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1/11/72

GOVERNOR'S PRAYER BREAKFAST
Senator Hotel
Sacramento, California

January 11, 1972

Lieutenant Governor Reinecke, President of the Senate Jim Mills, Speaker of the Assembly Bob Moretti, Pauline, March, Ike Livermore, General Turnage, lovely ladies here with us at the table this morning, and you distinguished people out there---members of the military, the Legislature, and the many who are involved here in state government.

I know this is billed as a response, and yet I think it's going to be a humble effort to add to some of the very fine messages that have been given to us this morning.

There has been much said about this morning---the prayer that takes place, and particularly among those in public life, and the necessity, of course, for praying for what is right and not using prayer to personal advantage.

I remember once playing football. It was a great moment in my life when I discovered for the first time that I wasn't the only fellow playing the game who prayed before each game. As a matter of fact, in the years since then, I have never met a football player who didn't pray before a game. And at the same time, I have never met one who confessed that he ever prayed to win. And yet the temptation is always there because we are only human.

Back in the dark days of World War II, there was a little Irish priest in our land, and he couldn't forget his animosity toward the one-time English conquerers of Ireland, and so even in the midst of that war, his sermons kept taking an anti-British note....until the bishop

had to...and he didn't want to impose his will on him...he had to suggest that in time of war, certainly he could mute this particular tone in his sermons. And the little priest promised he would.

The next Sunday he prayed with no reference to the British, and the following Sunday, and the following Sunday. But he was getting pretty uptight. The tension was building. Finally, he rose to the pulpit, and he said: "My sermon this morning is going to be about the Last Supper." He said, "The Lord stood, and the Lord said 'one of ye here this night will betray me.'" And he said, "I repeat: 'One of ye here this night will betray me.'" "Up stood Judas Iscariot, and he said, 'Oh, I say now, Governor, you don't mean me.'"

Sometimes I have to confess that while thinking of some particularly recent days some of my own speaking could best be described by the first sentence of the twenty-first verse of the 55th Psalm: "The words of his mouth were smoother than butter, but war was in his heart."

But we had just been through the season a few weeks ago when, as we do every year, our minds turned to that night so long ago when there was no room at the inn. Now, there seems to be at least one day each year here in Sacramento when there is room at the inn...here at the inn. I think the challenge, and the question for all of us, is whether on a daily basis we can start making room in that building across the street or in all those other temples of statehood here in the Capital City and in other capital cities, where we become so frustrated and so confused at times with problems that just seem so complex. Perhaps our problem is that we continue to look for complex answers. We turn away from the simple answers that might ease our frustration.

Because we have such an example, how complex was the answer the young man from Galilee gave when the erudite men of the law--the pharisees--were questioning him and attempting to confuse him, and they asked him, "What was the greatest of all the laws?" And without hesitation, he said, "Thou shalt love the Lord, thy God, with all thy heart, and with all thy soul, and with all thy mind." And he added to that first great commandment the second: "Thou shalt love thy neighbor as thyself." Then he said to these learned men of the law, "On these commandments hang all the law and the prophets."

Matthew, who chronicled this scene, then tells us that the learned men huddled and talked together (You will note I didn't say they caucused). But they didn't ask the young man any more questions.

But sometimes I think the voice of the pharisee is still with us. We are finding complexities where perhaps none exist.

A decade ago, some learned men of the law decided that school children saying, "Almighty God, we acknowledge our dependence on thee, and beg thy blessing upon us, our parents, our teachers, and our country," that that simple recital of a plea by students in a New York schoolroom threatened the constitutional freedom of 200 million Americans. And the men who made this decision all took their oath of office which ended with the line, "So help me God."

So now there is no room in the school, and there are pharisee voices that would deny Him entrance into other public places. Indeed, the term "public place" seems to be enough now to warrant His exclusion. Those same voices would drown out the phrase: "One Nation, Under God," and they would erase from our currency the declaration, "In God We Trust."

I know that it will take more than one breakfast meeting a year to still the voice of the pharisee. But there's something about this

annual meeting in the shadow of the Capitol that should give us hope that this nation, under God, will keep on finding room, not only in the inn, but in all of its council chambers and within its borders.

I think our nation and the world needs a spiritual revival as it has never been needed before...a simple answer...a profound and complete solution to all the troubles we face.

George Berkeley, the eighteenth century philosopher for whom the city of Berkeley, California, was named, said, "He, who has not much meditated upon God, the human mind and the Supreme Good, may possibly make a thriving earthworm, but he will most indubitably make a sorry patriot and a sorry statesman."

I couldn't close this morning without expressing my thanks, and I hope in behalf of all of you, to those wonderful people who have been mentioned here already who do so much to make this meeting possible--- the Judge, and to Gladys Sanderson and her ladies who make this a labor of love each year---to those who have provided this wonderful and inspiring music, to thank all of you. And I can only say to you, then, in the language of that first little priest I mentioned (it happens to be the land of my forebears), may the roads rise with you and may the winds be always at your back, and may the Lord hold you in the hollow of his hand.

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2/21/72

REMARKS BY GOVERNOR RONALD REAGAN ON THE
FULTON LEWIS, III RADIO BROADCAST
MUTUAL RADIO NETWORK
February 21, 1972

This is Ronald Reagan and I am deeply concerned with the future of our country and the political decisions we all must make this year. I know it is standard campaign rhetoric to talk about an election being the most important in our nation's history but it is just possible that it could be true this time.

There is a Democratic myth that I think must be exposed. The myth is that the Democratic party is the party of peace and prosperity, of compassion for the working man, the disadvantaged minorities, that it is better able to cope with economic problems. Our new voters, the young people who will be going to the polls for the first time, I have to say have little historical perspective in the sense of politics and they see the present administration as the establishment and therefore responsible for all the things they don't like. Big impersonal government, government that's gotten beyond their control, that they can't influence, doesn't hear their voice. But I think they are blaming the wrong people. We have been on the outside and when I say "we," the Republicans looking in through most of the last four decades. For 38 out of the last 40 years the Democrats have literally determined the policy of this nation. It is true there has been a Republican President in the White House 11 of the last 40 years but for only one two-year term did a Republican President have a Republican Congress. And, incidentally, as perhaps a sign of the times, in that two-year period we knew the only time the dollar retained its value and didn't lose any of its purchasing power.

For the balance of the time we have had deficit spending and continued inflation that has seen the American dollar of 1939 go to 39 cents at the time of Richard Nixon's election.

During these 40 years there have been three major wars, all of them under Democratic administrations, and the only full employment this nation has known in those 40 years has been as a result of one of those wars. This is too high a price to pay for prosperity -- big impersonal government bureaucracy. At the beginning of those 40 years there was one federal employee for every 203 Americans. When Richard Nixon was elected there was one for every 67. Social engineers have been experimenting with social reform down through these decades always with the sincere idea of helping the American people. They set out to help the American farmer. Today there are only half as many family farmers in the countryside as there were before they started to help. They were going to help the wheat farmers. After a few years and a few billions of dollars of helping the price of wheat had been cut in half and the price of bread had been doubled.

The federal government was going to supply 26 million housing units, low-cost housing units for the disadvantaged, and when they finished helping in that regard there were 200,000 fewer houses than when they started.

During the eight years of Camelot and the Great Society we saw 7 million Americans on welfare become 16½ million, and 4 billion of cost go to better than \$20 billion. And still the program was failing the very people it wanted to help the most.

Those people who say we should have a change and I keep hearing this increasingly from those who would be President, do they mean a change back to what we had three years ago? Because three years ago crime and the inability to feel safe in our neighborhood and our homes was uppermost in our minds. We were talking about long, hot summers. We had accepted street riots and burning of our cities as a matter of course and our educational institutions were centers of violence.

With all that going on we heard men in high office talking piously of the need for more social reforms and that somehow we, the law-abiding, were to blame. Well, such things have not been commonplace during the years when Dwight Eisenhower occupied the White House and it seems they have markedly decreased since Richard Nixon entered the White House.

We now have an administration determined to fight crime instead of finding sociological excuses for it. The President's appointments to the United States Supreme Court are men who know the law and they know the law of the judiciary is to interpret the law not to twist it to make it conform to the social philosophy of the individual judge,

I know there has been great talk over the years and yet after three years of Richard Nixon's administration six times as many minority children are attending integrated schools in the south as were in the Great Society and in Camelot. Ten times as much money has been loaned to the Small Business Administration, to minority businessmen in those communities than had been loaned in all those other eight years. This President inherited inflation, he didn't cause it. The answer to inflation was known under the previous administration but many of the men who would now be President and were part of that government before lacked the will and the courage to go forward and take the steps and undergo the economic dislocation that

that would result from trying to bring inflation under control. In the meantime we lost many of our foreign markets and the value of our savings were eroded:

If you were earning \$10,000 six years ago and are earning \$13,000 a year now you are earning \$156 less in purchasing power than you had six years ago. Three years ago 542,000 young Americans were fighting in Vietnam. The death toll was 500 a week. Today 133,000 Americans are still in Vietnam and by May that will be reduced to 69,000 and the death toll is less than three a week.

The President recently revealed a peace plan that he offered to the enemy. It was immediately rejected by Senator Muskie in the Washington Post. I think the Senator has a two-point plan -- bug out now and let that last man who leaves shoot President Thieu. The North Vietnamese and the Viet Cong didn't get around to rejecting the President's offer for another ten days but you wonder sometimes the price we'll pay for the political ambition of some men. In a spirit of malice toward none the President made what must indeed be the most unique proposal in the history of international relations.

His critics keep demanding a specific date for withdrawal from Vietnam. They have one. It would be exactly six months from the day that the enemy would accept these terms and those terms begin with an immediate end to the killing. The men of both armies would return to their homes. There would be no victor, no vanquished, no vengeance or retribution. The government of South Vietnam has agreed to resign and submit itself to the voters again along with other contestants in a supervised election. Little has been made of the fact that no such condition has been imposed on the enemy whose government is governed by a non-elected military dictatorship.

And, finally, the United States would turn its great power to rebuilding the war-torn lands of South East Asia, enemy and ally alike. These men who would be President, who are so sure in their rejection of this proposal. I wonder if they were that sure a few years ago when it was a Democratic President's war, going on without plan or purpose. Was Hubert Humphrey sure when he said "the minute we back away from our commitments, the commitments we have made in the defense of freedom, where Communist powers are guilty of outright subversion, on that day the strength and freedom and honor of the United States will be eroded."

Or George McGovern who has said "North Vietnam can't benefit any more from prolonged conflict than can South Vietnam." And I would hope that we would be prepared to wage such a conflict rather than to surrender the area to Communism.

Senator Muskie has said that "I believe that the credibility of our word and our purpose are at stake. South Vietnam's loss would be an enormous setback to the forces of freedom."

And another Senator who hasn't declared for the Presidency but who was Democratic chairman just two years ago, National Chairman, said "we will hold Richard Nixon responsible if he turns South Vietnam over to the Communists."

Were they so certain then as they would have us believe that they are today? Perhaps they should read a little piece that was written by a California journalist, it was written in a kind of 'just supposing' sense.

He said "just supposing you've been elected President and first on your agenda is to shut off the war, but first you are taken down into the bowels of the Pentagon where brilliant men of three generations have devoted endless manhours to this problem. As the new President you are shown the charts, the figures, the supplies and the logistics, agreements and potential consequences of our successes and failures, analysis of possible action and reaction to Russia and China." This huge compendium is known only to the minds of a few men. It adds up to a staggering decision, perhaps another world war or at least blind desertion of the POWs. What does the glib promoter, the promiser of instant success do now? How confident does he feel? This goes on not with this one problem alone but with many others.

And then one thinks of a recent photograph of Richard Nixon kneeling on the beach with his dog staring out across the water. All the problems are his -- the loneliest man in the World. I think it is time to quit criticizing, quit carping, to give him instead our prayerful support in what must be one of the most danger-filled moments of all history.

February 17, 1972

2/29/72

This is an unofficial public service transcript. THE ADVOCATES is not responsible for errors of omission or commission.

Topic: SHOULD STATES RAISE ALL PUBLIC SCHOOL FUNDS AND
DISTRIBUTE THEM EQUALLY?

February 29, 1972, at 8:30pm on PBS

Participants: Advocate HOWARD MILLER (pro)

- Milton Shapp
Governor of Pennsylvania
- James B. Conant
President Emeritus of Harvard University
- James Guthrie
Professor of Education, University of
California at Berkeley

Advocate JOHN HARMER (con)

- Ronald Reagan
Governor of California
- Eureka Forbes
State Senator from Hawaii, member of the
Education Committee
- Lewis Solmon
Professor of Economics at the City University
of New York

Moderator: MICHAEL DUKAKIS

Executive Producer: Greg Harney
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PUBLIC SCHOOL FUNDS/1

ANNOUNCER: Tonight, from Boston, THE ADVOCATES. Howard Miller (applause) guest advocate John Harmer (applause) and the moderator, Michael Dukakis (applause)

DUKAKIS: Good evening and welcome to THE ADVOCATES. Every week at this time we look at an important public issue in terms of a practical choice. Tonight our issue concerns the financing of our nation's public schools and specifically, our question is this: Should States raise all public school funds and distribute them equally? Advocate Howard Miller, says "yes".

MILLER: Tonight we are talking about your child and everybody's child. We propose the quality in education and end to the local property tax base deciding excellence. With me tonight to support this proposal are Dr. James Conant, President Emeritus of Harvard University, the Honorable Milton Shapp, Governor of Pennsylvania and Dr. James Guthrie, Professor of Education at the University of California at Berkeley. (applause)

DUKAKIS: Guest advocate, John Harmer, says "no".

HARMER: Tonight's proposal sacrifices freedom for the illusion of equality. The cost would be a preposterous increase in taxes and a leveling down of educational quality. With me to argue against full State funding are Governor Ronald Reagan in Sacramento, California, and here in our studio Professor Lewis Solmon of the University of New York and State Senator Eureka Forbes of Hawaii. (applause)

DUKAKIS: Thank you gentlemen. Before we begin let me say a few words about our guest advocate tonight. State Senator John Harmer represents the twenty-first district of California which includes a large portion of Los Angeles County. He has for five years been a member of his Senate's Committee on Education and he is currently Chairman of the California Senate Republican Caucus. And now for some background on tonight's question. Local control is the foundation of our public school system. Nationwide there are over 17,000 school districts run by locally elected or appointed school boards. Local control has meant local financing by levying property taxes on the real estate within their districts. School boards raised \$20,000,000,000 last year, one-half the amount needed to operate the schools, but property values vary from district to district. Thus school districts with lots of high valued property find they can raise more money and raise it more easily than their less affluent neighbors. As a result within a given state, per pupil spending may range from \$1,500.00 in a rich district to \$600.00 in a poor one. Since last August courts in five states have concluded the differences produced by the present local financing scheme discriminate against poor school districts. These cases say that the present system is legally unacceptable, but leave unanswered the question of how schools are to be financed. Commissions in New York and Maryland believe that the inequity cannot be remedied so long as there is any local financing. Equal educational opportunity they insist requires equal per pupil expenditure.

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To achieve this goal they would take local school boards out of the business of raising money and give that task exclusively to the States. The Commissions call their proposal "full State funding" and here are its principle features: First, centralized financing - the State would collect all revenues for the schools. This means a Statewide tax would replace the present local financing system; second, equalized distribution - the State's would increase the amount spent per pupil in poor school districts to match the level found in wealthy ones; third, no add on - local school boards would lose all taxing power. Thus communities could not add on to their State budget even if they wanted to. And finally local control. Local school boards would retain authority over questions of educational policy. And now to the cases. Mr. Miller why should States raise all public school funds and distribute them equally?

MILLER: Today millions of children in the United States are condemned to an inferior education simply because of the accident that their parents happen to live in school districts that have a low property tax base. This results in the most unusual disparities within the State. The State of Texas some school districts spend twenty times as much as others. The State of Illinois some spend \$2,300.00 per pupil and some only spend \$400.00. In California some spend \$2,400.00 others spend only \$550.00. That is not simple injustice to the students who are shortchanged, it's an injustice to all of us because we lose the productivity and the humanity of those students who through no fault of their own find themselves in inferior schools. The communities of Brookline and Summerville in Massachusetts illustrate clearly, though they are not the greatest disparity, what occurs throughout this country.

(film)

NARRATOR: Brookline - professional, middle-class, substantial homes, spacious lawns. Summerville - working class, industrial, frame homes, small lots. The tax base in Brookline is 3-1/2 the tax base of Summerville. Brookline has more money to spend on the education of its children \$1,471.00 per pupil. Summerville can spend only half that amount \$756.00. If you're lucky enough to go to Brookline High you get everything from swimming pools to language labs.

TEACHER: (Speaking foreign language)

NARRATOR: Summerville stresses job training and has to put up with an old building. Eighty-three percent of the students of Brookline go on to college to further professional training, only 31% in Summerville. Fifty percent of the Summerville students go straight on the job market with no further training, only 12% in Brookline. The remarkable thing about Summerville High is that it's a good a school as it is, that so much is done when students are given only half the chance.

(end of film)

PUBLIC SCHOOL FUNDS/3

MILLER: About the injury that that does to this entire country, I've asked to join us tonight the President Emeritus of Harvard University, Dr. James Conant. (applause) Mr. Conant is also the author of widely read and respected books on American education. Dr. Conant, you once supported the local property tax base for schools. Now you've changed your mind. Why?

CONANT: Experience primarily. I had the opportunity for ten years traveling around the country, visiting high schools and school districts and I discovered to my amazement that the scheme which I'd been told in the time of World War II was going to equalize the amount tax base of all the districts was not working. We had these enormous disparities which you've spoken of.

MILLER: Well those today ----

CONANT: Therefore, I concluded that if this couldn't be handled by the then conventional methods of handling taxes plus some State aid, we'd better go the whole hog and have full State funding.

MILLER: Well does money make a difference in education. Would increasing the low schools make a difference?

PUBLIC SCHOOL FUNDS/4

CONANT: Well almost if you'll excuse my saying so, that's a ridiculous question. One only has to go to a school district and talk to the superintendent and you'll see how much difference it makes. Well right off hand, the number of teachers, and in the present competitive market, the salaries of the teachers, all kinds of things. It certainly makes a great difference.

MILLER: But if the State phases all the taxes and dispurses them, will that limit local control or give the local boards freedom to do other things?

CONANT: I should think it would remove from the local board burdens which they carry because of the mix system we have, in which the financial arrangements and the educational policies are all mixed up together. If you have full States funding, if some State does it, then you will discover that the school boards are free to concentrate their attention on educational problems. They will still have responsibility or I assume they would, depending on what the State legislature decided, they would still have responsibility of appointing the District Superintendent, the principals of the high schools and could involve themselves in a number of projects.

MILLER: Dr. Conant what is our concern here? Why should we want to raise the level of expenditure and education throughout the country?

CONANT: Well I take it that one of the things that all of us are dedicated to in this country is developing to the full potentialities of the next generation. One could express it differently and say, that our task is to have a school system, an educational system from kindergarten through the higher education in such a way as the talents of each generation are developed as they should be. Under the present system many districts where they don't get a chance.

DUKAKIS: Alright Dr. Conant, Mr. Harmer has some questions for you.

HARMER: (Ahem) Dr. Conant we just saw a film which showed us two high schools and it proposed to us that because only 30% of the students at one high school go to college and 80% from another high school go to college they get an unequal education. Now I ask you, is the amount of money spent on a student the only factor that determines whether or not he'll go to college?

CONANT: Certainly not the only factor. But its apt to be a very important one.

HARMER: Alright. Let's - We have to note however that 30% of the students at Summerville do go to college, so some of them do get a good enough education to qualify for college. Now suppose we spent as much money on the students at Summerville as is being spent on the students at Brookline. Do you have any reason to believe that financial equality in or of itself is going to send more Summerville students to college?

CONANT: Well I would refuse to argue the proposition ^{there} ^ was a one-to-one correlation between the amount of money spent and the kind of education provided. But by and large if you're going to make gross comparisons, you find, easily find school districts which would be different, and different in such a way that the poor district wasn't able to provide any kind of a decent education.

HARMER: That's very true doctor, but we are here tonight being told that if we give everybody the same amount of money, they automatically get an equal education. Now under the centralized plan, Dr. Conant, will private schools be controlled in the amount of money that they can spend...

CONANT: I know of no proposal facts against the constitutional that you mentioned now.

HARMER: Alright. You just spoke very elegantly about the potentiality of each American as being a great resource of this country and certainly we agree. There's nothing in the centralization concept that says everybody has to go to college. Nor is there anything in it that says private schools, where the rich can still send their children, will stop operating. So whose going to really pay for the centralized concept Dr. Conant? What taxpayer is really going to bear the burden of it?

CONANT: I don't consider it, if I may say so, a centralized concept. You're saying whose going to pay to raise the present amount of money spent in some of the very poor districts. Of course, it's the people who live in the wealthy districts and why shouldn't they?

HARMER: Well is it? That's my point. Is it really going to be the people that live in the wealthy district? Isn't it a fact Dr. Conant that the type of taxation that will have to take place will go to the middle income taxpayer, the person who lives in Summerville, and what it's really going to say is, the rich people can still get around this barrier, you still have the disparity. You haven't done anything to solve the inequality, you've just doubled the amount of money you're spending in education.

CONANT: Well I'd break that down if I may. In the first place whatever kind of tax is assessed will depend on what the State Legislature decides when they go into this new system. I don't know what it would be. Some people have suggested a Statewide property tax. I myself would favor an income tax, but whether you can have an income tax and a sales tax in any given State depends on the history of that State and I'm not going to be dogmatic.

HARMER: Let me ask you one final question Dr. Conant. Is the structure of education in this country such that it's really prepared to receive this type of an input. Haven't we really seen, for instance, in Washington, D.C., in New York City, in New Brunswick where tremendous increases in financial input have taken place. That you have a leveling downward of the quality of education and you didn't really solve the problem?

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CONANT: No, I'm afraid I couldn't agree with your diagnosis. I wouldn't say the facts bore out at all.

HARMER: Are you familiar with the New Brunswick experience with centralized financing?

CONANT: I am not only familiar with it, I first called it to the attention of American educators.

HARMER: Alright. Is it not true Doctor that in New Brunswick their debt has increased, their bonding has increased and the number of drop-outs from school has also increased?

CONANT: Yeah, but there may be other factors on that but on the whole --

HARMER: Exactly. Financing itself is not the only factor and that's our point.

CONANT: And on that point I readily agree.

HARMER: Thank you Dr. Conant.

DUKAKIS: Thank you Dr. Conant for being with us on THE ADVOCATES (applause)

CONANT: Thank you (Ahem)

DUKAKIS: Mr. Miller.

MILLER: Of course financing is not the only factor, it's simply the essential factor, and to talk to us about to obtain that financing and what its genuine cost is, I've asked to join us tonight the Governor of Pennsylvania, the Honorable Milton Shapp. (applause)

DUKAKIS: Welcome to THE ADVOCATES Governor Shapp.

MILLER: Governor Shapp is our alliance on local taxation and local property taxation the way to finance our schools?

SHAPP: The reliance on local taxation, particularly the property tax, is probably the most inequitable way to finance schools or any other operation of Government.

MILLER: When we do raise the money though through our central source, why should we distribute it equally as we talked about. Why distribute more to the poor schools and attempt to bring it up?

SHAPP: Well actually it's the people living in the poorer districts of our State that are receiving the worst education today and if we're to have a better society, we better do something quick in order to make sure that the people in these areas have an opportunity for better education so they can participate more fully in our way of life.

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MILLER: Tell us about the cost. We hear estimates all the way from twelve to twenty billion dollars to do this through the nation. Can we afford that?

SHAPP: We can't afford not to do it. Actually what's breaking our cities today is the fact that we're trying to finance the cost of education out of current operating revenues, mostly the property tax. Education must be looked upon as an investment, the most important investment we can make. It's an investment in our people. If AT&T or General Motors try to finance a long term investment out of current operating revenues they'd go broke. It takes 13 to 20 years before a person gets an education today, whether it be academic, vocational or any other form. It takes that long before they can go out in the world, earn a good living and then repay investments ----

MILLER: But do we have any examples in our history where we've understood it to repayment?

SHAPP: Oh sure.

MILLER: That we made the investment and saw it come back manifold?

