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THE WHITE HOUSE

WASHINGTON

April 1, 1976

MEMORANDUM FOR ROBERT T. HARTMANN <sup>RTA</sup>

FROM: GWEN ANDERSON *GA*

SUBJECT: REAGAN SPEECH

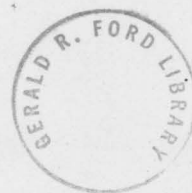
In response to your request for the quickest possible research check on the speech by former Governor Reagan, we checked the drafts of the candidate's speech for factual accuracy. See attached.

In checking any changes in the pre-released text as compared to the speech as it was actually delivered on TV, there were 28 minor changes, according to Bruce Wagner of Campaign '76 (833-8950). Of the 28 changes, however, there was only one factual change on page 11. That changed the figure from 45% to 43%.

This preliminary report has been compiled by three of our five research staff members headed by Agnes Waldron. The other two researchers have been handling the President's speech texts for Wisconsin. We have been assisted by the NSC, FEA, OMB, and PFC staff members cited as sources.

~~The economic section, despite some data provided by CEA, is obviously incomplete, but the material promised by Mr. Seidman is not yet available at this writing (4 p.m.)~~

*Seidman paper attached at the back of this package.*





ERRORS IN CANDIDATE REAGAN'S  
SPEECH OF MARCH 31, 1976

Page 1 - paragraph 3 - Reagan Statement

In this election season the White House is telling us a solid economic recovery is taking place. It claims a slight drop in unemployment. It says that prices aren't going up as fast, but they are still going up, and that the stock market has shown some gains. But, in fact, things seem just about as they were back in the 1972 election year. Remember, we were also coming out of a recession then. Inflation has been running at around 6%. Unemployment about 7. Remember, too, the upsurge and the optimism lasted through the election year and into 1973. And then, the roof fell in. Once again we had unemployment. Only this time not 7%, more than 10. And inflation -- wasn't 6%, it was 12%.

RESPONSE -- The peak of unemployment -- 8.9% -- was reached in May, 1975. Latest unemployment figures -- <sup>MARCH</sup> February, 1976 -- show the rate was 7.5%. But Mr. Reagan in deprecating these figures failed to note that total employment has returned to the pre-recession <sup>now exceeds the peak</sup> peak of July 1974 with 86.7 million at work <sup>which is a 2.6 million gain since March 1975.</sup>

Prices are not going up as fast. Inflation in 1974 was at an annual rate of 12.2%. Today it is at 6.3%.

In 1972 we were further into recovery than we are today. But Mr. Reagan has his statistical facts concerning 1973-74 somewhat askew. The peak unemployment figure was reached in May 1975 at 8.9%. It never reached 10% as he states.

Source -- ~~John Davies, CEA~~

Page 2 - paragraph 2

Now, in this election year 1976, we're told we're coming out of this recession. Just because inflation and unemployment rates have fallen, to what they were at the worst of the previous recession. If history repeats itself will we be talking recovery four years from now merely because we've reduced inflation from 25% to 12%.

RESPONSE -- All of the figures -- retail sales, GNP, durable goods, housing, personal income, etc. clearly show we are moving out of the recession -- the Administration's statements are not based merely on improved unemployment and cost-of-living statistics as Mr. Reagan implies.

Page 2 - paragraph 3

The fact is, we'll never build a lasting economic recovery by going deeper into debt at a faster rate than we ever have before. It took this nation 166 years -- until the middle of World War II -- to finally accumulate a debt of \$95 billion. It took this administration just the last 12 months to add \$95 billion to the debt. And this administration has run up almost one-fourth of our total national debt in just these short nineteen months.

RESPONSE -- The national debt reached \$72 billion in 1942. The current estimated deficit for FY 1976 is \$76.19 billion. Gross federal debt for FY 1976 is estimated at \$634 billion. Thus the administration's share of the national debt is 15.6¢ not 25%.

Page 2 - paragraph 4

Inflation is the cause of recession and unemployment. And we're not going to have real prosperity or recovery until we stop fighting the symptoms and start fighting the disease. There's only one cause for inflation -- government spending more than government takes in. The cure is a balanced budget. Ah, but they tell us, 80% of the budget is uncontrollable. It's fixed by laws passed by Congress.

RESPONSE -- The President has offered specific plans for a balanced budget. But a large part of the cause of the current recession is the result of past fiscal policies, rapid increases in federal expenditures. There is no quick fix for problems created a decade or more ago. A rapid return to a balanced budget as Mr. Reagan calls for would provide faster progress on inflation, but at the same time, it would mean a long delay in recovery and much longer period of high unemployment.

The budget for FY 1977 estimates that 77.1% of the budget is uncontrollable.



Page 3 - last 2 sentences of top paragraph

But laws passed by Congress can be repealed by Congress. And, if Congress is unwilling to do this, then isn't it time we elect a Congress that will?

RESPONSE -- The open-ended or uncontrollable program caol for outlays of \$383.1 billion in FY 1977 (plus the third quarter) \$236.8 billion is allocated to payments for individuals. Doe Mr. Reagan want to repeal the following:

Social Security and Railroad Retirement -- \$108.0 billion

Federal Employees Retirement benefits -- \$22.9 billion

Veterans Benefits -- \$16.3 billion

Medicare and Medicaid -- \$38.4 billion

Public Assistance programs -- \$26.0 billion

Page 3 - paragraph 2

Soon after he took office, Mr. Ford promised he would end inflation. Indeed, he declared war on inflation. And, we all donned those WIN buttons to "Whip Inflation Now." Unfortunately, the war -- it is never really started -- was soon over. Mr. Ford, without WIN button, appeared on TV, and promised he absolutely would not allow the Federal deficit to exceed \$60 billion (which incidentally was \$5 billion more than the biggest previous deficit we'd ever had). Later he told us it might be as much as \$70 billion. Now we learn it's \$80 billion or more.

RESPONSE -- The President did draw a line at a deficit of \$60 billion on March 29, 1975 in a televised address. The largest single year deficit occurred in 1943 -- \$57.4 billion. The difference between 57.4 and 60 billion is of course \$3.6 billion. The current estimated deficit for FY 76 is not \$80 billion or more, it is \$76.9 billion.

