

The original documents are located in Box 26, folder “First Debate, 9/23/76: Issues - Government Reorganization” of the Michael Raoul-Duval Papers at the Gerald R. Ford Presidential Library.

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

Date:

TO:

Amel

FROM: Deputy Director



Q & A

*zero based
+*

Sunset

ISSUE: Carter says government reorganization should be a key priority.

Our Position: Government organization and reorganization has been a key priority of the Ford Administration in the most meaningful sense. For example, proposals have been sent to the Congress to consolidate 24 education programs into one program; to consolidate 15 child nutrition programs into one; to consolidate 16 health programs into one. But it should be clear these proposals do far more than simply put a number of program offices together -- these proposals would completely restructure Federal assistance programs in these areas. In the process they would:

- eliminate the maze of rules and regulations that have grown up around the existing programs;
- distribute the funds to States on a formula basis related to the relative need in each State, thus providing fairness to the distributed funds;
- return control of spending decisions to people of the State and local level;
- permit a reduction in the number of Federal employees.

These are real reorganization reforms. Shifting the boxes around on the organization chart is no real answer. Putting 10 bad programs in one box on the organization chart simply gives you one colossal bad program. The people want and deserve real government organization reform.

Carter's Position: The Federal Government has 1900 different agencies. Under my administration I would reduce this to 200.

NOTE: No one has been able to come up with a list of 1900 Federal agencies. The Governor should supply his list. And since he already knows that he is going to reduce the number to 200, he should tell us the names of the 1700 he will eliminate and the 200 that will remain.



III.

Have carefully designed tax and spending policy recommendations to:

- 1) - lighten the tax load on low and middle income tax payers;
- 2) - put the economy on a stable growth path that we can sustain;
- 3) - provide incentives to the private sector to invest and thereby create more real, rewarding, lasting jobs;
- 4) - insure our national security;
- 5) - meet the needs of those who cannot help themselves; especially the aged, blind and disabled;
- 6) - achieve a balanced budget for fiscal year 1979 (to be submitted to the Congress in January 1978).

IV.

a.

- 1) We will fight inflation by putting people back to work.
- 2) Steady growth, full employment, and stable prices will enable us to achieve competent government with a balanced budget by 1980.
- 3) We will establish a comprehensive program to fight the many causes of inflation:
 - through increased productivity,
 - by anticipating bottlenecks and capacity shortages and moving in advance to prevent them,
 - by following a strategy that expands supply rather than restricting demand,
 - by creating agricultural policies which will maintain farmers income and ensure stable food prices,
 - through a vigorous anti-trust policy,
 - by eliminating governmental regulations which drive up prices and only serve to protect the regulated industries.
- 4) Unlike the current administration, we see no conflict between a government which is responsive and compassionate and one which is efficient and careful in its use of the people's money.
- 5) Carefully coordinated and sensible budget and credit policies, that will permit lower interest rates, will enable us to build the homes, schools, and plants that are part of the good life we seek.

b.

- 1) The economy is producing \$150 billion less than in normal prosperity.
- 2) Starting with a 5.5% rate of unemployment in August 1974, the unemployment rate jumped up to 8.9% in just nine months. that's a record.

- 3) Under Mr. Ford's budget, the public debt will rise \$210 billion. That exceeds the increases under his five predecessors and amounts to more than 1/3 of the public debt amassed during the history of our country.
- 4) The deficit for the year just ended was \$65 billion. That is the largest deficit in our entire history.
- 5) The interest charges alone on the \$210 billion public debt created in the last eight years will amount to \$19 billion per year. That is a perpetual charge of \$350 a year, every year, for every family in the country.



GOVERNMENT REORGANIZATION



Government efficiency is not created by rearranging functions or agencies. How a government agency is set up depends on what it has to do. Unless you change what it is doing, reorganization merely changes the letterhead on the stationery.

For example, I have long been dissatisfied with the way the federal government provides medical services through our Medicaid and associated programs. Accordingly, after a thorough review, I proposed in January a reorganization of that program consolidating the monies normally allocated to specific medical programs to one large payment to be allocated to the individual states.

