ Korea appeared to be stuck in a position of dependence. By June 1963, McNamara wrote to Kennedy: “I believe we should prepare plans for a time-phased reduction of US Army forces in the ROK [Republic of Korea] from 52,400 to about 17,000 by the end of CY65 and a reduction in ROK ground forces from 536,00 to 450,000 by the end of CY67. If this reduction were accomplished, the MAP [Military Assistance Plan] for Korea could be reduced from the \$200 million level programmed for FY64 to an annual level of no more than \$150 million by FY68.”²² He noted that that with a programmed increase in airlift capability of 300 percent, troops could be redeployed quickly from the West Coast. Moreover, he justified a reduction of the military presence “in view of the Sino-Soviet split and the resulting picture of somewhat deteriorating Chinese Communist capabilities,” presumably a

euphemistic reference to Mao's Great Leap Forward's devastating effects on China's economy and society.²³

However, whether in Europe or Asia, the State Department and Joint Chiefs of Staff stymied McNamara's troop withdrawal efforts. They argued that these were too politically explosive and that they potentially undermined the credibility of US commitments around the world. Even McNamara's more modest suggestion to remove dependents from overseas bases riled the Chiefs, who "consider[ed] this entirely unacceptable" and worried that it would strike a "mortal blow to recruiting and would be viewed as the last unbearable step in the subordination of military to civilian needs, with predictable consequences in Congressional outrage."²⁴

Paul Nitze, the Secretary of the Navy, who had played a key part in the buildup in Korea as head of the Policy Planning Staff in the State Department from 1950 to 1953, argued that troop withdrawals were "simply impossible," especially in the Far East and Germany.²⁵ In part, his concern stemmed from a fear that troop reductions "would make it necessary for us to commit ourselves to an immediate nuclear response in the event of any serious threat in Korea and probably elsewhere in the Far East."²⁶ In other words, echoing Rusk's arguments against troop withdrawals in Europe, a confrontation could quickly become a nuclear exchange in the absence of another credible deterrent.

Meanwhile, George Ball, the Undersecretary of State for Economic Affairs, angrily wrote to his predecessor Dillon that publicly announcing redeployments for balance of payments reasons would be seen "as a sign of weakness" and warned of "grave dangers" in these "matters of life or death." More pointedly, he reminded Dillon that it would be "particularly unbecoming for the Kennedy administration to announce that it was adjusting its defense arrangement for balance of payments reasons, since the President played a leading role in '58 in chastising the Eisenhower administration for – as he put it – placing 'fiscal security ahead of national security.'"²⁷

On October 3, 1963, the same day that the administration announced its phaseout plan from Vietnam, Rusk expressed his concerns about troop withdrawals to President Kennedy in dramatic terms. While he accepted that some withdrawals would be necessary, he argued that McNamara's plans for Korea and Japan as well as Europe would create "immense political problems which no amount of effectively devised and assiduously implemented diplomacy and public relations will be able to contravene." He ended ominously: "I would be derelict in my responsibility to

you if I did not advise you that, in my considered judgment, the implementation of the DOD proposals . . . would be the gravest sort of mistake, fraught with adverse political and psychological consequences, perhaps out of all proportion to the intrinsic military significance but, nevertheless, carrying a real danger of jeopardizing our entire national security posture.”²⁸

Rusk’s “firm[ness] in his unwillingness to accept any major force reductions”²⁹ had some impact: it stalled withdrawals from Korea and spurred European allies’ efforts at offsetting US expenditures.³⁰ Also, in keeping with the State Department’s objections, McNamara conceded that it was “entirely acceptable” to him that withdrawals, when they happened, should “not be presented as a ‘package’ implying US withdrawal from its commitment to maintain the integrity and freedom of the Free World” and that they should be done in a discrete fashion in order to give countries “no basis for believing that the program is forced upon us by our balance of payments position.”³¹ In November 1963, he instructed the JCS that while the plan was still to cut overseas deployments by 15 percent in the next two years, “wherever possible action of low visibility should be taken without public announcement.”³²

The OSD’s planned troop withdrawals played an important part in the timing and scope of the withdrawal plans for Vietnam. In July 1963, as McNamara reviewed the “concerted effort during the past two years to reduce the net adverse balance of the Department of Defense transactions entering the international balance of payments,” he could proudly point to impressive achievements and statistics, for instance, that “gross expenditures overseas less receipts, was reduced by approximately \$850 million – from 2,334 million to 1,477.” However, he also acknowledged that “political constraints” got in the way of even greater “successes.”³³ One of the main producers of those constraints, George Ball, later reflected on McNamara’s efforts: “Bob was prepared to distort any kind of policy in order to achieve some temporary alleviation to the balance of payments, which again to my mind was a function of his preoccupation with quantification.”³⁴

With the bureaucracy firmly against him, McNamara considered that the troop deployments in Europe and Korea had effectively become “fixed costs” for the time being and turned to controlling those, like Vietnam, that could still be considered “variable costs.” Balance of payments issues were on McNamara’s mind both before and after his key trip to Vietnam in October 1963. During the October 1963 NSC meetings, when National Security Advisor McGeorge Bundy asked McNamara “what

[was] the point" of announcing a phaseout, McNamara responded, "We need a way to get out of Vietnam. This is a way of doing it. And to leave forces there when they're not needed, I think is wasteful and complicates both their problems and ours."³⁵ For McNamara, the "waste" and "complications" related, in the short term, primarily to the beleaguered Military Assistance Program that financed Vietnam operations, and more broadly to the balance of payments deficit.

