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LET THE PEOPLE RULE

(Remarks by the Honorable Ronald Reagan, former Governor of California, to the Executive Club of Chicago, McCormick Place, Chicago, Illinois, Friday, September 25, 1975.)

In his first Inaugural, nearly a century and three-quarters ago, President Thomas Jefferson defined the aims of his administration: "A wise and frugal government", he said, "which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned - - This is the sum of good government."

Jefferson believed the people were the best agents of their own destinies, and that the task of government was ~~not~~ to direct the people but to create an environment of ordered freedom in which the people could pursue those destinies in their own way. But he also knew that from the very beginning the tendency of government has been to become player as well as umpire. "What has destroyed liberty and the rights of men in every government that has ever existed under the sun?" Jefferson asked. "The generalizing and concentrating all cares and powers into one body."

If Jefferson could return today, I doubt that he would be surprised either at what has happened in America, or at the result. When a nation loses its desire or ability to restrain the growth and concentration of power, the floodgates are open and the results are predictable.

Fiscal Year 1976 ends four days before our bicentennial. In this fiscal year, government at all levels will absorb 37 percent of the Gross National Product and 44 percent of our total personal income. We destroy the value of our pensions and savings with an inflation rate that soars to 12 percent a year, at the same time we suffer unemployment rates of eight and nine percent.

Every minute I speak to you the Federal Government spends another \$700,000. I'd stop talking if they'd stop spending, but Washington is spending a billion dollars every day and goes into debt a billion and a third dollars every week. I don't think it would surprise Jefferson to learn that real spendable weekly income of the average American worker is lower than it was a decade ago - - even though in these 10 years that same worker has increased his productivity 23 percent. As Jefferson said, that is taking from the mouth of labor the bread it has earned.

If government continues to take that bread for the next 25 years at the same rate of increase it has in the last 40, the percent of GNP government consumes will be 66 percent - - two-thirds of all our output - - by the end of this century. A single proposal now before Congress, Senator Kennedy's national health insurance plan, would push the share of GNP consumed by government from 37 to more than 45 percent, all by itself.



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

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

As if that were not enough, the crushing weight of central government has distorted our federal system and altered the relationship between the levels of government, threatening the freedom of individuals and families. The states and local communities have been demeaned into little more than administrative districts, bureaucratic subdivisions of Big Brother government in Washington, with programs, spending priorities, and tax policies badly warped or dictated by federal overseers. Thousands of towns and neighborhoods have seen their peace disturbed by bureaucrats and social planners, through busing, questionable education programs, and attacks on family unity. Even so liberal an observer as Richard Goodwin could identify what he correctly called "the most troubling political fact of our age: that the growth in central power has been accompanied by a swift and continual diminution in the significance of the individual citizen, transforming him from a wielder into an object of authority."

It isn't good enough to approach this tangle of confusion by saying we will try to make it more efficient or "responsive," or modify an aspect here or there, or do a little less of all these objectionable things than will the Washington bureaucrats and those who support them. This may have worked in the past, but not any longer. The problem must be attacked at its source. All Americans must be rallied to preserve the good things that remain in our society and to restore those good things that have been lost.

We can and we must reverse the flow of power to Washington; not simply slow it, or paper over the problem with attractive phrases or cosmetic tinkering. This would give the appearance of change but leave the basic machinery untouched. In fact, it reminds me of a short fable of Tolstoy's: "I sit on a man's back, choking him and making him carry me, and yet assure myself and others that I am very sorry for him and wish to lighten his load by all possible means - - except by getting off his back."

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



Federal authority has clearly failed to do the job. Indeed, it has created more problems in welfare, education, housing, food stamps, Medicaid, community and regional development, and revenue sharing, to name a few. The sums involved and the potential savings to the taxpayer are large. Transfer of authority in whole or part in all these areas would reduce the outlay of the Federal Government by more than \$90 billion, using the spending levels of Fiscal 1976.

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

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

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

Turning back these programs would not end the process of reform in Washington. In the immediate years ahead:

- In our regulatory agencies dealing with non-monopoly industries, we must set a date certain for an end to Federal price fixing and an end to all Federal restrictions on entry.
- We must take steps to keep the spending and borrowing of off-budget agencies under control.
- We must reform our major trust funds to ensure solvency and accountability. Particularly important is the need to save Social Security from the colossal debt that threatens the future well-being of millions of Americans, even while it overtaxes our workers at a growing and exorbitant rate.
- We must put a statutory limit on the growth of our money supply, so that growth does not exceed the gain in productivity. Only in this way can we be sure of returning to a strong dollar.
- And we must radically simplify our method of tax collection, so that every American can fill out his return in a matter of minutes without legal help. Genuine tax reform would also make it more rewarding to save than to borrow, and encourage a wider diffusion of ownership to America's workers.

In the months ahead, I will say more on each of these major areas of



transfer of Federal programs to the states would mean.

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

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

An immediate tax cut, some of which might have to be balanced by tax rises in the states, would be only the beginning of the savings that could be achieved. When we begin making payments on the national debt, we will also begin making further reductions in the tax burden. American taxpayers are currently being billed an average of one billion dollars every ten days just to pay interest on the debt. As the debt is retired, we can progressively reduce the level of taxation required for interest payments. Senator Hubert Humphrey, in excusing government spending, once said, "A billion here and a billion there -- it adds up." Well, it can work the other way 'round.

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

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



It is theoretically possible that local governments will simply duplicate programs as they now exist, and if that is what the people in the states desire, that is exactly what will and should occur. Certainly the bureaucrats who run them now will be available, for they will have no further work in Washington.

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

The present system is geared for maximum expenditure and minimum responsibility. There is no better way to promote the lavish outlay of tax money than to transfer program and funding authority away from state and local governments to the Federal level. This ensures that recipients of aid will have every reason to spend and none to conserve. They can get political credit for spending freely, but don't have to take the heat for imposing the taxes. The French economist Bastiat, 100 years ago, said, "Public funds seemingly belong to no one and the ~~temptation~~ temptation to bestow them on someone is irresistible."

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

The transfer of spending authority to Washington blurs the difference between wasteful states and prudent ones and this too destroys incentives toward economy. If a state spends itself into bankruptcy on welfare, under the present system it is bailed out when Washington picks up the tab; indeed, many Federal programs are geared toward encouraging this kind of behavior, bestowing greater aid in proportion to spending levels imposed by the states. The way to get more is to spend more.

By the same token, efforts at state economy are punished under the present system. A state that keeps its fiscal house in order and, for example, prevents the welfare problem from getting out of hand will find it derives no benefits from its action. It will discover, as we did in California, that efforts to impose some common sense in welfare will run afoul of Federal bureaucrats and guidelines. Its citizens will be called upon to pay in Federal taxes and inflation for other states that don't curb their spending.



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

Federal financing is the spenders' method of getting around these restraints. Taxes are imposed at a level where the government is far away and inaccessible to the average citizen. The connection between big spending and high taxes is hidden, and the ability to run up deficits and print more money makes efforts to control the problem through the taxing side alone almost meaningless.

The proposals I have outlined will bring howls of pain from those who are benefiting from the present system, and from many more who think they are. But as another Frenchman, friiers, said, "For those who govern, the first thing required is indifference to newspapers." We must turn a deaf ear to the screams of the outraged if this nation and this way of life are to survive. The simple fact is the producing class in this nation is being drained of its substance by the non-producers -- the taxpayers are being victimized by the tax consumers. We may be sure that those in Washington and elsewhere whose life style depends on consuming other people's earnings while working people struggle to make ends meet, will fight to the last limousine and carpeted anteroom.

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

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

There is no question but that under local agencies certain abuses took place and certainly they needed to be cured -- sometimes by Federal intervention. This was certainly true of racial segregation in the South. But



now that according to some estimates the South is the most integrated area of the country -- now that there is an ongoing enforcement structure in the Department of Justice -- is there any further reason to deny local control and funding of our schools?

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

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

I am calling also for an end to giantism, for a return to the human scale -- the scale that human beings can understand and cope with; the scale of the local fraternal lodge, the church congregation, the block club, the farm bureau. It is the locally-owned factory, the small businessman who personally deals with his customers and stands behind his product, the farm and consumer cooperative, the town or neighborhood bank that invests in the community, the union local.

In government, the human scale is the town council, the board of selectmen, and the precinct captain.

It is this activity on a small, human scale that creates the fabric of community, a framework for the creation of abundance and liberty. The human scale nurtures standards of right behavior, a prevailing ethic of what is right and what is wrong, acceptable and unacceptable.



Three and a half centuries ago, peoples from across the sea began to cross to this great land, searching for freedom and a sense of community they were losing at home. The trickle became a flood, and we spread across a vast, virtually unpeopled continent and caused it to bloom with homesteads, villages, cities, great transportation systems, all the emblems of prosperity and success. And we did this without urban renewal or an area redevelopment plan. We became the most productive people in the history of the world.

Two hundred years ago, when this process was just beginning, we rebelled when, in our eyes, a mother country turned into a foreign power. We rebelled not to overturn but to preserve what we had, and to keep alive the chance of doing more. We established a republic, because the meaning of a republic is that real leadership comes not from the rulers but from the people, that more happens in a state where people are the sculptors and not the clay.

We are losing that chance today, and we know we are losing it. Two hundred years ago it was London that turned into a foreign power. Today, and it is a sad thing to say, it is Washington. The coils woven in that city are entrapping us all, and, as with the Gordian knot, we cannot untie it, we must cut it with one blow of the sword.

In one reference book, cutting the Gordian knot is defined as follows: "to solve a perplexing problem by a single bold action." The Gordian knot of antiquity was in Phrygia, and it was Alexander the Great who cut it, thereby, according to the legend, assuring the conquest of Persia.

Today, the Gordian knot is in Washington, and the stakes are even higher. But this is a republic, and we have no king to cut it, only we the people, and our sword has been beaten into ballot boxes. What applies to the role of government applies equally to the means of changing that role: leadership is necessary, but even more necessary is popular choice. The anonymous sage who defined leadership must have lived in a republic, for he said, "He is not the best statesman who is the greatest doer, but he who sets others doing with the greatest success."



RONALD REAGAN

SUITE 812
10960 WILSHIRE BOULEVARD
LOS ANGELES, CALIFORNIA 90024
213 / 477-8231

July 14, 1975

The Honorable Paul Laxalt
Member, United States Senate
Senate Office Building
Washington, D. C. 20500

Dear Paul:

I am writing this letter in response to your decision to chair the "Citizens for Reagan" committee. I deeply appreciate your action, but I want to inform you that I have not made up my mind whether to become an active Presidential candidate. I expect to make this decision before the end of the year.

Meanwhile, I recognize that due to the technical requirements of the law (including the requirement for the designation of a principal campaign committee), the committee must file with the Federal Elections Commission as working on my behalf. I trust this letter will suffice as my consent for purposes of allowing you to do so.

Sincerely,



RONALD REAGAN



FROM COVERING PERIOD FROM June 15, 1975

THRU September 30, 1975

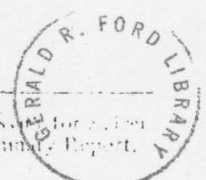
	Column A— This period	Column B— Calendar year to date
SECTION A—RECEIPTS:		
Part 1. Individual contributions:		
a. Itemized (use schedule A*)	\$ 133,449.10	
b. Unitemized	\$ 262,343.77	
Total individual contributions	\$ 395,792.87	\$ 395,792.87
Part 2. Sales and collections:		
Itemized (use schedule B and as necessary schedule A*)	\$ none	\$ none
Part 3. Loans received:		
a. Itemized (use schedule A*)	\$ none	\$
b. Unitemized	\$ none	\$
Total loans received	\$ none	\$ none
Part 4. Other receipts (refunds, rebates, interest, etc.):		
a. Itemized (use schedule A*) In-Kind Contributions	\$ 669.79	
b. Unitemized	\$ none	
Total other receipts	\$ 669.79	\$ 669.79
Part 5. Transfers in:		
Itemize all (use schedule A*)	\$ none	\$ none
TOTAL RECEIPTS	\$ 396,462.66	\$ 396,462.66

SECTION B—EXPENDITURES:		
Part 6. Void: Use Part 9.		
Part 7. Expenditures for personal services, salaries, and reimbursed expenses:		
a. Itemized (use schedule D*)	\$ 20,519.05	
b. Unitemized	\$ 103.67	
Total expenditures for personal services, salaries, and reimbursed expenses	\$ 20,622.72	\$ 20,622.72
Part 8. Loans made:		
a. Itemized (use schedule D*)	\$ none	\$
b. Unitemized	\$ none	\$
Total loans made	\$ none	\$ none
Part 9. Media and other expenses:		
a. Itemized (use schedule C*)	\$ 273,658.33	
b. Unitemized	\$ 918.53	
Total other expenditures	\$ 274,576.86	\$ 274,576.86
Part 10. Transfers out:		
Itemize all (use schedule C*) In-Kind Contributions	\$ 669.79	\$ 669.79
TOTAL EXPENDITURES	\$ 295,869.37	\$ 295,869.37

SECTION C—CASH BALANCES:		
Cash on hand at beginning of reporting period	\$ -0-	
Add total receipts (section A above)	\$ 396,462.66	
Subtotal	\$ 396,462.66	
Subtract total expenditures (section B above)	\$ 295,869.37	
Cash on hand at close of reporting period	\$ 100,593.29	

SECTION D—DEBTS AND OBLIGATIONS:		
Part 11. Debts and obligations owed to the committee (use schedule E*)	\$	
Part 12. Debts and obligations owed by the committee (use schedule E*)	\$ 190,722.82	

*Schedules are to be used only when itemization is required. (See each Schedule for instructions.) When itemization is unnecessary, the total of any amounts for that Part is to be entered as a lump sum on the "Unitemized" line of the appropriate Part of the Summary Report. word "none" should be entered on any line of the Summary Report when no amount is being reported.



