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Rerun on the Right

Reagan's Campaign, Like Goldwater's in '64, Raps Big Government

He Cites California Record (With Some Omissions) And Paints Ford Futile Welfare, Taxes and Detente

By NORMAN C. MILLER
Staff Reporter of THE WALL STREET JOURNAL
ORLANDO, Fla.—Close your eyes, cast your mind back a dozen years, and you can believe that the candidate exhorting the conservative faithful at a rally here is Barry Goldwater.

He heaps scorn on Republicans who embrace Democratic-type programs swelling Washington's power. He pledges to abolish huge sections of the federal bureaucracy, cut taxes, balance the budget and begin paying off the national debt.

"We have come to a watershed moment—a moment in which government must be turned around and take a different direction," he tells his applauding partisans.

This isn't Barry Goldwater but Ronald Reagan, speaking in the final warm-up stages before formally declaring his candidacy against Gerald Ford for the Republican presidential nomination. Mr. Reagan's decision to run seems certain, and he probably will announce it next week.

The 64-year-old former governor of California, who many think is the most polished stump speaker in American politics today, then will take to the hustings with a message that adds up to this: President Ford is an ineffectual leader who isn't up to the job of reversing government to a truly conservative direction.

Not-So-Veiled References

Although Mr. Reagan says he will avoid personal attacks on the President, his meaning is clear in his indirect statements. "I don't see that there is any real effort being made in Washington at any level to make the drastic change that needs to take place," he tells an interviewer. "Maybe it's because they're all part of the interlocked Washington establishment."

Mr. Reagan has had considerable impact even before declaring his candidacy. He has pushed President Ford to the right on several issues, including across-the-board spending cuts in social programs, and in effect he has pushed Vice President Nelson Rockefeller right off the 1976 GOP ticket.

Maneuvers by the President and his men have only seemed to whet Mr. Reagan's appetite for primary races. "It's time for a change, it's time for a crusade," he told a country club gathering of Florida Republicans last week. In this and other speeches around the

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country, Mr. Reagan has presented in breathtaking detail the kind of "drastic change" he will espouse as a candidate.

He urges the abolishing, over an unidentified period, of major social programs currently costing \$90 billion a year. He says flatly that he would end federal aid to education and abolish welfare programs such as food stamps and Medicaid. He indicates also that he would stop subsidies for housing and end federal revenue-sharing with states.

Job for the States

Responsibility for these programs should be "systematically transferred" to the states, and the states could continue them or not as they choose, Mr. Reagan says. He acknowledges that this transfer would result in higher state and local taxes to pay for continued programs. But he promises that a massive reduction of Washington's role would remove "the dead hand of federal interference" and also produce huge savings as much of the federal bureaucracy is wiped out.

"With such a savings, it would be possible to balance the federal budget, make an initial \$5 billion payment on the national debt and cut the federal income tax burden of every American by an average of 23%," Mr. Reagan declares.

President Ford, Mr. Reagan implies, will never really chop down the federal bureaucracy because he is part of that "Washington establishment" and is just playing political games when he talks conservatively.

Thus, of the President's tax-and-spending-cut proposal, Mr. Reagan says: "My simple interpretation is that the \$28 billion cut is in the proposed increase of the budget (which the President will submit in January). Now, if there is \$28 billion that can be cut from the proposed increase, why the hell is it in there in the first place? It has a little bit of the sound of the fellow who advertises a big sale, 20% off, but he raises the prices 40% before he cuts them back."

Assault on Detente

In foreign policy, Mr. Reagan accuses the President of being soft on Communism. Detente with the Russians "has deteriorated into a one-way street in which the enemy is using it to further his aims toward the eventual domination of the world and the destruction of this way of life of ours," he asserts.

He attacks the treaty that the U.S. and other nations signed last summer with the Soviet Union at Helsinki—a treaty that formalized Russia's post-World War II revision of Eastern European boundaries. "The U.S. said to the captive nations: 'Give up any hope of freedom,'" Mr. Reagan charges.

Thus, in both the domestic and foreign arenas, his boldly stated conservatism makes President Ford look relatively bland. The Californian and his advisers are convinced an uncompromising conservative gospel will have winning appeal in primaries to the conservatives who dominate the GOP.

Mr. Reagan has substantial campaign assets in his bid to upset the President. His assured and articulate style contrasts with Mr. Ford's dull and sometimes bumbling manner. Mr. Reagan has an enthusiastic following among grassroots conservatives that assures him of ample campaign funds.

He appears to be in vigorous health. Al-

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Rerun on the Right: Reagan's Drive For President Hits Big Government

Continued From Page One

though in person his age shows, on television he looks much younger than 64. The Reagan campaign organization, which is already in place, appears to be operating more effectively than the Ford camp in early primary states—New Hampshire, Florida and North Carolina.

Mr. Reagan's immediate goal is to defeat Mr. Ford in these early primaries, hoping that such blows would destroy the President's campaign effort in later primaries or even cause him to withdraw. While Mr. Reagan must be rated an underdog, the strength of his challenge may be measured by the fact that the Ford campaign manager, Howard (Bo) Callaway, already is trying to discount possible early primary losses by the President.

Further, the gradual switch of states to primaries instead of state conventions, bringing the number of primary states to 30, means that a majority of delegates will be elected by GOP voters instead of politicians. This factor enhances the chances of a skilled challenger like Mr. Reagan and diminishes, to some degree, the advantage the President has through his control of government and party machinery.

Reagan advisers are confident their candidate can cope with the charge by Ford men that the Californian is so conservative that his nomination would result in defeat rivaling the GOP's Goldwater disaster of 1964.

For one thing, they say, the time has finally come for a true conservative. "In 1964, about 75% of the people thought the federal government was doing a good job," one Reagan adviser says. "Now, about 75% think it is doing a bad job."

Pointing to the Record

For another, they say, unlike Sen. Goldwater, Mr. Reagan has governed the nation's most populous state and demonstrated, as one puts it, "that conservative Republican principles do work."

Mr. Reagan himself takes every opportunity to recite highlights of his record, trying to show that he can deliver on his promises.

When he was elected in 1966, the state was threatened with big deficits, he says, but when he left office last January, the state had a \$500 million surplus. Tax and budget cuts over eight years "provided more than \$5.7 billion in direct tax relief," he claims.

Moreover, increased state aid to local governments enabled them to cut property taxes, Mr. Reagan says. At the same time, state spending was restrained by holding the number of state employees at "virtually the same" level for eight years, he says.

Delivery of Services

Mr. Reagan cites the slashing of California's welfare rolls as one of his greatest accomplishments. Welfare costs were escalating out of sight and the rolls were increasing by 40,000 persons a month, he says, but a 1971 "reform" law cut the number of welfare recipients by 400,000 by the end of his term.

While relentlessly pursuing a "cut, squeeze and trim" fiscal policy, Mr. Reagan says he also improved vital public services. The record supports his further contention

that state appropriations for education were doubled during his tenure, from kindergarten up through the multi-campus University of California, which he was denouncing during the student violence in the 1960s.

However, Mr. Reagan's rosy recital of his record ignores some other material facts. Unless asked, Mr. Reagan doesn't mention such things as these:

The state budget more than doubled during his tenure, rising to about \$10 billion from \$4.6 billion. While the bulk of the increase was for state assistance to local governments, and in this respect the state was just performing a collection and distribution function, the rest of the state budget also increased about 50% during the Reagan years.

California taxes rose substantially under the Reagan administration. The retail sales tax went up to 6% from 4%. Personal income taxes, which had ranged from 1% to 7%, were raised to a range of 1% to 11%. Corporate income taxes rose to 9% from 5.5%, although increases were offset substantially by companion reductions in the state's inventory tax. Tax withholding from workers' paychecks was imposed in 1972, something, Mr. Reagan had vowed he would never allow. In all, state tax collections doubled during the Reagan years.

"Tax Relief" Claim

The \$5.7 billion in "direct tax relief" that Mr. Reagan talks about resulted from partial tax rebates enacted during a few periods when the state had fat surpluses. But without three basic tax increases, there wouldn't have been any money to rebate.

It should be noted that Mr. Reagan really hadn't any choice except to back a big tax increase his first year in office; the previous Democratic administration had left the state in financial straits. One of the two other big tax increases supported by the governor raised funds to assist local governments, and the increased state aid did arrest, for a time, the rise in local property taxes. Now, however, property taxes are rising again because inflation is increasing property valuations sharply, according to A. Alan Post, the nonpartisan legislative analyst for the California legislature.

