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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

~~SECRET/XGDS~~

MEMORANDUM OF CONVERSATION

PARTICIPANTS: President Nixon
Cabinet Meeting

DATE AND TIME: Tuesday, May 28, 1974

PLACE: The Cabinet Room
The White House

President: I want to give the Cabinet officers a rundown of how the Government is operating. After each of you has reported, we will have a wrap-up session, perhaps at Camp David.

We have been concentrating in the last weeks on economic matters. We're sending a report to the Congress today -- which is worth reading. It explains why there can be no tax cut, and why we need a tight budget. You will all have to cut some, with the possible exception of DOD.

Let me say something about Ken Rush's responsibilities. [He circulates a paper]. It's been reported that he will be an economic Kissinger. There is only one Kissinger, and economics is different from the NSC. Many Cabinet officers have responsibilities in this area. Rush will be a funnel, not a filter. All Cabinet areas affect the economy. In foreign policy, where there can be only one voice -- even here we assure that every voice can be heard -- but the President has to make the decisions and it must be tightly held. Economic decisions are much broader.

Let me fill you in in the Middle East. We have had a number of breakthroughs, but both sides are still holding on certain points as a matter of honor. I can't tell you how it is going because it is still 50-50.

The Government is moving ahead and this is what we want to demonstrate. Brinegar, you begin.

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E.O. 12958, SEC. 3.5

NSC MEMO, 11/24/00, STATE DEPT. GUIDELINES, State Rev. on 3/9/04

2V wh NARA DATE 8/5/04



Brinegar: The truckers strike fizzled. The rail freight car situation is much better than last year. Air travel is up -- and the loads are at 60%, compared to 50% last year. The furloughed crews have come back. Overseas routes are losing money so fast, though, that in 18 months they will be bankrupt. Mostly the North Atlantic routes. We have a task force looking at this.

President: Pan American can't make it without a domestic route.

Brinegar: Highway traffic is up a bit, but speeds are still down and we will probably save 1,200 lives this year. Mass transit is up. The Penn Central is in bad shape. Their management is poor and it is a hand-to-mouth operation. They can't shut down. We hope to modify the ICC legislation.

We have a public works bill for urban transit. It's touch and go as to what Congress will do.

President: We need to get something done about the regulating agencies. The staffs of these agencies are very powerful. Roy [Ash], you work on this. We should set this as an objective -- it will take time.

Now to Morton.

Morton: I want to talk about the outer continental shelf and future coal production. The program for the OCS is going well. The goals are obvious. Imports are 6.5 million barrels a day. We are getting 1.5 now from the OCS. The success of Project Independence will hinge on the OCS.

Coal leasing and development is more complicated. In the West, we have thick seams near the surface with low sulfur. In the East, the coal is high sulfur.

President: In all areas, whenever it is a matter of energy or environment, energy comes first.

Now to Earl and food.

Butz: The political problem of food prices is behind us. We are having a tremendous increase in production. Wheat is 2.2, up 500 million, corn is up 1.5 - 2 million bales. In 1973 we had record farm income. In 1974 it will be a bit less. Soft spots are cattle and beef; the feeders are now actually losing money. Food prices should

stay at this level the rest of the year. Retail margins are widening. Exports will total \$21 billion, imports \$9 billion -- for an 11.5 contribution to the balance of payments. We will use 700 million bushels of wheat -- the rest is for export. We need to export half of the soybeans.

On food aid and stockpiling, a debate is developing. Humphrey and his friends think we should have a large Government food reserve. I disagree. We are out of the food reserve business and I think we should stay out. We carried the world food reserve and everyone got soft -- they didn't have to plan. We need food reserves, but they can be carried by private industry and foreign governments. We have carried the lion's share of production aid for years, going back to the Marshall Plan.

President: The whole idea that if we feed the world there will be peace is nonsense. But taking an area like the Middle East, if we develop a new relationship with the Arabs, the Middle East is one of the hungrest areas of the world. Food is indispensable in our foreign policy. The Soviet Union is providing arms to the Arabs; we can counter here. If we tried to give arms both to Israel and the Arabs, there would be a hell of a fuss raised.

The United States should move away from multilateral to bilateral aid. Keep this in mind at the World Food Conference. We need it for foreign policy. As our military assistance recedes, we need other bilateral aid. The IMF sort of thing is OK, but we need this tool for our foreign policy. This has to be closely held, because it goes against the grain of the altruists.

Scali: We can count our bilateral aid toward world goals, and we can't look too selfish.

President: OK, but let's have no illusion that we need to be able to influence governments and what they do. The World Bank does a fine job, but it is not an effective instrument of U.S. foreign policy. Frequently, it has not helped where we wanted and has helped countries where it was not in our interest.

One final word, we are not going to solve our budget problems by slashing DOD. We are at a critical juncture in foreign policy.

We don't rule out cuts in DOD, but that is not our goal. The Soviet Union has a crash program going on and unilateral cuts would be disastrous. India goes nuclear so it can push its weight around a bit in South Asia.

We must stay strong not just in order to be number one, but because it is essential for our diplomacy with the Soviet Union, the Chinese, Europe and the rest. If they get the impression the U. S. is turning away from world leadership, we are finished.

I want every Department head to look hard at personnel. We all know there can be some cutting. I would rather have the Departments initiate it than do it from the White House.

Cabinet Mtg 28 May 74

P. Want to give some Cabinet officers a reminder of how a govt is operating. After each of you has reported, we will have a wrap up session, perhaps at C.D.

We have concentrated last weeks on how matters. Sending a report to Cing today - worth reading -

- why no tax cut
- why tight budget

You will all have to cut some w/ possible exception of DoD

Rush reorganization - (circulate paper). Reported to will be done. Only 1K, & economic diff for NSC. Many cabinet officers have us. Rush will be a funnel, not a filter. All Cabinet areas affect economy. In F.P., where there can be only one voice - even here we assume every voice can be heard - but Pres has to make decisions & it must be tightly held. Economic decisions much broader.

In ME, we had # of health care, but both are balancing on points as matter of honor. Can't tell you how it is going because it is still 50-50. The court is moving ahead & that's what we want to

Bring out demonstrators. American begin.

Q. Biniger Turbas strike flight. Road flight car situation much better than last year. Air travel is up - loads 60% compared to 50% last yr. Fueling has been back. Overseas routes are losing money so fast, they are in a mess they will be bankrupt. Mostly with Atlantic routes. We have a tank for

P. Pan Am can't make it w/o a domestic route.

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power & it is hard to - month ago. Can't shut down.
We hope to modify ICC legis.

Have a public works bill for intervention - months ago
as to what ~~we~~ they will do.

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The staffers of these agencies are very powerful Rog -
work on this. We should set Chris as an objective - will
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Work of Wentworth

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Soft spots are cattle & hogs. Fielders are now
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Food aid & stockpiling - debate is ongoing. Thursday, et al

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I disagree. We are out of a food reserve business &
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We need food reserves, but they can be carried by
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peace is nonsense. But taking an area like ME, if
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