COMPTROLLER GENERAL OF THE UNITED STATES

U.S. GENERAL ACCOUNTING OFFICE FEDERAL ELECTION COMMISSION
Washington, D.C.

REGISTRATION FORM AND STATEMENT OF ORGANIZATION
FOR A '75 JUL 24 PM 12:21
COMMITTEE

SUPPORTING ANY CANDIDATE(S) FOR THE OFFICE OF PRESIDENT OR VICE PRESIDENT OF THE UNITED STATES AND ANTICIPATING CONTRIBUTIONS OR EXPENDITURES IN EXCESS OF \$1,000 IN ANY CALENDAR YEAR

REQUIREMENTS FOR REGISTRATION OF POLITICAL COMMITTEES

(In accordance with the provisions of the Federal Election Campaign Act of 1971, P.L. 92-225)

SEE APPROPRIATE SUPERVISORY OFFICER'S MANUAL FOR ADDITIONAL REGULATIONS AND INSTRUCTIONS

A. The treasurer of each political committee which anticipates receiving contributions or making expenditures during the calendar year in an aggregate amount exceeding \$1,000 any portion of which will be expended for the purpose of influencing the nomination or election of candidates for the office of President or Vice President shall file with the Comptroller General of the United States a Registration Form and Statement of Organization, within 10 days after its organization, or, if later, 10 days after the date on which it has information which causes the committee to anticipate it will receive contributions or make expenditures in excess of \$1,000 any portion of which will be expended for the purpose of influencing the nomination or election of candidates for the office of President or Vice President. Each such committee in existence on April 7, 1972 shall file a Registration Form and Statement of Organization with the Comptroller General on or before April 17, 1972. Note: If the committee also supports a candidate for the U.S. Senate, a similar statement must be filed with the Secretary of the Senate, and if the committee supports a candidate for the U.S. House of Representatives a similar statement must be filed with the Clerk of the House of Representatives.

B. A copy of this statement shall be filed with the Secretary of State (or, if there is no Office of Secretary of State, the equivalent State officer) of the appropriate State.

C. A copy of this statement shall be preserved by the treasurer of the political committee for a period of not less than four (4) years.

D. Any change or correction of information previously submitted in a Registration Form and Statement of Organization shall be reported to the Comptroller General within ten (10) days following the change or correction. Such amendments to the statement shall contain the date, identity of the committee, the changed or corrected information appropriately identified, and shall be verified by the oath or affirmation of the person filing such information; taken before any officer authorized to administer the oaths.

E. Any committee which, after having filed one or more Registration Form and Statement of Organization, disbands or determines it will no longer receive contributions or make expenditures during the calendar year in an aggregate amount exceeding \$1,000 shall so notify the Comptroller General. Such notification shall be verified by the oath or affirmation of the person filing it, taken before any officer authorized to administer the oaths; and such notification shall include a statement as to the disposition of residual funds if the committee is disbanding.

1. Full name of committee: CITIZENS FOR REAGAN

Mailing address and ZIP code: 2021-L. St., N.W./Suite 340/Washington, D.C. 200

Date of this registration: July 24, 1975

2. Affiliated or connected organizations: None. (But note enclosed letter of authoriz

Name of affiliated or connected organization	Mailing address and ZIP code	Relationship

*Submit additional information on separate continuation sheets appropriately labeled and attached to this Statement of Organization. Indicate in the appropriate box above when information is continued on separate page(s).

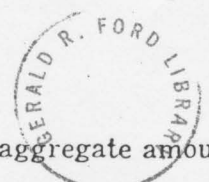
3. Area, Scope and Jurisdiction of the Committee:

(a) Will this committee operate in more than one State? Yes.

(b) Will it operate on a statewide basis in one State? Yes.

(c) Will it primarily support candidates seeking State or local office? No.

(d) Will it support a candidate for the office of President or Vice President in an aggregate amount in excess of \$1,000 during the calendar year? Yes.



CITIZENS FOR REAGAN

(Full Name of Committee)

4. (a) If the committee is supporting individual candidates for the office of President or Vice President, list each candidate by name, address, office sought, and party affiliation:

Full names of candidates	Mailing address and ZIP code	State and Congressional District	Party
Ronald Reagan *	10960 Wilshire Blvd. Los Angeles, California 90024 Suite 812	Office of President of the United States	Republican

(b) List by name, address, office sought, and party affiliation, any candidate for other Federal office that this committee is supporting:

Full names of candidates	Mailing address and ZIP code	Office sought	Party
N/A *			

(c) List by name, address, office sought, and party affiliation, any candidate for any other public office that this committee is supporting:

Full names of candidates	Mailing address and ZIP code	Office sought	Party
N/A *			

5. If this committee is supporting the entire ticket of a party, give name of party: N/A

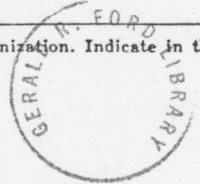
6. Identify by name, address and position, the committee's custodian of books and accounts:

Full name	Mailing address and ZIP code	Committee title or position
Mr. Henry Buchanan *	7979 Old Georgetown Rd. Suite 311 Bethesda, Md. 20014	Treasurer

7. List by name, address and position, other principal officers of the committee, including officers and members of the finance committee, if any:

Full name	Mailing address and ZIP code	Committee title or position
Sen. Paul Laxalt	326 Russell Senate Office Building, Washington, D.C. 20510	Chairman
John P. Sears *	2021 L. St., N.W. Suite 340 Washington, D.C. 20036	Executive Vice Chairman

*Submit additional information on separate continuation sheets appropriately labeled and attached to this Statement of Organization. Indicate in the appropriate box above when information is continued on separate page(s).



long? November, 1976. If so how

9. In the event of dissolution, what disposition will be made of residual funds? To the Republican National Committee to the extent permitted by law.
10. List all banks or other repositories in which the committee deposits funds, holds accounts, rents safety deposit boxes or maintains funds:

Name of bank, repository, etc.	Mailing address and ZIP code
National Savings & Trust Co.	1700 K Street, N.W. Washington, D.C. 20006

11. List all reports required to be filed by this committee with States and local jurisdictions, together with the names, addresses, and positions of the recipients of the reports: None currently.

Report title	Dates required to be filed	Name and position of recipient	Mailing address and ZIP code

*Submit additional information on separate continuation sheets appropriately labeled and attached to this Statement of Organization. Indicate in the appropriate box above when information is continued on separate page(s).

State of _____
County of _____ SS.

I, Henry Buchanan, being duly sworn, depose (affirm) and say that the information in this Registration Form and Statement of Organization is complete, true, and correct.

Henry M. Buchanan
(Signature of Treasurer of Political Committee)

Subscribed and sworn to (affirmed) before me this 24th day of July, A.D. 1975.

Myrthel D. Jones
(Notary Public)
My commission expires May 4, 1978

[SEAL]

Return completed form and attachments to:
Office of Federal Elections
U.S. General Accounting Office
441 G Street, NW.
Washington, D.C. 20548



Ronald Reagan: Is He Already A 'Candidate?'

By Lyle Denniston

Washington Star Staff Writer

The Federal Election Commission has been asked to settle an issue in which President Ford is keenly interested: Is Ronald Reagan a profes-

WHILE REAGAN said he did that simply to satisfy

with another aspect of Reagan's travels.

It is unknown whether the citizen who filed the complaint about the broadcasting was acting only for himself. However, it is understood that the Ford political organization has no connection with that per-

son under the new campaign law.

If he is a candidate, however, some of the money may have been paid illegally, since it may have come from corporate funds. The law forbids that.

In a somewhat similar situation earlier this year,



SCHEDULE E
DEBTS AND OBLIGATIONS

Citizens for Reagan

(Full Name of Committee)

Part No. 12

(Use for itemizing Part 11 or 12)

SEE REVERSE SIDE FOR INSTRUCTIONS

(Use separate page(s) for each numbered Part)

Date Incurred (month, day, year)	Full Name, Mailing Address, and ZIP Code (occupation and principal place of business, if any)	Amount of Original Debt, Contract, Agree- ment, or Promise	Cumulative Payment To Date	Outstanding Balance at Close of This Period
9-4-75	Amity Rubber Stamp Co. 1127 Ninth Street, N.W. Washington, D.C. 20001			6.62
9-30-75	B. E. S. T. P. O. Box B-P Newport Beach, Calif. 92664			272.75
9-9-75	Henry M. Buchanan, CPA 7979 Old Georgetown Road Bethesda, Maryland 20014			3,930.00
9-1-75	C&P Telephone Co. P. O. Box 2123 Washington, D.C.			2,029.30
8-13-75	Commercial Envelope 2915 Wilmarco Ave. Baltimore, Maryland 21223			16,466.90
8-13-75	Decision Making Information 2700 North Main Street, St. 833 Santa Ana, Calif. 92701	177,400.00	92,500.00	91,332.50
9-23-75	Greenhost, Inc. 1018 15th Street, N.W., Suite 210 Washington, D.C. 20036	16,762.00	4,940.50	11,875.00
9-23-75	IBM P.O. Box 117 1511 24th St., Pa. 15105			



SCHEDULE E
DEBITS AND OBLIGATIONS

Citizens for Reagan
(Full Name of Committee)

Part No. 12
(Use for itemizing Part 11 or 12)

SEE REVERSE SIDE FOR INSTRUCTIONS

(Use separate page(s) for each numbered Part)

Date Incurred (month, day, year)	Full Name, Mailing Address, and ZIP Code (occupation and principal place of business, if any)	Amount of Original Debt, Contract, Agree- ment, or Promise	Cumulative Payment To Date	Outstanding Balance at Close of This Period
9-10-75	Kenneth Frederick's Printing Service 2542 Midvale Avenue Los Angeles, Calif. 90064			124.18
9-11-75	Krieger-Reed 1007 Capouse Avenue Scranton, Pa. 18509			83.73
9-9-75	Leon Office Machines 625 H Street, N. W. Washington, D. C. 20001			194.25
9-17-75	Lynbird Air, Inc. Du Page County Airport West Chicago, Ill. 60185			389.37
8-14-75	The Mail Room, Inc. 9140 Euclid Court Manassas, Virginia 22110			2,359.17
9-8-75	Marriott Hotels, Inc. 333 Jefferson Davis Highway Arlington, Va. 22202			698.88
8-13-75	Omega List Company 301 Maple Avenue West, Suite 2B Vienna, Va. 22180			57,824.00
9-13-75	Opt-D Graphics, Inc. 2525 Lee Highway Arlington, Va. 22201			14.00

TOTALS FOR PERIOD
(Do not include this total)



Total amount of this report
to be reported on Form 278

SCHEDULE E
DEBTS AND OBLIGATIONS

Citizens for Reagan
(Full Name of Committee)

Part No. 12
(Use for itemizing Part 11 or 12)

SEE REVERSE SIDE FOR INSTRUCTIONS

(Use separate page(s) for each numbered Part)

Date Incurred (month, day, year)	Full Name, Mailing Address, and ZIP Code (occupation and principal place of business, if any)	Amount of Original Debt, Contract, Agree- ment, or Promise	Cumulative Payment To Date	Outstanding Balance at Close of This Period
8-10-75	Park Lane Press 1501 North Guilford Avenue Baltimore, Maryland 21202			267.00
9-22-75	Senator Paul Laxalt 326 Russell House Office Building Washington, D.C. 20510			463.60
9-12-75	Xerox 6800 Industrial Road Springfield, Va. 22151			539.29
9-8-75	Xerox 1616 N. Ft. Myer Drive. Arlington, Va. 22209			314.51
9-23-75	Ellen A. Bales 1523 Corinth Avenue West Los Angeles, Ca. 90025			26.92
9-23-75	Leslie Carol Dutton 215 21st Place Santa Monica, Ca. 90402			55.79
9-15-75	Internal Revenue Service 11601 Roosevelt Boulevard Philadelphia, Pa. 19155			685.95
9-15-75	D.C. Treasurer Department of Finance and Revenue 300 Independence Avenue, S.E. Washington, D.C. 20540			



SCHEDULE E
DEBTS AND OBLIGATIONS

Citizens for Reagan
(Full Name of Committee)

Part No. 12
(Use for itemizing Part 11 or 12)

SEE REVERSE SIDE FOR INSTRUCTIONS

(Use separate page(s) for each numbered Part)

Date Incurred (month, day, year)	Full Name, Mailing Address, and ZIP Code (occupation and principal place of business, if any)	Amount of Original Debt, Contract, Agree- ment, or Promise	Cumulative Payment To Date	Outstanding Balance at Close of This Period
9-15-75	Department of Taxation Administrative Services Division P. O. Box 1202 Richmond, Va. 23208			484.67