Page 3 - paragraph 3

Then came a White House proposal for a \$28 billion tax cut, to be matched by a \$28 billion cut in the proposed spending -- not in the present spending, but in the proposed spending in the new budget. Well, my question then and my question now is, if there was \$28 billion in the new budget that could be cut, what was it doing there in the first place?

RESPONSE -- The proposed \$28 billion cut was not a cut in the budget as suggested in the next to last line, it was a \$28 billion cut in Federal expenditures in programs already in place. The President's proposal was an effort to prevent further increases in spending.

SOURCE: John Davies, CEA



Page 4 - paragraph 1

It would have been nice if they'd thought of some arrangement like that for the rest of us. They could, for example, correct a great unfairness that now exists in our tax system. Today, when you get a cost of living pay raise -- one that just keeps you even with purchasing power -- it often moves you up into a higher tax bracket. This means you pay a higher percentage in tax, but you reduce your purchasing power. Last year, because of this inequity, the government took in \$ 7 billion in undeserved profit in the income tax alone, and this year they'll do even better. Now isn't it time that Congress looked after your welfare as well as its own?

RESPONSE -- Inflation does indeed increase taxes. The President has recognized this and has been successful in reducing the inflation rate by 50%. He has also proposed curbing the rise in expenditures and matched this with a comparable tax cut.

SOURCE: John Davies, CEA

Page 5 - paragraph 3

Ending inflation is the only long range and lasting answer to the problem of unemployment. The Washington Establishment is not the answer. It's the problem. Its tax policies, its harassing regulations, its confiscation of investment capital to pay for its deficits keeps business and industry from expanding to meet your needs and to provide the jobs we all need.

RESPONSE -- The President's economic policies are anti-inflationary. That is why he has vetoed 46 bills and saved the taxpayers \$13 billion.

SOURCE: Pete Modelin, OMB

Page 6 - paragraph 2

At the time we were only importing a small percentage of our oil. Yet, the Arab boycott caused half a million Americans to lose their jobs when plants closed down for lack of fuel. Today, it's almost three years later and "Project Independence" has become "Project Dependence." Congress has adopted an energy bill so bad we were led to believe Mr. Ford would veto it. Instead he signed it. And, almost instantly, drilling rigs all over our land started shutting down. Now, for the first time in our history, we are importing more oil than we produce. How many Americans will be laid off if there is another boycott? The energy bill is a disaster that never should have been signed.

RESPONSE -- Candidate Reagan stated we were only importing a small percentage of our oil -- actually 35%. When he stated it's almost three years -- in fact -- it is only two years March, 1974 to the present. The amount of oil that we imported during 1975 was 6.0 bm/d, and we produced 8.4 mb/d.

SOURCE: FEA, Bruce Pasternak and Jim Peterson

SOURCE: CHRIS RATHKOPH/FRANK ZARB  
FEA -- Administrator's Office

Page 6  
Paragraph 2

Reagan Statement:

Today, it's almost three years later and "Project Independence" has become "Project Dependence." Congress has adopted an energy bill so bad we were led to believe Mr. Ford would veto it. Instead he signed it.

RESPONSE:

The Energy Policy and Conservation Act passed by the Congress in December signaled an end to the year long debate between the Congress and the Administration on oil pricing policy and opens the way to an orderly phasing out of controls on domestic oil over forty months, thereby stimulating our own oil production. Over time, this legislation, by removing controls, should give industry sufficient incentive to explore, develop and produce new fields in the outer continental shelf, Alaska, and potential new reserves in the lower forty-eight states. Removal of these controls at the end of forty months should increase domestic production by more than one million barrels per day by 1985 and reduce imports by about three million barrels per day.

More importantly, this bill enables the United States to meet a substantial portion of the mid-term goals for



energy independence set forth over a year ago. Incorporated in this are authorities for a strategic storage system, conversion of oil and gas-fired utility and industrial plants to coal, energy efficiency labeling, emergency authorities for use in the event of another embargo, and the authority we need to fulfill our international agreements with other oil consuming nations. These provisions will directly reduce the nation's dependency on foreign oil by almost two million barrels per day by 1985. The strategic storage system and the stand-by authority will enable the United States to withstand a future embargo of about four million barrels per day.

Page 7 - paragraph 3

Page 9 - paragraph 2

California was faced with insolvency and on the verge of bankruptcy. We had to increase taxes. Well, this came very hard for me because I felt taxes were already too great a burden. I told the people the increase, in my mind, was temporary and that, as soon as we could, we'd return their money to them.

This was government-by-the-people proving that it works when the people work at it. When we ended our eight years, we turned over to the incoming administration a balance budget. A \$500 million surplus. And, virtually the same number of employees we'd started with eight years before. Even though the increase in population had given some departments a two-thirds increase in work load.

RESPONSE -- The number of state employees increased from 113,779 in 1967 to 127,929 in 1975. Under Reagan, there were three huge tax increases totalling more than \$2 billion in 1967.

In 1967, there was an increase of \$967 million, the largest state tax hike in the nation's history. Of this, \$2280 million went for one-time deficit payment and state property tax relief. In 1971, the increase was \$488 million with \$150 million for property tax relief. In 1972, an increase of \$682 million with \$650 million for property tax relief. Much of this property tax relief was short term, but the overall tax increases were permanent.

State personal income tax revenues went from \$500 million to \$2.5 billion, a 500% increase. Taxable bracket levies were increased from 7% to 11%. The size of the brackets was reduced so that taxpayers reached the highest bracket more quickly and personal exemptions were reduced. Finally, after he adamantly denied that he would ever do so, the Governor agreed to a system of withholding state income taxes.

Bank and corporation taxes went up 100%. The state sales tax rose from 4% to 6%. The tax on cigarettes went up 7 cents a pack and the liquor tax rose 50 cents per gallon. Inheritance tax rates were increased and collections more than doubled.