The day before McNamara left for Vietnam in September 1963, during a White House meeting on the balance of payments, he agreed that the DOD would develop "specific, detailed country proposals for reductions," the timing and tactics of which would be coordinated with State.³⁶ Although these reductions were primarily aimed at Europe, it is difficult to imagine that McNamara would not have applied the same cost-cutting logic to Vietnam on the eve of his departure especially since he had always applied broader fiscal considerations to US policy in Vietnam. Ultimately, troop withdrawals in Vietnam and elsewhere reflected McNamara's sentiment that the OSD "should ruthlessly eliminate all activities, the cost of which is not commensurate with their contribution to our national defense."³⁷

In addition, troop withdrawals from Vietnam specifically chimed with a more economical strategy aimed at getting allies to assume a greater share of the responsibilities for their defense, or in his words, a strategy that recognized that the "proper support of indigenous forces on the scene would give a greater return to collective defense than additional US military forces."³⁸ McNamara supported a strategy of counterinsurgency and self-help because it promised an economically sustainable model for US leadership at a time when its responsibilities around the world were proliferating.

Ultimately, the administration's defense policy reflected its economic priorities and constraints. In Vietnam specifically, the chosen strategy reflected a sense of modesty born of a confrontation with new threats and challenges. Strategies that hinged on counterinsurgency were de facto cheaper as they did not rely on the same amount of logistical support as conventional deployments and because they presupposed self-help on the part of the countries battling the insurgency.

As a result, McNamara led efforts in the administration to redefine the problem in Vietnam in a way that could ensure a more limited commitment: as long as it was an internal, insurgency problem, it would not require the type of support and long-term commitment that he had inherited at the Defense Department for Korea. As Gilpatric remembered,

while counterinsurgency was not necessarily McNamara's "dish of tea,"³⁹ he welcomed its economic implications as a more sustainable model for US leadership internationally and for the Defense Department specifically. It leveraged the department's new investments, notably in air- and sealift capabilities and in the Special Forces, without demanding the type of permanent stations abroad that drove the balance of payments deficit.

As he did with the Korea commitment, McNamara argued that new air and sealift capabilities removed the need for massive pre-positioning of troops in Vietnam. Following Alain Enthoven's advice, which was subsequently confirmed in a RAND report,⁴⁰ he held discussions to concentrate the Army's forces in "hubs" in Thailand and in the Philippines from which, if necessary, the United States could intervene in the case of outright aggression, in other words a conventional invasion of North Vietnamese forces.⁴¹ The forces need not be in Vietnam; they could intervene from these "hubs."

In November 1961, at precisely the same time as he was receiving the Taylor-Rostow mission's recommendations to introduce ground troops into Vietnam, President Kennedy took up another, more modest theme in both his public and private pronouncements. In a speech delivered on November 16 at the centennial celebration of the University of Washington, Kennedy said, "We must face the fact, that the United States is neither omnipotent nor omniscient – that we are only 6 per cent of the world's population – that we cannot impose our will upon the other 94 per cent of mankind – that we cannot right every wrong or reverse each adversity – and that therefore there cannot be an American solution to every problem." He warned against those who "urge upon us what I regard to be the pathway to war ... If their view had prevailed, we would be at war today, and in more places than one." Also, he refused the polarizing tendency whereby "each side sees only 'hard' and 'soft' nations, hard and soft policies, hard and soft men. Neither side admits its path will lead to disaster – but neither can tell us how or where to draw the line once we descend the slippery slopes of either appeasement or intervention."⁴²

While it is plausible that Kennedy's speech spoke to other issues or situations than the one in Vietnam, Arthur Schlesinger used the speech to subsequently explain that "he thought, and often said, that we were 'overcommitted' in Southeast Asia" and that he was "quite prepared to cut losses and never felt that he had to prove his manhood by irrational bellicosity."⁴³ Crucially, it was the views of advisors such as Sorensen

that prevailed on Vietnam strategy. On November 24, 1961, just a week after the speech was delivered, Sorensen quoted directly from the University of Washington speech to make his case for Vietnam and against Taylor's recommendations. He wrote to Kennedy: "this battle must be won at the village level; and thus only the Vietnamese can defeat the VC, we cannot do it for them. Troops of a different country, color and culture are not as suitable and effective." As for the US role, "we can supply the weapons, training and financing – no more should be needed" and, in a line straight from the speech, he warned that "we are not omnipotent or omniscient" and there "cannot be an American solution to every world problem."⁴⁴

Throughout his time in office, from the inaugural address onward, Kennedy returned to the idea that the United States, like all countries, faced constraints on what it could hope to achieve. In an interview in December 1962, in which he assessed his first two years in office, Kennedy described what he had learned about power and responsibility. He remarked: "In the first place, I think the problems are more difficult than I imagined they were. Secondly, there is a limitation upon the ability of the United States to solve these problems . . . There are greater limitations on our ability to bring about a favorable result than I had imagined there would be. And I think that's probably true of anyone who becomes President."⁴⁵

Although Sorensen and other colleagues may have perceived the problems in Vietnam as fundamentally military or political problems, in reality, they were inextricably linked to economic realities. As the Defense Department's Comptroller Hitch had written, "All military problems are, in one of their aspects, economic problems in the efficient allocation and use of resources."⁴⁶ When McNamara referred to "waste" in Vietnam or when Galbraith spoke about the French precedent, they viewed the problem through their own economic lens.

In Galbraith's letter to Kennedy after meeting and being in "basic agreement" with McNamara in April 1962, he wrote: "There is a consequent danger we shall replace the French as the colonial force in the area and bleed as the French did . . . We should measurably reduce our commitment . . . [and] resist all steps which commit American troops to combat action and impress upon all concerned the importance of keeping American forces out of actual combat commitment . . . Americans in their various roles should be as invisible as the situation permits."⁴⁷ His reflections speak to military strategy and specifically to preventing militarizing the US commitment, but what Galbraith, an economist, meant

when he wrote “bleed as the French” could presumably just as well have been an economic point.