Effects of Recession

Mr. Reagan's claim that he held state government employment steady for eight years isn't precisely correct. Actually, the state's full-time employees increased modestly by 5.7%, to 108,393, during the Reagan years, according to the state's Personnel Board. (In contrast the number of federal civilian employees declined 3.3% during the same eight-year period.)

Mr. Reagan also is apparently exaggerating when he claims that the tightened eligibility rules imposed by the October 1971 welfare law had cut 400,000 persons from the rolls when he left office last January. According to a spokesman for the State Department of Benefit Payments, the peak caseload was reached in March 1971, when 2,293,906 Californians were receiving welfare checks. Last January, 2,060,875 persons were on welfare—a decline of 233,031 rather than the 400,000 Mr. Reagan claims.

Further, as a result of the recession, California welfare rolls have been rising again this year. At last count, 2,109,591 persons

were on welfare—just 20,069 fewer than when the Reagan-sponsored welfare law took effect in October 1971.

No one familiar with the California law disputes the fact that it tightened welfare eligibility rules considerably and thus moved some persons—perhaps "cheaters"—Mr. Reagan flays—from the rolls. Clearly, the Reagan law helped slow the upward spiral of welfare. However, a number of welfare specialists dispute whether the state law had much permanent impact in cutting welfare rolls; the basic trend of welfare is determined much more by general economic conditions, they contend.

It is clear, in sum, that none of Mr. Reagan's major policies as governor violated his conservative principles. However, he was a good deal more pragmatic as governor than his rhetoric would suggest; especially in his second term, he compromised with the Democratic-controlled legislature on fiscal and social issues.

Yet fundamentally, Mr. Reagan consistently tried, against the pressure of Democratic legislators and the forces of inflation, to restrain government growth. Undoubtedly, he did succeed in imposing some degree of restraint. But he didn't succeed in reversing or even halting that growth.

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SECTION E

SUNDAY, JANUARY 18, 1976

The \$90 Billion Cutback

Here's What Reagan Said

Ronald Reagan's proposal that \$90 billion be lopped off the federal budget has generated a fair amount of general comment and a wealth of journalistic analysis. Reagan himself has found a number of opportunities to clarify and amplify on the idea. But Reagan's original words themselves may not have received as much dissemination as have the interpretations and clarifications. With the thought that readers may want to make up their own minds about Reagan's suggestions for reversing the flow of power and dollars to Washington, we reprint here substantial portions of the proposal, delivered in a speech Sept. 26, 1975 to the Executive Club of Chicago.

'We must turn a deaf ear to the screams of the outraged if this nation and this way of life are to survive.'

By Ronald Reagan

The absorption of revenue by all levels of government, the alarming rate of inflation, and the rising toll of unemployment all stem from a single source: The belief that government, particularly the federal government, has the answer to our ills, and that the proper method of dealing with social problems is to transfer power from the private to the public sector, and within the public sector from state and local governments to the ultimate power center in Washington.

This collectivist, centralizing approach, whatever name or party label it wears, has created our economic problems. By taxing and consuming an ever-greater share of the national wealth, it has imposed an intolerable burden of taxation on American citizens. By spending above and beyond even this level of taxation, it has created the horrendous inflation of the past decade. And by saddling our economy with an ever-greater burden of controls and regulations, it has generated countless economic problems, from the raising of consumer prices to the destruction of jobs, to choking off vital supplies of food and energy.

As if that were not enough, the crushing weight of central government has distorted our federal system and altered the relationship between the levels of government, threatening the freedom of individuals and families. The states and local communities have been demeaned into little more than administrative districts, bureaucratic subdivisions of Big Brother government in Washington, with programs, spending priorities, and tax policies badly warped or dictated by federal overseers. Thousands of towns and neighborhoods have seen their peace dis-



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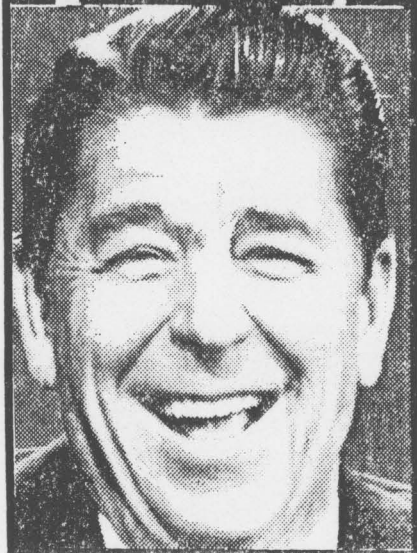
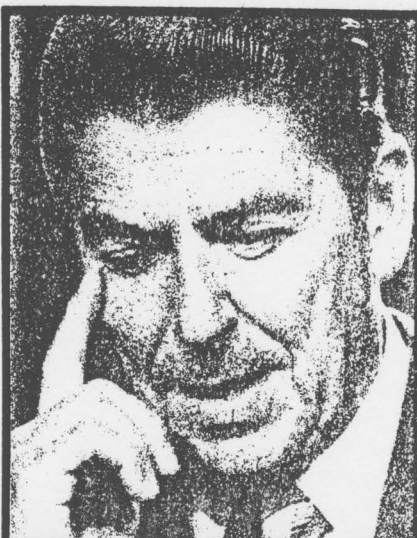
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It isn't good enough to approach

See REAGAN, E-4

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REAGAN

Continued from E-1

this tangle of confusion by saying we will try to make it more efficient or "responsive," or modify an aspect here or there, or do a little less of all these objectionable things than will the Washington bureaucrats and those who support them. This may have worked in the past, but not any longer. The problem must be attacked at its source . . .

We can and we must reverse the flow of power to Washington; not simply slow it, or laper over the problem with attractive phrases or cosmetic tinkering. This would give the appearance of change but leave the basic machinery untouched . . .

What I propose is nothing less than a systematic transfer of authority and resources to the states — a program of creative federalism for America's third century.

Federal authority has clearly failed to do the job. Indeed, it has created more problems in welfare, education, housing, food stamps, Medicaid, community and regional development, and revenue sharing, to name a few.

The sums involved and the potential savings to the taxpayer are large. Transfer of authority in whole or part in all these areas would reduce the outlay of the federal government by more than \$90 billion, using the spending levels of fiscal 1976.

With such a savings, it would be possible to balance the federal budget, make an initial \$5 billion payment on the national debt, and cut the federal personal income tax burden of every American by an average of 23 per cent. By taking such a step we could quickly liberate much of our economy and political system from the dead hand of federal interference, with beneficial impact on every aspect of our daily lives.

Not included in such a transfer would be those functions of government which are national rather than local in nature, and others which are handled through trust arrangements outside the general revenue structure. In addition to national defense and space, some of these areas are Social Security, Medicare, and other old-age programs; enforcement of federal law; veterans affairs; some aspects of agriculture, energy, transportation, and environment; TVA and other multi-state public-works projects; and certain types of research.

Few would want to end the federal government's role as a setter of national goals and standards. And no one would want to rule out a role for Washington in those few areas where its influence has been important and benign; crash efforts like the Manhattan and Apollo projects, and massive self-liquidating programs like the Homestead Act and the land-grant colleges. Certainly the federal government must take an active role in assuring this nation an adequate supply of energy . . .

[Turning back programs] would be a giant step toward solving the problem of inflation that is sapping the strength of our economy and cheating American wage-earners and pensioners. There is no mystery about inflation. It is caused by spending money that has not yet been earned. Without the enormous pressure of a 60-to-80-billion-dollar deficit, the Federal Reserve System would have no mandate to pump too many dollars into the economy — which is the ultimate cause of inflation. The federal deficit provides the chief motive for the debauching of our dollar.

Add to this the gain in purchasing power that will accrue to all Ameri-

able, for they will have no further work in Washington.

I think it likely, however, that some of the more worthwhile programs will be retained essentially as they are, many will be dropped, and others may be modified. But all the surviving programs will run at much lower cost than is presently the case.

The present system is geared for maximum expenditure and minimum responsibility. There is no better way to promote the lavish outlay of tax money than to transfer program and funding authority away from state and local governments to the federal level. This ensures that recipients of aid will have every reason to spend and none to conserve. They can get political credit for spending freely, but don't have to take the heat for imposing the taxes . . .