Page 7 - paragraph 3  
Page 9 - paragraph 2  
continued

-14-

Under Reagan, the average tax rate for each \$100 of assessed valuation rose from \$8.84 to \$11.15. Under predecessor Pat Brown, the increase was much less in dollars and percentage -- from \$6.96 to \$8.84, and in the six years of Republican Knight's administration, it was still less -- from \$5.94 to \$6.96. One reason for the big increase under Reagan -- from \$3.7 billion to \$8.3 billion -- is that the state paid a statutory formulated percentage of the school costs -- one of the biggest reasons for local property taxes.

Despite periodic efforts to provide relief there has been a substantial increase in the burden carried by most property owners. Inflation and high assessments have helped wipe out any savings. Only \$855 million of the record \$10.2 billion budget in Reagan's final year was for tax relief for homeowners and renters.

SOURCE: Peter Kaye, PFC



Page 10 - paragraph 4

And in less than three years we reduced the rolls by more than 300,000 people. Saved the taxpayers \$2 billion.

RESPONSE -- Substitute for 300,000 and \$2 billion the following:

1. Drop by 20,000 persons in rolls due to correction in accounting procedures in largest county, Los Angeles.
2. Migratory rate of unemployed into California declined from 233,000 in 1967 to 44,000 in 1971.
3. 110,000 decline in rolls attributed to Reagan even though his welfare had not gone into effect when decline occurred.
4. Rolls for welfare families increased in 8 years of Reagan's Governorship from 729,357 to 1,384,400 and the cost went from \$32.3 million to \$104.4 million.

SOURCE: Peter Kaye, PFC

Page 11 - top sentence

And, increased the grants to the truly deserving needy by an average of 43%. We also carried out a successful experiment which I believe is an answer to much of the welfare problem in the nation. We put able-bodied welfare recipients to work at useful community projects in return for their welfare grants.

RESPONSE -- The program never touched more than 6/10th of 1% of welfare recipients. Also, the program designed to have 59,000 participants in 1st year in 35 counties, but program managed 1,100 participants in 10 counties in mostly rural farm areas.

SOURCE: Peter Kaye, PFC

Page 12 - paragraph 4

Independent business people, shopkeepers and farmers file billions of reports every year required of them by Washington. It amounts to some 10 billion pieces of paper each year and it adds \$50 billion a year to the cost of doing business. Washington has been loud in its promise to do something about this blizzard of paperwork. And they made good. Last year they increased it by 20%.

RESPONSE -- The figures 10 billion and 50 billion are guestimates. No one has counted the number of pages in all of these reports. Moreover, if it is liberally estimated that it costs \$100 an hour to work on these forms, the total cost to business would be \$4.3 billion.

Between December, 1974 and December, 1975, the number of reports from the Executive branch agencies excluding IRS, banking and regulatory agencies declined by 5%. However, the number of hours of burden associated with filling out the reports increased by 8%. One reason for that increase is reports required by the Congress, i.e., the Real Estate Settlements Act which requires information to be filed when house was sold added 4 million manhours of reporting burden last year. In the absence of that report the reporting burden would have declined. There are other reports mandated by Congress which have added to this burden.

Dr. Duncan can see no reason for the increase of 20% that candidate Reagan was talking about. It is also virtually impossible to estimate cost to business in completing the forms.

SOURCE: Dr. Duncan, OMB, and Roy Lawry of OMB

SOURCE: BUD MCFARLAND, NSC

Page 13

Paragraph 3

Reagan Statement:

We gave just enough support to one side in Angola to encourage it to fight and die but too little to give it a chance of winning.

Response:

The U.S. objective in supporting the FNLA/UNITA forces in Angola was to assist them, and through them all of black Africa, to defend against Soviet and Cuban intervention. Despite massive Soviet aid and the presence of Cuban troops, we were on the road to success in Angola until December 19 when Congress adopted the Tunney Amendment cutting off further U.S. aid to the FNLA and UNITA.

Page 13

Paragraph 3

Reagan Statement:

Mr. Ford's new Ambassador to the United Nations attacks our long time ally Israel.

Response:

Governor Scranton not only did not attack Israel, his veto blocked an unbalanced Security Council Resolution critical of



SOURCE: Bud McFarland, NSC

Israel -- a resolution that every other member of the Security Council voted for. In his March 23 speech in the United Nations Security Council Gov. Scranton was simply reiterating long-standing U. S. policy -- a policy articulated by every Administration since 1967 -- on Israel's obligations as an occupying power under international law with regard to the territories under its occupation.

Page 13  
Paragraph 3

Reagan Statement:

In Asia our new relationship with mainland China can have practical benefits with both sides. But that doesn't mean it should include yielding to demands by them as the Administration has, to reduce our military presence on Taiwan where we have a long-time friend and ally, the Republic of China.

Response:

We have not reduced our forces on Taiwan as a result of Peking's demands. Instead, our reductions stem from our own assessment of U.S. political and security interests. We have drawn our forces down because the Vietnam conflict has ended and because the lessening of tension in the area brought about by our new relationship with the People's Republic of China has made it possible.

SOURCE: Bud McFarland, NSC

Page 13-14  
Paragraph 3

Reagan Statement:

And, it is also revealed now that we seek to establish friendly relations with Hanoi. To make it more palatable, we are told this might help us learn the fate of the men still listed as Missing in Action.

Response:

The Congress, reflecting the views of the American people and the Administration, has called for an accounting of our Missing in Action and the return of the bodies of dead servicemen still held by Hanoi. The Administration, in keeping with this Congressional mandate, has offered to discuss with Hanoi the significant outstanding issues between us. We have not said we "seek to establish friendly relations with Hanoi." Such an assertion is totally false.

Page 14  
Paragraph 2

Reagan Statement:

In the last few days, Mr. Ford and Dr. Kissinger have taken us from hinting at invasion of Cuba to laughing it off a ridiculous idea.

Except, that it was their ridiculous idea. No one else suggested it.