As men like Galbraith and especially Dillon recalled, economic realities and decisions in the Treasury compelled the French withdrawal (and resulting American involvement) from Indochina in the 1950s. Echoing Hitch’s remarks, Pierre Mendès-France, who as Prime Minister of France oversaw the country’s withdrawal from Indochina, remarked, “Every problem eventually becomes a financial problem. Such was the situation in Indochina: it got off on the wrong foot politically, militarily and morally but its problems became especially acute on a budgetary level.”⁴⁸ In the period of 1945–1954 when France eventually abandoned its colonial ambitions in Indochina, the war swallowed up over 10 percent of all state expenditures, and Mendès-France explicitly presented withdrawal as a way of getting French finances in order.⁴⁹

Moreover, successive French governments had sought cost-cutting measures in Indochina by introducing very similar steps to those McNamara now encouraged. These included attempts to internationalize the war, using Special Forces-type units to train ethnic and religious minorities, and pursuing a policy of “self-help.” The policy had a precursor in the French policy of *jaunissement*, or “yellowing,” which shifted fighting responsibilities to local and regional troops. Moreover, France built up and trained national armies in each of the countries of Indochina as an alternative to deploying troops from continental France.⁵⁰

Similarly, a decade later, for the United States, disengagement from Vietnam was part of a general trend that encouraged self-help in countries. In many ways, this policy of self-help, or relying on local forces, presaged the Nixon Doctrine’s flagship program, Vietnamization. During the Kennedy administration, a policy of self-help in the developing world was a way of reconciling the existing economic constraints with the administration’s interest in guerrilla warfare and wars of national liberation. The policy recalled Kennedy’s inaugural address where he indicated that the administration would prioritize aid programs designed to help “people in the huts and villages of half the globe ... help them help themselves.” Also, as McNamara explained while preparing his first budget, “The main responsibility against subversion and guerrilla warfare must rest on indigenous populations and forces, but given the great likelihood and seriousness of this threat, we must be prepared to make a substantial contribution in the form of forces trained in this type of warfare.”⁵¹

A report on the administration's military assistance program explained how training geared toward self-help could fulfill a force multiplying function. It read, "Through military assistance, we have sought to strengthen the will and capacity of recipient countries to resist Communist aggression. We have pursued this objective largely by developing local forces for self-defense. And, by linking many of these forces in a system of regional alliances with US participation or pledged support, we have attempted to augment strength through joint defense activities." For guerrilla wars, the report further described that "A strong case can be made that internal security programs are cheaper and more effective where major a guerrilla threat does not already exist."⁵²

In theory, the idea that local forces could be tied into regional networks was promising; in practice, it had limited success. Nevertheless, it formed the bedrock of the administration's policy for Southeast Asia. In a letter to Diem in October 1962, Kennedy wrote: "As Viet-Nam gains its victory over adversity and aggression, it will be in a position increasingly to devote its energies to achieving closer cooperation among the community of free Southeast Asian states. Each of these nations has its unique character and philosophy. In common they are confronted not only by grasping Communism but also by the chance to develop together. By sharing the development of their individual capacities they can multiply their mutual strength. The task is as difficult as it is necessary."⁵³

While placing the onus on local and smaller forces made sense from a strategic point of view for an administration that was interested in counterinsurgency, it also made economic sense. McNamara defended the military assistance program in Vietnam using cost-efficiency logic. He explained, "One of the main conclusions we draw ... is that proper support of indigenous forces on the scene would give a greater return to collective defense than additional US military forces."⁵⁴ Moreover, the administration justified a training program geared toward policing-type operations, rather than military ones, specifically with the issue of costs in mind. Conventional military deployments necessarily came with an "extensive staff and logistic support":⁵⁵ in Vietnam, in later years, only about 35 percent of the forces in the field were involved in actual combat.⁵⁶

Ultimately, the strain from the balance of payments deficit prompted a shift toward a policy of self-help, while the counterinsurgency thinking provided its strategic rationale. In a classified oral history, McNamara

described the CPSVN as specifically falling within this understanding of guerrilla war. In his words:

I believed that to the extent that we could train those forces, we should do so, and having done it, we should get out ... I believed we should not introduce our military forces in support of the South Vietnamese, even if they were going to be “defeated.” Consistent with that belief, some time in the latter part of 1963, following my return from a trip to South Vietnam, I recommended to President Kennedy that we announce a plan to begin the removal of our training forces ... I believed that we had done all the training we could, and whether the South Vietnamese were qualified or not to turn back the North Vietnamese, I was certain that if they weren’t, it wasn’t for lack of our training. More training wouldn’t strengthen them; therefore we should get out. The President agreed.⁵⁷

McNamara’s explanation for the CPSVN in the remarkably candid interview was also prominent in his and Taylor’s October 1963 report. One of its conclusions read that the advisory effort “cannot assure ultimate success”; this was a “Vietnamese war” which could “be run solely by the Vietnamese.”⁵⁸

McNamara also took up this theme in the ensuing NSC meetings. Historians have largely assumed that McNamara was hedging, that his plans were contingent on conditions on the field remaining constant. However, when colleagues remarked that “the difficulty is, this whole thing can be upset by a little greater effort by the North Vietnamese,” McNamara was clear. He replied, “Not on the withdrawal of US forces. There’s no reason to leave the L-19 squadron.” Earlier in the meeting, he had used the L-19 reconnaissance missions to “illustrate the point” that training was all the United States should do: “But it’s very simple to train the Vietnamese to fly the L-19s,” he explained. “Now why should we leave our L-19 squadron there? At the present time, we’ve set up a training program to give them seven weeks of language training, four months of flying school, three weeks of transition training with L-19s and they can go out and do the L-19 work.”⁵⁹