So long as the system continues to function on this basis, we are going to see expenditures at every level of government soar out of sight. The object is to reverse this: To tie spending and taxing functions together wherever feasible, so that those who have the pleasure of giving away tax dollars will also have the pain of raising them. At the same time we can sort out which functions of government are best performed at each level. And that process, I hope, would be going on between each state and its local governments at the same time.

The transfer of spending authority to Washington blurs the difference between wasteful states and prudent ones and this too destroys incentives toward economy . . .

Another benefit of localizing these programs is that state and local governments are more accessible to the local citizen, and in most cases prevented by statute from going in debt. When tax increases are proposed in state assemblies and city councils, the average citizen is better able to resist and to make his influence felt. This, plus the ban on local deficits, tends to put an effective lid on spending.

The proposals I have outlined will bring howls of pain from those who are benefiting from the present system, and from many more who think they are. But as the Frenchman, Thiers, said, "For those who govern, the first thing required is indifference to newspapers." We must turn a deaf ear to the screams of the outraged if this nation and this way of life are to survive.

The simple fact is the producing class in this nation is being drained of its substance by the non-producers — the taxpayers are being victimized by the tax consumers. We may be sure that those in Washington and elsewhere whose life style depends on consuming other people's earnings while working people struggle to make ends meet, will fight to the last limousine and carpeted anteroom.

But if we ignore the taxers and the centralizers and do the things I know can we can do, we'll do more than survive: we will inaugurate a new era of American diversity. . . .

Take education. The United States built the greatest system of public education the world has ever known — not at the federal level, not even at the state level, but at the level of the local school district. Until a few years ago, the people had direct control over their schools — how much to spend, what kind of courses to offer, whom to hire. Is it an accident that as this local control gave way to funding and control at the federal and state level, reading and other test scores have declined? It has just recently been announced that scores in college entrance exams have been nose-diving for 10 years and this year took the greatest plunge of all. And yet, spending on education in that

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[Turning back programs] would be a giant step toward solving the problem of inflation that is sapping the strength of our economy and cheating American wage-earners and pensioners. There is no mystery about inflation. It is caused by spending money that has not yet been earned. Without the enormous pressure of a 60-to-80-billion-dollar deficit, the Federal Reserve System would have no mandate to pump too many dollars into the economy — which is the ultimate cause of inflation. The federal deficit provides the chief motive for the debauching of our dollar.

Add to this the gain in purchasing power that will accrue to all Americans from a sharp reduction in federal income taxes — the biggest spending burden the average family must absorb. Indeed, taxes of all kinds are a bigger family expense item than food, shelter and clothing combined. Last year, according to a study by the Joint Economic Committee of Congress, income taxes at all levels rose by 26.5 per cent — the largest increase of any item in the family budget. By far the greatest part of this growing load of taxation is the federal personal income tax, whose bite gets sharper as inflation pushes taxpayers into higher surtax brackets. Government doesn't have to raise the tax rate to profit by inflation. The progressive income tax is based on the number of dollars earned, not their purchasing power; thus a cost-of-living pay increase results in a tax increase.

An immediate tax cut, some of which might have to be balanced by tax rises in the states, would be only the beginning of the savings that could be achieved. When we begin making payments on the national debt, we will also begin making further reductions in the tax burden. American taxpayers are currently being billed an average of \$1 billion every ten days just to pay interest on the debt. As the debt is retired, we can progressively reduce the level of taxation required for interest payments . . .

With the spending reduction I propose, the federal government will no longer be crowding capital markets to finance its deficits. That will make available billions in new capital for private investment, housing starts, and job creation — and the interest rates will come down.

The transfer I propose does not mean that the specific programs in question are not worthwhile. Many are, though in my opinion many others are not. But the point is that all these programs are losing effectiveness because of the federal government's pre-emption of levels of government closer to the problems, coupled with Washington's ability to complicate everything it touches. The decision as to whether programs are or are not worthwhile — and whether to continue or cancel — will be placed where it rightfully belongs: with the people of our states.

It is theoretically possible that local governments will simply duplicate programs as they now exist, and if that is what the people in the states desire, that is exactly what will and should occur. Certainly the bureaucrats who run them now will be avail-

Take education. The United States built the greatest system of public education the world has ever known — not at the federal level, not even at the state level, but at the level of the local school district. Until a few years ago, the people had direct control over their schools — how much to spend, what kind of courses to offer, whom to hire. Is it an accident that as this local control gave way to funding and control at the federal and state level, reading and other test scores have declined? It has just recently been announced that scores in college entrance exams have been nose-diving for 10 years and this year took the greatest plunge of all. And yet, spending on education in that same period has been skyrocketing. The truth is, a good education depends far more on local control than on the amount of money spent.

There is no question but that under local agencies certain abuses took place and certainly they needed to be cured — sometimes by federal intervention. This was certainly true of racial segregation in the South. But now that according to some estimates the South is the most integrated area of the country — now that there is an ongoing enforcement structure in the Department of Justice — is there any further reason to deny local control and funding of our schools?

Or take welfare. For years, the fashionable voices have been calling for a federal takeover of welfare. (Well, the old-age portions of welfare have been taken over — and in the first 18 months, more than \$1 billion has been paid out by mistake!) If there is one area of social policy that should be at the most local level of government possible, it is welfare. It should not be nationalized — it should be localized. If Joe Doaks is using his welfare money to go down to the pool hall and drink beer and gamble, and the people on his block are paying the bill, Joe is apt to undergo a change in his life style. This is an example of why our task forces in California found that the smaller and more local government becomes, the less it costs. The more government is localized, the less you will see a situation like the one in Massachusetts, where a mother of six was receiving, through cash and services, the equivalent of a \$20,000 earned income. That is twice the average family income of the state.

The truth is that people all over America have been thinking about all of these problems for years. This country is bursting with ideas and creativity, but a government run by bureaucrats in Washington has no way to respond. If we send the power back to the states and localities, we'll find out how to improve education, because some districts are going to succeed with some ideas and other districts are going to fail with others, and the word will spread like wild-fire. The more we let the people decide, the more we'll find out about what policies work and what policies don't work. Successful programs and good local governments will attract bright people like magnets, because the genius of federalism is that people can vote with their feet. If local or state governments grow tyrannical and costly, the people will move. If the federal government is the villain, there is no escape.

Balancing \$90 Billion Cut

Reagan Plan Would Shift Burden to States

By Peter Milius

Washington Post Staff Writer

Ronald Reagan has said his plan to strip \$90 billion from the federal budget would involve no cuts in defense or Social Security.

His staff has said he would not cut Medicare, either.

Leave these three items out, however, and to cut the budget \$90 billion you have to cut the rest of the government completely in half.

That magnitude surprises most people; it is not widely understood that Reagan's shrink-the-government plan would go that far.

Reagan, in fact, has described it almost as if it were a kind of revenue sharing.

"What I propose," he said in introducing the plan in a speech in Chicago last September, "is nothing less than a systematic transfer of

authority and resources to the states" — and that first description of the proposal as some kind of "transfer plan" has stuck.

Yet as Reagan himself made clear later in that same speech, his plan, unlike revenue sharing, would transfer no "resources" to

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state and local governments at all.

The former California governor, challenging President Ford for the Republican presidential nomination, would simply put a stop to selected federal spending programs, whereupon state and local governments would be free to pick them up or not, as they chose. But they would also

have to raise their taxes to pay for them.

The theory is that federal taxes would be cut along with federal spending, leaving state and local taxes room to rise.

Thus, the only thing Reagan would transfer to the state and local sector is a burden. Revenue-sharing is one of the programs he would abolish.

Reagan has begun to back away from the plan in recent days, as it has come under closer examination and sharper attack. He now says he "didn't pay attention" when aides listed \$90 billion in specific cuts last year, and he has come close to saying he meant the plan only figuratively. "I simply announced a broad program last September," he told an in-

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Balancing a \$90 Billion Cut

REAGAN, From A1
fervent several days ago. "I made no pretense of fleshing it out."

Part of the problem in "fleshing it out" is that, in economic terms, the federal government is not as big as Reagan and other politicians have portrayed it in their speeches.