SHAPP: In other countries it's quite a major factor, but here in the United States take the G.I. Bill of Rights. At the end of World War II the United States spent some \$27,000,000,000.00 to give free education to returning Vets. By 1968, and this is only say some 22 years later, they already received back about \$87,000,000,000.00 extra, that's over and above what they would have paid in taxes - \$87,000,000,000.00 extra in the income tax because the returning Vets got this education, were able to get a better job and therefore pay more in taxes. So it's an investment, it pays off handsomely.

MILLER: What about the problem of local control?

SHAPP: It's not even mixed up in this because in Pennsylvania 53% of the funds come from the State now and yet the local school boards still control the operation of the schools.

MILLER: Thank you Governor.

DUKAKIS: Governor, Mr. Harmer has some questions for you.

HARMER: Governor Shapp I understand that your State just adopted an income tax for the first time, is that right?

SHAPP: It is correct.

HARMER: Did the option of that tax provide for reduction in property taxes?

SHAPP: No it did not.

HARMER: Though it was an additional tax burden?

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SHAPP: I inherited about a half-billion dollar debt.

HARMER: I know that feeling. I'm intrigued by your concept Governor that this is an investment that's going to bring back returns manifold. How much did your State increase its investment in each child's education over the decade of the 1960's? Do you know?

SHAPP: Well we have increased it now so that the State is putting up about \$900.00 per pupil.

HARMER: About \$900.00 per pupil and how much is being spent in the most expensive district in Pennsylvania?

SHAPP: About \$1,500.00.

HARMER: Well there's a differential of \$600.00. Now how many students do you have in Pennsylvania?

SHAPP: Well about two-million two-hundred thousand.

HARMER: Alright. So my mathematics tells me that two-million two-hundred thousand times \$600.00 comes out to about a billion two-hundred million dollars.

SHAPP: That's what we pay.

HARMER: Okay now. Oh no wait a minute. \$600.00 Governor is the difference between the average you're paying now and the most you're paying. Do you realize that what you're advocating here tonight is bringing all of the education in Pennsylvania up to the highest level.

SHAPP: Oh, that's wonderful. I think that's exactly what we should be doing.

HARMER: And you are advocating a one-billion two-hundred million dollar tax increase for the people of Pennsylvania on top of the tax --

SHAPP: No.

HARMER: Well that's what you're saying.

SHAPP: No I'm not at all because what you're going to do is subtract from that the property taxes that are playing at the local level now. You're substituting one tax for another. But ---

HARMER: Now wait a minute Governor.

SHAPP: And equalizing. But the - hold on - Hold on.

HARMER: I just want to get at you. (LAUGHTER)

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SHAPP: You Republicans are all like that. (LAUGHTER) No actually I agree with the concept of getting away from local financing and turning more of it over to the States. But also until the Federal government realizes that it must participate, then we're not going to have the real total value of education that we could develop in this country. Now we have a welfare bill of our own at the state of \$600 million. If the Federal government would take over the welfare we'd have more money or if the Federal government, through a trust fund, like our highway trust fund, would invest in some revolving fund into our States, we could easily increase the expenditures for education without reducing taxes -without increasing taxes- in fact, we could reduce it.

HARMER: Why don't you carry your logic then through its conclusion and say have the Federal government take over your public school system?

SHAPP: Oh no. You wouldn't take over ---

HARMER: Well that's the logical extension of what you're advocating.

SHAPP: They're paying money into our Federal school system now, same as into your school system.

HARMER: Yeah.

SHAPP: Why not pay more. As I say about 53% of our money to our local schools in Pennsylvania already come from the State. There's money from the Federal government too, but you can still have local control of schools. The fact that the money comes from one place does not mean that the control has to go out.

HARMER: Well Governor before we zero in on the vote to control question, let me point out one thing to you. The premise of the issue that you are advocating here is that the expenditure for everybody will be raised to the highest level in the State and you say that's great. But to be consistent Governor, you can't raise it that high and then unplug the property tax that's now being paid. If we're going to go ahead with your analysis tonight, we've got to say that one-billion two-hundred million dollars more of taxes will be imposed on the people of Pennsylvania. Now the question is, you're advocating that that's an investment that will be returned to us. You nearly doubled, in fact you more than doubled, your investment in education during the decade of the 60's. You began with \$380.00 and now you're up to \$900.00 per ada, per each child, in other words. Did you double Governor in that decade the quality of the education your students were getting?

SHAPP: We doubled the quality in some of the schools, but the premise of my proposition is simply that we must have equal education for our students and we don't have that today. And what is happening is we're getting an ever wider gap between the people who unfortunately live in the well-to-do areas and can afford to educate their children better and we're finding today in our ghetto schools and other schools. And unless we have a system of education where all of our children can have the same opportunities, then we're going to have an America that's going to be entirely different than it is today.

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HARMER: Then doesn't that bring us to what is really the motivation behind this Governor. That what we're trying to do is meddle in the local school districts. We've already tried to do this -----

SHAPP: We have to help the local school districts finance their educational system so that they can have a better educational system for the children in those schools

HARMER: And this is the way to do it by taking that decision away from the local property taxpayers?

SHAPP: You're not taking any decision. Now you keep coming back to that but the local decision could be made better based strictly on the educational value of a program instead of our school boards as they are now spending 90% of their time on how to finance the schools -the construction, whose schools- or how to finance the teacher -----

HARMER: May I comment to you Governor that the construction of a new school is a very elementary -a very elemental and vital part of a decision on terms of how the learning process ----

SHAPP: I know.

DUKAKIS: Gentlemen, I know I'm going to have to interrupt. Governor Shapp is great to have you on THE ADVOCATES.. Thank you very much.

SHAPP: Thank you very much. (applause)

DUKAKIS: Mr. Miller.

MILLER: There's no takeover here. There's simply another jurisdiction doing the taxing and equalizing it and the local board is still making all the decisions. As we heard from 1960 to 1970 Pennsylvania doubled its cost in education. In fact, it will spend an additional one-billion two-hundred million dollars in the next five years no matter what it does because of increased costs. The question is, will it distribute it equally or it will maintain the current injustices that are harming us all. We say it should be spent equally.

DUKAKIS: Thank you Mr. Miller we'll be back to you later for your rebuttal case. Now Mr. Harmer tell us why States shouldn't raise all public school funds and distribute them equally?

HARMER: There are at least three reasons why the centralist concept of funding cannot be accepted. First, the plan is impossibly costly. In 1960 we spent \$16,000,000,000.00 a year on public education. By 1970 we had increased that outlay to more than twice as much, \$43,000,000,000.00 a year. Do you really think that you have a school system over twice as good as it was ten years earlier? Now you are asked to again nearly double that investment. Not only will the plan not help the poor school, it will pull

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the good school down. Good schools will suffer as mandated equality will really produce nothing more than mandated mediocrities. Finally, the plan will end your local control that you now have over your school, what happens in them and who will run them. In fact it happens today. Consider the following example.

(film)

NARRATOR: Last spring the students in Prince George's County Maryland asked that soft drinks be made available for lunch. Because the schools receive Federal money under the national school lunch program, Miss Flora Shoyer, Supervisor of Cafeterias, was concerned about violating a Federal law. She consulted Thomas Glenn, Assistant Superintendent for Supporting Services, who tossed the ball to Superintendent Dr. Carl Hassel, who pushed the matter up to the Maryland Department of Education in Baltimore. For a ruling they turned to the United States Department of Agriculture's Northeast Regional Office in New York. Before Franklin Kent issued a directive, the following other parties had become involved: Herb Rorex of the Department's Child Nutrition Program in Washington; Dr. Arnold Schaffer of the Pan-American Health Organization and Maryland Senators Charles Mathias and Glenn Beall. The Department of Agriculture ruled that the sale of soft drinks during a lunch hour is a violation of the National School Lunch Act. The students are now petitioning Congressman Larry Hogan for a change in the regulations permitting them to drink Coke at lunch.

(end of film)

HARMER: If the sales of Cokes in schools can't be a local matter, what can be? I know Governor Ronald Reagan shares my concern with the loss of local economy and he's joining us tonight from Sacramento. (applause)

✓ DUKAKIS: Welcome to THE ADVOCATES Governor Reagan.

REAGAN: Thank you.

HARMER: Governor was this example of the cokes too extreme?

REAGAN: I don't think it was too extreme at all.

HARMER: Governor, what would happen in California if we adopted this plan of centralizing the funding for schools?

REAGAN: Well I think in the first place it would be destructive to our State's economy. It would require additional billions of dollars, and California is already one of the highest tax paying States in the Union.

HARMER: From your experience Governor will this massive increase in spending really provide a better education for the students?

2-29-72 "Should States
Raise all Public
School Funds
& Distribute them
Equally"

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REAGAN: Well simply spending more money doesn't improve the quality of education or the performance of the schools. As a matter of fact one of the most thorough studies that's ever been made of public education was made by Dr. Coleman of John Hopkins a few years ago and he discovered, strangely enough, there is absolutely no relationship between the cost of education and the quality of education. A number of other things were exposed that have long been firmly held beliefs about education in that study. Most of the increase in spending goes to increasing teachers salaries. This I am sure would give teacher's associations more leverage in working on a centralized agency to further increase those salaries and I just have to say that if you have a mediocre teacher raising that teacher's salary doesn't automatically make them a good teacher.

HARMER: Governor has it been your experience in California that simply increasing the amount of money spent on education brings about a better educated student?

REAGAN: No, as a matter of fact we've had a pretty good experience. In the last five years State aid to public schools in California has increased to where it's more than a half a billion dollars a year greater than it was five years ago. Now this is four times the amount of increase as the increase in student enrollment and yet there has been no comparable increase, or any at all, in the quality of education. I think that all you do is create a bigger State bureaucracy to supervise the spending of the money and greater local bureaucracies to make sure they were in conformity with State laws and regulations and I think also when you take the spending of the money farther away from the people who are paying for it, they're not going to watch it as closely and you're going to have a very expensive school system.

HARMER: Governor do you see any other dangers in this system, besides the ones you've raised, if we should centralize financing of education?

REAGAN: Oh yes, there's a great danger of a loss of freedom that we have now. Equality of expenditures doesn't end at the State level. If you're going to equalize all the schools and spending within the State the next logical step is you're going to equalize them between States and it doesn't cost as much in some areas, even within a State or within other States, as it does in others to provide the same quality of education and you're going to wind up with a Federal bureaucracy and then you're going to add those State and local bureaucracies that I mentioned before. It's happened in welfare and in a number of other programs. Welfare is suppose to be locally run and yet the control of the purse strings in Washington has imposed literally thousands of regulations on the local control of welfare and made it virtually impossible.

HARMER: Thank you Governor. That limits my time. I really appreciate your presence.

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DUKAKIS: Governor Reagan we have another Californian here who wants to ask you some tough questions. Mr. Miller.

REAGAN: Alright.

MILLER: Governor, this all began in our State of California with Tony Serrano, a young student in East Los Angeles. Let me ask you what your answer would be to ten year old Tony Serrano or to another student in the public schools of Los Angeles as he says to you "Governor, why is it that in my school there's only \$600.00 per pupil spent and in the school down the street there's \$2,400.00 spent?"

REAGAN: Well when you use that disparity, you are referring to one particular district, the \$2,400.00 district. One particular district, and incidently it doesn't happen to be made up of wealthy families. It happens to be a small district with only a few hundred pupils, but in the vicinity of a great industrial enterprise and it is the tax on that industrial enterprise property that is paying for that \$2,400.00.

MILLER: But what is your answer to Tony Serrano?

REAGAN: My answer to Tony Serrano is, and we've been trying to meet this and solve it in California. Right now with our distribution of State aid we scale it depending on the local tax burden to increase the State aid to those who have less tax base than the others and we should do better.

MILLER: Then you do think that money makes a difference? More money will improve the quality of education. That's why you distribute it on that basis.

REAGAN: Only to the extent that, of course, there is a need for certain fundamentals, but there is a vast difference between setting a floor beneath which no district can fall, a floor that would provide for a minimum basic education, that would be adequate for everyone and still permitting local school districts, if they want to tax themselves, to add luxuries in the swimming pools that one of the other witnesses mentioned and a few things like that and which I don't think are particularly educational, but nice to have. If they want to do that, that should be their right. I object to a ceiling beyond which no one can go.

MILLER: Well, why not raise the base to what the high now is. You think the relevance of money. Where would you, for example, rather send your children to school, Beverly Hills or Watts?

REAGAN: Well I don't send them to either (Laughter). They're in school in Sacramento.

MILLER: But where would you send them if you lived in Los Angeles.

REAGAN: Well again I think that you're trying to draw a case that just does not hold up. That this money alone makes the difference in education. We have a school district in California that only has about 37 pupils, but it has a utility line running through it and they've build a townhall, olympic size swimming pool and I am quite sure that they're not coming out better educated than the students in either of the schools that you've mentioned.

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MILLER: Are you telling us you really wouldn't care where they went to school in Beverly Hills or South Central Los Angeles?

REAGAN: I think any parent cares where they go to school, but I would make the judgment, here in California, on the basis of what I know about some schools that are doing a better job than others in educating their students and it has nothing to do with the amount of money spent.

MILLER: Let me ask you about the question of local control. When President Nixon, in his State of the Union message, indicated he was devising a new Federal tax, value-added or other, he said that with that Federal tax whatever he does will be routed in one fundamental principle, that local school boards must have control over local schools. Do you disagree with the President that one level of government can raise the money while it allows local control in the local school board?

REAGAN: No, and you have hit exactly what is my philosophy and why I am opposed to the kind of centralized raising up and putting a ceiling on. It's very naive for some of your witnesses, they don't know the legislative mind, if Mr. Harmer will forgive me, if they think that the purse strings will not have some controls go along with them. On the other hand, it is possible to use another echelon of government as a fund raising entity and that level of government will return the money to a lower level of government for its use. Now the sales ----

MILLER: Isn't that exactly what we're proposing?

REAGAN: No, it is not what you're proposing here. You are proposing a centralizing of this. I am talking about a system such as in California where the State, for convenience, collects all of the sales tax and then gives a portion of it back to local government with no restriction on how local government uses it.

MILLER: Well all that our proposal calls for based on the Maryland and other proposals, is that the State collect the tax and disburse back to the local school board without restrictions on its use. There's no violation of local control under that system, is there?

REAGAN: Well, but there is. In California just because the State supplies some of the money, a great deal of that money goes to the local schools earmarked exactly as to how it must be spent. I say that the State has no other purpose - should help in equalizing and making sure that there is no school district that falls below the basic educational level. But at the same time I think that the State should give that money back simply for education and it should be up to the local school district to decide whether it goes to elementary, high school or how they use it or what they do with it in their curriculum.

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MILLER: Tell me Governor what are you going to do in California? You're under a court order now to equalize expenditures and you and the legislature are wrestling with this problem. Are you in fact going to equalize expenditures between school districts as the court requires?

REAGAN: We have been seeking and so far have not been able to find a plan -we've been doing this for three years- to find a plan that we can get total legislative support that would equalize, as I have said before, a basic level across the State but still permitting local schools to do above that whatever they would like to do. Now we're not ----

MILLER: The court order that ----

REAGAN: We're not under a court order. The State Supreme Court gave an opinion of a case that hadn't even gone to trial and simply by giving this opinion allowed the case to go on in court. So the case is just now being tested in court.

MILLER: Well the court decided, and other courts have, that the quality of expenditure is a test for equal protection, did it not? That there must be equality of expenditure?

REAGAN: Well again I come back to this, that we did not for an additional half a billion dollars in State aid, we got no improvement in educational quality in California.

MILLER: Well, no improvement. That's fascinating. Why no improvement? Why do you think you pour money into the schools and it shows what you say is no improvement?

DUKAKIS: Governor Reagan I have to break in at this point to say that the lot of any Governor isn't a happy one these days and we hope you solve this vexing problem at some point. Thanks very much for being with us on THE ADVOCATES.

REAGAN: You bet.

MILLER: Thank you very much Governor. (applause)

DUKAKIS: Mr. Harmer.

HARMER: I call as my next witness Professor Lewis Solmon (applause)

DUKAKIS: Welcome to THE ADVOCATES Professor Solmon.

HARMER: Professor Solmon is Professor of Economics at the City University of New York and has written extensively on the economics of education. Professor Solmon how much will this plan cost?

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SOLMON: An enormous amount. We predict anywhere up to twenty billion dollars a year and in order to bring, for example, all of the districts in Massachusetts up to the level of Brookline, it would cost the typical family an average of \$432.00 a year in new taxes. Similar problem in Illinois would bring an increase in income tax, or in any kind of tax, of \$418.00 per family, and in California \$570.00.

HARMER: Do you think this increase in cost is worth it?

SOLMON: I think not. I think that we're going to end up with a little bit of improvement in the worse schools but we can do that much more cheaply without this plan. We've seen, as you pointed out, an increase in expenditures in this country in the last eleven years from sixteen to forty-three billion dollars, with only 19% increase in enrollment and I don't observe any improvement in school quality.

HARMER: Is the system we now have capable of accepting this massive input of money?

SOLMON: No, it will end up primarily in increased teacher's salaries without very much improvement in the quality of teaching given their very strong unions, their tremendous tradition of seniority and the general reluctance of teachers to accept methods of improving productivity.

HARMER: You saw at the beginning of this program a comparison of two high schools. Would this plan give the poorer students at Summerville an education equal to the rich students at Brookline?

SOLMON: No. The tremendous increase in expenditures will once again move towards producing equal facilities in the two different kinds of school districts. Although this wouldn't be complete simply because it probably would cost much more to attract a qualified teacher to an unpleasant ghetto kind of area as opposed to a pleasant suburb. On the other hand the Coleman report, which has also been cited earlier, tends to imply that even if we do achieve equal facilities we're not going to get equal educational opportunities.

DUKAKIS: Professor Solmon can you tell us what the Coleman report is or was. Very briefly.

SOLMON: Yeah. It's the report that Governor Reagan referred to. It's the largest study of -a most comprehensive study- of the quality of educational opportunities that's been done in the United States ----

DUKAKIS: Tell me in twenty seconds what it concludes, so that people can understand.

SOLMON: It generally concludes that simply increasing educational facilities improving teacher quality, expenditures, etc. does not lead to increasing attainment in terms of scholastic aptitude tests, etc.

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DUKAKIS: Mr. Miller it's your turn to ask a question. Sorry Mr. Harmer.

HARMER: Thank you.

MILLER: Dr. Solmon is there justification for the way we raise money for schools now? Should we continue the local property tax base?

SOLMON: I really think that we have to increase expenditures on education, I'm not arguing that we don't need expenditures. What I'm arguing is that if indeed the family background and aid ability of various students are different we simply will not achieve equality by equal standards.

MILLER: Well let's see because we're not just talking about starting high school, we're talking throughout kindergarten and other. Tell me do you think Governor Reagan implied ... that he was against putting a ceiling because he thought that school districts ought to be able to spend more if they wish. Do you think wealthier school districts wish to spend more, that investment will pay off in an educational return?

SOLMON: Certainly, well yes.

MILLER: I don't understand if it pays off for the wealthy school districts, why won't it help the poor if you put them in there?

SOLMON: Expenditures indeed have returns. Okay.

MILLER: Of course expenditures have returns. This is the common sense kind of thing that we all know.

SOLMON: The question is are we advocating equal expenditures in each district, indeed some of the expenditures advocated by the poorer district, or required by the poorer district, whether it be for extensive vocational programs, black studies programs, bussing within particular kinds of communities, might indeed be very very expensive. What I'm against is the formula which results in simply equal expenditures for each district ----

MILLER: Are you in favor of equalizing the expenditures as much as possible? Do you think we ought to distribute the State and Federal money ---

SOLMON: I think that I'm in favor of spending what is necessary. I don't know if that implies equalizing or ending up more diverse than we are now.

MILLER: I'm fascinated by the citation of the Coleman report by both you and the Governor because of course, when the Coleman report is cited to promote further integration or bussing, it's always pooh poohed as an inadequate base. Then when it's used to propose further expenditure in the school then we hear that Dr. Coleman was right all along and really what we need is more integration, so I'm confused about what I should think about it.

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Tell me about this twenty billion dollar expenditure? Over the next five years we're going to spend an extra twenty billion dollars on our schools, however we distribute it, aren't we?

SOLMON: Right.

MILLER: Okay. So we can talk about whether we ought to distribute it, what we call equally, or whether we ought to allow it to be distributed in the way it's now being distributed. What ----

SOLMON: I'm not -excuse me- really thinking of those two as the alternatives. I'm thinking of perhaps a formula based on need, based on equalizing the ability to learn rather than the ability to spend, and I'm not arguing simply that we should spend equal amounts or continue the same way that we are now.

MILLER: Do you think we ought to continue the same way, that is we simply decide on the basis of the wealth of the school district? Should we do that? Continue the same way?

SOLMON: No.

MILLER: We clearly need a change from that.

SOLMON: Alright.

MILLER: It's a question of the change to what. And who is it that's going to decide what the need is? I want to get to one of the Governor's favorite boogie men.

SOLMON: It would seem to me that the people in the area, indeed the people in the area where this living is going to take place. Indeed I've observed that some of the greatest advocates of the local control are in very poor areas.

MILLER: How do they get the money? I mean a poor area can only raise so much from its own resources. Someone outside the area has got to raise the money.

SOLMON: Right and I'm certainly not advocating only getting what you can get on the property tax.

MILLER: Okay. Now why if you start with two groups, let's take a group of Mexican-Americans in East Los Angeles. I take that because Anthony Serrano, who started the whole thing, was in that school, and a group of white middle-class youths in another -----

DUKAKIS: I'm going to have to cut in on you. We're just not going to get that question ----

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MILLER: We're not going to get the question?

DUKAKIS: We're not even going to get an answer.

MILLER: Okay.

DUKAKIS: Thank you very much Professor Solmon for being with us. (applause)
Mr. Harmer another witness.

HARMER: Equal money does not produce equal education and the only State in this country that has a centralized form of financing is Hawaii and I call as my next witness State Senator Eureka Forbes of Hawaii. (applause)

DUKAKIS: Welcome to THE ADVOCATES Senator Forbes.

FORBES: Thank you very much. It's very nice to be here.

HARMER: Senator Forbes with equal pupil expenditure in Hawaii are all your schools equal?

FORBES: No they are not because money doesn't make the quality. A lot depends on the quality of the neighborhood, on the background of the parents, on the ability of the child and most of all I think on the teacher.

HARMER: Let's get to Mr. Miller's boogie man. Can a local community assess itself to enrich its program?

FORBES: Under our system ---

HARMER: Under the centralized system?

FORBES: Under our centralized system we cannot. We tried at one time some of the parents in one of the areas wanted to have some French classes in the school and they were willing to assess themselves for it and they found that they could not do this. Now under this centralized system we have not been able to have the other programs, and we have under our centralized system; we have no school board other than our one school board, we have elected, rather advisory counsel appointed by the Governor.

HARMER: Senator Forbes we have time for one quick question. Where do people in Hawaii go when they want special programs for their children?

FORBES: Many of them go to private schools. We have our language schools and the children go after school to the language schools when the parents want them to have that particular language and culture. Many ---

HARMER: Who sends the children to the private schools?

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FORBES: I was just going to mention that. Many of our principals send their children to private schools and our school board members, the chairman of our school board, has never had any children in the public schools.

DUKAKIS: And right now let's turn to Mr. Miller.

MILLER: In fact Senator Forbes the percentage of children in Hawaii going to private schools has dropped steadily. In 1950 it was 19% of the total, in 1959 - 17% and in 1971 - 15%. So even Hawaiians by percentage are sending their own children to private schools less, recently.

FORBES: Well, however, at Punaho, the enrollment continues to go up and the demand for space in Iolani continues to go up. The same is true of our better schools. The Catholic schools have gone down.

DUKAKIS: Senator Forbes are those educational institutions?

FORBES: Yes they are.

DUKAKIS: Private schools?

FORBES: Private schools. Punaho is the oldest school West of - next to the oldest school - West of the Rockies. Our oldest one is Maui.

MILLER: But you know Senator Forbes the percentage of students at Hawaii in private schools, 15%, is substantially less than the percentage of students in private schools in Massachusetts or New York or many other States. Do you think that's because the other States have such a terrible system of local property taxation?

FORBES: No I don't. I think it's probably because many of us have advocated public schools and tried to urge our children to go, but we still have many people who are sending their children, as I say many of our principals are sending their children to private schools.

MILLER: Let's get to our disagreement. Do you propose that Hawaii go, I shouldn't say back because it never had it, but go to a system of local property taxation as opposed to a uniform tax?