In order to justify a policy of training, and training alone, the administration had to define the war as “their war” and had to downgrade the relative importance of Vietnam to the struggle against international communism. By 1962, both Harriman and McNamara led the administration-wide effort to redefine the situation in Vietnam along these lines.⁶⁰ McNamara’s assistant for public affairs, Sylvester, reminded returning officers that in their speaking engagements they should insist that the “US is not fighting this war – it is their war.”⁶¹ Harriman repeated this advice to CINCPAC the following month. He insisted that

it could not be "overstressed" in the "conduct and utterances in public and private of all US personnel" that the war was "Viet-Nam's war with the Viet-Cong" and that "the responsibility remains with the GVN [government of South Vietnam]."⁶²

That ceiling on US responsibility to Vietnam also became prominent in the administration's communications with Diem. In a July 1962 letter, Kennedy reminded Diem that "the struggle is Vietnamese at its center, not American,"⁶³ an idea that was repeated in a subsequent draft letter in September 1963.⁶⁴ In its final form, the September 1963 letter left out a key phrase "this is a Vietnamese conflict and all the United States can do is help." McNamara communicated this in person to Diem during his trip.⁶⁵

In addition, McNamara's strategy required defining the problem as internal to South Vietnam as opposed to external (i.e. North Vietnamese aggression), which would imply a host of international obligations under the 1954 Geneva Accords and the United Nations Charter. In the fall of 1961, as part of efforts to encourage the introduction of ground troops, the State Department had commissioned the so-called Jorden Report, which described the situation in Vietnam as one of aggression from the North. As Rostow explained, "The object of all this, as I have indicated, would be to seize the international community of this problem, develop our case, and lay the basis for the actions that we ourselves may have to take."⁶⁶

By contrast, from 1962 onward, both in private and in public, McNamara described the situation in South Vietnam as mostly "indigenous."⁶⁷ A pattern developed whereby McNamara suppressed the international dimensions of the conflict in order to define the conflict as an internal one. In so doing, he could also reduce the conflict in South Vietnam to a manageable, and managerial, problem. In a March 1962 press conference, he tellingly spoke about being "very much encouraged" by the South Vietnamese government's improvements to its "own forces" and described the conflict as a "classic guerrilla fight," not an external threat but rather a "threat to their internal stability."⁶⁸ In January 1963, before Congress, he reiterated that the program in Vietnam was one of "training only" and that the country faced "no direct aggression."⁶⁹ In June 1963, he explained, "The emphasis is on internal guerrilla warfare and subversion in Vietnam."⁷⁰

McNamara's conclusions were at odds with those of many in the bureaucracy including the State Department and NSC staff but not with another important ally, Senator Michael Mansfield. Mansfield, the Irish-American Senate Majority Leader and former professor of Far Eastern history, published a scathing report following his visit to Vietnam in

February 1962.⁷¹ Like Kennedy during his Senate years, Mansfield had been an early supporter of Diem but now grew weary of the leader's abilities. He warned Kennedy that "it seems to me most essential that we make crystal clear to the Vietnamese government and to our own people that while we will go to great lengths to help, the primary responsibility rests with the Vietnamese . . . It is their country, their future which is most at stake, not ours. To ignore that reality will not only be immensely costly in terms of American lives and resources . . . The great increase in American military commitment this year has tended to point us in that general direction and we may well begin to slide rapidly toward it if any of the present remedies begin to falter in practice."⁷² Echoing McNamara's concerns, Mansfield warned about the slippery slope toward an open-ended commitment if the ends and means of US involvement in South Vietnam were not clearly delineated.

Mansfield added, "we must reassess our interests, using the words 'vital' or 'essential' with the greatest realism and restraint."⁷³ For the administration, downgrading the relative importance of Vietnam or distinguishing between what Senator Mansfield called "marginal" and "essential" interests was more difficult to do publicly at a time when the domino theory still held sway.⁷⁴ Kennedy's interview with CBS in the fall of 1963, which many have treated as evidence that he would not withdraw, in fact included a very ambiguous statement. On the one hand, he insisted that "In the final analysis it is the people and the government [of South Vietnam] who have to win or lose this struggle. All we can do is help." On the other hand, he also said that he did not agree with those "who say we should withdraw," characterizing this as a "great mistake."⁷⁵

McNamara's statements were much less ambivalent. During appropriations hearings in the Senate when Vietnam was discussed, he shrewdly quoted Mansfield's report at length back to him, reciting that US interests were "best serviced by a policy which helps to bring about internal peace in Vietnam but maintains, scrupulously, our advisory capacity." He noted that "This is exactly our objective."⁷⁶ Indeed, the administration's objective, just as Mansfield had suggested, had shifted from protecting the South Vietnamese at all costs to leaving the "primary responsibility . . . with the South Vietnamese."⁷⁷ By co-opting congressional language, he effectively protected the administration.⁷⁸

Implicit in this redefinition was the view that Vietnam was not of paramount importance to the United States. McNamara's edits to the October 1963 report are telling in this regard.⁷⁹ In addition to insisting

that the end date of 1965 remain in the report – implying that these were the President's instructions⁸⁰ – one key line was edited three times: "the security of South Vietnam remains *important* to US security" (emphasis added). William Bundy, the principal drafter, had initially described South Vietnam's security as "vital"; another advisor had crossed this out to read "crucial," but McNamara, just as Mansfield had cautioned, insisted on the rather more ambiguous "important."⁸¹

Limiting the commitment in Vietnam promised some relief on the balance of payments front. A successful model for combating the insurgency in Vietnam that relied on "self-help" capabilities might be more expensive in terms of aid and training in the short term, but in the longer term would provide a more economically viable strategy for dealing with conflicts in the developing world. Restricting the commitment in South Vietnam also provided some relief from a congressional onslaught against the administration's military assistance program, especially in Asia. Congressional pressures had the dual effect of spurring the OSD to press MACV and the Chiefs for accelerated CPSVN plans and, in the second instance, to seek alternative funding sources for operations in Vietnam. The latter would have fateful consequences in the transition into the Johnson administration.