The government may well be oppressive in other respects. It unquestionably is a powerful political symbol in this anti-government election year. It may even be bigger than it should be.

But take from the budget (which will be about \$400 billion next fiscal year) the money for defense (about \$100 billion) and Social Security and Medicare (about \$100 billion more, derived separately from the rest of the budget through the Social Security tax), and there is less left to cut from than most people imagine.

Here are three other sets of budget facts that may be helpful in sifting through what seems likely to be a long, long year of anti-federal spending speeches:

The first is that, while the federal budget has grown enormously in the last 20 years, the economy — meaning the nation's ability to pay — has also grown. Federal spending, moreover, has not grown nearly as fast as state and local spending, to which Reagan now would add his \$90 billion. The nation's combined state and local government budget, though far less visible, is now two-thirds the federal total.

The federal budget has seemed to snowball in recent years. It was not until fiscal 1962 that the nation had its first \$100 billion budget. It took only nine years more to arrive at \$200 billion in fiscal 1971, then only four years to pass \$300 billion in 1975 — and fiscal 1977 seems likely to take us past \$400 billion. Federal spending more than quin-

tupled in the 20 years 1955 to 1975.

In those same 20 years, the gross national product has nearly quadrupled (and would have grown more had it not been for the back-to-back recessions of the last six years), while state and local government spending has risen sevenfold.

Federal spending in the Eisenhower years ranged from a low of 17.1 per cent of GNP to a high of 19.5 per cent. This fiscal year, with the economy still shrunken and such parts of the budget as unemployment compensation bloated by the recession, it will be an estimated 23.5 per cent. In fiscal 1975, before the big recession began, it was 19.8 per cent.

The second set of facts has to do with the national tax structure.

The two main federal taxes are income and Social Security. The Social Security tax is regressive, meaning it hits the poor harder than the rich in percentage terms, and it has shot up in the last 20 years to pay for Social Security and Medicare.

The income tax, meanwhile, which is progressive, has been steadily reduced over this period to offset the effects of inflation; the general rise in wages would have moved the whole population into higher income tax brackets if there had been no cuts. The effective federal income tax rate on the first \$10,000 of income is now several percentage points lower than it was 10 years ago.

The income tax is the main support of the federal spending programs Reagan would like to stop. It would be cut to the same extent they would; his \$90 billion plan would allow the federal income tax to be cut an average of 23 per cent, Reagan told his audience of businessmen last fall in Chicago.

The federal spending

program would thus be shifted off the most progressive tax base, and onto the state and local tax structure. In theory, of course, if state and local governments chose to continue the spending programs, they could at the same time set up carbon copies of the federal income tax to pay for them. But the present state and local tax structure is not as progressive as the federal, meaning the poor pay relatively more, the rich relatively less under state and local law.

Some people say this is because the federal government has "pre-empted" the income tax. But whatever the reason, state and local governments together now derive about a fifth of their revenue from sales taxes, which economists generally condemn as regressive. They derive another fifth from the property tax, over which economists are divided, some saying it is regressive, others not.

The third set of facts has to do with where the federal government spends its money.

Among other things, it now gives about \$60 billion a year to state and local governments in the form of grants, including revenue sharing.

These grants go for everything from welfare and Medicaid to school lunches and highways, and they currently make up about a fourth of total state and local government revenue.

If the list his aides compiled last fall is to be believed at all, however, about half the cuts Reagan would make in federal spending would be among these grants.

The grant total would be reduced by more than \$40 billion, including revenue sharing.

In cutting federal programs, Reagan would simultaneously be cutting state and local programs as well.

State and local governments

would have to raise their taxes about a fifth — roughly 20 per cent — just to stay even.

Federal grants to state and local governments have been a trend in the last 20 years — a rising share of both federal expenditures and state and local revenues.

The grants have for the most part had federal strings attached, and thus have increased federal power. Conservatives have tended to resist them. They say decisions about how to spend tax money — and whether to raise it in the first place — can be made most sensitively at the state and local levels.

They have doubtless been strengthened in that philosophy by the fact that the national government has been mainly in liberal hands since World War II; conservatives have had a better chance of success at the state and local level than the federal.

President Nixon's response to the national drift toward federal dominance was revenue sharing together with so-called block grants — keep

the money flowing, cut the strings. That is what President Ford also favors.

Reagan would go further, stopping the money and making state and local governments start over if they chose. That way, instead of all programs continuing, some might be dropped. There would be local option. Reagan says that would be healthy.

12/13/75
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Reagan's Lead May Be Real

By Tom Wicker

When the Gallup Poll recently showed that Ronald Reagan had surged into the lead over Gerald Ford among Republicans and independents, Howard H. Callaway, the Ford campaign manager, was ready with a load of debunk. The poll result, he said, was only temporary and merely reflected the publicity attending Mr. Reagan's announcement of his candidacy.

Maybe so, particularly since the poll was taken just after Mr. Ford had goofed up the reorganization of his Cabinet, and just before he went on the snow-peas and bean-curd circuit in Peking. Another Gallup Poll, for example, shows Mr. Ford, as well as Mr. Reagan, defeating Hubert Humphrey—although the Harris Poll disagrees. But it does not take much inquiry among Republican politicians—or interested Democrats, for that matter—to find many who believe Mr. Ford will not win renomination, much less another term.

Not everyone agrees, for example, that Mr. Reagan—"right-wing" or "conservative" though he may be—will have one more than a narrow factional base for his campaign. He is seen by many as having a broader appeal than Mr. Ford, both within the Republican primaries and in a general election, precisely because he does not offer an orthodox Republican candidacy.

Thus it is argued that Republicans and independents as well as Democrats and George Wallace voters are looking for "new approaches" to major political questions, and Mr. Reagan's candidacy may seem to offer them. Mr. Ford, on the other hand, is providing an orthodox Republican economic policy, based on the support of business interests and holding down Government spending, and an orthodox establishment foreign policy, centered on détente with the Soviet Union and "playing a role" in world politics. Exactly what Mr. Reagan will promise instead re-

IN THE NATION

mains to be seen, but the very facts that he is not Washington-based and is accused of being "out of the main stream" arouse the expectations of those seeking something different.

(Note: Not being "Washington-based" did Nelson Rockefeller no good in 1960, 1964 and 1968, but in that way at least he may have been ahead

of his time).

All this poses some danger for Mr. Reagan, of course. If he does not, in fact, offer something newer than his California phone number, or if what he offers is implausible enough (such as his proposal to turn all Federal social programs over to the states), Mr. Ford's orthodoxy may begin to look better. For now, however, the important question may be which one of them is really in the mainstream of 1976 politics.

A second major reason why Mr. Reagan's poll showing may not be a flash in the pan is offered by numerous Republicans who point out that Gerald Ford has all the disadvantages of being an incumbent but not all of the advantages. Having been appointed rather than elected—and appointed by Richard Nixon, who Mr. Ford then pardoned in advance of any criminal charges—he has neither the loyalties, the party organization nor the personal prestige that usually attach themselves to a President. He has not successfully campaigned for national office before, nor demonstrated that he knows how, and there are fewer who have a vested interest in keeping him in office than is usually the case with an incumbent.

Mr. Reagan, having twice been elected Governor of the largest state, can make a reasonable claim to having won more support at the polls than Mr. Ford ever has. Even the potential Republican embarrassment at turning their own man out of office will not be so great as it might have been had Mr. Ford been the party's choice, and the country's, in an earlier campaign. Actually, to repudiate him is one way to repudiate Richard Nixon all over again.

Democrats, in particular, also believe that Mr. Ford has dissipated most of the advantages of incumbency he did have, through his own political ineptitude. They believe he can't "out-Reagan Reagan" by constantly moving to the right, because, as one Senator put it, "the voters can smell the real thing, just the way they can smell the real George Wallace." Many think Mr. Ford's incessant traveling, even on such glamor trips as the one to China, has created the impression that he is not really "running the country."

Other professional politicians in both parties are frankly appalled at the corners Mr. Ford so frequently paints himself into—for example, his insistence on vetoing continuation of the 1975 tax cut, which would have produced a tax increase, with unemployment still high.

Nor can most politicians understand why, even under the new financing law, the Ford campaign has been so laggard in raising funds for 1976. "If a President can't raise money, who can?" is a question not infrequently heard—and one that points to the ultimate reason so many believe Ronald Reagan's lead may prove permanent. They don't think Gerald Ford is smart enough or tough enough to pull his Administration and his campaign together, and smash the Reagan challenge.