Once again -- what is their policy? During this last year, they carried

SOURCE: Bud McFarland, NSC

on a campaign to befriend Castro. They persuaded the Organization of American States to lift its trade embargo, lifted some U.S. trade restrictions, they engaged in culture exchanges. And then on the eve of the Florida primary election, Mr. Ford went to Florida, called Castro an outlaw and said he'd never recognize him. But he hasn't asked our Latin American neighbors to reimpose a single sanction, nor has he taken any action himself. Meanwhile, Castro continues to export revolution to Puerto Rico, to Angola, and who knows where else?

Response:

We did not persuade the OAS to lift the sanctions against Cuba. At Quito in the fall of 1974 we did not support a motion in the OAS to do so. At San Jose last summer the U.S. voted in favor of an OAS resolution which left to each country freedom of action with regard to the sanctions. We did so because a majority of the OAS members had already unilaterally lifted their sanctions against Cuba, and because the resolution was supported by a majority of the organization members. Since that resolution passed, no additional Latin American country has established relations with Cuba.

The U.S. did not lift its own sanctions against Cuba, did not enter into any agreements with Cuba, and did not trade with Cuba. We did not engage in cultural exchanges. We validated some passports for U.S. Congressmen and their staffs, for some scholars and for



SOURCE: Bud McFarland, NSC

some religious leaders to visit Cuba. We issued a few select visas to Cubans to visit the U.S. These minimal steps were taken to test whether there was a mutual interest in ending the hostile nature of our relations. This policy was consistent with the traditional American interest in supporting the free flow of ideas and people. We have, since the Cuban adventure in Angola, concluded that the Cubans are not interested in changing their ways. We have resumed our highly restrictive policies toward Cuban travel. With regard to Cuban efforts to interfere in Puerto Rican affairs, we have made it emphatically clear in the UN and bilaterally to the Cubans and other nations that the U.S. will not tolerate any interference in its internal affairs.

Page 15

Paragraph 2

Reagan Statement:

The Canal Zone is not a colonial possession. It is not a long-term lease. It is sovereign U.S. territory every bit the same as Alaska and all the states that were carved from the Louisiana Purchase. We should end those negotiations (on the Panama Canal) and tell the General: We bought it, we paid for it, we built it and we intend to keep it.

SOURCE: Bud McFarland, NSC

Response:

Negotiations between the United States and Panama on the Canal have been pursued by three successive American Presidents. The purpose of these negotiations is to protect our national security, not diminish it.

Finally, Governor Reagan's view that the Canal Zone is "sovereign U.S. territory every bit the same as Alaska and all the states that were carved from the Louisiana Purchase" is incorrect. Legal Scholars have been clear on this for three-quarters of a century. Unlike children born in the United States, for example, children born in the Canal Zone are not automatically citizens of the United States.

Page 16

Paragraph 2

Reagan Statement:

Why did the President travel halfway 'round the world to sign the Helsinki Pact, putting our stamp of approval on Russia's enslavement of the captive nations?

We gave away the freedom of millions of people -- freedom that was not ours to give.

Response:

The President did not go to Helsinki to put the stamp of approval on Soviet domination of Eastern Europe. On the contrary,

SOURCE: Bud McFarland, NSC

he went to Helsinki along with the Chiefs of State or heads of government of all our Western allies and, among others, a Papal Representative, to sign a document which contains Soviet commitments to greater respect for human rights, self determination of peoples, and expanded exchanges and communication throughout Europe. Basket three of the Act calls for a freer flow of people and ideas among all the European nations.

The Helsinki Act, for the first time, specifically provides for the possibility of peaceful change of borders when that would correspond to the wishes of the peoples concerned. With regard to the particular case of the Baltic States, President Ford stated clearly on July 25 that "the United States has never recognized that Soviet incorporation of Lithuania, Latvia and Estonia and is not doing so now. Our official policy of non-recognition is not affected by the results of the European Security Conference." in fact, the Helsinki document itself states that no occupation or acquisition of territory by force will be recognized as legal.

Page 16

Paragraph 3

Reagan Statement:

Now we must ask if someone is giving away our own freedom.

Dr. Kissinger is quoted as saying that he thinks of the U.S. as Athens

SOURCE: Bud McFarland, NSC

and the Soviet Union as Sparta. "The day of the U.S. is past and today is the day of the Soviet Union." And he added, "...My job as Secretary of State is to negotiate the most acceptable second-best position available."

Response:

Governor Reagan's so-called quotes from Secretary Kissinger are a total and irresponsible fabrication. He has never said what the Governor attributes to him, or anything like it. In fact, at a March 23, 1976 press conference in Dallas Secretary Kissinger said: "I do not believe that the United States will be defeated. I do not believe that the United States is on the decline. I do not believe that the United States must get the best deal it can.

I believe that the United States is essential to preserve the security of the free world and for any progress in the world that exists.

In a period of great national difficulty, of the Viet-Nam war, of Watergate, of endless investigations, we have tried to preserve the role of the United States as that major factor. And I believe that to explain to the American people that the policy is complex, that our involvement is permanent, and that our problems are nevertheless soluble, is a sign of optimism and of confidence in the American people, rather than the opposite."



SOURCE: Bud McFarland, NSC

Page 17

Paragraph 2

Reagan Statement:

Now we learn that another high official of the State Department, Helmut Sonnenfeldt, whom Dr. Kissinger refers to as his "Kissinger", has expressed the belief that, in effect, the captive nations should give up any claim of national sovereignty and simply become a part of the Soviet Union. He says, 'Their desire to break out of the Soviet straightjacket' threatens us with World War III. In other words, slaves should accept their fate."

Response:

It is wholly inaccurate, and a gross distortion of fact, to ascribe such views to Mr. Sonnenfeldt or to this Administration. Neither he nor anyone else in the Administration has ever expressed any such belief. The Administration view on this issue was expressed by Secretary Kissinger before the House International Relations Committee on March 29 as follows:

"As far as the U.S. is concerned, we do not accept a sphere of influence of any country, anywhere, and emphatically we reject a Soviet sphere of influence in Eastern Europe.

SOURCE: Bud McFarland, NSC

"Two Presidents have visited in Eastern Europe; there have been two visits to Poland and Romania and Yugoslavia, by Presidents. I have made repeated visits to Eastern Europe, on every trip to symbolize and to make clear to these countries that we are interested in working with them and that we do not accept or act upon the exclusive dominance of any one country in that area.