This would have improved the way medical services are provided to the individual citizen and allowed a sharp tightening up of how the federal government manages its medical programs. It would have approved efficiency and saved the taxpayers money.

The Congress, under special interest pressures, has chosen to ignore this and other major reorganization proposals.

There is no short cut to government efficiency. You cannot make government efficient by reshuffling bureaucrats in Washington, D.C. The President must make the hard decisions on what your federal government should and should not do. Once these fundamental decisions are made, building an efficient organization is straightforward.

straightforward

LEADERSHIP/TRUST

Leadership is not just found in words. It is action.

To promise the sky one day and a balanced budget the next is not leadership. Making the tough decisions, sticking to your word and facing squarely the consequences of your actions are the attributes of leadership. The President must listen to all the people. He must trust the people with the truth.

Leadership, like trust, must be earned -- no claimed.

It is leveling with the people before the election about what you will do after the election.

It is not being all things to all people, but being the same thing to all people.

It is not cleverly shading words so that each separate audience can hear what it wants to hear, but saying plainly and simply what you mean -- and meaning what you say.

I led the Nation away from the distrust and pain of 1974 and, with the help of the people, I intend to continue leading into America's third generation of freedom.



Social Programs/Goals Block

My personal goal is to expand the freedom of every single citizen. I want every American to have a good job and be free of dependence. The number one cure for our social problems is a good job with a paycheck. Every American should feel physically secure, free from the horror of war and the threat of crime. Every American should have a home in a decent neighborhood with schools where our children can get a good education. Every American should have the best medical care at costs which will not wipe out our savings. Every American wants to work and relax in a clean, healthy environment. These are my goals for our social programs. Now let me show you how we get there.

It's logical that local people are best equipped to cope with local problems. Our policies are aimed at giving them more power to do this in the local areas where the action is. We don't need to create more agencies or hire more bureaucrats in Washington. We need to free the local people to solve their problems. For example, I propose reforming _____ programs into bloc grants to make your tax dollars work more efficiently where it counts; in your community, etc.

NIXON - FORD (WATERGATE/TRUST) - ALTERNATIVE NO. 1

What I've tried to provide is a new kind of leadership -- strong and protecting the people's rights, but a little less frantic, a little less strident, a little quieter than past years. I think it's helped to bring an amazing American recovery in the past two years; and I'm proud to be a part of it.

The pardon is an example of this leadership.

At the time I faced that decision, this Nation was in one of its most distrustful periods of our history. That had to be dispelled.

I can remember vividly -- perhaps better than anyone in this theatre -- (looking into the TV camera) maybe better than anyone watching on television -- the raw emotions of those days in August of 1974. The distrust, the hatred, the preoccupation away from the great issues of the day.

That image is still vivid in my mind tonight, and because of it, if faced with the same set of circumstances, I would make the very same decision again -- especially now that we know how much that decision contributed to the healing of America.

The interest of all Americans have been served because we have been able to turn to the problems confronting us and to come up with solutions.

NIXON - FORD (PROGRAMS/POLICIES)

I am here to address six years of leadership -- my record as President during the past two years and what I will do, if elected, over the next four years.

My predecessor's policies are not my responsibility. I am responsible -- a responsibility I welcome -- for my record, my policies, my decisions.

When I became President, inflation was skyrocketing up. Now it is cut in half.

When I became President, unemployment was increasing. The trend is now down.

When I became President, people distrusted the White House. I restored trust and domestic tranquility.

When I became President, there was open conflict in the world. Now we are at peace.

After becoming President, I sat down to decide which programs and policies to keep, which to reject and which to change. For example:

- I chose to keep revenue sharing which I fought for as Minority Leader of the House.
- I chose to reject the policy of using wage and price controls.
- I chose to change our health insurance policy.

UNEMPLOYMENT/INFLATION

No American President will ever be satisfied while there is one willing worker who can't find a decent job. But in pursuing jobs, no American President should make the mistake of backing spending programs which, through inflation, threaten the earnings of the 88 million Americans who are working.



