Thank you very much, Chappie, distinguished guests, Republicans. First I want to express my appreciation for all of you coming down for an early morning breakfast the first day after Memorial Day. I think your presence here is another example that I have found quite prominent throughout the country in the last four or five months, where people are concerned politically, and they indicate this apprehension and concern by their attendance at meetings which a few years ago were sparsely populated. I am somewhat fearful that Chappie has "gilded the lily" much too much in my introduction. I could tell you a few stories that would set the record straight and probably make it much more comfortable for you and for me, but time is somewhat limited and so I'll just say that I'm grateful Chappie, but please don't believe it all.

Now in order to make this as fine a meeting as I can, I would like to make a few introductory remarks and leave at least ten minutes at the conclusion for a period of questions and answers. I think this is wholesome for you and for me, so if you will be thinking about some questions, I'll try to answer some answers; but first let me say that it is always a pleasure to come to Cleveland - Cuyahoga and Lake Counties particularly - because of my good friends in the House of Representatives who come from this area - Frances Bolton, Bill Minshall and Ollie Bolton, who in my judgment are all first-class, highly competent, conscientious members of the House of Representatives, and I hope and trust that as you move down the line in the months ahead that you can expand the representation from these two counties on the Republican side of the aisle.

Before we take a look at the future, I would like to comment at this time about the recent past in the Republican Party.
Sometimes we tend to forget that in 1960 the margin for victory for the opposition was minimal—something like 115,000; actually the President himself got less than 50 per cent of the total vote cast nation-wide. Look at 1962, we did not do as well as we hoped we would. We had hoped to make sizable gains in the House, to at least hold our own in the Senate and to make some substantial achievements in the area of the Governorships. We did better in the big states, the governorships: Ohio, Michigan, Pennsylvania. We did less well in some of the other states where we shouldn’t have lost. In the Senate we did poorly and we did not do as well as we should have in the House. But, when you take the total vote for the various governors, the Senate races and the House races, you find that the Republican candidates got 49 per cent of the total vote and the opposition got 51 per cent. You cannot say, based on the narrow victory of 1960 and the relatively narrow victory on total vote in 1962, that there is a mandate to the White House for the radical programs now being promoted by this administration. As a matter of fact, these narrow victories should be a restraint on the administration—unfortunately they have interpreted it differently. In the White House, we have this radical element that is promoting this kind of legislation. Despite the fact that in the Senate the ratio is 66 Democrats to 34 Republicans and in the House 258 Democrats to 177 Republicans; despite their control of the White House and the legislative branch; I think there is substantial evidence today that Republicanism—a moderate, conservative viewpoint—is gaining headway throughout the country.

In the last six months I traveled in some 21 states, and made far too many speeches, but I am convinced that, given leadership, given unity, the Republican cause will do extremely well in 1964. There is some evidence that we are making real headway, and this is at the grass roots level.
Carolina; and in a number of municipalities in Connecticut. We did far better than we have done in the last ten years. In the state of Florida this last winter, the Republicans picked up a substantial number of seats in the State Legislature. In Michigan we adopted a new constitution which was strictly a party issue. So as you go around the country, you see visible evidence that the Republican Party and the philosophy it epitomizes are getting more and more popular. This is indicated by various polls, such as Gallup and others, that indicate that the President's personal popularity is falling off. But let me say this: You don't win unless you have good candidates; unless you have good party organization; unless you articulate the issues; and unless the opposition makes mistakes.

Let me take one or two of these points, if I might. I think we are going to have the most interesting Republican convention in 1964 that we have had in a long, long time. As I see it, we are going to have Governor Rockefeller and Senator Goldwater going to the convention each with a substantial block of votes, but an insufficient number to prevail at the outset. We will have a number of favorite son candidates. You will have your own Governor, I hope, as the favorite son candidate. He should, because, after all, he's done from what I observe, extremely well in your state since taking over in January. We in Michigan will have our Governor, for the same reason, as our favorite son. Bill Scranton from Pennsylvania, Mark Hatfield from Oregon will all go - or in my judgment ought to go - as favorite son candidates. The net result is, the convention itself, the delegates who you and others send to the convention will make the selection, and I hope and trust that we have an open free convention, and if we do, I think it will pick a good candidate. I might add this - I hope to be a delegate to the convention in 1964, and naturally I will support one candidate over others. But let me assure you, without hesitation or qualification, if my candidate or candidates lose, I will wholeheartedly and vote for the candidate selected at the
National Convention. It seems to me that we as Republicans should not be so com-
mitted to a single personality or to so limited a Republican philosophy or ideal
that we would leave the fray in an hour of peril to insure victory for the radicals
that now control and run the Democratic Party. I say without hesitation that the
Republican Party in 1963, '64 and in the future is the only vehicle by which the
kind of philosophy we believe in can achieve success, and I feel that this philos-
ophy is vital not only as a party principle, but as a benefit to the country as a
whole.