FORBES: I'm not talking about going back to any property tax, the property tax is spent by the counties. It is the only tax that they have, so that our whole system is entirely different and I don't think it can be compared to a system here.

MILLER: But one of your problems, is it not, is that you don't have any local school boards and that's really the problem with the French, isn't it? If there were a local school board and that local school board had decisions over the equal resources it could have decided how to use those resources.

FORBES: Not under the present ----

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MILLER: Not at the present ----

FORBES: This is what I have recommended. I have a bill in that I presented last year to the legislature that we have local education councils elected at the district level who can decide the needs of their community and what they feel should be in their school.

MILLER: Absolutely, and you also think that since Hawaii will maintain the uniform tax system that to each of those local school boards an equal amount should be distributed?

FORBES: But I think they should be able to tax themselves if they want to within their area ----

MILLER: But why tax themselves if they have control?

FORBES: No, no. Because they don't have control over any more than just a set amount of money and there is a clamp on their head.

MILLER: But the average ----

FORBES: Alright, just a minute. But you cannot go beyond that and this is the thing that holds us down with some of our experimental programs and some of the things that we want to do.

DUKAKIS: We've run out of time for questions. Thanks very much for coming on the show to be with us. (applause) Thank you.
Mr. Harmer.

HARMER: What you've seen here is not the advocacy by Mr. Miller of education reform but of tax reform. What we need is less meddling by the State with our schools, not more of it. Good quality education is not the equivalent of money alone. It is the equivalent of a number of other factors. The massive increase and outlay that Mr. Miller is talking about here will not even begin to produce the results he's promised, in fact, it will produce an overwhelming dismay when failure is realized.

DUKAKIS: Thank you Mr. Harmer. Now let's return to Mr. Miller for his rebuttal argument in favor of the State's raising public school funds and distributing them equally.

MILLER: The average per capita expense in Hawaii is \$964.00 per pupil above the National average, well enough for any part of Hawaii to teach French if it wishes to if they simply create local school boards, which, of course, is the model in every other State. We can't be mislead by the word "centraliz What does that mean? We're simply talking about money collected by the State to be disbursed equally. It's fascinating that when opponents talk about

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this they oppose a ceiling because more money could help a wealthy school district, but they also don't think that more money will help a poor school district. Well the fact of the matter is that the poor school district needs it more and it will help. And to talk to us to that point I've asked to join us tonight Dr. James Guthrie. (applause)

DUKAKIS: Welcome to THE ADVOCATES Dr. Guthrie.

MILLER: Dr. Guthrie is Professor of Education at the University of California at Berkeley. Dr. Guthrie will more money and equalization of expenditures help with our educational problem?

GUTHRIE: Without any question. We live in a capitalistic society, we have a market oriented competitive economy. For most things you get what you pay for and education is no exception to that. The consumer knows it. With all due respect to my Governor, Mr. Reagan, most consumers when given the choice between a high spending district and a low spending district, if allowed the choice, will take the high spending district. They'll take the Beverly Hills, the Grosse Pointes, the Great Necks of this nation. The consumer knows. He knows money makes a difference.

MILLER: Have you done studies to verify that?

GUTHRIE: Yes I certainly have. Again, with great respect for James S. Coleman, the primary author of the Coleman report, in the six years which have intervened between the publication of that report and today, those scholars which know it most deeply have invalidated its results. I'm privileged to be one of those people who, in conducting my own studies, have found that dollars do not make a difference finding in the Coleman Report is no longer valid.

MILLER: And you've conducted studies that indicate they do?

GUTHRIE: That's correct. I have.

MILLER: Tell me about this question of local control. Can we have the State raising money and disbursing it and maintaining local control. Don't we do some of that today?

GUTHRIE: Certainly we can. States today -typically States give away about half the money they themselves generate. They give it to a local government to spend and indeed as President Nixon has proposed, if the Federal government can raise revenues and distribute them to local governments and not impose added layers of Federal control, if the President says that is possible, I believe it.

MILLER: What about this question of the ultimate bureaucracy? Do you think the bureaucraties, this monster, will grow because we're now distributing more money through the State than they are today?

DUKAKIS: This will have to be a very short answer now.

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GUTHRIE: I find it interesting that the U.S. Office of Education, which distributes about \$8,000,000,000.00 a year for education, has less personnel in it than the New York State Education Department, which distributes about \$2,000,000,000.00 for education a year.

MILLER: You can distribute more and do it efficiently.

GUTHRIE: You can distribute more and pay for less employees.

DUKAKIS: Mr. Guthrie, Mr. Harmer has some questions for you.

HARMER: Dr. Guthrie I'm intrigued that you among other eminent scholars discredited Coleman. Would you agree that Patrick Moynihan and Frederick Mosteller are eminent scholars in this field?

GUTHRIE: I would disagree. Frederick Mosteller is certainly one of the world's great statisticians. Daniel Patrick Moynihan is by no measure a great scholar in this field.

HARMER: I see, but James Guthrie is?

GUTHRIE: I would not place myself above or below them. I would say that the volume they have just produced has an interesting article in it by Marshall Smith of Harvard University, in which Mr. Smith, after having reanalyzed Coleman data, finds that the once highly touted social class effects found by the Coleman report, no longer hold true. That they do not predict the high pupil achievement that was once thought.

HARMER: But as to the whole volume, the whole volume, not just an article in it. Mr. Mosteller tells me today on the telephone that, in fact, it does say that the Coleman report and its findings were accurate. Again would you tell us what Coleman said, Mr. Guthrie?

GUTHRIE: The authors of the Coleman report held that there was no relationship between the amount of dollars spent. No relationship independent of a child's social class between the amount of dollars spent and his school performance.

HARMER: Let's talk then about your Michigan study which tells us that if we spend more money we get a better education. Are you telling us that your Michigan study says that equal amounts of money to a student produce an equal education?

GUTHRIE: What all my work is dedicated toward is that equal dollars per student will go a long way towards achieving something much closer to equality of opportunity, than that which we have now.

HARMER: You're saying then that in fact it does produce an equal result between students in Brookline and students in Summerville?

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GUTHRIE: I'm saying that it will allow us to have a much closer approximation than is presently the case under our discriminatory system now.

HARMER: Let's get at your boogie man, or rather Mr. Miller's boogie man, the matter of local control. Prior to the emergence of the Serrano decision one of the great discussions in education was the question of decentralization and in several of our large cities there was a decentralized program for large school district, in which the funding was kept centrally as you are proposing here and your local board supposedly ran the district. Isn't it true that in perhaps the most famous of these the Ocean Hill Brownsville district of the greater New York decentralized district, Rhody McCoy, the first superintendent said "We failed, because they kept the money and left us all the other decisions and in fact wiped us out?"

GUTHRIE: That may be true that he said that.

HARMER: Did you ever go to Ocean Hill Brownsville?

GUTHRIE: Yes I have been there.

HARMER: Is it your impression that he's wrong as a superintendent?

GUTHRIE: It is my impression that on this topic it is irrelevant. No one to my knowledge has discussed ---

HARMER: The control of the money is irrelevant when it keeps the manager of the system from being able to function?

GUTHRIE: Well I know of no full State funding proposal which would lift from local people decisions about important things like personnel and curriculum and the goals of education.

DUKAKIS: Dr. Guthrie we've run out of time and I have to interrupt. Sorry Mr. Harmer. Thank you very much for being with us on THE ADVOCATES.
(applause) Mr. Miller.

MILLER: Does money make a difference? Where would you rather send your child, Brookline or Summerville, Beverly Hills or Watts? Everyone can answer that question, of course it makes a difference. If it makes a difference to you, it makes a difference to the entire country. What kind of country do we have that will cost from twelve to twenty billion dollars a year. We spend forty to sixty billion dollars on a highway program; forty billion dollars to get to the moon. Do we have the capacity to make other trips and to go to other moons and to understand where our priorities are. A society rests on how it develops its children. It is everyone's interest. No one can hide. There is no education anyone can give his child to compensate him for living in an unliveable society and the way to make that society liveable is to equalize the educational opportunities.
(applause)

PUBLIC SCHOOL FUNDS/25

DUKAKIS: Thank you Mr. Miller for your minute summary. Mr. Harmer you also have one minute to summarize your case.

HARMER: Money is not the only criteria. Past experience of centralization has shown that the inescapable result would be the demise of the local school board. The emergence of a new bureaucracy, which would be enabled to vastly affect the types of decisions that would have to be made in the educational process. You would see further than that the development of that power group within the educational system who would themselves, such as the teachers in Hawaii, vote to strike even though a vast number of them did not want to strike. What you've been offered tonight is not the promise of equal education for equal money. What you have been told is, let us revise your tax program. Let us stop the local taxpayer from being able to have anything to say about the running of the school and in exchange for that we'll pour twice as much money into your school as it needs to make it run effectively and I say we cannot afford that now or any other time. (applause)

DUKAKIS: Thank you gentlemen. Now its time for you at home to act and to express your views on tonights question. Write us THE ADVOCATES, Box 1972, Boston 02134. What do you think? The question on which you'll be voting, "Should States raise all public school funds and distribute them equally?" Send us your "yes" or "no" vote on a letter or postcard. We will tabulate your views and make them known to the White House, the members of Congress and to others concerned with this issue. Everyone of your votes is important, so remember the address THE ADVOCATES, Box 1972, Boston 02134. Recently TH ADVOCATES presented a ninety minute special from Cologne, Germany, in the first of two special programs devoted to a review of the Global United States Defense posture. THE ADVOCATES debated the question, "Should the United States drastically reduce its troops in Europe?" Of the more that twenty-six hundred viewers across the country who sent us their votes, 2,116 or 80% were in favor of the proposal and 524 or 20% were opposed. And now let's look ahead to next week. Thanks to our advocates and our witnesses I'm Michael Dukakis. Please join us again next week at this same time. Thank you and good night. (applause)

NARRATOR: THE ADVOCATES as a program and takes no position on the question debated tonight. Our job is to help you understand both sides more clearly. This program was recorded.

3/29/12

REMARKS OF GOVERNOR RONALD REAGAN TO THE TRUNK 'N TUSK CLUB IN PHOENIX,
ARIZONA, ON MARCH 29, 1972.

This is an annual affair with me, and I have also been present here at others of your Trunk 'n Tusk meetings. So this is a very enjoyable occasion.

And when you were honoring that very distinguished citizen and party member and his lovely wife up here a moment ago, I was thinking of what an age of cynicism it is.

The other day, I heard someone say that if you see a man assisting a woman into a car, he has either acquired one or the other or both recently. And I don't think that that's true at all.

You know, I'm sure you people realize the governor you have. I know when I first met him at the first governor's conference that I ever attended, there was one thing in my mind that I'm sure was on his.

We both discovered that we had inherited a sort of feud that raged across the river that separated our two states. And I found great agreement on the part of your governor in the decision to settle this on the basis not of who was right, but what was right. And I think we made great progress in doing that.

Now I have another thing. I'm over here in Arizona to see if I could contract out with Arizona for senatorial representation in Washington.

We've got two. One of them always votes wrong, and the other one would vote wrong except he's usually skiing in Switzerland with Teddy Kennedy.

But absenteeism on the part of Democratic senators is commonplace these days. The only way they can get a caucus among the Democrats is in Chicago when the candidates are in between planes.

You know, it seems sometimes that if God had intended them to fly so much he would have made them mayor of Los Angeles.

They've got a new system -- the Democrats -- now for picking delegates to the convention. They're going to have twice as many as we have. It's the only way they could outnumber the candidates.

Did you ever stop to think of that traditionally little green man from Mars should ever land in a flying saucer and approach a Democrat and say, "Take me to your leader"? They'd both get pretty confused.

But of all the campaign gismos around now, the newest thing of course the last few years has been watches.

Senator Muskie has one. You wind it up and it doesn't tell you the time. It just plays "The Little White Cloud that Cried."

And then McGovern has one. You wind it up and Teddy Kennedy starts running.

Teddy has one. It isn't numbered 1 to 12. It says, "I'd rather '76, or even '80, or maybe they'll forget by '84."

And of course Hubert Humphrey has one. You wind the Hubert Humphrey watch and you never have to wind it again.

Of course, if any one of them gets elected there will have to be a taxpayer's watch. It won't tell time either. It will just wring its hands.

And John Lindsay -- he doesn't need a watch. He's not going anyplace.

He was visiting in California recently. We wanted to make him at home. We didn't collect the garbage for a couple of weeks.

As Republicans, aren't you proud of the way we stood up under the blow of his leaving us? When he was in California, he said he had the second toughest job in the nation. And I think that's true, the way he does it.

The last five years, he's doubled the city's budget. He added as many employees as we have running the entire government running the State of California. In fact, the budget for the City of New York is now \$2 billion bigger than the California state budget.

Now he did that while he was a Republican. What do you think is going to happen now that he is a Democrat?

I know that you all have been reading a lot about our own convention since Jack Anderson volunteered to advance it. San Diego -- beautiful city -- you're going to love it. It's just a stone's throw from the Western White House, and we're hoping the President doesn't figure that out.

Well, seriously, we are in one of those rare moments in history when our deeds and our actions in the months ahead will set the pattern for our children and their children, and for mankind for perhaps generations to come. The peace and security of the world depend on our fiscal economic stability and our willingness to remain strong at whatever the cost.

Our opponents, almost to a man, are reciting the same litany. We must change the direction in which this nation is moving. Somehow this has a hauntingly familiar ring. We heard it first 12 years ago from men -- indeed, some of the same men who are talking today.

They were the men who were describing the Eisenhower years -- the years of peace and economic stability -- as a period of stagnation.

Well, call it what they will. It was a time when even the most reckless foreign adventurer talked very softly, because he knew the will and the strength of this country were sufficient to protect the citizens and the security and peace of the world.

Now these ambitious men on that day 12 years ago sought the presidency. They were urging change. They were playing on fears. We heard the phrase for the first time in that campaign of missile gap. Of course, there was no such thing.

Earlier in the term, John Fitzgerald Kennedy -- he was able to face Nikita Khrushchev at a time of crisis, bolstered in the knowledge that he had inherited from Dwight David Eisenhower a 5-to-1 nuclear superiority.

Richard Nixon's inheritance eight years later was not so substantial. During the eight years of Kennedy and Johnson, the missile gap became a tragic reality. We live now with the knowledge that the day is not too distant when a Soviet ultimatum could find us with no other choice but surrender or die.

The President tries to restore our strength, and is thwarted by those who would call for peace at any price. They call for unilateral disarmament. They say it's time for a change. Are they saying there has been no change in these three years? Or is it the change that we've noticed that they object to?

They would have us return to the old -- not move on to something new. Return to Camelot and the Great Society, whose hallmark was burning cities and organized rebellion in the academy. When inflation, deliberately encouraged, eroded the value of our savings, our pensions, and our Social Security. To that time of the bullion social consciousness, when it was fashionable to defend the criminal against society, instead of the other way around; to denounce the American people -- a great and compassionate people -- as racist and selfish, sick with greed.

You wonder if they believe honestly that our memories are so short that we've forgotten that only three years ago we were looking forward with dread to the long, hot summers. But only three years ago, 542,000 young Americans were fighting in Vietnam, and 500 of them were dying each week.

Today less than 100,000 remain, and the death toll is only two a week -- not 500. The draft calls are down from 300,000 a year to 50,000. And we are well on our way to that volunteer army that Barry Goldwater first called for in 1964.

Apparently none of that is good enough for these men who would be president. They're so positive in their assurances that they alone have the answers. But we should be cautious, because they were equally as positive when it was a Democratic war, and they expressed somewhat different views.

You wonder, is Hubert Humphrey right now, or was he right when he said, "The minute we back away from our commitment, the commitment we've made to the defense of freedom where Communist powers are guilty of aggression, on that day the freedom and honor of the United States will be eroded."

Senator Muskie said, "I believe the credibility of our word and our purpose are at stake. South Vietnam's loss would be an enormous setback for the forces of freedom." Of course, when he said that he was only running for vice president.

Even super-dove McGovern said, "We should be prepared to wage a prolonged conflict rather than surrender the area to the Communists."

And more recently, since the war did become Richard Nixon's problem, the Democratic national chairman said, "We will hold Richard Nixon responsible if he turns South Vietnam over to the Communists."

Well, he's not turning South Vietnam over to the Communists. And in recent weeks he has offered the most unique and generous plan for peace in the history of international relations. It was immediately rejected by the Washington Post and Senator Muskie. The enemy didn't get around to turning it down for another two weeks.

Senator Muskie has a twopoint plan of his own: Bug out now, and let the last man to leave shoot President Thieu. I think really he's been playing Lincoln so long in this campaign that he wants us to surrender at Appomattox.

Perhaps some of our liberal editorial writers are so mistrusting of their own government that it is difficult to appreciate just how generous the President's proposal really was. What if we reversed it? Has anyone thought about this peace proposal that he has made -- how enormous it was in its generosity?

What if his offer had carried a Moscow dateline instead of Washington? Suppose it had been Moscow that proposed an immediate ceasefire, an end to the killing; that the men of all armies would return to their homes; all prisoners on both sides would be freed; there'd be no bitterness -- no victory, no vanquished -- no vengeance, no reparations; the military unelected by any one dictatorship of North Vietnam would offer to resign and submit to an internationally-supervised election, with even the erstwhile enemy allowed to participate in the voting.

And Russia generously would offer to rebuild all the war-torn countries of Southeast Asia, enemy and ally alike.

And what if such an effort had come from Moscow, and Washington and Saigon had rejected it? How many professors would lead how many students in a march on Washington?

But these men who would be president continue to insist that the prisoners of war will be returned only if we will accept the enemy terms. What if they're wrong? As one of them said he would do in such an event, perhaps as candidates they can afford to take chances with other men's lives. But the President can't. He's the commander-in-chief of these men, and he is the only man in the presidential sweepstakes today who has said, "We will not abandon our young men to the enemy."

I think it's time that all of us made it plain to the President, to the world, and to the enemy especially, that so long as they hold even one young American captive, 200 million of us pledge we will do whatever has to be done to get him back.

Three years ago, we placed a new captain at the helm of the Ship of State. It was war-battered, it was dangerously adrift in uncharted waters. Now some are complaining because he didn't give us an instant moonlight cruise. But the ship has headway, and slowly it's making its way out of the shoals.

This President is trying to renew the spirit of our people, to restore our sense of purpose and our pride in America. The highest court in our land no longer indulges in social experiments in rewriting the law. It interprets the Constitution. Colleges are once again institutions of learning.

I found that out very personally just a few weeks ago in California. It was a story that broke to the effect that ^{at} one of our largest California state universities the students were so jammed at the library in such a lack of facilities and books, and so forth that they stood in line and couldn't complete their studies at all. And of course, there having been a certain difficulty between the university and me budget-wise, the inference was that this was caused by my budgetary policies.

Now I knew better, because I have a warm spot in my heart for college libraries. I figure that's where you learn what keeps you in school, and it's also where you meet what makes kids' staying in school pleasant. And I hadn't cut the budget for the library, so I demanded publicly to know what had happened that had victimized these young people.

And somewhat sheepishly, the chancellor of the university admitted that there had been no change in the budget, there was no reduction of the facilities for the library, there was no increase in the number of the students. It's just that today the students had increased their use of the library 27 per cent over what they were using it when they were so busy picketing and demonstrating.

This President has called for an end to centralizing authority in Washington -- a reduction of the federal bureaucracy that threatens to make all of us tenant farmers on a federal plantation.

He has asked for a sharing of revenues and responsibilities with state and local governments. And in the face of a hostile Congress tending toward peace at any price and unilateral disarmament, he has called for a rebuilding of our defenses.

He inherited a near runaway inflation, the result of the guns-and-butter policy of his predecessor. He knew that curbing inflation would meet with ^{an} unpopular cooling of the economy, just as he knew that winding down the war would add unemployment to the dislocation of the economy.

But he took on both tasks, accepting the shrill cries from those who would blame him both for the high prices and the unemployment. Two million defense workers, a quarter of a million Department of Defense employees, and one million uniformed personnel have been thrown onto the job market.

Now no one doubts or makes light of the seriousness of the problem of unemployment. It is serious. Why, unemployment today has reached a rate that is almost as high in this time of emergency as it was in the entire three years of the Kennedy administration.

Of course, it is not usually presented that way. In fact, it took a little digging to find that out. Because in those three years of Camelot, no one ever suggested that there was a problem, and no one in the frequent press conferences ever asked the President even once if he intended to do anything about unemployment.

This points out what I think should be the great issue of the coming campaign. The great mythology that has been built up about politics in America, aided and abetted by large segments of the media this country has been led a long way down a dangerous road.

Our sons and daughters are coming into their heritage of citizenship a little early, and they, too, have been victimized by this myth. In spite of and possibly because of a thousand different social science courses, a great many of them lack a historical perspective in a political sense.

We're told they are registering 3-to-1 with our opponents, but it's possibly even a greater number are not registering at all because they think it is useless. There's no difference between the two parties. Government -- the system, as they call it -- has become too big and impersonal. It's beyond their ability to influence.

These young people are idealistic. They sincerely desire to take a part doing and solving the problems of human misery that concern all of us. They mustn't become captives to some demagogue who may appear on the scene riding a white horse.

I think our task is to explode and expose that political myth. We can begin with the fact that there is great fundamental and philosophical difference between the two parties. We can begin by telling our young people that what they find wrong is not of our doing, because for virtually the last four decades -- for 40 years -- the leadership of the Democratic Party has determined national policy.

And that leadership, in doing that, has tended to drift farther and farther away from the beliefs and the desires of its own rank-and-file party members.

It's true that in these 40 years, Republicans have occupied the White House for 11. But only in one two-year term did a Republican president have a Republican Congress. And, incidentally, that two-year Republican term was the only time in the entire 40 years that the dollar retained its value and didn't lose a single penny in purchasing power.

Thirty-eight of the 40 years, our opponents have been in charge. At the beginning of these 40 years, the federal government had one employee for every 203 citizens. When Richard Nixon took office, there was one for every 67. The dollar had lost 61 cents of ^{its} purchasing power.

And what a record they piled up in those 38 out of 40 years. They set out to help keep the family farmer as an American institution, for example. And after 20 years and billions of dollars, there were only half as many family farmers left. But in the Department of Agriculture, there was one employee for every 22 farms.

They were going to help the wheat farmer. And they ended up cutting the price of wheat in half and doubling the price of bread.

They started out to build in the urban areas 26 million low-cost housing units, and managed to leave us with 200,000 less than we had when they started.

Everytime they failed, they didn't cancel the failure. They added more money and more failures on top of the others. They don't solve problems, they subsidize them.

Our good American citizens of Indian heritage know something about being helped by government. There's a story they tell in Washington that illustrates what bureaucracy has done for the Indians. It has to do with the Bureau of Indian Affairs -- one of those large acres and acres of office space, with those rows and rows of desks and thousands of people. And one day one employee in the corner of the room was sobbing as if his heart would break. They finally persuaded him to tell them what was wrong. He said, "My Indian died."

This political myth has been told and retold so many times that even some of us begin to accept it as truth: That the Republicans are the establishment of business, finance, and wealth; that we subscribe to a trickle-down theory of the rewards for the "haves" at the expense of the "have-nots".

We don't bother to explain that if that's true, though, how come on Wall Street that the Wall Street bankers, Democrats outnumber us 58-to-42. Or that in the 40 years there have been six presidents, and two of them Republican started in poverty and in humble beginnings, and even those successful in life, neither one of them accumulated wealth.

But out of the four Democratic presidents, three of them were multi-millionaires.

According to the myth, the Democratic Party is a party of peace. The party is better able to cope with economic problems and to provide jobs for working men and women.

Well, there have been four wars in my lifetime -- all of them have been fought under Democratic presidents. Now I don't charge that the Democratic presidents caused those wars, but I wish that their presidential hopefuls would stop charging Richard Nixon with being responsible for this one.

And the party of the working man and prosperity in jobs. The only full employment that we have known in these 40 years has been as the result of one of those wars. Through most of the two terms of Franklin Delano Roosevelt, in spite of the most Herculean efforts of social engineering, unemployment remained at a full 25 per cent of the nation's work force.

It began to go down when we became the arsenal for democracy with the allies in Europe. FDR ran for a third term, happily stating and taking credit, I'm sure, for the fact that the 25 per cent unemployment rate had declined by that time to 14.6.

We had full employment only when we entered World War II. We knew it again during the Korean war, and we knew it when they revved up the war in Vietnam. And we knew it until Richard Nixon began winding down that war as Dwight David Eisenhower had ended the war in Korea.