Wesley Baker is on vacation.

Rowland Evans and Robert Novak

Reagan's Social Security Gaffe

Late Saturday night, Dec. 13, in Houston, Tex., Ronald Reagan sent shudders up supporters' spines by evoking grim memories of the 1964 Goldwater debacle and pointing the way to his own possible self-destruction.

Suddenly ahead in the Gallup Poll for the presidential nomination, Reagan was riding high at the southern Republican conference with President Ford conspicuously absent and Ford operatives making conspicuous mistakes. But when asked from the floor following his banquet speech about insolvency in the Social Security system, Reagan began describing a highly complicated—and questionable—scheme for wholesale Social Security reform.

The scheme, involving government retirement bonds, certainly would not make Social Security voluntary. But that's what it sounded like to many old pros, including a newspaper reporter who states as much in his story.

For Republicans, coupling "voluntary" with "Social Security" is bitterly evocative of 1964 when just such a proposal by Sen. Barry Goldwater doomed him in the New Hampshire primary and helped bury him in the general election. Thus, even though Reagan did not and surely will not actually propose the retirement bond plan (which does not make Social Security voluntary in any event), he offered succulent goodies for party foes—including Ford operatives—who want to make him the Barry Goldwater of 1976.

Indeed, the Ford camp hopes Reagan has ruined himself among the large retired populations in the key primary states of Florida (34 per cent of Republican voters) and New Hampshire (27 per cent). But deeper damage to Reagan stems from questions raised about ideologues in-

fluent in his campaign and about the candidate's own lack of discipline.

Conservatives with undying loyalty to Goldwater throughout 1964 are not willing to suffer another campaign of ideological disasters and another undisciplined candidate. "I will not go for Reagan if he's going to be another Goldwater," a nationally prominent conservative, regarded as pro-Reagan, told us. "And he's going to be another Goldwater if he gets all mixed up in philosophy."

The Social Security gaffe in Houston reflects division within the Reagan camp between philosophic theorists and practical politicians. Jeff Bell, Reagan's brainy idea man (who authored his politically dubious scheme to transfer \$90 billion of federal spending to the states), feels the campaign must put forth new ideas—such as the Social Security scheme.

Practical politicians enlisted in Reagan's army strenuously disagree with such high-risk tactics. "You cannot educate in a campaign," says the astute Rep. Philip Crane of Illinois. Crane's views were vigorously endorsed this week by Reagan political advisers during secret meetings in Los Angeles planning the campaign.

But Jeff Bell cannot be made scapegoat for Reagan's bungle in Houston. Reagan himself failed to show the personal concentration and political sensitivity characteristic of his two campaigns for governor of California and essential for his presidential campaign.

Lack of concentration was shown in Houston when he forgot careful advice to preface any Social Security discussion with a pledge to "save" the system so the aged will continue to get their checks; instead, Reagan dived into a full discussion of the hideously complicated

retirement bond plan. His lack of sensitivity over linking himself to 1964 was clearly revealed with this comment: "Barry Goldwater, God bless him, tried to warn the people years ago and nobody paid any attention."

Fortunately for Reagan, he did not commit himself ("I just offer this as an example of the thinking of some knowledgeable people," he said). In fact, he met privately in Los Angeles Tuesday with economic advisers who called the retirement bond scheme outrageously expensive for the federal government. Surely, no more will be heard of it.

Nevertheless, Reagan damaged himself. In 1964, 1965 and even in his first campaign for governor in 1966, Reagan often proposed voluntarism in Social Security ("do not exchange freedom for the soup kitchen of compulsory insurance," he said on May 23, 1964). There were no such quotations in the last decade. But the Houston gaffe could—and probably will—be used by the Ford campaign to show that in the political veteran of 1976 is concealed the political novice of 1966.

Worse is the pattern of putting ideology above practical politics which Reagan political advisers sought to end in this week's Los Angeles meetings. Besides the \$90 billion spending-transfer plan and the Social Security venture, Reagan also suggested in Houston that grain sales to Russia depend on Kremlin reductions in armaments—angering farmers outraged by Mr. Ford's grain embargo this year. That pattern of busy-body problem solving, far more than Bo Callaway's puerile criticism, threatens to slow down the Reagan campaign before it fairly begins.

James Reston

Campaign

Wash. Post 11/20/76

Presidential script is best Reagan's ever had

Ronald Reagan's bid for the presidency really should be tossed to the movie critics. It is the best script the old trouser ever had; but in political terms, even if he knocked off the President, he would divide his party, and almost certainly assure the victory of the black-hat Democrats.

It is a fascinating human drama, and sort of a personal stage triumph for Reagan. Here he is, out of Hollywood, where he was a good Class B movie actor, and out of Sacramento, where he was a much better governor, and out of a job at age 64, but defying the wicked Democrats, and even challenging the President, a member of his own party.

Presented with such a scenario, even in his old hungry days in Hollywood, Reagan would probably have said this was ridiculous, but politics are even stranger than the dreams and nightmares of fiction.

Reagan does not come through as Barry Goldwater did in 1964 as the conservative challenger. Their political philosophies are similar, but Goldwater had a conviction, a program and a sense of humor. He was not clever, cautious, or theatrical like Reagan, but he cared more.

Reagan is quite different: He gives the impression that he is merely reading his lines. He says the most provocative things in the most kindly and even mod-
est way, like an actor playing a role, and is quite willing to be even eager,

to go home when the play is done.

The astonishing thing is that this amusing but frivolous Reagan fantasy is taken so seriously by the news media and particularly by the President. It makes a lot of news, but it doesn't make much sense. Reagan may run ahead of Ford in the New Hampshire, Florida, Illinois and Wisconsin primaries, but even if he does, the delegates at the Republican convention are not likely to abandon their own president in favor of a former governor of California who has split the party and has little chance of picking up independent or Democratic votes.

If you take a hard look at how to win electoral votes in the big states that usually decide presidential elections, you almost have to think that Reagan, who used to be a Democrat, is hurting his own party and the President, and working for the divided Democrats, who also seem to be trying to lose the election.

But on the stage, as in politics, strange things happen and nobody knows this better than Reagan. Maybe he will win, and probably he will lose, but he will drive Ford to the right in the process, and meanwhile, he will have a personal climax in the biggest theater of all. For the old trouser, it makes sense, but for the Republican party and the nation, it could be a real flop.

Reagan planned his presidential announcement precisely like a road show.

Beginning, ironically, with the Washington reporters at the National Press Club, whom he detests, and then going on in the same day to the main primary election states, it was a classic theatrical production.

Nobody in politics or the theater is better at this sort of thing than Reagan. He has a conservative message. He believes in it with the utmost sincerity. These quick announcements are not political exchanges of ideas, but television, and nobody in the presidential race is better at avoiding thought than the former governor of California.

Once he has announced for the terrifying job of the presidency, however, the questions on the stage will change. He now will be asked not only what he is against, but what he is for; not only why he is worried about Henry Kissinger's policies of detente and compromise in the Middle East, but what he proposes to put in their place.

There is an almost frightening moment *between thinking about* running for the presidency and announcing that you are *running* for the presidency. Then, the candidate moves from theatrical myths to political reality and has to stand and deliver.

Reagan has done a service to the Republican party in one sense. He is right in feeling that an appointed president like Ford should be challenged. Also, his challenge to President Ford will keep the battling and divided Democrats from

dominating the headlines between now and the end of the primary elections next spring.

But once announced for the presidency, he will have

to be presidential, with a program for the coming five years. And so far he has produced no program, only a protest against the Democrats and his own president.

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Rowland Evans and Robert Novak

Ronald Reagan's '\$90-Billion Scheme'

Although Ronald Reagan should be starting his challenge for the Republican presidential nomination unencumbered by the thorny issues plaguing President Ford, he needlessly carries one heavy burden that has become the secret worry of his political managers.

That burden is his proposal for turning back to the states federal programs spending some \$90 billion annually. Conceived last summer to pump life into what seemed Reagan's hopeless prospects, it now threatens to be an albatross around his neck. Mr. Ford's political operatives hope and some Reagan insiders fear it will do to Reagan what the \$1,000-for-everybody scheme did to Sen. George McGovern in 1972.

