

CABINET MEETING NOTES

August 26, 1974

- GF - There will be a dinner at the White House Wednesday evening, all are invited!

The purpose of this meeting is to discuss:

1. Economic Summit
2. Budget
3. Alan Greenspan
4. William Seidman

Welcome Alan.

Herb, you are welcome back anytime.

5. Dean Burch-political responsibilities

- Ash - President is committed to a budget of below \$300 billion.

How do we get there?

Reviewed charts:

1. FY 1975 Budget - Comp of Outlays (billions of dollars)

Mandatory \$225.1 billion

2. Entitlement Program
3. Reduction Programs
 - a. pay raise deferral
 - b. personnel cuts

Congress needs to help in reduction program

- GF - Good alternatives - tough decisions

We are going to make a maximum effort to get below \$300 billion.

Likelihood of getting Congressional concurrence is slim.



GF - I need your recommendations as to what other areas you can cut into, and also, your evaluation as to what is attainable.

Clearly label your chart as "discussion points only."

Simon - Don't give us a chart.

GF - OK

Butz - Two-thirds of my budget is welfare.

GF - Introduce Alan Greenspan

Greenspan - We hope to accomplish two items in the Economic Summit:

1. The U.S. cannot survive double digit inflation long. Institutions, banks, utilities are all in trouble.
2. Outlook is gloomy - no immediate improvement Particularly for 6 - 9 months.

We want to get agreement in as many areas as possible.

The CEA will take results of meetings to all groups.

We know the impact of agricultural prices has not set in.

The CPI is up because food prices are going up.

Industrial prices have subsided.

Base rate of inflation is 7%.

Now running at 10%.

Clothing prices are going up; textiles are going up.

There are no good numbers this year.



- GF - I noticed Helmut Schmidt urged the U.S. not to take unilateral action in this area. What does that mean?
- HAK - Schmidt is potentially our strongest ally in Western Europe.
- From a foreign policy standpoint, he will agree if you talk with him. You should. Rush endorses and so does Greenspan.
- Schlesinger - Demand is not the problem, rather it is employment.
- Brennan - The BLS release on poverty and unemployment
- Black youth - the biggest problem is motivation.
- GF - Truth is the best thinking we can do
"We want the unvarnished facts out"
- Morton - What we are faced with is "what is politically 'do-able'"
- Saxbe - Concerning the Congress, the Senate will cut departmental budgets but not "the people programs."
- "presume to increase spending, not to cut it"
- Justice, Defense, Foreign Aid are easy to cut.
- Butz - Cut food stamps. There are enough abuses to bring this back into control.
- GF - We can provide transportation for Members going to out of town events.
- We have to meet this time schedule.
- At Summit, we will:
1. implement \$300 billion budget
 2. support for our position
 3. monitoring device in hand
- "Rush will be Chairman when I'm not present."



- Lynn - Mayors will want to balance budget by taking money out of defense.
- GF - I'm not going to have defense program or foreign aid program gutted.
- We have to be cold blooded to counter defense cut argument by presenting tied down proposals in each Mayor's area.
- HAK - If our defense budget gets cut, our position at SALT goes down.
- Saxbe - Watch out for show-boating in open sessions on TV.
- GF - But in open sessions, they will embarrass themselves.
- Schlesinger - Problem of inflation - our biggest economic crisis since 1930.
- Expand productivity.
- Burch - Fall Campaign
- Will center on inflation
- President's schedule will be limited and only campaign after Congressional adjournment.
- The Vice President cannot campaign until confirmed.
- The Cabinet is to devote as much time as possible to the campaign.
- GF - "We have 10 weeks to make a change in Congress"
- "We want an inflation-proof Congress."
- "We will support those with us on inflation."
- "Inflation is Public Enemy Number One."
- "Be respectful of cooperative Democrats."

Adjournment



PARTICIPANTS

- Secretary Kissinger
- Secretary Simon
- Secretary Schlesinger
- Attorney General Saxbe
- Secretary Morton
- Secretary Butz
- Secretary Dent
- Secretary Brennan
- Under Secretary Carlucci
- Secretary Lynn
- Secretary Brinegar
- Director Ash
- Counsellor Burch
- Counsellor Rush
- Ambassador Scali
- Counsellor Hartmann
- Counsellor Marsh

Absent

Secretary Weinberger (Europe)
Counsellor Armstrong (Texas)

Others

- Herb Stein
- Alan Greenspan

Staff

- Alexander Haig
- Jerry terHorst
- William Seidman
- Bill Baroody
- Virginia Knauer
- Brent Scowcroft
- Dave Parker

Jim Cavanaugh
Roger Porter
Jack Hicken