But let's take note of the fact that even while he is winding down a war, he is slowly lowering the rate of unemployment. It isn't going the other way.

According to the myth, our opponents are the champions of the disadvantaged in our minority communities. But which party was it -- not the Republican -- that based its political fortunes for more than a half of this century on a one-party rule in a large segment of this nation, where they shut their eyes to the fact that the constitutional guarantees of freedom to a large segment of our American citizens were completely denied?

And it was a Republican president who said those constitutional rights will be provided and guaranteed at the point of bayonet if necessary. And he provided the bayonets when it became necessary.

Today, after three years of this administration, there are six times as many Negro children attending integrated schools in the South, and 10 times as much money has been loaned by the Small Business Administration in the minority community than in all the eight years of Camelot and the Great Society.

Lastly, the myth would have us believe that the Democratic Party is the party of compassion. Well it's a rather selective compassion.

It is true they have sentenced a segment of our society to a permanent life on the dole, even under the third and fourth generations in some communities. Their compassion does not extend to the hardworking taxpaying citizen who labors five months out of the year to pay for the cost of government.

Our opponents have a gift for demagoguery. And they're practicing it right now. They would have us believe that government can be practice free for everyone, except a mysterious "they" that they have discovered. This is a "they" they claim is not paying its fair share of the taxes.

"Loophole" is the magic word. And with it go the terms "oil depletion" and "capital gains".

But they have more in mind than that. These two items would only produce about \$1.5 billion in added federal revenue, if they eliminated them. They have in mind at least another \$100 billion for all the free goodies they intend to buy us with our own money. And that's by their count, not ours.

The young senator from Massachusetts: He has in mind bridging the gap -- if you'll forgive the expression -- to complete socialized medicine with \$77 billion worth of something he calls Teddycare.

There's no secret where the revenues will come from. They're already on record in their own councils. When they say "loophole", they go beyond those two items I mentioned. They mean your right to deduct the interest on your mortgage, the taxes on your home, state and local taxes, your medical expenses, your charitable contributions, when you're computing your income tax.

These are the things they consider loopholes. And these items will bring in, according to their estimates, another \$18 billion they say the federal government is letting get away from it.

From there, they will go to payroll taxes they've announced over and above the income tax, increases in Social Security taxes, and elimination of local and state governments' right to sell tax-free bonds -- which means the federal government would take over all state and local capital expenditures, including our schools.

Now I didn't invent this for campaign purposes. These are not Republican charges against the opposition. These are their own words and their own statements -- their own desire to have, as they say, by the year after next a \$350 billion budget in this country.

Twelve years ago at a Republican convention, Senator Barry Goldwater said, "Conservatives, grow up!" Well, I'd like to add, "Republicans, wake up!"

Tired of contributing to the party? I don't think anyone can blame you. It seems as if it's never-ending in this effort that we're making to fight our way back.

But I have a memo that perhaps will impress you as how necessary it is that we keep on doing this. Everyone has secret papers these days, so I have mine. I refuse to give the source.

I have the budget of the Committee on Political Education of the AFL-CIO for the coming campaign year. They have put it all together in a memorandum -- their spending plans for Democratic candidates.

It's all line-itemed -- from voter registration drives and what it will cost to get out the vote, 700 phone banks operating across this country, door-to-door canvassing.

One line in the line-item will make you laugh: It reads, "Salaries for volunteers."

There are figures for polling research, for full-time COPE employees paid from union general funds -- without the consent of the rank-and-file union members, I might add -- babysitters, drivers and transportation election day, and direct cash contributions.

And the total: \$72,425,110. And more than half of that will not have to be reported as campaign contributions. It will be accepted as the legitimate function of the Committee on Political Education.

This is the contribution of the hierarchy of Organized Labor -- the labor lords -- removed by too many years and tens of thousands of dollars of salary from having any understanding of the real hopes and dreams of the men and women they're supposed to represent.

They scramble and squirm trying to avoid offending one voter bloc while appealing to another. They divide our citizenry into age groups, ethnic groups, classes, and sections as they busily pursue combinations of the young, and the black, and the poor, and so forth.

Well, there's a voting bloc waiting for us -- a voting bloc that has been ignored by our opponents. But when we go after that voting bloc, there must be no uncertain note to our trumpet.

In trying to curb inflation, and at the same time restore full employment without a war, the President in his administration has resorted to some things that are not commonly associated with Republican philosophy. There have been a number of Republicans -- perhaps some of you -- disturbed at a Republican administration employing deficit spending, wage and price controls, in this time of economic dislocation.

And some Republicans have said, "Is there any difference, aren't we doing the very things for which we've criticized the opposition?"

Well, it so happens that, prior to last August, when he instituted those controls, inflation had been reduced, but only to 4.6 per cent from the 7 per cent level. And the American people still had the psychosis, the psychology of depression.

Since August, following five months since the institution of the controls, the inflation rate dropped to 2.2 per cent.

But even if you still disagree, and say that you yourselves would not have chosen those particular methods or tactics in fighting the economic battle, we still as Republicans can recognize that deficit spending and controls have been applied as temporary, bitter medicine to a sick economy. And this differs drastically from the Democratic policy of permanent controls, of a managed economy, and deficit spending as an ongoing thing in good times and bad.

I have heard the men who are entrusted with the controls say that over and over again the President tells them, "You must not institutionalize these controls; they must remain temporary and jerry-built."

And over and over again, the President has said, "As soon as the economy shows the restoration that we need, there will be no deficit spending."

But he's walked a thin line between trying to cure the economic ills without sliding over that thin line into the danger of a full-scale depression.

Some Republicans reacted with fear when the President announced his visit to Peking. Some said that if a Democratic president was going there we as Republicans would be totally united in our opposition to such a visit.

Well, you bet your life we'd be united in opposition if a Democratic president was going to Peking. And we'd have good reason to be in opposition.

We have seen an American president bring us back the bitter fruit of appeasement from Yalta and Potsdam. We have seen defeats snatched from the jaws of victory in Korea.

We have seen an American president walk all the way to the barricade in the Cuban missile crisis, and lack the will to take the final step to make it successful. We have seen our nation disgraced at the Bay of Pigs.

And we as Americans are not accustomed to seeing our young men asked to give their lives for a cause that is not worth winning, and that they're not allowed to win.

But this president went to Peking -- a Republican president who was fully aware of the nature of the enemy, who has no illusion about the great ideological gulf separating us. He didn't go to negotiate away anyone's freedom, nor did he go to forsake old friends and allies.

He wanted to open communications -- simply to take a step, if possible, to remove us at least a little way from the possibility of a nuclear confrontation.

The trip is over. And, despite the efforts of many in the press to distort the outcome of that trip, I know, because I asked him what would happen if the Red Chinese should attempt to take Taiwan by force. And the President said to me, "This country will protect and defend Taiwan."

I know that many of us are uncomfortable. But if we demand 100 percent adherence to what we think we would do if we were president, we ignore the fact that unless we are president and have access to all the facts that he has, we don't know whether our decision would be any different than his.

So let's stop giving him and let's stop giving each other political saliva tests to determine whose Republicanism is better than whose.

Let us address ourselves to that long neglected, that unrepresented voter bloc. It's a voter bloc that's out there for everyone to see. It crosses all ethnic lines. It knows no sectional boundaries.

It's made up of young people, of old people, of black people, of white people, and of all the ages and shades in between. It is the most discriminated against bloc of voters in America today.

It's made up of farmers, it's made up of city folks. It's made up of professional people and workers.

It's made up of people whose sons accept their country's call, if and when it comes, not with any particular joy, but because they've been raised to know that there ^{are} obligations that go with citizenship.

It's made up of people who get up and go to work in the morning. They hope to give their children a better start than they had.

Most of them can be found in the church or synagogue come the Sabbath.

They contribute to the United Fund, to the community chest, to the March of Dimes, and all the other good causes that persist despite the government's attempt to make charity a dirty word.

They're made up of Democrats, independents, and Republicans.

They're the very soul of America. They ask nothing of freedom but freedom itself.

And that's our voting bloc.

That's the voting bloc that our opponents wouldn't even know how to approach. Let us try to be deserving of them.

We have such a task in one of the most dangerous moments in history. A journalist the other day in California probably described it best of all: To all of those who think it is so easy to say "If I were president . . .," what they would do, he said, suppose you were.

He said, you had as a goal the ending of the war. You had several other goals -- the restoring of the economy, building back of our world trade, all these things.

Then, he said, you would be taken down into the bowels of the Pentagon, and there men who had spent their lives studying things of this kind would make you privy to all the possibilities and all the ramifications of every decision. The possibility of World War III. The possibility of losing our prisoners of war.

And this kind of briefing would be given to you on logistics and supplies, our shortcomings, the possibility of enemy retaliation. And you would be briefed on all the other major items, whether they had to do with international relations, or whether they had to do with our own economy and our own economic situation.

And then, he said, how smart would you feel?

And you think of a picture that appeared recently in the paper of one man, squatting down on a beach in Florida with his arm around a dog, looking out over the ocean, the problems -- all the problems of the world on his shoulders.

The loneliest man in the world.

I think our task is cut out for us, and I think we know what we have to do in the coming campaign.

Let's stand together. Let's grow up. Let's wise up.

And then let's re-elect our President and this administration, and carry on through the years -- the years it's going to take to push back all that has been done to us in these last four decades, and to restore freedom to this country.

5/1/72

Remarks of Gov. Ronald Reagan of California
Second General Session
60th Annual Meeting
Chamber of Commerce of the United States
International Ballroom, Washington Hilton Hotel
Monday, May 1, 1972

Thank you very much. I'm greatly honored Mr. Chairman at this invitation. I am delighted to be here.

I hope that my appearance will prove the falsehood of the charge that I have no compassion for the underprivileged. I always enjoy coming to Washington. It's the only capital that's worse off than my own.

Ever since I've been here, though, I've been told how much the people miss the Senators. I don't know whether they're talking about the baseball team or the candidates for President.

You know in recent years there has been a new style in political campaigning. All of the candidates have watches with their likenesses on them and some have watches with their names. I've been listening to some of them talk, and I think if any one of a number of them should get elected, the taxpayers should have a watch. It wouldn't tell time; it would just ring its hands.

It seems as if the art of politics is to make people like you -- no matter what it cost them.

But it is also an art of communication and communication of course, I've also found, is more than just talking to someone -- it's being very sure that you understand that what you heard in the first place is what they really meant. I had that illustrated the other day. I'm not being sacrilegious because the illustration came to me by way of a priest who told me a story illustrating this point.

He said there was a man who lived in a little village near Jerusalem. His name was Joseph. Joseph was married; his wife's name was Mary. And they had a little boy. Joseph was a carpenter. And one day working in his shop, his little boy came in and said: "Did you call me father?" And his father said, "No, I just hit my thumb with the hammer."

As I understand, the theme of your meeting is, The Relationship of Government and Business.

It's high time that such a seminar was held. For too long business, outside of campaign contributions and some lobbying has held itself aloof from politics. "Don't get too involved in truly partisan stands" -- that has been the watchword.

Unfortunately, politics has not held itself aloof from business.

Now some of you are under the impression that because of the office I hold, I appear here as an advocate of government. I suggest that you hold your fire.

In some dim beginning, man created the institution of government as a convenience for himself. And ever since that time, government has been doing its best to become an inconvenience.

Government bureaus and agencies take on a life and a purpose of their

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own. They reproduce like amoebas. A government agency, is probably the nearest thing to eternal life that you'll ever see on this earth.

But I wonder if it happens because so many of us -- all of us probably -- read and hear, and just repeat what we think is a truism -- that when a public problem develops, government is forced to step in. That is utter nonsense.

Government can hardly wait to step in. As a matter of fact, government is in the position of the fellow who will make a speech at the drop of a hat.

Dr. Parkinson often put it, when he said that government hires a man to be a ratcatcher and before you know it, the fellow has become a rodent control officer and has no intention of getting rid of the rat. They become his constituency.

May I suggest that in your deliberations here, you take time to consider government itself as an institution; your relationship to it, and your role in the great philosophical confrontation that is dividing the world today. But paying particular attention to the domestic counterpart of that philosophical division that is dividing this nation.

We've talked of a free world in contrast to the Communist bloc for so long that many of us no longer give thought to the meaning of the word, or how vast is the difference.

And we tend to forget at our peril, that the advocates of what Adlai Stevenson called the idiocy of Karl Marx, have a missionary zeal to bless the world with their ideology whether the world wants it or not. The funny thing is it should be easier than it actually seems to be to dismiss their evangelical claims.

Sometimes when I see our young people marching and holding up the clenched fist, I know that what they're really asking for is freedom, more freedom. I sometimes would like to ask them if they've ever heard the names of Karel Modjulski and Yatchik Hurok.

These were two students of their own age in the University of Warsaw. They led a demonstration. It was nothing but a committee they put together to go and talk about some grievances to the administration. They laid in jail for ten and a half months before they were brought to trial and then were sentenced to three years of hard labor in prison.

With all their talk of Utopia, if we really wanted to expend the effort, we could match the achievements of the Soviet Union.

It would take some doing. We'd have to move 60% of our people back to the farm; tear down 60% of our homes; scrap three quarters of our automobiles; tear up 70% of our highways and two-thirds of our railroad tracks; disconnect 90% of our telephones and then all we'd have to do to really match them would be to give up our freedom of choice as to the occupation we'd follow and where we'd live, surrender our right to travel, to read what we want to read, to speak and to worship. If we were able to do all of that, then, together with the

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Soviet Union, we would have succeeded in setting man and the dignity of the man back a thousand years.

Now there are some in our land who would have us do that very thing.

But I think our very greatest danger of the moment comes from the philosophical difference between two factions within our country as to just how we make use of government as an institution.

For the second time in this century, as you well know, free enterprise is coming under assault. Even though it has offered a greater abundance to a wider range of the citizenry than any other system ever before tried by man, business is portrayed as a conspiracy against the poor, an exploiter of the working man and the consumer.

You're blamed for many things, none of which you've done, and you're denied credit for those things you've been doing very well.

Our own sons and daughters assail something they call "the establishment." They're a little ashamed of what all of us have done and are doing.

They call for the establishment's destruction and yet they're a little vague as to what they would install in its place. With great idealism, they talk of a classless society in which there'd be no troubling decisions to make because an all-wise and generous government would have planned everything.

It does a little good to remind them that a society without class distinctions by virtue of birth or wealth can have classes determined by your station within the political structure.

The plain truth is that government over the last four decades in the United States has had a great chance to have its way and to exercise its will over the free economy, and its record is far from good. It has preempted field after field of human endeavor as logically part of its domain. It has fostered the blind assumption that group compulsion is the only way to Utopia.

And slowly, silently, inch-by-inch the goal has become economic security, not personal freedom. The state is portrayed as a smiling escalator perpetually going up to social justice.

Environmentalists delight in quoting Thoreau to bolster their case.

Well, I hope they won't mind if I use him for the same reason. Because Thoreau said, "Yet this government by itself never furthered any enterprise except when it got out of its way." The character inherent in the American people has done all that has been accomplished, and it would have done somewhat more if government had not sometimes gotten in the way.

A government and business working together, each in its proper place, makes for an irresistible force. But when government attempts to do those things that are not its proper provinces, it does nothing as well or as economically as the private sector.

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During most of this last half century, we've seen government attempt to control the natural rhythm of the marketplace. A multi-billion dollar program to save the American family farmer reduced this number by half, but it tripled the number of employees of the Department of Agriculture and there is now one for every 22 farms.

Then there was an attempt of equal cost to help the wheat farmer. And they would be cutting the price of wheat in half and doubling the price of bread.

They set out to build 26 million housing units some years back and wound up with a quarter million fewer than when they started.

In 1935 when Social Security was adopted, United States president said, "We now see the end of public assistance in America."

In 1962 welfare was reformed, and another president said, "Perhaps it will cost more to start with but eventually it will reduce the rolls by stressing self-support and simplifying the administration of welfare."

In 1964, OEO, the poverty program, was adopted. It didn't cure poverty, but it sure cured wealth. That one was signed into law and in doing so the president -- a third president -- said, "the days of the dole in our country are numbered." Well, over this period our population has increased 11%, but the welfare case load has increased 130%. The cost has more than quadrupled and it continues to rise at roughly around 27% a year. How long would you be in business if your overhead went up 27% each year?

Forty years ago there was one federal employee for every 203 American citizens. When the present administration took over in Washington, there was one for every 67.

The average citizen today works almost five months a year to pay the cost of government -- federal, state and local. In all history, no society has ever taxed itself at this level and long survived.

We continue to approach elections adhering to the myth and labels of a bygone era, bound sometimes by party loyalty, debating particular emotional issues of the moment, ignoring the fact that whether we like it or not, we are choosing inadvertently or deliberately, between two completely contrary and contrasting philosophies.

On one hand we can succumb to the Marxian theory of inevitability: That the world has grown so complex that only government has the answer -- or we can heed the admonitions of that salty Englishman Lord MacCauley, who a hundred years ago, admonished governments everywhere, "Our rulers will best promote the improvement of the people by confining themselves to their own legitimate duties."

This means leaving capital to find its most lucrative course; commodities, their fair price; industry and intelligence, their natural rewards; idleness and folly, their natural punishment; by maintaining peace, by defending property, and by observing strict economy in every department of the state. Let government do this, and the people will assuredly do the rest.

Politics is too important to be left to politicians. You work in your business constantly to reduce overhead or to increase production. You're seeking to improve sometimes just the margin of profit by a fraction of a penny, or even a fraction of a mill.

That one adverse decision by government, one slight alteration of the tax regulations can wipe out such schemes and more. And nine times out of ten, those alterations are made not to improve government, but to make things easier and more convenient for the particular bureaucrat in that particular government agency.

Now, if sometimes your confidence in the free enterprise needs bolstering, just think of the fact that you survived this long. What a tribute to the tremendous virility of the free enterprise system that it has been able to survive these decades of harrassment and nit-picking.

But let's not stretch things too far: Nothing is totally invulnerable. At issue in the world today is the struggle for the heart and the mind of man. Free enterprise contains the very essentials for freedom.

Do we really believe that capital is finding its most lucrative course? Do we still believe that government is our servant having no power except that granted by us? And if we believe those things, why has the business community been so willing to advocate its real authority and its real powers?

Now I happen to be someone who thinks there is a connection between smoking and cancer. I don't smoke. But I am terribly concerned when government takes it upon itself to ban the advertising of cigarettes on television and that same government is subsidizing the growing of tobacco.

We can afford all the government it takes to protect us from each other, but we can't possibly afford the government it takes to protect us from ourselves.

The economist, Ludwig Von Mises, was listening to the directors of several major corporations argue a short time ago whether the ceiling on the corporation tax should be 35 or 52%. And he said it was like Frenchmen during the revolution arguing who should be first to the guillotine.

You remember some years ago -- just several years ago -- business was under attack. This time by the Internal Revenue Service. You remember that at issue was taking as deductible business expenses traveling expense accounts, business gifts, gifts to employees, and so forth. It was really an issue of principles.

But suddenly business sat down with government to negotiate whether the man on the road for the company should be allowed filet mignon or would have to settle for the blue plate special.

They sat down to bicker about whether it was right to give \$25 worth of gifts to an employee or \$35 to an employee.

Business abdicated again and lost by default.

Am I wrong in my supposition of what should have happened then, that business should have said to government: "As long as we are spending the money in the legitimate expectation and hope of making a profit, it is none of your damn business how much we spend on our business operations."

Now I'm not suggesting that business declare war on government, I am suggesting that we restore a little better balance in what should be a partnership. Society can only be as great as the people are willing to make it. No government can possibly afford the manpower to match the special genius and capacity for solving problems as the private sector. And the private sector can share its management skill and expertise with government -- federal, state and local. It means lending your best manpower, not your cast offs to government.

I told this once to a group of English businessmen and I remember one old gentleman turned to another one and he said, "You know he's right." He said, "When government asks us for someone," he says, "Dash it all;" he says, "We tell 'em, here's the chance to get rid of old Cruckshaw."

A government by second rate men will be second rate government and second rate government can be pretty expensive.

Five and a half years ago, I became a part of government. A funny thing happened to me on the way to Death Valley.

You've been told that California is the most popular state in the Union. A fourth of all the foreign-born in America live in California. Our groupings -- racially, ethnically and by religion -- and by economic status and division between service industries and production industries and farming, and so forth, make us actually a microcosm of the United States.

If California were a nation, it would rank seventh among the nations of the world as an economic entity.

Five and a half years ago when I arrived on the scene, the budget for that state was second only to the budget of the United States government. California was spending a million dollars a day more than it was taking in. And for ten years they had been adding 7500 new employees to state government each year.

You know, I discovered something for myself -- that confidence is something you have before you understand the situation.

I made an appearance one day, back in those days we were worrying about long hot summers and we were having riots on our campuses and so forth. There seemed to be an excessive number of police around and I overheard somebody say, "Why does he have so much security" and there was a little kid standing there and I fell in love with him because the little kid spoke up and said, "That's to keep him from running away."

But I had two or maybe three things going for me. Never having held public office for one, I didn't know all of the things you couldn't do.

Second, I had a simple faith in miracles; and three, I believe that the people in California would like to help straighten out the mess.

One of the first things -- even before I took office, long before I took office -- I asked the leading citizens of our state, leaders in industry and the professions and in business to form a committee, not to screen applicants for state jobs, but to be a recruiting force. I told them that I wanted people and the first requirement was, that I wanted people who were not seeking a career in government.

I wanted men that were willing to give a period of their lives -- whether it was only a year, or two, three or four, to serve their communities and serve in government. And one of the first orders I gave such men when they came to work, was that their first job was to see if their department was necessary and to get rid of it if it wasn't.

Believe it or not, in four months one young fellow walked in to my desk -- a young junior executive -- threw the key on my desk, said, "I just performed my last task, got my secretary another job. You don't need my department, I've wound it down." And to this day, we've never missed it. As a matter of fact, I haven't even found out where it was.

Employers gave up their best -- men that they had their eye on for future leadership in the company. And they came to Sacramento and it was much with the same attitude that a man would have in taking over a business that they had just merged with another, or was a failing business. They came in and they were men that looked at the problem and they asked questions -- why things were done the way they were done.

In one department, a man took a look and learned he had four sections under him. The four section leaders had each been there 20 years in their positions. He made them change jobs. They were horrified. They thought this was the end of the world. In a matter of weeks, they were 20 years younger. They had suddenly gotten into a place where they themselves started asking, well why do you do things this way. Things began to hum.

One man asked the question -- now this was just a minor savings that resulted -- but he pointed out that every year we send out notices telling people when the renewal of their automobile licenses is due. He was aware that the federal government was planning that move to eight cents postage. So he sent out the notices a month early and we saved \$100,000 on stamps.

Then, we gathered together in a room like this, literally, the industrial business and professional leadership of the state of California. Now I'm sure they must have felt we were going to ask for money. We weren't -- we were asking for blood -- their blood.

They volunteered in the end. They provided about 250 experts in a number of different lines and these experts gave us full time, free of cost to the people of California, and went as teams into the 64 departments and agencies of the state government. Their missions were to see how private business practices could be applied to make government more efficient and more economical.

They came back at the end of six months with more than 1800 recommendations. In the meantime the editorial comments were that once again government was making a study which would lie gathering dust on a shelf.

Well they didn't -- today we have implemented more than 1,500 of those recommendations.

We had and still have the help of the State Chamber of Commerce of California. They have been invaluable. We're working right now on a program together in the State of California.

Now we have a turnover, of course, many of these men -- there was a seasoning of young men -- I didn't mean for you to think that they were all young, and we also had a seasoning of prematurely retired men who were delighted to step in to harness and to work harder than they ever worked on their own jobs at government. We have a turnover as some of these young men get offers. They go back in the private sector and I'm so proud to say that in many instances they go back at the president level and even the chairman of the board. They're sought after and they're more valuable because of the experience they have had. The President, when he was elected, took a number of them. As a matter of fact he raided us so much, that I finally asked him if he wouldn't leave the fellows with us and just contract his business out to us.

Today, California's budget is not second to the national budget, it is fourth in the nation.

There's one state ahead of us and there's one city. New York City has a budget of about 2 to 3 billion dollars, bigger than the budget for the whole State of California. And that happened when he was a Republican. What do you think is going to happen now that he's a Democrat?

We haven't been adding 7,500 new employees. We put a freeze on hiring replacements five years ago for those that left government. We now have about 2,000 less than we had when we started and yet in some departments the work load has increased 30%. In one department where it has increased 30%, they have fewer employees but the service they perform used to take 39 days. It now only takes ten days.