Let me speak for just a moment about party organization. In Michigan we
finally learned that we had to organize as well as the opposition, and the principle
opposition, the dominating force in the politics of our state, is called the
Democratic Party, but is really the UAW-CIO, and they are masters at party orga-
ization. I have never seen a more competent political organization than the one
they run and we learned that if we were going to win, we had to go as well as the UAW.

Organ化ionally speaking and that means a twelve-month-a-year headquarters
properly staffed, adequately financed, and more important, this organization and
this financing must be contributed in the off year, as well as in the political
year. It is my observation from being active in eight elections, that I get more
results from a dollar contributed in the off year than I do from four dollars con-
tributed in an election year, and let me assure you, it is always nice to have a
good friend come in about a week before the election, or maybe the Saturday night before the election and say "Can you use this money?". Sure
you can, but it is a depreciated dollar, from the point of view of achieving any
results you could have gotten at least four times the dividend from it, if the
money had been contributed in the off election year. So all I can say is that in
a city like Cleveland, if you want to make your organization work, contribute now
as well as in '64, because we will give you a staff and an organization that will
produce some results.
Now I would like to talk about two areas that are of particular interest to me, primarily because I serve on the committee that has jurisdiction over them. As it just so happens that I feel these are important issues to the country as a whole, and necessarily they have a strong political appeal in the 1964 period. As a member on the Committee of Appropriations, I am on two sub-committees - one that has general jurisdiction over all of the money spent for the Army, Navy and Air Force, and the second is the one that has control over funds for the Foreign Aid Program. But let me talk about the fiscal picture, broadly, at the outset. In my view, the Congress has the responsibility to do something about the fiscal situation we face in Washington. Certainly the administration is-the Executive Branch of the Government that won't do anything to correct the fiscal irresponsibilities that prevail. To get a proper perspective, I think we have to look at the budget submitted in January. He called for expenditures of 99 billion dollars for the next fiscal year, which begins July 1st. This is an increase of 47 billion dollars more than the current fiscal year. When he requested this much in expenditures for an increase of 4 billion 500 million dollars, more than the current 12 month period, and if there is anybody in Government who thinks the current fiscal year is an austerity budget, I would like to hear him stand up and talk about it. But he wants to add 17 billion dollars more to spending over and above the current year. I might add that we talk about a 99 billion dollar budget but in reality it is a much larger one because this figure does not include trust fund expenditures, the Social Security Program, Railroad Retirement and a number of others... this figure is about 109 billion dollars. But just let us stick with the one billion dollars because I think we all understand it a little better. The proposed budget for the next fiscal year, revenues are expected to be 87 billion dollars, which is 9 billion dollars more than the current fiscal year, and that even brings into account
some of the proposed tax reductions in fiscal '64. But the net result is a deficit of 12 billion dollars in the next twelve months on top of deficits of 3.6 in fiscal '61, 6.3 in fiscal '62, and about 8 billion dollars in the current fiscal year.