TOTALS THIS PERIOD
(Total page of debt only) 499,632.00 497,410.50



SUMMARY PAGE

Name of Committee Citizens for Reform

REPORT COVERING PERIOD FROM July 15, 1975 THRU September 30, 1975

	Column A— This period	Column B— Calendar year to date
SECTION A—RECEIPTS:		
Part 1. Individual contributions:		
a. Itemized (use schedule A*)	\$ 133,449.10	
b. Unitemized	\$ 262,343.77	
Total individual contributions	\$ 395,792.87	\$ 395,792.87 ✓
Part 2. Sales and collections:		
Itemized (use schedule B and as necessary schedule A*)	\$ none	\$ none
Part 3. Loans received:		
a. Itemized (use schedule A*)	\$ none	
b. Unitemized	\$ none	
Total loans received	\$ none	\$ none
Part 4. Other receipts (refunds, rebates, interest, etc.):		
a. Itemized (use schedule A*) <u>In-Kind Contributions</u>	\$ 669.79	
b. Unitemized	\$ none	
Total other receipts	\$ 669.79	\$ 669.79 ✓
Part 5. Transfers in:		
Itemize all (use schedule A*)	\$ none	\$ none
TOTAL RECEIPTS	\$ 396,462.66	\$ 396,462.66
SECTION B—EXPENDITURES:		
Part 6. Void: Use Part 9.		
Part 7. Expenditures for personal services, salaries, and reimbursed expenses:		
a. Itemized (use schedule D*)	\$ 20,519.05	
b. Unitemized	\$ 103.67	
Total expenditures for personal services, salaries, and reimbursed expenses	\$ 20,622.72	\$ 20,622.72 ✓
Part 8. Loans made:		
a. Itemized (use schedule E*)	\$ none	
b. Unitemized	\$ none	
Total loans made	\$ none	\$ none
Part 9. Media and other expenses:		
a. Itemized (use schedule C*)	\$ 273,658.33	
b. Unitemized	\$ 93.53	
Total other expenditures	\$ 274,576.86	\$ 274,576.86 ✓
Part 10. Transfers out:		
Itemize all (use schedule C*) <u>In-Kind Contributions</u>	\$ 669.79	\$ 669.79 ✓
TOTAL EXPENDITURES	\$ 295,869.37	\$ 295,869.37
SECTION C—CASH BALANCES:		
Cash on hand at beginning of reporting period	\$ -0-	
Add total receipts (section A above)	\$ 396,462.66	
Subtotal	\$ 396,462.66	
Subtract total expenditures (section B above)	\$ 295,869.37	
Cash on hand at close of reporting period	\$ 100,593.29	
SECTION D—DEBTS AND OBLIGATIONS:		
Part 11. Debts and obligations owed to the committee (use schedule F*)		
Part 12. Debts and obligations owed by the committee (use schedule F*)	\$ 190,722.82	



*Schedules are to be used only when itemization is required. (See each Schedule for instructions.) When itemization is unnecessary for a given Part, the total of all amounts for that Part is to be entered in a form on the "Unitemized" line of the appropriate Part of the Summary Report.

Dear Paul,

I am writing this letter in response to your dec. to chair the comte. I deeply appreciate your action, but I want to inform you that I have not made up my mind whether to become an active presidential candidate. I expect to make this dec. before the end of the year. Meanwhile, I recognize that due to the technical requirements of the law (including the requirement for the designation of a principal campaign comte) the comte must file with the FEC as working on my behalf. I trust this letter will suffice as my consent for purposes of allowing you to do so.

opinion / Wymant ~~Durkin~~

He's a candidate — not close enough.

*Viol — \$1,000 fine
year in jail x*

#315 — FCC.

*any time cand. appear B4 constituency
charge vs. him.*



Ford Unit to Ask Ruling on Reagan

If a Candidate, He Will Have to List Expenses

BY RICHARD BERGHOLZ

Times Political Writer

The Ford campaign committee is preparing to ask the Federal Election Commission if Ronald Reagan has been a candidate for President for

sult of a \$30-a-plate dinner featuring Reagan in Albuquerque last Friday.

The commission's general counsel was asked (a) whether Reagan really is a candidate for the Republican presidential nomination despite his denial thus far, and (b) whether corporations may have violated the law as a result of their support of his speaking tour.

Ticket purchasers, if they were corporate members of ACI, were told to write two separate checks to cover the \$30 ticket price—one for \$17.50 to ACI and, by personal check only, one for \$12.50 made payable to Reagan.

Federal election law forbids corporations from contributing to federal election candidates and campaigns.

Reagan repeatedly has contended he is not now a candidate, that he will announce his decision whether he will run against Mr. Ford about Nov. 20.

The former governor has contended his speeches since

Reagan is scheduled to address a welding supply industry luncheon in San Francisco today and a National Freight Traffic Assn. meeting in Boca Raton, Fla., next Monday.

Reagan has never confirmed industry reports that his speaking fee ranges up to \$5,000. That is roughly what his fee would come to from the Albuquerque speech last week.

One of the events that prompted the inquiry into Reagan's status was an advisory opinion issued by the FEC in August.

Sen. Lloyd Bentsen (D-Tex.), an announced candidate for President, asked the FEC whether he could accept payment for his travel expenses incurred in making a speech to a New York Chamber of Commerce meeting, and whether such payment would have to be reported as a campaign contribution and whether it would be chargeable against his spending limitation.

The FEC in a terse two-paragraph opinion held that



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Reagan Favors Escalation

Oax Feb 9-12-67
SACRAMENTO (U P I) —

Gov. Ronald Reagan said today he favored a sharp escalation of the war in Vietnam to win it "as quickly as possible."

But he told a news conference that decisions on the type escalation should be left to military experts.

At his final regularly scheduled weekly news conference before the legislature resumes in January, Reagan also:

—Said he was "not interested" in sharing the 1968 GOP national ticket as a Vice Presidential candidate with New York Gov. Nelson Rockefeller.

The Republican governor, who has said many times he would not accept the Vice Presidential nomination, said he felt the governorship of California was a "greater opportunity."

—Refused to be drawn into criticism of Michigan Gov. George Romney for his statement that he had been "brainwashed" during a trip to Vietnam.

He said Romney, an unannounced contender for the GOP Presidential nomination, had "made his explanation" of the context of the statement and that he had "expressed a concern of all Americans" that they aren't being adequately informed about the Vietnam war.

The governor spent fully half of his 30 - minute news conference discussing the Vietnam war and Romney's "brainwashing" statement.

He noted the Republican National Committee, which met in Washington last week, had its chance to censure Romney for his recent statements on the war and had not



Sac
Bee 3/10/69

RR

Reagan Urges LBJ: Use Full Power To End War

By Edward H. Dickson and Leo Rennert

McClatchy Newspapers staff writers

WASHINGTON, D.C. — Gov. Ronald Reagan said today President Lyndon B. Johnson should use the nation's full military resources, including the threat of atomic devastation, to bring the Vietnam war to a quick end.

While taking a strong "hawk" position, the governor jabbed at Michigan Gov. George Romney for his refusal to spell out in detail his views on the conduct of the war.

Reagan said he agrees with former President Dwight D. Eisenhower's call for a speedy solution by whatever means may be necessary.

"I'm not in a position to make such a decision and no one certainly wants to use such weapons," he told a crowded news conference at the start of a two-day visit to the nation's capital.

"But the last person who should be told we won't use atomic weapons is the enemy in Vietnam.

An Obligation

"Once you ask young men to fight and die for their country you have an obligation to use the full resources of the nation to win as quickly as possible."

Reagan specifically advocated the mining of the harbor at Haiphong and conventional bombing of supply and manufacturing centers in North Vietnam.

"This certainly would make more sense than sending our bombers to try to intercept military shipments when they're already on the way down to South Vietnam," he remarked.

The governor also suggested the United States should exact a "higher price" from the Soviet Union for such bridge-building measures as the consular treaty and increased trade.

Reagan, who is receiving increasing mention in conservative circles as a possible presidential candidate, was asked whether Romney, the choice most GOP moderates, should take a clear stand on Vietnam.

"It sure would help him at the press conferences," Reagan replied.

No Ambitions

nomination in next year's primary.

He promised to support the senator "wholeheartedly" if he again becomes the choice of California Republicans at the polls but said he would adopt a strictly neutral stance in the meantime.

Reagan said he will not advise State Superintendent of Public Instruction Max Rafferty "one way or another" whether to enter the primary against Kuchel.

"Anyone who wants to get into that race is on his own as far as I'm concerned," the governor declared.

Asked about including Kuchel in the California delegation to the 1968 GOP convention Reagan said he does not see how this could be done since Kuchel will be running for reelection at the time.

Refutes Charge

As for his stand on tuition and budget support for the University of California, Reagan said Assembly Speaker Jesse Unruh's suggestion that the tuition proposal is designed to discipline dissident students is "pretty ridiculous."

The governor said Unruh was engaging in some political "fun and games."

If student discipline were the objective, Reagan said there are more direct means available, including enforcement of rules of conduct.

He said he is opposed to negotiations by UC administrators with students because that "gives away their authority."

The governor denied that he has made it difficult for UC to find a top-caliber successor to ousted UC President Clark Kerr. He said he expects many good educators will show an interest in the job.

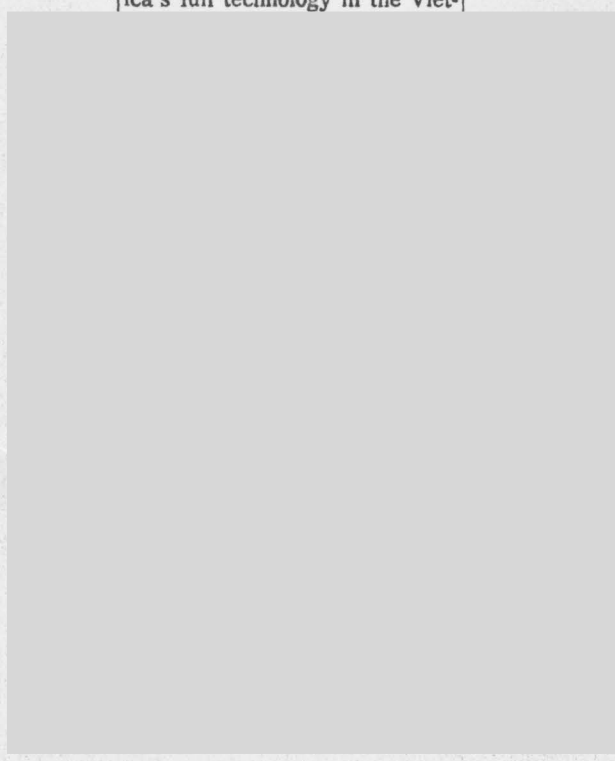
"That's a pretty good job and a great university," he remarked.

Reagan said he also has no intention to "punish" welfare recipients but only wants to



Sacramento Bee
Demo Blasts
9-14-67
Reagan On
'Escalation'

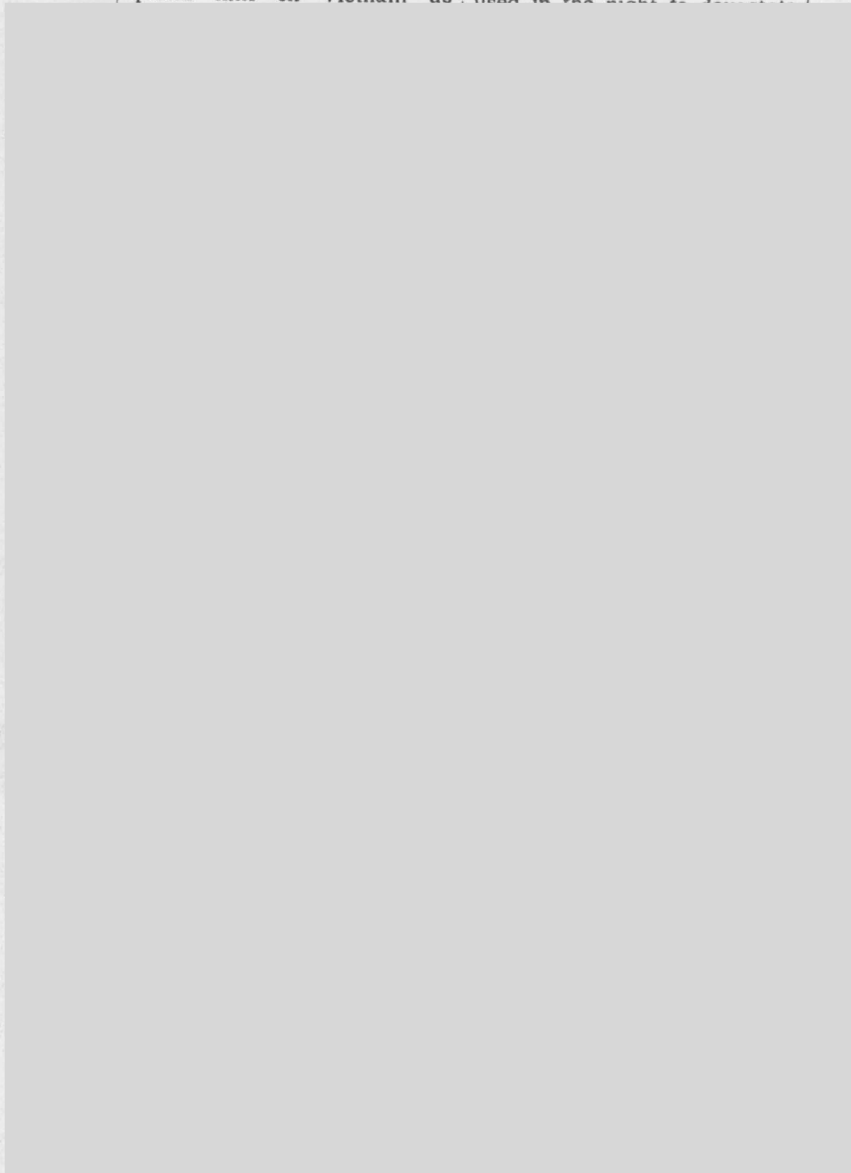
WASHINGTON (AP) — Rep. Joseph Y. Resnick, D-N.Y., calls Gov. Reagan "irresponsible" for calling for use of America's full technology in the Viet-



1/11/67 Sacramento Bee
Reagan's Atomic Weapons Quote

From the San Francisco Chronicle

Gov. Reagan says he is upset that the current Newsweek quotes him on Vietnam as the enemy is to go to bed afraid that atomic weapons may be used in the night to



[Notice 1975-50, AOR 1975-72]

ADVISORY OPINION REQUEST

Counsel for the Republican National Committee has authorized the Commission to consider the following as a request for an advisory opinion. The Commission intends to act upon the matter by issuing an advisory opinion in accordance with the procedures set forth in the Commission's Notice 1975-4, published on June 24, 1975 (40 FR 26660).