We pioneered a new approach in the care of the mentally ill. It has made us a Mecca for people interested in that field. They come from all over the world to see the success that has reduced the warehousing of human beings in those mental hospitals from 26,500 five years ago to less than 9,000 right now. And we believe that we will get down to only 3,000 -- most of whom will require permanent custodial care in our state institution.

We have added 1,200 new highway projects to our regular construction schedule. All of them are funded by money that formerly went into administrative overhead. We developed breakaway hardware for along our highways, signposts that break. They reduce injuries should a driver go off the road and hit them.

We have a park system reservation now. Persons going on vacation can make reservations in advance. Why should a vacationer have to take potluck if he wants to go spend a weekend in one of our campgrounds or state parks? Now by computer from all over the state throughout the year, a person can put in his deposit and have guaranteed reservation of a parking space. The federal government has just adopted this for some of the national parks this year. Incidentally, we're making \$200 a day interest on the deposits.

We've done all the things you'd find common place and ordinary, but they were strange to government. We have consolidated files, changed warehouse procedures, centralized buying, and so forth.

But for three years we were frustrated and attempting to control the biggest drain on our resources -- welfare. It was out of control in California as it is in the nation. Once again we turned to the citizens. We had inhouse and outside help, volunteers, young lawyers and other joined -- a task force. We had the considerable help of the State Chamber of Commerce again. And then we went to work.

Welfare in California for years has been increasing at a rate of 40,000 new additions to the caseload every month. We found there were people drawing a \$1,000 a month and still getting full welfare.

We found we were sending checks all over the U.S. -- and we were even sending a check to a fellow who lived in Russia.

No one knows today -- in the nation -- how many people are actually on welfare. There is no way to check. We found in our state they only knew how many checks were being mailed out. We wanted to get the facts and the press helped us out in this. Reporters went out and proved that they could get on welfare four times the same day in the same office under four different names.

Well, we reformed it. Some of the reform required legislation. I have a legislature that is not exactly sympathetic to any of the things that I've been doing and they needed a little persuasion. So again we turned to the citizenry. And before you knew it, a statewide Citizens' Committee was formed.

An organization all over the state to start building a bonfire. They didn't exactly make the legislature see the light, they made them feel the heat. And we got our welfare reform.

A year ago January, we started implementing and almost immediately brought to a halt, the 40,000 a month increase and reduced it and made it instead a 20,000 a month decrease.

Someone asked us where did all the children go, were they out starving someplace because they were no longer on the rolls. The plain truth of the matter is we're convinced they weren't real children at all. They were paper children. What we did was just make them start counting correctly.

We had the pleasure a few weeks ago of appearing before the U.S. Senate Finance Committee here to discuss welfare reform and I was able to tell them that this year, our savings amounted to \$388 million due to those reforms. We're budgeted next year for a savings of \$708 million. But to those who say that we lack compassion and humanity, we were able to increase grants to the truly deserving needy by 30%.

Our opponents charge that my administration is business-oriented. Well, if they mean that I grant any special favors to business, that's not true. But if they mean that they believe I am using sound business principles in government and giving the people the best product that we can give them at the lowest price, they're exactly right.

We haven't been able to get far enough ahead to reduce on an ongoing basis the tax burden of our people but we copied something else from you, from private business, as we've made particular one-time savings. Before the legislature can rev up and find a way to use that money, we gave it back in a bonus. We gave a 10% discount on the state income tax last year. We gave a 20% this year. So far we have managed in one-time returns of that kind to return two and a quarter billion dollars to the people of California.

Now all of this is met with tremendous resistance, particularly this giving it back. It's been referred to by some of my opponents as spending government money. This is a pretty good example of the difference in philosophy.

One legislator charged that my concept of government was entirely backward. He said that I believed that government was supposed to figure out the revenues it was receiving from the people and then fit the programs of government and their costs within that revenue. And he said that is backward. He said government's duty is to figure out what it wants to do for the people and then tell the people how much it's going to cost them. That is the basis of the philosophical difference in our land today.

You know, on one side in this confrontation is the decentralization of government. A reduction of government size and power. But with no retreat from government's responsibility to do those necessary things that the people cannot do for themselves.

On the other side is a determined drive out in the open today -- if you really listen and read what they're saying -- to have a redistribution of the earnings of our people, and it's called a guaranteed income. And a total socializing of all health care service in spite of the fact that the practice of medicine within the framework of the free enterprise system has reached the highest level of quality and distribution here than it has in any country in the world.

Today a young Senator from Massachusetts is proposing more than a hundred billion dollars a year worth of cradle-to-grave medicare.

Tax reform is talked by one side, yes, as a desirable goal, if we could simplify and make it more equitable for everyone, without increasing government's share of the people earnings. That would be a good tax reform. But they talk about closing "loopholes" to catch some mysterious "they" who is charged with avoiding a fair share of the tax burden.

Their tax reform is designed solely to increase government revenue because the advocates of this reform believe that government involvement in our lives should be vastly increased.

What do they call loopholes? They turn out to be the very provisions without which the whole tax system would have long since proved unworkable. Interest on the workingman's mortgage on his home, they say, is a loophole that should be closed and no longer allowed as a deduction. He should have to pay an income tax on his property tax and other state and local taxes. Medical expenses should no longer be allowed. And charitable contributions should at least have a ceiling on them of a few hundred dollars beyond which there would be no tax deduction.

Then, of course, comes that thing that would mark the end of local and state government and make us all little brothers to big brother in Washington. Do away with state and municipal interest-free bonds or tax-free bonds.

One economy proposal these last of the big spenders do support -- they're determined to unilaterally disarm the United States and to work for reductions that range from 15, according to their present declarations, to \$33 billion in the defense budget. It matters not to them that we have never before been in the dangerous spot we are in today, where we're so close to the point when a Soviet ultimatum would find us with no other choice but surrender, or die.

The hierarchy of organized labor, without consulting with the working men and women it represents, has already made plain that labor will financially underwrite by more \$70 million and possibly as much as \$100 million, candidates adhering to the views that I have just expressed from that side of the philosophy.

It's about time that when we talk labor, we put a division in there -- a dash between them, and make it plain that we're not talking about the men and women, the rank and file membership of the union, we're talking about a hierarchy that is many thousands of dollars in salary and many years away from even understanding the hopes and aspirations of the men and women they represent.

It perhaps gets me dangerously partisan, but with all the talk of what might be an issue in a campaign, what really is an issue is this philosophical difference. The preeminence of the individual, the free marketplace, the right to own -- all of these things are on the block right now.

So, what do we do? Does the doctor fight alone against socialization of his profession, or do we recognize that you can't socialize a doctor, without socializing the patient? Unless government is peopled with those who believe in freedom in the marketplace, we run the risk of being governed by those who would substitute coercion for persuasion. If we sit back passively, fearful of incurring government's displeasure in case we should back the wrong horse, then we're just feeding the crocodile, hoping he'll eat us last -- but eat us he will. To participate effectively, business must expose the false image building that's gone on over these last few decades.

Too many of our young people who pride themselves on telling it like it is are being told in too many social science courses the way it is not. The polls reveal a widespread belief that business enjoys profits of 21% or more. You know -- but few others do -- that it goes on year after drudgery year, bouncing around between 4 and 5½%. In the last 20 years, the profits for business in America have increased 105%, but the salaries paid to employees of those firms have increased 232%, and government spending has gone up 340%.

The demagogue appeals to the cupidity that is inherent in all of human nature. He says: "Relieve the individual of his burdens! If business is getting away without paying its fair share, isn't it time for some of us to reveal to them that business doesn't pay taxes."

Business collects them. Only people pay taxes. A hundred taxes are in the price of an egg, and if you want toast with it, there are 151 in a loaf of bread; 116 in a suit of clothes, but if business is forced to collect too much tax, it prices itself out of the market and becomes non-competitive, particularly on the world scene.

At the same time, why shouldn't we begin talking about the billions of dollars that business is spending voluntarily on environmental protection. The billions of dollars to underwrite educational institutions and student aid programs. And incidentally, the fact that in a single lifetime, under our free enterprise system, we have reached a standard of living reserved only for the aristocracy of most countries.

Eighty percent of our families have automobiles, 99% have the basic appliances of refrigerators and radios and kitchen ranges, gas or electric and so forth; 95% have televisions.

Some, of course, would say, ah ha, he's now talking about that materialism that we're so against.

Well, maybe so, but that materialism, has also cured the diseases that when you and I were young, plagued mankind, crippled and killed mankind, and had done so for centuries. And today, our young people don't even know their names.

That same materialism has made the United States support more symphony orchestras, more home town opera companies, more little theatres, published more books than any other country in the world. As a matter of fact, more than most of the world put together.

Seven out of 10 of the prescriptions in the drug store today were not even known 20 years ago.

Poverty in most of the world is a lack of food and shelter and clothing. For the most part, poverty in America is a comparative thing based on not having what is considered the average standard of living.

One half of all the economic activity in the entire history of many has taken place under American auspices in the short life of this nation.

It isn't enough that I tell this story. I think that it is time that business starts telling its story with all the voice at its command. You may think that perhaps you have been because it appears in some pamphlets, or in some of your trade journals.

But how often do you turn on the television set and if there is an occasional story about business or businessmen play a part in the story, they usually are portrayed as being greedy, as polluting the atmosphere, polluting the water, or they're guilty of some kind of selfish chicanery. They're not exactly the hero.

And yet business is paying the bill. I remember in eight years of General Electric Theatre, I knew what General Electric's views were, knew what mine were, and yet somehow between the planning and the delivery, we just never could seem to get a story on the air that would make the businessman a hero or that would make a communist a villain.

We have to work and we better start with our own sons and daughters. This is the most dynamic, humane and forward looking society in the world, and we do care about the oppressed, the disadvantaged and the minorities.

Freedom and individual dignity are as important to us as the technology that made them possible. Whatever the doomsday myth makers say, this is still the brightest hope for men who seek a brighter tomorrow.

There is much to love in this country -- much that's worth preserving -- and too few voices are speaking in its behalf. We better change that or just as sure as God is in his heaven, there will be a book written one day that will be entitled -- The Rise and Fall of the United States of America.

Thank you.

6/13/73

Excerpts of Remarks by Governor Ronald Reagan

John F. Kennedy High School Graduation

Wednesday, June 13, 1973

Fremont, California

Since I left college, the world has undergone many changes, and contrary to the pessimists, most for the better.

For example: there was a time when a speaker on this occasion would tell the graduates, "on this day you know more than you knew before---or will ever know again."

Another standard was: "when I was 14, I thought my father didn't know anything. By the time I reached 21, I was amazed at how much the old gentleman had learned in 7 years."

I won't even say "a college is called a storehouse of knowledge because the freshmen bring so much in and the seniors take so little away." But this is a day for mixed emotions, for looking back with nostalgia and looking ahead, seeking a clue to the future.

You who are graduating have taken almost your entire lives to achieve this moment and from your perspective, the journey may seem to have been a very long one. But to some of us here, it seems your journey started only yesterday. Yes, it is a day for mixed emotions. Some in this audience can still feel the clutch of your hand when you took the first step on the education path that led to this day.

It is also an appropriate time to take inventory not only of yourselves, but of your inheritance, the world and the social structure you will be taking over in such a very short time.

Some of the rest of us are taking inventory, too...wondering if we've been able to give you the foundation, the sense of perspective, the values which will enable you to develop your own potential to its fullest, to shape your own ideas and ideals in a world where so many others will try to hand you a tailor-made philosophy, a world where the values you learned here are being challenged or ignored.

I am not going to give you any pearls of wisdom or even recall for you those balmy days when I was in your shoes. As Bob Hope says, things were easier in college then---it was still legal to pray the day before finals. .

You know things are different for you and for your generation.

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It's a new world and for you, the future starts now.

But I would like to leave you with a few thoughts as you start your own journey to whatever destiny holds for you. Some things don't change.

Never let anyone tell you the day of opportunity is over, that you cannot aspire to whatever goal you set for yourself.

It's true, you may never use all the knowledge you gained here in your daily lives. And that isn't really important. What is important is that you never forget or abandon the ideals and the values which were imparted to you here.

You will find that the most valuable thing you have acquired in school is not the knowledge of some particular subject matter. The most valuable thing you've gained in these years is the ability to think for yourself, to make up your own mind, to sift the myths from the reality, the truth from the untruths. Unfortunately in recent years there has been too many campuses where students have been taught what to think, not how to think.

Never be afraid to try, to seek, to explore the outer limits of your own ability. Even if you fail, you will gain in the attempt. Keats called failure the highway to success. And so it is. "Every discovery of what is false leads us to seek earnestly after what is true."

Oh, I know you have some complaints. The world you will inherit is less than perfect. Poverty hasn't been eliminated. Prejudice and injustice still exist. We are thankful the war in Vietnam has ended or at least has been interrupted. But war still exists. We haven't found the answer to what has been called man's greatest stupidity.

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And you look accusingly at those of us on the shady side of 30. We haven't erased all the problems of human misery but I'll make no apology for my generation.

Because no generation in all man's history ever fought harder or paid a higher price for freedom. No generation has done more to advance the dignity of man.

A few years ago in a meeting with some student leaders from the University of California the generation gap was wide open. I've told this story before but then (life begins at 40).

(Story...student leaders--"We invented")

But right now let me say--we need you--need you very much. It's been popular in some quarters to try to discredit America, to twist history and truth, to portray this country as a villain. And those who do this defame the most compassionate and humane society the world has ever known. We've done more to heal the sick and uplift the downtrodden than any other society in history. (In my life time.)

Some things about my present job are nicer than others, for example I get to speak with many students, young people from all walks of life. It's an experience I recommend for my contemporaries who are discouraged about the so-called generation gap.

Contrary to the stereotype of the protesting student, the great majority of you are fair-minded, inquisitive, with serious questions about your own future, your role in society and how you can best serve yourselves and your fellowmen.

You want change and there's nothing wrong with that. Each generation challenges the past and thinks the preceding generation failed miserably. So it was with us and so it will be when your children read this day, but do not cast aside all the hard won truths of the past.

only because they are old. The most lasting values, the eternal verities are those things which make and are civilization are the things for which men have always been willing to die.

During the height of the draft protests, the unrest about Vietnam, a man I know got into an argument with a friend who--although he was himself a veteran--seriously questioned whether his 21-year-old son should accept his call to military service.

He thought his son was too young, that he lacked the maturity to even understand the issues involved.

"How old were you when you landed on Iwo Jima?" he was asked. The man looked startled for an instant and replied: "I was 19 years old."

The point this incident illustrates is one that is as old as man. It is a natural and human characteristic of a man to want things to be better for his sons and daughters, to try to make their path a little smoother, to spare them the struggles the older generation faced.

I wish I could stand here and tell you--as you go forth with diploma in hand that you have a passport to Utopia. I'm sure your professors and your parents wish--with all their hearts--that they could tell you there will never be another war, that all wrongs have been righted, that injustice can never happen. We would like to be able to tell you that you may look forward to a lifetime of prosperity and happiness, with no more struggles, no time of crisis, no heart break or disappointment.

We cannot make such a promise. Although you are the heirs to the noblest experiment in freedom ever devised by the mind of man, we cannot even assure you that you may not someday be called upon to protect this freedom--not just once, but again and again if necessary.

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Because it is so precious, freedom never comes cheap.

And the price you may be called on to pay to protect it may be as dear to you as it was to other generations who have proceeded you.

To preserve that freedom, you must not only be willing to serve your country in times of external crisis. You must also be constantly vigilant to protect it from internal decay.

You must take an interest in and be part of every decision in government, in every level of public life.

For 500 years, the city, State of Athens was the center of the civilized world. The seeds of its destruction and downfall were planted when its citizens began losing their sense of values.

The historian Gibbon wrote:

"In the end, more than they wanted freedom, they wanted security. They wanted a comfortable life and they lost it all--security, comfort and freedom. When the Athenians finally wanted not to give to society, but for society to give to them, when the freedom they wished for most was freedom from responsibility, then Athens ceased to be free and never was free again."

Although we are the oldest continuing Republic in the world, liberty as we know it in America is a relatively new concept for man.

Someone once said the best way to measure just how new is to think of man's history as a time span on a giant clock.

Start at midnight, the first traces of civilization emerge from the murk of savagery.

At dawn a Roman Republic appears and Pericles presides over an enlightened Athens. But within the hour, the Greeks are slaves and an emperor appears in Rome claiming he is God. By a combination

of military force, public bribery through bread and circuses, and superstition he implants an imperial standard.

At eight this morning Christ was born, taught the dignity of man, and was crucified.

As the morning went on Anglo-Saxon institutions slowly took form in the common law.

At twenty minutes after 10, King John signed the Magna Carta.

By half past eleven, the United States, "conceived in liberty," appears.

In the minutes following, great nations try republican government and fall before dictators.

We approach High Noon.

Where shall we be at five minutes after Twelve?

You and your generation will help supply the answer to that.

Parents and professors have helped guide your way this far. What happens as that clock ticks off the afternoon and evening is up to you. If you cherish the values you have learned here, if you keep faith with yourself and that which you know to be true, you can help make the future a better time, not only for yourselves, but for those who will follow you.

On the tiny deck of the "Arbella" in 1630 off the shore of Massachusetts, John Winthrop gathered a small band of pilgrims together. He said: "We shall be as a city upon a hill. The eyes of all people are upon us, so that if we shall deal falsely with our God in this work we have undertaken and so cause him to withdraw his present help from us, we shall be made a story and byword throughout the World."

You too have been preparing and in today's world the eyes of all people are on you. You can carry on the building of a shining city on a hill and preserve a golden hope for all mankind.

7/25/13

REMARKS BY GOVERNOR RONALD REAGAN
ILLINOIS STATE SENATE FUNDRAISER
CHICAGO, ILLINOIS
July 25, 1973

Governor Dick Ogilvie, Governor Stratton, Attorney General Scott, our dinner chairman Jim Bere, party officials, reverend clergy and our honored guests here tonight, the Illinois State Senators, and you ladies and gentlemen:

Somebody said "Why did you come 2,000 miles for an occasion of this kind?" You would be surprised how far I will go to meet with a Republican legislature.

You know, it is a wonderful thing about public life, there is a great rivalry and it is a competitive thing and even within a party when you have a meeting of the Republicans in the other house here, you find that there is a rivalry between even the two houses. Maybe that is part of the whole American system that works. I know we had one of our legislators out there in the house. One night his wife awoke him---she whispered in his ear "there's a burglar in the house" and he says "No, in the Senate maybe but not in the House."

This is a proud moment for me, to be invited to participate in this event here in my native state. And if I let myself start to reminisce, here so close to my birthplace, this would be a very long evening indeed. But I do say to you that adding to this pleasure, a great deal to this pleasure, is to be introduced by a man that I came to know and respect in our meetings together in the governors' conferences throughout the country Dick Ogilvie. I came to think of him as a greatly appreciated friend and I never saw him in all those meetings ever falter in his duty and his service to the people of Illinois.

Now, of course, in my saying that I am glad to be here I realize that people in public life today are suspects, and everyone---no matter what you say---they say "Well he's saying that because he's a politician."

It is a little like the fellow who was running for office and went out in a little town and went to the courthouse where he sat down on a bench beside another fellow and told him he was there to solicit his vote for public office.

Chicago Fundraiser

The fellow said "what are you going to do about the geese?" And he looked and there the courthouse lawn was covered with geese. "Well," he said "I think you're right, isn't that interesting, I think they ought to be protected." The fellow said "you just lost my vote, they're a mess, look what they do to the lawn, they chase the kids, they peck at your legs." The fellow moved down to another bench and made the same pitch to the old fellow who was sitting there---the same question, the fellow said "what are you going to do about the geese?" "Well," he said "I think they're a mess, look what they're doing out there chasing the kids, they ought to be destroyed." The fellow said "you just lost my vote I raise geese, they're a part of the economy of this town." Well he got to the third bench and sure enough he got the same question and this time he had learned his lesson, he put his arm around the fellow's shoulders and said "brother, on that question, I'm with you."

You know, it is a homecoming for me and I could be very nostalgic. Of course when I lived here before I was a Democrat and my whole family were Democrats. As a matter of fact, I had an uncle who lived here in Chicago who won a medal once for never having missed voting in an election for 15 years---he had been dead for fourteen.

But there have been a lot of changes now, they do not close the saloons on election day. Too many of the candidates are getting locked in! Do you remember back in those days when you thought that nothing could replace the dollar? Today it practically has!

I have learned a lot though, much of it in this present job. I have learned that all the recipes for success have the same ingredients as a recipe for a nervous breakdown---it is the amount of each and the way you mix them that makes the difference. I remember one day, and maybe I have told you this before in some of my visits here, but you will just have to understand that life not only begins at forty but so does arthritis, lumbago, and the tendency to tell the same story two or three times. When I was first governor I was on my way to the office and it seemed like every day the day would start and there were more problems being uncovered and then I fell in love with a disc jockey. I do not know who he was. I heard him on the radio and out of the clear blue sky he said "Everybody should take unto himself a wife, because sooner or later something is bound to happen you can't blame on the governor."

I have learned that one of the most important rules in politics is poise---which means looking like an owl after you have behaved like a jackass.

But the time has come I would like to communicate---and I would like to communicate a little bit with you---communicate directly. That is a little bit like the chicken that decided to lay an egg on the freeway and said "I'll lay it on the line but I better be quick."

Communicating, of course---only that there are many ways of doing it and it is one of the big problems of this day---communicating with each other. And we seem to have so much difficulty in getting together in groups.

Danny Villanueva who used to play for the Rams and then the Dallas Cowboys told me a little story about communicating. He was over having dinner one night with a young friend of his who played for the Dodgers. And this young fellow and his wife had a new baby and while she was bustling around getting dinner, the baby started to cry and on her way through the room she said to her husband "change the baby." He said "change the baby?---I'm a ballplayer, that's not my line of work." And she turned around, put her hands on her hips and she communicated! She said "look buster, you fold the diaper like a diamond with the baby's bottom on the pitcher's mound, hook up first and third, slide home plate underneath, and if it starts to rain the game ain't called, you start all over again."

But I had better get down to the business of communicating and what it is I have to say to you in this gathering.

These are trying times, no question about that. We had to hold special elections five times in California in the last few months to fill vacancies in our California legislature. In three of those five districts the Democratic registration was around 70 percent, it was 3 to 2 in the others. I just thought that you might like to know, we won all five. I would suggest that the televised last rites of the Republican Party are a little premature.

Now, nationally---on the basis of registration---ours is a minority party. On the basis of philosophy, philosophical attunement that what the bulk of the people of this country hunger for, we are the majority party.

Coming through all the confusion of this day, one thing is unmistakably clear: Americans have had their night on the town of social tinkering and social experimentation. They are now suffering the morning after, and they are hungry for some good old ham and eggs of fiscal common sense.

They know that for someone to get something he has not earned, someone else has to earn something he does not get. They no longer believe they can remain safer on the streets and in their homes by giving lawbreakers longer suspended sentences. I think they are even fed up with movies that embarrass them in front of their children. And they do not really believe that the government can spend our money more intelligently than we can spend it ourselves. But the leadership of the Democratic party is so deeply entrenched in the bankrupt policies of the thirties that they have not yet discovered how far out of tune they are with the millions of rank and file Democrat Party members.

At the National Governors' Conference last May, the Democratic governors, ignoring the traditional rule against partisan political activities, introduced a package of resolutions. The "whereas'" were all alike---cries of doom. "Whereas the nation is undergoing the worst economic crisis of the generation....," "Whereas inflation....," "Whereas economic distress of the people....," and of course "all of these things just came into being under a Republican administration, we have never had them before." And then came the "Be it resolveds." And without exception, every "whereas" could be resolved by spending more money. Creating new programs to restore both the health and vigor of the country....restore the cuts in federal spending....forget all of the things that they proposed were the same costly failures that we have had around for too long a time. Their resolutions were, in fact, the typical demagoguery that has become the political and economic mythology of our times. James Burn, the economist, said, "when operating on a Democratic politician, even the keenest analytic surgeon cannot separate demagogic from solid tissue without killing the patient."

