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EXCERPTS OF REMARKS BY GOVERNOR RONALD REAGAN
SACRAMENTO HOST BREAKFAST
Sacramento
September 7, 1973

Reverend Clergy, Chamber President Ben Biaggini, Chairman Jack Skinner and his able committee, distinguished guests and ladies and gentlemen:

Once again, it's a pleasure to welcome you to Sacramento. Each year I am impressed all over again by what a unique event this is. I know of no other state where such a cross section of top business, agricultural and industrial leadership assembles in this manner. And this year, I'm told, we have the largest and most distinguished gathering ever assembled.

Perhaps that is appropriate, because here in California we have reached a great moment of decision in the history of our State and yes, in the history of government.

This is my seventh Host Breakfast. During these past several years I've tried to give an account of the many problems we faced and what we were doing to solve them.

Back in that first report, we had almost as many problems as there are candidates today.

I think by now you are familiar with all the cutting, squeezing, and trimming, that pulled California back from the brink of bankruptcy and restored state government to a healthy and sound financial condition.

I can report on the continuing gain from the welfare reforms we had implemented a year or so before our last meeting. And I should because many of you helped make these reforms possible.

At last count, there are 368,000 fewer people on welfare than when we started.

The total savings in projected costs now exceeds \$1 billion.

And yet we were able to increase benefits for the truly needy families who remained on the rolls, and to provide cost of living adjustments for the elderly, the blind and the disabled.

The federal government has recruited a number of our welfare team to help carry out reforms at the national level and to assist other states in achieving what we have done in California.

None of these things came easily. In fact, when the night winds come down off the Sierras, you can still hear echoing across the Valley the anguished cries of those who would be the last of the big spenders-- of other peoples' money.

Host Breakfast

Just the other day I was charged with threatening the very structure of government because I vetoed 167 bills last year. That's a malicious falsehood. I vetoed 177!

Seriously, none of our efforts to bring common sense into choosing priorities was at the expense of government's legitimate and essential functions.

For example: The budget for student scholarships and loans was \$4.7 million six years ago, now it's almost \$39 million.

State aid to public schools (K-12) has almost doubled, from \$1.1 billion to \$2.2 billion---a 92 percent increase in funds to match an enrollment increase of only 5.7 percent.

We finally succeeded in adopting a property tax reform that gives every homeowner a \$1,750 property tax exemption, and at the same time the greatest single year increase of state support ever provided our public schools.

In recent weeks, school districts throughout California have been rolling back school property tax rates.

In 1967, the state budget was divided roughly half for local programs and half for state operations. This year's budget is divided roughly two-thirds for local programs and one third for state operations.

This tight rein on state administrative costs has paid off. Last year, California's bonds received a Triple-A rating--the highest you can get. And because of this, we will save millions of dollars in interest costs.

When we had to raise taxes in those first months of 1967, I said that just as soon as we could get our heads above water, we would try to reduce the tax burden and cancel out those increases. We had our first surplus in 1970, and gave it back to you in a 10 percent rebate on your state income tax. When we switched to withholding, there was a 20 percent one-time income tax cut. Now instead of spending a million dollars more each day than we are taking in---as we were six years ago---the State has been collecting \$1.5 million a day more than it needs and, as you know, there will be another one-time rebate (ranging from 20 to 35 percent). That very succinctly is the story of our cut, squeeze and trim. From insolvency to nine months of battling to give the taxpayers back their money.

Last year at this meeting I told you of a dream--an idea to see if governments in all of California could be made more efficient, eliminating duplication and waste. A task force has been assembled and is now at work. Next year I hope to be able to report to you not only their findings, but the steps we are taking to implement their recommendations.

Host Breakfast

To be more responsive to the people, we must have enough government to carry out all of government's legitimate responsibilities, but not one bit more.

History makes it plain that unless restrained, government proliferates to a point where its cost bankrupts the people at the same time it robs them of their freedom.

In our nation today, government has grown too big, too complex--and possessed of what Cicero called the "arrogance of officialdom." Remote from the wishes of the people, it forgets that ours is a system of government by the consent of the governed--not the other way around. We have seen a blatant example of this in the issue of public safety.

The people of California voted to restore capital punishment to the maximum extent permitted within the U.S. Supreme Court ruling on that subject.

So far, the elected representatives of the people have not implemented the decision of the people.

I don't believe those who voted to re-establish capital punishment did so out of any feelings of vengeance or because they were blood thirsty zealots. They simply believe that criminals who murder innocent women and children, who gun down police and engage in political assassination will not be deterred by anything less than the ultimate penalty--and they are right.

For too many years, we have had a moratorium on capital punishment --unfortunately it has not been a total moratorium. Last year alone, there were 1,789 executions in California. Those who were sentenced to death had no trial by jury; no judge pronounced sentence nor were they afforded the protection of the appeal process in our legal system.

They were picked at random by their executioners, who had also appointed themselves judge and jury.

The executions took place on our streets, in the victims' homes and in places of business. If there were pleas for clemency, they went unheeded: 1,789 innocent people in our state were executed with no recognition of their constitutional rights or of the moratorium that only gave shelter to their executioners.

Many Californians believe that if there were no moratorium, some of the 1,789 (wilful homicides) would not have taken place.

Recently, after a year of study, our Select Committee on Law Enforcement problems issued its report. It called for mandatory prison sentences for heroin pushers, for a tightening of every legal loophole or procedure that permits the guilty to get off with a slap on the wrist instead of the prison sentence they deserve; and to do whatever is needed to guarantee that criminals who use firearms shall go to prison and stay there until they are no longer a menace to society.

In all, the committee made almost 100 recommendations. Some are incorporated in legislation now awaiting action. Others are administrative or may require constitutional amendments. There are far too many for me to mention here today.

But I would like to spend a few seconds on one recommendation that has caused a little stir. There is a legal loophole that protects the guilty, yet offers no effective remedy for the victims it was designed to protect. It is the so-called "exclusionary rule."

It isn't something written into the Constitution by an act of the people or their elected representatives. It was created by a series of very controversial judicial decisions. Many judges, including the Chief Justice of the United States--do not believe it offers the protection for which it was intended, but that by suppressing valid evidence it has become a shield for the guilty.

The exclusionary rule provides that evidence may not be admitted in a trial if a court decides (sometimes years later) that the police made a mistake in collecting that evidence. There is nothing in the rule that penalizes the offending police officer nor does the exclusionary rule compensate the victim of the officer's mistake. The rule is directed against inanimate objects, a murder weapon for example. The rule simply says such evidence can not be introduced in a trial even if this means freeing the guilty.

Some strange decisions have occurred because of the exclusionary rule. One involved a drunk driver. His blood test showed excessive alcohol. It could not be used. The court ruled he was incapable of giving consent to the blood test--he was too drunk.

Then, there was what might be called the "diaper decision."

In this case a couple of years ago, the police went to search a couple suspected of narcotics trafficking. The officers knocked politely and identified themselves. They had a search warrant. So far, so good. But the couple had a 9-month old baby with them. The officers became suspicious that something might be concealed in the baby's diapers beyond what you might naturally expect to find. And they were right; they found heroin.

Host Breakfast

The case did not even get to the appeal process. It was thrown out at the lower court level on the grounds that the infant was not covered by the search warrant and did not give its consent to be searched.

The deputy district attorney handling the case was quoted as saying now everyone knows just where to hide narcotics--"in the baby's diapers."

This type of unreasonable application of the exclusionary rule has become a major barrier to effective law enforcement. Our committee proposed that we adopt a substitute, a step advocated by the Chief Justice of the United States and many others. The reaction in certain circles was something to behold. You would think we were rejecting the American Revolution and giving the country back to George III.

What the task force proposed was that anyone found to have been a victim of an unreasonable search would be able to recover damages against the public entity employing the law enforcement officer who had goofed. The full constitutional protections would be retained; where search warrants were required, they will still be required. But if a mistake was made, and valid evidence of a crime was uncovered, that evidence would not be excluded from court.

One legislator accused us of having a 19th century attitude on law and order. Well, now that is a totally false charge. I have an 18th century attitude. That is when the Founding Fathers made it clear that the safety of law abiding citizens should be one of government's primary concerns.

If a policeman stops a car for speeding and finds a dead body in the trunk, I don't think our legal system should ignore the fact that someone has been killed.

We must give law enforcement the tools it needs if our people are to enjoy again the right to live and work and play in safety.

And to enjoy all the other rights our system has to offer, we must have a stable and prosperous economy.

Because you are from the business community, I know you will understand why I dwell again and again on this need for fiscal stability. Without it, all of our rights and even our survival as a free nation are threatened. This has been the sole purpose behind 6½ years of cut, squeeze and trim. All our economies climaxed by the welfare and Medical reforms finally led to that surplus of more than three-fourths of a billion dollars. As you know, I have signed legislation to return the bulk of that surplus to the taxpayers by suspending collection of one penny of sales tax for six months and by giving a rebate on this year's state income tax ranging from 100 percent at the bottom of the earning scale to 20 percent at the top. What has to be recognized, however, is that this rebate of the surplus came about only because our tax limitation initiative qualified for the ballot and a special election was called to give the people a chance to vote on rebate of the surplus, an ongoing cut in the income tax and a long-range plan to reduce the rate of

Ask any citizen on any day if taxes are too high, if government spends too much and if he would like to have a say about government's right to confiscate his earnings. The answer would be, "hell yes!"

On November 6, the citizens of California will vote on just that very thing, possibly for the first time in the history of government: certainly for the first time in the history of California. And yet forces have mobilized urging the people to vote against their own best interest. Charges are being made that limiting taxes will somehow cause taxes to go up. At the same time they charge the limitation will deny government the revenue it needs to succor the aged, heal the sick and educate the young. Obviously, they can't have it both ways. But consistency has no place in arguments designed not to enlighten, but to confuse the voters.

Ten days ago I called attention to the fact that the "neutral analysis" of the tax initiative which will appear on the ballot was decidedly unneutral. Indeed its author has no more than one occasion publicly spoken out in opposition to the initiative. In like circumstances, a judge would disqualify himself.

Let me give you one example: the analysis points out that under the terms of the initiative the legislature by a 2/3 vote can give cities permission to have an income tax of their own. Reading that, any voter has to say, "Heaven help us! Now in addition to the steeply progressive state and federal income taxes, our home town is going to have one too." He will say that because a totally false impression has been created by a half truth. Yes, if the voters approve the initiative the legislature can by a 2/3 vote allow local income taxes. What it does not say is that right now, charter cities claim they already have the right and the others can be given the right by a simple majority of the legislature.

The good ladies of the League of Women Voters have decided all on their own to oppose it because "property taxes will go up." Yet the League of Cities is in opposition to the initiative because it will not let them raise property taxes. They are both wrong. The truth is, we have incorporated into the initiative the terms of the property tax reform adopted by a 2/3 vote of the legislature last year. Local taxing entities can increase property taxes to meet the costs of inflation and population increase. But to permanently raise property taxes beyond that, requires a vote of the people.

The actual wording of the initiative is complicated and admittedly hard for a layman to understand. That is because it is written in the technical legalese which seems to be a part of anything done by government. (The Department of Agriculture in Washington once put out a 700-word definition of a farm. And then followed with an 800-word interpretation of the definition.)

The actual terms of the limitation we have proposed and what it will accomplish are extremely simple and easy to understand. They are just hard to accept by those whose own interests are related to how much money government has to spend.

As I said earlier, one part of the initiative has already been achieved--(the one time rebate).

Now, you are being offered the chance to assure by constitutional amendment, elimination of the state income tax for families earning \$8,000 or less, individuals \$4,000 or less plus a permanent 7½ percent cut for all those above that level. Your "yes" vote will also set a limit on the percentage of Californian's total earnings the state can take in taxes without the peoples' permission.

Some of those who would tax and tax, spend and spend have screamed this will put government in a straitjacket with a rigid tax system implanted in the constitution. It will do no such thing. It simply gives the people a say in how far government can go in confiscating their earnings.