Interested persons wishing to comment on the subject matter of any Advisory Opinion Request may submit written views with respect to such requests on or before October 6, 1975. Such submission should be sent to the Federal Election Commission, Office of General Counsel, Advisory Opinion Section, 1325 K Street NW., Washington, D.C. 20463. Persons requiring additional time in which to respond to any Advisory Opinion Request will normally be granted such time upon written request to the Commission. All timely comments received by the Commission will be considered by the Commission before it issues an advisory opinion. The Commission recommends that comments on pending Advisory Opinion Requests refer to specific AOR number of the Request commented upon, and that statutory references be to the United States Code citations, rather than to the Public Law Citations.

AOR 1975-72: Application of Contribution and Spending Limits in 18 U.S.C. 608 to Presidential Candidate's Travel for Party purposes.

Dear Chairman Curtis: As indicated by Philip W. Buchen, Counsel to the President, on August 7, 1975, the Republican National Committee (R.N.C.) has undertaken the payment of certain expenditures incurred by the President, Vice President and their aides when engaged in National, state or local political party promotional activities. He correctly observed that these R.N.C. expenditures are within the public domain, having been filed quarterly by the R.N.C. with the Federal Election Commission, the Clerk of the House of Representatives and the Secretary of the United States Senate. This correspondence shall serve to further amplify those filings, to discuss the historical tradition associated with the President's role and obligation as head of the Republican Party, to consider alternative sources of payment for such expenditures, and, finally, to briefly categorize the items paid for by the Republican National Committee.

Mr. Buchen's letter of September 3, 1975, responded to F.E.C. Notice 1975-38 (FR 80202) wherein the Commission, "sought comments concerning a request from the Campaign Manager for Mr. Louis Wyman". Counsel's correspondence disclosed the method employed by the White House to allocate the cost of operating Government-owned aircraft on political and mixed official-political trips by the President, Vice President and their aides. Accordingly, this Memorandum will not address itself to the apportionment formula contained in Mr. Buchen's letter of September 3, 1975.

The question to be considered is: Does the Federal Election Campaign Law of 1974 have application to the historical tradition of a national political party's payment of expenses incurred by the President of the United States, the Vice President of the United States and their aides while engaged

in national, state, or local party promotional activities?

The question of the Federal Election Campaign Law's application is restricted to expenses incurred for acts of the President, Vice President and their aides when engaged in Republican party political activities and is not addressed to those expenses incurred by the President, Vice President and their aides when engaged politically on behalf of any individual political candidate, including the candidacy of the President and Vice President themselves.

National political parties in the United States arose in the late Eighteenth and Nineteenth centuries. What had been largely legislative parties evolved into constituency-based parties when the states expanded male suffrage by eliminating property-owning and taxpaying qualifications for the voting franchise. Although not mentioned in the American Constitution, National political parties have historically served to effectuate, organize and promote the exercise of the franchise right by the electorate.

In the early days of the Republic, Federal candidates had no great need for funds to reach a vast popular electorate. The electorate was widely scattered, served by a primitive communication system and largely restricted in its size by racial, sexual and property holding qualifications. The typical campaign was waged, almost exclusively, in the newspapers and financed largely by the individual candidates themselves. With the abolition of voting right restrictions, a new electorate resulted. To service, to communicate and to persuade that new electorate, National political parties evolved.

The American President has traditionally served as the leader of his party. President John F. Kennedy viewed the Presidents' partisan role in the following manner: "No President, it seems to me, can escape politics. He has not only been chosen by the nation—he has been chosen by his party * * * if he neglects the party machinery and avoids his party's leadership—then he has not only weakened the political party * * * he has dealt a blow to the democratic process itself."¹

In the minds of the public, the programs of the President are also the programs of his party; his personal success or failure becomes the party's success or failure. The Chief Executive is the embodiment of his party.

Thomas W. Madron and Carl P. Chelf, 1974 treatise titled Political Parties in the United States, commented on the President's role as head of the party: "Frequently the party and the executive constitute a sort of mutual accommodation society * * * the executive uses the party as a channel for interacting with other elements in the political system, while on other occasions the executive will function as a vehicle for promoting party goals."²

But, who shall assume the cost incurred when the executive so functions?

The Federal Election Campaign Law of 1974 reflects definitional distinctions between a "national committee" [2 U.S.C. 431(1)], a "state committee" [2 U.S.C. 431(1)], and a "political committee" [2 U.S.C. 431(d)]. The distinctions are indicative of Congress' recognition of the existence of general partisan activity conducted on an ongoing basis by National political parties when compared to those activities of a specific candidate's organization seeking election to a

¹ Quoted by Stuart G. Brown, The American Presidency: Leadership, Partisanship, and Popularity (New York: The Macmillan Co., 1966) Flyleaf.

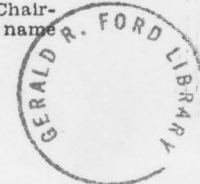
² Madron and Chelf, Political Parties in the United States, Holbrook Press, 1974, at page 286.

specific office within a specific geographical area. National and State party organizations engage in day-to-day business which, among other things, includes maintaining offices, staffs, telephones, registration drives, speaker programs, publications, research, travel, fund raising, convention arrangements and voter education in both election and nonelection years. The 1974 Act contains no limiting provision for expenditures by a National or State political party for these functions. The Act does limit the amounts that National and State parties may contribute to, or spend on behalf of, individuals seeking, " * * * Nomination for election, or for election, to Federal office * * *" (18 U.S.C. 608), but it does not impose a maximum monetary budget for the conduct of ongoing party business.

Political campaign committees accept contributions and make expenditures that are identifiable with the committee's support of its particular candidate for a particular office. National political parties, conversely, are charged with the ongoing responsibility of promoting voter registration and creating voter recognition of party identity and ideology, without reference to an individual candidate or election. A large measure of this function is performed by the President, Vice President and their aides on behalf of their National and State parties. When these party functions are performed and costs result from same, the beneficiary of those functions, i.e., the National or State political parties, should and does assume the cost incurred.

Partisan political activity is a recognized and Federally codified facet of an incumbent President's ordinary business. The purpose of the Federal Hatch Act (5 U.S.C. 7321, et seq.) is to prohibit partisan political activities by employees of the Executive Branch of the Federal Government. That prohibition excludes employees of the Office of the President and the President, himself. This statutory exclusion is a Congressional recognition of the inherent partisan nature and duties of the Presidency. It does not necessarily follow that because Congress recognized the political role of the President of the United States as head of his party, and authorized his aides to assist him in fulfilling that role, that the expenses thereby incurred should be borne by the Treasury of the United States. As suggested earlier, a more feasible and practical alternative to the taxpayer bearing these costs is that payment of these obligations be assumed by the beneficiary of the acts, i.e., the President's National Political Party.

The obligation to assume a party role for one's National Political Party is not restricted to the President of the United States. Senators and Congressmen frequently are called upon to function as spokesmen for, to aid in fund raising events of, and, generally, to represent their own National Political Party. Such a party role is often undertaken by Members of Congress after announcing their candidacy for reelection to the position they presently hold and/or after announcing their candidacy to the Office of President of the United States. The costs incurred by a United States Senator, who is an announced candidate for the Presidency, when attending a fund raising event for his National or State Party should not deplete his Ten Million Dollar (\$10,000,000) Presidential primary effort. The party role performed by such individuals, acting as party spokesmen at party function, is identical to that party role of a President. Neither incurs the expenditures associated with their role in furtherance of their quest, " * * * for nomination for election, or for election, to Federal office . . ." (18 U.S.C. 608). Democratic National Committee Chairman Strauss' September 5, 1975, press release reflected his disagreement with this principle and argued: "Suppose I as Chairman of the Democratic Party, should name



one of our presidential candidates, or four of them, or all of them, as party leaders and sent them around the country at D.N.C. expense, without limit, and without allocating charges against their spending limits?"

Where the purpose of an expenditure is not for furthering an individual's candidacy, it is both wrong and unjust to insist that the political status of an individual's candidacy automatically denies to the National Political Parties the party services of its party spokesmen. If that is to be the result, then an artificial distinction has been established which ignores the purpose of the expenditure and, at the same time, expands 18 U.S.C. § 608 to limit expenditures which are made for purposes other than those covered by the statute.

In 1975, the Republican National Committee allocated the sum of Five Hundred Thousand Dollars (\$500,000) to support the activities of the President, the Vice President and their aides when engaged in a party role. This budgetary allotment is consistent with past years budgets, without regard to whether the year in question was an election or nonelection year. On September 1, 1975, the Republican National Committee had received and/or paid bills totaling Three Hundred Nine Thousand Dollars (\$309,000) against the annual allotment. The National Party and various State Parties have been substantially aided financially and otherwise by this effort. The purpose of the travel associated with these payments by R.N.C. was not to further the candidacy of the incumbent President, but rather to further Republican Party interest. The Republican National Committee has filed quarterly reports reflecting its quarterly expenditures with the Federal Election Commission since the establishment of that agency. The Republican National Committee believes that it is the proper body to assume these expenditures, just as the Democratic National Committee believed it was the proper body to pay the expense incurred by

Democrat Presidents engaged in their National party affairs during the years 1960 through 1968.

When the President, Vice President, and their aides are engaged in political activity on behalf of their National, State or Local political parties, the R.N.C. assumes the cost of their travel and transportation, advance men expense, telephone and telegraph cost and the cost of receptions incidental to those activities. In addition, the Republican National Committee assumes the costs incurred for films and photographs taken during such Presidential travel and the expense of Presidential and Vice Presidential gifts such as cuff links, tie bars and charm bracelets picturing the Presidential or Vice Presidential seal.

The Republican National Committee does not assume the expenses resulting from Presidential travel incurred when engaged in Presidential candidacy or Presidential travel associated with the candidacy of other individuals. In those instances, the candidate's committee is primarily responsible for the payment of cost, in accordance with the structures of the Federal Election Campaign Law. With one notable exception, the R.N.C. does not pay any of the expense associated with Presidential official travel, i.e., travel undertaken by the President of the United States in his role as Chief Executive. That exception is for certain expenditures incurred by advance men in relation to official travel by the President. These expenditures, which in most cases are for persons not employed by the Government, are assumed by the R.N.C. because the Chief Executive's appearances, regardless of their purpose, further party interest. All other expenditures incurred during the Presidential official travel are borne from appropriated funds.

The differing roles of a Presidential candidate and a Presidential party leader are sometimes subtle, but, nonetheless real and

subject to dispassionate analysis. The past and present system of payments by National political parties for expenses incurred by the President, Vice President and their aides for party promotional activity has the virtue of fairness. The alternatives, full payment of Presidential party promotional expenses by the taxpayers or, in those years when applicable, by the incumbent President's campaign committee, are simply not practicable. The former would constitute an improper expenditure of Government funds and the latter imposes an inequitable disadvantage upon incumbent Presidents seeking reelection, requiring them to deplete a significant amount of their Ten Million Dollar (\$10,000,000) primary campaign effort. Incumbency would then become a serious political liability to an American President.

The Republican National Committee plans to continue to implement the procedures outlined in this communication. Naturally, the records of the R.N.C. reflecting these past expenditures are available for inspection by the F.E.C., should the Commission so desire. We would appreciate very much any comments or suggestions that the Commission may think appropriate to make with respect to our treatment of the payment of expenses incurred by the President, the Vice President and their aides when engaged in party promotional activities.

MARY LOUISE SMITH,
Chairman.

Source: Mary Louise Smith, Chairman, Republican National Committee, Dwight D. Eisenhower Center, 310 First Street SW., Washington, D.C. 20003 (September 15, 1975).

Dated: September 18, 1975.

THOMAS B. CURTIS,
Chairman for the
Federal Election Commission.

[FR Doc.75-25352 Filed 9-23-75;8:45 am]



President Committee

October 17, 1975

THURSDAY

Office of General Counsel,
Advisory Opinion Section
The Federal Election Commission
1325 K Street, N. W.
Washington, D. C. 20463

Re: AOR 1975-72

Gentlemen:

The President Ford Committee hereby submits the following comments in support of the position taken by the Chairman of the Republican National Committee, Mary Louise Smith, in her September 15 letter regarding the historical role of the President of the United States in his capacity as head of his national party.

We have had the opportunity to review the comments of the Democratic Senatorial Campaign Committee ("DSCC") alleging violation of certain provisions of the Federal Election Campaign Act of 1971, as amended, (the "Act") by both the Republican National Committee ("RNC") and the principal campaign committee for the President, The President Ford Committee ("PFC"). In particular, both the RNC and the PFC were recklessly charged by the DSCC with a knowing criminal violation of Section 608(b)(2) of Title 18, United States Code, regarding the payment by the PFC of Presidential travel expenses solely involving Republican Party political activities. Such assertions are without merit and lack any substantive legal or factual basis.

It is our position, as demonstrated below, that such payments by the President's national party are both proper and lawful. Moreover, such payments recognize three traditional and important functions of any incumbent President. He is President, the leader of his national party and at times a Presidential candidate.