Nor can a President allow the economic course he charts to be erratic by shifting emphasis from one policy to another. Candidates can live by the press release -- a new proposal for every problem every day. A President needs to set a stable course and pursue it, day in and day out. That may not be good politics, but it's what leadership is all about.

My overall goal concerning the economy was to bring the country back to an even keel. We have achieved this, and the recovery will continue on its steady course.

There are three reasons why:

First, when I took office the country was sliding towards its worst recession in the generation. Against the advice of many in Congress and the ranks of big labor, we didn't panic in supporting massive new spending programs, but we adopted balanced, consistent policies designed to attack

both inflation and unemployment. Today, inflation -- while still too high -- is only half what it was in '74.

And while unemployment is much too high, there are more people working today -- 88 million -- than anytime in our history. In the past year and a half, more Americans have gotten jobs than in any other eighteen-month period in our peacetime history.

Second, I have fought -- successfully -- against those who believe that we can spend our way out of tough economic times. In my opinion, the platform on which my opponent runs, can only lead in one direction: higher taxes, higher prices and, ultimately, higher unemployment. My program, by contrast, is and has always been designed to achieve lower taxes, lower inflation and lower unemployment.

Finally, I would cite the factor of experience on the job. For twenty-eight years, I have been working, studying and voting on programs that affect lives of 215 million Americans. I can tell the good from the bad, the true from the phony.



GRAIN EMBARGO

I will get to the specifics of your question, but first some perspective.

One thing is certain about being President. You have to make decisions. "Maybe" isn't an option in the Oval Office.

Sometimes a Presidential decision is unpopular -- not because it is wrong -- but because political opponents seize only on an aspect of it for criticism. In the case of my decision on the grain embargo, I can understand some of the criticism, but most of it is simply partisan attack.

In my judgment, freedom for the farmer means freedom to sell his crops. If a President asks the farmers to achieve a goal full production, then he has an obligation not to interfere with their ability to sell what they produce.

Farmers, just like any other Americans, have a right to trust their President. I recognize the obligation. I recognize the need for trust.

I foresee no circumstances under which I would impose an embargo on farm products.

While that provides an answer as to the future, your question has raised the facts and circumstances of the past.

While it is fair to argue that the embargo lasted longer than it should have, it's also important to recall the exact circumstances of why it was imposed at all. Had we not acted, I believe the maritime unions, or the Congress, would have imposed something worse on the farmers. George Meany and others were threatening to stop all shipments to the Soviets, including the 10 million tons that had just been sold. Many in Congress were threatening to put farm grain export sales under the control of a government board. A bill had been introduced with over 70 co-sponsors to accomplish that. The bill had the support of Mr. Meany, other union leaders, and Senator Mondale who called for imposition of strict export control licenses.

I rejected such a course of action. I have fought against that kind of government control, and I will continue to do so. Instead, my Administration has negotiated a long-term grain trade agreement with the Soviet Union, whereby the trade will be left in private hands and our farmers will continue to produce for a market and not a government board.

This agreement has turned an erratic foreign buyer into a long-term stable purchaser.

Thus, the circumstances that led to the problem which arose in 1974, will not happen in the future because of the action we took.

VETOES

For two years, I have stood for all the people against a free-spending majority in the Congress. Fifty-six times I vetoed unwise legislation -- times I made those vetoes stick -- a batting average isn't that bad.

Many of my vetoes have been a Message to Congress which said

- remember all the taxpayers
- forget the special interest groups
- do not settle for a partially good bill

Congress occasionally got the message and sent me back a better bill which I then signed into law.

All in all, my vetoes have saved the taxpayers over \$9 billion dollars. I found it interesting to note that Senator Mondale voted to override all these tax-saving vetoes.

GOVERNMENT REORGANIZATION

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For example, I have long been dissatisfied with the way the federal government provides medical services through our Medicaid and associated programs. Accordingly, after a thorough review, I proposed in January a reorganization of that program consolidating the monies normally allocated to specific medical programs to one large payment to be allocated to the individual states.