If the people of California adopt this limitation by voting yes on Proposition 1 November 6, there will be an orderly reduction over a 15 year period or until we reach the 7 percent limit. Very simply, our Economic Estimates Commission will meet in October to give us its projection on total earnings of all the people in California and the percent of that total the state will be taking in taxes. Beginning next year, we will reduce the state's share by 1/10th of 1 percent each year until we reach a ceiling of about 7 percent instead of the more than 8 percent we are presently taking. That 1/10th of the 1 percent will be returned to the taxpayers. In the first year, it will amount to about \$200 million. In five years it can mean a penny reduction in the sales tax or a 25 percent cut in the income tax or a combination of both. That will be up to the legislature.

Provision is also made for all emergencies: economic or natural disaster. And of course, the people by their vote can increase the limit any time if they feel that government should have more resources. The legislature, in the mean time, will have the authority it has always had to change the tax structure, raise or lower taxes all within the limit, of course. There is one exception--it will require a 2/3 vote to raise or lower all taxes. At present, only the Bank and Corporation tax requires a 2/3 majority.

It is significant that not one single opponent of this initiative has presented an argument based on the actual provisions of Proposition 1. Instead, they have built their entire case on false claims and dire predictions.

Over the weekend one leader of the opposition flatly declared that Proposition 1 cancelled the minimum income tax and therefore a man could earn \$10 million a year and pay no income tax. No one questioned him as to how this could be, so his statement went unchallenged. The simple truth is the minimum income tax is not changed in any way by our proposal.

They have argued that we exaggerate the percentage of the peoples' earnings it takes to run government. There is an easy way to settle that; take the total cost of government--federal, state and local, and see what percentage it is of the combined earnings of all the people. Those figures are easily available. Last year, in 1972, Californians earned \$102.2 billion. Government, federal, state and local, took about \$45.7 billion of that. And that is 44.71 percent of the peoples' earnings. Incidentally, that is about 5 percent higher than it was in 1971, so it is safe to say that here in 1973, government is taking well over 45 percent.

Do the opponents maintain government does not cost too much? Or if they agree it does--what proposals do they have for reducing it? Some say we have things under control now and so don't need a limit because there will be no tax increase in the immediate future. One critic has a bill moving through the legislature that will cost nearly \$400 million in its first year and almost \$1 billion four years from now. So far, he has not proposed a revenue measure to pay for it--in spite of the fact that his bill, if passed, will automatically force a \$400 million tax increase to start with, increasing in four years to a billion dollars.

Indeed, there would be no surplus and no possibility of a tax cut now if more than a billion dollars of added spending had not been blue pencilled from the budget over these last six years. And almost without exception, those who oppose a tax limit were the advocates of that increased spending. The issue before the people--plain and simple is between those with a kind of elitist philosophy--who think the people lack the intelligence to spend their money properly; that government must take their money from them and buy for them the things they are too stupid to buy for themselves or the contrasting philosophy of those who still believe as Thomas Jefferson did, that "a wise and frugal government, which shall restrain men from injuring one another, which shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. That is the sum of good government."

Proposition 1 is the result of a year's study by a task force which included private citizens (some of you, in fact); our own cabinet and staff members and some of the Nation's most respected economists. It is a one time opportunity you have never had before and can you believe if we fail you will ever have a second chance?

We have proposed putting this limitation in the constitution because that is the proper place for it. Too many people have forgotten the nature of the document. It wasn't designed to protect government against the people. It is a contract whereby the people limit government.

I have no illusions about the battle ahead. Those who would think of government as a giant feed lot with themselves in charge of the trough are fighting for the unlimited power to confiscate and distribute the earnings of the people. It is time for us to decide if government is the servant or the master.

(NOTE: Since Governor Reagan speaks from notes, there may be changes in, or additions to, the above quotes. However, the governor will stand by the above quotes.)

PLEASE GUARD AGAINST PREMATURE
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EXCERPTS OF REMARKS BY GOVERNOR RONALD REAGAN
STATE BAR OF CALIFORNIA
Anaheim, California
September 12, 1973

When we met at Monterey last year, the main theme of my message involved the challenges facing the legal system, the problems of law enforcement, the concern of our people about crime, trial delays and court congestion.

It was my feeling then that public safety is one of our society's most compelling problems---in California and throughout the nation. I still feel the same and today I would like to bring you up to date on what we are doing about it.

At that time, our Select Committee on Law Enforcement Problems was just beginning an 11-month study of California's criminal justice system.

As you know, the committee completed its work some weeks ago. Although it is too extensive to outline for you in detail, I do want to mention some of the findings and recommendations that emphasize our basic goals.

The committee found that the sheer size and scope of the criminal justice system requires efforts now to streamline administrative operations. So they proposed creation of a single Department of Public Safety, incorporating all the functions in the executive branch of government which concern law enforcement and public safety.

They recommended that the state help train and provide financial assistance for local law enforcement in the handling of riots or major emergencies. Legislation is now pending to provide funds for an improved mutual aid program.

To help relieve court congestion, the committee suggested smaller juries for some types of offenses, something that has worked well in other states. They proposed reclassifying some minor traffic violations as infractions, and the development of strict standards for plea bargaining to assure that guilty offenders do not get off with a lighter sentence than they deserve, simply because the district attorney and the courts have a heavy workload.

Because narcotics are the cause of so much other crime, the committee said trials involving drugs should receive top priority plus other steps to guarantee that all criminal cases either go to trial within 60 days or reach a decision through a defendant's voluntary plea.

They also recommended a substitute remedy for the exclusionary rule, a step advocated by Chief Justice Burger and others who feel this has become a loophole by which the guilty escape justice.

In all, the report contains almost a hundred recommendations, along with extensive information about the operations and the shortcomings of the criminal justice system.

Many of the recommendations, of course, are familiar to you. They involve problems which you yourselves have recognized and are working to correct.

Our goals are the same: to serve the cause of justice by dealing more effectively with crime and by overcoming the barriers that obstruct more effective enforcement of the law. By doing so, we will assure greater confidence in the criminal justice system and a greater respect for the law itself.

The people look to your profession for leadership in these efforts. And we need your help, too. Together, we must make the courtroom again a place where the search for the truth may go forth in dignity, with respect for the rights of the accused and for the laws that protect the innocent.

Disraeli said "justice is truth in action." If we do all that is necessary to assure that finding the truth is the primary function of the law and the courts, then we will assure justice for all.

A few months ago, another task force began examining the workload of the appeals courts, to see where improvements are needed. Although the members are still working on the final report, one of their preliminary findings is most encouraging.

Apparently, cases not involving substantial issues of law are being processed more speedily than in previous years---simply because the judges are writing shorter opinions, especially on matters they regard as frivolous points.

It is an encouraging indication that we may be catching up on the judicial workload.

Each year I have had the privilege of visiting with you, I have discussed matters involving the law and your profession. Today, I would like to ask you to put on your other hat as citizens of California, and let me broaden my remarks to include another subject: the tax initiative that will be on the ballot November 6. This has been in the news quite a bit lately and you will be hearing more about it in the weeks to come.

As you know, part of our tax reduction program has already been achieved. The legislature agreed to suspend the sales tax by a penny for six months and return almost \$400 million additional in a rebate of this year's state income tax.

This is the third time we have been able to give the taxpayers a rebate and so far as I know it has never been done by any other government body in our country.

In returning this one time surplus, we will totally eliminate income taxes for all California families earning \$8,000 or less per year. For everyone else, the rebate will range from 35 to 20 percent. When you add up your state income tax obligation next April 15, you will simply deduct 20 to 35 percent depending on your bracket and put it back in your pocket.

The second part of the plan involves the initiative itself, a decision which you and every other voter will be called upon to make November 6.

The plan outlined in Proposition 1 is a workable and realistic long term program to reduce your taxes, not just this year, but permanently.

It was the result of many months of work by a task force which had the help of some of America's most distinguished economists.

In tracing the growth of bigger and bigger government over the past 40 years, the task force discovered that Newton's law of gravity applies to everything except taxes.

In 1930, governments, federal, state and local only took about 15 percent of the people's income. Today, in California total government revenues take 44.7 percent of total personal income.

Government costs the average family more than it spends for food, shelter and clothing combined. And whether we have good times or bad, government's share always goes up, leaving less take home pay to meet the cost of the children's education, or to improve the standard of living.

Because government has an unlimited power to tax, people are having a harder and harder time making ends meet.

We know inflation is the most critical economic problem we have today. Consider this---very often when you get a cost of living increase in your paycheck which is only intended to maintain your purchasing power, you move up into additional surtax brackets and find you have not as a result kept even with inflation.

And make no mistake about it, that inflation is caused by government spending. Higher taxes mean higher prices and this combined impact means our people are caught in a vicious treadmill, always trying to catch up.

It is not a question of which comes first, the chicken or the egg. Those of you who handle tax matters know which comes first when it comes to government: taxes take the first and largest slice of everyone's income.

Unless we slow down this spiral of higher and higher taxes, government very shortly will be consuming more than half of the personal income in America.

Proposition 1 is designed to allow the take home pay of the people to grow faster than their tax deductions.

Along with an immediate $7\frac{1}{2}$ percent income tax cut next year, it will totally eliminate the income tax for families earning \$8,000 a year or less---permanently. And it will incorporate into the state Constitution a program to slowly reduce government's share of California's total personal income. It will accomplish this by imposing a maximum limit on the percentage of total personal income that the state can take in taxes.

Right now, the state's share of the cost of government is almost 9 percent of your total earnings. Under our plan, this percentage will be slowly reduced each year until we reach a limit of around 7 percent. I know that does not sound like much but it represents more than a 20 percent reduction in the cost of government. Or to put it another way, the people over just the next 15 years will keep for their own use more than \$118 billion that otherwise would be taken in state taxes.

At the same time, government will have all it needs to meet the cost of inflation, population growth and whatever new services the people may decide they want.

As a matter of fact, the state budget could double (to \$18 billion) in the next 10 years and triple to \$27 billion in 15 years even under the limit.

What about an economic slump with great unemployment or a natural disaster---an earthquake? There is a provision for raising the tax limit to meet any such emergency. There is a built-in surplus, but beyond that the legislature can temporarily raise taxes above the limit in event of an emergency. If taxes are raised to meet an emergency, the people will vote at the next general election to ratify or cancel that tax increase. But government will no longer have a blank check to be drawn on the people's bank accounts.

This is the year to apply a brake to higher taxes. Our school population is leveling off, the great water project is nearing completion. The normal growth of the economy will be able to accommodate the additional revenue government needs---without raising your taxes.

But you cannot be sure your taxes will not be raised unless the people write this protection against higher taxes in the Constitution. In these 6 years, I have blue penciled more than a billion dollars.

Those who oppose this initiative are the same people who fought against reforming welfare and said it would not work. Yet it is because of welfare reform and other economies that we have a surplus to return to the people.

Some of them were against property tax reform. Yet because of property tax reform last year school districts this year are receiving the greatest single increase of state support in history, an all time record amount, yet property tax rates for schools are being rolled back.

If we had listened to those who opposed all these things we would be staring a tax increase in the face instead of looking forward to a tax rebate.

One of the complaints about Proposition 1 is that it is a Constitutional amendment and is too complicated. As attorneys, you know a Constitutional amendment has to be drafted in the required formal legal terms to cover all the contingencies.

But the goal is not complicated at all. It is to systematically reduce taxes. With Proposition 1 in effect, in 5 years, we can have another 25 percent income tax cut or a 1-cent permanent reduction in the sales tax. In 10 years, we can have a budget that is double in size at the same time we have a 2-cent cut in the sales tax or a 60 percent cut in the income tax or a combination of both.

Some of the doom criers say that limiting the amount of your income that government can take deprives the legislature of the flexibility it must have to run government. What they mean by flexibility is the unlimited ability to get into your pockets.

That is too much "flexibility."

We have also heard from some who say a tax limit should not be "frozen" in the state Constitution. Why not?

We already have a constitutional requirement that the state have a balanced budget.

But second, have we really forgotten what the Constitution is for? It is not designed to protect government from the people, it is to protect the people against government.