First, it is clear that the limitation set forth in Section 603(b)(2) regarding contributions by a political committee to a federal candidate relate solely to payments:

" . . . made for the purpose of influencing the nomination for election, or election, of any person to Federal office or for the purpose of influencing the results of a primary held for the selection of delegates to a national nominating convention of a political party or for the expression of a preference for the nomination of persons for election to the office of President of the United States . . . "

18 U.S.C. §591(e)(1) (emphasis added)

Similarly, the definition of "expenditure" in Title 18 excludes any payment from being charged against the candidate's primary expenditure limitation of Ten Million Dollars (\$10,000,000) unless it is in furtherance of one of the above-cited purposes. Moreover, the definition of expenditure also explicitly excludes ". . . any communication by any person which is not made for the purpose of influencing the nomination for election, or election, of any person to Federal office". 18 U.S.C. §591 (f)(4)(F). As set forth in greater detail in Mrs. Smith's letter, the RNC has not and will not assume the expenses of Presidential travel in connection with either the candidacy of the President himself or with the candidacy of any other individual. In the latter circumstances, of course, the appropriate contribution and expenditure provisions of the Act would apply on an allocable basis.

Second, the strength of the RNC position is underscored by the legislative history of the Act itself. One of the important goals of the legislative reform sought by the 1974 Amendments was to strengthen the national, state and local party structures and their impact upon the political process while, at the same time, stemming the flow of undisclosed private funds which may be covertly channeled into a federal candidate's coffers. In a paragraph entitled "Strengthening,

Political Parties", the Senate Report on the 1974 Amendments states that the Senate Committee "agrees that a vigorous party system is vital to American politics and has given this matter careful study". Further, the Committee stated that "the parties will play an increased role in building strong coalitions of voters and in keeping candidates responsible to the electorate through the party reorganization". Finally, they noted:

"[P]arties [such as the RNC] will continue to perform crucial functions in the election apart from fundraising, such as registration and voter turnout campaigns, providing speakers, organizing volunteer workers and publicizing issues. Indeed, the combination of substantial public financing with limits on private gifts to candidates will release large sums presently committed to individual campaigns and make them available for donation to the parties, themselves. As a result, our financially hard-pressed parties will have increased resources not only to conduct party-wide election efforts, but also to sustain important party operations in between elections." S. Rep. No. 689, 93d Cong., 2d Sess. 8 (1974) (emphasis added)

The traditional and one of the most effective methods by which a national party obtains funds to support such activities and strengthen its political base is by inviting interested persons to fundraising events at which party leaders, and in particular, an incumbent President, speak on issues of concern to the Party. In this regard, as evidenced by Mrs. Smith's Advisory Opinion Request, the RNC has selected President Ford as not only its principal spokesman but also the leader of the Republican Party. To date, it is our understanding that such activities by President Ford have raised over \$2,250,000 in 1975 for his Party. The pragmatic effect of any blanket rule denying the

still good.



RNC the party services of its chief spokesman would be to dramatically undercut and weaken that which the Act sought to promote and strengthen.

Thus, the RNC should be permitted to pay for expenses incurred by the President and his aides for party promotional activity since such activities are undertaken at the singular request of the RNC for its own purposes and benefit. In fact, the PFC has not initiated, participated in, and/or coordinated any of the President's trips on behalf of the RNC. Such invitations and acceptances are independent determinations made by the RNC and the White House in connection with party matters and for party purposes. Moreover, such activities are totally unrelated to the PFC campaign efforts which are directed towards the raising of money and the scheduling of activities for the purpose of influencing the nomination of the President for a full term.

Third, the test for determining whether or not a contribution or expense is a campaign expense related to a federal candidate's election, and therefore chargeable to the aggregate limitations set forth in the Act, is one of intent and purpose. Although, as Mrs. Smith noted with regard to the differing roles of the President, such distinctions are sometimes subtle, they are nonetheless real and subject to dispassionate analysis. No inflexible rule should be issued by the Commission which would obviate and eliminate partisan but non-candidate related activities. Instead, it is our considered opinion that a clear distinction exists between the activities of a President in his official capacity, the activities of a President in his party leader capacity and, finally, the activities of a President as a candidate for nomination. Reason dictates that any such determination by the Commission in this regard must be rendered on a case by case basis.

Further, in the Opinion of Counsel issued to the campaign manager of the Wyman-for-Senator Committee the Commission recognized the relative immateriality of the "carryover effect" or other incidental benefit to the President in connection with his appearance in New Hampshire on



behalf of Wyman, particularly when the timing of such a visit had no significant demonstrable or measurable effect on the 1976 Presidential election, nominating convention or New Hampshire primary election. Although that opinion was restricted to a particular set of circumstances and was not deemed necessarily applicable to other "campaign" activity engaged in by a Presidential candidate, the logical conclusion is that a similar approach and analysis must be taken toward non-campaign activity by a federal candidate.

The distinction between official acts by a federal officeholder and candidate related activities is also reflected in both the legislative history of the Act (see, H. R. Rep. No. 1239, 93d Cong., 2d Sess. 150 (1974) and in the Commission's initial Task Force draft regarding Allocation of Expenditures. Moreover, an equally real and viable distinction exists between candidate related activities and party related activities, particularly during the primary period prior to the nomination at the national parties' annual conventions.

Fourth, it has also been suggested that the Commission should rely upon Advisory Opinion 1975-13 and the proposed House Account regulations. Such reliance is, in our opinion, misplaced. That Advisory Opinion merely decided that the payment of a Presidential Candidate's travel expenses from corporate funds was illegal. It in no way addressed the question whether the President may engage in political activities unrelated to his candidacy. The distinction in the House Account proposal is self-apparent. In that situation, money is being contributed directly to the candidate to support activities that can have no substantive purpose other than to assist the candidate in influencing his constituency and, of greater importance, such contributions certainly do not serve to advance a stated major purpose of the Act - the strengthening of political parties. Moreover, in its second proposed version of the House Account regulation it was again recognized by the Commission that, even with regard to such direct contributions to Congressmen, the application of the Act's limitations would apply only to a foreshortened period prior to an announced candidate's election.

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Fifth, it is possible to develop objective criteria for determining whether or not partisan political activity is directed toward party activity or an individual's own candidacy. One such approach that may be considered in connection with the Commission's Advisory Opinion in this matter and as a basis for any proposed regulation in this area is as follows:

The cost of promotional or other partisan activities on behalf of a national, state or local party by a candidate for federal office, whether or not a holder of federal office, shall not be attributable as a campaign expenditure by such candidate if the activity is (1) at the invitation of such party, (2) for a recognized and legitimate purpose on behalf of the party and not for the purpose of directly raising funds for such candidate or for the purpose of influencing his election, provided that, notwithstanding the above, the costs of any such activities by a candidate who has registered and qualified as a candidate or has been placed on the ballot in the state in which such activity is held, shall be deemed an expenditure from the date of registration, qualification or placement on the ballot, or, in any event, at any time such activities are undertaken in that state within thirty (30) days prior to the date of an election regarding such candidate as defined in 2 U.S.C. §431(a).

When?

This approach recognizes the importance and value of party promotional activity by federal candidates who are also recognized party leaders, while at the same time providing a pragmatic time frame within which any such activity would be deemed candidate related. In addition, of course, any alleged party activity which is demonstrated to be for the purpose of



influencing the candidate's own election would be appropriately allocated and charged against the Act's contribution and expenditure limitations. This is in accordance with the approach recently discussed by the Commission regarding "un earmarked" contributions to the national committee of such a candidate.

Accordingly, we have herein established that payment by the RNC of expenditures incurred by the President and his aides, when solely engaged in national, state or local political party promotional activities, are not subject at this time to the Act's contribution and expenditure limitations. Hence, the Commission should confirm in its Advisory Opinion that it is legally permissible for the RNC to continue to make such expenditures. In any event, the Commission's opinion in this matter can have only a prospective effect.

Supporting this proposition, the statutory language of Section 437f which authorizes the Commission to render Advisory Opinions, clearly states that Advisory Opinions look only to future and not past acts:

"Upon written request to the Commission . . . the Commission shall render an advisory opinion, in writing, within a reasonable time with respect to whether any specific transaction or activity . . . would constitute a violation"
2 U.S.C. §437f(a) (emphasis added)

The words "would constitute" do not encompass acts that occurred in the past. As the Comptroller General of the United States has frequently ruled, the question of retroactivity is strictly a function of the interpretation of the relevant statute in question. (See, e.g. 49 Comp. Gen. 505 (1970), 48 Comp. Gen. 477 (1969), 48 Comp. Gen. 15 (1968) and 47 Comp. Gen. 336 (1968).) Accordingly, the conclusion that all Advisory Opinions must be solely prospective in application is compelling.



Moreover, assuming, *arguendo*, that Advisory Opinions are not statutorily limited to matters of prospective application, the Commission still has full discretion to limit its opinions to matters in the future. The United States Supreme Court, in *Chenery v. SEC*, 332 U.S. 194 (1947), held that an agency of the federal government may, in its discretion, give a ruling prospective effect only. The Court stated that the agency, in exercising this discretion, should follow a balancing test, which involves weighing ". . . the mischief of producing the result which is contrary to a statutory design or to legal and equitable principles" against "the ill effect of the retroactive application of a new standard . . ." 332 U.S. at 203.

At issue here is the application of the Act's contribution and expenditure limitations set forth in 18 U.S.C. 608 to a Presidential candidate's travel for party purposes. Title 18, of course, is a criminal statute and provides for extensive criminal penalties including imprisonment and fines. As with all criminal statutes, a principal feature of that section is that a violation cannot occur unless it is a "knowing violation". In this respect, subsection (h) of Section 608 states as follows:

"No candidate or political committee shall knowingly accept any contribution or make any expenditure in violation of the provisions of this section. No officer or employee of a political committee shall knowingly accept a contribution made for the benefit or use of a candidate, or knowingly make any expenditure on behalf of a candidate, in violation of any limitation imposed on contributions and expenditures under this section."

18 U.S.C. §608(h) (emphasis added)

Thus, it is impossible to conclude that the RNC or PFC were ever on notice that there may have been a "knowing violation" of the law. Indeed, the Commission has still not in any way ruled upon the question now before it and any Advisory Opinion must be applied prospectively.



The enforcement powers of the Commission set forth in 2 U.S.C. §437g, establish that the Commission may not order repayment of any such past payments in any event for a violation of Section 608. Apparent violations of Section 608 are to be referred to the appropriate law enforcement authorities. The Commission would be committing an abuse of discretion if it should attempt to retroactively apply any new standard against the PFC or the RNC in this instance.

Additionally, the PFC and the RNC have at all times acted in good faith and in accordance with their understanding of the law. The RNC expenditures in question have been filed quarterly with the Commission, the Clerk of the House of Representatives and the Secretary of the United States Senate. It would, therefore, be unfair and an unconstitutional denial of due process to apply a new legal standard or presumption before the PFC or RNC have been on notice that their position is not in accordance with the Commission's view of the law.

Finally, a review of certain additional pragmatic considerations appears appropriate for the Commission's consideration. Allegations that the recognition of the role of political parties in the maintenance and development of a viable political structure in the United States would (a) work an unfair burden upon non-incumbents and (b) allow unlimited corporate and labor organization spending for federal candidates, through the general treasuries of state party committees are both misleading and fallacious. As a general policy matter, as well as pragmatic political practice, the 1974 Amendments were not intended (nor should they have been) to provide a perfect cosmic balance on which both incumbents and non-incumbents must be evenly weighed. Again, as noted in Mrs. Smith's letter, the question presented does not revolve solely upon the President's role as the RNC's chosen party leader but involves any party leader. The fact that such party leaders are generally incumbent officeholders is merely a reflection of the public's real life interest in recognized elected leaders




and public figures. Non-incumbents are necessarily faced with the traditional obstacle and challenge of name recognition and acceptance. Further, the burdens of incumbency are all too quickly and easily forgotten by those who would seek to mystically equalize the political system to their own advantage. An incumbent has the obligation to speak and act responsibly toward his constituency and to represent their best interests in the harsh world of decision as opposed to the speculation and mere promise of the non-incumbent.

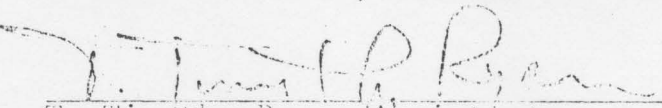
Similarly, the alarm sounded regarding corporate and labor organization spending is false and a sham. The Commission has already indicated that state parties will have to maintain separate, segregated funds regarding any support for federal candidates, which funds must exclude monies from corporations and labor organizations that may be accepted by them under state law for state and local candidates and activities. Full disclosure and exacting reporting requirements of such funds will avoid any such anticipated and feigned abuse. Accordingly, only legitimate state party business activities would be financed from the general treasuries of such state parties. Section 610 of Title 18, United States Code, would properly have no application to such legitimate state activities.

In conclusion, we appreciate the opportunity afforded the PFC to comment on the above-referenced Advisory Opinion Request and we trust that these comments may prove useful in assisting the Commission in arriving at its determination in this matter.

Sincerely,

THE PRESIDENT FORD COMMITTEE


Robert P. Visser, General Counsel


T. Timothy Ryan, Assistant
General Counsel

For President

Sen. Paul Laxalt
Chairman

John P. Sears
Exec. Vice Ch.

George Cook

H. R. Gross

Louie B. Nunn

Mrs. Stanhope C. Ring

Henry Buchanan
Treasurer

October 14, 1975

Federal Election Commission
Office of the General Counsel
Advisory Opinion Comment
1325 K Street, N.W.
Washington, D.C. 20463

Dear Sirs:

We respectfully submit the following comments on AOR-1975-72. We hope this will be helpful to the Commission.