Having ignored the plan for three months, national political reporters are now fully aroused and will press Reagan to defend and explain it when he begins full-scale campaigning in January. Some Reagan advisers feel he should cut his losses and abandon the scheme now, but the consensus within the campaign is that the humiliating cost would be too high. Instead, maximum efforts are scheduled this month to polish Reagan's defense of the plan and, if possible, refine the program to make it more plausible.

This poses an early test for Reagan in coping with a difficult problem. But to some disappointed conservatives, the existence of the needless burden means candidate and campaign have already failed in leadership and organization.

The \$90 billion scheme, however, must be viewed in the climate of last summer, when Mr. Ford appeared unbeatable and Reagan seemed to be playing Hamlet. Managers of Reagan's unannounced campaign sought not only an exciting idea to energize conservatives but a new standard stump speech for Reagan, who seemed no less tired than everybody else of the script he had used all year.

The result: A program to return social welfare programs to state and local governments, embodying Reagan's philosophy but devised by his bright young idea man, Jeff Bell. It was unveiled as a speech to the Chicago Executives Club Sept. 26, written by journalist M. Stanton Evans, chairman of the American Conservative Union, with contributions from John McClaughry of Lyndonville, Vt., a nationally known Republican operative.

So many Reagan insiders today disclaim advance knowledge of the speech that one aide suspects "infectious amnesia." In fact, Bell cleared the speech with all political advisers. Nobody dissented. Far from dissenting, Ronald Reagan was enthusiastic. To prevent internal bickering today over responsibility, campaign manager John Sears has laid down this line: "We were all involved."

The Sept. 26 speech was ignored generally and hailed on the right. By late October, Reagan had mastered the speech

and was enchanting conservative audiences. Nobody in his campaign considered it a problem.

But outsiders did. Dr. Martin Anderson of Stanford University's Hoover Institute, preparing to join Reagan fulltime in January, found the program so vague that it contained the seeds of serious political trouble.

Neither Reagan nor the program's drafters had answered these questions: How could so radical a change ever get through Congress? Would the transfer be sudden or gradual? Would poorer states get equalization money from Washington? How would federal tax relief be coordinated?

Such questions were not sharply presented to Reagan during his first two days as an announced candidate, Nov. 20 and 21. But when he appeared on ABC's "Issues and Answers" Nov. 30, two network correspondents interviewing him were ready. Reagan was not. He seemed surprised, vague and unable to discuss the program with authority.

When ABC's Bob Clark asked whether Reagan's program might force the key primary state of New Hampshire to newly enact a sales or income tax to assume federal programs, Reagan replied lamely: "But isn't this a proper decision for the people of the state to make?" Astonishingly, he said nothing about reduced federal taxes more than compensating for higher state taxes.

Such lack of preparation provided the first scent of Reagan's blood for the Washington press corps. When Democratic Presidential hopeful Jimmy Carter breakfasted with political correspondents Dec. 2, he answered a question about Reagan's program with one word: "ridiculous." The danger for Reagan is that Carter's answer will become the public perception and, like McGovern's \$1,000-for-everybody fiasco, the program will be seen as an outlandish blunder reflecting on the candidate's good judgment.

Dr. Anderson has been assigned to revise the program, emphasizing perhaps that programs transferred from the federal government would be phased over years. Other Reagan aides talk about underlining tax relief aspects by writing in federal tax credits for citizens of states assuming federal programs. When Reagan and his high command meet in California the week of December 15, what to say about the program will be high on the agenda.

The need for this makes clear that the Reagan campaign embraced, needlessly in hindsight, a proposal bearing high political risks. Even if the risks are ultimately avoided, Reagan must begin his campaign partly on the defensive—losing the non-incumbent's greatest advantage.

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TEXT OF GOVERNOR RONALD REAGAN'S NATIONWIDE TELEVISION ADDRESS

NBC NETWORK

WEDNESDAY, MARCH 31, 1976

Good evening to all of you from California. Tonight, I'd like to talk to you about issues. Issues which I think are involved--or should be involved in this primary election season.

I'm a candidate for the Republican nomination for President. But I hope that you who are Independents and Democrats will let me talk to you also tonight because the problems facing our country are problems that just don't bear any party label.

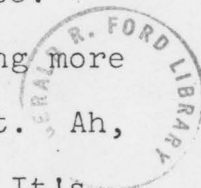
In this election season the White House is telling us a solid economic recovery is taking place. It claims a slight drop in unemployment. It says that prices aren't going up as fast, but they are still going up, and that the stock market has shown some gains. But, in fact, things seem just about as they were back in the 1972 election year. Remember, we were also coming out of a recession then. Inflation has been running

at around 6%. Unemployment about 7. Remember, too, the upsurge and the optimism lasted through the election year and into 1973. Then, the roof fell in. Once again we had unemployment. Only this time not 7%, more than 10. And inflation--wasn't 6%, it was 12%.

Now, in this election year 1976, we're told we're coming out of this recession. Just because inflation and unemployment rates have fallen, to what they were at the worst of the previous recession. If history repeats itself will we be talking recovery four years from now merely because we've reduced inflation from 25% to 12%?

The fact is, we'll never build a lasting economic recovery by going deeper into debt at a faster rate than we ever had before. It took this nation 166 years--until the middle of World War II--to finally accumulate a debt of \$95 billion. It took this administration just the last 12 months to add \$95 billion to the debt. And this administration has run up almost one-fourth of our total national debt in just these short nineteen months.

Inflation is the cause of recession and unemployment. And we're not going to have real prosperity or recovery until we stop fighting the symptoms and start fighting the disease. There's only one cause for inflation--government spending more than government takes in. The cure is a balanced budget. Ah, but they tell us, 80% of the budget is uncontrollable. It's



fixed by laws passed by Congress. The laws passed by Congress can be repealed by Congress. And, if Congress is unwilling to do this, then isn't it time we elect a Congress that will?

Soon after he took office, Mr. Ford promised he would end inflation. Indeed, he declared war on inflation. And, we all donned those WIN buttons to "Whip Inflation Now." Unfortunately, the war--if it ever really started--was soon over. Mr. Ford, without WIN button, appeared on TV, and promised he absolutely would not allow the Federal deficit to exceed \$60 billion (which incidentally was \$5 billion more than the biggest previous deficit we'd ever had). Later he told us it might be as much as \$70 billion. Now we learn it's \$80 billion or more.

Then came a White House proposal for a \$28 billion tax cut, to be matched by a \$28 billion cut in the proposed spending--not in present spending, but in the proposed spending in the new budget. Well, my question then and my question now is, if there was \$28 billion in the new budget that could be cut, what was it doing there in the first place?

Unfortunately, Washington doesn't feel the same pain from inflation that you and I do. As a matter of fact, government makes a profit on inflation. For instance, last July Congress vaccinated itself against that pain. It very quietly passed legislation (which the President signed into law) which automatically now gives a pay increase to every Congressman every time the cost of living goes up.

It would have been nice if they'd thought of some arrangement like that for the rest of us. They could, for example, correct a great unfairness that now exists in our tax system. Today, when you get a cost of living pay raise--one that just keeps you even with purchasing power--it often moves you up into a higher tax bracket. This means you pay a higher percentage in tax, but you reduce your purchasing power. Last year, because of this inequity, the government took in \$7 billion in undeserved profit in the income tax alone, and this year they'll do even better. Now isn't it time Congress looked after your welfare as well as its own?

Those whose spending policies cause inflation to begin with should be made to feel the painful effect just as you and I do. Repeal of Congress' automatic pay raise might leave it with more incentive to do something to curb inflation.

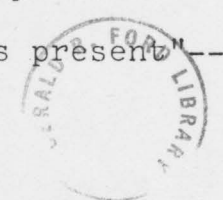
Now, let's look at Social Security. Mr. Ford says he wants to "preserve the integrity of Social Security." Well, I differ with him on one word. I would like to restore the integrity of Social Security. Those who depend on it see a continual reduction in their standard of living. Inflation strips the increase in their benefits. The maximum benefit today buys 80 fewer loaves of bread than it did when that maximum payment was only \$85 a month. In the meantime, the Social Security payroll tax has become the most unfair tax any worker pays. Women are discriminated

against. Particularly, working wives. And, people who reach Social Security age and want to continue working, should be allowed to do so and without losing their benefits. I believe a Presidential commission of experts should be appointed to study and present a plan to strengthen and improve Social Security while there's still time--so that no person who has contributed to Social Security will ever lose a dime.