It is not a document in which government tells the people what they can do. It is a contract by which the people tell government what we, the people, will permit government to do.

In the original United States Constitution, they included a provision that your property cannot be seized without due process of law. The founding fathers, in their wisdom, saw fit to "freeze" this protection into the Constitution.

That is what it is for, to make sure that the people control the government, not the other way around.

If we did not have a requirement that the state budget be balanced, does anyone seriously doubt that California would now be up to the timber line on Mount Whitney in debt today?

We have only to look at the federal government for the answer.

The National debt has been raised 23 times just since 1961. It costs \$26 billion a year just to pay the interest. That is the third largest item in the federal budget.

Deficit financing and wasteful spending has helped generate the very inflation that we are trying to curb today. Of course, we probably should be happy about government waste and extravagance---can you imagine how miserable we would be if we were getting all the government we are paying for?

It boils down to this---a test between those who want government to have the power to take more and more of your income in taxes and those who want to limit that power. The people have the absolute right under the state Constitution or the federal Constitution to say what that limit should be.

Unless we assert that right, in a few short years, the total cost of government will be taking more than half of the personal income of our people. But many prominent economists say that with such a tax level our free economic system cannot generate the investment, the jobs, the new business we must have to maintain a prosperous economy.

But much worse, as the total tax burden goes higher, the ability of more of our people to provide for their own essential needs will decline. Each year, more and more citizens find themselves unable to finance their own health care, the education of their children, all the myriad of "needs that government is so eager to meet---for a price.

As taxes go higher, government has a built-in excuse to take even more of the people's earnings to meet needs the people find themselves unable to finance---simply because government has already taken so much of their income. So they, too, become dependent on government. And dependent people can be manipulated and controlled.

This is the tragic cycle of dependency and it has one ultimate end. A free economic system and the freedom of choice it assures our people cannot long survive the kind of tax burden it is forced to bear today. When you lose control of your own economic destiny, all of the other freedoms we take for granted are in jeopardy.

The choice is simple. The people will either control government or government will control the people.

On November 6, the people will have a chance to reassert the ideal that in our society, government is the servant---not the master.

Our secretary of Business and Transportation, Frank Walton called it correctly. On November 6, those who are taxpayers will vote yes. Tax spenders will vote no.

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EXCERPTS OF REMARKS BY GOVERNOR RONALD REAGAN
CALIFORNIA REAL ESTATE ASSOCIATION
69th ANNUAL CONVENTION
Town and Country Hotel Convention Center, San Diego
September 21, 1973

I know you are familiar with our efforts in Sacramento these past 6½ years to reduce the size and cost of government, to bring relief to the property tax owner, to senior citizens, to people in the middle and lower income brackets.

It is a funny thing: no one ever threw rocks at us for proposing to spend more money. But there was a constant volley from every direction every time we tried to keep the budget in line, to hold down taxes so our people would have more of their own money to keep for themselves.

We know we will always have to have tax revenue to finance the essential and legitimate services we ask government to provide. But we also believe that reducing the overall tax burden on the people of California is an urgent need, not just this year, but on a permanent, ongoing basis.

That is what we have been trying to do for 6½ years. That is why I have vetoed more than \$1.3 billion in excessive spending.

That is why we implemented welfare reform. We now have more than 300,000 fewer people on the rolls than when we started.

That is why we insisted on cutting, squeezing and trimming in every way we could.

It was because of welfare reform, because of the constant effort to cut, squeeze and trim that this year we found ourselves in an unusual situation for a government. We had a budget surplus.

You know, of course, that this surplus is going to be returned to the people in the form of a rebate---the third such one-time income tax rebate we have been able to achieve in Sacramento. In 1970, it was 10 percent. When we switched to withholding, it was a 20 percent rebate.

This year, the rebate involves both the sales and income tax.

The 1-cent increase in the sales tax (which is financing the property tax relief in SB 90) will be suspended for six months, starting October 1.

Under the plan we adopted this year, the entire income tax obligation for every family earning \$8,000 a year or less will be eliminated for the year 1973.

--And for everyone else, there will be a one-time income tax credit ranging from 20 to 35 percent, depending on your income tax bracket.

Next April 15, when you figure up what you owe, you will just put back into your pocket an amount equal to whatever percentage rebate you have coming to you. If it has already been deducted, you will get a refund.

But I would like to ask everyone here to recall, if you will, the situation we faced earlier this year before our long-range tax initiative (Proposition 1) qualified for the ballot.

They would not let us put our plan for permanent tax relief on the ballot. And they were not talking about returning the surplus.

They were talking about spending it.

More than \$1 billion of new spending was proposed. That would have used up the surplus and there would have been no money left for a one-time rebate this year. On the contrary, we would be facing a new tax increase instead because most of the programs they wanted would have been ongoing programs that grew in cost every year.

By standing fast against higher spending, and with the help of more than half a million signatures on our tax plan, we managed to win the debate on the surplus. It is going back into the pockets of those who paid it.

But don't kid yourselves. If our initiative had not already qualified for the election November 6, that money would have been spent long ago.

When the advocates of bigger and bigger government manage to get their hands on an extra tax dollar or two, they hang on like a Gila Monster until they find some way to spend it.

Fortunately, we had enough help in the legislature and from the people to force a return of this surplus this year. But we may not be so lucky next time, unless we succeed in applying permanent restraints on runaway government spending by passing Proposition 1, November 6.

If ever there was an idea whose time has come, this is it. And this is the year to put the brakes on bigger and more costly government.

School enrollment is leveling off, the water plan is nearing completion, our financial situation is so bright that we are returning a three-quarter of a billion dollars budget surplus to the people. Even the opponents of Proposition 1 concede that there will not be any need for new state taxes in the next few years.

Despite that, they are fighting with all the power they can muster against the idea of spending restraints on government.

They know that if the people ever manage to place a reasonable limit on taxes into the Constitution, their own days as the last of the big spenders are over for good.

That is just what we are trying to do with Proposition 1. It is certainly not an effort to handicap government in any way.

But it will require government to be more careful with your tax dollars, to establish reasonable priorities and avoid the waste and duplication that we have had so often in government. And if the people vote "yes" on November 6, this plan will put into effect a long range program to permanently reduce taxes and to limit the amount of ^{your} money government can take in taxes.

The plan itself is the result of a task force on tax reduction we appointed last year to look into the entire subject of taxes.

We asked them to see if there is not some way we can meet the legitimate needs of government, provide additional money to cover inflation and costs due to population growth, allow plenty of flexibility and still reduce the tax burden of our people.

In addition to our own cabinet members and senior staff, the consultants included some of this country's most distinguished economists.

They believe and we believe that the tax burden is too high and we are headed for the biggest economic bellyache America has ever known unless we do something about it.

We believe California is the place to start and I think you will agree, too.

Our task force traced the growth of bigger and bigger government and found that back in 1930 the combined cost of government (federal, state, and local) was only 15 percent of total personal income. Today, government revenues amount to 44.7 percent of total personal income.

The state's share of that is almost 9 percent.

Unless we slow down the growth of government spending, the state budget alone will grow from \$9 to \$47 billion in just 15 short years. Unless something is done, government's total share will reach almost 55 percent of total personal income in 15 years, and that figure may even be a bit conservative. Other economists project a government spending spree that will be taking as much as 67 percent of total personal income by 1990.

That is why we need to apply a brake to the growth of bigger government, why the people are being given an opportunity on November 6' to place an upper limit on the amount of taxes the state can take.

In addition to the one-time tax rebate this year and the sales tax suspension, with Proposition 1 in effect, there will be another $7\frac{1}{2}$ percent cut in the income tax next year. And that cut will be permanent.

You have heard, I am sure, all the talk about this plan favoring the rich. Well that is wrong. Under this plan, state income taxes will be eliminated entirely for every family earning \$8,000 or less and that will be permanent.

But the most important feature of this plan is that it will, at last, force government to start living within its income just as every family must do if it wants to avoid bankruptcy. It will do this by slowly reducing the percentage of total personal income that the state government can take. Right now it is almost 9 percent.

Under our plan, this limit would be reduced by $\frac{1}{10}$ of 1 percent each year for 15 years until we reach a level of around 7 percent. State government would still be getting more revenue, but as the income of the people went up, the percentage taken in state taxes would slowly decline. To put it another way, this plan is designed to allow the income of the people to grow faster than their tax deductions.

This limitation will make possible more tax reduction in the future. In 5 years, we could have another 25 percent cut in the state income tax or a 1 cent reduction in the sales tax. And that reduction would not be temporary; it would be permanent. In 10 years there could be a 60 percent cut in state income taxes or we could reduce the sales tax permanently by one third---from 6 to 4 cents.

Government would still have more than ample revenues. With this tax limit in effect, the budget could double (if necessary) to \$18 billion in 10 years and triple to \$27 billion in 15 years. The state's budget for each essential service also could triple, for education, for mental health programs, for all of government's legitimate programs.

But the limit will not give government a blank check. That is what we have had up to now. That is why taxes and government spending have been going up so fast.

We included provisions for emergencies. The limit could be raised if we had an earthquake or an economic slump or any other legitimate emergency.

But raising taxes even temporarily would require a two thirds vote in the legislature and that increase would have to be ratified or cancelled by the people at the next general election.

That last provision---a vote of the people---is simply a clause to give the people the right to decide whether a spending program favored by the legislature is a bona fide emergency.

As you have probably heard by now, limiting government's authority to tax your income is not very popular in some circles.

You will be hearing this chorus of criticism in the next couple of months. When you do, I would like you to remember one thing: when have these critics ever advocated reducing the overall tax burden?

They are on the other side. Some of them were against our welfare reforms, against the property tax reform, efficiency in government. Most of them have a long track record of favoring anything that increases the power, the size and the cost of government.

If we had listened to them, there would have been no rebates in the past, no welfare reform, and no budget surplus to rebate to the people this year.

They complain that limiting government's power to tax would deny the legislature the "flexibility" it must have. Their idea of flexibility is to continue government's unlimited power to dig deeper and deeper into your pocket books.

They say a tax limit should not be "frozen" in the Constitution.

Why shouldn't it be? We already have restraints involving taxes and spending in the Constitution. The governor has to submit a balanced budget, and it is a good thing we do, because if we did not, California's state government would be wallowing in debt today, instead of having a Triple-A rating on its bonds, the highest credit rating you can get.

I do not remember these groups ever suggesting that we repeal the 16th Amendment to the Federal Constitution.

That involves the power to tax incomes. It was "frozen" into the Federal Constitution back in 1913.

If we can put the power to tax in the Constitution, the people can certainly put a limit on the amount they can be taxed.

But there is a more basic issue involved. In the original 10 amendments to the Constitution, the Founding Fathers said government could not seize your property without due process of law. And that protection against excessive government was "locked" into the Constitution.

The money you earn by your own labor or through investments is your property. The people have a right to say how much of it they can afford for government. If they do not have that right, then freedom as we know it will not survive very long.

The truth of the matter is: our economy cannot go on bearing the tax load we have today. Government now has the right to balance its budget by unbalancing yours, through higher and higher taxes. And so the cycle continues, with more and more people becoming dependent on government.

When you cut through all of the rhetoric, these critics are really saying that the tax burden in California and America is not really that high. Well, we say it is. And we want to reduce that tax burden, by putting some reasonable restraints on the growth of government.

We believe the people have a right to keep more of their earnings for themselves. They believe government has the right to take the first and the largest slice of your income. And that is why they want unlimited taxing authority. It is as simple as that.

If you agree with us, we need your help. We need the help of everyone who wants lower taxes. We need you to help acquaint the people with Proposition 1. And we need you to help get out the "yes" vote on November 6.

On that day, California has an opportunity that may never come again. We have a chance to reassert the principle that in this free society of ours, government is the servant, not the master.

On November 6, the people who want lower taxes will vote yes. Those who want more government spending will vote no.

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(NOTE: Since Governor Reagan speaks from notes, there may be changes in, or additions to, the above quotes. However, the governor will stand by the above quotes).

