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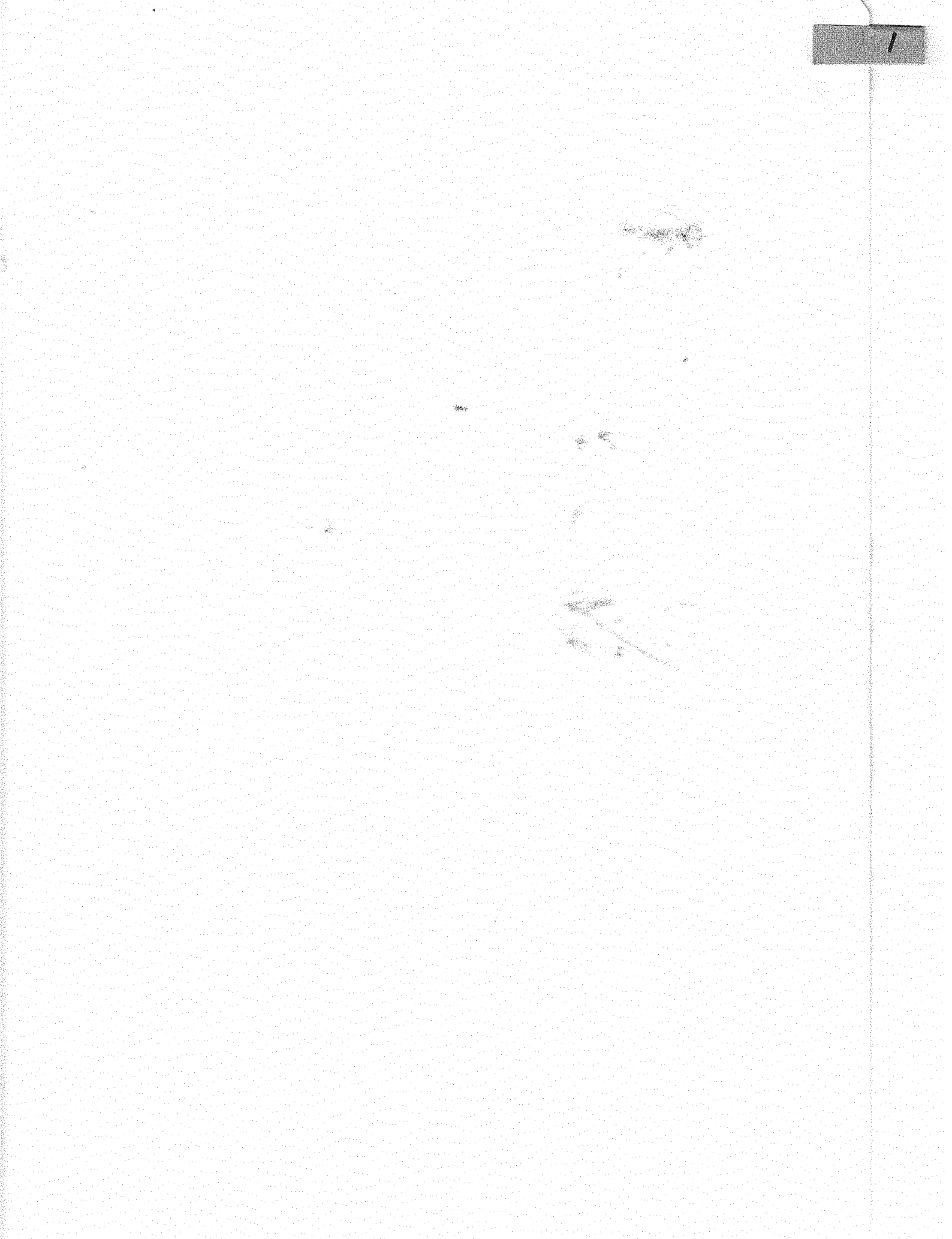
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**BUSINESS, BALLOTS AND BUREAUS**  
An address by  
**RONALD REAGAN**

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It may seem presumptuous to some of you that a person in my profession would address you on the serious affairs of business and the world today. It would be strange if you didn't feel that way. We in Hollywood are well aware of the misconceptions and the highly-colored views that our fellow citizens have about us.

In the past few years we have come to the realization of how much we ourselves have done to contribute to these misconceptions and how high is the cost of such short-sightedness.

The making of motion pictures is basically a first-generation business. For the most part, the men who run our studios are the men who started this business. In their lifetime they have built an industry of almost 3 billion dollars capital investment in America, which gives a livelihood to a half-million of our fellow citizens. They have captured for the Hollywood product some 70% of the playing time of all the screens of the world. They have done it in spite of restrictions in almost every country on the number of American movies which can be played, limitation of playing time and forced subsidization of the foreign motion picture industries. This subsidy is taken from the profits remaining to us after almost confiscatory taxes levied only against the American films.

In the negotiations leading to such arrangements, on our side of the table have sat private American businessmen. On the other side of the table -- representatives of the foreign governments. Never once have we asked for the weight of government on our side. We have a sneaking suspicion in Hollywood that when you ask the government for help you wind up with a partner.

That suspicion is not without some foundation. For almost a decade the motion picture industry has been fighting adverse economic weather while the rest of the nation's economy flourished and boomed. Many theories have been advanced to explain the movie slump, but rarely has anyone touched upon the part our own government played in destroying the vitality of an entire industry.

For some 30 years following World War I the motion picture industry followed a pattern of vertical structure. Several large studios controlled the product from raw material to consumer. With contract lists of artists, fully manned studios, world-wide film distribution organizations and chains of theaters, they gave the industry a stability that carried it through the great depression and World War II.

It is a stability we no longer enjoy. In 1948 the Supreme Court handed down a decision separating the ownership of theaters and studios and eliminating our sales system of block booking. One anti-trust authority in Washington called it the greatest experiment by government in the vertical disintegration of an industry in the history of the Sherman Act.

The result of that experiment is that motion picture employment today is 43% of what it was in 1948. Our wage scale, once one of the highest in Los Angeles County,



is now one of the lowest and the ruling caused virtual elimination of permanent employment and the contract system. Now 26,000 people in our community work on a free lance system, alternating between temporary employment on single pictures and the windows of the unemployment insurance office. Our lack of attraction to new employees is evidenced by the fact that only 6% of our manpower is under age 30 and 50% is over age 50.

But as I indicated earlier, we must accept a certain responsibility for all this. For almost half a century our industry concentrated on publicity and not public relations. We never refuted the gossip mongers, the bigots and the publicity-seeking demagogues. We made no effort to correct the misconceptions about us. Indeed, we followed the old Barnum philosophy of "never mind what they say--so long as they spell the name right."

We paid so little heed to the business climate in which we existed that we soon became a sort of village idiot on the industrial scene. When this happens, you automatically become the target for all those who seek to impose their thinking on others through rule and regimentation. You become the victim of government harassment and interference and its twin evil, discriminatory taxation.

Hardly a year goes by without some anti-trust or anti-monopoly action and certainly no election year goes by without an investigation. Censorship in defiance of our principles of free speech, exists in a third of our states and more than 200 cities.

Sometimes our best comedy efforts are watched. A few years ago one senator actually introduced a bill establishing a permanent committee of congress which would sit in judgment and license motion picture actors on the basis of their morals. Without a license you couldn't be in a picture. We thought that one was pretty funny because at the time there were two senators in prison and no actors.

A few months ago an announcement was made that the motion picture industry, against its will, had given in to our State Department to make available for showing in Russia, our motion pictures. We did this under protest, knowing from experience with communists, that our movies when they leave our control and go into Russia, will be distorted, edited and redubbed and then used as anti-American propaganda. In return for this, our doors are to be opened for admission of Russian motion pictures. And ours is the industry that a few years ago was being investigated because our government charged that we were allowing our screens to be used for Russian propaganda.

Actually, it is not my purpose to dwell overlong on the problems of the motion picture industry alone. These remarks are introductory to problems shared by all of us.

### "Collectivism"

There has been a revolution in our time and if I had to choose one word to describe the salient characteristic of this revolution, it would be collectivism. It is the tendency of all of us to turn to the government for the answer to everything. The weapon of this revolution has been the tax machine. Motion picture tickets were taxed because they were a luxury, a frivolity. It was an easy way to pay a tax. Today forty-six per cent of a package of cigarettes, sixty-eight per cent of a bottle of liquor, thirty-one per cent of a bottle of beer is tax. Does it stop with the frivolities and luxuries

which obviously we could do without? Not at all. Thirty-four per cent of your phone bill, twenty-seven per cent of the gas and oil you use and more than a fourth of the cost of the automobile you drive consists of direct and indirect taxes. The Hotel Association recently revealed that taxes on hotels amount to \$1.93 per room each day.

We have seen the income tax laws, in our lifetime, go from thirty-one words to more than four hundred and forty thousand words. These laws have become a gigantic hodgepodge of contradictions so complex that even the ordinary man in the street must now get legal advice to help him compute his tax. In fairness, I must say that the government has adopted a simplified form, called the Form 1040. It is designed for those in the lower income tax brackets so they won't have to get legal advice in figuring out their return.

### Simplified Tax Forms

Recently it was found necessary to print a pamphlet of instructions as to how to fill out the simplified form. I am going to read just one sentence I found in those instructions on page 8. It is entitled, "Additional Charge for Underpayment of Estimated Tax," and it says--and this is one sentence:

"The charge with respect to any underpayment of any installment is mandatory and will be made unless the total amount of all payments of estimated tax made on or before the last date prescribed for the payment of such installment equals or exceeds whichever of the following is the lesser--

"(a) The amount which would have been required to be paid on or before such date if the estimated tax were whichever of the following is the least--

"(1) The tax shown on your return for the previous year (if your return for such year showed a liability for tax and covered a taxable year of 12 months), or

"(2) A tax computed by using the previous year's income with the current year's rates and exemptions, or

"(3) 70 per cent (66  $\frac{2}{3}$  per cent in the case of farmers) of a tax computed by projecting to the end of the year the income received from the beginning of the year up to the beginning of the month of the installment payment; or

"(b) An amount equal to 90 per cent of the tax computed, at the rates applicable to the taxable year, on the basis of the actual taxable income for the months in the taxable year ending before the month in which the installment is required to be paid."

There are 212 words in that sentence. Don't ask me to interpret it. I had a heck of a time reading it.

We have accepted the principle of the graduated surtax on personal

incomes as in keeping with the democratic theory that those best able to pay should remove, as much as possible, the burden from those least able to pay. Actually, in practice it represents a discrimination against individual effort and ability such as has never existed for any long period of time in any large scale civilized community. Nor is there any ratio between the penalty imposed on the individual and the government need for revenue. The total revenue from all personal surtaxes is around \$5 1/2 billion. Above 50% it drops to \$2 1/2. Above the 65% bracket the government grosses less than 1/4 of a billion dollars.

### The Danger Zone

This entire theory of progressive tax was spawned by Karl Marx more than 100 years ago. He gave it as the necessary basis for a socialist state.

Karl Marx said that the way to impose statism on a people, socialism on a country, was to tax the middle class out of existence. Let me call to your attention that the steepest increase of surtax rates occurs through the middle income brackets where is to be found the bulk of our small businessmen, our professional men, our key executives, our skilled workers and many of our farmers. Thirty-four per cent at \$8,000 of income, forty-three per cent at \$12,000, and it reaches the fifty per cent mark at \$16,000 of income. Does it really relieve the small taxpayer?

The average family income of America is around \$6,000. Don't stop there, go down to the man making \$3,500 a year gross with a wife and two children. Compiling his direct and indirect taxes, out of that \$3,500 gross income, \$1,045 will be paid in total taxes in this country.

We have been told by our economists down through the years that if the total tax burden of our economy ever reaches twenty-five per cent, we are in danger of undermining our private enterprise system. Today, the total burden is thirty-one cents out of every dollar made in the United States. Of that thirty-one cents, twenty-three cents goes to Washington. Only eight cents are left at the state and local level to pay our teachers, firemen, and policemen and for streets, sewers and all the services of our daily lives.

In 1955 George Humphrey, then Secretary of the Treasury, told a Congressional Committee that tax rates were too high and if they continued for any length of time he did not believe our free economy could endure. In 1957 Colin Stamm, head of the tax advisors to the Joint House and Senate Committee on Taxation, told that committee that he didn't know where they could raise a single additional billion dollars without very serious consequences to the American economy.



## Socialistic Influences

A few moments ago I referred to the tax machine as a weapon no longer used solely for revenue but in the dangerous realm of pressure and policing. It is no secret that the advocates of government ownership of power have dropped all pretense that this government invasion of business is only for the purpose of filling a need where it is impractical for private enterprise to do the job. One only has to read the TVA literature boasting of the lower rates charged for government produced power to know that the ultimate aim is the elimination of privately owned utilities. This is the background of the present controversy over atomic power plants.

For some time private utilities have fought back in a program of institutional advertising, pointing out that the difference in rates is exactly equal to the taxes they must pay and which of course are not paid by government-owned businesses. Within the last year the Bureau of Internal Revenue ruled "such advertising could not be deducted as a legitimate expense for tax purposes."

Lest the utilities feel lonely, let me point out that doctors and physicians who associated themselves to oppose the rising tide of socialized medicine have been informed by the Bureau, and I quote, "opposing socialization of the medical, or other segment of the economy, or supporting the principles of individual liberty and freedom of individuals in the medical profession, or elsewhere, are not, in our opinion, per se educational functions or objectives and you are not entitled to exemption of federal income tax." Do we need to spell it out any more clearly than that?

## Rising Budgets

More than a year ago we were confronted with our first \$74 billion budget. For the first time a ground swell of resentment rolled across the land and began to assume the proportions of an organized demand for economy and tax reform. But those who sup at the public trough exist on a psychology of crisis and emergency and just in time they were saved by the bell. The Russian Sputnik went into orbit. Now, of course, we needed more spending and more taxes, as if high taxes alone could defend our shores. Nevertheless, with typical self restraint, the American citizen sat back, for defense he would sacrifice. Then our own satellite soared into space and the crisis was lessened--but by this time there was a recession and the "big spenders" kept the same tune and just changed the lyrics. In the face of a declining revenue and an obvious demand for economy, Congress embarked on what has been called by some of its own members the "most profligate spending orgy in our Nation's History."