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There is no short cut to government efficiency. You cannot make government efficient by reshuffling bureaucrats in Washington, D.C. The President must make the hard decisions on what your federal government should and should not do. Once these fundamental decisions are made, building an efficient organization is straightforward.

September 14, 1976
JC:MD

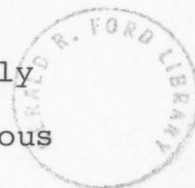
RESPONSE TO BIG GOVERNMENT ISSUE

When left unchecked, every level of government has a tendency to grow. In the past, we have seen this at the city, State and Federal level.

I believe this is a serious problem. If we were an undeveloped country with only a few qualified people, it might make sense to concentrate them all in the Capital - at the State and Federal levels. But, when we have as talented and energetic country as America, it is a great waste to direct things from Washington, or just from State Capitals. Indeed, I have found that when we move slowly in Washington, we tend to encourage opportunities to open up elsewhere in the country.

America has the most educated, resourceful and widely diverse talent of any country on earth. It is an enormous waste of human resources to concentrate initiative in Washington when the whole fabric of American society is bursting with intelligence and creativity.

It has been gratifying to me to be able to devote some of my time and energy over the last two years changing the Executive Branch of the Federal government to conform with my view that government should not be allowed to get too big. I have found that keeping down the growth of government requires the vigorous efforts of the Chief Executive.



The Executive Branch has about 11,000 fewer employees today than it had when I took office. The decline isn't dramatic, but it is real and it tells us that the trend toward bigger government can be reversed with hard work.

In addition, we have been able to increase by 24% the portion of the Federal budget returned to our State and local communities. We have reduced Federal paperwork by over 12%, and my personal office -- the White House -- now has nearly 10% fewer employees than when I took office. That didn't happen by accident. It happened because I directed it to happen and because I followed up to make sure that it did happen.

I suspect that Governor Carter knows how hard it is to reduce the growth of government because while he was Governor, the State employment in Georgia rose by 24%, from 34,332 to 42,400. However, the most outrageous example of growth in government is the Congress of the United States. Its staff has grown 84% in the last ten years, which makes it the fastest growing industry in the country.



Reichley

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~~Should we concede that he tried? I would think we should simply nail him as a government man. My opponent's philosophy is the opposite of mine. He believes in increasing the size of government.~~ ^{re. (Quote on Carter's interview of 1975 Spring)}
This is, I think, Business Week

9/15/76
JC:MD

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The Congress, under special interest pressures, has chosen to ignore this and other major reorganization proposals.

There is no short cut to government efficiency. You cannot make government efficient by reshuffling bureaucrats in Washington, D.C. ~~The President must make the hard~~^{We must change the existing} ~~laws and this means~~ decisions on what your federal government should and should not do. ~~Once these fundamental decisions are made, building an efficient organization is straightforward.~~

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THE WHITE HOUSE
WASHINGTON

September 18, 1976

MEMORANDUM FOR:

MIKE DUVAL ✓
DAVID GERGEN

FROM:

EDWARD C. SCHMULTS 

Attached is what I believe is a better response to the government reorganization proposal than the draft that I saw.

The suggested response attempts to deprecate Carter's proposal as being superficial and similar to shopworn schemes of the Democratic Congress. It then asserts that the President has a thoughtful, comprehensive proposal for the next four years buttressed by a solid record of listed achievements during the last two years.

The response has been drafted so that it may be easily modified to an affirmative statement by the President on his government reform program.

Attachment

ECS
9/18/76

RESPONSE TO GOVERNOR CARTER'S GOVERNMENT
REORGANIZATION PROPOSAL

[The suggested response assumes that Governor Carter essentially restates his proposals to consolidate some "1900 Federal agencies* into 200 agencies" and establish a zero-base budgeting program.]

* * *

Let me say first, that I have no quarrel with Governor Carter on the need for greater government efficiency. And certainly there are government agencies which should be eliminated or consolidated and program budgets which should be justified, on a selective basis, from top to bottom.

Indeed, I have made specific proposals in this regard. I have asked Congress time and again to consolidate 59 categorical programs in the areas of health, education, child nutrition and social services. I urged Congress to consolidate human services grant programs. But we must do better!