EXCERPTS OF REMARKS BY GOVERNOR RONALD REAGAN
INDEPENDENT INSURANCE AGENTS ASSN. OF CALIFORNIA
SAN FRANCISCO
October 1, 1973

Your industry is geared to helping people build greater financial security for themselves and their families.

You know possibly better than anyone else the impact that inflation has on people who are trying to build a nest egg for their kids' college education, for their families, or for their own old age.

And you know that inflation, a cruel and silent tax, erodes their ability to accomplish those goals. As they increase their earnings to keep pace with the reduced purchasing power of the dollar, government takes more and more of those dollars in taxes.

From the very first day we went to Sacramento, six years and eight months ago, we insisted on economy in government until cut, squeeze, and trim became the trademark of our administration.

The cost of welfare was growing three times as fast as government revenues and the whole system was riddled with abuses and sometimes, outright fraud.

Over the protests and objections of the same big spenders who today oppose our proposal to reduce taxes, we reformed welfare. There now are 368,000 fewer people on the rolls than when we started. And we have a budget surplus of more than \$800 million.

The first time we had a surplus was in 1970. We gave it back as a 10 percent rebate on the state income tax. We did it again in 1972 when we had the windfall from withholding. That was a 20 percent rebate.

But this year's surplus was \$800 million. When you propose giving that much back, you are eyeball to eyeball with the last of the big spenders of other people's money.

But you are going to get that surplus back:

--A penny of the sales tax will be suspended for 6 months starting today and that will account for \$320 million of it.

--Families earning \$8,000 or less will not have to pay any state income taxes at all for 1973, and

--Every other taxpayer will get a one-time rebate ranging from 20 to 35 percent, with the largest percentages going to our people in the middle and lower middle income brackets. Next April 15, you will just figure up what you owe and put back 20 to 35 percent of that, depending on your tax bracket.

Putting it this way makes it sound pretty easy. It was about as easy as getting between the hog and the bucket.

We first proposed returning the surplus back in January. There were a billion dollars worth of ways to spend it pending in the legislature, much of it on programs that would not be just one-time costs, but which would continue year after year. Instead of rebates, we would have had to increase taxes if we had listened to the spenders.

Government is supposed to provide certain services for the people. But it has an obligation to provide those services with efficiency and at the least possible cost. And when government collects more than it needs to meet legitimate expenses, it should return the surplus to the people.

The impasse lasted until half a million citizens of California gathered petitions to force a return of the surplus, and to establish a long-term plan to reduce the overall tax burden of our people on a permanent, ongoing basis.

This is Proposition 1, the tax limit initiative you have been hearing about and which will appear on the ballot in the special election November 6. This initiative is a result of our task force on tax reduction in which one of your own members, Bob Durr, has been very active

They would not even let us put this measure on the ballot through the legislative process, even though constitutional amendments are routinely offered almost every session---and just as routinely approved.

There is a basic and fundamental philosophic difference dividing us today. Some of us believe that if the people get the chance to vote on a revenue limit, it is possible the days of runaway government at the state level will be over for good.

We are opposed by those who want government to draw up its shopping list and then tell the people how much it will cost.

Right now, state government has the unlimited power to take an ever increasing percentage of what you and every other citizen earns. Government does not have to live within a reasonable budget, as every family in California must do.

I do not believe I would be called unreasonable if I suggest that the people of California want lower cost government. But the people and groups opposing Proposition 1 apparently have not received that simple message. They have launched a desperate counterattack against the idea of having government of the people, by the people and for the people.

Insurance Agents

They have tried to confuse the issue with all manner of dire predictions. To hear them tell it, there will be financial chaos if the people are permitted to tell government how much of their earnings it can take.

The purchasing power of a pre-war dollar is now worth less than 33 cents and the value keeps shrinking every day.

Government spending and government deficits helped cause this inflation and some of the so-called 'economic' experts opposing Proposition 1 were architects of these inflationary policies.

Indeed, those who have mobilized against Proposition 1 recently listed several economists who, it was said, were allowing their names to be used as opposing our tax limitation proposal. Many of them have been governmental advisors over the past decades, and as such, responsible for the economic policies of planned inflation, redistribution of earnings and use of taxation as an economic weapon.

One was an advisor to West Germany on that country's fiscal problems after World War II.

The advice was for more and bigger government, deficit spending and similar economic theories. West Germany listened to this advice and then came the economic miracle of prosperity that amazed the world. Later the miracle was explained. They had listened to the advice and then done just the opposite.

Another of the critics of Proposition 1 has constantly advocated more and bigger government. According to his view, the people have the curious idea they should spend the money they earn for things they want, a new car, a color TV, an insurance policy---anything they decide should be their major spending priority. He thinks otherwise. He believes government should spend more of the people's earnings because government can do it more intelligently than the people can.

When you deal in fact, you can come to only one conclusion: high taxes are slowly crippling this free economy of ours and unless we do something about it, we are headed for the biggest economic bellyache America has ever known.

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(NOTE: Since Governor Reagan speaks from notes, there may be changes in, or additions to, the above quotes. However, the governor will stand by the above quotes).

10/15

OFFICE OF GOVERNOR RONALD REAGAN
Sacramento, California 95814
Ed Gray, Press Secretary
916-445-4571 10-15-73

RELEASE: Tuesday A.Ms.
October 16, 1973

PLEASE GUARD AGAINST PREMATURE
RELEASE

EXCERPTS OF REMARKS BY GOVERNOR RONALD REAGAN
CALIFORNIA ORDER OF THE EASTERN STAR
SACRAMENTO
October 15, 1973

"It is an honor to be with you this evening for your 100th annual session.

Every now and then, I have an opportunity to speak with some of your Masonic youth groups, the DeMolay, Job's Daughters and the Rainbow Girls.

Each time I do, I come away with greater faith in young Americans.

And I am very familiar with your other good works, scholarship funds, the home for the aged and the cancer funds you support.

Long before women's liberation became a byword in our country, your group and others like you were working quietly and diligently to improve our society, our state and our country.

Because of those efforts, this is a better state and country, a better society for everyone.

Solving problems through private, voluntary action is part of America's tradition. Those critics who continually denounce America as a sick, materialistic society, should become a little better acquainted with the truth.

And the truth is, the work of volunteer groups throughout our country represent the very heart and soul of America. They have helped make this the most compassionate, generous and humane society that ever existed on the face of this earth.

This year, Americans will donate almost \$25 billion of their earnings for charitable, religious and educational activities. In the past 10 years, our people have given almost \$150 billion to their churches, to private charities, to scholarship funds, to schools and similar activities.

No one is required to do any of this. But private philanthropy is part of America's heritage. It is the generous response of a generous people to those in need.

If these kinds of activities ever do become solely a concern of government, administered and controlled not by volunteers, but by a bureaucracy, we will have lost something very special and very precious.

Even with today's excessive level of taxation, our people still voluntarily share their income with thousands and thousands of private programs designed to help their fellow citizens. I do not believe our people will ever lose this generosity, this desire to lend a helping hand.

But the sheer size of the present tax burden in California and our nation makes it more and more difficult for private philanthropy to survive.

I am sure you knew I would get to the subject of taxes before too long. I make no apology for that. The tax burden in America today is probably the most pressing economic problem we have to solve.

You are concerned with high prices, particularly food prices, but by far the biggest cost item to the American family today is government.

Decades of political demagoguery---politicians telling us someone else can be made to pay our share---have spread a network of hidden and half hidden taxes over everything we buy or do.

Some are trying to cloud the issue and pretend the whole matter of taxes is being exaggerated, but in this case the figures speak for themselves.

Last year, the total earnings of the people of California amounted to \$102.2 billion. And the people of California paid \$45.7 billion for government. That is almost half, just a fraction of a percent less than 45 cents out of every dollar earned.

Government in the United States at every level has been on a long financial drunk. We are in the first stages of the hangover: inflation and debasement of the dollar. And we are beset by helpful souls who would have us believe that what we need is more of what got us into this condition to begin with.

For a look at where we will be if we do not sober up in a hurry, hark back to Germany of the 1920s. Workers were given time off every two hours to spend their earnings before the value of their money dropped. Germans carried 50,000 mark notes for lunch money. And that wild inflation bought them finally, an Adolf Hitler.

We have more than a few financial quacks still telling us we can shift the burden around and get more money from the federal government, or the state or at the local level, depending on where the quack is when he is talking. But whether the funds are federal, state or local, they come out of the same pocket---yours. And right now it is time to start reducing what all governments are taking out of that pocket.

You know, of course, that a special election has been called for November 6 to vote on a single issue---Proposition 1. It is nothing more or less than an effort to reduce that 45 cents government is taking out of each dollar you earn.

I have been asked why I sponsored a measure to reduce and limit taxes at the state level, since the state (in our case) is the least of the three tax villains.

That is true. In fact, both federal and local governments in California are bigger tax spenders than the state. But the answer as to why I chose to limit state taxes is very simple. I am not in the federal or local government, I am governor of California. So we will try to do something about state taxes and hope the idea will spread.

For almost seven years now, we have been whittling away at the size and cost of state government. "Cut, squeeze, and trim" has been the trademark of our administration. And for seven years, all the controversy in Sacramento has been over our efforts to save money. You cannot recall an instance in which we were being criticized for trying to spend money--- only for trying to save it.

Confrontation between two contrasting views of government has taken place between those who believe in tax and tax---spend and spend and those of us who believe government can feed on taxes and grow beyond the consent of the governed.

Those who are opposed to Proposition 1 have played a major roll in adding a billion dollars in new spending to the budgets of these past seven years. When I blue-pencilled that billion dollars out of the budgets they tried (unsuccessfully) to override my vetoes. In addition to the budget increases they sought, they have passed individual spending bills which would have increased state spending another billion dollars. This, too, was vetoed.

Two years ago, over their opposition, we adopted the most comprehensive welfare reforms ever attempted anywhere. Welfare caseloads were increasing 40,000 a month, but those who would increase spending said local property taxes would go up and county general relief would increase. Today, there are 365,000 fewer people on welfare, county general relief has gone down and 45 counties have lowered their property tax.

Without the blue-pencilling, the vetoing and the welfare reforms, our \$9 billion budget would now be more than \$12 billion. And yet we are told we do not need a limit on taxing power or spending. They opposed returning to the taxpayers the \$800 million surplus our economies and welfare savings produced. When Proposition 1 qualified for the ballot, they hastily voted to return the surplus to the people to lessen the attractiveness of Proposition 1.

In the closing 48 hours of this legislative session, more than 700 bills were passed and sent to my desk---most of them in a 21-hour all night session that went on until 6 a.m. You would have had to see the confusion to believe it.

There was no reading of the bills in the scramble to close the session and go home. Amendments were made with few even knowing what they contained.

Among the bills were spending measures that would have added \$253 million to this year's budget, and \$350 million next year. Had these not been vetoed, we would now be faced with an immediate tax increase instead of asking you to vote yourself a tax cut. Of course, none of the authors of those spending measures pointed out that they would require new taxes.

That is how government grew to its present size and how it will continue to grow. As an example, in this recent session a bill was proposed that would by itself have increased spending \$400 million to begin with, increasing to almost \$1 billion in just four years. Again, there was no mention of the tax increase that would have to accompany such an increase in spending.

Why should a legislator or a congressman be allowed to introduce a spending measure without at the same time proposing a tax measure to pay for it? Too many politicians want the credit for giving something to someone, but do not want to face the unpleasant truth that for someone to get something he has not earned, someone else must earn something he does not get.

I am sure you have a concern that government must be capable of fulfilling its legitimate responsibilities. Therefore, you want to know at what sacrifice have we made our economies. In these several years, when so much spending has been vetoed, we have at the same time provided increased support for education---almost three times as much as inflation and the increase in enrollment put together.

Our support of community mental health care centers has gone from \$18 million to \$140 million. We have increased welfare payments to those who really need our help by 30 percent.

The state scholarship fund is almost eight times as big as it was seven years ago.

California state government is operating better than it ever has and two-thirds of our budget is committed to local government support. Six years ago it was only one-half.