There were individuals who disputed the theory that government spending stimulates business. More than \$5 billion in cuts were suggested, reducing the budget to some \$69 billion. The Chairman of the House Appropriations Committee said all of these cuts were still in the area of useless fat and had not scratched a muscle fibre. The cuts were defeated and \$13 billion was spent over and above the government's revenue. As the debt ceiling was raised, we were told it was all in the name of the twin emergencies--defense and recession. And is that true? Not according to director of the budget Maurice Stans who just recently stated with brutal frankness--"The deficit spending had nothing to do with (1) fighting the recession, or (2) improving our defenses." As a matter of fact less than 1/2 billion represented an increase in the original budget figure for military spending.

Strangely enough we are recovering from the recession at a rate astounding even the optimists and without the great multi-billion dollar projects urged as our only salvation. Actually our recovery is due to some "do-it-yourself projects" such as General Electric's Operation Upturn--an effort by American business, within the framework of our free economy, to solve its own problems without turning to government. Unfortunately, deficit spending was more attractive to Congress politically than the stimulant business would feel from economy and tax reform.

What a contrast with the recession of the early 1950's when in 1954 Congress cut taxes by \$6 billion and the immediate upsurge in our economy was so pronounced that by year's end the government's revenue had only dropped \$4 billion and the following year it increased \$8 billion, even at the lower rates.

## "Good" Inflation

The other day a Harvard economist blithely explained that a little inflation is necessary to an expanding economy. Unfortunately, this 2 plus 2 makes 5 philosophy is shared by many who swell along the Potomac. There is always one element they leave out of their figures.



True, our inflation for the last few decades has been only a few percentage points a year but, it is accompanied by a system of progressive taxation based not on the value of the dollar but on the number of dollars earned. So, as we earn more dollars to compensate for its shriveling value, we find ourselves in ever higher surtax brackets. Twenty years should be a fair period over which to take a sighting on how far we have climbed on that gradual inflation slope.

The dollar today is worth roughly half of what it was in 1939. The Professor I mentioned before thus says we only have to earn 2 for 1 to maintain our 1939 purchasing power. He must have a unique relationship with the Bureau of Internal Revenue.

If you earned \$5,000 a year in 1939, today you must earn \$14,000 to stay even and pay your increased surtax. A \$10,000 a year man then, must today be a \$31,000 a year man and \$12,000 of that will represent his increased income tax.

That individual who in 1939 had reached the \$50,000 plateau must earn \$335,000 to have the same purchasing power and of that amount, \$240,000 will be the increase in the government's share.

Does anyone care to project this same rate of inflation and our tax rates a few years ahead and even pretend to believe that private enterprise can continue? By 1975 the \$5,000 man in our first example will have to earn \$33,000 and the \$50,000 man will have to earn \$835,000.

### Uncontrollable Government

About a year ago I appeared before the House Ways and Means Committee on behalf of the motion picture industry, urging the adoption of the Sadlak-Herlong tax reform bill. Actually it was an experience like trying to go over Niagara Falls in a barrel the hard way--up stream! In an off-the-record session with a member of Congress, we were told the bill would never get out of committee because "it made too much sense." He said, "it cuts across so many lines and benefits people so generally that Congress isn't feeling any pressure from any particular group."

The Congressman made some other interesting comments. He told us the permanent structure of government has grown so big and so complicated that Congress can no longer police their activities. Congress must take the word of the bureau heads as to their functions, budgetary needs, etc.

### Waste

Suddenly, hearing this, many things became clear. We understand how Congress in one session can appropriate \$700,000,000 for a project to reclaim desert land and put it into fruitful farm production and a few hours later appropriate \$1 1/2 billion in soil bank payments to take farm land out of production.

An \$18 million highway is built in an Asian country where there are only 9,000 automobiles in the entire country. Sawmills lie rusting on a Middle East hillside because they can't handle the native wood. An electric pump is shipped to another area where there is no electricity.

## Land of the Free

People of the Amish faith in Ohio who do not and cannot (because of their religion) accept any form of relief, pension or payment from government find their bank accounts seized and their cattle sold at auction to force them into the Social Security program. This in a country where religious freedom is held so sacred that a man is excused from military service because of religious belief.

In Texas a farmer who sought to grow wheat on his own land for his own private use finds his property seized by the Federal Government. The Supreme Court upheld the government position that all farmers, whether they accept subsidies or not, can be ordered to cultivate their land in accordance with "quotas" dictated by a federal bureau.

In Michigan a young farmer in an identical case has become the first American to leave this land in search of personal freedom. He and his wife and children are Australia bound after the government sells his possessions to satisfy a judgement against him for growing wheat on his own farm to feed his own poultry.

By contrast the Congressional Record lists 2200 farmers who last year received payments ranging from \$10,000 to \$320,000 for not growing crops. Three rice growers received subsidy payments totaling \$3,400,000.

## Search for Sanity

Under the chairmanship of Herbert Hoover a commission appointed by two administrations tried to evolve a program of sanity in government. They described their task as a "fantastic nightmare of working in regimented chaos." The Navy buys sunglasses at \$5 a pair while the Air Force sells the same kind as surplus at \$1.25.

The government owns 2 1/2 typewriters for every employee who uses one. Office space for paperwork done by the government equals 1,250 Empire State Buildings. Still, 100 million dollars is appropriated by Congress for a third "house" office building. One Congressman speaking against this said it was not only unnecessary, but housing as it will one-third of the representatives, it pro-rates to a cost of \$375,000 for each Congressman's office space.

The government is engaged in thousands of businesses in direct competition with private enterprise. The Defense Department alone accounts for 2,500 of these in 47 different fields including ownership and operation of 150 ice cream plants. These thousands of businesses cost the government \$30 billion a year--almost the total amount paid in all the personal income tax.

## A Possible Solution

A few years ago Mr. C. E. Wilson, of General Electric, who had served as War Mobilization Director, suggested a plan so simple, yet so startling in its unanswerable logic, one can't see how it failed adoption. Mr. Wilson suggested

that the government allow American citizens to exchange their bonds for shares of stock in the government-owned industries.

Their appraised value was about 10% of the total national debt so (1) the debt would be reduced by 10%, (2) the annual interest payments would be cut 1 billion a year, and (3) the government would be relieved of a \$30 billion cost each year. In addition, \$28 billion worth of tax free industries would be added to the tax rolls to share the expense of government with the rest of us. The only reaction he got in Washington was a comment that it didn't look "smart politically."

### Saving Money Loses Votes

It is an axiom in Washington that Congressmen don't get re-elected for saving money. They get re-elected by telling their constituents how much federal spending they were able to secure for their district. For this we are responsible.

We have asked for and received a great many services and benefits under the general heading of "social progress," forgetting that every service we demand of government must be paid for in the loss of a personal freedom. In spite of this, I'm sure many of these government programs do reflect our Democracy and we would not buy them back at any price. Certainly no thinking American disputes the wisdom of building an economic floor beneath which none of our citizens should be allowed to exist. However, shouldn't we keep a wary eye on those social planners who are busy designing an economic ceiling above which no citizen shall be allowed to rise? Desirable as our dream of security may be, it should not be bought at the risk of putting wishbones where backbones should be.

More than 1,000 lobbyists are registered in Washington. None of them ask the government to save money. Virtually all of them are urging more government spending.

### Steps Toward Socialism

How many of us as veterans agree with the many things being urged by our various organizations in our behalf? We number some 25 million. Can we oppose socialized medicine as individuals while legislation for increased medical benefits for us and our dependents under the Veteran Administration Act is pending before Congress. This year some \$12 million will be spent enlarging Veteran Hospitals in Los Angeles county alone. Today, three out of four Veterans Hospital beds are occupied by non-service connected disabilities. Indeed, there are only some 40,000 service connected disabilities in the United States.

Add to this the program suggested for medical benefits to all on Social Security. The measure is estimated to cost \$6 billion the first year and \$25 billion a year by 1975. If this becomes law, socialized medicine will be a reality without our ever using the term.



If those who urge more compulsory health insurance and retirement benefits were honestly concerned with the peoples good, wouldn't they recognize the extent to which union plans, industrial pension programs and private medical insurance have met much of the need? More than 100 million Americans today have some form of medical or hospital insurance. Isn't it rather obvious that the continued pressure for more government in these fields is simply because of a belief, on the part of those exerting the pressure, that government must become Big Brother to us all?

A close parallel exists in the prediction made some years ago by Norman Thomas, presidential candidate of the Socialist party. He said, Americans would never knowingly accept Socialism. However, under the guise of "liberalism," one by one they would adopt socialistic measures until one day, without knowing how it happened, we would have become a socialist state. How far along this road have we come? Today more than 40 million Americans receive some direct payment from the government.

### Control of Education

The National Education Association with its \$900 million foot in the door gleefully announces a bill being readied for this Congress calling for \$4 1/2 billion in Federal aid to education. Federal aid at that price means Federal control. This too will be done in the name of emergency and defense, ignoring the fact that 500 colleges in America as of this moment can handle an additional 200,000 students without adding a single classroom.

Most communities are faced with problems of school expansion and underpaid teachers, but is the solution Federal aid? Wouldn't it make more sense to leave the money in the local community to begin with instead of putting it on a round trip through Washington where a certain inevitable shrinkage occurs.

### Bureaucratic Dictatorship

Already we have seen the growth of a collective dictatorship of internal power and bureaucratic institutions against which the individual citizen is absolutely helpless. This concentration of power, under whatever name and in whatever ideology, is the very essence of totalitarianism.

Early in our Nation's history a Frenchman cynically predicted our Democracy would last only until those in power realized they could perpetuate themselves through taxation. While it is true that neither political party has held uninterrupted sway, it is time we checked on the permanent structure of government. The two-party system--bulwark of our Democracy--is meaningless if policy is to be determined by bureaus instead of those chosen by ballot -- bureaus beyond the reach of any election because they are frozen into permanency by civil service regulations.

A House Sub-committee has just reported back to Congress on the 2 1/2 million Federal employees. The committee found that in 1942 there was only one top salaried executive for every eighty-nine government employees, today there is one for every seventeen. The committee further stated it found no evidence that any department or agency created to act on an emergency ever disappeared once the emergency ceased to exist.

The ridiculous truth is Congress can appropriate and spend with no reference to balancing its expenditures against the government revenue. Thus the Rural Electrification Cooperatives enjoying a virtual tax free status as they compete with tax paying private industry can call on the U.S. Treasury for loans at 2% interest and the Treasury must borrow this money in the open market at 4%.

### What Can We Do

What to do? It has been said that for evil to triumph it is only necessary that good men do nothing. There is something we can do. We can give our support to those individuals of both parties who still speak the old fashioned philosophy that the least government is the best government. Do not ignore the simple device of writing to Congressmen and Senators.

We must have the unselfish wisdom to not ask for economy in the other fellow's district while we rush to Washington for housing funds and airport subsidies in our areas. We can't protest the closing of a useless government facility in our town and cry for tax relief in the same breath.

Right now there are four specific issues on which we can take a stand. Rep. Cannon, Democrat of Missouri, chairman of the house appropriation committee, has introduced a bill calling for a 20% reduction in Federal employees without firing a single individual. His measure would put a freeze on hiring replacements until the reduction was effected. This shouldn't take long--the annual turnover is 375,000.

Secondly, Senator Byrd has introduced legislation which would put an end to the practice of "backdoor appropriations." Today Congress can pass a measure outside of the budget and give a government bureau the right to "collect on demand" money from the Treasury--money which the Treasury must borrow. There are \$7 billion worth of such measures before this session of Congress.

The Senator's measure will also correct the ridiculous situation now existing wherein bureaus and departments with unexpended funds can get new appropriations to add to these funds.

Third, Congressmen Herlong, Democrat, and Baker, Republican, have a tax reform bill before the Ways and Means Committee similar to last year's Sadlak-Herlong bill. This well-thought-out reform measure would, in five years, bring income taxes down to a 15% base and a 47% ceiling on surtax in place of the present 91% ceiling.



We are told we can't reduce taxes until we reduce government spending. I contend this is dishonest. No government in history has ever voluntarily reduced itself in size. Governments don't tax to get the money they need, they always find a need for the money they get. We must reduce the fodder upon which our government has fed and grown beyond the consent of the governed.

Fourth is the major battle shaping up over the budget. The spenders charge that the administration figure of \$77 billion is penny pinching and unrealistic in the present world situation. The truth is the budget is several billions too large. It represents a compromise in an effort to placate the spenders and lessen their opposition.

### Heed the Warnings

Are we to ignore the warnings spelled out for us in the words of the Kremlin leaders or are we going to wait and view them from hindsight as we did the warning in Mein Kampf.

Lenin said, "First we will take Eastern Europe, then the masses of Asia, then we will encircle the U.S. which will be the last bastion of capitalism. We will not have to attack. It will fall like an over ripe fruit into our hands." They have said over and over again they will use inflation, and force us to tax and spend our way into Socialism. Only a year ago Khrushchev told American newspapermen that in fifteen years we will have become so Socialistic that the causes of the cold war will have disappeared.

While we trust in the dedicated patriotism of our men in uniform to guard the ramparts of freedom, we have an obligation to see that those ramparts are not lost by default. Our Democracy, freedom, and free enterprise system are the sources of our strength. There can be no security anywhere in the Free World if there is not fiscal and economic stability in the United States.

In all the history of mankind there have been but a few moments of freedom--most of those moments have been ours. All of them have occurred in a Capitalistic system--indeed there can be no individual liberty without Capitalism.

We have been profligate with our yesterdays. It is late in the afternoon of the day of decision. Can anyone here be so optimistic as to believe our enemies within and without will allow us a tomorrow.



"IN LESS THAN THREE YEARS...."

Remarks by Governor Ronald Reagan  
REPUBLICAN STATE CENTRAL COMMITTEE  
Anaheim, California  
November 1, 1969

The last time we met under these circumstances, we were preparing for a campaign and our efforts culminated in the national victory and the inauguration of Richard Nixon in Washington on January 20th.

Well, thanks to all of you, we also have had some other victories to celebrate, only we got ours on the installment plan; four special elections, plus that big win last November. The best way to thank you, I think, is just to tell you a few of the things those victories -- and the Republican majorities in Sacramento -- have made possible.

### FIGHTING CRIME

We passed some of the most significant crime legislation in more than a decade. Many of the measures passed are the same ones that we have been trying to pass every year, only to have them buried in committee or defeated on the floor; thanks to you and that Republican majority, there have been some changes made in the committees.