A policy of phasing out, as envisaged in the CPSVN, could reduce the more immediate pressures on the MAP, which financed the bulk of operations in Vietnam. By early 1963, the Senate Foreign Relations Committee (SFRC), which appropriated that part of the defense budget, began attacking the program and threatened to apply a "meat ax" to it.⁸² McNamara's budgetary responsibilities over the MAP shaped the lessons that he drew from the Korean commitment. That experience provided the lens through which he perceived the growing commitment in Vietnam. When he tried to reduce troops or aid to the Republic of Korea because of balance of payments concerns, Secretary Rusk argued that any troop withdrawals would need to be offset by additional aid "without which the Korean economy could not survive."⁸³ In effect, the immovable commitment to Korea weighed down the MAP. Ultimately, it was ISA, the office that was created to oversee the MAP, that also oversaw the CPSVN plans. Budgetary concerns as much as realities on the ground drove the pressures it applied on military planners to accelerate the CPSVN between the spring of 1962 and the fall of 1963.

Operation Switchback was also at its core a funding story. As earlier chapters described, many in the administration were concerned about CIA operations in Vietnam, including the Special Forces' programs with local militias. On one level, the concerns were about bringing order and control: Gilpatric, who oversaw the Task Force on Vietnam until 1962, recalled that the CIA "was really operating as a quasi-military organization" without proper oversight.⁸⁴ The CIA representative echoed this sentiment, explaining that "in principle I am in favor of getting CIA out of this business as much as possible" but that the problems in the past were "largely [about] funding procedures."⁸⁵ On another level, therefore, the problems were about funding: the Defense Department had ready access to a greater pool of funds.

The CPSVN detailed the rationale behind transferring the irregular forces to the Defense Department: "To the extent that it is possible to do so, the functions now performed by irregular forces should be assumed by regularly constituted military forces which are appropriately responsive to normal channels of command and which are provided US advice and US assistance through normal MAP channels."⁸⁶ Transferring CIA programs to the Defense Department was part of a general process, with CPSVN at its core, designed to streamline and "normalize" both budgetary and organizational procedures in Vietnam in order to eventually phase them out. In practice, the Defense Department had been financing most of the paramilitary programs from the start but only indirectly, by providing a budget line item that ambiguously indicated that the funds were for joint CIA programs and later just "Operation Switchback" programs. The Department of the Army had paid the Special Forces' salary and equipment costs; the MAP covered training costs.⁸⁷

Despite the advantages of providing order and clearer budgetary processes, many of Kennedy's advisors recognized that there were trade-offs to Defense Department control even from a cost-limitation perspective. The CIA station and State Department officials in Washington, and at times General Harkins himself, were concerned that integrating the paramilitary forces into the DOD would make the programs "overly formalized" and thus more expensive and that they would extend the "stay of US advisers and trainers in Viet-Nam."⁸⁸ However, even if the DOD was more cumbersome and could end up increasing the costs of these programs, the CIA could not afford them anymore.⁸⁹

The CIA's concerns echoed similar complaints from the USOM office, the USAID program in Vietnam that also financed "information campaigns" and other programs within the strategic hamlets. Although USAID expressed unease with the militarization of programs in Vietnam, they also felt "no issue be made of [it] now because of much more pressing and immediate problems which require resolution."⁹⁰ These "more pressing problems" were the broader attack on USAID and DOD's offer to take over budgetary authority for USAID programs that had a military application.⁹¹ In the end, both agencies could not afford a large-scale counterinsurgency program even if this program was supposed to have a civilian rather than military focus.

At the same time, while the Defense Department's budget was more open-ended than those of USAID or the CIA, it was also constrained, not least by its relative transparency. As Gilpatric's successor on the Vietnam Working Group, Chalmers Wood, concluded, "CIA does not have the personnel to carry on this rapidly expanding operation," but DOD "regulations hamper its flexibility in using funds to carry on this unorthodox work."⁹² As a result, the CIA retained only the most limited number of "non-Switchback" forces, forces it could financially sustain for the long term and which the Defense Department could not absorb for political reasons, primarily because they involved operations outside South Vietnam's legal borders.

While funding from the Department of Defense seemed relatively more secure, by 1963 it too came under pressure. The pressure increased in the spring when planning began for FY64 and when a number of trends converged to make Vietnam operations especially vulnerable. First, the administration's competing aims of getting the tax cut while maintaining a degree of fiscal balance produced inevitable strains on the budget. In May, McNamara told Kennedy that he "fear[ed] next year, a campaign year," a "wide deficit" was "likely a problem" and that the defense budget could rise by \$1 billion "with no increase in programs."⁹³ The USAID mission in Vietnam also felt the pinch and worried that "questions and concerns are probably going to be worse this year because of the proposed tax cut and a very large deficit has been budgeted for."⁹⁴

The second and more important trend was what Kennedy called "the worst attack on foreign aid that we have seen since the beginning of the Marshall Plan," which had direct implications for Vietnam.⁹⁵ During the Kennedy administration, Vietnam operations were largely financed through the MAP. The program had its origins in World War II but was formalized in the Foreign Assistance Act of 1961, which consolidated

existing government aid programs. In particular, it set up the USAID program for purely economic programs and created the MAP for defense-related programs.