AOR 1975-72 raises the question of whether the Republican National Committee (RNC) can legitimately provide funds, in light of the recent federal election law amendments, for political travel by President Ford while he is a candidate for his party's presidential nomination. And further, whether these expenditures count against candidate Ford's campaign expenditure limitations under 18 U.S.C. section 608(c). It appears to our committee that several facts must be considered before a conclusion on the RNC's request can be reached.

First, President Ford is an announced and declared candidate for his party's nomination. He has, as of this date, made campaign trips and authorized a committee which has made campaign expenditures on behalf of his campaign. He indicated on a nationally televised news conference (October 9, 1975) that he hoped his political trips made on behalf of the RNC would help his election. He has made the decision to actively campaign at an earlier date than has been the customary political practice of past incumbent Presidents.

general



October 14, 1975

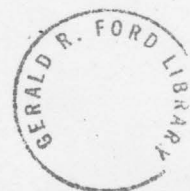
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Second, Gerald R. Ford was the first individual appointed to the Vice Presidency under the provisions of the recently enacted 25th Amendment. Following the resignation of Richard M. Nixon as President, Gerald R. Ford succeeded to that office. His Vice President, Nelson A. Rockefeller, also became such by the operation of the 25th Amendment, after having been rejected for the Republican presidential nomination by the Republican National Conventions of 1964 and 1968. These facts are quite important in providing some political perspective to the relationship of the Presidency, its current occupant, and the Republican Party.

Third, there is an active political committee in existence, authorized by Governor Reagan, and registered with the Federal Election Commission, that has raised significant amounts of money from many thousands of persons in every state. This committee is actively promoting the candidacy of Governor Ronald Reagan for the Republican Party's presidential nomination.

Fourth, one of the basic purposes of the 1974 amendments to the body of federal election law is to insure that no candidate, regardless of his position or financial means, could "buy" the Presidency by means of excessive financial expenditures. To this end, the key provision of the 1974 Act is 18 U.S.C. section 608. This section imposes strict expenditure limitations on all candidates for federal office. The purpose of these limitations is, in part, to provide every candidate with an equal opportunity to present his campaign to the electorate.

Fifth, a key criticism of the new election law is that it favors incumbents in that it protects them against challengers. This is so, many feel, because a challenger can only overcome the multiple advantages of incumbency by greater campaign spending than the incumbent. It is certainly true that an incumbent President enjoys great political advantages by virtue of his official position, advantages such as government-paid travel around the country to "non-political events" and the national forum of the televised Presidential press conference (recently exempted from equal time by the Federal Communications Commission). Does he also, in a primary campaign situation, enjoy the official mantle of the party and use of its funds merely by virtue of his title?



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With these basic factual referents in mind we submit the following analysis of the RNC's request:

Traditionally an incumbent President seeking reelection has been considered unchallengable within his own political party for his party's nomination. No incumbent President in this century has been denied renomination by his party. In fact, so strong is the traditional role of the incumbent President that only twice in this century has one been defeated in a general election. In 1975 and 1976 the situation in this country is and will be unique politically. The incumbent President and Vice President of the Republican Party have never faced the national electorate or, in the case of President Ford, the Republican Party membership as expressed through its national party convention. Thus, President Ford is clearly not in the same position as former Republican Party presidents were. In fact, it is clear that one of the important factors in the 1976 nomination contest is the current lack of a nationally chosen or mandated Republican Party "leader" in the traditional sense. The Republican Party's only elected national spokesman is its chairman, Mrs. Mary Louise Smith. →

Authentic letter

Thus, while Gerald R. Ford is legally and constitutionally the Chief Executive, with all the President's powers and privileges, and entitled to all the traditional support and respect due our Head of State, he does not stand in the traditional role an incumbent President has had as the titular leader of the Republican Party. Further, actions that tend not only to place him in such a role but also to emphasize it directly benefit his campaign for the party's nomination for President. In fact, a key selling point of the President's campaign has been his incumbency. To argue that his campaign for the nomination should not be hindered because of his activities as "party leader," is very like the boy, who having killed his parents, says he should not be punished because he is an orphan.

Only the 1976 nominee of the Republican National Convention will be the party's chosen leader.

The 1974 amendments to federal election law mandate strict expenditure limitations for all federal candidacies. They do this separately with respect to candidates for the nomination of parties and



for the candidates of parties in general elections. Further, the law embodies a very expansive and comprehensive definition of contributions and expenditures so as to close nearly every potential loophole left in past legislative attempts at regulation. This legislative plan clearly manifests the intent of Congress, as ratified by President Ford in signing the law, to establish a system of electoral regulation that would control, limit and disclose all expenditures that promote and influence a federal campaign. It cannot be seriously argued that political trips made by a declared candidate, as "leader" of a political party, directed at those very individuals who will ultimately choose the party's nominee, does not directly benefit and influence and promote such candidate's campaign. If President Ford's campaign is not charged with the cost of trips made as the "leader" of the Republican Party under these circumstances then section 603 is not the comprehensive expenditure limitation section it clearly was intended to be.

If the Commission's interpretation of this new law is not to favor incumbents over other candidates and if the traditional relationship of the Presidency to its own political party is not to become a vehicle for allowing the new election law to be gravely distorted then the RNC's planned actions must be modified. It would certainly be divisive within the Republican Party if the RNC were to bestow a non-reportable and uncontrolled election benefit on only one candidate for the party's nomination. This would raise constitutional questions of whether 18 U.S.C. section 603's effect, if not its purpose, is to stifle legitimate political challenges to incumbents from within their own parties.

If the party provided truly equal treatment to all candidates for its nomination then few serious objections could be raised. Then, the party would not be promoting a campaign but would be providing its national membership with a better opportunity for seeing all its candidates. It would be performing a legitimate informational function by helping members to make more intelligent choices among the candidates. While a TV appearance by one candidate benefits his campaign, a program presenting all of the candidates equally benefits the electorate. Of course, a fair and equitable mechanism would have to be worked out to determine who the individuals are who are legitimately entitled to such consideration. But this should not be difficult. A simple criterion, like qualification for federal matching funds, would provide an adequate method for discriminating between bona fide candidates and others.



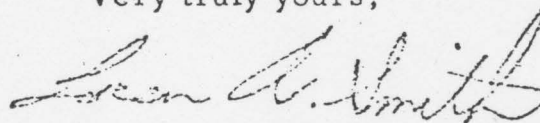
October 14, 1975

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If the RNC chooses not to consider such an option it seems to our committee that its current proposal raises serious questions under both the contribution limitations and the expenditure limitations of section 608. If party "leadership" is to confer substantial financial electoral benefits it should be both formalized and brought within the guidelines of the election law. Governor Reagan has over the past years raised millions of dollars for the Republican Party at numerous party events across the nation and by direct mail. He has done this as a member of the party who deeply believes in its principles. Our committee feels that the party treasury, built up in the interests of the whole party, should not become a vehicle for any single candidate in contest for the party's nomination, regardless of any office he may hold.

In 1975 and 1976 a new federal election law prevails. Examples of past practice no longer suffice to justify present actions. We hope our comments will aid the Federal Election Commission in deciding this question.

Very truly yours,



Loren A. Smith
General Counsel

LAS:jf

cc: Hon. Thomas B. Curtis
Hon. Neil Staebler
Hon. Joan Aikens
Hon. Thomas E. Harris
Hon. Vernon W. Thomson
Hon. Robert O. Tiernan
Hon. Benton L. Becker
Hon. Mary Louise Smith



THE WHITE HOUSE

WASHINGTON

September 3, 1975

Dear Mr. Curtis:

This is in response to Notice 1975-38 (F.R. 40202) in which the Federal Election Commission has sought comments concerning a request from the campaign manager for Mr. Louis Wyman for an opinion of the FEC General Counsel on several questions relating to possible travel by "President Ford and former Governor Reagan" to New Hampshire for the purpose of endorsing Mr. Wyman in the September 16, 1975, special Senatorial election. The General Counsel has proposed for Commission review an opinion responding to this request which states, in part, as follows:

"Presidential expenditures in connection with such a visit provide unique problems of attribution. It would be illogical, and unnecessarily restrictive, to require the attribution of the actual cost of a presidential campaign foray. Hence, only the equivalent commercial rates will be chargeable against an incumbent President's individual contribution limitations and against the candidate's overall expenditure limitation. Expenses for accompanying staff personnel will be charged against the foregoing limitations only if such staff personnel serve primarily as advance persons or other campaign staff members and do not provide support services to the Office of the President. Additionally, special costs attendant upon Ford's office as President, such as the Secret Service, police and medical attention, are not to be included within this amount. These costs are relatively fixed and are related to Ford's position as President and not to his political function as head of his party."



In the form of comment on this one provision, we wish to bring to your attention the manner in which we intend to apportion the various costs incurred to operate government-owned aircraft on which the President and accompanying government personnel travel to and from localities where the President appears for other than official purposes. As the General Counsel's proposed opinion indicates, expenditures for such travel by the President present problems that are unique to his Federal office, in that the President must continue to perform in his official capacity at the same time he undertakes political activities.

For this reason, whenever the President travels, regardless of the purpose of the particular trip, he is accompanied by a number of persons who are present to support him in his official role. For example, certain members of the White House staff, military aides, medical aides, Secret Service and communications personnel are present not for any political purpose, but solely to provide the President with support which in many cases they are required by law to perform. The Secret Service, in particular, is required by P. L. 90-331 to provide protection to "major Presidential and Vice Presidential" candidates at the direction of the Secretary of the Treasury and on the basis of consultation with an advisory committee of bipartisan congressional membership.

(1) Costs of Operating Government-Owned Aircraft
on Political Trips

When the President travels on a trip which entails only political stops, the cost of operating the Government-owned aircraft that are used to transport the President can be readily determined from the enclosed hourly rate schedule, used by the Department of Defense to recover its costs from other government agencies that use military aircraft. In our view, the costs of transporting any persons aboard the aircraft who are traveling for political purposes should be borne by the appropriate political committee. On the other hand, the costs of transporting those persons who are traveling for the purpose of supporting the Office of the President should not be attributed to a political committee.

For the purpose of the President's future travels, we will identify those individuals who could be considered to be present for a



political purpose. We plan to treat as political travelers the President and First Family, political committee officials, certain White House and other officials, who may perform some political activities, and any other persons whose activities could be viewed as political. Although White House officials are present for official support activities, and generally spend a substantial majority, if not all, of their time on official business, we intend to consider the following categories of officials to be political for the purpose of such travel: White House officials who may advise on political matters (e. g., Donald Rumsfeld, Robert Hartmann, John Marsh, Ron Nessen, Richard Cheney, etc.), speechwriters, advancement, and a White House photographer.

The remainder of the White House personnel is present for the purpose of supporting the President in his official capacity, e. g., a civilian aide or personal secretary, along with non-White House support personnel, e. g., the Secret Service, military aides, medical and communications personnel, etc. They are not present for any political purpose, and the costs of their travel should not be attributed to a political committee. In this regard, it is our understanding that in 1972 the Secret Service paid up to the cost of comparable first-class airfare for its agents traveling on board chartered aircraft of non-incumbent Presidential candidates.

Therefore, on future Presidential travel the appropriate political committee will be charged by DOD for its pro rata share of the hourly costs of using government-owned aircraft, based on the percentage of the passengers on board who are present mainly or in part for a political purpose.

(2) Costs of Operating Government-Owned Aircraft on Mixed Official-Political Trips

In most cases, it is not possible to schedule the President's travel in a manner that will allow trips to be solely official or solely political. We believe that the best formula for apportioning the transportation costs on mixed official-political purpose trips is one which may be referred to as the "round trip airfare formula." Under this formula, the political stops are

isolated from the official stops in order to establish the political trip that would have been made if the President did not have the responsibilities of his office. For this purpose, where a particular stop includes both official and political events, it will be treated as a political stop. A stop will be regarded as official when that is its main purpose, even though the President may meet, incidental to the official event, with political figures in an informal and unpublicized meeting, e.g., a private breakfast with a local political figure or greeting a small group of local politicians.

Once the political stops of such a trip have been determined, DOD calculates the cost of that "political" trip and charges the appropriate political committee for its share, as described above, of the costs of the trip, based on the round trip flying time between the initial point of departure, generally, Washington, D. C., and the political stops made. An example might help to clarify this approach. Suppose the President makes a trip from Washington to San Francisco for official purposes, then to Los Angeles for political purposes, and returns to Washington via St. Louis where a stop is made for official purposes. Under this formula, the appropriate political committee is charged for its pro rata share of the hourly costs of a trip from Washington to Los Angeles and return to Washington, even though there was no direct Washington to Los Angeles leg of the flight.

(3) Other Travel Costs

In order to assure that all costs related to the political portion of a trip are treated as political costs, the appropriate political committee will be charged the expenses for each political stop of any member of the Presidential party who is present mainly or in part for a political purpose, as determined above. Thus, political funds will pay the expenses of the President and these other officials, but not the expenses of those persons who are present to support the President entirely in his official capacity.

Such items as communications arrangements, motorcades, automobile rentals, and other miscellaneous items are readily identifiable as to their purpose, and are to be paid by the appropriate political committee when they are for political purposes.



Where an item, such as the cost of a bus for a motorcade involves a mixed purpose, e. g., transporting the members of the Presidential party who are considered to be present for a political purpose, and also those serving the President in his official capacity, the appropriate political committee will bear the full cost of that item.