Before leaving this subject of our economic problems let's talk about unemployment.

Ending inflation is the only long range and lasting answer to the problem of unemployment. The Washington Establishment is not the answer. It's the problem. Its tax policies, its harassing regulations, its confiscation of investment capital to pay for its deficits keeps business and industry from expanding to meet your needs and to provide the jobs we all need.

No one who lived through the Great Depression can ever look upon an unemployed person with anything but compassion. To me, there is no greater tragedy than a breadwinner willing to work, with a job skill but unable to find a market for that job skill. Back in those dark depression days I saw my father on a Christmas Eve open what he thought was a Christmas greeting from his boss. Instead it was a blue slip telling him he no longer had a job. The memory of him sitting there holding that slip of paper and then saying in a half whisper "That's quite a Christmas present"-- it will stay with me as long as I live.



Other problems go unsolved. Take energy. Only a short time ago we were lined up at the gas station. We turned our thermostats down as Washington announced "Project Independence." We were going to become self-sufficient, able to provide for our own energy needs.

At the time we were only importing a small percentage of our oil. Yet, the Arab boycott caused half a million Americans to lose their jobs when plants closed down for lack of fuel. Today, it's almost three years later and "Project Independence" has become "Project Dependence." Congress has adopted an energy bill so bad we were led to believe Mr. Ford would veto it. Instead he signed it. And, almost instantly, drilling rigs all over our land started shutting down. Now, for the first time in our history, we are importing more oil than we produce. How many Americans will be laid off if there is another boycott? The energy bill is a disaster that never should have been signed.

An effort has been made in this campaign to suggest that there aren't any real differences between Mr. Ford and myself. I believe there are, and these differences are fundamental. One of them has to do with our approach to government. Before Richard Nixon appointed him Vice President, Mr. Ford was a Congressman for 25 years. His concern was the welfare of his congressional district. For most of his adult life he has been a part of the Washington Establishment.

Most of my adult life has been spent outside of government. My experience in government was the eight years I served as Governor of California. If it were a nation, California would be the 7th ranking economic power in the world today.

When I became Governor, I inherited a state government that was in almost the same situation as New York City. The state payroll had been growing for a dozen years at a rate of from 5 to 7,000 new employees each year. State government was spending from a million to a million-and-a-half dollars more each day than it was taking in. The State's great water project was unfinished and underfunded by a half a billion dollars. My predecessor had spent the entire year's budget for Medicaid in the first six months of the fiscal year. And, we learned that the teachers' retirement fund was unfunded. A four billion dollar liability hanging over every property owner in the state. I didn't know whether I'd been elected Governor or appointed receiver.

California was faced with insolvency and on the verge of bankruptcy. We had to increase taxes. Well, this came very hard for me because I felt taxes were already too great a burden. I told the people the increase, in my mind, was temporary and that, as soon as we could, we'd return their money to them.

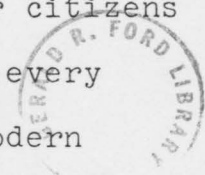
I had never in my life thought of seeking or holding public office and I'm still not quite sure how it all happened. In my own mind, I was a citizen representing my fellow citizens against the institution of government.

I turned to the people, not to politicians for help. Instead of a committee to screen applicants for jobs, I had a citizens' recruiting committee, and I told this committee I wanted an administration made up of men and women who did not want government careers and who would be the first to tell me if their government job was unnecessary. And I had that happen. A young man from the aerospace industry dissolved his department in four months, handed me the key to this office and told me we'd never need the department. And to this day, I not only never missed it, I don't know where it was.

There was a reason for my seeking people who didn't want government careers. Dr. Parkinson summed it all up in his book on bureaucracy. He said, "Government hires a rat catcher and the first thing you know, he's become a rodent control officer."

In those entire eight years, most of us never lost the feeling that we were there representing the people against what Cicero once called the "arrogance of officialdom." We had a kind of watchword we used on each other. "When we begin thinking of government as we instead of they, we've been here too long." Well, I believe that attitude would be beneficial in Washington.

We didn't stop with just getting our administrators from the ranks of the people. We also asked for help from expert people in a great many fields, and more than 250 of our citizens volunteered, to form into task forces. They went into every department and agency of state government to see how modern



business practices could make government more efficient, economical and responsive. They gave an average of 117 days apiece full time, away from their own jobs and careers. At no cost to the taxpayers. They made 1,800 specific recommendations. We implemented more than 1,600 of those recommendations.

This was government-by-the-people proving that it works when the people work at it. When we ended our eight years, we turned over to the incoming administration a balanced budget. A \$500 million surplus. And, virtually the same number of employees we'd started with eight years before. Even though the increase in population had given some departments a two-thirds increase in work load.

The water project was completed with \$165 million left over. Our bonds had a triple A rating, the highest credit rating you can get. And the teachers' retirement program was fully funded on a sound actuarial basis. And, we kept our word to the taxpayers--we returned to them in rebates and tax cuts, \$5 billion, 761 million.

I believe that what we did in California can be done in Washington if government will have faith in the people and let them bring their common sense to bear on the problems bureaucracy hasn't solved. I believe in the people.

Now, Mr. Ford places his faith in the Washington Establishment. This has been evident in his appointment of former Congressmen and long-time government workers to positions in his

Administration. Well, I don't believe that those who have been part of the problem are necessarily the best qualified to solve them.

The truth is, Washington has taken over functions that don't truly belong to it. In almost every case it has been a failure. Understand, I'm speaking of those programs which logically should be administered at state and local levels.

Welfare is a classic example. Voices that are raised now and then urging a federalization of welfare don't realize that the failure of welfare is due to federal interference. Washington doesn't even know how many people are on welfare. How many cheaters are getting more than one check. It only knows how many checks it's sending out. Its own rules keep it from finding out how many are getting more than one check. Well, California had a welfare problem. 16% of all welfare recipients in the country were drawing their checks in our state. We were sending welfare checks to families who decided to live abroad. One family was receiving its check in Russia. Our caseload was increasing by 40,000 people a month. After a few years of trying to control this runaway program and being frustrated by bureaucrats here in California and in Washington, we turned again to a citizens' task force. The result was the most comprehensive welfare reform ever attempted.

And in less than three years we reduced the rolls by more than 300,000 people. Saved the taxpayers \$2 billion. And,

increased the grants to the truly deserving needy by an average of 45%. We also carried out a successful experiment which I believe is an answer to much of the welfare problem in the nation. We put able-bodied welfare recipients to work at useful community projects in return for their welfare grants.

Now, let's look at housing. Washington has tried to solve this problem for the poor by building low-cost houses. So far it has torn down three and a half homes for every one it has built.

Schools. In America, we created at the local level and administered at the local level for many years the greatest public school system in the world. Now through something called federal aid to education, we have something called federal interference and education has been the loser. Quality has declined as federal intervention has increased.

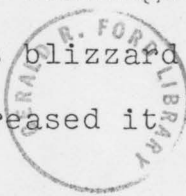
Nothing has created more bitterness for example than forced busing to achieve racial balance. It was born of a hope that we could increase understanding and reduce prejudice and antagonism. I'm sure we all approved of that goal. But busing has failed to achieve that goal. Instead, it has increased the bitterness and animosity it was supposed to reduce. California's Superintendent of Public Instruction, Wilson Riles (himself a black), says, "The concept that black children can't learn unless they are sitting with white children is utter and complete nonsense." Well, I agree. The money now being wasted on this social experiment could be better spent to provide the kind of school

facilities every child deserves. Forced busing should be ended by legislation if possible. By constitutional amendment if necessary. And, control of education should be returned to local school districts.

The other day, Mr. Ford came out against gun control. But, back in Washington, D.C., his Attorney General has proposed a seven-point program that amounts to just that: gun control. I don't think that making it difficult for law abiding citizens to obtain guns will lower the crime rate. Not when the criminals will always find a way to get them. In California I think we found an answer. We put into law what is practical gun control. Anyone convicted of having a gun in his possession while he committed a crime: add five to 15 years to the prison sentence.