"At the same time, we do not want to give encouragement to an uprising that might lead to enormous suffering. But in terms of the basic position of the United States, we do not accept the dominance of any one country anywhere.

"Yugoslavia was mentioned, for example. We would emphatically consider it a very grave matter if outside forces were to attempt to intervene in the domestic affairs of Yugoslavia. We welcome Eastern European countries developing more in accordance with their national traditions, and we will cooperate with them. This is the policy of the United States, and there is no Sonnenfeldt doctrine."

SOURCE: BUD McFARLANE, NSC

Page 16

Paragraph 1

Reagan Statement:

The Soviet Army outnumbered ours more than two-to-one and in reserves four-to-one. They out-spend us on weapons by 50%. Their Navy outnumbered ours in surface ships and submarines two-to-one. We are outgunned in artillery three-to-one and their tanks outnumber ours four-to-one. Their strategic nuclear missiles are larger, more powerful and more numerous than ours. The evidence mounts that we are Number Two in a world where it is dangerous, if not fatal, to be second best.

RESPONSE:

Our nation is not "in danger," but it is damaging to the interests of this country when a politician declares to our adversaries and our friends abroad -- completely falsely -- that we are in second place. Such statements are both irresponsible and dangerous. They alarm our people and confuse our allies.

-- It is meaningless to say the Soviet Army may now be twice the size of the US Army! Considering that about half of the Soviet Army is deployed on the Chinese border, that isn't all that surprising. I suppose that if



we had to defend our borders and thus doubled our forces to do it, Mr. Reagan would be happier. Simplistic rhetoric such as this reflects a disturbingly shallow grasp of what true balance is all about.

-- For example, Mr. Reagan conveniently neglects to point out that our strategic forces are superior to Soviet forces. Our missiles are far more accurate and survivable. We have over twice as many missile warheads and, after all, it is the warheads which actually reach the target. Our lead in this area has been increasing over the past several years. Mr. Reagan likewise ignores our vast superiority in strategic bombers.

In short, if Mr. Reagan wants to alarm with use of numbers he can; but it only portrays his superficial understanding of these matters and by inflaming opinion -- at home and abroad -- falsely, does not serve the public interest.

-- Let's look at actions as opposed to words. President Ford is the one who reversed the trend of shrinking defense budgets. His last two defense budgets are the highest peacetime budgets in the nation's history. Mr. Reagan should speak to the Democratic Congress about its \$32 billion cuts in defense over the past six years.

Let's examine the question of America's strength.

First, we must dispose of the numbers game. National defense is not bookkeeping.

If it were, we could point out that our missile warheads have tripled, that we lead the Soviet Union by more than two to one. We would point out that we have over a three to one lead in strategic bombers. We could point out that our missiles are twice as accurate as the Soviet Union's.

We would point out that the Soviet Army -- which the Governor says is twice the size of ours -- has the problem of guarding a long border with China with a million men, and that our borders with Mexico and Canada are peaceful.

But it is a confusing disservice to the American people to dazzle them with numbers. If we were isolated in a fortress America, then it might be important to compare numbers. But we stand at the head of a great Alliance system in Europe and are firmly tied to the strongest economic power in Asia. We have friendly relations with most of the nations of the world. These are the valuable accomplishments of all of our previous Administrations since President Truman. We cannot insult our friends and allies by pretending they do not count.

Second, we cannot ignore that whatever might be the balance of power today, it is not fixed. And in our military programs, our defense budgets, we are indeed looking to the future, to guarantee that this nation will never be in danger. Consider our defense programs.

-- We are proceeding with the development and production of the world's most modern strategic bomber, the B-1.

-- We are proceeding with the development and production of the world's most modern and lethal missile launching submarine, the Trident.

-- We are developing a new large ICBM.

--We are producing three new fighters.

--We are planning the production of 15 new fighting ships, including two carriers.

It is true that you can cite a figure that the Soviets have more ships, but it is a trick to equate Soviet destroyers with our modern nuclear powered aircraft carriers.

Unfortunately, the money we have put into defense over the past several years has been inadequate. But the responsibility for slashing \$40 billion dollars must rest with the Congress.

Fortunately, under the prodding of President Ford the Congress has begun to awaken to the risks of constantly reducing our defense spending.

When the budget he proposed this year passes, then the trend will have been reversed.

So, we are in fact number one, and unless we falter, or give way to panic, we will remain number one.

1. Statement:

We gave just enough support to one side in Angola to encourage it to fight and die but too little to give it a chance of winning.

The Facts

The U.S. objective in supporting the FNLA/UNITA forces in Angola was to assist them, and through them all of black Africa, to defend against a minority group armed by the Soviet Union, and Cuban intervention. Despite massive Soviet aid and the presence of Cuban troops, there was every possibility of an acceptable outcome until December 19 when Congress adopted the Tunney Amendment cutting off further U.S. aid to the FNLA and UNITA.

2. Statement:

Mr. Ford's new Ambassador to the United Nations attacks our long time ally Israel.

The Facts

Governor Scranton not only did not attack Israel, his veto blocked Security Council resolution critical of Israel -- a resolution that every other member of the Security Council voted for. In his March 23 speech in the United Nations Security





Council Gov. Scranton was simply reiterating long-standing U. S. policy -- a policy articulated by every Administration since 1967 -- on Israel's obligations as an occupying power under international law with regard to the territories under its occupation.

3. Statement:

In Asia our new relationship with mainland China can have practical benefits with both sides. But that doesn't mean it should include yielding to demands by them as the Administration has, to reduce our military presence on Taiwan where we have a long-time friend and ally, the Republic of China.

The Facts:

We have not in any way reduced our forces on Taiwan as a result of Peking's demands. Our reductions stem from our own assessment of U.S. political and security interests. We have drawn our forces down because the Vietnam conflict has ended and because the lessening of tension in the area brought about by our new relationship with the People's Republic of China has made it possible.

4. Statement:

And, it is also revealed now that we seek to establish friendly relations with Hanoi. To make it more palatable, we are told this might help us learn the fate of the men still listed as Missing in Action.