In every case where a candidate for Federal office is an incumbent, either in an office to which he seeks re-election or in another office, his campaign activities may become intermingled with his official activities, and similar problems will arise in ascertaining which costs he incurs are campaign-related. The proposals herein made provide a reasonable method for resolving such problems.

(4) Services of Government Personnel

For the purpose of identifying the costs of travel to be borne by the appropriate political committee, we understand that it is not necessary to apportion the salaries of those members of the personal staffs of incumbent candidates for Federal office within either the Executive or Legislative Branches who, in addition to their official duties, also participate in some limited political activities. For example, employees "paid from the appropriation for the office of the President "are exempted by 5 U. S. C. 7324(d)(1) from the general prohibition contained in 5 U. S. C. 7324(a)(2) against Executive Branch employees participating in "political management or in political campaigns." This section effectively places the White House staff in a position comparable to that of the personal staffs of members of Congress.

No precise dividing line now exists, nor is one likely to be drawn, which clearly indicates when such employees are performing official duties and when those duties are political. So long as these employees expend a substantial majority (an average in excess of forty hours per week) of their time on official duties, there is no need to attribute any portion of the salaries of such employees to a political committee.

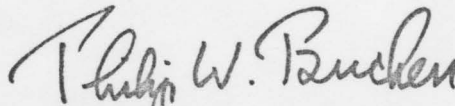
The reason for this letter is to bring to the Commission's attention the means by which we intend to attribute to a political committee the costs of the President's travel for purposes of support of the



Republican Party, support of specific candidates, or support of his own candidacy. To the extent this treatment may be different from that proposed by the General Counsel, we do not imply that a change need be made in the proposed opinion of such counsel. Rather we believe that the proposed opinion is consistent with the requirements of the applicable law and that if a more liberal attribution of expenses is made to a political committee such is within a candidate's discretion.

We intend to now implement with respect to future travel by the President, this treatment for attribution of such travel costs. We would appreciate very much any comments or suggestions the Commission may think are appropriate to make with respect to our treatment of the President's travel costs.

Sincerely,



Philip W. Buchen
Counsel to the President

The Honorable Thomas B. Curtis
Chairman
Federal Election Commission
Washington, D.C. 20463



27000 (Air Force One) (VC-137C)

Cost per hour: \$2,206.00
Passengers: Approximately 50

26000 (Air Force One backup) VC-137C)

Cost per hour: \$2,206.00
Passengers: Approximately 50

Jet Star (VC-140)

Cost per hour: \$ 889.00
Passengers: 8

White Top Helicopter (VH-3A)

Cost per hour: \$ 723.00
Passengers: 12

Huey Helicopter (VH-IN)

Cost per hour: \$ 262.00
Passengers: 8



MEMORANDUM

October 27, 1975

TO: Stu Spencer
FROM: Bob Visser *BV*
RE: Presidential Travel Expenses

Attached hereto is a column by Lyle Denniston which was published in the October 24 issue of the WASHINGTON STAR regarding proposed FEC action concerning payment by the RNC of Presidential travel expenses in connection with Republican Party activities. In particular, the article alleges that the "Ford argument on the issue is not likely to prevail". This conclusion is in error in several respects.

First, both Tim and I attended the FEC hearing regarding this issue and were pleased to learn that a majority of the Commissioners had indeed adopted the compromise approach put forth in my letter dated October 17. In that letter, we took the position, in general, that Ford's travel expenses as a party leader should be reimbursed when he is acting at the request of and for the benefit of the political party rather than asking directly for votes and money for himself. No attempt has been made by the PFC to isolate Ford's position as "The head of the Party" in the legal context other than to acknowledge that the Republican National Committee has designated him as "The" head of the Party and, at least, certainly a principal spokesman of the Party in connection with their fundraising activities. Moreover, the compromise position set forth in our letter recognizes that at some point in time it is impossible to analyze Ford's activities on a "case by case" basis and that some reasonable formula or time frame must be established wherein it is presumed that the President is acting in his capacity as a Presidential candidate and not that of a party leader.

In sum, the WASHINGTON STAR article indicates that the President is losing on this issue where in fact it would appear that our position is being adopted by the Commission and,



- 2 -

in particular, by several of the Democratic members of that Commission. I would recommend that Peter Kaye discuss this issue with me and determine whether or not he wishes to telephone Mr. Denniston and advise him of the facts of this matter.

cc: Bo Callaway
Dave Packard
Bob Moot
✓ Peter Kaye



FEC Leans Toward Cut-Off

Ford May Lose GOP Funds

By Lyle Denniston
Washington Star Staff Writer

The Federal Election Commission probably will not allow the Republican National Committee to continue to pay for all of President Ford's political travels.

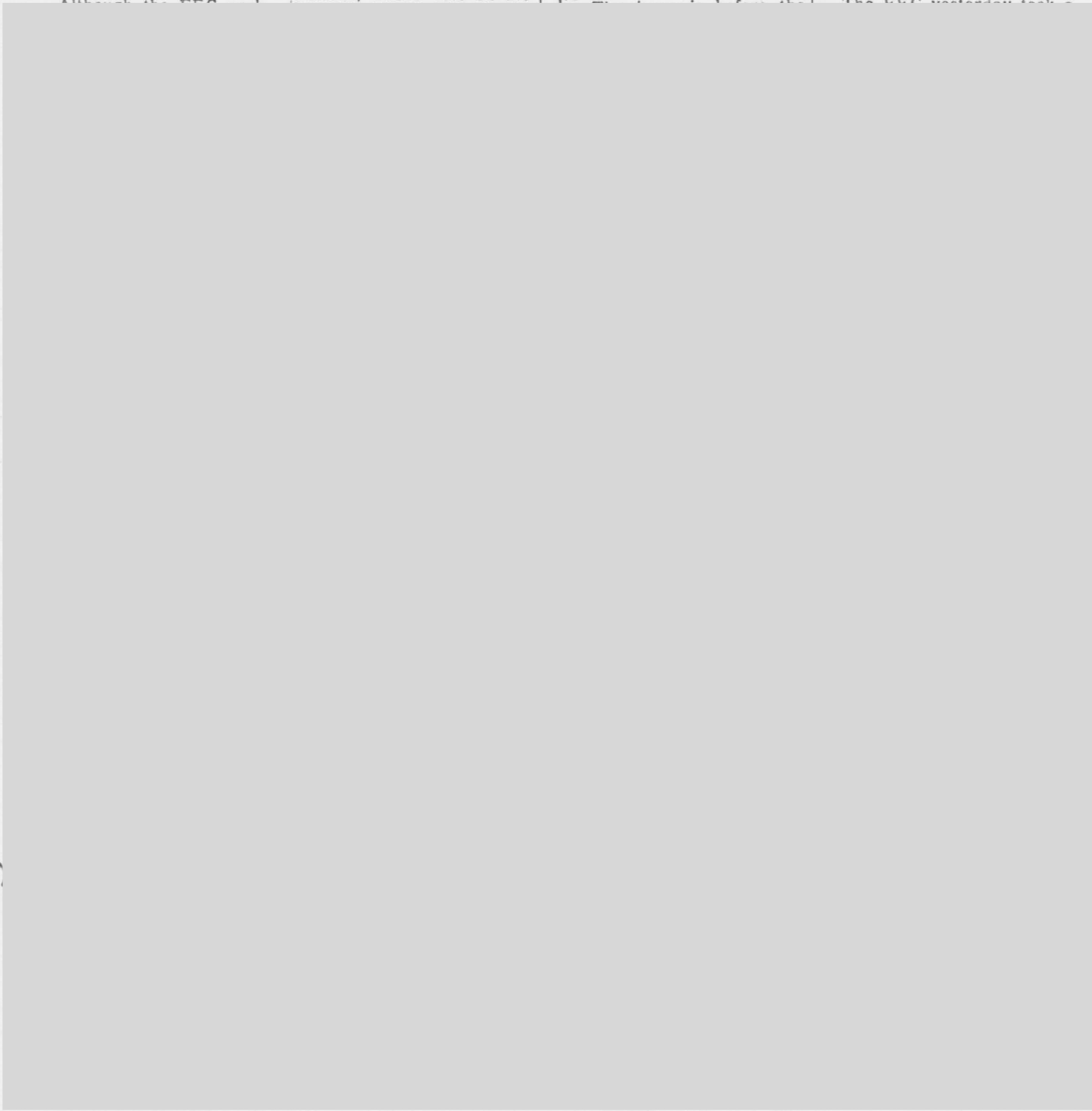
THE FEC general counsel, John G. Murphy Jr., warned the commissioners that "the result has to treat everyone the same, or the commission will end up in court."

Commissioner Joan Aikens, whose vote on the

Curtis, saying he was "just thinking out loud," also suggested that the FEC might require some arbitrary sharing formula, such as 50-50 between Ford's campaign organization and the Republican party.

IT IS NOT clear, however, that this provision would settle whether Ford or the Republican party should pay his expenses when he does do political traveling.

Besides going over the presidential travel issue, The FEC yesterday took



DEMOCRATIC SENATORIAL CAMPAIGN COMMITTEE

ROOM 130 RUSSELL SENATE OFFICE BUILDING

WASHINGTON, D. C. 20510

TELEPHONE (202) 224-2447

SENATORS:

J. BENNETT JOHNSTON, JR., LA., CHM.
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JOHN SPARKMAN, ALA.

ROBERT THOMSON
GENERAL COUNSEL

FRANK N. HOFFMANN
EXECUTIVE DIRECTOR
SECRETARY-TREASURER

September 3, 1975

The Honorable Thomas B. Curtis
Chairman
Federal Election Commission
1325 K Street, Northwest
Washington, D. C. 20463

Dear Chairman Curtis:

We have received your letter of August 28 soliciting our comment on an inquiry from the Wyman campaign and a proposed response to that inquiry by the General Counsel. While agreeing with much of the General Counsel's proposed draft, we must register our strong objections to at least two points. We disagree with the contention that the "expenses (for Ford's New Hampshire trip) should be attributed solely to the Wyman Senatorial campaign." Furthermore, we do not think the computations of any contribution or expenditure resulting from such a trip should be based on "equivalent commercial rates."

The General Counsel proposes that expenditures for a trip by President Ford to New Hampshire in September of 1975 be attributed solely to the Durkin-Wyman Senatorial election on September 16, completely ignoring any impact such a trip will have on the President's expected candidacy in the nation's first Presidential primary a mere five months away. While admitting that the President's trip will have a "carryover effect" on his Presidential campaign, the General Counsel refuses to attribute any of the expenditure to the Presidential campaign because "the maximum effect" will be on the more proximate election.

This is clearly erroneous. If the trip will aid President Ford as a candidate in the March 2 primary, then part of the expense for the trip must be attributable to that election. Under Section 591 and Section 608 of Title 18, U. S. Code, a payment that influences the nomination for election of any person to Federal office must be charged against the contribution and expenditure limits applicable to such person. The statute does not allow an "expenditure" with admitted impact on one's candidacy to be totally ignored simply because its "major impact" is on the candidacy of another.



The Honorable Thomas B. Curtis
September 3
Page 2

The General Counsel's opinion would open up a huge loophole in the contribution and expenditure limits for President Ford. In 1976, there will be Senate races in 33 states. There will be elections for the House in every state. Is the General Counsel suggesting that the President may campaign in each of these states for his party's Congressional candidates with no impact on his own expenditure and contribution limits. Or, worse yet, is he suggesting that his novel ruling should only be applied to the special circumstances of the New Hampshire Senatorial election, thereby discriminating against Presidential candidates who may choose to visit New Hampshire after September 16? To guarantee a viable and even-handed application of the Section 608 limits, it is plain that some portion, we believe a substantial portion, of the expenses for a Ford trip to New Hampshire must be attributed to his March 2 primary campaign.

When deciding what percent of the expenditure must be attributed to the Presidential campaign, the Commission cannot ignore the extreme importance of the New Hampshire primary to President Ford. Besides being the nation's first, it is generally recognized as a unique means of testing a Presidential candidate's appeal to a relatively conservative electorate. For one reason or another, many political commentators claim that Lyndon Johnson chose not to run in 1968 because of the results of the New Hampshire primary. Others claim that the New Hampshire experience had a profound impact on leading contenders for the 1972 Democratic Presidential nomination.

Whatever the truth of these observations, it is indeed astonishing that the General Counsel's allocation formula would hold that a Ford trip to New Hampshire only five months before the election provides no benefits whatsoever to the President's reelection campaign. The benefits are clear and beyond dispute. We believe that at least 50% of the expenses for the trip should be attributed to the Ford primary campaign.

The problem of which expenses must be counted is more complex. We understand that the Republic National Committee plans to pay many of the expenses of the trip. As is the custom, the Federal government may also pay expenses and salaries for Secret Service protection, medical personnel, and accompanying staff, as well as additional expenses for support of the President in his official capacity.

We believe the Federal campaign laws require that all such travel expenses paid by political committees or private individuals be deemed "contributions" or "expenditures." By requiring a political committee rather



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September 3, 1975
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than the Federal government to pay certain travel expenses for his trip, the President himself establishes a presumption that those travel expenses are for political purposes. Furthermore, no one would dare deny that expenses, openly billed as "political", for a Presidential visit to New Hampshire next month are with respect to either the September 16 Senatorial election or the March 2 primary. Such expenses payments are "expenditures" or "contributions" under the most conservative interpretation of Section 591(f) or Section 591(c) of Title 18.

Those sections contain many exemptions, but none that allow a political committee to count for purposes of the contribution and expenditure limits only a fraction of its travel expense payments "equivalent (to) commercial rates" as a charge against Section 608 limits.