Governor Carter's proposal fall into the same pattern followed by the Democratic Congress over the years. Congress possesses a fascination with "moving the boxes" on the government organization chart, or

*If given a chance, the President can "zing" Carter on his "1900 agencies." In fact, there are 11 Cabinet departments, 60 major agencies, boards and commissions and 41 government-sponsored corporations. The balance of Carter's figure must be made up of 1200 part-time special advisory committees, groups of consultants and the like, that are really not a part of the problem. Thus, Carter is grossly exaggerating.

other procedural approaches to tough, substantive problems. The time has come for an end to these shopworn, band-aid solutions of the past.

I say the American people are entitled to more from their leaders. They are fed up with overlapping, duplicative, and contradicting government regulations they cannot understand.

Every President since Harry Truman has recognized the need for real government reform -- but no change had occurred until my Administration. We have been the first in the history of this country to take action on a tough, hard-hitting government reform program that makes sense.

Last May, I sent to the Congress the Agenda for Government Reform Act which authorizes the most comprehensive, fundamental reform of government regulation ever attempted. Let there be no doubt we will make government more responsive to the needs of our citizens -- make it more understandable -- make it better able to assist those in need.

The legislation sets up a four year time table for action. Congress will be required to get its act together. Congress must subject the proposals I will submit each year to an up or down vote on the floor of each House under the scrutiny of the American people. They will no longer be bottled up.



In addition to my program for the next four years, my Administration is pushing forward on a variety of fronts to make government more responsive. Reform has been a high priority from the very day I became President. The record is there for all to see. In the past twenty-one months, we have achieved the most significant progress in the last three decades:

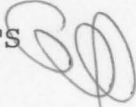
- °We have reversed the growth of red tape and burdensome Federal paperwork requirements. Just two months ago, we achieved over a 12% reduction in the number of forms. And next year, the citizens' burden of completing forms will be reduced by 7,000,000 hours annually.
- °We have made great progress in reducing costly regulatory delays, improving economic analysis and placing greater reliance on market competition as a regulatory tool.
- °We have repealed the fair trade laws which were costing consumers up to \$2 billion each year.
- °We have abolished fixed rates for securities brokerage commissions and injected competition into this industry for the first time in nearly 200 years.
- °We have reduced ICC regulation over our railroads for the first time since the agency was established in 1887.
- °We have substantially increased civil and criminal penalties for antitrust violations.
- °We have proposed major legislative reforms for the airline, motor carrier, banking, and natural gas industries.
- °I have established short term task forces to rewrite and streamline OSHA and FEA regulations so that consumers and businessmen will find it easier to deal with government requirements.

This is a record of achievement. The American people have every right to greater progress toward better government. I intend to see that they get it.

THE WHITE HOUSE
WASHINGTON

September 20, 1976

MEMORANDUM FOR: MIKE DUVAL
DAVE GERGEN

FROM: ED SCHMULTS 

Attached is a revised version of a government reorganization response for the debates. As you will note, the revision is much shorter, doesn't recite a list of past achievements, and doesn't respond directly to Governor Carter's proposals.

Enclosure

cc: Dick Cheney



RESPONSE TO GOVERNOR CARTER'S
GOVERNMENT REORGANIZATION PROPOSAL

[The suggested response assumes that Governor Carter essentially restates his proposals to consolidate some "1900 Federal agencies* into 200 agencies" and establish a zero-base budgeting program.]

* * *

The American people know very well about the need for greater government efficiency. Over the last 40 years government has become too burdensome, bureaucratic and complicated. And certainly there are government agencies which should be eliminated or consolidated and program budgets which should be justified, on a selective basis, from top to bottom.

Indeed, I have made specific proposals in this regard. I have asked Congress time and again to consolidate 59 categorical programs in the areas of health, education, child nutrition and social services. I urged Congress to consolidate human services grant programs. But we must do better!

* If given a chance, the President can "zing" Carter on his "1900 agencies." In fact, there are 11 Cabinet departments, 60 major agencies, boards and commissions, and 41 government-sponsored corporations. The balance of Carter's figure must be made up of 1200 part-time special advisory committees, groups of consultants and the like, that are really not a part of the problem. Thus, Carter is grossly exaggerating.