But we are proposing Proposition 1 because the total income of the people of California has been going up an average of $7\frac{1}{2}$ percent a year for the last 20 years, while the state's spending has increased 10 percent a year.

More than a year ago, I appointed a task force to find a solution to this, since six years of cut, squeeze and trim was obviously not an answer. The task force asked help from the Department of Economic Affairs at UCLA (one of the best such departments in the country).

The reaction was astounding. These men, all experts in their field, were delighted to help. They said they had given up hope that any government would take this problem on. Through them, the foremost economists in the country from government universities and colleges all over the nation were recruited to help. It was their consensus that government spending was out of control in America and that the runaway must be stopped or our entire economic system was in mortal peril.

Proposition 1 is the result of their research lasting almost a year. It is a fail safe plan to gradually reduce the percentage of the people's earnings now being taken by the state without curtailing state services or support for local governments. Indeed, it insures ample funds for new programs and innovations.

Do not be taken in by the consortium of lobbyists, politicians and big spenders (of your money) who have mobilized to defeat this plan by any and every means. They are not opposing Proposition 1 because they fear it will not work. They know it will work. That is why they are against it. They know it takes away their right to a blank check signed in advanced by the taxpayers. They would have you believe it is a tax shift; that we will reduce taxes at our level and raise them at another. That is not what they really think or why they are opposed. Quite the contrary, they know that Proposition 1 is a tax cut---period. That it will begin cutting your taxes January 1, and keep on cutting them over the next 15 years. In five years the sales tax, for example, can be reduced a full penny. In 10 years, by two pennies, or there can be a 60 percent cut in the income tax, or a combination of the two. They know also that it will put in your hands the right to limit the percentage of your income that government can take without your permission.

They would have you believe Proposition 1 is too complex for you to understand. Well, they understand it very well. That is why they are screaming. The only thing complex about it is the legal language that was necessary to close loopholes so future big spenders could not get around it. That did take a few thousand words, for those who sup at the public trough have developed the instinct of self survival to a remarkable degree.

A moment ago, I said they would resort to any means to defeat this once in a life time taxpayers opportunity. In the literature being ground out by a slick public relations firm is the charge that Proposition 1 makes it easier to increase local taxes. Some local government officials are opposing Proposition 1 for the very opposite reason---they say Proposition 1 makes it harder to raise local taxes.

If they really think 45 cents out of each dollar earned is not too much, will they tell us how much is too much?

Would they put a limit on taxes at say 50 cents?---55cents?---60 cents? Some economists predict government will be taking 60 cents in ten years and 67 cents in 15---if a free economy can survive such a tax load.

If the critics agree with the rest of us that taxes are too high now, will they tell us why they continue to add more and more spending and how they intend to reduce taxes?

On November 6, the taxpayers and the tax spenders will go to the polls. We know the tax spenders will vote no. What will the taxpayers do? I know one thing---if the people vote no every politician will take it as a vote for more spending. The lid will be off.

A yes vote will tell them the binge is over.

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(NOTE: Since Governor Reagan speaks from notes, there may be changes in, or additions to, the above quotes. However, the governor will stand by the above quotes).

10/19

OFFICE OF GOVERNOR RONALD REAGAN
Sacramento, California 95814
Ed Gray, Press Secretary
916-445-4571 10-19-73

RELEASE: P.Ms. FRIDAY
October 19, 1973

PLEASE GUARD AGAINST PREMATURE
RELEASE

EXCERPTS OF REMARKS BY GOVERNOR RONALD REAGAN
COMMONWEALTH CLUB OF CALIFORNIA
San Francisco
October 19, 1973

Once again it is a pleasure to appear before this very distinguished forum. Of course, there is not much left for me to talk about. Two weeks ago you were addressed by a speaker who told you all you need to know about Proposition 1, the Revenue Control and Tax Reduction plan you will be voting on November 6. In fact, he explained it with all the enthusiasm George III would have used in interpreting the Declaration of Independence.

There does seem to be a little controversy over Proposition 1. It is absolutely untrue, however, that if Proposition 1 passes it will rain on all the 49er home games. That is about the only thing our opponents have not said would happen. There is one thing the Speaker and I agree about---this is the single most important election ever held in California--perhaps in the nation.

If the people vote no on November 6, it will be taken as a go ahead by every big spending politician in America. They will decide the people are not concerned about taxes and the lid will be off on government spending. A "yes" vote could start a wave that would dampen the urge to spend at the local level and in Washington.

As you are well aware, ours has not been known as a spendthrift administration. Seven years ago when we started, I had a belief that government could be run on the same rules and principles that apply to the running of a business or even a home. That belief has been confirmed. We have cut, squeezed and trimmed; when there were surpluses as a result of those cuts we returned those surpluses to the people in the form of bonuses or rebates. Now it has become possible to reduce taxes on an ongoing basis. But we have not neglected those functions which are properly government's responsibility. We have doubled the California Highway Patrol and it has taken over policing of the freeways, freeing local police for crime fighting duties. We have one of the lowest fatality rates of any major state. A California freeway is one of the safest places to drive in the United States. We have increased support of local mental health to seven times what it was. The state scholarship fund is almost eight times as great. And state support for public schools has increased 92 percent while enrollment has gone up less than 6 percent.

None of these increases in spending met with resistance in Sacramento. But the economies that made these increases possible were opposed vehemently and our rebates of the surpluses brought hysterical charges that fiscal chaos would be the result of such foolishness.

We did not have it any easier with the property tax reform which will be evident later this month when you get your tax bill. Additional savings for senior citizens have been adopted, renters have been given tax credits and the inventory tax has been cut in half. We have even cut bridge tolls 11 times.

Before we get too upset by the dire predictions of what will follow passage of Proposition 1, maybe we had better recall what the same people were saying about our welfare reforms and what catastrophe would follow their adoption. I am sure you remember welfare reform.

Our projected reduction in caseload was challenged by the legislative analyst. He said our budget was out of balance. We were told that a tax increase of more than \$700 million was an absolute must. We disputed all those predictions, including his claim that our welfare reforms would increase local property taxes because general county relief caseloads would go up.

Our own welfare caseload was increasing by 40,000 a month when we started our reforms. Today, there are 365,000 fewer people on welfare. We did not have a \$700 million tax increase or deficit---we had a surplus; county relief went down, not up; 42 counties reduced their basic property taxes last year and 45 have done so this year.

I submit we have some grounds for challenging those same people who now are predicting fiscal chaos and increased local property taxes if Proposition 1 is passed.

I have told you all this because it really sets the stage for the issue involved in Proposition 1. There is a fundamental philosophy involved over the role government is supposed to play in the lives of our people. On November 6, we will be choosing between government by the consent of the people and government ruling the people through the power of taxation.

But this is not a partisan issue even though the opponents of Proposition 1 have tried to portray it as such. Some distinguished Democrats are volunteers on the citizens committee in support of the initiative. This week a half dozen Democratic members of the Los Angeles City Council joined their colleagues in voting to endorse Proposition 1. The dean of the state Senate, who for 30 years has been a member and now is chairman of the Senate Finance Committee, Democratic Senator Randy Collier, announced his support of Proposition 1 and his belief that it was a last chance to halt runaway spending.

No one can stand before you and deny that excessive government spending is the direct cause of inflation. And no one can deny that when government's excesses are restrained, inflation is curbed. In the six years before our cut, squeeze and trim administration, California's rate of inflation was higher than the national rate. In five out of the last six years, inflation has been lower in California than in the rest of the nation.

There is an almost geometric inverse relationship between taxes and inflation. The pre-war dollar is now worth less than 33 cents and yet government has increased the share of total personal income it is taking from 15 percent in 1930 to almost 45 percent today.

Last year the total earnings of the people of California amounted to \$102.2 billion. Of that amount the people of California paid \$45.7 billion as their share of the cost of government---federal, state and local.

If the historic trend of the last few decades continues uninterrupted in 15 years, government will be taking 67 percent---if a free economy can survive a tax burden that tops two thirds of the people's earnings.

We appointed a task force last year to find a way to provide permanent, lasting tax relief for our citizens. This task force was unique in that it included some of this country's most distinguished economists, men like Dr. Milton Friedman of the University of Chicago, Peter Drucker of Claremont College, Roger Freeman of the Hoover Institute, C. Lowell Harris of Columbia University and the Tax Foundation, Dr. James Buchanan of Virginia Polytechnic Institute. Since Proposition 1 was announced, literally dozens of economists from all over America, hearing of it, have volunteered to help secure its passage.

They are convinced that government spending is out of control in this country and unless it is brought under some degree of reasonable restraint, we can never hope to halt inflation or solve our other economic problems.

For two generations, we have been drifting toward almost total government control of our economic life because government has been taking a larger and larger percentage of the people's income.

I have been asked why should I be so concerned? After all, federal and local taxes take most of it, far more than the state does. That is true. But I am not in federal government, or in local government. I am part of the government of California. So what is wrong with doing something to slow down the growth of big government at the state level?

If we find an answer that works, maybe the idea will spread as it did when we took on runaway welfare.

The federal government has adopted our welfare program and is urging other states to implement it. They have even recruited some of our California team to help them do it.

I make no apology for wanting California to be first in reducing taxes, systematically and permanently, without curtailing essential services or denying government new revenues to meet new problems that might arise in the future.

Proposition 1 provides for all this at the same time it slowly reduces the percentage of your income government can take in taxes without your consent.

There is a provision for emergencies, a reserve fund, and plenty of room for legitimate growth in the budget. Next year, for example, under the revenue limit, California can have a budget \$600 million higher than the present budget, if it is decided we need that much of an increase.

Spending for education, for mental health, for law enforcement, fire protection and all other essential needs is guaranteed by a built-in fail-safe system which provides that the limit or ceiling can never fall below what is necessary to provide the present level of services adjusted upward to meet growth and inflation.

The percentage by which your tax burden is reduced each year is set aside in a surplus and can only be spent in one way---it must be returned to the taxpayers as a rebate or in the form of a tax cut.

Why should government be permitted the unlimited power to increase taxes faster than the increase in your earnings? For 20 years or so, California's total earnings have increased $7\frac{1}{2}$ percent a year. State Government costs have gone up 10 percent each year.

Proposition 1 may be a new and radical idea to politicians, but it should not be to you. Every day of your life you have to live within your income or go bankrupt. Government has been balancing its budget by unbalancing yours. Proposition 1 simply takes away the politician's right to a blank check bearing your signature.

We asked the legislative leaders to put this initiative on the ballot last spring and to return in a one-time rebate the \$800 million surplus. They flatly refused.

So we had to take this matter to the people and we had to act fast---over a billion dollars worth of ways to spend the \$800 million had been proposed.

We qualified the initiative in one of the shortest time spans in history.

Only after the people claimed the right to vote on it and the special election was called, did the leaders of the legislative majority decide they would return the surplus to the people after all. They were very frank about the reason for their change of hearts. They wanted to take some of the attractiveness away from Proposition 1. Giving back the rebate was, in their eyes, the lesser of two evils. So you can thank Proposition 1 for having already given you a six months suspension of 1 cent of sales tax and about a \$400 million rebate in this year's income tax.

As I have already said, our attempts at saving money have aroused opposition. So I expected a battle over this proposal to limit taxes, but even so, I am afraid I was not prepared for the shrill hysteria and ferocity of those who rallied to protect their place at the public trough

They have resorted to falsehood, distortion and scare tactics claiming all kinds of dire results if this limitation plan should be approved, even though the specifics of the plan actually make impossible the things they say will happen. A slick public relations firm grinds out advertising that would have them up before the Better Business Bureau if they were selling soap.

Here is an example---a pamphlet: "Proposition 1 is based on an egghead theory that if you place a limit on state expenditures, your total taxes eventually will be reduced." Now---you know---somehow that does not seem so eggheady. There are some people who have to admit that 2 and 2 is 4 but they resent it.

Under a heading of "What Proposition Number 1 offers you" they go on to say, "Not one word to guarantee your taxes would be reduced." And yet Proposition 1 specifically states that each year for 15 years the percentage of your earnings government can spend must be reduced and the money not spent must be returned to you, the people, in either a refund or a tax cut.