We passed the presumptive limits law. This, of course, is a help to local law enforcement; we have established a level by which it can be assumed that a driver is under the influence of alcohol.

We passed the first anti-pornography laws that have been enacted in eight years. You know, it is a funny thing: through the years that Republicans have been trying to get these laws everyone was in favor of anti-pornography laws...if you could get them out of committee where everyone then has to vote in the light of day. Well, under the leadership of the former Speaker, it was pretty difficult -- if not impossible -- to get such laws out of committee. Once Republicans got a majority in the Assembly, we changed Speakers and started passing these laws.

### Drugs and Narcotics

We sought and supported tougher laws to crack down on the dope peddler and the narcotics pusher. Working with Republican leadership, Howard Way and Bob Monagan, we passed laws increasing the penalties for the possession and sale of dangerous drugs and narcotics; laws that permit the school principal to expel or suspend students who are caught selling narcotics on the school grounds, and laws which prohibit juveniles under 18 from going to Mexico without the written consent of their parents or guardians.

We established an Interagency Council on Drug Abuse. In a major creative society program, we organized a public education program of drug abuse which would have cost us two million dollars, except that the private sector donated their talent and their money to prepare the advertisements and publish the pamphlets. Now, radio

and TV stations and newspapers are running the ads on a public service basis -- without charge.

After we managed to gain a one vote Republican majority in both houses, we were able to pass some laws to curb campus violence. Laws that make it illegal for anyone disturbing the peace to return within 72 hours if he has been thrown off a campus. Laws that withhold state school and other tax financial aid from students convicted of illegal campus disturbances. Laws that make it first degree murder to plant a bomb that results in someone's death.

We have tightened the states' statutes against unlawful assembly; passed laws giving local authorities the power to control topless and bottomless entertainment and laws to protect those witnesses who are willing to testify on the activities of organized crime such as the "Mafia".

We have added 5 to 25 years to the prison sentence if the criminal was carrying a gun at the time of the commission of the crime. We have also increased the penalties for rape, robbery and burglary if the victim suffers bodily harm in the commission of the crime. And, we passed laws making it illegal for unauthorized persons to carry a loaded firearm into schools and other public places. (I hope the Sierra Club will take note that the teachers have now been added to the list of the protected species.)

The opposition -- whose veracity decreases as its volume increases -- cites crime statistics and charges that in the 1966 campaign, we boasted that we would wipe out crime. Well, just for the record, we said we would do something about crime -- instead of wringing our hands and blaming society for every crime that was committed. And in less than three years we have passed more effective anti-crime legislation than they did in all the eight that they were there. As a matter of fact, the record will show that they made no real effort to pass such legislation in those eight years; to the contrary, they devoted their efforts to reducing the penalties for crime.

#### Administrative Action

Not all of our efforts in fighting crime have been confined to passing laws. We have also acted administratively -- and are working closely with the private sector and local government agencies. We established a California Council on Crime, bringing together for the first time in this nation every element of law enforcement to develop a master plan for preventing and detecting and fighting crime. We established the nation's first computer-to-computer crime information hookup. This is the first time this has ever been done -- linking our state crime computer with the leading cities in our state and with the Federal crime computer in Washington. Now, we have one system with an almost instantaneous exchange of knowledge on criminal activities and criminal records.

Representatives of law enforcement have been assigned to the Adult Authority to lend their experience and their expertise so they could help shape the policies and the probation policies with regard to parole.

None of this was possible without all of you. All of you who worked and contributed. Those of you who lived in motels and walked precincts in strange towns in special elections. You can be very proud. You made this and more possible.

### CUTTING THE COST OF GOVERNMENT

Not too long ago I was on my way into a luncheon to make a speech and Mike Deaver, of my office, overheard somebody say, "I hope he isn't going to talk about how much money they saved on typewriter ribbons". Well, I won't do that, although we did save money on typewriter ribbons.

The cost of government continues to be the biggest thing on the peoples' minds. So let me just make a passing reference to the progress we have made in government economy and you will realize that we haven't retreated or weakened in our determination to make government more efficient and as economic as it can possibly be.

You have often heard me say in the past that no government has ever voluntarily reduced itself in size. Well, we may just be the first to do it. If we had continued the rate of increase in the size of government in our state that we found when we took office, there would now be 15 thousand more employees than when we started. But, on July 1, the start of this fiscal year, there were just 657 more employees than when we started 2½ years ago. And I believe that on next July 1 there will be fewer and certainly no more employees than when we started.

In one of our largest departments, the Department of Public Works, the workload in 2½ years has increased by 25 percent; the number of employees has increased just one percent.

In the Department of Motor Vehicles, the workload has gone up 30 percent. At the same time the number of employees has remained the same and at the same time we have reached a goal that I outlined to you some time ago: we are now processing the applications for drivers licenses in ten days; it used to take 39.

More than \$382 million in new highway projects are now being built, over and above the scheduled construction, with money that has been saved in Jim Moe's Public Works shop through economies and efficiencies. To have achieved this same result -- to do this much more highway building without those economies -- would have required a 2 cent increase in the gasoline tax.

### Task Force on Efficiency

The number of citizens task forces recommendations that we have now implemented has more than doubled what it was the last time we met. The figure now is 876.

We have reduced the amount of office space the state government occupies by 22 percent.



A few weeks ago, the Controller General of the United States government told the Congress that California was buying many of the same supplies the federal government was buying and we were doing it for from 36 to 42 percent less. The items ranged from \$250 less for an automobile, to \$80 less for two-way radios. (You will notice I didn't even mention typewriter ribbons!)

We have moved from 9th lowest among the states in the cost of government proportionate to population, to the 5th lowest and we intend to be the lowest. We do not subscribe to the philosophy of those who would rate government's quality on the basis of how much it spends instead of how much it achieves.

In that part of government that we can control administratively, by way of our own appointees, a total of only 13 percent. But if you adjust for inflation, and if you compute that in adjusted dollars, you will find that actually represents a decrease of 3.4 percent.

Let me give you some basis for comparison. The budget for higher education in the same period has increased 54 percent. If you adjust that to constant dollars you will find that is a 38 percent increase.

#### TAX RELIEF

We were forced to increase taxes, as all of us know to our pain and sorrow, almost before we unpacked -- simply to pay our predecessors profligacy. Well, let's bring the record up-to-date in this department. While we are reminded of that tax increase, little is being said about some steps we have taken in the direction of tax relief.

In these almost three years, we have provided the taxpayers cash refunds on property tax (those famous \$70 checks), provided a \$750 property tax exemption, a double standard of state income deduction to provide property tax relief for renters, a special property tax relief for the low-income senior citizens, reduced rates in the lowest bracket of the state income tax, abolished personal property tax on household furnishings and reduced business inventory tax of 30 percent. And, in April, you will receive an \$87 million tax rebate on your state income tax.

All of this adds up in two years to \$633 million in direct tax relief. If this comes as a surprise, it is because much of this must appear in the budget as an expense. (Since we collect the money and give it back, correct bookkeeping requires that we show it as an outgoing item.)

Now, if you add to the \$633 million, another \$651 million of indirect tax relief by way of increased school aid and so forth -- which otherwise would have been added to the local tax burden, the property tax burden, and the \$600 million that we simply collect on behalf of local government, such as in the sales tax and cigarette tax and so forth -- you can see that overall budget is hardly an accurate reflection of the cost of state government. In this year's budget, for example, \$225 million of the \$6.2

billion budget is actually money that is being given back to the individual taxpayers. If we could have found some way to do this similar to next April's rebate on the income tax -- not collect the money in the first place -- the budget would have been under \$6 billion. Incidentally, even at \$6.2 billion, it is less than the budget for New York City. I said "city", not state. (It is also less than the state budget of New York, too.)

Incidentally, that tax rebate on your income tax next April which has a \$100 maximum for the individual taxpayer; that is the most that anyone can get back regardless of the amount of tax they paid. That ceiling was not our idea. The money was originally taken on a proportionate basis and frankly, I believe it should have been given back on the same basis, ten percent across the board. Next January, I would like to see the legislature amend that bill so as to remove the \$100 ceiling.

#### New Form for Budget

I have long felt that the people have difficulty understanding a state budget and thus they are not so well able to show their displeasure when excessive spending takes place. We are trying to find some method of breaking up the budget to show the actual cost of state government. For example, one budget would show you exactly how much it costs to run the shop. How much does it take for all the legitimate functions of state government? Then, a second budget would show those funds that we were collecting and returning to local governments and counties and school districts. And, when we could do it, a third budget would show the amount of money we returned directly to the taxpayers. Thus, the taxpayer could take a look at these three figures: he could be happy if that first one -- the cost of government -- was going down, and, likewise, he could be happy if he saw that third one -- the rebate to the taxpayers -- was going up. In fact, the citizens could ask some pretty sharp questions when our opponents start offering those expensive goodies they like to dream up and hold out to the people as a gift from Sacramento. They could question how much it might add to that first budget and how much it might reduce that third budget.

While I am on this subject, you might as well be prepared for some screams of anguish you are going to hear in the months ahead. There will be no area of government that will not feel the pain of the pruning knife. Those costs over which we have so little control or no control at all -- particularly in the area of social reform -- continue to rise at such an extent that here and there, particularly among our opponents, we are beginning to hear some little murmurs and some talk about additional revenue and the need to find some new areas to tax. Well, I, for one, refuse to be a party to that; I intend to go in the opposite direction.

Our new budget procedure, started this year, is designed to make tax reduction a priority item as soon as possible. In other words, as soon as we can, we intend to put into the budget a figure for tax reduction; then we will require every single government program to match its priority and its necessity against the desire

of the people for tax reduction. In this way we shall see whether some of those programs are not less important indeed than giving back to the people some of their own money.

### TAX REFORM

In January, we intend to introduce a program of tax reform: one which will once-and-for-all give real and lasting property tax relief; one which will give the public schools a source of revenue other than the residential property tax. What we will propose is a cut in the residential property tax of 50 percent, and we will replace this -- or suggest replacing it -- with an increase in the sales tax which will be completely earmarked and go directly for support of public schools. Thus, schools will have a source of income that expands with the economy, that grows so that each year they can count on revenues that come from the economic growth of our state.

### Supporting Education

If we secure passage of this measure, we will be able to equalize state support for every school district and provide \$500 for every child in kindergarten and progressively up to \$725 for every student in junior college. And, that would be a force reduction of the property tax; the only way that the property tax for schools could be increased would be if the people in the district vote to increase their own taxes.

The measure to do this will require legislation and they will also require constitutional amendment. Hopefully, this would be on the ballot next June -- or, if not in June, then in November -- and it will then be for the people to decide. It is also our hope that we can construct this program so that even when the legislation is passed, all of the tax reform programs will be tied to the constitutional amendments in such a way that, for the first time, the people of California -- by the ballot -- will make the decision as to whether this tax reform program is to go into effect or whether we are to look for something else.

### COMPASSION IN GOVERNMENT

There are those who are concerned that perhaps our energies and our diligence have been in one direction only: dollars and cents, costs and economies. Well, the record would indicate otherwise.

Last year, for example, we moved from 11th to 2nd among the states in the rehabilitation of the physically handicapped. In that one year, we trained, rehabilitated and put into self-supporting jobs 14,450 of the physically handicapped. This is an increase of 10,000 over what had been the annual total in this area. (I must admit that even this has a practical side: in seven years, the increase in income tax will pay back the entire cost of rehabilitation.)

## Mental Hygiene Reforms

Probably the best hatchet job that our opponents have been able to do on us is in the area of mental hygiene. Even our friends aren't so sure of us in this department. Now what makes it unusual is that the truth is completely contrary -- directly the opposite -- to what the opposition would have you believe. We are spending more per patient than any other major state, but we are getting our money's worth because we are number one in achievement in this field.

We not only are a model for other states but even world-wide -- nations such as Japan, Switzerland, England and others have sent delegations to California to study our system of mental hygiene, to learn the reasons behind the progress we've made.

When we took office, the staffing standards -- the ratio of patients to staff -- were based on 1952 staffing standards. In all the years since 1952, the State of California had never even achieved 100 percent of those staffing standards, even though all the while medical personnel throughout the nation and throughout our state were admonishing that those standards had long been obsolete. In February of 1968, we adopted standards recommended in 1967 by the medical association. We set out on a five-year program. Our target: full implementation of those 1967 standards within five years. We are already at 93 percent of that implementation in our state hospitals for the mentally ill. And, the day before yesterday, I was able to announce publicly that next June we will reach 100 percent of the full 1967 staffing standards -- four years ahead of schedule!

In the hundred-year-old history of mental hygiene in California, there has been a basic standard for space allotted per patient in our hospitals: 55 square feet. That's not very much when you figure that the bed itself takes up 35 square feet. The American Hospital Association recommends 70 square feet. As of right now, that is the allotment in every state hospital for the mentally ill in California -- 70 square feet per patient. It is in full effect.

When we took office, the budget for mental hygiene was \$213 million; in 1969-70, it rose to \$275 million.

We have increased the number of county mental health care centers from 41 to 53 and increased the state's share in this program 300 percent -- from \$15 to \$3 million. The state is now paying 90 percent of the costs instead of the 50, and sometimes 75 percent that was being paid 2½ years ago.

By June, 1970, we will be able to close down the Modesto State Hospital which has been occupying temporary wooden army barracks from World War II. To ease the economic impact on the Modesto area, we are turning over to the county all those facilities and the 258 acres of land for whatever public use they can make that might help ease the transition as they lose this state function in their area.



Our emphasis on local treatment plus faster and more effective treatment in the hospitals has reduced the patient population from 22,000 to 14,000. By next June, it will be down to 12,300. To give you some frame of reference, the next state to us in size is New York and they had 66,000 hospitalized mentally ill patients.

We have reduced the waiting list on our hospitals for the mentally retarded from more than 800 in 1967 to a little over 200. Two weeks ago, at UCLA, we dedicated a medical research center in the field of mental retardation to see if we can find the answer to this tragic illness.

Now, this isn't exactly the picture that you have been getting, is it? It would seem that someone has been very busy hiding our light under their bushel.