Perhaps the time has come to recognize that government is the problem all too often and not the solution. Typical of this political mythology is a story that appeared in an Eastern newspaper recently. The story told of a welfare recipient who worked part-time for a farmer and one day he stole a smoked ham out of the smokehouse. He took it to the grocer and sold it to the grocer for \$27. He took \$20 of the \$27 and bought \$80 worth of food stamps for which he was able to do by reason of being on welfare. He bought the ham back for \$29 and \$51 worth of groceries; he then put the ham back in the smokehouse, so the farmer got his ham back, the grocer made a \$2 profit, the welfare recipient had \$7 in cash and \$51 worth of groceries and the columnist then added, "with no one being the loser." No one unless you counted who paid for those food stamps.

But that is the kind of thinking that is behind the current proposal---for example, in the present flood of high prices---that the government can solve this. It gets seriously proposed in Washington by ordering a cutback in the price of food and subsidizing the growers to make up their loss. Well, that is a very simple solution, all you have to do is take all of the people in the United States that do not eat, and tax them so they can help pay for the food for the rest of us.

I thought it was a pretty good sample of this kind of mythology during the last campaign. It was during the rush hour and I fell in behind a workman's car who was on his way home, very obviously a workman, and he had a bumper sticker of the kind we used to see back in the depression days "Buy American"---he was driving a Toyota.

Thomas Jefferson said "If the people have all of the facts they will never make a mistake." But the trouble today is that the people today have been and are being assailed over and over again with mis-statements of fact. Some of our political pundits, on the media, in the press, make pronouncements that are nothing more than their expressions, their own opinion. And when subsequent events prove them wrong, there is no acknowledgement of their error, they have already moved down to other pronouncements. For example, when the President announced the mining of the harbor at Haiphong in May, the TV analysis was instantaneous, was unanimous, and it was disapproving. Eric Severied said "I will suspect that the summit, the Moscow Summit will not come off." Charles Collingwood said "certainly, the Moscow Summit meeting from which so much has been expected is now in jeopardy." Marvin Kalb---"one of the casualties of the President's mining blockade may well be the upcoming summit in Moscow." Those who began packing and dreaming up caviar are beginning to unpack and return to dry cereal. John Chancellor said "the summit is in jeopardy today," Richard Valeriani said "how can they receive him now?" Ted Poppin said "I don't see how he can go" and Edgar Stevens said "the President's announcement will be pretty hard for them to swallow, he practically killed the prospects of a summit." So they all ended up eating caviar, none of them ate their words.

It seems that 90 percent of all that is written today, economic questions are either an implied or a direct attack on capitalism. It does not matter that the critics cannot name any time in history in which people enjoy a high standard of living under any---except a free economic system---the attacked economy.

In 1828 the German philosopher, Goethe, wrote "truth must be repeated again and again because error is constantly being preached round abouts, in the newspapers, the schools and the universities, everywhere error is dominant...securely and comfortably ensconced in public opinion." Well today, all too many of our students are receiving a one-sided exposure of economic and social alternatives. And all of this has given the political demagogue his field of play.

Earlier this month a young Senator from Massachusetts made a pilgrimage to Alabama which he says is non-political---and if you believe that, I have got some Florida real estate I would like to sell you to prove it. His words were well chosen for the occasion and that particular audience and they were well received----heck they would have been well received at the Republican National Convention. But it isn't a speech he is going to deliver back in Massachusetts or to the Americans for Democratic Action. The Governor of Alabama must have wondered at times if they hadn't set the wrong sound track. The Senator, throughout the north here, wants to guard our health at \$65 billion worth of Teddy-Care, was in the south claiming that the great principle that "no man should be stripped of the fruits of his labor to benefit another" is now under the taxes of a Republican Administration. Well if our opponents are now going to claim our principles and our philosophy in order to solicit votes---and you had a little experience of that in the Senate race in Illinois not too long ago---then this is a good place to start exposing those political myths. In the first place, the government growth, the increased spending, the centralization of power in Washington, the deliberate planned inflation as an economic policy, the redistribution of earnings through taxation---all of this is and has been part and parcel of the Democratic philosophy for the last forty years. And for forty years Republicans have been opposing it. Sure there have been two Republican presidents in these forty years. But in only one two-year term did a Republican president have a Republican Congress.

How many Republicans, in this day of false image-making and political myth-making, are really aware of how dishonest the Massachusetts Senator's charge really is. The present administration reformed the income tax in some minor ways in 1969 in what is now being called the "Nixon Tax Reform". And as a result 9 million of the lowest income earners were taken off the income tax rolls entirely.

In the next level of income up, in the middle income brackets, they received a 70 percent reduction. Those above \$50,000 a year, who are all Republicans---according to our opponents--- had a 7½ percent increase in the tax; and corporation tax was increased \$4,500,000. Since its inception, the federal income tax has been increased 14 times--- 13 of those increases by Democrats; it has been reduced 12 times and 8 of those reductions were by Republicans.

And yet right now, ask any average citizen about taxes and he will express a firm belief that some mysterious "they", affluent special-interest groups that lobbied over the years in Congress and lobbied Congress into passing tax shelter loopholes, can help the rich go tax-free. The average citizens believe this because our opponents have had this as a party line for a great many years. When are we going to remind these citizens that if this is true, this lobbying of Congress, a Democratic Congress could have resisted it and changed the tax structure any time they wanted to in these last forty years.

In the last campaign we were ^{fed} the "Horror Stories" --- "Million Dollar Earners Escaping Tax Free". But how much equal time and space was given to the Treasury Department figures that were released that refuted every one of these stories and proved they were not true?

Senator Proxmire of Wisconsin last September declared that our 18 largest oil companies paid only 6.7 percent income tax or federal taxes on \$10 billion in net profits. He said if the public/private tax reform means anything it means situations like this cannot continue to exist.

Well, Representative John B. Anderson of Illinois, simply proved that situations like that did not and do not exist. The 18 companies paid 36½ percent tax on their net earnings and that was up from 24 percent before the Nixon Tax Reform.

Closing the loopholes is really being used by these people as an excuse and a device for getting more money for governments that are already getting too much. Never have we heard one of these loophole-closers state that if he had his way the revenue gained from closing the loopholes would be used to reduce the tax rates of the working men and women of America.

No, because they want more money for more government programs, for more of the same social tinkering we had under the New Deal, the Fair Deal, the New Frontier and the Great Society. They want tax increases even to cure inflation---and that's like telling a drunk that another drink will sober him up.

It is time to look at the record. In 1930 the federal budget was 1/100th of the gross national product. In three years it had become 1/20th of the gross national product and today it is a full one fourth. One out of five workers are employed by government---federal, state and local. And their pay for the last two years has been increased 51 percent while the factory workers pay has been increased 37 percent.

If we stop this mushrooming drag on the economy, we can stop the possibility of this nation and the people of this country going bankrupt. But to do it in the trend of truth to the people that the cost of government inevitably falls on them. That loopholes are the legitimate deductions without which the average citizen would be unable to pay his income tax. Last year out of \$199 billion taken as a total amount of all the deductions from the paying of income taxes, \$191½ billion of those were taken by the lower and middle income earners.

The issue is plain and simple---government costs too much---and that issue is ours. It is an ideological impossibility for our opponents to accede to this, or to attempt to do anything about it. First of all they don't view tax as simply a means of raising revenues. Taxation is an instrument for directing the people's lives. Clear back in the New Deal days of Franklin Delano Roosevelt, an assistant secretary of the treasury, Randolph Hall said, "We need to look at taxes in a more positive way, as an instrument of social and economic control. They may be used to penalize particular industries and economic groups." That is entirely consistent with the most recent drive. The ever-increasing drive to cancel out the tax exempt status of state and municipal bonds. They shut off this funding source for local government and made local government that much more dependent on the federal government. Again the loophole demagoguery is invoked. But what is the real argument by those who would close that as a loophole? Well they quoted three points they are very frank about: 1) They say that to exempt this method of financing local municipal and state government is a federal subsidy; and they say 2) the present form is an indirect subsidy which gives the federal government no control over the use of a subsidy; and 3) they say that federal subsidies should be directed to purposes of which the federal government approves in advance. What could be plainer than that?

But then why shouldn't millions of our citizens---millions of our citizens who have made it plain they want to continue with local control over their own school districts and the funds derived from the sale of school bonds, for example---why shouldn't they hate being aware of this threat to their local control over those schools?

Your own economist here at the University of Chicago, Milton Friedman, says "that federal government was, until forty years ago, viewed primarily as a keeper of the peace, an upright. Today we view it as capable of treating every social and personal ill---as the source from which all blessings flow."

Not even the Office of Management and Budget knows how many agencies and commissions there are. But the federal revenue people have said that with all their regulations, it is almost as big as the entire Encyclopedia Britannica. The Interstate Commerce Commission, in eighty five years has accumulated 43 trillion railroad rates with no index. The Federal Communications Act has been amended every year since it was started in 1934. The Occupational, Safety and Health Administration laid down 15,000 regulations in its first year and it still had time to order an employer of one employee to install separate mens and womens washrooms ---his one employee was his wife and at home they shared the same bedroom and bath.

To those who tried, in this great institution of government---this welfare state of ours---tried on failure. They ride forth seeking victims to aid, righting wrong, setting up social reforms, and programs, that no matter how many they set up, no matter how many are operating, they will never claim success for it. To do so would put them out of business. Welfare recipients aren't people to be put back on their feet--made capable of self-support. They are clients, to be permanently served by professionals whose success is based on increasing their numbers, not decreasing them. And so government has become the biggest cost item in the family budget. It takes more from the wage-earners' pay than it does for food, clothing and shelter for his entire family.

In 1930 government---federal, state and local---took 15 cents total out of each dollar earned in America. By 1950 it was 32 cents. Today, governments are taking 44.7 cents out of every dollar the citizen earns. The present rate of increase will pass the 50-50 mark in five years and reach 60 percent in ten years. If a free economy can survive government taking more than half the people's earnings, and no society in history ever has, indeed no society in history has long survived the tax burden that reached a third of the people's earnings.

Now I know that some of you are discouraged in these dark days. You think that our cause is hopeless. Well that's not true. There has never been a greater opportunity to reverse the trend of the last forty years than we have right now. The people have given every sign that they have had it with busy-bodied government interfering with their lives and confiscating the fruit of their toil. The only thing that we should be happy about and can be happy about in the whole situation is that we are not getting all of the government we are paying for. Can you imagine how miserable we would be if we were?

The truth is on our side and we have to stop communicating horizontally, telling that truth to each other. We must start talking vertically, breaking into other groups, other circles, and exposing this mythology. We are offering the people of this country independence, for a dependent people are a helpless people who can be managed and controlled.

I have learned in the last few years how important in this task are the men that you are honoring here tonight. Have you thought about the direction that this great state of Illinois would be traveling if it were not for the single vote margin that you have in the House and the Senate? The bulwark of our freedom is this federation of sovereign states. The question of whether the leadership of our opposing party subscribes to that belief, I think, has been pretty well settled and decided. Certainly the policy for forty years has led to an erosion of state's rights, of reducing of the states to mere administrative districts of the federal government. And that would be their aim if we allowed them to get away with it.

Faced with an entrenched bureaucracy of unimaginable size and power in Washington, it is my belief, that rather than trying to turn back or even go around, our best chance lies with the states and the state administrations.

Let me talk about my other state for a moment. In 1966 state and local governments in California were growing in the number of employees at a rate four times as fast as the increase in population. Between 1961 and 1966---in those five years---state government had grown from 82,000 to 102,000 employees. Local governments have continued that rate of growth in California. But by putting a freeze on the hiring of the number of employees in state government, now, these several years later, we have the same number of employees in state government that we had in 1966. Many of those departments in state government are handling thirty and forty percent workload increases, with fewer employees and they are turning out the work faster than they were.

Two years ago last March the welfare caseload in California was increasing by 40,000 new cases a month. The increase in costs was 26 percent a year. We decided on a comprehensive welfare reform. We were up against competition by federal bureaucracy that at times became almost hysterical. But we launched those reforms two years ago this last March (1971). Today I am happy to tell you that it not only is not increasing 40,000 a month, there are 315,000 fewer people on welfare, we have increased the grants of the truly needy who depended on us for help by 30 percent, and we have a one-time surplus in our treasury of \$826 million.

Now I tell you this because our case in California is a classic showcase of this philosophical difference of which I have been speaking, between the two parties. I have, as I indicated at the beginning of my remarks, a Democratic majority. They have already made suggestions for spending over a billion dollars of that \$826 million. We on the other hand have proposed giving it back. And I might say, when you first suggest giving \$826 million back to the taxpayers from whence it came---that's a little like getting between the hog and the bucket! You get buffeted about a bit.

One of them said he considered that an unnecessary expenditure of public funds. Another one said that a tax reduction would interfere with the redistribution of the people's earnings. Well, to sum it up, we are faced with a stalemate, so we turned to the people. We first asked the legislative leadership to put the matter on the ballot and let the people make the decision. By that time, incidentally, we knew that in addition to the one-time rebate of the surplus we were trying to make, that we were going to be able to offer an ongoing tax cut---an income tax cut. Our opposing leadership made it plain---they do not trust the people of California to vote on such a serious matter as what should be done with their own money.

As a matter of fact in the last election the people of California voted to reinstitute the death penalty in California. In spite of the voice of the people, which registered better than 67 percent in that ballot, the Democratic Speaker of the Assembly has kept the legislation to implement that act bottled up in a committee and has declared that when the people are wrong it is his duty to straighten them out.

So in conformity with the California law we have invoked with the initiative process with regard to this tax refund. We have obtained almost 800,000 signatures on petitions and I have called a special election on November 6 for the single purpose of voting on tax reduction. The people will vote on the rebate of the surplus, on the ongoing reduction and one additional feature which may very well be a first in this nation.

A year ago I appointed a task force to see if there was any way to halt the ever-increasing cost of government...to interfere with that upward climb in the percentage of the people's earnings that government was taking.

We have tried for six years, program after program, to affect economy. We have been successful as I have indicated. And yet government continued to grow.

The task force had the help of some of the most distinguished economists in the United States, including the beforementioned Milton Friedman. These men attested to the need for limiting government's cost to the fact that our economic system cannot survive the present rate of economic drag let alone the projected increase. These men told us that in their opinion, they believe this country is on its way to a gigantic bellyache unless something is done about it very soon.

Well, the problem is no longer one of merely cooling inflation but the survival of this country. In the decade of 1950-60---the most stable period in this half-century---we also knew it as the time when we had the only Republican Congress for two years with a Republican President. As a matter of fact in that two-year period is the only time in forty years that the dollar did not lose one penny in its purchasing power. But the decade since, the total of debt---public and private---of the citizens in our country went from \$870 billion to one trillion, eight hundred and thirty nine billion dollars. Our public debt alone is \$37 billion bigger than the combined debt of all the nations of the world.

Our liquid capital---the savings of the people that can be invested in industry and stocks for creating new jobs---is the lowest point it has ever been in our history. It has been siphoned into more government spending by taxation.

Of that 44.7 cents, the governments are taking out of each dollar, California is taking 8-3/4 cents. The proposal of our task force is to reduce this 8-3/4 cents to 7 percent of the people's earnings over a 15 year period, adopting a constitutional amendment that will fix at 7 percent of the total income of our citizens as the most that the state can take without a vote of the people.

Necessary flexibility has been provided for emergencies, protection has been given to local government so in the future state government cannot circumvent the limit by foisting services off on local government and making them pick up the load. If they do they have to reduce the limit. Any service that is foisted off on local government or any new service must be paid for by the state government.

Over this 15 year period---it is a very simple device---the 8-3/4 percent of the people's earnings---total earnings---that state government is now taking, in the second year of the program would be 8-65/100 the next year 8-55/100, 8-45/100 and so on down to the 7 percent limitation. This is the third part of the initiative the people will be voting on November 6, and we think is one of the most important times the people had actually voted on preserving their own freedom.

I told you this in the hope that it will increase your determination to return these Republican Senators to Springfield and to increase their number. I know what it is like when the tide is the other way. For a long time I was the only stop-gap---with both houses in the opponents' hands---I had to depend totally on the veto. One of the Democratic legislators stood up the other day in a speech in San Francisco and he said "the governor has defied the legislature and vetoed 167 measures in this session." Now that's that kind of base political lie we have got to straighten out---I vetoed 168.

But this is not simply a Republican victory we are trying for in a contest between party labels. But because we have come to a moment in history when we are choosing between two widely divergent philosophies, party labels are unimportant---philosophy is all important.

I assure you there are millions of patriotic Democrats who can no longer follow their party's leadership. They are seeking fiscal restraint---and that has traditionally been our party's position. They are seeking a party of a leadership that holds that the decentralization of power holds on faith, that most human social problems can effectively be solved by the people themselves working under the local leadership and having direct responsibility from that leadership.

The Democratic Party once held those views. As a matter of fact, forty years ago, the New Deal candidate of the Democratic Party declared "we advocate the immediate and drastic reduction of governmental expenditures by abolishing useless commissions and offices, consolidating departments and bureaus and eliminating extravagance to accomplish savings not less than 25 percent of the cost of the federal government."

Three years later he had built up an awesome bureaucracy designed to control the production, the distribution, prices, wages, employment and agriculture. When the Supreme Court ruled against him (Roosevelt)---much of this structure that he had built up---he tried to do it alone unsuccessfully---to increase the size of the court from nine to twelve so that he could have a majority of the justices.

Even though he failed in that, forty years later, we find that we have inherited a government in which the systems of checks and balances between the three branches have been distorted. Also, the balance so carefully engineered by the founding fathers between the levels of government---federal, state and local---but most importantly the great balance between government and the control of government by the people, has been distorted.

Too many people have lost faith in themselves under this free economic system. Too many people are asking government for things that government cannot do without resorting to force and coercion, and thus restricting freedom. A recent poll found that 70 percent of the people are blaming business today for our economic problems. The same 70 percent said they thought that the answer was that government should take over more complete control over the total business community in our nation. But only 18 percent of the people in the polls knew the names of their United States Senators.

It is time that they knew that government caused inflation deliberately by planning what was called the New Economics. That under the administration of Lyndon Baines Johnson, government got out of hand when it tried to give us guns and butter in the war that they started, that they wouldn't win and they didn't know how to end. A Republican president ended that war.

It is time that the people knew that they only time the party of the working man, as our opponents describe themselves, the only time that party has provided full employment in this century has been by way of a war. And at the same time not even then could they be completely sure, because, in the Kennedy years, unemployment was higher than it was three years ago in the so-called Nixon recession.

Today the Independent Businessmen's Association of America claims that its members have 2,900,000 jobs going begging for lack of workers to fill them even though they are advertising for them. But the doom criers would still have us believe that unemployment is a major problem of this day and of this particular administration.

It is time for the people to learn that the only way that taxes can be reduced is to reduce the size of government. It is time for the people to learn that the only way you can give someone a larger slice of the pie is not by reducing someone else's slice but by producing a bigger pie for everybody.

Earlier in my remarks I said this was not a time for us to be discouraged. I am sure that many of you recall the name of that tragic figure of some years ago, Whitaker Chambers. Whitaker Chambers is a true idealist, he turned to Communism but he did not even find the answer to his problems there. He soon learned, of course, that Communism had no offer but was only a false and empty world they had. And so he turned elsewhere.

He was disillusioned with Communism, but his years with Communism had left him, I am afraid, less than enthusiastic about our chances to resist.

He wrote after his conversion back, he said "it is idle to seek to save the western civilization because western civilization is already a wreck from within. That is why we can hope to do little more than snatch a fingernail to the saint from the raft or a handful of ashes from the packets and bury them secretly in a flowerpot against the day hence when a few men will begin again to dare to believe that there once was something else. That something else is sacred and needs some evidence of what it was and the fortifying knowledge that there were those who when the great night folds with loving thoughts to preserve, those folds of hope and truth."

I cannot subscribe to Whitaker Chambers' cynicism or his lack of faith in humanity. I do not know of anyone who is here tonight or of anyone among us on our side who believes that our generation is destined to preside over that great night fold. That this nation, the first in all man's history to attempt an experiment in individual freedom, has come to a closing of the book.

I cannot accept this and I know that you cannot. We are even being called upon in this supposed time of crisis to shed our blood or risk wounds in battle. All that is necessary for us is to understand how this system of ours works, this system that our fathers left us. And then to spread the understanding and the knowledge among those around us and particularly among our own sons and daughters.

That is a duty we cannot hand off. That duty falls upon each one of us, just as our neighbors, the people we talk with at lunch, the people we meet and work beside in our daily work. The duty falls on each of us, we cannot leave it to educators or professional economists or to the media.

Each of the myths must be held up to view and exposed and our weapon is at hand. Our weapon very simply is the truth, and the truth will truly keep us free.

Nancy and I had a fantastic experience just a few months ago when our prisoners were returned to us. We entertained all the California prisoners, some 150 of them, in a series of quiet informal dinners in our home. We met these men we have heard the story of, the six, seven, eight and nine years of imprisonment. And I can tell you that a society, which can produce from its rank and file of its citizens, men with the courage that these prisoners who were returned to us that short time ago, that society truly has nothing to fear but fear itself.

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9/21/72

EXCERPTS OF REMARKS BY GOVERNOR RONALD REAGAN, TEMPORARY CHAIRMAN
BEFORE THE SECOND SESSION
REPUBLICAN NATIONAL CONVENTION
MIAMI BEACH, FLORIDA AUGUST 21, 1972

Four years ago we met in this arena to choose a standard bearer for our Party. It was a time of ugly violence in our land, when we talked with dread of hot summers to come, accepted burning cities as routine and in many of the highest intellectual circles it was fashionable to denounce as sick, selfish and racist the most generous and compassionate society ever known to man.

More than 300 young Americans were dying each week in a far off land, while here at home other young Americans rioted and vandalized our institutions of higher education.

There has been a remarkable lessening of the violence in these last three and a half years here at home.

In Vietnam, the last ground combat team has put down its weapons. Last month, another convention was held in this hall---like an echo heard, once again, of angry voices from the past. Veterans of street violence and their uptown friends, in the fashionable cocktail salons of the Porsche and Pucci set, were riding again.

Perhaps we have not fully realized the enormity of the change that occurred as the result of that convention a few weeks ago.

Our traditional two-party system has become a three-party system--Republican, McGovern, and Democrat. And, only the first two parties have a presidential candidate in the coming election.

Millions of patriotic Democrats were disenfranchised in the takeover of their convention. A former President of the United States became a non-person. His years in the service of the party and nation were unmentioned.

The former Vice President, the Democratic standard bearer of 1968, was dismissed with arrogant disrespect---unprecedented in American political history.

As Republicans, we have often opposed Hubert Humphrey as he campaigned for his beliefs. But we respected him and we knew he would never put party ahead of country.

Even in the heat of partisan campaigning, no Republican would ever have stooped to the treatment he received at the McGovern Party Convention.

Republican National Convention

The rhetoric was the high sounding phraseology of the "new politics." But, their tactics were the old politics of bossism and the smoke-filled rooms---although in some of the rooms it was reported that the smoke smelled a little funny.

Finally, whether by design or accident---and there is reason to support the former---in the dark pre-dawn hours while most Americans slept, the takeover was completed. The McGovern Party named its candidate but they did not complete the ticket until a few weeks later when they had time to run through the yellow pages and call central casting. But the "Prairie Populist" finally had found his man. You could imagine the high drama of that moment of decision there in Hyannis Port---surrounded by their families, two men watching the flip of a coin. Sargent Shriver lost. But, he is a man of the common people. He understands their language. He learned it from talking to his butler.

We are having a little trouble though understanding what the McGovern Party's Presidential candidate is saying. Already he has offered solutions to problems we do not even have anymore.

They had ten platform promises of which nine already have been carried out or proposed by the present administration.

At the risk of seeming uncharitable, we have to admit we are not sure just what the candidate's program is. But then he is not sure he is sure.

A few days ago he announced that his economist would be presenting a program very shortly to which he would be committed. Now, if that means he will stand behind it one thousand percent, we will have at least a week to look it over before he dumps it.

In the meantime, and seriously, he has promised hand-outs of such lavishness that even he had to offer the reassurance that if his proposals proved dangerously extravagant, we could count on Congress to restrain him.

The Budget Bureau has priced out only a partial list of the promised goodies. They add up to \$164 billion a year on top of the present budget. And, that does not include the 1000 dollars that everyone is going to get.

However, it does include the socialization of medicine as proposed by the Junior Senator from Massachusetts who would add to Medicare and Medicaid \$70 billion worth of Teddy-Care.

We are told that all this can be done in a federal budget of some \$400 billion without increasing taxes on the working men and women

There is no way this can be done without vastly increasing the tax burden on every working man and woman. If the Senator does not know this, he is incredibly naive. If he does know it and persists in this extravagant utopian promise, then he is guilty of a deliberate deception on a scale never before known.