Unlike the other OSD programs that were confirmed through the SASC, the SFRC appropriated the MAP. The latter included liberal senators, its chairman William J. Fulbright, Mansfield, and Wayne Morse, who were the most virulent critics of US operations in Asia and in Vietnam especially. For instance, after one hearing, McNamara noted that Fulbright was “very critical of the massive aid programs to Vietnam, Taiwan and Korea”: Fulbright complained that the United States had “not accomplished a thing in Korea with all of our aid,” suggesting “that if we gave the 500 million-odd program for Korea and spread it around Africa, Latin America, India and Egypt, it would do much more good.”⁹⁶ Similarly, as part of his report to the President, Mansfield had written that he found it “Most disturbing . . . that Viet Nam now appears to be only at the beginning of a beginning in coping with its grave inner problems. All the current difficulties existed in 1955, along with hope and energy to meet them. But it is seven years later and \$2 billion of United States aid later.”⁹⁷

The senators were also concerned with the size of the defense budget. Morse, for instance, used the hearings to argue for cutting back the defense budget at a minimum by 15 percent.⁹⁸ McNamara played on Morse’s criticism, suggesting in his hearings that if it was “essential for some reason to cut the total defense budget, it should cut those portions other than the military assistance portion because the military assistance program is the tightest portion of the entire budget,” although the SFRC had no appropriative authority over the rest of his budget.⁹⁹ Even if, for the most part, the senators were favorable to the administration’s aid program, with the power of the purse on their side, they used the MAP hearings as an opportunity to voice their criticism of what they saw as the overbearing role of the Defense Department in US foreign policy and sought to curtail the administration’s programs in countries such as Vietnam.

Furthermore, the senators used balance of payments concerns to justify cutting back the MAP program. In response, McNamara and the chairmen of the Joint Chiefs of Staff Lyman Lemnitzer and later Taylor insisted that the MAP was a cost-effective program and that while “military efforts” abroad did contribute to the deficit, the MAP “per se does not contribute to our adverse balance of payments” but instead could have a favorable impact on the balance through military equipment sales.¹⁰⁰

Speaking to Morse's criticism, McNamara insisted, "dollar for dollar, these programs [for countries on the periphery] contribute more to the security of the free world than corresponding expenditures in our defense appropriations."¹⁰¹

The issue of reducing the MAP program came to a head in 1963 with the publication in March of a report by the Committee to Strengthen the Security of the Free World (most commonly referred to as the "Clay Committee"). In December 1962, hoping to achieve bipartisan support for the MAP program and thus to meet the SFRC's objections, Kennedy charged the former Military Governor of West Germany and a prominent "Eisenhower Republican," General Lucius Clay, with reviewing the administration's foreign aid strategy.

The committee was asked to investigate the administration's repeated arguments that aid produced a sound investment for US security, or as its mission statement read, "to determine whether [the military and economic assistance programs] were contributing the optimum security of the United States and the economic and political stability of the free world."¹⁰² Although Kennedy recognized that the committee was heavily weighted with Republicans, he hoped that this might help him attract bipartisan support and that it "would somehow get respectable people who would bring pressure to bear on Congress and middle of the road people to do what his experts told him really ought to be done, but which the country didn't seem ready to do."¹⁰³

Instead of producing a policy that helped the administration, the Clay Committee's "miserable document," as one official described it,¹⁰⁴ called for major reform of aid and especially of the MAP where it suggested a "substantial tightening up and sharpened objectives in terms of our national interests." Although the report echoed McNamara's statements that aid provided a sound investment in the United States and its allies' security, it was nevertheless scathing in its assessment of the program and echoed many of the SFRC's criticisms, some of which were especially relevant for Vietnam.

While the Clay Committee welcomed the reforms to the aid program, it also argued that, contrary to McNamara's suggestions, the aid program *was* contributing to the balance of payments crisis, which, it warned, undermined the United States' "role of political, economic and financial leadership in the free world." Moreover, its criticisms of recipient countries were biting. For instance, it cautioned that "many of the countries which have received our aid have not fully performed their part of the assistance bargain," namely by showing "an internal expression of will

and discipline.” Echoing McNamara’s qualms on Vietnam, it also complained that aid programs were particularly weak in countries plagued “by the absence of trained manpower and adequate local institutions.”¹⁰⁵

Crucially, in keeping with its recommendation for “tightening up” the MAP program, the report called for a budget ceiling of \$1 billion by no later than FY68.¹⁰⁶ Despite Kennedy’s frustration with the public impact of the Clay Committee’s report, Dillon also suggested this \$1 billion mark as early as February 1962, almost a year before, and the administration was already working toward it. To Rusk, Dillon had written, “I also told the President my view which I mentioned in our meeting last week that the overall balance of payments impact of foreign aid operations including our contribution to the Inter-American Bank, the International Development Association, as well as USAID and military assistance expenditures should not exceed a billion dollars annually as compared to last year’s level of about a billion and two hundred million.”¹⁰⁷

Still, the Clay Committee added pressure and urgency to cost-cutting efforts as the SFRC, as well as McNamara, picked up on its suggested deadline to reach the \$1 billion threshold by FY68. FY68 also became the cut-off date for the final CPSVN phaseout.¹⁰⁸ The link between the withdrawal plans and the MAP became so clear that MACV submitted a revised version of the CPSVN to CINPCAC in January 1963 with an introduction that advised: “In view of the close relationship between the plan and the Military Assistance Plan, they should not continue to be treated as separate entities.”¹⁰⁹

McNamara explicitly used the SFRC’s pressures to accelerate the CPSVN process. Whereas in September 1962, MACV had suggested that “previous MAP ceilings don’t apply,” by December 1962, planning was being made with “funding limitations” in mind.¹¹⁰ Also, whereas some training functions had been initially scheduled to continue until 1971, by May 1963, CINCPAC recognized that all programs, including training programs, should be accelerated to end by 1968. In his hearings before the SFRC, McNamara proudly explained the steps his office had taken to implement Clay’s recommendations especially on Vietnam. He told the senators, “As a matter of fact, Admiral Felt came in the day before yesterday from the Pacific and brought with him new estimates of the requirements for South Vietnam . . . I told [him] I doubted very much that funds would be available to support a program that large and urged him to reconsider, which he agreed to.”¹¹¹

For both McNamara and the SFRC senators, their experience with the Korean commitment colored their concerns about the MAP program for

Vietnam, namely that the United States was stuck with an expensive and open-ended commitment in Korea. Moreover, whereas the MAP program was designed as a cost-efficient tool to deal with situations around the world, expensive commitments in Asia dominated its balance sheet.

