**MEMORANDUM** 

## THE WHITE HOUSE

WASHINGTON

## -CONFIDENTIAL

MEMORANDUM OF CONVERSATION

PARTICIPANTS

The Cabinet

DATE AND TIME

Monday, August 26, 1974

PLACE

The Cabinet Room
The White House

Mr. Ash: (OMB) The chart line on foreign aid shows Indochina reconstruction and other foreign aid.

\$300

President: We will make a maximum effort to get under \$60 billion for 1975.

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<u>President:</u> Schmidt said he hoped we wouldn't do anything drastic unilaterally. What did he mean?

Mr. Greenspan: (CEA) To the extent we can, we should cooperate internationally. We can't be tied in our actions to the international community, but we should attempt close cooperation.

Secretary Kissinger: I don't know the economics, but Schmidt is our strongest ally in Europe. He is convinced that the whole western world is in a financial crisis. I think you should coordinate with him before taking any action -- and at your level. I think he would agree with what we want to do and I would run any proposals by him.

Amb. Rush: I concur.

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Secretary Lynn: All the mayors and other local people will say "Take it out of Defense and foreign aid." We need talking points or someone present to refute these arguments.

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<u>President:</u> Yes. The mayors said the same to me. But when we reduce Defense, they don't want contracts or bases cut from their area. Let's be ready with the data on the mayors, like where the Defense installations and contracts are. Ask them if their Defense share should be cut.

Mr. Ash: I will have data on how the Defense share has been declining.

Secretary Kissinger: Some of the groups most critical of Defense are also of detente. It would be disastrous to SALT if the Soviets saw our Defense budget going down unilaterally. We must not signal a declining Defense budget.

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