But it is not really important for us to determine which if these promises is true. If someone is setting fire to the house, you do not waste time trying to decide whether he is a deliberate arsonist, or just a fellow being foolish with matches. You stop him before he burns the place down.

We can no longer campaign on political platitudes and old-fashioned appeals to partisan loyalty. The time has come---it is indeed long past---to expose political myths and to talk economic facts to the people. There always have been those who would have us believe that someone else can be made to pay the cost of government. But only people pay taxes.

If we confiscated all the earnings of all the corporations in America at 100 percent, we would have less than a third of what the Senator's promises will cost. He has told us that there are billions to be raised in taxes from those whose earnings are above \$22,000 a year. But only five percent of the people are in that bracket. And if, in addition to the confiscation of the corporations' earnings we confiscate all of these individuals' earnings, we still will not have enough to pay for what the Senator has promised. Finally, of course, we come to that old faithful of the demagogues---loopholes. Plug these and of course we are surely home free. Well, this demagoguery already has convinced many of our sons and daughters that ours, indeed, is a venal society, victimizing some to provide undeserved privileges for others.

Well let them name the loopholes, and they will find that they are the legitimate deductions without which the working men and women of this country could not afford to pay their income tax.

So-called loopholes include the property tax on their homes, the interest on their mortgages, their medical expenses, their contributions to church and charity. And, of all of these deductions, 76 percent of the deductions---medical expenses, for example---are taken by people with earnings of less than \$20,000 a year. ^{Sixty five percent} of the charitable contributions are made by people earning less than \$20,000 a year.

Republican National Convention

But weren't there 106 people with incomes in excess of \$200,000 who paid no tax last year? Yes, but there were 15,000 who averaged paying \$170,000 a piece.

The tax structure is virtually the same as it has been for many years---loopholes and all. And, if it is so outrageously unfair, why didn't the Senator in his 14 years in Congress make some effort to change it?

The fact is, there has been a tax reform, the first one in several decades. It occurred in 1969, and it was a tax reform asked for by President Nixon.

As a result of that reform, almost 12 million workers with incomes below \$5,000 have been relieved of paying any income tax. At \$5,000, their taxes have been reduced 66%. At \$10,000, it is 26%. And, at \$15,000, the reduction is 20%.

But in those high levels where the McGovernites would have you believe only the Republicans dwell, the taxes were increased 7½%.

Since 1969, as a result of that reform, the individual workers of America have paid \$22 billion less in taxes, and corporations have paid almost \$5 billion more. But still the average American works five months each year to pay for the cost of government, federal, state and local.

The reforms which Republicans want are ones that will reduce the size, the power and the cost of government and return the authority to those levels of government closest to the people.

The McGovern Party candidate declares his mission is to bring "idealism" to the executive leadership of the country. All of our lives have been deeply enriched by true idealists. Still, Webster defines the idealist as one who indulges in flights of fancy. To be practical, idealism must be accompanied by integrity.

The Senator has said he would go to Hanoi and beg for the release of our prisoners. And, I assume that in his idealism he believes that he would receive compassionate and humane response.

President Nixon has stated repeatedly that our goal in Vietnam is that the people should have the opportunity to live under whatever form of government and within whatever society they choose. That is understandable to Americans. It is the dream that brought our own nation into being.

The Senator has been most vehement in his denunciation of what he calls the corrupt regime of South Vietnam. He seldom, if ever, expresses himself, however, about the non-elected military rulers of North Vietnam. But, he makes it plain that if there is oppression in Vietnam, it is by the government of the south.

Now, this war has been witnessed by us and by all the people of the world---as no other war in history. It has been brought into our living rooms on a daily basis by means of television. Over and over again we have seen the horror, the bloodshed of war. And, we have seen the agony of that byproduct of war---the refugees, hordes of them clutching their children with their few miserable belongings searching for a haven of refuge and safety.

In all the tragic years of this war, has anyone ever seen those refugees fleeing toward the north? Always they flee to the south. In 1956, then Vice President Nixon and Pat Nixon visited some of the more than a million refugees who had already fled from the north to escape the Communist regime of Hanoi. The Catholic Bishop of Danang states that another half million who were not fortunate enough to escape were executed or starved to death in the north.

The President repeatedly has offered an end to the killing---a settlement without victory or defeat, and then the help of this nation in rebuilding both North and South Vietnam. I submit that is idealism with integrity.

The President inherited a full-blown war that had gone on almost seven years under two presidents. And, never once has he criticized either of those presidents in their conduct of the war. Nor has he ever charged them with killing young Americans for personal political ambition.

Idealism with integrity is inheriting runaway inflation and having the courage to tell us that the cure will hurt. But, cure it he would. It is inheriting an insanely escalating nuclear arms race and achieving the first significant treaty of arms limitation in more than 50 years. It is inheriting a country beset by international suspicions, discord and hostility and moving it away from confrontation, going to the capitals of our potential enemies to meet and confer.

One wonders who these adult doom criers are, who have given the young people who are outside this hall tonight the distorted view they have of their native land.

Oh, yes, we have made mistakes. But, we have accomplished more for our people than any other nation that ever existed.

We have done more to advance the dignity of man in other parts of the world than any other nation in history. With whatever imperfection in this less than perfect world, the United States takes second to no nation in its genuine devotion to the principles of good neighborliness, international generosity and dedication to the pursuit of peaceful solutions to the problems of the world.

A few weeks ago I had the privilege of meeting with leaders of European nations at the President's request. In meeting after meeting, I heard the heads of state of these European countries tell me that the President of the United States, Richard Nixon, was the first American they had ever known who really understood the world situation and who had embarked on the long and difficult task toward peace with a realistic plan that actually held promise of bringing peace to the world.

One of them said to me one day, "For heaven's sake, don't let him be interrupted in what he is doing. That would be catastrophic for all the world."

I submit this is true idealism in government. Now, please think back to that America of 1968. Watch the film record of what has happened since.

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

4/10/72

EXCERPTS OF REMARKS BY GOVERNOR RONALD REAGAN
LOS ANGELES CHAMBER OF COMMERCE BUSINESS OUTLOOK CONFERENCE
November 10, 1972

For many months during the long election campaign just ended, a major theme of both presidential candidates was a need for national unity--a clearcut decision on what direction America should take for the next four years.

The immediate goal of course is to speed up the day when there will be peace in Vietnam. The result of the election serves notice on Hanoi, I believe, that nothing can be gained by stalling in the hopes of getting a better deal from a different administration.

A massive majority of the people reaffirmed the goal that Americans have always pursued in Vietnam under several presidents--peace with honor, and not at the cost of betraying an ally. We have negotiated patiently. The President has placed his cards on the table. And, now it's time for Hanoi to do the same. The tragedy here is that there could have been peace at any time in all of these sorry years--easily and simply--if Hanoi had just gone home.

A great mythology has been created about this war by people who should have known better. And, a large part of the myth has been the distortion about our part in the war and our purpose in being there.

I am going to make a prediction of my own. When peace brings an end to the emotionalism and the return of our American prisoners of war, it is my own opinion that history will one day sustain the morality of our position and the naked guilt of the communist aggressors who signed the Geneva Accords and then violated them before the ink was even dry.

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I sometimes wonder how many Americans are aware that South Vietnam and the United States never signed the 1954 Geneva Accords, because both of them had wanted an undivided Vietnam under international supervision until such time as elections could be held by the people to determine their own course.

In one respect, the phase-out of the war in Vietnam will be a little different than we have known before, because we have been steadily reducing our forces in Southeast Asia for these past three years.

There won't be just a sudden change from a war-time to peace-time economy. We have been reducing our armed forces, our civilian defense department personnel, and our defense workers by more than two million men and women in this recent period.

The cost of the war has been substantially reduced. The proportion of spending devoted to defense has been scaled back. As we have been told in this campaign, the budget for the Department of Health, Education and Welfare is now larger than the budget for defense. Much of the adjustment necessary to return to a peace-time economy already has been made.

We are absorbing two million workers into the nation's labor force. And this is something of a phenomenon. Never before in my adult lifetime, nor do I believe in yours, have we reduced unemployment as we ended a war-- instead of as we began one.

You are aware, I know, that inflation is also being reduced. And in this we all walk a thin line between cooling the economy too fast and having a depression, or reaching for prosperity too soon and getting back on the inflation roller coaster. Personally, I think the President is moving toward a solid recovery and a stable economy based on productivity and not on the exotic nostrums of the new economics. Those fellows who prescribe more government spending and increased taxes as an answer to

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inflation are just about as foolish as the fellow that tells you another drink is good for a hangover.

America can and must begin paying attention to fiscal problems that have developed during the past ten years--some as a result of the war, some as a result of the massive social programs--programs enacted without sufficient concern for their cost or whether they were effective in really solving the problems of the poor on a permanent basis. As a matter of fact, sometimes when I look at the professionals in this field, I think that if we didn't have any poor, they would invent some.

Sir Ernest Ben wrote "whenever a businessman spends money he can be trusted to get value for it. When a politician spends money, value leaves the marketplace."

We have a long way to go to restore permanent fiscal stability to our economy, on all fronts. And, the private sector is going to have to review its position and its responsibility in the struggle ahead.

New trade agreements and the prospect of peace offer us a great opportunity to expand our exports and cut down the trade deficits that we have been experiencing these past few years. If the Congress will give the President cooperation, we have every reason to be optimistic that there will be a period of continued economic expansion.

Economists foresee a gross national product of more than one and a quarter trillion in the next year. The spending by government must be controlled so that our increased gross national product will represent real gains in wages and productions and not simply a reflection of inflation and the loss of value of the dollar. I believe the American people have given a mandate to carry out a program of restoring economic stability and reducing the part government plays in virtually every facet of our lives.

Chamber of Commerce

I think it has been the one clearest thing that came out of public discussion in this campaign, that the people--sometimes inarticulately, sometimes brilliantly--were saying "we've had it, we've had it with government, with too much government, we would like a chance at something different." And I think there is an opportunity to have this.

Unfortunately, there are too many indications that some in the legislature have not gotten the message. And certainly the vast bureaucratic permanent structure of government is still imbued with the belief that it can direct our lives and spend our money better than we can.

The quality-control people in most of our industries have developed something they call Zero Defects, a program aimed at eliminating production defects. We have to aim at a similar goal in the economic area. We must work toward a day when we will have zero budget deficit and zero trade deficits. While it may not be possible to do this overnight, we should also always keep in mind zero inflation as a major national goal.

I would like to talk for a little bit about the future, as I think it should be, where you are concerned. I think it is time everyone in business and industry in this country recognize that for the second time in this century, business and the free enterprise system are under an assault--an unremitting assault by those who would change this system quite drastically.

There was a student in North Carolina State University who signed up for and then cancelled a course in History when he bought the assigned textbook, the title of which was "Up Against the American Myth." The first line of the textbook read "Capitalism stinks; We can only solve the social problems by doing away with capitalism and the institutions that support it." And the book went on in the same vein for 458 pages. For

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example, on page 439 it says, "It is only through developing and expanding socialist rationality that the advanced industrial countries can hope to overcome the ills of society."

When the young professor was asked if he intended assigning another text that defended capitalism, he looked blank and said he knew of no such text. Over in Arizona, the State Superintendent of Education has ruled that every high school student in Arizona must take a course in free enterprise, an capitalism, and pass an examination in that course in order to get a diploma.

He went to the three state universities of Arizona and asked the economic department's forty faculty members if they could help put together a curriculum in capitalism and free enterprise. Only two of the forty professors were willing to stand up in front of their colleagues and say that they believed in free enterprise.

In one of our own great universities of California--I don't know the score on the others--it just happens they made an inquiry there--40 percent of the department of economics does not believe in free enterprise but believes in some form of socialism for America.

For some time the people with the highest and best living standard in the world and the most freedom, have let political demagogues and pseudo-intellectuals build a false image of the system that made this great standard of living possible.

I think it's time for business to fight back, and all business has to do is present the facts--not just to each other in our trade journals--but to the people, beginning first of all with our own employees. The facts are so easy and so irrefutable, but they are so widely unknown, particularly to this younger generation of ours.

For example, in this country of ours, 80 percent of the American families own automobiles, 98 percent own refrigerators and electric or

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gas ranges and the various home appliances that we are so familiar with. Ninety six percent have television sets, 40 percent of them color. Almost the same number have telephones in their homes. In the campaign we were told over and over again that our tax structure is ve dishonest and geared to benefit you above all others, that 40 percent of th businesses in America last year paid no tax. Well that's absolutely true. Forty percent of the businesses, well it was actually 38 percent, did not pay a tax last year. But if they wanted to check a little further, be a little more honest instead of demagogic, they also could have explained they could go back any year you want to pick and four out of ten businesses, roughly, don't pay any tax in this country because every year in our highly competitive society four out of ten businesses don't make any profit and they don't have any tax to pay. But this is not taught in economics or social sciences in our schools today.

Sometimes in our debates on tax reform some of my opponents come into the office from upstairs to sit down and talk taxes and eventually, or inevitably, we come to the argument about the method of tax that could be raised to relieve the unjust burden of the homeowner's tax. When I suggest the sales tax, they come back with "Oh no!" I ask "What?" And they say raise taxes on business. And I find myself wanting to say to them, "Oh come on fellows, not here in my own office where no one can hear you." Because what they are really saying is that they want a sales tax too, but they don't want it out where the people can see it and count it.

There are 116 taxes in the suit of clothes we are wearing, there are 151 in the bread we just ate, there are 100 in an egg, and the chicken didn't put them there. They got in some place between her and the breakfast table.

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You know better than anyone else, business can not be made to pay taxes. You can be made to collect taxes, and you're a very efficient tax collector. But there is a limit beyond which we cannot go in making you collect taxes or you become noncompetitive.

Right now the corporate taxes on American corporations, with regard to the percentage of the gross national product, are double what they are in the average countries in the European Common Market. Japan and France can write off one third of the price of new industrial machinery in the first year for tax deduction purposes. In West Germany, they can write off 17 percent. And the President is criticized because he made it possible for you to get back again to writing off 7 percent. Is it any wonder that the balance of trade for the United States is the lowest that it has been since 1893.

The public opinion poll reveals that the average American, including the man working for you in the plant, believes that your profit margin runs around 28 percent. But the profit margin is 4.3 percent on the average right now under this present administration.

Seventy percent of the income in this country is from wages and salaries, 8 percent is from business and professional income, 3 percent is from dividends, and 9 percent is the income from interest. May I suggest to you gentlemen, that it is high time that business in this highly regimented society of ours reviewed its own position in relationship to government. To resign yourselves to the supposed inevitability of evermore spending and government controls may or may not make you healthy, but it certainly will make you less wealthy and sadly wiser.

Today you are blamed for many things, none of which you have done, and you are denied credit for those things you have done very well. But how many people in America know that the venal big business corporations that they believe are responsible for polluting our streams and our air,

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also would spend \$18 billion in the next three years on pollution controls in an effort to clean up the environment.

Government and business working together each in its proper place makes for an irresistible force. One half of the entire economic activity in the history of the human race has been conducted here in this country under American auspices. No other system can begin to match our abundance, but government is too important in your life to just leave it to politicians.

The time has come to fight back, to begin to emphasize the fact that some of our classical economists--not the newer type--back around the turn of the century had made a pretty solid finding, that every time there was a business slump in this country, it could be tied to business going beyond a certain point in the percentage of money and income that it took from the people in the form of taxation and they called it economic drag..

But now we have reached the point in which the working man in this country works five months out of the year to pay the cost of government, federal, state and local. The myth is made up of cliches and we ourselves repeat them until we come to believe them ourselves. We parrot conversations about one third of a nation going to bed hungry. Well, that may be true, but two thirds of them are going to bed hungry because they're on a diet.

We won't completely cure the question of poverty and there is poverty yet to be cured. But when I was born, 90 percent of the people in this country lived below what is considered today the poverty line, and I'm talking in dollars now. Today it is less than 10 percent. When I was born, two thirds of this country lived in substandard housing and today it is less than 10 percent. And who is going to take the credit for all this? No one unless someone knows about it.

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Can the doctors be left to themselves to fight today against the cliché that is accepted by everyone that there is a health crisis in America? Health crisis in America! If you've got to be sick make sure you are in America because it is the best place to be sick in all the world. We have a 20 percent vacancy in our hospital beds in this country.

It is the one country in the world where 98 percent of the babies are born in a hospital with a doctor in attendance. And in most of the countries where they have nationalized health care only a first-born child can be born in a hospital or if the doctor declares that the mother is in some kind of danger, then she can go to the hospital, but most are born at home with midwife in attendance.

I just don't believe that business and industry has to take some of the heckling and harassment that goes on and the nitpicking that goes on from government bureaus that have grown up to the place where, as I have said before, they do take the credit for the prosperity in this country.

You have worked long hours, long weeks and long months to increase your margin of profit by a fraction of a cent and then government, with one illconsidered act, whether it is in taxation or in regulation, can wipe out all of those gains and some more of your profit along with it.

We have seen some evidence here in our state just recently. But most of all it begins with you looking around at the power that is represented in a room of this kind--at the ability that has been generated by business in America to sell its product while at the same time experiencing an inability, apparently, to sell our system to our own people, and particularly to our own sons and daughters.

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Perhaps, just in closing, some of you have heard me tell this before, but one day I was talking to the presidents of the student bodies of some of our universities a couple of years ago and one of them was kind of giving me a bad time. Finally he told me that our generation could not possibly understand our sons and daughters. And he gave his rationale. He said, "You did not live and grow up as we have in a world of instant electronic communications, jet travel, space travel to moon, nuclear power, cybernetics, computers computing in seconds what it used to take men months and even years to figure out." And that's true, we didn't have any of those things when we were their age, we invented them!

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Many advocates of an end to free enterprise in the United States are quick to admit that "socialism" in the above named countries has, indeed, failed. This, they argue, is not because government control of the economy is wrong, but because those who have assumed leadership positions—Stalin, Mao, Castro, Ho Chi Minh, etc.—have "betrayed" the revolution. When asked how they could guarantee that a government-controlled American economy would not likewise be "betrayed" they ask us to "have faith." This is a slender thread indeed upon which to hang our freedom.

The real problem with government control of the economy is not that Stalin, or Mao or Castro have "betrayed" it but that the idea itself is wrong, and leads inevitably to the tyranny we have witnessed. Free enterprise, it seems clear, is irrevocably linked with other freedoms.

In his important volume, *Capitalism and Freedom*, Professor Milton Friedman points out, "The kind of economic organization that provides economic freedom directly, namely competitive capitalism, also promotes political freedom because it separates political power from economic power and in this way enables the one to offset the other."

Professor Friedman notes that, "Political freedom means the absence of coercion of a man by his fellowmen. The fundamental threat to freedom is power to coerce, be it in the hands of a monarch, a dictator, an oligarchy, or a momentary majority. The preservation of freedom requires the elimination

of such concentration of power to the fullest possible extent and the dispersal and distribution by whatever power cannot be eliminated . . . By removing the organization of economic activity from the control of political authority, the market eliminates this source of coercive power."

Discussing the perspective in which property was held by the Founders of the Republic, George Roche, in his book, *The Bewildered Society*, writes that, "The Founders realized that property is the necessary condition of economic freedom. They knew that a man without control of his property would inevitably become the tool of those who did exercise that control, whether the controller was another individual or the collectivity. Freedom for the individual was thus thought to be impossible without the individual's control of those extensions of personality which constitute property."

If businessmen seek to maintain both freedom and free enterprise they must abandon the sidelines and enter the debate—for they have a powerful case. They must make it clear that if free enterprise ends, all of our other freedoms would inevitably end at the same time. Is there one country in the world which has eliminated free enterprise and maintained other important freedoms? The unfortunate fate of millions of men and women shows us clearly that there is not.

This is the challenge before American business. All those in every area of the American society who cherish their own freedom hope that business will rise to meet that challenge—for the fate of all of us hangs in the balance.

Free Enterprise

ECONOMICS

By RONALD REAGAN, Governor of California

Delivered before the Annual Dinner, 77th Congress of American Industry, National Association of Manufacturers, New York City, December 8, 1972

I THANK YOU very much for very briefly honoring me more than I think I deserve. President Gullander, incoming President Kenna, Chairman Burt Raynes, distinguished gentlemen here on the board, and you, ladies and gentlemen:

I am delighted to be here and very honored to express my concern over the plight of the distinguished minority that you represent.

If you are a born worrier, you were born at the right time.

Of course, I am bathed, myself, in the warm glow of nostalgia, thanks to our good, kind musicians, who played a great many favorites, winding up with my own alma mater—and the fact that Cornell University stole it before we got it does not change my love for it.

This is an honor. I am honored. I am also a little timorous, because collectively you represent so much solid achievement. You are responsible for so much of the material blessings that we call the American standard of living.

When I think of my own position here in addressing you, there is a story that I think would explain my role and how I see it better than I could put it into words.

There was a football game being played between the teams from two little country towns up in the hills, and late in the game—and a very bruising game it was—the home team had the ball on the 35-yard line. They went into the huddle, and a voice out of the distance says "Give the ball to Alexander."

The quarterback gave the ball to somebody else and he got clobbered and they carried him off the field. Again the same voice said, "Give the ball to Alexander," and they gave it to someone else, who lost eleven yards and was roughed up. They went into huddle again, and the same voice cried, "Give the

ball to Alexander," and the quarterback straightened up and said, "Alexander says he don't want it."

Communication is a very important thing today. Someone has said we are not worlds apart, we are only words apart, and that is true. Words can separate us as well as bring us together. The meaning of words—you take the two words "fact" and "faith." It is a fact that I am here addressing you; it is faith that makes me think you will listen.

When you come to communicating, Reverend, I hope you will forgive me—I am not being sacrilegious—but this story about the need to listen as well as to speak in communicating was told to me by a clergyman, so I assume it is all right. He told me the story of a man named Joseph who lived in a little village near Jerusalem. Joseph was a carpenter, and he had a wife named Mary, and Joseph and Mary had a little son. And one day the son came running in to the father and said, "Father, did you call?" and his father said, "No, I just hit my thumb with the hammer."

But, you know, in these post-election days, in the news media and wherever people gather, there is speculation about the course the President will take and what the government will do in the days ahead. Personally, I think the President is moving toward a solid recovery and a stable economy based on productivity and not the exotic nostrums of the new economics. But I doubt that he will have very much help from Congress or from that great, permanent structure of government that is so often referred to as the bureaucracy. They will fight to preserve and continue the massive social programs which were enacted without concern to cost, and without any regard as to whether they offered any solution to the problems of human misery that prompted their adoption

in the first place. But they did contribute mightily to the fiscal problems that have plagued us in this last decade.

Those individuals today, who prescribe more spending and higher taxes as an answer to our problem make about as much sense as the fellow that tells you another drink will cure your hangover. A noted philosopher once wrote, "Whenever businessmen spend money, they can be trusted to get value for it. When a politician spends money, value leaves the marketplace."

Everyone is talking about where is the government going. May I ask where are you going?

For the second time in this century the idea of free enterprise is under attack. You are being blamed on a daily basis for many things you have not done, and you are given very little credit for things you have done and done very well. Under the guise of consumerism or environmental protection or just that old bromide "big business and big labor require big government," an assortment of activists for one cause or another are attempting to take from you the prerogatives of management without accepting any of the responsibilities that drive you on occasion to a Milltown. Little Sir Ralph has become a folk hero taking whacks at you with his wooden sword, and all of a sudden in too many minds, you are the dragon that must be slain. Don't get me wrong—Little Ralph isn't really the enemy; he is just a symptom.

There is an appalling lack of understanding regarding the workings of the marketplace and the simple business of making something people want and need and getting it to them at a reasonable price. Typical of this economic and political mythology that exists today is a story that is given wide credence—or the mythology is given wide credence by many people who should know better. The story is one that appeared in a newspaper column not too long ago.

The columnist wrote of a welfare recipient who borrowed a country ham on the farm where he had part-time work. He didn't tell the farmer he'd borrowed it. He sold it to a grocer for \$27, and then the man used 20 of the 27 dollars to buy \$80 worth of food stamps for which he was eligible because of his welfare status. The man then bought \$51 worth of groceries and bought the ham back for \$29 worth of food stamps. He returned the ham to the smokehouse; the grocer made a profit, the farmer got his ham back, the welfare recipient wound up with \$7 in cash and \$51 in groceries. And the columnist concluded with this line: "with no one being the loser." No one—unless you ask who paid for the food stamps.