The Facts:

The Congress has urged the Administration to make a positive gesture toward Hanoi in an effort to obtain further information relating to our Missing in Action, and the return of the bodies of dead servicemen still held by Hanoi. The Administration, in response, has offered to discuss with Hanoi the significant outstanding issues between us. Our policy toward Hanoi was clearly set forth by the President last December in Hawaii and does not include to "seek to establish friendly relations with Hanoi." Such an assertion is totally false.

5. Statement:

In the last few days, Mr. Ford and Dr. Kissinger have taken us from hinting at invasion of Cuba to laughing it off a ridiculous idea. Except, that it was their ridiculous idea. No one else suggested it. Once again -- what is their policy? During this last year, they carried on a campaign to befriend Castro. They persuaded the Organization of American States to lift its trade embargo,

lifted some U.S. trade restrictions, they engaged in cultural exchanges. And then on the eve of the Florida primary election, Mr. Ford went to Florida, called Castro an outlaw and said he'd never recognize him. But he hasn't asked our Latin American neighbors to reimpose a single sanction, nor has he taken any action himself. Meanwhile, Castro continues to export revolution to Puerto Rico, to Angola, and who knows where else?

The Facts:

We did not persuade the OAS to lift the sanctions against Cuba. At Quito in the fall of 1974 we did not support a motion in the OAS to do so. At San Jose last summer the U.S. voted in favor of an OAS resolution which left to each country freedom of action with regard to the sanctions. We did so because a majority of the OAS members had already unilaterally lifted their sanctions against Cuba, and because the resolution was supported by a majority of the organization members. Since that resolution passed, no additional Latin American country has established relations with Cuba or lifted sanctions.

The U.S. has not lifted its own sanctions against Cuba, has not entered into any agreements with Cuba, and has not traded with Cuba. We have not engaged in cultural exchanges. We validated some passports for U.S. Congressmen and their staffs, for some scholars and for



some religious leaders to visit Cuba. We issued a few select visas to Cubans to visit the United States. These minimal steps were taken to test whether there was a mutual interest in ending the hostile nature of our relations. This policy was consistent with the traditional American interest in supporting the free flow of ideas and people. We have, since the Cuban adventure in Angola, concluded that the Cubans are not interested in changing their ways. We have resumed our highly restrictive policies toward Cuban travel. With regard to Cuban efforts to interfere in Puerto Rican affairs, we have made it emphatically clear in the UN and bilaterally to the Cubans and other nations that the United States will not tolerate any interference in its internal affairs.

We have not hinted at invasion of Cuba. What we have done is to warn Cuba that we would not tolerate further military adventures. We mean it.

6. Statement:

The Canal Zone is not a colonial possession. It is not a long-term lease. It is sovereign U. S. territory every bit the same as Alaska and all the states that were carved from the Louisiana Purchase. We should end those negotiations (on the Panama Canal) and tell the General: We bought it, we paid for it, we built it and we intend to keep it.



The Facts:

Negotiations between the United States and Panama on the Canal have been pursued by three successive American Presidents. The purpose of these negotiations is to protect our national security, not diminish it. The issue is not between us and Torrijos. It is between us and all other Western Hemisphere nations -- without exception. No responsible American can ignore the voices of the Latin American states.

Governor Reagan's view that the Canal Zone is "sovereign U. S. territory every bit the same as Alaska and all the states that were carved from the Louisiana Purchase is totally wrong. The Canal Zone is not and never has been "sovereign U. S. territory." Legal scholars have been clear on this for three-quarters of a century. Unlike children born in the United States, for example, children born in the Canal Zone are not automatically citizens of the United States.

7. Statement:

Why did the President travel halfway 'round the world to sign the Helsinki Pact, putting our stamp of approval on Russia's enslavement of the captive nations?

We gave away the freedom of millions of people -- freedom that was not ours to give.

The Facts:

The President went to Helsinki along with the Chiefs of State or heads of government of all our Western allies,

and, among others, a Papal Representative, to sign a document which contains Soviet commitments to greater respect for human rights, self determination of peoples, and expanded exchanges and communication throughout Europe. Basket three of the Act calls for a freer flow of people and ideas among all the European nations.

The Helsinki Act, for the first time, specifically provides for the possibility of peaceful change of borders. With regard to the particular case of the Baltic States, President Ford stated clearly on July 25 that "the United States has never recognized that Soviet incorporation of Lithuania, Latvia and Estonia and is not doing so now. Our official policy of non-recognition is not affected by the results of the European Security Conference." In fact, the Helsinki document itself states that no occupation or acquisition of territory by force will be recognized as legal.

8. Statement:

Now we must ask if someone is giving away our own freedom. Dr. Kissinger is quoted as saying that he thinks of the U. S. as Athens and the Soviet Union as

Sparta. "The day of the U.S. is past and today is the day of the Soviet Union." And he added, "...My job as Secretary of State is to negotiate the most acceptable second-best position available."

The Facts:

Governor Reagan's so-called quotes from Secretary Kissinger are a total and irresponsible fabrication. The Secretary has never said what the Governor attributes to him, or anything like it. In fact, at a March 23, 1976 press conference in Dallas Secretary Kissinger said: "I do not believe that the United States will be defeated. I do not believe that the United States is on the decline. I do not believe that the United States must get the best deal it can.

I believe that the United States is essential to preserve the security of the free world and for any progress in the world that exists.

In a period of great national difficulty, of the Viet-Nam war, of Watergate, of endless investigations, we have tried to preserve the role of the United States as that major factor. And I believe that to explain to the American people that the policy is complex, that our involvement is permanent, and that our problems are nevertheless soluble, is a sign of optimism and of confidence in the American people, rather than the opposite."



9. Statement:

Now we learn that another high official of the State Department, Helmut Sonnenfeldt, whom Dr. Kissinger refers to as his "Kissinger", has expressed the belief that, in effect, the captive nations should give up any claim of national sovereignty and simply become a part of the Soviet Union. He says, 'Their desire to break out of the Soviet straightjacket' threatens us with World War III. In other words, slaves should accept their fate."