### PARKS FOR PEOPLE

Well, again in contrast to what some would have you believe, we have added 25,000 new acres to our state system. (You will recall those charges about someone going to Sacramento to sell all the state parks?) Three offshore areas have been designated to become underwater marine parks. We have reorganized the system and developed a 20-year plan that will make sure there will be a state park within easy driving distance of every citizen. We have already started to contract with the private enterprise sector for the development of resort facilities and recreational facilities on state lands -- particularly around some of the lakes that have been created in the water program.

Even the national park system has sent people out to study one of the things we started two years ago; a park reservation system. You remember those terrible stories you used to read every summer weekend about the thousands of people, with their campers and their trailers, who tried to get into state parks but there was no more camping space so they spent the weekend roaming around on the highways? Well, we set up what any citizen should be able to expect on a vacation: the ability to make reservations in advance and to know the space would be there. For two years, we have been taking reservations all through the winter months; a person receives a ticket that tells him he has "x" number of days at such-and-such a time in a certain state park.

And, now we have gone a step farther. We have computerized the system. Shortly you will find computers set up in banks, and savings and loans, and department stores throughout the state where you can go in, pay your money, punch the button and take out a ticket that tells you you have your reservations in a state park for whatever date that you have selected.

You know the federal government is not only stealing so much of our staff, but copying so many of our programs, I wanted to suggest to the President the other day that he just leave our people here and contract out with us!



## QUALITY OF ENVIRONMENT

Next to the cost of government, the people are most concerned about the preservation of our environment and we have been doing something about that.

### Air Pollution Controls

We have created the nation's first statewide Air Pollution Board. It includes some of the top men in this field in the nation. It has broad powers to enforce the toughest air pollution regulations in the country. I know it is hard to think that something is really happening in this field when you go out and breathe the air on a bad smoggy day. But a couple of years ago we turned the corner and, actually, smog is decreasing in California. But you must remember we have to run just to keep up with the great increase in population and the number of cars.

Even so, there is much more to be done. You will recall that Senator George Murphy led the fight in Washington to get us a waiver -- we had to fight, a year or two ago, to get the federal government to let California have tougher regulations than the federal government wanted us to impose. The result has been that Detroit literally has to manufacture its cars to meet the regulations and requirements for the State of California. Periodically, every year or two, we raise those standards and they get tougher because we are going to clean the air of California.

Our California Highway Patrol is now experimenting with vehicles that are powered with steam engines and liquid propane gas; perhaps the answer lies in another form of propulsion.

California is the first state to set out to control pollution by jet air craft.

### Water Quality Control

In 1967 we signed into law the first complete revision of the state's water quality control laws in 20 years. The Los Angeles Times called it "the strongest state water pollution control act in the United States". It established fines of up to \$6,000 a day for violators and it makes the violators pay for cleaning up the pollution they cause.

### Ecological Values

Within government, we have formed a Joint Transportation-Resources Agency Commission to protect the aesthetic and ecological values in the planning of all types of public works -- from highways to reservoirs. Today, routes for highways and freeways are not chosen on the basis of the shortest distance between two points. The joint committee of the Parks and Recreation people and the Highway Commission sits down and plans so as to preserve and not destroy any ecological features or beautiful areas.

We cancelled the bridge that was planned across Emerald Bay at Lake Tahoe and we cancelled out a highway that was to go through one of our bird sanctuaries in the North. We created an Environmental Quality Study Council to find ways to protect the natural environment and we established a bi-state agency to protect Lake Tahoe.

We were one of the first to call for passage of the bill to extend protection and preservation of San Francisco Bay (the BCDC). And, I think we shocked the United States Corps of Army Engineers when we refused to go along with their Dos Rios Dam which would flood Round Valley. Let me assure you this does not mean that we are going to renege our contractual obligations in the state water system to provide the water that southern California needs. But, we intend to preserve for our children this way of life we call California with all its natural wonder and beauty.

### Consumer Protection

I could go on listing our positive achievements through a dozen pieces of legislation passed in the last session for consumer protection -- protect you if your credit cards are lost or stolen, to protect you from the flood of nuisance mail that you get and to reorganize the executive branch, and eliminate dozens of Boards and Commissions.

We have started a prairie fire. One of the first Governors to come to me and ask about our citizens' task forces was the Governor of Maryland, Ted Agnew. Now he has become Vice President.

Let me just tell you something about Ted. He launched a task force like ours, he got it underway in the State of Maryland before he became Vice President. He was succeeded by a Democratic Governor who is now running up and down the state telling everybody about the wonderful economies they are making under his administration.

At the last Governors' Conference, in Colorado Springs, two governors came up to me. They are doing better than we are about economies, but then they are in two states that don't have our growth problems. But they came to me on their own, stuck out their hands and said "We just want to thank you".

One of them is on his way to a 10 percent reduction in the size of his state's government. The other is half way to a 20 percent reduction and he said, "All we have done is copy what is going on in California and we just want to thank you for getting the ball rolling and tell you what it has meant to us and our states."

The federal government has just announced a plan for a Human Resources Development Agency. This was an idea started by us; the Legislature approved it. It was to go into effect next January but it will start ahead of time -- on November 1.

Human Resources Development; this is bringing together finally all those multitudinous agencies of welfare and job training and state employment into one department. It is designed to take people off welfare by the way of job training and to put them into self-sustaining work.

We are getting a lot of interest in our highway safety program. It has attracted national attention. The traffic fatalities in the nation have been going up 5 percent a year; ours have gone down. We have developed such things as soft hardware, as we call it; signs, pillars and posts that have to be erected along our highway. We have made them, as they do in Hollywood, into break-away fixtures so that when someone hits them, they give way instead of the driver.

### EDUCATION & YOUR MONEY

Now, despite what you may have heard, under this Republican administration, we are spending more money for education in California than ever before.

This year in state subventions and other programs, we are spending almost \$1.6 billion for local schools -- K through 14. This includes the increase of \$120 million which we voluntarily included in the budgets we presented to the legislature. This was the first time a Governor had ever done such a thing. And, it includes about \$80 million which will be added because of unanticipated revenues and economies made in other state operations. Ours is an all-time record increase in state support of elementary and high schools and junior colleges in one year.

### Higher Education

And what about higher education -- the taxpayer supported state university and colleges?

Three years ago the taxpayer's total general fund support for the University of California campuses and the state colleges was \$414 million. Today, it is \$638 million.

The current budget includes \$329.8 million in general fund support for the University of California -- an increase of 13 percent over the previous year for an estimated increase in enrollment of 6 percent. The budget for the state colleges was increased \$46 million this year -- up 24 percent over last year for an anticipated increase in enrollment of 12 percent. And, the budget also includes \$12.9 million for college scholarships and loans -- 57 percent more than the previous year.

Higher education has received an overall 54 percent increase budget support during the past three years -- while all other state agencies have increased 18 percent. Incidentally, those agencies administered by my appointees had an increase during this three year period of 13 percent. And, when these dollars are adjusted for population and inflation growth, our state operations have actually decreased by 3.4 percent during this same period of time.

Still there are those who claim that we have cut their budgets for higher education. Well, if your household budget were cut the same way, you'd be on easy street.

I know what some of you are thinking -- you're asking why we have increased state support of higher education in face of the problems on certain campuses. Well, we do just not believe that it would be fair to penalize the thousands upon thousands of industrious, sincere, students because of the anarchy and the vandalism of those few teachers and students -- and non-students -- who seem intent upon wrecking a system which it has taken the taxpayers of this state years of sacrifice and billions of dollars to build.

Our record is clear: we will not put up with violence, or destruction, or anarchy on our campuses; we will protect the rights and provide the support for those who go to college to learn, and those who are there to teach.

At the same time, we expect the administrators on those campuses -- the chancellors and the presidents and their staffs -- to see that the maximum education is provided for the dollars spent, just as we expect from every other agency of government. The students should be their first priority, not their last.

### Financing Education

Now let me just conclude with something that has just come to my attention. I have been informed the teacher and school organizations are seriously considering endorsing a proposed initiative measure designed to shift 50 percent of the cost of school financing to the state. This would be presented to the voters as a massive tax reduction. That would be a fraud. It would instead be a massive tax increase.

The measure calls for the state to pay more than one-half billion dollars, in addition to the present \$1.5 billion that we are now subventing to the schools. This would go up at the rate of about \$150 million each year.

Undoubtedly this will be presented to the people, if this initiative goes on the ballot, as a property tax reduction. Well, this was how the original sales tax was presented to the people back in 1933; that if the voters would pass the sales tax, somehow property tax would decline. But there was no provision to clamp a lid on the property tax; so, the new tax was added and the old property tax kept right on going up.

Let's look again at the tax reform proposal that we are suggesting. It won't be 50-50; the state will be putting up 80 percent of school financing and we will actually be cutting the property tax 50 percent not just hoping that it will go down by itself. And we are putting the power to increase the property tax in the people's hand. Unless you put such a restriction on future increases, you're deluding the people. The property tax must be forced down, and it will not go down simply because you find some additional money someplace else.



Now what this other initiative really will mean, if it is passed, is an unwarranted and intolerable addition to the crushing burden the taxpayers are now carrying. Even worse, it will mean the job producing industries here or about to come to California will look to locate elsewhere with disastrous results to our economy.

It is most unfortunate and significant that the California Teachers Association, which may decide to support this guaranteed tax increase initiative, will also be considering next week a proposal that the association condone teacher strikes. The people of California can hardly be expected to look with favor upon a proposal guaranteeing a massive tax increase in the schools when it is linked with the open threat of a teachers' strike.

I hope that we can have confidence in the tens of thousands of dedicated teachers throughout this state who have been doing such a good job in our schools. I hope that reason will prevail in their meeting next week.

### The Right to Strike?

I spent 25 years, as you know, as an officer in organized labor. I led my union in the only strike that it ever had. I recognize the right of a working man to withhold his services by way of a strike. And yet, I cannot agree that public employees can have that same right.

If, in each one of your districts, they don't have the proper machinery to sit down at the table and hear the grievances and work out with the representatives of education -- or whatever group of public employees it is ... work out a solution to their problems, that machinery should be set up. That is what we are trying to set up in the State of California right now. That is an obligation we have. But there can be no justification for a strike against the public and it is time for us to think this through.

First of all, the leadership of our own State Employees Association recently voted to rescind the no strike pledge they have had these many years. We have to face this fact: government cannot close up shop. It is not like a private business which can shut the doors until the matter is resolved. It has to keep on providing the services.

Beyond that, in any strike in the private sector, the idea is inherent that if the dispute once imposes too unfairly on the general public, there are higher levels by way of government and the public that the adversaries in the disagreement can go to for arbitration.

There is no higher authority than the people. The people are the source of all authority in this land. And, therefore, when employees of the people have a grievance, there is no arbitration board to which government can turn. Government is the representative of the people and of their authority and if a strike takes

place, government has no recourse but to replace the strikers and continue on with the duties.

In connection with that, there is one bright spot. The next time you see a California Highway Patrolman take a second look -- you might even give him a friendly wave. Their association has just notified me that the California Highway Patrol is pledged to protect the people of California and nothing will prevent them from fulfilling that pledge.

I hope that I have been able to give you a few of the things that make all that you have done worthwhile -- all of your service, all that you have contributed and sacrificed.

Just one last thing in closing. I told you about some of the governors coming up to me at the Governors Conference and talking about some of the things I mentioned. Well, you will remember how torn with dissention our party was just a few years ago... here in this State. One of the most frequent questions my fellow Republican governors ask of me is "How can we get the party in our state to work together and to be as unified as the Republican Party seems to be in California?"

You just keep them asking that question because I don't mind answering that question one bit.

Thank you.

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TELEPHONE ADDRESS BY GOVERNOR RONALD REAGAN  
Y.A.F. NATIONAL CONVENTION  
Houston, Texas  
September 5, 1971

Since you've been so kind as to grant me these few moments for greetings and salutations, perhaps you'll not take it too unkindly if I impose further on your time. As representatives of Y.A.F., you are political independents. Still, you've found in your political activism an affinity for the Republican Party, rejecting the albumin brained socialist engineers who would set mass above man, and who think social progress is superior to individual action or choice, group compulsion is the only road to Utopia, and economic security is a more desirable goal than personal freedom.

When I think of the philosophy prevalent in so much of the intellectual community, I marvel at the way you have obtained an education, yet remained steadfast in your beliefs, resisting the zeitgeist--the wind of our times.

Poll after poll reveals that a most persistent myth is the acceptance of the Democratic Party as the most efficient and reliable in times of economic stress. Evidence of this is the rush to register Democrat by so many of your newly enfranchised peers. These are the same young people who have been so stridently vocal in their denunciation of the establishment, and who find government too big, impersonal and oppressive.

I suppose the myth of the Democrats' economic capability had its beginning in the fact that a Republican Herbert Hoover was President at the time of the crash and depression which began in 1929. The Democrats came to power in the election of 1932, and for almost forty years they have been applying a variety of nostrums from their social medicine chest.

In just one two-year period--1953 through 1954-- has there been a Republican Congress, and, curiously enough, that is the only time in all the forty years that the dollar remained stable.

When Herbert Hoover left the White House there were two hundred and thirty Americans for every federal employee. When Richard Nixon entered the White House there were only sixty-seven citizens for each federal employee. And what prosperity did such a growth in government bring us? In 1939, after seven years of New Deal programs costing billions of dollars, twenty-five percent of the labor force was still unemployed. But then in 1939 we became the arsenal of Democracy; full employment and prosperity were on their way, and so was World War II.

Following the war, as we began to catch up with the shortage of



consumer goods, unemployment began to increase. But then came war again, this time in Korea, and once again we had full employment. A Republican President ended that war and led us through the longest period of peace we've known since World War II. Also during that time of peace we had virtually no inflation. Peace was not the result of appeasement. At one point Red China threatened war and an invasion of Taiwan. President Eisenhower said, "They'd have to climb over the seventh fleet to do it," and there was no war.

Then came Camelot and three years of unemployment averaging higher than the unemployment we have now in this time of economic hardship. Some how the communications media was unaware of it, and in the many Presidential press conferences of those three years no reporter ever asked President Kennedy what he intended doing about unemployment.

It was from Camelot that the first American combat troops went to Vietnam. And soon we had another Democratic President, the Great Society, full-scale war in Vietnam, and, of course, full employment and prosperity on the home front, but no sacrifice. The war was conducted on a "guns and butter" basis, which brought on runaway inflation. The 1939 dollar had lost sixty-one cents of its purchasing power by 1968. One has to wonder at the staying power of the Democratic myth.