Nothing reveals the blatant dishonesty of this campaign propaganda more than this statement---"Proposition 1 authorizes the legislature to permit local income taxes to be levied by any governmental unit from counties to mosquito abatement districts." Right now the legislature has the authority to permit such a tax by a simple majority vote. Proposition 1 will change that to require a two-thirds vote.

You have been told Proposition 1 is so complicated the people cannot understand it, but those who tell you this understand it. And because they understand it, they are against it. They know it is a tax cut, not a tax shift. It begins cutting your taxes on January 1 and continues to cut them for a number of years to come. They know too, that Proposition 1 says to the big spenders---of your money: "You no longer have a blank check. From now on you cannot confiscate the fruit of our toil above the limit we have set, without our permission."

In a recent article the Speaker of the Assembly asked: "Are we ready to trade a flexible and responsive system we command for one with an automatic pilot over which we have no control?" That "flexible and responsive system" is government's unlimited ability to tax; to meet not only government's needs but whatever else government wants. And the "we" he says commands this system is the government in Sacramento. The "automatic pilot" he finds so unacceptable because that "we" cannot control it, is the people of California.

Have we forgotten in these decades of more and more government that government can have no power except that voluntarily granted it by the people? Did the people ever intend that government should have the right to all we earn? Have the people so lost confidence in their ability to govern themselves they are willing to give that power to some chosen elite in the marble halls of government?

How have those who "command that flexible, responsive system" done as "commanders?" Seven years ago, this state was virtually insolvent. There was a fraudulent budget basing 12 months spending on 15 months revenue. The teachers retirement system was an unfunded liability of \$4 billion hanging over the taxpayers of the state. The great state water project was underfunded. Over these seven years, while we were cutting, squeezing and trimming, those who now oppose Proposition 1 (many of whom had a hand in the previous fiscal irresponsibility) continued to urge new spending! A billion dollars was added to the budgets we submitted. Another billion and a half dollars was passed and sent to my desk in separate legislation.

In the last 48 hours of the session just ended, more than 750 bills were passed, one every two minutes. An all day, all night scene of confusion became a burlesque of the Democratic process. Legislators who left the chamber returned to find they had been recorded as voting for measures while they were gone. When responsible legislators protested the farce, they were gaveled down and declared out of order. Bills were amended with no reading of the amendments.

And among the bills were spending measures adding \$253 million to the present budget, increasing to \$350 million in added costs next year. No revenue bill was submitted, but those bills would have required an immediate tax increase.

That is the record of those who would have you believe that what we are proposing will cause fiscal chaos. Given their way, the budget would be more than \$12 billion.

Instead, we blue-pencilled and vetoed.

The teacher's retirement system is now funded on a sound actuarial basis. The water program has been virtually completed without having to seek additional funding. The state is not only solvent, it has achieved an \$800 million surplus and an ongoing surplus---making possible a tax cut. There has been no increase in government size even though there has been a 30 to 40 percent work load increase. I believe we are not too presumptuous in suggesting that, on the record, we have a right to ask your support for this proposal to limit government's taxing power.

You have been told of all the organizations who oppose Proposition 1. They are all listed on this pamphlet. With but a few exceptions, they are organizations with a vested interest in government having unlimited funds. For the most part, the livelihood of their constituents is derived from government.

You have been told the League of Cities opposes Proposition 1 but this week the Los Angeles City Council voted to join the list of cities endorsing Proposition 1.

You have been told Proposition 1 will somehow be harmful to education, but the state Board of Education endorses it. The president of the San Francisco School Board, Dr. Hopp, supports it and the Secondary and Elementary Teachers Association of Los Angeles endorse it.

You have been told it will increase local property taxes, but the Apartment House Owners Association supports it and the California Real Estate Association, which has been fighting for a decade to lower property taxes, is working for its passage.

The Farm Bureau and the Cattlemen's Association support it. The Chambers of Commerce, the Federation of Independent Business supports it. The California Taxpayers Association and the United Taxpayers Association endorse it.

From all over the United States, scores of the most distinguished and respected economists have written offering their support. All endorse Proposition 1 as a sensible, workable plan for halting runaway spending by government.

This is not some radical hair brain scheme marking a departure from our representative form of government. It makes no change whatsoever in the balance between the branches of government. It is a restoration of our traditional concept of constitutional government, wherein the people ensure that we are governed by laws not by men. Was it Burke who said: "Never give any power to your best friend that you wouldn't give to your worst enemy?" Our Founding Fathers told us not to place our trust in men, but to bind their hands with the chains of a Constitution.

If 45 cents out of the working man's dollar is not too big a share for government to take will our opponents tell us how much is too much? Will they state where they would place a limit? At 55 cents---60 cents---65 cents? If they agree with us as some profess to, that 45 cents is too much, then what is their proposal for reducing the burden?

Ladies and Gentlemen, on November 6 the tax spenders fiercely guarding their place at the trough will go to the polls and vote no. What of the taxpayers? For the first time in the history of government anywhere they have a chance to vote to limit government's power to tax and spend.

Taxpayers vote yes---there may not be another chance. As the Speaker said, this is the most important election ever held.

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(NOTE: Since Governor Reagan speaks from notes, there may be changes in, or additions to, the above quotes. However, the governor will stand by the above quotes).

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OFFICE OF GOVERNOR RONALD REAGAN
Sacramento, California 95814
Ed Gray, Press Secretary
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RELEASE: P.Ms. WEDNESDAY
OCTOBER 24, 1973

PLEASE GUARD AGAINST PREMATURE
RELEASE

EXCERPTS OF REMARKS BY GOVERNOR RONALD REAGAN
LEAGUE OF CALIFORNIA CITIES
SAN FRANCISCO
October 24, 1973

As many of you know, our Local Government Reform Task Force has held a series of retreats for administrators and local government officials. The Council on Intergovernmental Relations has been holding its hearings; our task force has been busy gathering your responses to questions in the various areas being studied.

Three advisory committees have been established, and these are largely composed of officials representing local government.

The information gathering process is nearing a conclusion. And the task force is beginning the process of evaluating what has been heard from you and what our own people have learned about the problems and the suggestions you have made to improve local government.

I want to thank all of you who are participating in the work of the task force for your time and effort, and reaffirm to you that our goal is a stronger and more responsive local government, better equipped to meet its responsibilities.

The reforms we seek will not simply impose another layer of government. Our goal is the best possible government at the least possible cost.

Many of the problems you have are problems we face at the state level

Because yours is the branch of government closest to the people, we want you to be strong enough to deal with these problems. One area in which we share a common interest is that of collective bargaining involving public employees. I believe my position on this is well known.

I support the concept of local control of labor negotiations involving local government. And I am opposed to any action on the part of a higher branch of government that would interfere with or diminish the authority of locally-elected officials to handle their own labor negotiations.

Wisdom in government is not a one-way street that always runs downhill. More often, the higher up the ladder of government you go, the less common sense you find.

In all our separate jurisdictions we derive our ultimate authority from the people. And we have an obligation to make sure that in carrying out our responsibilities, we do so at a price they can afford.

In discussing Proposition 1---our revenue control and tax reduction plan---I realize that the leadership of your organization is on record in opposition.

I know some of you have already made up your minds. I also know that you are an association composed of individuals.

You are businessmen and professional people and only part time government officials. And with the pay scales of city councilmen what they are, I know darn well that many of you are giving a lot more to government than you are receiving. And all of you are taxpayers.

For the past seven years, I have hoped that we could operate state government in a way that would not add to your problems.

When we reformed welfare, you will recall, there were gloomy predictions that it would shift costs to the counties and their general relief rolls would go up. The legislative analyst said we were over-estimating the savings from welfare and he predicted a \$700 million deficit, which since we cannot print money in the basement, would have required a state tax increase.

Since our reforms were the result of a year long task force study, we had confidence in our projections as to caseload, cost and impact on counties.

Now we have had the reforms for two years. When we started, the caseload was going up 40,000 a month. Today there are 365,000 fewer people on welfare than when we started. County general relief has gone down.

Forty-two counties reduced their basic tax rates last year---and 45 counties did the same this year.

The same gloomy forecasts were made in property tax reform. Many of those now opposing Proposition 1, including the League of Women Voters, opposed last year's property tax and school finance reform.

Yet because of that reform, homeowners have their property tax exemption increased to \$1,750; school tax rates are being rolled back in districts throughout the state and the people will see the results of these reductions on this year's tax bills---if they already have not had their mortgage payments reduced.

Our schools are now getting the greatest single year increase of state support in history.

At the same time, we adopted a statute requiring the state to pick up the cost of any new service that is mandated on local government.

In the past, you are well aware of how often federal or state government has simply started up a new program and told you to pick up all or part of the tab.

Proposition 1 includes safeguards against that happening in the future.

--First, it puts into the Constitution the requirement that the state pay for any new or expanded programs it mandates on local government.

--The legislature would have to approve an appropriation to cover these increased costs.

--The property tax relief the state is financing would be fully protected. In fact, the protection will be strengthened by Proposition 1.

The legislature will retain the same authority it has now to adjust the tax structure, to close loopholes.

But it would not have the unlimited power to increase the net tax burden of the people, without their permission. That is the whole purpose of Proposition 1:

--To cut taxes now, at a time when we have a surplus and to gradually, over a period of 15 years, make it possible to reduce the percentage of the people's income taken in state taxes.

Over the past 20 years, state government spending has grown 10 percent a year while the earnings of the people have only gone up 7½ percent a year.

Obviously, this imbalance cannot continue without coming to a day when government will be confiscating all the fruit of our toil and right now we are almost half way there. Government at all levels---federal, state and local---is taking about 45 cents out of every dollar earned in California.

Proposition 1 has built-in safeguards to allow state revenues to grow in number of dollars at the same time taxes take a declining percentage of total personal income. This simply means that, over a period of 15 years, the increases in state government costs will be brought into balance with the increase in personal income.

That is not very complicated. In your personal finances or in your business you have to live within your income or wind up bankrupt.

For too long, government has been balancing its budget by unbalancing yours.

When I outlined this tax reduction plan to you last spring, I had already asked the legislature to put it on the ballot for a vote of the people. It is almost a routine action to permit the people to vote on Constitutional Amendments. But this year we had a budget surplus and this Constitutional Amendment proposed to give it back.

League of Cities

We ran into a basic difference in philosophy with some of the legislative leadership. They had other ideas on what to do with the surplus.

The idea of giving back the surplus suddenly occurred to them after the people qualified Proposition 1 for the November 6 ballot.

Giving it back became the lesser of two evils because it took some of the attraction away from Proposition 1.

Because Proposition 1 qualified for the ballot, a penny of sales tax is being suspended for six months.

Because of Proposition 1, there will be a rebate of this year's income tax, ranging from 100 percent at the lower end of the earning scale to 20 percent at the top.

The differences between those who are urging a "yes" vote on Proposition 1 and the opponents are not partisan differences. The Democratic chairman of the state Senate Finance Committee, Senator Randy Collier, is supporting this reasonable plan to bring the cost of government under reasonable control.

Contrary to what you may have been told, this does not pit one level of government against another. The Los Angeles City Council, the largest city in our state, has endorsed Proposition 1.

The critics say it will hurt education, although with this limit in effect we can triple our spending for education in 15 years. They imply that education in toto is against it. It is true that the governing bodies of a number of school employee organizations have taken official positions opposed. But organizations such as the state Board of Education, the Professional Educators, a number of local school boards and individuals the president of the San Francisco School Board and scores of scholars on our University campuses are enthusiastically supporting it.

Earlier this week, a distinguished group of city and local officials headed by Los Angeles Supervisor, Pete Schabarum, came out strongly in favor of this plan which they said would reduce the total tax burden of our people without curtailing services.

We are asking you to vote "yes" to cut taxes beginning with the 7½ percent income tax cut starting January 1. Those who want you to vote "no" intend for government to continue having a blank check drawn on the people's earnings.