The commitment in Korea and its impact on McNamara's motivation for the CPSVN was obvious. In a recording of a private conversation with Kennedy in May 1963, McNamara explained the CPSVN as follows:

I calculate that we can get it under control, it may take two years, three years possibly but we should now be looking at a time when we'll have a normal military program there. Instead they're proposing a fantastic military assistance program . . . And if you're looking toward a normal relationship so we don't build up another Korea. When I look at what's happened in Korea and the way the US aid is, and how difficult it's going to be to scale that aid down, we certainly don't want another Korea developing in South Vietnam and we're well on our way to doing that.¹¹²

McNamara had applied his five-year budget planning to the MAP and found that Vietnam would have a "fantastic" effect on the overall budget if current growth trends were maintained.¹¹³ His calculations in preparation for the Senate hearing on the MAP program showed that the Vietnam program was getting very close to equaling Korea's share of the MAP program.

In addition, it was William Bundy at ISA who wrote much of the October 1963 Taylor–McNamara report and who was responsible for overseeing the Vietnam program's implications for MAP and for coordinating policy with USAID.¹¹⁴ In the preceding months, together with the Deputy Director for Military Assistance William Leffingwell, Bundy sent McNamara a number of reports describing the impact of the "Southeast Asia emergency" on total MAP costs. According to their forecasts, these would rise to \$965 million out of a total program budget of \$2.5 billion in FY62 and \$875 million out of \$2.2 billion in FY64.¹¹⁵ By FY63, the Far East (which also included Korea and Taiwan) accounted for over 44 percent of the total MAP program.¹¹⁶ As a result, a joint State-Defense study recommended that programs be geared toward "self-help";¹¹⁷ nowhere was this trend clearer than the October 1963 recommendations for Vietnam.¹¹⁸

In endorsing the Clay Committee's recommendations as both "desirable and feasible," the SFRC reminded the administration that each MAP should be "temporary and extraordinary" and should be terminated as soon as possible or when the "recipient country develops the economic capacity to sustain its own defense."¹¹⁹ In other words, all MAP

programs must have a cut-off date. Thereafter, financial support for operations should come from the recipient country or from elsewhere in government. McNamara argued that the Vietnam costs were “temporary” by putting them in a long-term context, noting that they had reached a “peak and [would] start to level off.”¹²⁰

According to the CPSVN planning, there would be a Defense Department-financed surge in funding from 1963 to 1965 and then as US forces withdrew by FY67, the South Vietnamese government would fund its military; the USAID station (through USOM) and the CIA would take over funding for the much-reduced number of paramilitary forces until they gradually merged into the National Police Force.¹²¹ The process effectively reduced the conflict in Vietnam to an internal security problem. Moreover, to preempt any delays from the services, by September 1963 the OSD indicated that further funding for Vietnam operations would come from “non-MAP sources,” namely the services budgets themselves, for instance, in the handover of materiel that was already in the country.¹²²

The configuration of South Vietnamese forces also evolved to reflect these budgetary concerns and the focus on counterinsurgency efforts in Vietnam. As General Harkins explained to his Vietnamese counterparts, the tendency among the Chiefs to build up military establishments that mirrored their own in partner countries was “extremely expensive in both funds and troop support,” whereas advisory missions on the lower end of the security spectrum could be more affordable and thus sustainable.¹²³ A few months earlier, McNamara had rejected the January 1963 draft of the CPSVN on the basis that it was “too large for the GVN to support.”¹²⁴

As a result, whereas in earlier drafts the South Vietnamese manning levels for each of the services were roughly equal, by the last version in November 1963 planned troop strengths for a South Vietnamese Navy especially but also Air Force had been drastically cut with a greater onus placed on the Army and the paramilitary forces associated with the strategic hamlet program. In absolute terms, the overall manning levels for all forces, including most paramilitary groups, were more than halved.

The reduction in forces reflected South Vietnam’s dual problems of funding and recruitment: as the December 1962 draft of the CPSVN explained, the South Vietnamese government did not necessarily have the ability to “recruit officers and technical staff without damaging the economy.”¹²⁵ Both MACV and the OSD were concerned about the absence of officers trained to take on more skill-intensive roles envisaged

under earlier plans. As a result, the plans were designed to redefine the problem in Vietnam as one of fighting an insurgency and policing. This was relatively cheaper, easier to train for and required smaller force levels.

As for transferring the costs to the South Vietnamese government in the long term, it was not clear that it could finance the various units as the phaseout took hold especially in the face of MAP cuts.¹²⁶ The director of USOM in Vietnam commented on an earlier version of the CPSVN that "the force levels being contemplated after 1966, when the insurgency will have supposedly been contained, will result in either an intolerable deficit or an impractically high aid level."¹²⁷

Another report concluded gloomily: "Vietnam is essentially in the same position as Korea, in that the country is not presently viable and that the US aid program essentially makes up the current account deficit through grants."¹²⁸ The embassy in Saigon raised similar concerns, noting that it was "hardly surprising that the GVN is overwhelmed with its budgetary problem" considering that "about 18% of GNP" for 1962 was allocated for "security." "In the US," the telegram read, "This would be comparable to about \$100 billion for defense, or approximately double our present budget."¹²⁹

McNamara's experience and frustrations with untangling the "sterile commitment" in Korea explain his impatience with rolling back the United States' commitment to Vietnam before it became what the Foreign Office called a "normality" which would make it "more difficult for the Vietnamese ... to achieve true independence."¹³⁰ This is what McNamara meant when he told the NSC that "To leave forces there when they're not needed, I think is wasteful and complicates both their problems and ours."¹³¹ It would "complicate" Vietnamese self-reliance and would "waste" finite MAP resources.