Now a Republican President is bringing this fourth war in our century to halt. In the transition from a war to a peacetime economy, some two million defense workers and military personnel have been thrown on the job market. There is unemployment and, of course, economic dislocation. There is also the inflation he inherited and which neither his predecessor nor George Meany had the guts to tackle. He is confronted by a hostile Congress and a bureaucratic jungle peopled by permanent government employees determined to carry on the discredited social tinkering of the past forty years.

There is more. John F. Kennedy announced the discovery of a missile gap in 1960. After the election he admitted no such gap existed, so in eight years the Democrats created one. And the present Democratic Congress has made it plain they have little stomach for any rebuilding of our deteriorated defense structure.

In summing it up, there have been four major wars in my lifetime, all under Democratic Presidents, and we've only achieved full employment and prosperity during and because of those wars.

Now our opponents would lead the nation again, shedding

crocodile tears over the present economic distress, and professing absolute innocence over having anything to do with it. Somehow they remind me of the wide-eyed blonde in the tabloids who has just bunched six shots from a '38 in her boyfriend's bread basket, and says she didn't know the gun was loaded.

And what do they have in store for us if they get back in charge? well, six would-be-Presidents now in the Senate have, between them, introduced more than one hundred forty-three billion dollars in new social welfare programs. The Democratic Party Council has declared open season on taxpayers. The Council has called for "A shift of financial resources from private to government channels to meet the growing needs of health, welfare, employment and other domestic problems." They call for a "vigorous tax program," and we learn that the wage-earning citizen who averages working five months out of the twelve to pay for the cost of government should be denied such legitimate tax deductions as interest on his home mortgage or installment payments, or his property tax. They would also impose a limit on charitable contributions. It is time to ask ourselves seriously if this nation can survive four years of what they have in mind.

I know something of your discomfort and your unhappiness with what you feel has been the present administration's abandonment of some Republican principles. At the same time, I have been the beneficiary of your friendly approval, warm commendation, and generous words. I was terribly tempted tonight to limit myself to simply expressing my personal gratitude, and I am grateful--humbly grateful--to all of you. But you are too important--too vital to this country's very existence --for me to indulge in what would be a copout.

Perhaps we have all been at fault. We've forgotten that our President lives in a liberal community; that the heritage of these four decades is a constant pressure in the nation's Capitol from the left. We who think of ourselves as Conservatives have sat back critically observing, but doing no pressuring in behalf of our own views. Be critical, be vocal and forceful in urging your views on the President. He needs that input to counter the constant pressure from the opposite side; he needs the arguments you can provide. In all of this we've fallen short.

Let me take the one issue of the announced China visit and ask you to consider a few points that might have been overlooked in your deliberations.

I've heard staunch Republicans say if Hubert Humphrey were President and had announced such a visit we as Republicans

would be horrified and united in our opposition.

Of course we would, and why not? Look at the track record. A Democratic President brought back the bitter fruit of appeasement from Yalta and Potsdam. A Democratic President snatched defeat from the jaws of victory in Korea. A Democratic President scaled the heights of statesmanship in the Cuban missile crisis and then lacked the courage or wisdom to take the final step to the summit. A Democratic President disgraced this nation at the Bay of Pigs, and a Democratic President faltered and was unwilling to exact a price for the thousands of young Americans who died in the jungles of Vietnam. A Democratic President made possible the godless, inhumane tyranny of Mao Tse Tung's Red China. Yes, we'd be horrified, and with good reason, if Hubert Humphrey were representing us in talks with China.

But it is a Republican President who has said he's willing to talk. He has been blunt in his declaration that we will not under any circumstances desert an old friend and ally, Chiang Kai Shek. There is no indication that he'll give anything away or betray our honor. If I am wrong and that should be the result--time then for indignation and righteous anger. But in the meantime, let us remember that this American President who has said he'll go to China is the same man who as Vice President went to Moscow; and there in the glare of the television flood lights, surrounded by microphones, heard Nikita Khrushchev threaten action by the Soviet Union against the United States, and he replied, "Try it and we'll kick the hell out of you."

Young ladies and gentlemen, remember your very title--you are young Americans for freedom. That is your mission above all others. You are most important in this particular moment of history, because so many of your peers have listened to false prophets and demagogues. Consider very carefully the long hard struggle that lies ahead, and how far we've traveled together to reach this moment of hope for all the things we believe in. Weight the alternatives, and use your strength wisely and well.

God bless you in your deliberations, and grant you wisdom and courage and strength.





ALFALFA CULB  
January 26, 1974  
Remarks by Governor Ronald Reagan

Mr. President of Alfalfa, Mr. Vice President of the United States, my Fellow Members, Distinguished Guests.... Is the tape rolling?

I doubt that I can find words to tell you all what is in my heart tonight. I am truly grateful, even if the action you have taken was inspired, at least in part, by curiosity. After all, you never had a nominee who has been riding off into the sunset for 25 years with "The End" superimposed on his back. Well, that is, with the possible exception of Cabot Lodge, but you bestow a great honor on me. Ten years ago, from this platform, Arthur Crock referred to the Alfalfa nomination as meaningless and hollow. I find Crock's crack incomprehensible. To be nominated for the presidency on the Alfalfa ticket is second only to owning a gas station in downtown Tel Aviv.

Tonight completes a political cycle. I was born a Democrat and remained a Democrat until I reached the age of reason at which time, naturally, I became a Republican. But tonight, I am an Alfalfan and will remain an Alfalfan until I die or until the Independents need a candidate---whichever comes first. This is an historic occasion. Some will criticize you for nominating a former actor. I say this is precisely why I should be your nominee. I am used to having my big scenes recorded. But I can understand why some of you are concerned. After all, it was only a generation ago that actors couldn't even be buried in the church yards. But the world has improved since then: we can be buried now. Indeed, the eagerness of some of you to perform that service gets a little frightening

at times. But believe me, I am through with show business or with trying to entertain or any of the tricks of that tinsel profession. My mission now is to balance the budget and reduce taxes, and if I get a big enough hand for that, for an encore I'll do a chorus of "Springtime in the Rockies," while drinking a glass of water at the same time.

I am sure that some of you have heard the cheap partisan charge that I know nothing of international diplomacy. Well, Henry Kissinger himself has briefed me on foreign affairs. He has told me about a couple of domestic affairs that weren't bad. And look how the President trusts me, sending me on those missions abroad. He sent me to Taiwan---right after he announced he was going to Peking. And that isn't all. While he was busy bringing all those Americans home from the fighting in Vietnam, he sent me to Ireland. I remember it well---it was during our presidential primary. I'll never forget my return; there he stood, hand outstretched, his face a mirror of mixed emotions---surprise and quick recovery.

My fellow Alfalfans, think big, we could be the new majority. This is the time to offer a home to the Republicans, both of them; three if Lowell Weiker carries out his threat to join the GOP.

The political guns are booming, John Connolly says nothing can replace the dollar and it practically has. The Democrats are in disarray; the only way their Senate delegation can get a quorum is to hold a meeting between planes in Chicago. If a little green man from a flying saucer should say to one of them "take me to your leader", they both would be in for one hell of a trip.

Now don't think that I am complacent. President Dewey once told me never to be overconfident. After all, Sargent Shriver can still arouse the Porsch and Poodle populists in Palm Beach and Teddy Kennedy isn't going to be a stalking horse for George Wallace forever. Anything can happen. There was a lot of excitement just the other day; someone rushed in and reported that Teddy, Tunney and Lindsay were photographed in the New York Times in a friendly, intimate pose. I tell you, it gave me quite a start, until I saw it was the Andrew Sisters who are also coming out of retirement.

Nelson Rockefeller was giving Barry Goldwater's old speech on law and order very effectively and often, but now he has given up the quest for higher office. That grand old man of the Hudson River Valley has decided to spend his sun set years studying the great problems facing our country. He will present his findings to an appropriate forum---like the 1976 Republican convention.

Chuck Percy of course is an enigma. We won't have a line on him until he stops saying, "How now, brown cow."

In the meantime, you will be pleased to know the expressions of support and approval are already pouring into the mail room in Sacramento in an ever increasing flood---three post cards last week alone. You realize how aware the people are of the awesome responsibility of holding public office when you read a letter that says, "What is it like being Governor---being the star of Death Valley Days, how do you have time for it all?" But right now, you want to know my choice for the second lead---I mean, Vice President.

Well, John Wayne would be an obvious choice, but he is too tall for the part. Besides, I don't see this as an action role. But don't worry, I intend to get the advice of the best casting directors in

Hollywood. We'll have an all-star cast. Burt Reynolds has nothing to hide. Or Dean Martin. You'd never have to worry about looking up and discovering him drunk with power. You might look down now and then and find he was just plain drunk.

I have thought of Archie Cox for Attorney General, but I am naming Archie Bunker.

Rumors about Jane Fonda and Daniel Ellsberg being press secretary are absolutely false. I want a man handling press relations who is one of the common people; who will level with the people; who will be available to the press around the clock--- Howard Hughes.

On the whole matter of appointments, we will stuff---I mean fill---as many jobs as possible purely on merit with members of Alfalfa. There may be some Republicans, of course, as a part of our rehabilitation program.

I want the people to be happy. Therefore I promise you, we will continue government's present level of waste and extravaganza. Can you imagine how miserable they'd be if they were getting all the government they are paying for?

On the subject of money, there will be no arm twisting for campaign contributions. I intend to re-release one of my greatest epics---Bedtime for Bonzo, with all the box office receipts going directly into the campaign fund. That should assure us at least \$1.49. My original choice had been the Knute Rockne film in which I played the Gipper, but there is only one print of that and the President won't release it.



As for meeting the energy crisis, my plan is very simple. If you can't stand the cold, stay out of the kitchen. Some 40 years ago, an American President promised to put two cars in every garage. Well, we are keeping that promise. We'll put them there and we'll keep them there. But I also have a back-up plan. The two automobiles giving the most milcage per gallon are the Japanese Toyota and the German VW. If it becomes absolutely necessary, I will reopen WWII. We will lose it this time and get all the Toyotas and VW's we want with no import charge.

Another Alfalfa candidate some years ago said that New York should be sawed off and floated out to sea. Well, we won't have to do that. The Japanese have bought it.

I will explain the pros and cons of every issue to the people. I want them informed and so as to not confuse them, I will illustrate by example, the meaning of these two terms pro and con: progress and congress.

The energy crisis is real, so I'll return to California by commercial airline, unless it snows out west, in which case I'll hitch a ride with Jerry Ford.

On other subjects of interest to you, there will be no taint of male chauvinism on the Alfalfa ticket. There will be plenty of women involved in my administration. I am asking Henry Kissinger to stay on.

I realize that some educators are concerned about my policies in their field. Well, it ain't true that I don't set no store by booklearning. With a good education you can worry about things all over the world. Look what education did for Congress. How much time they saved when they discovered the dictionary was arranged in alphabetical order.

As for national security, I shall do my best to follow the teachings of our great military leaders. Our watch word will be the immortal words of George Armstrong Custer at the Little Big Horn: Take no prisoners.

I am aware of the inspiration for your hallowed name. The botanical characteristic of that particular plant is that it will travel any distance for a drink. Of equal importance is the common sense practicality of rural life it brings to mind. Thomas Jefferson said, "State a moral case to a ploughman and a professor and the farmer will decide it as well and often better because he hasn't been led astray by any artificial rules. Ask a farmer where he'd like to be when a nuclear bomb goes off and he'll tell you someplace where I can say, "What was that?" He is smart enough to know that someone can get a bigger slice of the pie if you reduce someone else's slice, but everyone can get a bigger slice if you'll make a bigger pie. That's a hell of a lot more than professors know.

I've been asked if I like Washington. Well, I have always found it a pleasant place to visit, but I think the time has come to make the White House a fulltime public building like all these other puzzle palaces here on the Potomac. I lived upstairs above the store when I was a kid and I didn't like it. My administration will build a suitable presidential residence. The site has already been selected, just west of the present location---about 3,000 miles west, just outside L.A.

I intend to strive for cordial relations with the press; to every barb I shall have a soft reply. I'll whisper: bend over a little closer. I won't miss a single press conference; I won't have any and I won't miss them.

I accept the nomination of Alfalfa proudly but at the same time with great feeling of humility. Just the other day when Nancy was measuring the carpet in the Oval Office, I said, "You know, it will be humiliating as hell not being Governor of California anymore."

Gentlemen, again, I thank you and I pledge you a peaceful and prosperous United States of California. Winston Churchill said of the young Americans in WWII that we seem to be the only people in the world who could laugh and fight at the same time. For almost as long as I have lived, Alfalfa has met in this atmosphere of gentle satire and jest, so uniquely and typically American. I thank you for allowing me to be a participant. Bless you and bless the land where this can take place.

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American business  
Government encroachment -  
loss of personal freedom  
Economy mythology - tax inequities  
loopholes  
Tax reform  
Efficiency & economy in  
government  
Welfare reform  
Surplus  
Tax limitation & reduction

5

QUOTE: Whitaker Chambers  
--Idle to speak of saving Western  
Civilization, because WC is already  
a wreck from within



REMARKS BY GOVERNOR RONALD REAGAN  
BUSINESS COUNCIL  
Hot Springs, Virginia  
May 12, 1973

I want you to know how very honored Nancy and I both are, being here and being invited to come to the Homestead, and how honored we are that David Packard, a native Californian, is here in the capacity that he is. I want you to know also that it has been 17 years since we last had locusts in California and that we expect, but I am a little disappointed because it has also been 17 years since you have met in California. I would like to take this opportunity to invite you, whether I am there to impose on you or not, to have one of your meetings, in the very near future, in the State of California.