If the Republic National Committee charters Air Force One to carry the President to New Hampshire for a campaign(s), the full charter payment must be deemed an "expenditure" or "contribution" subject to the limits, not just the price of commercial air fare to New Hampshire.

Of course, Section 608 contains many limits, one of which allows national committees of a political party to make expenditures on behalf of the party's Senate candidate in a state equal to two cents times the voting age population in such state. See, 18 USC §608(f)(3). Thus, as the General Counsel suggests, the Republican National Committee can pay the portion of the President's travel expenses that are attributed to the Wyman campaign, as long as those payments, plus other expenditures to the Wyman campaign for this election, do not exceed the Section 608(f)(3) limits.

However, if the National Committee chooses to pay the portion of the President's travel expenses allocated to his own primary campaign, then the Committee will have made a "contribution in-kind" or "expenditure on behalf of" the Ford campaign. Since the National Committees have no special expenditure limits for Presidential primary candidates (See, 18 USC §608(f)(2)), the basic political committee limits apply. Thus, the National Committee can make a total of \$5,000 in contributions in-kind to the Ford primary campaign or independently spend a total of \$1,000 on behalf of the President's primary bid (See, 18 USC §§608(b)(2), 608(e)).

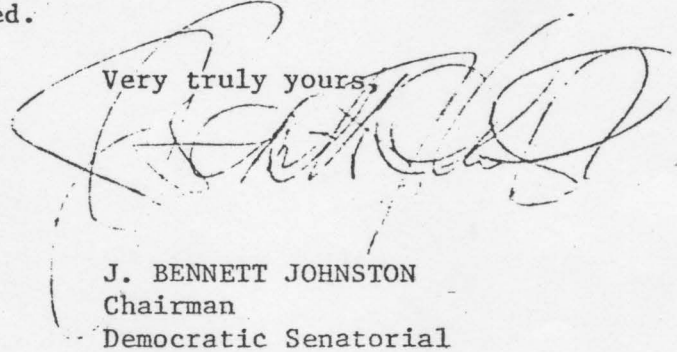
For purposes of the limits, such contributions or expenditures must be added to similar payments that the National Committee has made in the past with respect to the President's pre-primary political travels. We understand there have been several.



The Honorable Thomas B. Curtis
September 3, 1975
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Thank you for the opportunity to comment on the proposed Letter of Counsel. I trust the Commission will change the proposed letter substantially before it is issued.

Very truly yours,

A large, stylized handwritten signature in dark ink, appearing to read "J. Bennett Johnston". The signature is written over the "Very truly yours," text and extends to the right and slightly upwards.

J. BENNETT JOHNSTON
Chairman
Democratic Senatorial
Campaign Committee



LET THE PEOPLE RULE

(Remarks by the Honorable Ronald Reagan, former Governor of California, to the Executive Club of Chicago, McCormick Place, Chicago, Illinois, Friday, September 25, 1975.)

In his first Inaugural, nearly a century and three-quarters ago, President Thomas Jefferson defined the aims of his administration: "A wise and frugal government", he said, "which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned -- This is the sum of good government."

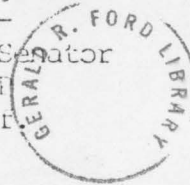
Jefferson believed the people were the best agents of their own destinies, and that the task of government was not to direct the people but to create an environment of ordered freedom in which the people could pursue those destinies in their own way. But he also knew that from the very beginning the tendency of government has been to become player as well as umpire. "What has destroyed liberty and the rights of men in every government that has ever existed under the sun?" Jefferson asked. "The generalizing and concentrating all cares and powers into one body."

If Jefferson could return today, I doubt that he would be surprised either at what has happened in America, or at the result. When a nation loses its desire or ability to restrain the growth and concentration of power, the floodgates are open and the results are predictable.

Fiscal Year 1976 ends four days before our bicentennial. In this fiscal year, government at all levels will absorb 37 percent of the Gross National Product and 44 percent of our total personal income. We destroy the value of our pensions and savings with an inflation rate that soars to 12 percent a year, at the same time we suffer unemployment rates of eight and nine percent.

Every minute I speak to you the Federal Government spends another \$700,000. I'd stop talking if they'd stop spending, but Washington is spending a billion dollars every day and goes into debt a billion and a third dollars every week. I don't think it would surprise Jefferson to learn that real spendable weekly income of the average American worker is lower than it was a decade ago -- even though in these 10 years that same worker has increased his productivity 23 percent. As Jefferson said, that is taking from the mouth of labor the bread it has earned.

If government continues to take that bread for the next 25 years at the same rate of increase it has in the last 40, the percent of GNP government consumes will be 66 percent -- two-thirds of all our output -- by the end of this century. A single proposal now before Congress, Senator Kennedy's national health insurance plan, would push the share of GNP consumed by government from 37 to more than 45 percent, all by itself.



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

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

As if that were not enough, the crushing weight of central government has distorted our federal system and altered the relationship between the levels of government, threatening the freedom of individuals and families. The states and local communities have been demeaned into little more than administrative districts, bureaucratic subdivisions of Big Brother government in Washington, with programs, spending priorities, and tax policies badly warped or dictated by federal overseers. Thousands of towns and neighborhoods have seen their peace disturbed by bureaucrats and social planners, through busing, questionable education programs, and attacks on family unity. Even so liberal an observer as Richard Goodwin could identify what he correctly called "the most troubling political fact of our age: that the growth in central power has been accompanied by a swift and continual diminution in the significance of the individual citizen, transforming him from a wielder into an object of authority."

It isn't good enough to approach this tangle of confusion by saying we will try to make it more efficient or "responsive," or modify an aspect here or there, or do a little less of all these objectionable things than will the Washington bureaucrats and those who support them. This may have worked in the past, but not any longer. The problem must be attacked at its source. All Americans must be rallied to preserve the good things that remain in our society and to restore those good things that have been lost.

We can and we must reverse the flow of power to Washington; not simply slow it, or paper over the problem with attractive phrases or cosmetic tinkering. This would give the appearance of change but leave the basic machinery untouched. In fact, it reminds me of a short fable of Tolstoy's: "I sit on a man's back, choking him and making him carry me, and yet assure myself and others that I am very sorry for him and wish to lighten his load by all possible means - - except by getting off his back."

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



Federal authority has clearly failed to do the job. Indeed, it has created more problems in welfare, education, housing, food stamps, Medicaid, community and regional development, and revenue sharing, to name a few. The sums involved and the potential savings to the taxpayer are large. Transfer of authority in whole or part in all these areas would reduce the outlay of the Federal Government by more than \$90 billion, using the spending levels of Fiscal 1976.

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

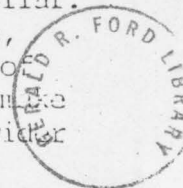
Not included in such a transfer would be those functions of government which are national rather than local in nature, and others which are handled through trust arrangements outside the general revenue structure. In addition to national defense and space, some of these areas are Social Security, Medicare,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

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

Turning back these programs would not end the process of reform in Washington. In the immediate years ahead:

- In our regulatory agencies dealing with non-monopoly industries, we must set a date certain for an end to Federal price fixing and an end to all Federal restrictions on entry.
- We must take steps to keep the spending and borrowing of off-budget agencies under control.
- We must reform our major trust funds to ensure solvency and accountability. Particularly important is the need to save Social Security from the colossal debt that threatens the future well-being of millions of Americans, even while it overtaxes our workers at a growing and exorbitant rate.
- We must put a statutory limit on the growth of our money supply, so that growth does not exceed the gain in productivity. Only in this way can we be sure of returning to a strong dollar.
- And we must radically simplify our method of tax collection, so that every American can fill out his return in a matter of minutes without legal help. Genuine tax reform would also make it more rewarding to save than to borrow, and encourage a wider diffusion of ownership to America's workers.

In the months ahead, I will say more on each of these major areas of



transfer of Federal programs to the states would mean.

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

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

An immediate tax cut, some of which might have to be balanced by tax rises in the states, would be only the beginning of the savings that could be achieved. When we begin making payments on the national debt, we will also begin making further reductions in the tax burden. American taxpayers are currently being billed an average of one billion dollars every ten days just to pay interest on the debt. As the debt is retired, we can progressively reduce the level of taxation required for interest payments. Senator Hubert Humphrey, in excusing government spending, once said, "A billion here and a billion there -- it adds up." Well, it can work the other way 'round.

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

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



It is theoretically possible that local governments will simply duplicate programs as they now exist, and if that is what the people in the states desire, that is exactly what will and should occur. Certainly the bureaucrats who run them now will be available, for they will have no further work in Washington.

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

The present system is geared for maximum expenditure and minimum responsibility. There is no better way to promote the lavish outlay of tax money than to transfer program and funding authority away from state and local governments to the Federal level. This ensures that recipients of aid will have every reason to spend and none to conserve. They can get political credit for spending freely, but don't have to take the heat for imposing the taxes. The French economist Bastiat, 100 years ago, said, "Public funds seemingly belong to no one and the temptation to bestow them on someone is irresistible."

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

The transfer of spending authority to Washington blurs the difference between wasteful states and prudent ones and this too destroys incentives toward economy. If a state spends itself into bankruptcy on welfare, under the present system it is bailed out when Washington picks up the tab; indeed, many Federal programs are geared toward encouraging this kind of behavior, bestowing greater aid in proportion to spending levels imposed by the states. The way to get more is to spend more.

By the same token, efforts at state economy are punished under the present system. A state that keeps its fiscal house in order and, for example, prevents the welfare problem from getting out of hand will find it derives no benefits from its action. It will discover, as we did in California, that efforts to impose some common sense in welfare will run afoul of Federal bureaucrats and guidelines. Its citizens will be called upon to pay in Federal taxes and inflation for other states that don't curb their spending.



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

Federal financing is the spenders' method of getting around these restraints. Taxes are imposed at a level where the government is far away and inaccessible to the average citizen. The connection between big spending and high taxes is hidden, and the ability to run up deficits and print more money makes efforts to control the problem through the taxing side alone almost meaningless.

The proposals I have outlined will bring howls of pain from those who are benefiting from the present system, and from many more who think they are. But as another Frenchman, friers, said, "~~For~~ those who govern, the first thing required is indifference to newspapers." We must turn a deaf ear to the screams of the outraged if this nation and this way of life are to survive. The simple fact is the producing class in this nation is being drained of its substance by the non-producers -- the taxpayers are being victimized by the tax consumers. We may be sure that those in Washington and elsewhere whose life style depends on consuming other people's earnings while working people struggle to make ends meet, will fight to the last limousine and carpeted anteroom.

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

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

There is no question but that under local agencies certain abuses took place and certainly they needed to be cured -- sometimes by Federal intervention. This was certainly true of racial segregation in the South. But



now that according to some estimates the South is the most integrated area of the country -- now that there is an ongoing enforcement structure in the Department of Justice -- is there any further reason to deny local control and funding of our schools?

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

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

I am calling also for an end to giantism, for a return to the human scale -- the scale that human beings can understand and cope with; the scale of the local fraternal lodge, the church congregation, the block club, the farm bureau. It is the locally-owned factory, the small businessman who personally deals with his customers and stands behind his product, the farm and consumer cooperative, the town or neighborhood bank that invests in the community, the union local.

In government, the human scale is the town council, the board of selectmen, and the precinct captain.

It is this activity on a small, human scale that creates the fabric of community, a framework for the creation of abundance and liberty. The human scale nurtures standards of right behavior, a prevailing ethic of what is right and what is wrong, acceptable and unacceptable.



Three and a half centuries ago, peoples from across the sea began to cross to this great land, searching for freedom and a sense of community they were losing at home. The trickle became a flood, and we spread across a vast, virtually unpeopled continent and caused it to bloom with homesteads, villages, cities, great transportation systems, all the emblems of prosperity and success. And we did this without urban renewal or an area redevelopment plan. We became the most productive people in the history of the world.

Two hundred years ago, when this process was just beginning, we rebelled when, in our eyes, a mother country turned into a foreign power. We rebelled not to overturn but to preserve what we had, and to keep alive the chance of doing more. We established a republic, because the meaning of a republic is that real leadership comes not from the rulers but from the people, that more happens in a state where people are the sculptors and not the clay.

We are losing that chance today, and we know we are losing it. Two hundred years ago it was London that turned into ~~a~~ foreign power. Today, and it is a sad thing to say, it is Washington. The coils woven in that city are entrapping us all, and, as with the Gordian knot, we cannot untie it, we must cut it with one blow of the sword.

In one reference book, cutting the Gordian knot is defined as follows: "to solve a perplexing problem by a single bold action." The Gordian knot of antiquity was in Phrygia, and it was Alexander the Great who cut it, thereby, according to the legend, assuring the conquest of Persia.

Today, the Gordian knot is in Washington, and the stakes are even higher. But this is a republic, and we have no king to cut it, only we the people, and our sword has been beaten into ballot boxes. What applies to the role of government applies equally to the means of changing that role: leadership is necessary, but even more necessary is popular choice. The anonymous sage who defined leadership must have lived in a republic, for he said, "He is not the best statesman who is the greatest doer, but he who sets others doing with the greatest success."



THE CHICAGO TRIBUNE

September 27, 1975

Reagan: Cut spending \$82.4 billion

By Neil Mehler
Political editor

RONALD REAGAN proposed Friday an immediate federal income tax cut of \$25 billion and an end to deficit spending that would require \$82.4 billion in reductions, including transfer of federal pro-

ing, and community and regional development.

TO BALANCE the budget Reagan said he would cut \$82.4 billion from a broad range of federal programs, including all revenue sharing funds and the postal subsidy.

He would cut or end programs in education and manpower



"Proposed Reductions In The Federal Budget
For Fiscal Year 1976"
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