In the short term, as the Clay Committee first recommended, the OSD looked into transferring some of Vietnam's costs to the services.¹³² In moves that mirrored McNamara's later manipulations of the defense budget during the war, he sought ways to transfer costs or hide their full effect. For instance, in May 1963, he asked that military planners "turn over material in place at no cost to the country MAP program,"¹³³ in effect burying materiel costs in the services' budgets. McNamara also recommended that ISA explore transferring all the costs of Vietnam operations to the services' budget as he anticipated substantial cuts in FY64.¹³⁴ He suggested that this would have a "highly desirable tactical effect" as it could help reduce overall MAP to the \$800 million mark (under Clay's recommended \$1 billion) by FY65.¹³⁵

William Bundy tentatively reached out to Senator Richard Russell to see whether he would support such a move but preempted any criticism by saying that this would be an “exception to the general rule.”¹³⁶ He wrote to the Chairman of the SASC,

The fundamental reason for these changes is our belief that military assistance is an essential element of our total national defense effort and should be considered as a part of the budget of the Department of Defense itself . . . We believe on balance that it would be sound to transfer this funding responsibility to the DOD budget. A secondary factor is that this would give General Harkins and the field command somewhat greater administrative ease in calling the items they believe are required to produce success.¹³⁷

However, the temporary expedient of shifting the costs for Vietnam onto the services had far-reaching consequences. By removing the MAP program for Vietnam away from SFRC oversight, McNamara also lost much of the rationale for cutting back costs on operations in Vietnam in the short term. In the long term, he also de facto removed one of the biggest sources of pushback on US operations in the country. Moreover, as George Ball suggested, by moving the MAP program in Vietnam away from a coordinated platform with State, it also opened the door for the program in Vietnam to increasingly ignore the USAID program and instead follow military imperatives.

The paradox of the Kennedy’s administration’s predilection for fighting “new” wars, namely counterinsurgencies that relied heavily on “self-help” models, was that they were designed to be cheaper and thus economically more sustainable in light of the United States’ growing list of commitments and the resultant balance of payments deficit. However, since they relied on MAP funding as well, they also drew on a much tighter budget line, one where an activist SFRC was determined to cut back commitments altogether. The SFRC’s activism eventually pushed McNamara and the OSD to seek continued funding for Vietnam elsewhere, namely in the military budget, and in so doing inadvertently produced pressures to militarize operations in Vietnam. Just as the OSD taking on a leading role in Vietnam under Operation Switchback swamped out the USAID program, the act of putting the financing for the Vietnam program increasingly under the services’ budget raised their role in policy formulation.

Moreover, the budgetary battles over Vietnam operations in this period highlight a key impediment to the Kennedy administration’s attempts to intervene in lower-level conflicts. In addition to providing operational coherence, only the Defense Department could provide

budgetary reliability. Bundy's letter to Russell explicitly played on the SASC preference for strengthening the military's freedom and their definition of "success." Much as the administration toyed with alternatives to traditional military force, it remained a basic tension in the US government that these alternatives were much harder to deploy in a situation of budgetary stress. Both the SFRC and the SASC were responsible for that state of affairs.

McNamara was a mathematical man, more concerned with budgetary issues than with geopolitics. He was never really concerned with designing strategy for Vietnam but the counterinsurgency strategies fit neatly with his cost-cutting agenda. His reforms at the OSD, especially the PPBS, were about control and about bridging ambitions and strategy laid out in the White House or the State Department with existing limitations of which economic limitations were at the forefront. His particular mind-set and his distinct definition of his "job" as Secretary of Defense explain why he led the withdrawal plans from Vietnam under the Kennedy administration as aggressively as he did.

Although it was Kennedy and his counterinsurgency advisors who provided the overall strategy for Vietnam, McNamara welcomed its corollaries. Specifically, that the strategy would significantly reduce the military role of the United States in Vietnam (i.e. the costs for the DOD) at a time when the Senate was squeezing the relevant budgetary allocation, the MAP. In so doing, it could forestall "another Korea" which for McNamara was a budgetary nightmare: a situation that required significant financial outlays and from which it was almost impossible to extricate his department. As McNamara saw it, the United States' responsibilities in places such as Korea were undermining the United States economically. Understanding the importance of these economic issues is central to understanding the credibility of the withdrawal plans.

McNamara's evaluation of the budgetary impact of Vietnam drove his support from the CPSVN from July 1962 onward and his insistence that the administration publicize the plans in October 1963. The public relations aspects of the October 1963 announcements, specifically the initial 1,000-man troop withdrawal scheduled for the end of the year, were important: they addressed congressional pressures on the MAP and sent a message to the Vietnamese that they should take greater responsibility for the war. However, other long-term concerns drove the larger issue of withdrawal and the CPSVN. In particular, the CPSVN reflected

Kennedy's counterinsurgency advisors' pessimistic reading of the unfolding situation in Vietnam and their concerns that US involvement had become overmilitarized. In the fall of 1963, despite his own negative assessment of the prospects for the South Vietnamese to sustain the program he had laid out for them, McNamara pressed on to set it in stone and create a bureaucratic momentum that, he hoped, would make his withdrawal plan irreversible.