Today, American business and something called the Establishment stands in the dock of the court of public opinion charged with a number of crimes. Demagoguery is the prosecution, and so far the people have heard very little from the defense. You are charged with making an otherwise noble citizenry, selfish and materialistic; your employees, dull-witted robots from the daily turn at the assembly line; your customers are seduced into buying things they neither need nor want because clever ad men from Madison Avenue create an artificial desire. You are supposed to have concentrated great powers into a few hands in most of what is unpleasant in our society. You have done so deliberately because somehow you profit from it, whether it is racial prejudice, slum living, poverty, or war. And you are a little bewildered I think, because you don't feel very powerful right now. You find yourselves regulated, harassed, beset by bureaucratic "Lilliputians" who tell you that if you all charge everyone the same price for the things that you produce, you are guilty of price fixing and if you don't charge them the same price

for the same things, you are guilty of unfair trade practices. The voices of demagoguery are heard on practically every front, from the pulpit to the classroom and from the podium to a great many politicians. For the sake of argument, what if I conceive that your advertising can snow John Q. Public into where he cannot buy a box of breakfast cereal without being cheated? Well, what is the way out of the dilemma that is proposed by the same people who make this charge? They propose that he turn his money over to the government in the form of taxes and thus an omnipotent state will spend every penny wisely as it provides all of us with the goods and services that we are too stupid to buy for ourselves. Who runs that omnipotent state? Politicians, elected by guess who? The same people who are not intelligent enough to buy a box of corn flakes!

The time has come to ask, if we can no longer plan our own lives where among us are we going to find that little special elite who cannot only plan their own, but ours too? The very essence of the American Revolution and the system it produced was limited government and individual freedom. By limiting government to that authority voluntarily granted by the people, free men will be released to perform such miracles of invention, construction and production such as the world has never seen. One-half of all the economic activity that has taken place in the entire history of mankind has taken place on this continent under American auspices. The government's function is not one of productive enterprise, it is one of restraint---and when that restraint is used to protect us from each other, peaceful men produce and build. Milton Friedman said the federal government was, until 40 years ago, used primarily as a keeper of the peace, an umpire. Today we view it as treating every social and personal ill, as the source from which all blessings flow.

Well, the time has come again to recognize that government perhaps is not the solution, government is the problem. And the only thing we can be thankful for about government is its waste and extravagance. Could you imagine what it would be like if we were getting all the government that we are paying for? As it is there is a 940 page catalog of federal domestic assistance. It lists more than 1,000 different programs and there is little or no correlation between the money spent and the results achieved. But the 91st Congress went right on introducing 24,600 new bills---3,000 of them on pollution alone. What serious study was given to those bills? Well, even if they only skimmed through them as fast as they could, the Congressmen would have had to read 12 of them every hour of every day for 52 weeks of the year with no time for committee meetings, or personal appearances, or trips back home to their districts. They don't, of course, do this which means that many of those bills are disposed of by a part of the great permanent structure of government which includes legislative staff. No one, including the Office of Management and Budget knows how many agencies, commissions and boards there are, but the federal registry in which their regulations are set forth contains 25,497 pages, which comes within 3,000 pages of as many as there are in the Encyclopedia Britannica. The Inter-state Commerce Commission in its 85 year history has accumulated a file of 43 trillion railroad rates with no index. The Federal Communications Commission Act has been amended---every year since it started in 1934. The Occupational Safety and Health Administration laid down 15,000 regulations in its first year and it still had time to force an employer to install separate men's and women's bathrooms in spite of the fact that his only employee was his wife and at home they used the same bedroom and bath.

Stuart Alsop, writing about his Alma Mater Yale, said "like every other major college, it is graduating scores of bright young men who despise the American political and economic system. After graduation some of them will find their way into business and industry and quickly unlearn a lot of misinformation. Many will find their way into the communications media, into the foundations, teaching, or take appointed positions in government, even in the regulatory agencies regulating the establishments they neither approve of or believe in. Thus they will continue to perpetuate the political and economic mythology which is becoming 'standard Americana'." I am sure that Mr. Alsop did not mean this as a blanket indictment of higher education nor do I, but I do happen to be a Johnny-one-note on this particular subject.

A recent Harris Poll found that the vast majority of the American people have become increasingly hostile toward American business and industry. Since 1966 this has been going on and they believe, in ever-increasing numbers, that the answer is that the government should increase its control over you.

A few years ago a poll was taken of a group of Americans and they found that these Americans believed that the average rate of profit for American business is 21 percent. Not too long ago they repeated this poll with the same people and found that now they believe the average rate of profit is 28 percent. So an additional question was asked. What did they think would be a fair profit? And the replies of the overwhelming majority was that they thought that business should be happy with an average profit of 10 percent. I think business would be ecstatic with a 10 percent profit because for the last 20 years it has been running about 4 and 4-1/2 percent and I think right now it is around 4.3 percent.

In the mythology believed by so many people, you are the "bad guys." The truth is, as figures like the one above indicate, that perhaps this is not necessarily so. Let me hold up another myth versus the fact. You are representatives of a concentrated power, exploiting the people as a result of that. The truth is, if you are, and if you are subject to any more government control and harassment some of the people think you should be, a lot of citizens are going to find out that it is their ox that is being gored.

What about the ownership of this great industrial combination of ours in this country? Well we know there are 31 million owners of stock in the corporations of America listed on the exchanges. We know there are another 28 million that participate because the private pension funds they live on are dependent on stock dividends. One hundred and thirty million insurance policy holders in this country are indirect investors in American business. There are 87 million men and women in this country who cannot prosper unless business and industry prosper because they are your employees. Our whole economy is based on profit and yet profit has become a six letter dirty word. We hear over and over again "the rich are getting richer and the poor are getting poorer." The distribution between owner and employees seems to refute this because they out-gain in the profit from business---the employee gets 7/8 and the owner gets 1/8. A few weeks ago, on the Johnny Carson Show there was a young author among his guests. This author has written a new book that is devoted to the tax loopholes that we hear so much about today. He was on the show, of course, to plug his product, I assume in the hope of making a profit (although his book gives a very dim view of profit-making in general). There he was, the theme is that big business and the rich



are in collusion with government to preserve an unjust tax system by which they, with the help of a smart lawyer, can escape their fair share of the tax burden. In fact, he refers to it as a welfare program for the rich. Well he attracted a lot of attention and I am sure that his book is probably going to turn out to be a best seller. The publishing and the book-selling businesses interest themselves in making a profit and having best sellers and they actually print books like this with their heart's blood instead of printer's ink. That night, he had the studio audience---and I presume millions of television viewers---mad enough to march on the Bastille. He related, for example, that one bank held \$3 billion worth of tax-free bonds upon which it collected \$150 million in interest and it did not even have to report that as income. If this is true, I have to assume that those must have been California bonds because with our AAA credit rating we are the only government that can borrow money at 5 percent interest these days. Nevertheless, he made the bank sound like a thief and there was no one to set the record straight. Who is going to start telling the simple truth? If these are California bonds, the bank didn't just "buy" them. The people of California borrowed \$3 billion of depositors' savings in order to complete our water project, build medical school facilities for our great University, help local governments modernize their sewage plans, among other things. If the taxpayers of California, in borrowing this money, insist that the bank pay a tax on that interest that we are giving them, then we are going to have to increase the amount of interest we are giving the banks---certainly at least equal to the amount of the tax. Thus the same taxpayers are going to find that having done that, the Franchise Tax Board are the only ones that will be happy about it because they are going to hire more accountants and more clerks, bureaucracy is going

to grow and the citizens are going to find their taxes are increased to fund the growth of government. One of the ugly side effects of the present economic mythology is the ability of the demagogues to present this case as one of the "haves versus the have nots." Anyone making a profit or even those in the higher earning brackets is casually lumped under the term "rich." One of our legislative leaders in a tax discussion with me not too long ago discussed, (it was an argument) tax policy. He finally drew himself up and said to me "I am not interested in helping the rich." Well I was happy to hear that because about that time I thought that he wanted to burn me at the stake. But, I told him that I wasn't interested in helping the rich but I was very much interested in seeing that this country remained a country in which somebody could still get rich. When George Foreman punched his way out of poverty and into the World's Heavyweight Championship a few months ago I don't think that this man should be penalized by a tax structure that makes it impossible for him to keep a fair share of his earnings. Political demagogues love statistics, they love to speak of the bottom 20 percent and contrast it with how much less they earn than the top 20 percent. And one gets the picture automatically of two groups of people; one frozen into permanent poverty and the other wallowing in unearned wealth. Well it is true, there is a difference. The top 1/5 earns 15 times more than the bottom 1/5 in this country. What is not added when they give that statistic is that the top 1/5 also pays 130 times as much tax. While the lowest 1/5 includes, of course, the least fortunate and the hardcore unemployed in our country, it also is made up of first-time job holders who are just beginning their careers, made up of apprentices, it is even made up of graduate students who are living on campus and are trying to get an advanced degree. These graduate students will probably, in one jump,

make it all the way to that top 20 percent because you are in that top 20 percent when you start earning \$12,000 per year.

That brings us to another one of the myths---that same mysterious "they" can avoid their fair share of taxes. "They" of course, are always rich, and "they" always have sharp lawyers---the device they use is the loophole and if the loopholes are closed the tax burden of the average man will be greatly reduced. Well everyone knows there are loopholes but most people have trouble naming one. Nothing the mythmakers have come up with has done more to divide our people than mistrust among our people in the institution of government itself.

Columnist Jack Anderson says the amount the rich can avoid by loopholes is a whopping \$50 billion per year. Harriet Van Horn says it is \$65 billion and the gaggle of others "various unnamed experts" put the figure at \$200 billion. Now it is a funny thing, that figure comes pretty close to the truth, but a lot of people change sides when they learn what is being called "loopholes" to arrive at that figure. If you include your own personal exemption and the exemptions for children and dependents, special deductions for the elderly, interest on home mortgages, medical expenses, contributions to church and charity, state income tax if there is one in your state, property tax, other local and state taxes, expenses connected with the job such as tools and uniforms and report every single deduction and exemption, you would have a total of \$199 billion and of that amount only \$7½ billion is taken by people with incomes of \$50,000 a year or above.

The big casino of all the loopholes, of course, and used by any self-respecting demagogue, is the oil depletion allowance. If that one were closed entirely the government would get less than \$1 billion.

Strangely enough one of those who today is talking tax reform in the halls of government in regard to closing loopholes has not said one word about lightening the tax burden of the average man. When they talk tax reform they are seeking more revenue for government and they are trying to make it more palatable to the taxpayer by pretending that someone else can be made to pay. The same voices are very fond of suggesting that business can be made to pay, and can, but only if you raise the price of your product. You know, and the people must learn, that to stay in business you have to pass on the tax as well as all the other costs of production to the customer. That is the reason why one-half of the cost of a loaf of bread is made up of 151 accumulated taxes beginning with the farmer's property tax on the farm where he raises the wheat. If government makes you collect too many taxes you price yourself out of the market and become noncompetitive. There is more reason than that for making the people knowledgeable and sophisticated about taxes. Making them understand that they and they alone bear the full cost of government---federal, state and local---but silently and skillfully with a multitude of hidden and indirect levies. The institution of government has become the biggest cost item in the American family budget. Taxes take more of the worker's income than he spends to provide food, shelter and clothing for his entire family. He is unaware of this because much of it is in the price he pays for these very items---116 actual taxes by count in a suit of clothes. At the turn of the century the classical economists were positive that they could relate taxes to the recurrent economic slump in our free economic system. But when government increases the share of the citizens' earnings beyond a certain point, it automatically creates a drag on the economy.

Many economists today say that we cannot continue to take what is presently being removed from the private sector. A great many of your business colleagues I know, perhaps even some of you, are discouraged. You see little hope of reversing the trend of the last four years and reducing the enormity and the power of government. So some hang on, feeding the alligator, hoping it will eat them last. Actually, the chance of changing it has never been better. The President, we know, wants to decentralize government, to eliminate programs that have been costly failures and to give more authority to local and state governments. These gentlemen who are here from the administration in Washington, are dedicated to this goal. A man who heads up the biggest and the costliest part of the federal government---Health, Education and Welfare---I can tell you from personal experience is the toughest man with a dollar that Washington has seen in a very long time. He was my finance director for two years and I earned the title of "Scrooge." But, in an effort to make this change, you would be surprised how much is "Horatio at the Bridge" when they must face the hostile bureaucracy that is determined to preserve its own power. You and I must join and must help make the people immune to the preachings of the demagogue. The task can be done by simply using the facts, by using the expertise that is to be found in such abundance in the private sector. I can give personal testimony that this works. I don't mean to be presumptuous, but sometimes I wonder if the men and women of American industry really know the capacity that you have to make changes even in the overall philosophy of government. Six and a half years ago I arrived on the state steps---and since Californians are broadminded enough to give their governors on-the-job training---I arrived there with only a few very serious beliefs that justified my being there. One of those was that government has grown beyond the consent of the governed. Another was that only a great people can make a great society.



A bookkeeping trick had been employed by the previous administration to avoid a tax increase prior to the elections, and so we found the state was virtually on the edge of insolvency. It had a 12-months' budget based on 15 months' revenue through a bookkeeping trick. In my previous occupation I would have called for a stunt man; instead I called for the business and industrial community of California, including some of the men who are in this room. We chose Cabinet members and department heads who served, for the most part, at great personal sacrifice. They were willing to come and give a great period of their lives to the community and to government service. The only requirement was a thing that they shared in common, they agreed that they would be the first to tell me if their job and their department was unnecessary---and some did and we have never missed their departments to this day. More than 250 citizens of our state---some of the greatest expertise and knowledge of business and professions---gave up an average of 117 days, full time, to serve on task forces, to go into every agency and department in state government and see how modern business practices could be put into effect in those departments. We have implemented 1,560 of their recommendations to date. We have continued to practice this task force idea, including a task force on welfare a few years ago, and more recently one on taxation.

A few years ago welfare in California was increasing in caseloads 40,000 a month and was increasing in cost 26 percent a year. Two years ago we began implementing Welfare Reforms that had been recommended by the task force and today there are 270,000 fewer people on Welfare than there were two years ago in March. In the six years preceding our Administration, State government in California had increased its number of employees more than 25 percent. We have been there a little over six years and we have actually reduced the number

of employees we found when we arrived and yet its reduced number has absorbed a 30 percent workload increase. From near insolvency we now find ourselves with a one-time surplus of \$850 million and a projected annual ongoing surplus. I am proposing to return to the people the one-time surplus by way of a tax rebate much as you might give a bonus to employees or perhaps a better description would be "cut up a melon with the stockholders." I would say that to suggest to some legislators that the money should be returned to the people is a little like getting between the hog and the bucket, one gets buffeted about a bit. You know one Senator told me that he considered giving this money back to the people "an unnecessary expenditure of public funds." As for the ongoing surplus, we have asked for a reduction in state income tax of  $7\frac{1}{2}$  percent but a total elimination of the state income tax for families with incomes of \$8,000 or less. This has prompted one Senator to say that if we go through with such a program we will no longer be able to redistribute the earnings of the people of California. I don't think that should be the function of government.