Sometimes bureacracy's excesses are so great that we laugh at them. But they are costly laughs. Twenty-five years ago the Hoover Commission discovered that Washington files a million reports a year just reporting that there is nothing to report.

Independent business people, shopkeepers and farmers file billions of reports every year required of them by Washington. It amounts to some 10 billion pieces of paper each year and it adds \$50 billion a year to the cost of doing business. Washington has been loud in its promise to do something about this blizzard of paperwork. And they made good. Last year they increased it by 20%.



But there is one problem which must be solved or everything else is meaningless. I am speaking of the problem of our national security. Our nation is in danger, and the danger grows greater with each passing day. Like an echo from the past, the voice of Winston Churchill's grandson was heard recently in Britain's House of Commons warning that, "the spread of totalitarianism threatens the world once again and the democracies are wandering without aim."

"Wandering without aim" describes U.S. foreign policy. Angola is a case in point. We gave just enough support to one side to encourage it to fight and die but too little to give them a chance of winning. Now we're disliked by the winner, distrusted by the loser and viewed by the world as weak and unsure. If detente were the two-way street it's supposed to be, we could have told the Soviet Union to stop its troublemaking and leave Angola to the Angolans. But it didn't work out that way.

Now, we are told Washington is dropping the word "detente" but keeping the policy. But whatever it's called, the policy is what's at fault. What is our policy? Mr. Ford's new Ambassador to the U.N. attacks our long-time ally, Israel. In Asia our new relationship with mainland China can have practical benefits for both sides. But that doesn't mean it should include yielding to demands by them as the administration has, to reduce our military presence on Taiwan where we have a long-time friend and ally, the Republic of China. And, it is also revealed now that we seek to establish friendly relations with Hanoi. To make it more

palatable, we are told this might help us learn the fate of the men still listed as Missing in Action.

There is no doubt our government has an obligation to end the agony of parents, wives and children who have lived so long with uncertainty. But, this should have been one of our first demands of Hanoi's patron saint, the Soviet Union, if detente had any meaning at all. To present it now as a reason for friendship with those who have already violated their promise to provide such information is hypocrisy.

In the last few days, Mr. Ford and Dr. Kissinger have taken us from hinting at invasion of Cuba to laughing it off as a ridiculous idea. Except, that it was their ridiculous idea. No one else suggested it. Once again--what is their policy? During this last year, they carried on a campaign to befriend Castro. They persuaded the Organization of American States to lift its trade embargo, lifted some U.S. trade restrictions, they engaged in cultural exchanges. And then, on the eve of the Florida primary election, Mr. Ford went to Florida, called Castro an outlaw and said he'd never recognize him. But he hasn't asked our Latin American neighbors to reimpose a single sanction, nor has he taken any action himself. Meanwhile, Castro continues to export revolution to Puerto Rico, to Angola, and who knows where else?

As I talk to you tonight, negotiations with another dictator go forward. Negotiations aimed at giving up our ownership of the

Panama Canal Zone. Apparently, everyone knows about this except the rightful owners of the Canal Zone--you, the people of the United States.

General Omar Torrijos, the dictator of Panama, seized power eight years ago by ousting the duly-elected government. There have been no elections since. No civil liberties. The press is censored. Torrijos is a friend and ally of Castro and, like him, is pro-communist. He threatens sabotage and guerrilla attacks on our installations if we don't yield to his demands. His foreign minister openly claims that we have already agreed in principle to giving up the Canal Zone.

The Canal Zone is not a colonial possession. It is not a long-term lease. It is sovereign U.S. Territory every bit the same as Alaska and all the states that were carved from the Louisiana Purchase. We should end those negotiations and tell the General: We bought it, we paid for it, we built it and we intend to keep it.

Mr. Ford says detente will be replaced by "peace through strength." Well, now that slogan has a nice ring to it, but neither Mr. Ford nor his new Secretary of Defense will say that our strength is superior to all others.

In one of the dark hours of the Great Depression, F.D.R. said, "It is time to speak the truth frankly and boldly." I believe former Secretary of Defense James Schlesinger was trying to speak the truth frankly and boldly to his fellow citizens. And that's why he is no longer Secretary of Defense.

The Soviet Army outnumbered ours more than two-to-one and in reserves four-to-one. They out-spend us on weapons by 50%. Their Navy outnumbered ours in surface ships and submarines two-to-one. We are outgunned in artillery three-to-one and their tanks outnumber ours four-to-one. Their strategic nuclear missiles are larger, more powerful and more numerous than ours. The evidence mounts that we are Number Two in a world where it is dangerous, if not fatal, to be second best.

Is this why Mr. Ford refused to invite Alexander Solzhenitsyn to the White House? Or, why Mr. Ford traveled halfway 'round the world to sign the Helsinki Pact, putting our stamp of approval on Russia's enslavement of the captive nations? We gave away the freedom of millions of people--freedom that was not ours to give.

Now we must ask if someone is giving away our own freedom. Dr. Kissinger is quoted as saying that he thinks of the U.S. as Athens and the Soviet Union as Sparta. "The day of the U.S. is past and today is the day of the Soviet Union." And he added, "...My job as Secretary of State is to negotiate the most acceptable second-best position available."

I believe in the peace of which Mr. Ford spoke--as much as any man. But peace does not come from weakness or from retreat. It comes from the restoration of American military superiority.

Ask the people of Latvia, Estonia, Lithuania, Czechoslovakia, Poland, Hungary and all the others--East Germany, Bulgaria, Rumania, ask them--what it's like to live in a world where the Soviet Union is Number One. I don't want to live in that kind of world; and I don't think you do either.

Now we learn that another high official of the State Department, Helmut Sonnenfeldt, whom Dr. Kissinger refers to as his "Kissinger," has expressed the belief that, in effect, the captive nations should give up any claim of national sovereignty and simply become a part of the Soviet Union. He says, "Their desire to break out of the Soviet straightjacket" threatens us with World War III. In other words, slaves should accept their fate.

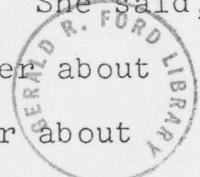
I don't believe the people I've met in almost every State of the Union are ready to consign this, the last island of freedom, to the dustbin of history, along with the bones of dead civilizations of the past. Call it mysticism, if you will, but I believe God had a divine purpose in placing this land between the two great oceans to be found by those who had a special love of freedom and the courage to leave the countries of their birth. From our forefathers to our modern-day immigrants, we've come from every corner of the earth, from every race and ethnic background and we've become a new breed in the world. We're Americans and we have a rendezvous with destiny. We spread across this land, building farms and towns and cities, and we did this without federal land planning or urban renewal.

Indeed, we gave birth to an entirely new concept in man's relation to man. We created government as our servant, beholden to us and possessing no powers except those voluntarily granted to it by us.

Now a self-annointed elite in our nation's capital would have us believe we are incapable of guiding our own destiny. They practice government by mystery, telling us it's too complex for our understanding. Believing this, they assume we might panic if we were to be told the truth about our problems.

Why should we become frightened? No people who have ever lived on this earth have fought harder, paid a higher price for freedom or done more to advance the dignity of man than the living Americans, the Americans living in this land today. There isn't any problem we can't solve if government will give us the facts. Tell us what needs to be done. Then, gets out of the way and lets us have at it.

Recently on one of my campaign trips I was doing a question and answer session, and suddenly I received a question from a little girl who couldn't have been over six or seven years old, standing in the very front row. I'd heard the question before but somehow in her asking it, she threw me a little bit. She said, why do you want to be President? Well I tried to tell her about giving government back to the people; I tried to tell her about turning authority back to the states and local communities, and so forth; winding down the bureaucracy; it might have been an answer for adults, but I knew that it wasn't what that little girl wanted, and I left very frustrated. It was on the way to



the next stop that I turned to Nancy and I said I wish I had it to do over again because I'd like to answer her question. Well, maybe I can answer it now. I would like to go to Washington; I would like to be President. Because I would like to see this country become once again a country where a little six-year old girl can grow up knowing the same freedom that I knew when I was six years old, growing up in America. If this is the America that you want for yourself and your children; if you want to restore government not only of and for but by the people; to see the American spirit unleashed once again; to make this land a shining, golden hope God intended it to be, I'd like to hear from you. Write, or send a wire. I'd be proud to hear your thoughts and your ideas.

Thank you, and good night.

(END)