I can only say, with some strong conviction, I don't care whether this administration is in four years or eight years, or whether there is another Kennedy administration after it, they will never balance the federal budget - never! They don't plan it that way - they are not concerned about it. This isn't part of their philosophy - so whether it is four, eight, twelve or sixteen years, they will never balance the federal budget. They plan the deficit and they happen to think its good for the country. But in the process of this increase in expenditures, I think we tend to lose sight of the fact that there is a substantial increase in federal employment. As a matter of fact, from January 1st, 1961 to the end of the next fiscal year, fiscal '64, there will have been, according to the way the President recommended, an increase of over 215,000 in the Federal government's employment, from Jan. 1st, 1961 to end of the next fiscal year in fiscal '64. The average pay of the federal employee is about $6,000 to $6,500 a year, so you can just multiply and find the added cost in personnel alone in the fiscal program of the President, one of the questions people inevitably ask - well, you shouldn't be so hard on this administration financially - after all they spent a lot of additional money on the Defense Program, and all of this increase can be related to more guns, tanks, air craft, missiles, etc. for the Defense Program. Ladies and Gentlemen, let me set the record straight - in fiscal '64, that is the next fiscal year, the President has asked for 43 billion dollars for non-defense programs. This is 2 billion dollars more than the current fiscal year. It is 9.3 billion dollars more than what was spent in 1961 for non-defense programs, a 27 per cent increase in a ten year span. Now we could put it another way - defense spending...
If you go back to fiscal '54 and compare the President's recommendations for fiscal '54, a ten year span, you will find that defense spending has increased only 12 per cent, compared to 44 per cent increase in non-defense spending, in the same span of time. Or we can put it another way. If you take the last Eisenhower budget which was submitted in January of 1961 for fiscal '62 and compare it with the Kennedy fiscal '64 budget, you will find there is a 27 billion dollar increase in what we call obligation authority. Its a line of credit for the various agencies to draw on the treasury for expenditures. There is a 27 billion dollar differential. Only 10 billion dollars of that is related to increases for the Army, Navy and Air Force - 17 billion dollars of it is related to non-defense spending - an increase in all the civilian agencies of the Government. So it is not accurate to assume to say that this administration has increased spending primarily for the purpose of building up our military strength. The emphasis, as a matter of fact, has been the other way. One of the best examples is in agriculture. In 1961 the Department of Agriculture had $4 billion for the various activities. Secretary Freeman is asking for appropriations in the next fiscal year of $8 billion, a 2 billion 9 hundred million dollar increase in three years. I have made the comment, and I think it is accurate, that Secretary Freeman is the most expensive commodity every produced by the Department of Agriculture. And you know he found out just about the day he took office about a million dollars. 

That the farmers of America have a lot more intelligence and a lot more desire for freedom than he ever thought. It was one of the great victories of this country, in my judgment, an independent victory for people who want to preserve the kind of society that made us what we are today. People have said the farmers voted for freedom rather than Freeman, and I think that is true.

Now you ought to wonder, you have talked a lot about what's wrong with the budget, what are the Republicans doing about it? I would like to make these rather quick comments. We became concerned when the document came to our desk in
mid-January, and the members of the Republican Party in the Committee on Appropriations decided we ought to do something about it. We set up a task force under Frank Bow, one of your fine Republican Congressmen from the State of Ohio, a member of the Committee. We called upon industry, we called upon technicians to come down and give us some help. We called upon Maury Stans who was the Budget Director under Eisenhower the last two or three years of his term of office, and he got some of the technical people to assist him, and they sat down with those of us on the Bow Sub-committee and we came up with some objective targets. Now these targets I admit are probably a little too much for us to achieve. After all, we only have 177 members out of 435 in the House, and our friends from below the Mason-Dixon Line are not doing as well by us as they used to. But anyhow we said we ought to cut between 10 and 15 billion dollars and we pinpointed those areas of reduction. How will we do it? Well, we had four appropriation bills since January. In the Department of Post Office and Treasury and the Department of Interior, the supplemental and the appropriation bill for H.E.W. - Health, Education and Welfare, and Labor - so far we have reduced those targets by about 8 per cent, and reduced about 700 million dollars below the President's request. In addition, the pressure from the Bow Committee, Maury Stans and others, has gotten the President himself to withdraw about one-half a billion dollars in requested obligation authority, or spending authority. In addition we have slowed down, and I think we can defeat most of the new programs or projects that the President has requested that must first be authorized by law, and would total one billion six. Right now, in the process of trying to mark up the appropriation bill for the Department of Defense. The President has asked for about 30 billion dollars. I think we can reduce that appropriation bill and without any impact on our military preparedness, our National security, by a billion and one-half billion. I am confident we can do that. I am certain that Congress will reduce the President's
Foreign Aid Request by another billion dollars below the ACSC Committee.