We had a task force on taxation because we wanted an answer to why, with all the success we have had in reducing costs and eliminating waste, the cost of government continues to rise. The institutions of government, federal, state and local, in 1930 were taking 15 percent of the total earnings of the people of this country. Twenty years later, by 1950, they were taking 32 percent. Today they are taking 44.7 percent. If we project this rate for the next fifteen years, it becomes  $54\frac{1}{2}$  cents. When you try to reduce the costs of government by reducing expenses you discover that some of the expenses have votes.

As Dr. Milton Friedman said (I have quoted him once before) "expenditures rise to meet revenues and then some." Our task force included some of the nation's most distinguished economists and they declared that we not only must halt, at every level of government, this increase in the continuing cost of government, we actually must reduce the present level of spending if we are to preserve a free economy. This nation is at a crossroads and government spending is out of control. California State share of the 44.7 percent we are taking in taxload is 8-3/4 cents. If the historic pattern continues uninterrupted, government revenues will increase faster than the people's earnings. We don't propose to reduce the actual dollar amount the state government is getting, quite the contrary. We are proposing in addition to the one-time rebate and the income tax cut, that government's revenues increase to meet the need of growth and inflation increase at a slower rate than the increase in the people's earnings, so that in this way the people will not only grow more prosperous but actually be more prosperous instead of just turning over more money to government.

Very simply, we have proposed a Constitutional Amendment and we are submitting it to the people. It calls for one-tenth of one percent cut in that 8-3/4 cents that the government is now taking each year, for 15 years until we reach a percentage that is in the neighborhood of 7 percent and that then this will be fixed in the State Constitution as the maximum percentage of the total revenues that the State government can take without the consent of the people. Reducing this 8-3/4 cents to 7 cents may not sound like much, but over the 15 years it will put back in the Californians' pockets \$118 billion that will otherwise go to state government. That will buy a lot of products and that will invest in a lot of good sound investments and make jobs for more people.

What it means over the years, just to give you some idea, is that it could reduce the income tax, if we chose to go that route, 25 percent in the next five years. In 10 years we could reduce it 50 percent, or we could cut the sales tax by a full one third, or we could have a combination of reductions in those taxes. There is no interference with the legislative process other than the overall ceiling. They would have all the power, as they do now, to raise and lower taxes, create new ones, eliminate old ones, simply staying beneath this percentage limit unless they get the consent of the people. We have provided full flexibility for emergencies, either economic or in a state of natural disaster, such as earthquakes or floods or whatever could happen that would require a greater output by the people.

Being a Constitutional Amendment it requires the vote of the people. We have asked the legislature to approve putting this on the ballot and this, they have refused to do. The Speaker of the Assembly said that if we did this it would put government in a straitjacket. I have to ask what's wrong with that? The truth is, that even within the limit, the budget could still double in the next ten years, it could triple in the next 15 years---which I think makes it a very loose-fitting straitjacket. By the projections, it would make an increase in state revenues in California of between 115 and 120 percent to keep pace with growth and inflation. But the actual increase in revenues is going to be in the vicinity of 200 percent. This leaves us a margin between that 115 and 120 percent all the way to 200 percent not only for growth and inflation but for new projects, for new spending, for new things, services for the people which someone might think of.

Denied by the legislative leadership, we have taken our case to the people. We are submitting petitions in accordance with our law and when enough signatures are obtained we intend to call a special election for the sole purpose of allowing the people to vote on the one-time rebate, the income tax cut and the Constitutional limit on the future percentage of earnings that the State can take.

I like to think of it as an offer they can't refuse. You now are often accused, in this time of political mythology, of being a special interest group wielding great influence with state government. From the special interest groups I have seen over these last several years, I wish you were and I wish you would become an active special interest group. The people must be made to realize that special interest groups today are more likely to be devoted to persuading government to take more of the people's earnings to provide services that directly benefit the special interest group. Last week Congress was called upon, a Congressional committee heard the testimony from the Coalition of Human Needs and Budget Priority. This coalition warned the Congress that major reforms in the spending system could limit the opportunity to allocate more federal funds for social programs. The coalition is made up of 75 diverse groups including the Union of Public Employees, which has an obvious interest in government spending.

Now it is time for us to deal with three questions. Who in this Coalition shall wield power, for whom shall they wield it and at whose expense shall that power be wielded? The answer to the first two questions is very obvious. The people should wield the power and the power should be wielded for the good of all of the people. The answer to the third question, I think, should also be the people. Bastiat said that's who will have to bear the expense. Bastiat, the French philosopher and economist, said the state can have an abundance of money only by taking from everyone, especially the masses. The state is not an entity where everyone can live at the expense of everyone else. Today there are too many Americans who have replaced faith in the economic freedom with trust in the government as the distributor of material goods.



We have been sold, for example, the idea over recent decades that inflation is necessary to continue prosperity. Well inflation is a device for siphoning private property into the coffers of government. Paring government back to size is the only way to protect private property against confiscation---and the right of ownership is the very basis of personal freedom. Are we still able to believe in ourselves and our capacity to sell the truth or will we accept the pessimism of Whitaker Chambers who became disillusioned after many years of Communism which he had embraced out of a sense of idealism and yet after so many years when he had turned away from it disillusioned he could no longer regain his faith in us. And he wrote shortly before his death: "It is idle to speak of saving Western Civilization, because Western Civilization is already a wreck from within. That is why we can do little more than snatch a fingernail from a saint from the rack, or a handful of ashes from the fagots and bury it secretly in a flower pot against the day ages hence when a few men will begin to again dare believe that there was once something else, that something else was thinkable and needs some evidence of what it was and the fortifying knowledge that it existed at this great nightfall that there were those who took long thought to preserve these tokens of hope and truth for the future." I cannot subscribe to that pessimism. I refuse to believe that destiny of this generation, a generation that has lived through four great wars, through a great depression, that have seen man literally go from Main Street in the horse and buggy to the Moon, is destined to preside over the coming of that great nightfall.

In these last several weeks, Nancy and I have had a very rare and unusual experience. We have had the privilege to become acquainted with, and to get to know at first hand, an unusual and very special group of men. And if I had no other reasons for the belief that I have just stated, I would feel justified in believing it because of those men who were able to endure almost a decade of imprisonment and unimaginable torture, and they had nothing to sustain them except to believe in God and an unshakable faith in a dream, a dream that man was born to be an individual, to have individual freedom, to go his own way and fly as high and as far as his own strength would take him without being penalized for his ability and his effort. It is a 200 year old dream they simply call the United States of America.

# # # # #

Watergate  
Demo. social tinkering  
Middle East  
Vietnam  
Inflation  
Demo. historic rule  
Welfare  
Campaign spending  
Rendezvous with destiny

AKRON, OHIO FUNDRAISER  
June 5, 1974

Ray Bliss, I take a lot of four-hour rides in an airplane and I still wouldn't have made much of a contribution of appreciation to you for all that you have meant to the Republican Party in this country. Mr. Toastmaster, Mr. Mayor, Finance Chairman, chairman and other officials of the Party, the officials of the county government that are here, my fellow Republicans and those Democrats who aspire to a better life.

It really is a pleasure to be here in this particular state that has history so rich with names of great stature among the statesmen in the history of our country. I know that when someone in public life says how happy he is to be some place on an occasion like this he is always suspect and probably people in public life have earned that. We had a candidate for Congress out in California who journeyed out into the hinterlands to solicit the votes of the people there. He sat down on a bench beside an oldtimer on the courthouse lawn, made his pitch for votes. The oldtimer said what are you going to do about the geese? He look and the courthouse lawn was covered with geese. "Well," he said, "isn't that a lovely scene". Just look at that pastoral scene, I think they should be preserved." The fellow said "You just lost my vote". He said "They mess up the lawn, they chase the kids, they peck at their legs, they ought to be destroyed." He moved on to another bench, sat down beside another old fellow, made his same pitch and got the same question "What are you going to do about the geese?" "Well," he said "look at them messing up the lawn, chasing the kids, pecking at their legs, they ought to be destroyed." The old fellow said "you just lost my vote, I raise geese, they are an important part of the economy of this community." He got to the third bench, same pitch, same question and this time he had learned. He put his arm around the fellow's shoulders and

said "Brother, on that question I'm with you."

I just want to say also I appreciate all of you who are here. I know the difficult task for those of you who do the raising of the money but I also know it costs you a pretty penny to be here tonight. You deserve some credit for that. The only thing I can say by way of reward or compensation to you is that if we continue having a Democratic Congress that is going to be the regular price for dinner.

We live in troubled times, inflation is such that we can no longer afford the wages of sin. Dollars to donuts aren't very good odds any more. If someone offers you the world on a silver platter take the platter. It isn't all dark, there is still a bright side, you can still use a dime for a screwdriver. Republicans have a tendency to be discouraged these days but I have had the opportunity of speaking to some Republican groups and not too long ago in the dead of winter, however, I was back in New England and there I heard a story that I think should be an inspiration to all Republicans. A little elderly lady in that town had been to see her doctor and she hurried out of the doctor's office right down the street as fast as she could go to the Registrar's office and reregistered Democrat. He said "Tilly, how can you do this, you have been a *Republican* all your life, your parents, your grandparents before you were Republicans in this community." She said "I've just been to the doctor and he tells me that my time is near and if someone's got to go I'd rather it be one of them."

But seriously, these are troubled times for Republicans. Our opponents would have us all itching and scratching beneath the hairshirt called "Watergate". For a year and a half now the American people have been subjected to a daily around-the-clock barrage of accusations, innuendos and unsubstantiated charges until we have come to accept that every statement by every unnamed source is proof positive of guilt.



And with a kind of death wish that sometimes plagues Republicans, we have attempted to self-destruct in five seconds to the joy of our opponents. In Pennsylvania the special election to fill a vacant seat in Congress, the Democratic vote was within 1 percent of what it had been in the '72 election. 32 percent of the Republicans stayed home and we lost the seat by 122 votes. In Michigan 55 percent stayed home. Since that election the poll reveals that most of those who stayed home honestly admitted they believed the Republican was the best man but they were upset about Watergate. Well, we are all upset about Watergate, it was an illegal, immoral and, frankly, a very stupid act. As Republicans we have been on the receiving end of too many such shenanigans to see any virtue in this one. We have been outvoted in big cities by tombstones, warehouses and empty lots and we have never liked it. It is time to put the matter of Watergate in the proper perspective. Those who committed the breakin have been apprehended, tried, convicted and are undergoing punishment. Whether others were involved will be determined by the courts and by the Congress in the manner prescribed by the Constitution. But while that procedure takes place if we continue to have a belief in this system of ours we will say to those who would be self-appointed judge, jury and executioner "all of the accused will be presumed innocent unless and until proven guilty beyond reasonable doubt."

In the meantime we have a right to ask the Democratic leadership of the Congress to get on with the business of government which they have so irresponsibly and shamefully neglected for this last year and a half.

With regard to the election which will take place in November, we have a right to know more than what the Democratic candidates think about Watergate. We would like to hear their views on the issues which will affect our lives and the future of this nation. Frankly, I don't

think they are very eager to do this. If they state their true beliefs they will only remind the rank and file of their own Party that the control of that Party is still in the hands of those who radicalized the Party and hijacked its own convention in 1972. And they will remember the mandate of the people in 1972 all too well. Never in the lifetime of any one of us have the issues in a National campaign been more clearly defined. Never have the American people crossed Party lines in such overwhelming numbers to make it quite plain they do not believe their hopes and aspirations can be realized under the philosophy of the Democratic leadership.

We, as Republicans, have a responsibility in the coming campaign to see that the difference in philosophy is held up to view so that the people can choose not just between party labels but between party beliefs. There is nothing wrong with us reminding the voters of how long-time Democratic Party stalwarts who wouldn't forsake the principles of Thomas Jefferson, were denied the right to participate and sometimes even to attend their own convention in Miami. Indeed, the first Democrat eliminated from that convention was Thomas Jefferson himself and why not? Jefferson had urged us to make a choice between economy and liberty or profusion and servitude. Well, the Democratic leadership chose profusion and servitude a long time ago and called it a planned economy. Sometimes I wonder if it is really Watergate that bothers them or if it is our resistance to their continued social tinkering.

For 40 years they have been conjuring up new programs, always with the promise that each one will solve all the problems of human misery and, of course, the programs always fail. But that doesn't bother them, they thrive on failure. If the programs ever succeeded it would put them out of business---the problems are their whole reason for being. Like Dr. Parkinson said government hires a ratcatcher and he soon becomes a rodent control officer and has no intention of getting rid of

the rats. We must insist that the candidates in the coming campaign talk about inflation, about the tax burden that is eating away the vitality of the free enterprise system. Certainly about the energy crisis. So far our opponents have devoted themselves to looking for a scapegoat instead of an answer. They want more government, we are asking for more oil. They talk about punitive taxes when they should be talking about incentives and most revealing as to their basic philosophy is their eagerness to solve the energy crisis by having the government go into the oil business. Now there's an answer that might turn out to be as economic and efficient as the Post Office.

Then there's the matter of National Security. The Soviet Union has just fired a new advanced missile down the Pacific Range and is building a new type of nuclear submarine. With typical statesmanship our opponents demand a reduction in our defense budget and an increase in welfare.

No one will deny that political campaigns must concern themselves with the record of past performance as well as proposals for future action. Watergate, politically speaking, therefore, is a part of the record. It is not the entire record. The troubles of the Middle East have had the world closer to Armageddon than any of us realize. Most of the World's leaders shut their eyes, and pretended that the problem would go away if you didn't look at it. But step by step the United States brought about a ceasefire, a retreat from confrontation, a meeting of the enemies around a negotiating table for the first time in more than a quarter of a century and finally the agreement that was announced just a few days ago between Syria and Israel. And Henry Kissinger, for all of his brilliant work, would be the first one to say that he was carrying out the policy of the President of the United States.

The same President, <sup>who</sup> when he received the intelligence information the irreputable truth that the Russians had seven divisions poised ready for air transport into the combat in the Middle East, picked up the telephone and said to the Russians "I wouldn't do it if I were you," and they didn't!