Just recently in one of our western states, the state superintendent of education decided wisely that hereafter high school graduates of that state must have taken a course in free enterprise and capitalism. He went to their three state universities, to the economics department, and asked the professors of those departments to help in constructing this course in free enterprise, and only two out of forty economics professors were willing to say that they believed in free enterprise and would help design such a course.

There was a student at a university in one of our Middle Atlantic states who cancelled the course in history after he had registered for it and bought the textbook. The first line of the textbook, a book entitled "Up Against the America Myth," read "Capitalism stinks. We can only solve our social problems by doing away with capitalism and the institutions that support it." There were 458 pages of that kind of talk. On page 439, for example, it said, "It is only through developing an expanding socialist rationality that the advanced industrial countries can hope to overcome the ills of society."

When the young professor of the course was asked if he intended to assign a second text defining capitalism, he said he knew of no such text.

Our young people complain of big impersonal government;

they are determined to live their own lives, and yet the mythology is so prevalent today that they pay heed to and follow political demagogues who offer government as the only proper protection against you.

Two days ago I attended a Governors conference where heard a panel of pollsters and political experts analyze the recent campaign, and they were agreed on one thing over-all: the fact that American people in overwhelming numbers have a deep mistrust of America's institutions. And why shouldn't they? Because for many years prior to this and capped by the long months of the campaign, they have heard not so much a discussion of policy and philosophy and honest disagreement of the viewpoints, but they have been subjected to an attack on the integrity of the so-called establishment.

In this last campaign over and over again, we were told that 40 per cent of the corporations in America paid no corporate income tax last year, and you heard also that there were three unnamed individuals in this country who last year managed to earn one million dollars or more each, and they paid no personal income tax; that the businessman's lunch was tax-free and the workingman's was not. Thus they appealed to the envy and selfishness that is inherent in all human nature, and this new but shabby populism ended up dividing the people, with mistrust and resentment for each other.

Of course, the clear inference was not so much that the individual or the business firm was cheating, but the government and business and those with affluent earnings had an unholy alliance whereby the working men and women, by the very structure of our tax system, are made to bear an unfair share of the tax burden. They simply were repeating and adding to the economy mythology which replaced understanding of the free enterprise system.

Like all myths, however, there is kernel of truth in what they said, and truth should be your weapon, because truth will keep you free.

Forty per cent of America's corporations—actually, it was 38 per cent last year—*did* avoid the payment of any corporate income tax, for the simple reason that 40 per cent of them did not make any profit and therefore they owed no tax. And if you want to go back through the last 20 or 25 years, you will find that in every one of those years roughly four out of ten corporations in America made no profit.

Free enterprise is a rough and competitive game. It is a hell of a lot better than a government monopoly. And, as for those three who earned a million dollars or more, that too, is true, but why didn't they add that there were 624 people in the United States last year who earned one million dollars or more and that 621 of them paid an average income tax of \$935,000?

Now, it is asking an awful lot of us to think that the tax structure, if it is so riddled with dishonest loopholes that 60 per cent of the most successful businesses and 621 individuals smart enough to earn one million dollars a year, were all too stupid to avoid finding the loopholes that those other few found.

It is time for business to start presenting the facts, because the facts are on your side. But, for heaven's sake, don't just repeat them to each other by way of your trade journals. Tell the people, and especially your customers and your employees—and usually they are one and the same—and tell our sons and daughters.

Item one of the mythology: Some years ago a poll was taken. An overwhelming majority of the American people revealed that they believe the average rate of margin of profit for business is 21 per cent, and they thought that was too high. Not too long ago the same pollsters went back to the same people and took the poll again, and they no longer believe the profit is 21 per cent; they now think it is 28 per cent. So they were asked what did they think a fair margin of profit would

be, and they said they thought that business ought to be happy with 10 per cent.

Well, business would be ecstatic, I know, with 10 per cent, because for the last 20 years it has never been higher than 5½ per cent and right now it is down to 4.3 per cent.

But why not level with the people? Why shouldn't business tell the people of this country, who are in danger of being victimized all the time by the demagogues, that business does not really pay taxes at all, that business collects taxes for government and does it very efficiently, and the taxes become part of the cost of production and are passed on in the price of the product, and if government makes you collect too many taxes, you price yourself out of the market and a great many people become unemployed when you have to close your doors.

Right now one of the greatest threats to the American worker's job comes from the lower-priced foreign imports.

The other day in the rush hour in Sacramento I saw a fellow on his way home from work. He had a bumper sticker that looked like it was right out of the past on his car, "Buy America." He was driving a Toyota.

Some of the hierarchy of organized labor are demanding that government provide protection against these foreign imports, but the same hierarchy is also protesting, because government a couple of years ago gave you a 7 per cent accelerated depreciation allowance on new plant and equipment, and they fear foreign competition. In West Germany they get a 17 per cent accelerated depreciation allowance. Japan and France can deduct a full one-third of the cost of new machinery and equipment in the first year. The nations of European Common Market average a tax burden that, in relation to the gross national product, is less than half of what yours is, and possibly this explains why our balance of trade is the lowest point it has been since 1893.

More than 100 years ago, the French economist and philosopher, Frederic Bastiat, said, "When a nation is burdened with taxes, nothing is more difficult or impossible than to levy them equally. The state can have an abundance of money only by taking from everyone, especially the masses."

In the economic and political mythology, the sales tax employed by some states is known to be regressive, falling heaviest on those who are least able to pay, and yet those who subscribe to the myth and those who promote the myth invariably advocate as an alternative tax another tax on business. What they really are saying is they want the sales tax but they want it kept invisible, and thus, when they want to raise the tax, the merchant gets the blame for raising the price of the product; it does not fall on government's shoulders.

There are 116 taxes in a suit of clothes each one of us is wearing, 151 on the bread we had for dinner tonight. There are 100 taxes on an egg and I don't think the chicken put them there; some place between the hen and the table they crept in.

The plain truth is, when they start talking about taxes, government costs too much, and most proposals to close loopholes, or to shift the cost to someone else, are in reality efforts by someone in politics to get more money for government, not to equalize the tax burden or correct an inequity.

The average citizen works from January 1st into the first week of June to pay his taxes, federal, state and local. This is longer than he has to work to buy food, shelter and clothing for his family. Taxes take 43.1 per cent of the total income of the people in the United States.

Where is the breaking point beyond which a free economy can no longer exist? And you have to ask yourselves at 43.1 per cent—does government's track record justify this?

Just recently, Secretary Romney told a Congressional committee that under the present statutes of Congress and the

regulations of the bureaus, as a result of those statutes, private industry can build low-cost housing 20 per cent cheaper than the government can provide it.

Not many years ago, you will remember that the government was going to save the family farmer in America. They spent a lot of money. Now there are only a third as many family farmers as when they set out to save them, but there are three times as many Department of Agriculture employees. There's one for every 22 farms in the United States.

They tell a story in Washington about one of those bureaus, one of those great big buildings, with the acres and acres of floor space and the rows and rows of desks, and the hundreds of employees, and one morning one fellow in the corner had his head on his desk and was sobbing as if his heart would break. They finally persuaded him to tell them what was wrong. It was the Bureau of Indian Affairs. He said, "My Indian died."

We spent billions of dollars to keep the wheat farmers some time ago and succeeded in cutting the price of wheat in half and doubling the price of bread.

For 50 years the railroads have been getting deeper into trouble and they have been complaining that their trouble is caused by unrealistic and illogical regulations. Finally, their situation became so desperate that the government took over the passenger service, and apparently the government is running it with great success—and why not? The first thing government did was exempt itself from obeying the regulations the railroads have been complaining about for 50 years.

In this land of the free and home of the brave, we are getting less free perhaps because we have been less brave.

I have told a number of business groups on occasions that some years ago, eight or ten years ago, you will remember, the Department of Internal Revenue decided to change the rules of the game with regard to business tax deductions. It was not an Act of Congress; it was not brought about by our elected representatives; the bureaucrats just changed the rules.

They decided to get into the business of whether on a business trip you could deduct for tax purposes as an expense a filet mignon or whether you had to eat in a one-arm joint and get the blue plate special. And then they moved into the area of gifts you could give a customer or to your employees.

The trouble was when this happened business abdicated. Business sat down and negotiated with government whether they would be allowed 25 or 35 dollars. Why in heaven's name didn't business say to government at that point, "As long as we spend the money with the legitimate expectation of making a profit, it is none of your business how much we spend."

What has happened since? The same government that subsidizes the growing of tobacco has ruled that cigarettes cannot be advertised on television. Here is a product which can be legally sold providing it bears the government's tax stamp. It can advertise on other media, but not on television. Why is there no protest about this, and what product will be next?

Is it any wonder that serious consideration is now being given under the name of consumerism to allowing what they call counter-advertising, which is a delightful euphemism for the fact that they will now allow anyone to go on the air and demand equal time to dispute your advertising claims for the product you manufacture.

I know that no one would ever think of putting up Berkeley, California, as an example of good old Main Street America, but, even though it happened in Berkeley, it should be disturbing to all of us that they have under consideration an ordinance that would reduce the work week for the municipal employees to 30 hours but retain 40 hours' pay, and the same rule would be applied to all businesses and industries

employing more than nine people. And an excess business license tax would be applied against business to cover the cost of increasing the number of municipal employees.

"Profit" is a dirty word only when you use it or when you make it. On the bookshelves right now in many of our campuses there is a book which extols a kind of 1984 socialism. It condemns the competitive system and attacks the profit motive. The price of the book is \$12.95.

So I ask: When are you going to tell your story? And sometimes, if you will forgive me for being presumptuous, I have to wonder, do you know the story that you have to tell?

For example, I have lived ten years longer than my life expectancy when I was born thanks to medical research financed largely by free enterprise profits. Ninety per cent of the people at the time of my birth lived below what is now considered the poverty line; more than two-thirds of us lived in substandard housing; today, thanks to free enterprise, both of those figures in our single lifetime are less than 10 per cent.

Hardly a week passes without some television program sponsored by some of you, but what portrays the horrors of poverty and hunger in the United States—and yet 99 per cent of the homes in America have electricity and the basic appliances such as refrigerator and range and 96 per cent of the homes have television and telephones; 80 per cent have automobiles.

If our sons and daughters, in their very real and sincere idealism, say this is proof that we have a materialistic society, maybe we should tell them over the next three years you will spend \$18 billion on environmental projects, that this generation of young Americans, a greater number of them will go to college and get a higher education in this country than the young people in all of the rest of the world, because of scholarships and college endowments that you support, that this generation of Americans is bigger and healthier, will live longer and travel more and be exposed to more cultural refinements than any generation that ever lived, that there are more books published in America and more symphony orchestras and community theaters and operas maintained by voluntary subscription than in all the rest of the world put together.

Perhaps I have told you this next little experience before.

Some of you, I know, but if so, you will have to remember that life not only begins at 40 but so does lumbago, arthritis and a tendency to tell the same story three or four times to the same people. I was meeting with a group of university student body presidents in California, back when things were not as quiet as they are now on the campus. Finally, one slouched in the chair, in sandals and jeans and tee shirt, and challenged me and said, "You have to realize you cannot understand our generation; you don't understand your own sons and daughters." I tried to pass it off and said, "We know more about being young than being old." He said, "I am serious. When you were our age and going to school, you didn't live in a world and grow up in a world that had instant electronic communication, jet travel, nuclear power, space travel to the moon, cybernetics, computers that could compute in seconds what it used to take months and even years for men to figure out."

And that is true. When we were growing up we didn't have those things. We invented them.

More than a half of the economic activity in the entire history of man has taken place under American auspices, and most of that in this century.

Journalists who accompanied the President on his trip to China came home with tales of getting a very tasty lunch in Peking for only 15 cents. They didn't bother to add that the average daily wage there is only 27 cents, which is not enough to afford two meals a day.

To those who are impressed today—and there are many particularly in some of the salons that are peopled by certain of our intellectual element—the Soviet Union, the workers' paradise, is held in high esteem. I don't think that you should feel bad about that, because I think if you put your minds to you could match the Soviet Union's achievements. You would only have to cut all the paychecks 75 per cent, send 60 million people back to the farm, tear down almost three-fourths of the houses in America, destroy 60 per cent of the steel-making capacity, rip up fourteen out of fifteen miles of road, two-thirds of the railroad track, junk 85 per cent of the autos, and tear out nine out of ten telephones.

Resist the nitpicking and the harassment by the multitudinous agencies that interfere with the free rhythm of the market place. Repudiate what Cicero called the arrogance of officialdom. I don't mean you should return to some sort of dog-eat-dog attitude, that might have characterized an earlier day in the industrial revolution, nor do I mean that you should reject what has become modern-day corporate citizenship, some of the experience that I have just mentioned.

Government does have legitimate functions, and I think that government performs a number of those very well when it sticks to its own last. It does them better when it has participation by the citizenry. And participation that is more than just a campaign contribution or the activity of a lobby in your behalf. The simple fact is that politics is too important to be left to politicians. I am suggesting what in an older world the aristocracy recognized as a responsibility which accompanied the privilege, and that was noblesse oblige. In America our aristocracy is not by accident of birth or royal favor but by virtue of accomplishment. And noblesse oblige is not unknown to us—we may not have used the term—but in times of emergency and danger our people have risen to the occasion. We have won our wars with citizen soldiers and dollar-a-year men. No government can match or afford the genius and talent that is available in the private sector, and our nation cannot afford to have that manpower uninvolved.

When democracy in ancient Athens was becoming "mobocracy," Pericles warned, "The man who takes no interest in public affairs is not a man who minds his own business; we say he has no business being here at all."

If you will permit me, I would like to tell you of a personal experience that illustrates what can be done if business and government work together to help free enterprise stay free. For more years than I care to count I have been expressing publicly a concern lest government should grow beyond the consent of the governed, and I have been, over these years, and continue to be rather harsh in my criticism of the permanent structure of government. Then, six years ago, a funny thing happened to me on my way to the theater. I became a part of government myself. And this has not lessened my concern about the way government, in recent decades, has increased its size in cost and power.

Dr. Parkinson said, "Government hires a rat catcher, and the first thing you know he has become a rodent control officer, and he has no intention of getting rid of the rats; they have become his constituency."

Six years ago I came out of the woods an innocent, and inherited a California government that was adding several thousand employees each year and had been adding that many for more than a decade. It was increasing its size two and a half times as fast as our increase in population. Our budget was second only to the Federal budget. We were spending a million dollars a day more than we were taking in. The great water project that was being built to supply the southern part of the state was underfunded by \$300 million and the kids were burning down the schools. I was shuffling through the papers on my desk one day, I thought there had to be a letter

of resignation there some place and one of the fellows said, "Cheer up, things could be worse." So I cheered up and sure enough things got worse.

But I had an abiding faith in common-sense business practices that you use every day and a belief that they would work for government. I also believed that people are eager to help if only someone would give them a chance. And I might tell you that the first time you mention common sense in connection with government, you cause something of a traumatic shock in the marble halls. But I asked some public-spirited citizens—members of the business and industrial community in California—to form a committee, not to screen applicants for jobs, but to recruit. I had the kind of men in that committee who know where the bodies and talent were in California, and I was interested in the kind of men and women who were not interested in government careers. I wanted the kind who would be willing to give a year or 2 years or more, but who would be the first to tell me if their job was unnecessary. Then I asked an additional favor of the business and industrial leadership of California. I asked them to provide the best experts and the best talent they could produce in a variety of fields, free of charge, to form task forces based on their particular expertise and skill. And that these task forces would go into every agency and department of state government to see how modern business practices could be employed to make government more efficient and more economical.

There are men in this room and at this head table who participated in that task force undertaking in California. Some 250 top people in our state gave an average of 117 days, full time, to bring us more than 1,800 recommendations. So far we have implemented 1560 of them; 29 boards and commissions have been eliminated. The new government buildings that had been approved for construction have been canceled, because it was found they were unnecessary. We adopted new housing and purchasing procedures. We built more than 1,000 miles of highway with money that was formerly spent on administrative overhead. We have a rehabilitation program that has enabled us to close half a dozen penal institutions, and the big house, San Quentin, is being phased out.

We have a new approach to the treatment of the mentally ill that has reduced the number of patients sentenced to a hopeless lifetime in our asylums from 26,500 to 7,000. We had a retirement plan with an unfunded liability of \$400,000,000 that has been put on a sound actuarial basis. We are completing that water program without adding \$300 million to make up for the deficit but within the funds that were available.

Our growth in population has given us a work load increase of as much as 30 per cent in many of our departments, but we have fewer employees than we had 6 years ago when we started. Our budget is now fourth in the nation, not second. As a matter of fact, the budget for our host city here is about \$2 billion bigger than the budget for the whole state of California, and they have more than four times as many employees as we do. And he did all that while he was a Republican; what do you think is going to happen now that he is a Democrat?

We have returned more than \$2 billion over these 6 years to the taxpayers in rebates of one kind or another, and in January I intend to ask the legislature for a cut in the income tax. You will know when I do it because I am sure the wind from the West will bring the scream of outrage from the legislature.

But three years ago we realized that all our gains were being wiped up by one thing; one thing that had resisted our every effort. Welfare was increasing at a cost that was almost 4 times as much as the annual increase in revenues. California was

adding 40,000 people, new people, to the welfare rolls each and every month.

And again we turned to the private sector for a task force to check the regulations against the original intent of Congress when the laws were passed, and to suggest practical ways that we might be responsible to the truly needy at the same time that we curbed abuses. We found that the multitude, namely Federal regulations, made it impossible to prevent people from being on welfare several times under several different names. We found one county that had 600 of its own full-time county employees legally drawing welfare. Welfare employees sitting at adjoining desks where the welfare employee for the recipient at the next desk and they did it for each other.

We found another county where they were mailing checks to people living abroad, one in Russia. When we brought before the legislature, they refused to give us the statutory reforms that we were requesting, and again the business community came to our rescue. They loaned men and women, full time, to form a state-wide movement, a grass-roots people movement, and they didn't make the legislature see the light, but they sure made them feel the heat. And a year ago this last October our reforms were fully implemented.

The welfare case load in California is no longer increasing at 40,000 a month, and there are, today, 246,000 fewer people on welfare in our state than there were when we started a year ago in October.

We have increased the grants to the truly needy, the aged, the blind, and the disabled by 30 per cent and the taxpayers are saving \$708 million a year. None of what had been done could have been accomplished without the practice of noblesse oblige by the business and industrial community of California.

I hope that what I have told you in just this experience will be some encouragement for you to carry on the fight that should have begun yesterday, but should begin now.

Karl Marx had a theory of inevitability. He was confident that you would give up and just feed the crocodile, hoping that he would eat you last. If about 90 per cent of the laws that are passed by Congress and the state legislatures each year were lost on the way to the printer, and if all the people in the bureaus went fishing, I don't think they would be missed for quite a while. But realize your strength, because if you did not go to work, I am sure the country would feel it and grind to a halt in about 24 hours.

Resist the nitpicking and the paper shuffling that adds tens of billions of dollars of cost and hence adds to the price of your product, but at the same time offer your expertise to ease the problems of human misery that still plague us. Don't let the doctors fight socialized medicine by themselves, because you cannot socialize the doctor without socializing the patient. Don't let the President, in these next four years, stand alone in his fight against a Congress that has already declared they are not going to let him cancel these great social reforms which have been such costly failures. Don't let him fight alone against the bureaucracy that is going to see executive order after executive order, if they have their way, flow like water out into the sands and never heard from again.

You can make your weight felt with Congressmen and state legislators. You can impress upon them once and for all that you want something done and that you believe that the President's idea of reducing the size and power of government and returning freedom to the people is a pretty good idea after all. Choose some of the great problems that government thinks are so much its own province; come up with a plan of your own, a suggestion for their solution.

Take for example the biggest sacred cow in all of the United States; social security. I have to say that if you couldn't come up with a better idea than that, you wouldn't still be in

WILLARD M. BRIGHT

business. But above all, tell your story. If you have to on the campuses take out ads in the college papers to tell some of the facts about tax structure and economics and profit margins, what free enterprise does.

My daughter came home from her class in college one day and she was all thrilled with the idea that if all of us would quit buying an automobile for just one year, and everybody would just drive their cars for another year, we would have enough money to build hospitals and schools and take care of all the problems. And I agreed with her and said, "That's just great. We would save billions. But we are going to have to

find some money for all those fellows unemployed in the automobile factories and those fellows in the steel mills, and Firestone and Goodyear with the tires and the fellows when you go in to have your car serviced—because she has to have a car to drive to school. And she began to get the idea that maybe there was something in economics she had not learned.

You have a story to tell. Tell your story again and again don't risk having some day to face your children or your children's children when they ask you where you were and what you were doing on the day that freedom was lost. Thank you.

Productivity

KEY TO PROGRESS

By WILLARD M. BRIGHT, *President and Chief Executive Officer, The Kendall Company*

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UNDOUBTEDLY, YOU REMEMBER that about six years ago opinion leaders discussed the "technology gap" existing between our country and the rest of the world. It was feared that our technical skills were so great that America would unfairly dominate the world's economy for years to come.

Now, of course, that gap has turned into a "gasp" as we witness the remarkable productivity gains of Japan and Western Europe, and watch the U. S. slip into a negative balance of trade in commodities for the first time in this century.

What happened? There are any number of questions. Did U. S. technology go flat? Was there such a dramatic change in our use of labor and capital that the tables turned—essentially overnight? Or are we seeing the effects of strong, slower moving, and recognizable forces? And obviously, we ask, can we improve our situation for the years ahead?

As quick answers to these questions, let me say that I think U. S. technology is still fine, if not superb. And although there have been strong forces at work at home and in other countries that have handicapped us, we can, assuredly, take action to improve our situation. Now, what is involved?

It seems to me that among the many causes of our negative trade balance, the two most important are the high wage rates for U. S. labor and insufficient effective research and development directed toward improvements in products and productivity.

We are all well acquainted with the high wage rates for U. S. labor that are pricing U. S. products out of export markets—and worse yet out of domestic markets. In many industries the productivity of U. S. workers is still probably the highest in the world, when it is measured by units per hour. But when productivity is measured in units per dollar of wages, the workers in Western Europe, Japan, and a number of other countries are distinctly better.

Wage rates are increasing rapidly in Japan (doubling between 1965 and 1970) and West Germany (up 70 per cent in that period), while the increase was held to a third in the U. S. But our trading partners all started with much lower wage rates, and their worker productivity in units per dollar still greatly exceeds that of U. S. labor and will continue to do so for years ahead. Clearly, we need to slow down the rate of increase in wages in the U. S. until better monetary value in productivity is achieved.

The Administration placed restraints on wages, as well as prices, by the control actions of August, 1971. The drama of the President's moves probably accomplished more than the

actual controls. We must soon return to a market place economy, unless the government is going to establish a permanent, massive wage and price control system. We know controls are distasteful, but more importantly the economy, at their mercy, becomes unresponsive, sluggish, and degraded. To control the system adequately in the U. S., we need a rebalancing of power between organized labor and industry to permit effective wage and work practices bargaining. The way to do this is through basic changes in the legislation relating to the National Labor Relations Board.

However, such topics, plus the protectionist policies of organized labor as embodied in the Burke-Hartke bill, are more properly the province of others in this room, and therefore I shall address myself from here on to the role of research and development in altering our trade balance and improving productivity.

It is quite obvious that research and development can help increase exports and decrease imports by the following:

1. Discovering and developing new and improved processes which will lower costs and selling prices of manufactured products;
2. Inventing new products that have unique and useful properties;
3. Developing new product designs that use less scarce and imported materials, particularly scarce metals; and
4. Improving the acceptability of products by better quality and functionality.

There is nothing new in these statements. These are the normal objectives of every R & D program in our industrial laboratories. But, today we do need to reemphasize these goals and apply them to programs that will improve our competitive position in international trade.

The U. S. has been quite successful in doing this in many areas in the past. Two specific areas have been notable, particularly because of governmental involvement. The development of American agriculture to a highly productive state is one and commercial jet aircraft is the other. Let us examine these high technology areas more closely.

To be sure, agricultural productivity has been brought to its high level in the U. S. by a fortunate set of circumstances. The U. S. has a vast, more or less flat, land surface, the largest favorable climate zone of any continent, and a prosperous home market with good distribution services. But just as important, the Federal Government and the states have provided funding for many years for research and development and for technology transfer. Excellent interdisciplinary programs have evolved in universities, government experiment