The Facts:

It is wholly inaccurate, and a gross distortion of fact, to ascribe such views to Mr. Sonnenfeldt or to this Administration. Neither he nor anyone else in the Administration has ever expressed any such belief. The Administration view on this issue was expressed by Secretary Kissinger before the House International Relations Committee on March 29 as follows:

"As far as the U.S. is concerned, we do not accept a sphere of influence of any country, anywhere, and emphatically we reject a Soviet sphere of influence in Eastern Europe.

"Two Presidents have visited in Eastern Europe; there have been two visits to Poland and Romania and Yugoslavia, by Presidents. I have made



repeated visits to Eastern Europe, on every trip to symbolize and to make clear to these countries that we are interested in working with them and that we do not accept or act upon the exclusive dominance of any one country in that area.

"At the same time, we do not want to give encouragement to an uprising that might lead to enormous suffering. But in terms of the basic position of the United States, we do not accept the dominance of any one country anywhere.

"Yugoslavia was mentioned, for example. We would emphatically consider it a very grave matter if outside forces were to attempt to intervene in the domestic affairs of Yugoslavia. We welcome Eastern European countries developing more in accordance with their national traditions, and we will cooperate with them. This is the policy of the United States, and there is no Sonnenfeldt doctrine."

THE WHITE HOUSE

WASHINGTON

April 1, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN  
BURTON G. MALKIEL

SUBJECT: Governor Reagan's March 31 Address

Governor Reagan's speech of March 31 is almost pure demagoguery. His facts are often wrong and his characterization of present policies is grossly misleading. The major implication of the speech is that we are excessively stimulating the economy for political purposes, just as was ostensibly done in 1972, and the result will be more inflation and an economic collapse. The analogy is completely unfair for the following reasons:

- (1) Just the opposite is true. Our policies are moderate, balanced and geared to producing a solid and sustainable recovery and a reduction of inflation.
  - (a) The President's vetoes during 1975 and 1976 have saved the taxpayers \$13 billion.
  - (b) Monetary expansion is now far more restrained than in 1972. Over the last six months -- that is, from September 1975 to March 1976 -- the broadly defined money supply ( $M_2$ ) has grown at an 8.6 percent annual rate. In the comparable September 1971 - March 1972 period, it grew at a 14.6 percent rate. It should also be pointed out that a 14.6 percent rate is well above the 10-1/2 percent upper limit of the Federal Reserve's present target range for the growth rate of the broadly defined money supply.
- (2) It is true that we are running a larger deficit now than in 1972. However, the following points should be made:
  - (a) The unemployment rate is considerably higher now and therefore so are the payments under automatic stabilizing programs such as unemployment compensation. Does Governor Reagan suggest we should reduce or eliminate these programs?



- (b) Capacity utilization was 70.8 percent in the 4th quarter of 1975 versus 78.6 percent during 1972. There is far more room for expansionary policies to increase real output without simply generating inflation.
- (c) The inflation of 1973 and 1974 was not wholly the result of government deficits. It was also influenced by monetary policy and by unusual shocks such as the quintupling of international oil prices and a world wide food shortage.

The Reagan speech does not acknowledge the considerable progress made by the Administration in reducing inflation. Wholesale prices increased 12.5 percent from March 1974 to March 1975. In the twelve months through March 1976 the wholesale price index increased only 5-1/2 percent. Inflation in the CPI was also at double digit rates during the 12 months ending March 1975. Over the last 12 months the CPI has increased at an annual rate of just over 6 percent.

The President's program of matching expenditure cuts with tax relief is ridiculed by Reagan. "If there was \$28 billion in the new budget that could be cut, what was it doing there in the first place?" The whole point is that the President did not put the \$28 billion in his budget. The \$28 billion was measured from a projected current service budget, i.e. a budget assuming the continuance of programs Congress already legislated.

Indeed the President's program is based upon the very premises which Governor Reagan would cite for himself. The President has stated repeatedly that an enduring solution to the unemployment program must go hand in hand with a reduction in inflation. To argue otherwise is dishonest. The President has proposed a radical reordering of budget priorities so as to improve the operation of many federal programs and to slow the rapid rise in federal outlays for the transfer and grant programs. These proposals, if adopted, would enable the budget to swing back into surplus as the recovery carries the economy back toward full employment.

These proposals will also enable a reversal in the long decline in real military outlays, and some modest further reductions in taxes. The President's proposals will leave the incomes of the American people for individuals themselves to spend,



rather than transferring it to the Federal Government. These proposals, if adopted, will enable the transition in the Federal budget which was not made in 1972-73. The President has exercised his veto power 46 times in the past year to insure that the transition is made.

To advocate an immediate balanced budget would be both irresponsible and dishonest. Part of the deficit is due to the recession and the reduced level of Federal revenues. Part of the deficit is due to the explosion of Federal outlays for transfers and grants. It took a decade and more to create these problems. They cannot be solved overnight without imposing intolerable costs upon the American people. They cannot be solved without a solid sustainable recovery, an enduring reduction in inflation and the reordering of budget priorities which the President has proposed.

An immediate balance in the federal deficit would require either a large tax increase or a large expenditure reduction. Such measures would shock the recovery and probably bring it to a halt. The only way to achieve our goals is to follow a prudent and disciplined budget policy, or reorder our budget priorities, to curb the rapid rise in Federal outlays. Otherwise, instead of overshooting the mark as we did in 1972-1973, we will undershoot it -- and the American people will again pay the dual price of recession and inflation.

There were also a number of factual errors in Governor Reagan's speech. Among them are:

- (1) Governor Reagan stated the unemployment rate was over 10 percent at some point during the recession. In fact, it peaked at 8.9 percent in May 1975.
- (2) Governor Reagan stated the FY 1976 budget deficit will be over \$80 billion. In fact, our best estimate is \$76 billion.
- (3) Governor Reagan stated that the maximum social security benefit "today buys 80 fewer loaves of bread than it did when the maximum payment was only \$85 a month." This would imply the average benefit in terms of dollars of constant purchasing power has declined substantially. In fact, the average benefit in terms of constant purchasing power has almost tripled since 1940 when the maximum benefit was \$85.
- (4) Governor Reagan indicated that since the energy bill was enacted "almost instantly, drilling rigs all over our land started shutting down." In fact, there were



1660 drilling rigs operating in 1975, the highest number in a decade. Through mid-March 1976 there were as many rigs operating as were operating in the comparable period during 1975.