A year ago young Americans were dying in a war that had dragged on longer than any war in our history. One Democratic administration abandoning the Eisenhower policy which had brought eight years of peace started the war and a second Democratic administration which wouldn't win it and didn't know how to end it, carried it on. Today no young Americans are dying in the rice paddies of Vietnam. They are not dying there because a Republican President ended a war not of his making in 1973 just as another Republican President ended a war not of his making in 1953. There have been four wars in my lifetime and not one of them started under a Republican administration and the only full employment we have known since the 1929 crash has been in time of war.

Right now, in spite of the energy crisis, we have the lowest unemployment rate we have had in peacetime in this nation for more than 40 years. Let the record also show that blaming the present administration for inflation is a blatant rewrite of history. Inflation was sold to us, sold to us by the New Deal, the Fair Deal, the New Frontier and the Great Society. We were told it was essential to maintain prosperity. We are supposed to forget that all of those years as Republicans as the loyal opposition on the outside, we warned over and over again against such a policy. We pointed out that inflation was like radioactivity it was cumulative and that some day it would run wild out of control as it has. But our warnings were ignored. They were tagged as Republican obstructionism. We just didn't understand the new economics. Well, there isn't anything to understand, there is no mystery

about inflation. Very simply it comes when government spends more than it takes in. That is why Republicans have introduced legislation to restore fiscal common sense to government and in so doing they have also learned that when you suggest common sense with relation to government you create something of a traumatic shock. The only time in the last 42 years that the dollar did not lose one penny of its purchasing power was the only two-year period in those 42 years when a Republican President had a Republican majority in both houses of the Congress. For the last 20 years the Democratic majority of both Houses could have halted the unbroken increase of inflation by simply continuing the Republican policy of those two years.

Now in this election year they have the gall to grandstand by proposing a \$6 billion cut in taxes. There again is the difference between our two philosophies. We would like a tax cut too if, and it's a big IF, if they would also agree to cut the spending by \$6 billion.

Some of those same Senators who are talking about a tax cut, including the one who wants to give us \$55 million worth of "Teddy care." Those same formed a group of 11 Democratic Senators, who at the beginning of this 93rd Congress set a new record in the history of the United States because the 11 of them between them sponsored measures which would have added one trillion dollars to the cost of the United States government. They have just voted to kill Harry Byrd's bill that would have required a balanced budget. They weep crocodile tears about a tax structure which they claim is riddled with loopholes benefiting the rich but why don't they change it? They have had a majority in both Houses of Congress, we couldn't stop them if they wanted to. If they really mean to reform taxes we might be willing to help them.



For example, how about simplifying the income tax so that a worker doesn't have to employ legal help to find out how much he owes the government? We live in the only country in the world where it takes more brains to figure out your income tax than it does to earn the income in the first place.

They do a lot of talking about these things but the truth of the matter is that the <sup>tax</sup> structure of this country bears a Democratic trademark. Now one of the simplest reforms that might curb government spending would be to simply require any legislator who offered a spending measure to offer, at the same time, a tax bill to pay for it. They won't do this, of course, because this is an election year. This is not a time to raise taxes but the truth is raising them is exactly what they have in mind.

Some time ago the Democratic council made this very plain. They called for a shift of financial resources from the private to government channels. Now that is <sup>a</sup> kind of nice <sup>euphemism</sup> which means we want to raise taxes. To quote them they say "there is no cheap, easy way to meet the public sector needs, we believe that realization of these priorities requires a commitment to a vigorous tax program."

I don't know, they have made it plain that their public needs are in the area of more social welfare and I don't know how much more vigor we can afford. There is only one thing we can be happy about now and that is government's waste and extravagance. Can you imagine how miserable we would be if we were getting all the government we are paying for? The young Senator from Massachusetts who is one of those 11 who would increase government's cost a trillion dollars, journeyed to Alabama last July 4. He delivered a speech there that was tailored to the occasion and that particular audience and very well received. He had just discovered that there was a giant bureaucracy in Washington and he saw that as a threat to individual freedom. He even expressed

alarm about the high cost of government which he, of course, blamed on a Republican President. It wasn't the kind of speech he usually makes in Massachusetts---George Wallace sat there listening to him and thought they had sent the wrong sound track.

James Buchanan has said that even the keenest, most analytic surgeon when operating on a Democratic politician can't separate demagogic from solid tissue without causing the death of the patient. But like the tax structure, the bureaucracy in Washington bears a Democratic trademark. It is the result of 40 years of Democratic rule and it dictates in large part National policy to a greater extent than does even the Congress of the United States. Not even the Office of Management and Budget knows how many boards, commissions, bureaus and agencies there are, but all of them have the authority to adopt regulations which have the power of law and these regulations today take almost as many pages in the federal registry as the entire Encyclopedia Britannica. Small businessmen spend 130 million manhours per year filling out government forms and it adds \$30 to \$50 million a year to the cost of doing business.

Then government spends another \$15 billion finding places to store that paper. A baker in Illinois said even if he understood the forms he wouldn't have time to fill them out. The druggist in Connecticut said it takes more time to fill out the government forms for one prescription than it does to make up the prescription. A fellow in California found out about the Office of Occupational Safety and Health. He was told he had to install separate toilets and washrooms for his men and women employees. He only has one employee and she's his wife and at home they sleep in the same bed.

What is bureaucracy's level of service? What success have they had? Not too long ago you could send a gallon of oil from Texas to New York for one penny and you could send a postcard the same way for the same price. I am told you can still deliver a gallon of oil for one penny but it costs 8 cents to deliver a postcard now to the wrong address. Government's involvement in things not its proper province is not marked by spectacular success. Urban renewal--they were going to build low-cost housing for the poor. They built 201,000 units, half of which can only be afforded by the well-to-do, but they tore down 538,000 that the poor could afford. All of the costs were borne by those millions of Americans who ask nothing of government except to be left alone, those Americans who, regardless of Party, pay an average of 45 cents out of every dollar they earn to maintain governments, federal, state and local. These Americans are in their time of discontent. They feel that government and the nation they supported so loyally only knows of their existence at taxpaying time. These are the people who get up in the morning, send the kids to school, go to work, contribute to their church and charity. They make the whole system work and yet their own dreams have become ever more unattainable. The good life they have earned and deserve is just beyond their reach. Political demagogues fan their discontent telling them that some mysterious "they" is somehow robbing them of their just reward and only those same demagogues can correct this but they have to have a little more power which means bigger and more costly government. Well these Americans, these unsung heroes, have been too long unrepresented in government. These are the Americans from the Republican Party to whom we should address ourselves. Our task is one of education, exposing the political and economic mythology that has been built up under decades of Democratic rule. In the first place, we must understand ourselves and then make them understand that time for a change is a

proper Republican slogan. Just occupying the White House or even the State House doesn't give a Party control if the Congress and the Legislature is in the hands of the other Party. Our opponents have been in control of both Houses of Congress for 20 unbroken years. There isn't one problem besetting the people of America that they couldn't resolve any time they wanted if they were of a mind to. They talk loudly of the energy crisis. The President submitted 17 specific proposals. They adopted one, the Alaska pipeline, and they were four years late with that. They disagreed with his other 16 proposals but they haven't come up with a single piece of legislation of their own, only talk. They have been successful in persuading the majority of the people to believe that Republicans are more concerned with serving the needs of certain special interest groups than representing the people as a whole. And yet it is they who historically appeal to the worst of us in dividing us into voting blocks promising to take from one group to give a favor to another. They tell us we can only have a bigger slice of the pie if we will reduce someone else's slice. Well our philosophy is we can all have a bigger slice if the government will get out of the way and let the ~~business~~ <sup>free</sup> enterprise system produce a bigger pie.

In California we have had 7½ years of Republican administration implementing Republican doctrine over the opposition of a majority in both Houses of the Democratic legislature. Our success has come from taking our case to the people. I was shocked standing here tonight to hear the record that was read to you of what has taken place in a few years. It is a curious coincidence that I should hear that here in this state because when I first became governor my first journey was to the Republican governor of Ohio. I heard of what he had done. I heard of the record, I heard of how he involved task forces of private business people in government to help bring and implement modern business practices in government and I came to find out that when I returned

to California and called a meeting in a room like this of the leadership of business and industry of California to tell them what it was we wanted from them he sent his Finance Director to help us explain the problem to California. When we started eight years ago one of the reasons I needed that help Democratic rule had left our state virtually insolvent. California was spending \$1½ million a day more than it was taking in. The cost of living index was higher in California than the National average. The state was adding 5500 new employees each year to the government payroll and 40,000 new recipients to welfare rolls each month. We instituted a program of cut, squeeze and trim based on the common sense principles that you employ in your own affairs. Everything we proposed the Democratic leadership opposed. On the Welfare reforms they said if we instituted the reforms we finally evolved that the caseload would go up instead of down, that the county property taxes would have to go up to bear the added costs and we would end the year with a \$700 million deficit. Other than that they didn't find much wrong with what it was we were suggesting.

The state payroll at the end of the eight years when I leave office in January will be exactly what it was when we started eight years ago even though the workload in some departments has increased as much as 66 percent because of our growth. The welfare rolls are not increasing at 40,000 a month, there are today almost 400,000 fewer people on welfare in California than there were three years ago and we have saved the taxpayers \$2 billion in welfare. More than 40 of our 58 counties have cut their property taxes for two years in a row and that \$700 million deficit turned out to be an \$850 million surplus which we returned to the people of California in the form of a one-time tax rebate.



The new governor of California will be the first governor in decades who will inherit a balanced budget. And yet what would have been the Democratic record? In these eight years I have vetoed spending measures which would have added \$15.3 billion to the spending of state government.

I might add, I said we returned the \$850 million, I made that sound pretty easy. When you face a Democratic legislature and suggest giving \$850 million back to the people it is a little like getting between the hog and the bucket. One Senator indignantly proclaimed that this was an unnecessary expenditure of public funds. But if we are to succeed in our mission we must expose the falseness of our image our opponents have successfully created over the years. Our own sons and daughters in great numbers have accepted this image and turned from us. We are the party of the rich supported by a few wealthy contributors who help buy elections and then expect special favors from government. That's our image. That's not the truth. But I wonder how many Republicans when they go into a campaign know what really is the truth. Do you know, for example, that for more than a quarter of a century the Republican Party has never been able to match the Democratic Party in campaign spending, that 75 percent of our funding has come from contributions of \$100 or less and that we outnumber the Democratic Party 5 to 1 in such small contributors. Oh that couldn't be true about 1972, not in view of all we are being told and being told and being told. It is true that the Federal Communications Commission's official figures do show that Republican candidates in that 1972 election spent \$20 million on radio and television alone and the Democrats spent \$34 million.

Then there are all those dairy contributions. They gave \$577,000 to Republican candidates. They gave \$613,000 to Democratic candidates. Now the Rodino Committee is self-righteously proclaiming that it will investigate to see if the contributions by the dairy industry to Republicans actually constituted bribes even though 16 members of that committee, including Chairman Rodino himself, received thousands of dollars from that same dairy industry which, of course, they consider just a campaign contribution. In the midst of all the demagoguery so prevalent today a look at the record might be timely. In March of 1971 the administration was holding the milk price at 80 percent of parity. The industry was pressing for 90 percent of parity and pressing hard so 125 members of the Congress authored or cosponsored legislative proposals to demand the 90 percent increase and 29 Senators did likewise in that House and on the floor of the Senate speeches were made on a daily basis by Hubert Humphrey, by Senator Mondale, by Vance Hartke, by Harris of Oklahoma, by Proxmire, by any number of others. The Speaker of the House, Albert, and chairman Pogue of the Agriculture Committee, bluntly stated that they would pass a bill and override a Presidential veto if he attempted such a thing. So Secretary of Agriculture Hardin of the Nixon administration, administratively compromised by raising the price to 85 percent and Senator McGovern publicly proclaimed this reversal can be construed as a victory for this Congress in speaking out vigorously in behalf of the dairy farmers."

I have never been able to figure out why it is that a rich Republican is a "fat cat" and a rich Democrat is a public spirited philanthropist.

Our sons and daughters yearn for a cause that is worthy of their youthful idealism and they reject a society that they believe is suffering from a terminal illness. We fail them miserably if we don't make them see how much there is to really love in this land.

A sick society bereft of courage and moral stamina couldn't bring forth the men who set foot on the moon or who circled the earth in Skylab. Nor a sick society produce the men who endured almost a decade of savage torture and imprisonment in Vietnam and return to us unbroken in spirit with their heads held so high voicing faith in God and country. It is time for some voices to be raised---our voices---in reply to the doomcriers abroad in the land today. Double our present troubles and we are still better off than any other people on earth. We live better, we have more freedom in spite of, not because of, the social tinkering of the last four decades and with the material blessings has come a compassion on the part of our people unmatched anywhere. We share our wealth more widely than any society in the history of mankind. We have more churches, more libraries supported with voluntary contributions, more symphonies, more operas, more non-profit theater, and publish more books than all the rest of the world put together. We have more doctors per thousand people, more hospitals, and one third of all of the young people in the world who are getting a college education are getting it in the United States.

In the days of World War II, right after World War II when our economic strength and military might was all that stood between the world and a return to the dark ages Pope Pius XII said "The American people have a great genius for splendid and unselfish action. Into the hands of America God has placed the destinies of an afflicted mankind."

You and I have not kept or fulfilled entirely our rendezvous with destiny, mankind is still afflicted. Mankind looks to us for a realization of their long-time dream of human dignity and freedom. I believe the things we stand for offer a better chance for fulfillment of that dream and for the realization of the hopes and aspirations of

our people than does the giveaway philosophy of our opponents who have lost faith in the capacity of our people for greatness.

Sometimes in our past, and hungry for victory, we have wavered in our adherence to our Republican philosophy. Sometimes we have allowed the basic difference between our two parties to become blurred. This we can no longer afford. Millions of those unsung heroes, Democrat and Republican and Independent, are out there waiting for a banner to be raised. They are represented in government by the kind of men that I think our Party is offering in this election campaign, at the state level and the national level. But there aren't, at present, truly enough people in government representing them. That is what this election is all about.

One last little story----during the American Revolution the Rev. Mullenberg was preaching a sermon on a bright Sunday morning. Someone approached him and handed him a note. He stopped preaching and silently read the note. Then his congregation saw him remove his ministerial robes and he was wearing the uniform of George Washington's army. To his surprised congregation he said "there is a time to preach and a time to fight." Republicans---this is a time to fight!

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