We should do more about the problem of unresponsive and inefficient government than act on consolidation and budget proposals. Such proposals fall into the same pattern followed by the Congress over the years. Congress possesses a fascination with "moving the boxes" on the government organization chart, or other procedural approaches to tough, substantive problems. The time has come for an end to these shopworn, bandaid solutions of the past.

I say the American people are entitled to more from their leaders. They are fed up with overlapping, duplicative and contradicting government regulations they cannot understand. We must change how government regulates -- how it impacts on the lives of people.

Every President since Harry Truman has recognized the need for real government reform -- but no change had occurred until my Administration. We have been the first in the history of this country to take action on a tough, hard-hitting government reform program that makes sense.

Last May, I sent to the Congress the Agenda for Government Reform Act which authorizes over the next four years the most comprehensive, fundamental reform of government regulation ever attempted. Let there be no



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E.C.SCHMULTS
9/21/76

SUGGESTED RESPONSE TO GOVERNOR CARTER'S PROPOSAL TO ISSUE
EXECUTIVE ORDERS DEALING WITH INTEGRITY IN GOVERNMENT

[Apparently, we have some reason to believe that Governor Carter will propose to issue a series of Executive Orders to (1) apply the "Sunshine Act" to the Executive branch, (2) require the disclosure of financial interests of all principal Executive branch officials, (3) require that a record be made of all requests to the IRS for tax returns, (4) insulate the Attorney General and other top Justice officials from politics, and (4) exercise better control of the activities of lobbyists.]

The American people have a right to an open government with the laws impartially and fairly enforced. This is what I have done as President. I will conduct the nation's affairs in no other way.

Just this month I signed into law the "Government in the Sunshine Act." This legislation requires that the meetings of multi-headed agencies be open to the public with certain limited exceptions. In fact, it already applies to the Executive branch of government as well as to the independent agencies. But Congress rejected its application to individual decision making, because it just doesn't make any sense to do so. This is not to say, of course, that we should attempt to shield the activities of individual government employees from public review and criticism, a process essential to good government and one I support.

All major Executive branch officials are now required to report their financial interests. They disclose them in full to the White House prior to the time I nominate them for office; they disclose their interests to Senate committees in their confirmation process; and every employee in the Executive branch earning about \$20,000 a year or more must report annually on his assets and liabilities. I believe strongly that disclosure of financial interests ought to apply to members of Congress and their staffs, as well as to rank and file government workers, and I submitted to Congress a proposal to do so just last month.

The taxpayers of this country expect their tax returns to be handled with extreme care on a confidential basis and this we have done. First, the Privacy Act of 1974, which I supported and signed into law, provides that information submitted by a taxpayer shall remain confidential with very narrow exceptions to meet the needs of law enforcement or the administration of our tax laws. I have already issued a very strong Executive Order that provides that I alone among individuals within the White House must personally request tax information. All requests for tax information are now carefully recorded by the Internal Revenue Service and are submitted quarterly to the Joint Committee on Taxation.



While we must be vigilant to protect the privacy of taxpayers, Governor Carter's proposal seems to add nothing to what is already being done.

The Attorney General is our nation's chief law enforcement officer and must be free from even the appearance of partisan politics. What is essential here is the integrity and character of the persons appointed to the highest posts at the Department of Justice. Contrary to a trend which developed over the last sixteen years or so, I have appointed a group of highly talented and non-political lawyers to the top posts at Justice. This will be my practice in the future.

With respect to lobbying activities, we must look at the activities of the lobbyists themselves, as well as at our efforts to assure proper conduct by government employees. Each government agency now has highly detailed standards of conduct to assure proper behavior by government employees in this regard. Many agencies also regulate the activities of lobbyists and the problems vary from agency to agency. By Executive Order, I have barred lobbying at the White House on international airline cases. It may be desirable to have new legislation. I would support responsible legislation.

Ours is a government of laws and of men. I have attempted to promote excellence in both respects.