You have been told this plan will raise local property taxes. But the statewide Homeowners Association, the Apartment House Owners Association and the California Real Estate Association, all of whom have research facilities and staff and all of whom have been fighting to reduce property taxes for years, heartily endorse Proposition 1.

You have been told this tax plan favors the wealthy. But it permanently eliminates state income taxes for every family earning \$8,000 a year or less.

The distortions and scare claims they have raised are the same kind of claims they made about welfare reform. And they have been proved wrong.

They were wrong about the welfare caseloads. They were wrong when they said local property taxes would go up. They are wrong now.

The real issue in Proposition 1, which they refuse to even mention, is the ability of a free economy to survive a staggering tax burden which no other society in all history has ever been able to survive.

The opposition claims they, of course, are concerned about high taxes---they just object to the plan we have proposed. That is what they said about welfare reforms---but somehow they never came up with a plan of their own. If they agree that 45 cents out of a working man's earned dollar is too much, what do they intend to do about it? And why have they tried to increase state spending by more than \$2.5 billion in these last few years? In the closing hours of the session just ended, they passed and sent to my desk \$253 million in increased spending to be added to the present budget. Had I signed those bills, we would have had to have an immediate tax increase. But they did not mention that.

If they do not believe 45 cents is too much for government to take, and their every action gives evidence that is what they really think, they just do not believe the truth would be very good campaign strategy. Is there a point at which they would agree there should be a limit? And what would that limit be?

We are told by the economists most involved with counseling government and business that government's share of our earnings will be as much as 67 percent in 15 years. If our economy can last 15 years under the ever-increasing tax burden. Where will our opponents set their ceiling---at 50 cents---55 cents---60 cents?

Not too long ago, the opposition came up with a few economists of their own which they announced with great fanfare. The silence since has been deafening. It seems their economists came too close to letting the cat out of the bag. They made it clear they favor using the taxing power of government to give government greater control over the earnings of the people. One of them has written a book expressing his belief that government should take more in taxes because government can spend the money more wisely than the people can.

Another, quoted as an authority on government financial affairs, was a chief architect of the federal policies---the unbalanced budgets, the income tax surcharges, the guns and butter philosophy that helped cause the inflation and high tax burden we have now. He has been quoted as saying he did not believe the American taxpayer was being "squeezed dry" by taxes.

On our side, we have unsolicited letters from more than 40 of the great economists of the nation offering to help in any way they can. Paul McCracken, former chairman of the President's Economic Advisory Board, now at University of Michigan, has written: "the political process is unable to exercise the discipline necessary to keep taxes from increasing faster than the people's earnings."

Dr. C. Lowell Harris of Columbia University: "one of the greatest needs in American government today is control of the growth of spending." Dr. Martin Anderson of the Hoover Institute at Stanford says: "this plan offers the people of California a clear opportunity to not only stop the increasing tax burden but also to reverse it. It is a truly innovative, sensible tax reform plan. It will mean more money in the pockets of Californians to be spent for things they personally value and less money for government bureaucrats to dissipate." He goes on to say that Proposition 1---"may be the only viable alternative to keep us from a future fiscal crisis that could severely damage each and every one of us."

Politics makes strange bedfellows. Last year, both the Assembly Speaker and I criticized the distortion of the campaign waged against the coastline initiative. He happened to be for Proposition 20 and I was opposed. Nevertheless, I could not remain silent when the campaign firm resorted to advertising which did not fairly present our case.

This year, the opposition to Proposition 1 is being directed by that same campaign firm the Speaker so bitterly criticized just last year. Only one of us is criticizing their use of false statements and distortions this time.

I ask you not to be confused by the fraudulent charges and imaginary calamities that are being dreamed up as substitutes for rational debate.

Next year, the budget can go up \$600 million, not down, and that still leaves us with \$460 million in federal revenue sharing. And still, we would be within the limit prescribed by Proposition 1.

Four years ago, when I first began trying to get property tax reform I was advised against it on political grounds. It was pointed out that I would be increasing state taxes and the state budget in order to reduce property taxes at the local level; that people would not understand and I would be blamed for the budget increases. But you know and I know that the homeowner (and to a lesser extent the renter) has been bearing an unfair share of the tax burden. So we went ahead.

Last year we passed SB 90, increasing the sales tax to underwrite homeowner and renter relief. SB 90 added almost a billion dollars to the present budget. I am quite sure many people in California are not aware that state spending did not increase that much---that we simply shifted some of the burden from the narrow based property tax to a broader based state sales tax.

Having fought four years to make that shift, does it seem likely now that I would be proposing a plan to reduce state taxes by shifting them back to local government? A Senator who yearns to be governor is one who makes this charge. We could have had property tax relief two years ago if that Senator had voted for it and you will recall we only failed by one vote that time.

Never has an issue been more clearly drawn. On one side are those who react hysterically at the thought of anyone threatening their place at the trough. On the other side are the people---those we serve---caught up in a spiral of higher and higher prices they did not cause and cannot cure. And by far the highest cost item in their entire budget is the cost of government.

Proposition 1 is a tax cut, beginning January 1, with continuing cuts over a period of years. Proposition 1 gives to the people the right to say to state government "above that percentage of our earnings you presently take in taxes, you cannot go without our permission." Provision is made for emergencies. Protection is given to other levels of government.

If the vote is "no" on November 6, it will be taken as a spending mandate by politicians all across this land. They will say the people do not care about taxes---that they want more government spending.

A "yes" vote will serve notice that the people do care and even the tax eaters in those puzzle palaces on the Potomac will have to take heed. Government has never before offered its people such an opportunity. I hope you will decide to be a part of this. There may never be another chance.

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(NOTE: Since Governor Reagan speaks from notes, there may be changes in, or additions to, the above quotes. However, the governor will stand by the above quotes).

11/12

PLEASE GUARD AGAINST PREMATURE
RELEASE

EXCERPTS OF REMARKS BY GOVERNOR RONALD REAGAN
AMERICAN ASSOCIATION OF STATE HIGHWAY OFFICIALS
LOS ANGELES
November 12, 1973

In recent years, most of us have become a great deal more concerned about the necessity of protecting the environment, and we have been doing something about it.

We have been trying to eliminate air pollution, clean up our water, protect the scenery from unnecessary encroachment by construction projects, including highways. Literally millions of dollars have been and are being spent to fight smog, eliminate water pollution, and to otherwise preserve and protect the environment against unnecessary intrusion by the activities of man.

Any reasonable person would say that we have been moving vigorously to do what we can to protect the environment in almost every activity that could possibly contribute to pollution.

No one had to send us a message from Washington to tell us we had a smog problem. It was a Californian who first discovered the origin of smog and its link to automobile emissions. And California was the first state to do something about it.

The smog control laws we have adopted at the state level are the toughest in the nation. And they are getting progressively tougher, as technical developments offer more opportunities to reduce air pollution.

We have been just as tough on other forms of pollution. We are determined to clean up the air and the water and preserve the great natural beauty of our state.

But it seems no matter how much we do, there is still a very active fringe element in the environmental movement that never seems to be satisfied. Orderly progress in solving this very complex problem, in a way that does not paralyze the economy, is not enough.

There used to be an expression---"stop the world, I want to get off"---now it is a movement; they want to stop the world and put us off.

The voices of reason are being drowned out by the prophets of calamity. A strange sort of no-growth, no development syndrome is proposed without regard for the consequences this might have on the lives of our people or the vitality of our economy.

There seems to be an organized, well-financed lobby determined to preserve the natural habitat and comfort of every species except man. Well, it is time to remember that we are ecology too.

Highway Officials

They can tell you how many bird's nests may have to be moved by a freeway, down to the last piece of straw or mud. But they ignore the fact that there are 208 million people in America, most of them in cities and urban areas.

Contrary to what some might have you think, most of the daily traffic we have in our urban areas is for a very necessary and practical purpose.

Fifty million citizens drive their cars to work each day. And if they are to maintain their prosperity, they must have highways and roads to drive on. We must find the fuel and electric power to drive those vehicles, along with the rapid transit systems we are trying to develop to ease the burden on the private automobile and the roads.

America must have oil and power to heat and light the homes where our people work, the schools their children attend, the hospitals that heal the sick and the factories and industries which provide job opportunities for our people.

It is high time we strike a more realistic and reasonable balance between the need to protect the environment and the equally urgent need to have an efficient, functioning transportation system, including highways, with sufficient fuel to meet the needs of a modern industrial economy.

Certainly, we are going to do all we can to eliminate pollution. We must and we should seek cleaner fuels and engines that do not cause smog. But while we are doing this, we must also consider the economic needs of our people.

It will not do anyone much good to have a smogless car if there are no roads to drive on or if they cannot get enough fuel to drive, either because of a shortage or because it has become too expensive to operate a car.

Right now, America is caught between two whirlwinds forcing potentially massive disruptions in our society, the effort to protect the environment and the world wide energy shortage.

The way we solve these problems can drastically affect the way we live, the transportation we use to get to and from work, even whether some of our people will be working.

And if you think that is an exaggeration, you are well aware that airlines have been forced to cancel flights because of a lack of fuel. Airline crews have been laid off from their jobs.

Highway Officials

Some of the self-appointed guardians of the environment freely predict that they will be able to create enough protest and controversy that America will not be able to build any nuclear generating facilities. And yet we know, if we do not develop nuclear energy, there will be massive power shortages that can cause whole industries to shut down. It may already be too late to avoid some brownouts.

Here in California, we have been trying to develop a rational policy for determining nuclear generating sites for several years. Yet there are those who apparently would prefer to close down schools and hospitals, and industries, rather than move forward with reasonable plans for providing our people the electric energy we need.

They never put it quite that bluntly. They prefer to suggest that we can do without what they call luxuries, such as air-conditioned cars.

An air-conditioned car or home may be a luxury to someone who lives in a colder climate. But it is not a luxury to someone who must live and work in a desert climate.

Some of the policies being proposed would have a national impact, even though the need for such drastic measures is really a major problem only in a specific area.

Los Angeles has a much more complex smog problem than other areas of the country. We have a geographic inversion problem that makes smog far more difficult to control here.

And this may well require more stringent controls.

But should the things we must do here be imposed nationally? Should the controls we need here be imposed on a small town in Montana? Should America, in the name of preserving the environment, condemn people to mass unemployment? Should the philosophy of no-growth impose an environmental strait-jacket on our economy, through the adoption of unrealistic restrictions and controls---by denying industry the fuel and power it needs?

The fuel shortages we are currently experiencing result from many factors: the growing demand for oil, the fact that we have not moved as promptly as we could have in developing our known oil resources in Alaska and in some offshore areas. But the higher cost of fuel can be traced to a more basic reason.

No one has yet found a way to repeal the law of supply and demand. Very simply, we have permitted the demand for oil to outrun the supply.

Highway Officials

Those who blocked construction of the Alaskan pipeline did so in the name of the people. But the people they say they represent now must pay higher and higher prices for fuel because our oil industry has not been permitted to develop our available energy resources in a reasonable and orderly way.

Everyone here is undoubtedly familiar with the program of the Environmental Protection Agency. We have some reservations about some of these plans and we have communicated our concern to Washington.

Because it is such a complex subject, it is not my purpose to dwell on the particular guidelines that have been suggested, either for our state or other areas.

But there is one element in many of these suggestions that I find disturbing, unrealistic and decidedly unfair. That is the tendency to apply economic sanctions, to impose an economic penalty as a major tool in the effort to solve the pollution problem.

California already is far ahead of most of the rest of the nation in adding technical devices to control smog. We have welcomed every development that industry has come up with to control smog.

But now, in fairness to our people, in recognition of the realistic limits of existing technology, it is time to start asking some very serious questions, especially in view of the fuel shortage.

The California scientist who discovered smog has questioned whether the catalytic converter might do more harm than good.

Even some researchers for the Environmental Protection Agency are raising serious objections to this device, which is scheduled to be introduced on 1975 automobiles in our state.

Should government mandate this type of device before these kinds of serious reservations are fully resolved?

There is no doubt that smog control devices have helped reduce automobile emissions where they have been required. But there is also no dispute that in doing so, the automobile engines have required more fuel, at a time when we face a fuel shortage.