I think the Congress will face up to the program in the Space Area, and I suspect that we will make at least one-half billion dollar reduction in that program. Now this won't be the target we talked about, but it will have this impact - it ought to accommodate the target about 3 to 6 billion dollars and, if so, it will permit us to hold the overall expenditures to the level of fiscal 1963 - that is this year - and if we do that, then I think we can say with some honesty, with some legitimacy that we can take a look at a bona fide tax reduction program; but if we don't do something about expenditures, I don't think that we can, in good conscience, consider making in good conscience we can take a look at making the kind of revisions and reductions that are needed in the overall tax picture.

Now let me talk about taxes for just a moment. I think there is agreement between Democrats and Republicans in three areas - that rates are too high, that there are inequities in the tax structure, and that action is needed to reduce taxes in order to accelerate our Nation's growth and to insure prosperity. There is general agreement in these areas. However, after that there are definite differences. The President's program, as you know, is primarily aimed at reducing middle income and lower income rates. The President has tied together the reform proposals and the rate reduction revisions. The President wants to reduce taxes, but on the other hand, he turns around and accelerates payments by corporate organizations to the Treasury Department. As I understand this program, the President wants to reduce taxes, but on the other hand, he turns around and accelerates payments by corporate organizations to the Treasury Department. The result for the first two or three years, as I understand this program, is that no business organization would have more funds on hand, and might conceivably have less on hand. Of course, the President's purpose is not only to reduce rates and taxes, but to accelerate spending. The Republicans, on the other hand, definitely feel we ought to divorce rate reduction from reform. Rate reduction is needed - this is somewhat of an essence, and if you tie it with reform you slow down the process. On the
other hand the Republicans say that, if you are going to have a tax reduction, in all honesty you ought to do something about expenditures. And I was delighted to read the other day that an industrial group under Henry Ford strongly stated that it was practical as well as desirable to reduce expenditures if we were to get the kind of rate reduction that was essential. Let me summarize this way - the more we are able to reduce expenditures, the more likely we are to get tax reduction. I plead with you to support people who are seeking to reduce expenditures so that we can get a long-needed and greatly desired reduction in our tax structure.

One or two quick comments about National Security. I indicated that I have been ten years - this is my 11th year - on the Appropriations Committee that has jurisdiction over the Army, Navy and Air Force funds. One basic thesis, whether under Eisenhower or under Kennedy, is that we have the kind of a program that we need to preserve peace by strength - namely we win any conflict if we should be so engaged. Now under former President Eisenhower a very drastic change in our defense policy took place. Prior to World War II, we had a feast and famine program, a peak and valley program where the Army, Navy, Air Force in wartime and then starved them to death in peacetime. This kind of a program invited aggression, it was costly in dollars and was costly in lives, and so, starting after the Korean War, President Eisenhower requested a relatively high level of appropriations, expenditures, manpower, weapon procurement, etc. This is good policy. This administration, with some minor revisions, has carried it out. Now, what are the requirements for a successful military program? First we have to have the strength to prevail, and believe me, whether under this administration or under a previous administration, we have that strength. I have no doubt whatsoever about our total complete capability to prevail in any conflict with the Soviet Union. Second, your enemy has to know that we have that strength. He has to be cognizant...
of our ability to do what we say we can do - in this case to annihilate the Soviet Union, even if we suffered the first strike. I think Mr. Krushchev knows this.

Thirdly, and this is the crux of the program, the enemy must know we will use that strength under certain circumstances. We have a few examples in recent years that indicate this is just as important as the first two. In 1958, Mr. Eisenhower sent troops to Lebanon - to settle the Middle East, despite the efforts being made by the Soviet Union. In 1958, Ike sent the 7th Fleet to Quemoy and Matsu, and we told Red China - you are not going to move into Formosa - period. This I think was rather convincing to the opposition. In October of this year, President Kennedy took the kind of action which convinced the Soviet Union we meant business. In my opinion this administration has not done enough of this. The only time they have done it is in Cuba. Unfortunately, I think they are indecisive, they are vacillating in other areas. They should have learned from the Cuban illustration that the way to prevail is through a show of strength and a convincing attitude toward the enemy. Unless we have additional such shows of strength in the months ahead, we could continue some of the reverses that we have suffered in recent months. It is not because we lack the strength - it is not because the enemy doesn't believe we have the strength - the enemy just doesn't think we are willing to use it to preserve what we all hold to be true and dear.

May I say it is a pleasure to be here - I am very grateful for your attention - I would be delighted to answer any questions. Thank you very much.