Have we now reached a point of diminishing returns, where the increased fuel consumption caused by some devices causes equal or even more smog---where the adverse impact outweighs the benefits?

We have heard proposals to drastically curtail automobile traffic, even though some of them would mean a virtual paralysis of the economy of the areas affected.

Worst of all, some of these solutions are not based on technical advances that offer a realistic means of permanently eliminating air pollution. They are temporary expedients, economic penalties that would be imposed on those citizens who must drive their cars.

There have been suggestions that a surcharge be imposed for downtown parking, for higher taxes on automobiles, for steps that would mean higher gasoline prices to limit driving, even for gasoline rationing itself.

All of those may help temporarily. But they are not permanent solutions.

And most of them hit the average citizen where it hurts most, in the pocket book.

We must do all that we can to eliminate air pollution and we must encourage the technical development necessary to accomplish this.

But I do not believe the answer will be found in mandating unnecessary new costs on the motorists, by forcing people out of their cars because government makes it too expensive for the average citizen to operate his own car.

The ultimate answer to air pollution is through technology. And that answer is far more likely to come from the engineers in the factories, not from the economists in Washington.

Providing an effective mix of transportation systems is one of the most critical problems facing most states and ours is no exception.

We now have a single Department of Transportation, which includes all modes of transport. And it is working to assure that Californians will continue to be served by effective and efficient means of transportation.

Highways are an essential element. Perhaps it is time that those of you in this particular area of transportation become less defensive and more aggressive in pointing out the beneficial impact of America's network of highways and roads.

There has been far too much mythology about the so-called adverse impact of highways and not enough of the facts about how vital our highways are to the prosperity, convenience and well-being of our people.

We have the best transportation system in the world. And the main reason for that is because we have the best highways and roads.

There may be a need to be more selective in highway routes (and we have been doing that in California). But the country is not being swallowed up in concrete as some would have you believe.

Highway Officials

--Since 1916, the population of the United States has doubled, the number of vehicles has increased 30 times, yet highway mileage has increased less than one third. In some areas, highways require less land area than we used for horses and wagons before the automobile was invented.

--The Interstate Highway system serves 93 percent of cities over 50,000 population, carries 19 percent of the nation's vehicle traffic and yet uses up only one percent of the land area devoted to highways and roads.

--The freeways, cast as the butt of so many jokes and the arch-villain to many environmental extremists, have made a massive contribution to traffic safety.

In our state, our street and highway program is supported by a tax on gasoline. That gas tax is looked upon as a fountain of riches by every special interest spending group.

The truth is, 93 percent of what we spend on highways nationally is spent to maintain and improve our existing network of roads, not for building new ones.

By improving our roads, by building fast-moving freeways, travel time has been decreased, and this helps reduce smog by cutting down the time a car is on the road between destinations.

--Ninety-eight percent of all the interstate routes have been accepted without serious controversy. In California we have rerouted highways to avoid encroaching on wildlife preserves or scenic areas and they have done the same thing on the interstate system.

--The fact that we have a modern network of freeways and interstate roads has saved literally thousands of lives. A freeway is one of the safest places in the world to travel by car.

California is proud to be the home of the freeway because we think our network of modern highways has served our people well.

The most important achievement is in the area of traffic safety. Since 1963, we have cut the traffic death rate from 5.2 per 100 million miles of travel to 3.9. Translated into human terms, that means that 8,648 fewer people have died on our highways.

The injury rate has declined from 237 per 100 million miles to 199.

A major reason for this is that we have had a continuing program of highway improvement. We have worked to eliminate dangerous curves, to eliminate all the traffic hazards that contribute to accidents.

Highway Officials

I am sure many of your states can tell of similar achievements. The point is: highways are a necessary part of any modern, safe and efficient transportation system.

We need a modern system of roads and highways to carry our people to and from work, to haul the products of our industries and farms to market, to help maintain a dynamic and prosperous economy and to make travel safer for our people.

That is a legitimate and valid goal. It is something that government must recognize, just as we recognize the need for legitimate and realistic steps to protect and preserve the environment.

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EXCERPTS OF REMARKS BY GOVERNOR RONALD REAGAN
CALIFORNIA CATTLEMEN'S ASSOCIATION
RENO, NEVADA
December 14, 1973

Today, it seems there is a shortage of almost everything except problems. There is the energy crisis, inflation, the whole economic situation. And the pessimists and doom-criers who thrive on crisis are out in full force. Well, it seems we have a choice. We can be like a coyote sitting on a sharp rock howling with pain and too lazy to get up, or we can move around and see if things really are hopeless.

For one thing it is time to stop depending on foreign sources for our oil and energy needs and do whatever it takes to become self sufficient. And if we are going to be successful in this, we are going to have to get away from the idea that government has all the answers.

We all have to budget our time and our resources every day, whether we are ranchers or businessmen or a housewife trying to keep her household expenses in line.

Establishing priorities is just as necessary for a state or a nation as it is for the individual or the businessman.

With 6 percent of the world's population, we have been using about 35 percent of the world's energy. And if we are honest with ourselves, we know we have been wasting some of that 35 percent and can conserve some of it by doing things a little differently.

We have had more than a generation of sustained economic growth and we have reached a level of affluence never equaled in the history of man. The living has been easy. Now we face some complex problems and we will learn whether we have the fortitude and stamina to deal with them.

For years, we have been accustomed to a continuing increase in personal income and an even faster growth in the array of consumer goods and services available to spend it on.

But lately, with everyone's take home pay being caught in the crunch, we have discovered that a lot of this growth in gross income is not real. It is inflation. Yes, we are earning more, but inflation is reducing the value of what we have left and government takes a bigger and bigger share in taxes.

And yet we hear suggestions to give government a little more authority and control. That is more than a little ironic because the increase in government cost since World War II largely started the whole thing.

What some of our people seem to have forgotten is the fact that America's prosperity was not a gift from government or anyone else. Free enterprise, not government, is the source from which our blessings flow. Our high standard of living is based on a steady growth of the private sector, the expansion of our technical capacity, the growth of vast new industries and services. It is not some magic formula devised in the marble halls of government. The savings of our people, translated into constructive investments, freed the skill and ingenuity of our scientists, engineers, industrial managers, businessmen and the ranchers and farmers of America.

Our affluence is based on the sweat and toil of our people.

Now we will find out if the individual incentive that has kept America's economy growing all these years has been softened by affluence.

The danger signals are there.

Someone once said the most satisfying thing in life is to park on what is left of the other fellow's nickel. That is a clever wisecrack, but it is bad economics.

Too many segments of our economy, too many of our people, have become enamored with the idea that it is possible to park on the other fellow's nickel indefinitely. And I am not just talking about those unable to provide for themselves. There has been a dangerous tendency in the country to run to government for the answers and it extends to the top of largest corporations. Now we all see Congress trying to legislate the kind of automobiles Detroit can make and the industry invited this.

Sooner or later, the free time on the parking meter runs out.

During the past decade, agriculture, the industry you represent, is the only major part of America's economy that has been increasing its output fast enough to cover inflation and other costs.

Nationally, our rate of productivity, the amount of goods and services produced per man hour, has been the lowest of any major industrial nation over the past 10 years. And this, of course, has helped cause our balance of payments deficit and many of our other economic problems.

Your industry has been a leader in finding better ways of producing food, and discovering new markets. You have done this through your own research and marketing programs, without any federal assistance.

The major problem areas of agriculture have been in those very crops that have been subjected to the most federal controls, the market quotas and all the red tape and regulations that come with government interference in a free market economy.

All our people have been caught in the treadmill of higher taxes and inflation. But it was not the ranchers or the farmers who made a little planned inflation part of the nation's economic policy. It was government. For most of the past 43 years, government has been engaged in massive deficit spending, with little regard for the consequences.

Some of those who are now raising the greatest objections to the higher cost of food are the same elected representatives who voted for a policy of deficit spending, for government tinkering in the free market, for all the maze of governmental "solutions" that always seem to turn into problems.

It was not the rancher or the farmer who shackled agriculture with controls and restrictions and told us the way to prosperity is to grow less and charge more. It was government.

Government instituted the policy of taking land out of production and still some people act surprised when there are crop shortages.

The advocates of governmental solutions wonder why prices have gone up.

To pay higher taxes and to meet the higher cost of doing business, prices always go up. They have to, or the producers go out of business. Government is the only industry that can defy the laws of basic economics and get away with it.

That is because government can pass its deficits on to the people by increasing the national debt, or by raising taxes.

I do not know why we were so surprised by the energy crisis. Reasonable and responsible officials in both industry and government have been warning about the impending fuel and power shortage for years. We just were not listening.

There is a law of physics that says for every action, there is an opposite and equal reaction. Well, the same is true of lack of action. And the sad truth is: we have not moved fast enough in these past few years to develop the oil and energy we need to drive the tractors on the farms, to heat our homes and hospitals, to provide the power and fuel agriculture and industry must have to provide job opportunities for our people and to maintain our high standard of living.

We have established some environmental goals in a legitimate and perhaps long overdue effort to conserve and use our resources wisely and protect the environment, clean up the air and eliminate water pollution.

I do not believe there is any need to retreat from those goals. But in carrying them out, we cannot ignore the fact that this is a nation whose prosperity and survival depends on a sufficient amount of fuel and electric power.

We must balance environmental goals with energy needs. Saving the environment cannot mean calling a halt to all development, all construction, all drilling and mining.

Unless we are prepared to reconcile the competing needs of environmental protection and energy development, our entire economy is in jeopardy of grinding to a slow but inevitable halt.

Our people have always been willing to work together to meet a great national challenge. I believe they will meet the energy crisis with the same spirit of cooperation, compromise and determination.

In the past few months, we have heard quite a bit about what we do not have in the way of energy resources and prospects. I think it is time we start remembering what we do have, in natural resources and in the technical capacity to find new sources of energy.

We have half the world's supply of coal.

We have enough oil locked in the shale fields of Utah, Colorado and Wyoming to last several hundred years. And we have also got the technical ability to find a way to get it out, economically and without undue damage to the environment.

The North Slope oil strike in Alaska a few years ago added hundreds of millions of barrels of oil to our known reserves. But development of this resource has been stalled and delayed because of the objections of a few.

What has been lacking is a sense of national purpose, a determination to get on with the job of making America self-sufficient in fuel and energy.

We can and should include environmental protection as a basic part of all our new development. But we cannot stop development altogether.

Until we achieve that degree of unity, until we decide as a people that America can and will do whatever it takes to achieve self sufficiency, we cannot hope to solve the energy crisis. It is time we get on with it.

They say a pessimist is someone who sees a calamity in every opportunity and an optimist is a fellow who sees an opportunity in every calamity. Well, I do not believe the energy problem is a national calamity yet. It just might be an historic opportunity for our country to again demonstrate the inherent strength of our system, by accelerating the technology we must have to meet our energy needs.

It will not be easy or cheap and like other problems we face as a country and as a people, the answer can be summed up within a four letter word: work. If we display the same kind of determination that enabled our country to build itself into the greatest economy in history, we can handle anything that comes along now.

We will not find the answers by looking always to government. We must start looking to ourselves.

A nation should not become everly dependent on some other country from the vital resources it must have. And a people should not become dependent on government.

In Sacramento, some very kind hearted people concerned about the squirrels in the Capitol grounds---decided to do something about it---a long time ago. For years, one of our legislators has been buying nuts to make sure they have enough to eat. He passed away, so another legislator recently took up the task.

The first day he went out with the walnuts he had trouble getting them to eat any. Plenty of squirrels and plenty of walnuts, but the squirrels were not having any. Then one of the bystanders who had been watching said: "You have to crack them first." They did and had the squirrels eating out of their hands.

America has the resources, the skills and the experience to meet all our needs, to feed and clothe our people, to maintain our prosperity, to meet whatever challenges we might face in the future.

But if we expect to do it, we cannot become too dependent on government or anyone else. We cannot be like those squirrels. We have got to crack a few walnuts ourselves.

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