April 13, 1976

TO: STU SPENCER  
FROM: FRED SLIGHT  
SUBJECT: PFC Leadership  
Mailings

Attached for your information is  
a mailing which has been sent to  
campaign leadership throughout  
the country this week.

BUSINGThe Reagan Rhetoric

"Nothing has created more bitterness for example than forced busing to achieve racial balance. It was born of a hope that we could increase understanding and reduce prejudice and antagonism. I'm sure we all approved of that goal. But busing has failed to achieve the goal."

Page 11, paragraph 3

The Ford Record

Candidate Reagan's statement implies that neither the President nor his Administration is either aware of this problem or concerned enough to do something about it. On the President's 12th day in office, he signed an education bill with the following provisions:

- Prohibits the use of all Federal funds (except Impact Aid) for busing activities.
- Allows the courts to terminate busing orders on a finding that the school district has and will continue to comply with the fifth and fourteenth amendments.
- Prohibits any new order to bus past the next nearest school.
- Prohibits orders to bus except at the start of an academic year.
- Prohibits busing across district lines or altering district lines unless, as a result of discriminatory actions in both school districts, the lines caused segregation.
- Provides school districts a reasonable time to develop voluntary plans before a court order can be executed.

The President has also directed the Secretary of Health, Education, and Welfare, the Attorney General, and members of the White House staff to review the ramifications of busing and to develop better methods to achieve quality education within an integrated environment for all school children.



CALIFORNIA GOVERNMENT GROWTHThe Reagan Rhetoric

"When I became Governor, I inherited a state government that was in almost the same situation as New York City. The state payroll had been growing for a dozen years at a rate of from 5 to 7,000 new employees each year. State government was spending from a million to a million and a half dollars more each day than it was taking in."

Page 7, paragraph 2

The Reagan Record

The California state budget under then Governor Reagan more than doubled, increasing from \$4.6 billion in 1967 to \$10.2 billion in 1973.

In addition, the state payroll continued to increase, from a total of 113,779 persons in 1967 to 127,929 persons in 1973.

As for the \$4 billion bonded indebtedness of California, there is little basis for comparison of the state with the current multitude of problems facing the City of New York.



CALIFORNIA STATE TAXESThe Reagan Rhetoric

"California was faced with insolvency and on the verge of bankruptcy. We had to increase taxes. Well, this came very hard for me because I felt taxes were already too great a burden. I told the people the increase, in my mind, was temporary and that, as soon as we could, we'd return their money to them."

Page 7, paragraph 3

The Reagan Record

Under Ronald Reagan, there were three huge state tax increases which totaled more than \$2 billion.

In 1967, there was an increase of \$967 million, the largest state tax hike in the nation's history. Of this, \$280 million went for a one-time deficit payment and state property tax relief. In 1971 the increase was \$488 million, with \$150 million going to property tax relief. In 1972, there was a final increase of \$682 million, with \$650 million going for property tax relief. While much of the property tax relief was short-term, the huge tax increases were permanent.

State personal income tax revenues went from \$500 million to \$2.5 billion, a 500% increase. Taxable bracket levies were increased from 7% to 11%. The range of the brackets was reduced so that taxpayers reached the highest taxable bracket more quickly and personal exemptions were reduced. Finally, after he adamantly denied that he would ever do so, then Governor Reagan agreed to a system of withholding state income taxes.

Bank and corporation taxes went up 100%. The state sales tax rose from 4% to 6%. The tax on cigarettes increased 7 cents a pack and the liquor tax rose 50 cents per gallon. Inheritance tax rates were increased and collections more than doubled.

Under Governor Reagan, the average tax rate for each \$100 of assessed valuation rose from \$8.84 to \$11.15. Under his predecessor, Pat Brown, the increase was much less in dollars and percentage--from \$6.96 to \$8.34. And in the six years of Republican Governor Knight's administration, it was still less--from \$5.94 to \$6.96. One reason for the big increase under Mr. Reagan--from \$3.7 billion to \$8.3 billion--is that the state paid a steadily smaller percentage of the school costs--one of the biggest reasons for local property taxes.

Despite periodic efforts to provide relief, there has been a substantial increase in the burden carried by most property owners. Inflation and high assessments have helped wipe out any savings. Only \$855 million of the record \$10.2 billion budget in Reagan's final year was for tax relief for homeowners and renters.

CALIFORNIA WELFARE REFORMThe Reagan Rhetoric

"After a few years of trying to control this runaway program (welfare) and being frustrated by bureaucrats here in California and in Washington, we turned again to a citizens' task force. The result was the most comprehensive welfare reform ever attempted.

And in less than three years we reduced the rolls by more than 300,000 people. Saved the taxpayers \$2 billion".

Page 10, paragraph 2-3

"And, increased the grants to the truly deserving needy by an average of 43%. We also carried out a successful experiment which I believe is an answer to much of the welfare problem in the nation. We put able-bodied welfare recipients to work at useful community projects in return for their welfare grants."

Page 11, paragraph 1

The Reagan Record

One reduction of 20,000 persons was due to a correction in accounting procedures in the state's largest county, Los Angeles.

Candidate Reagan also has taken credit for a drop of 110,000 cases which in fact, had occurred before his program had gone into effect. Moreover, a reduction in unemployment in California from 7.4% in April, 1971 to 5.9% in September, 1972 had as large an effect on checking the rise of welfare cases as any other single factor.

In addition, the migratory rate of unemployed persons into California declined from 233,000 in 1967 to 44,000 in 1971, reducing potential welfare roll increases.

Rolls for welfare families increased in the eight years of Mr. Reagan's governorship from 729,357 to 1,384,400, and the cost of the program went from \$32.3 million to \$104.4 million.

With regard to increasing grants to the deserving and putting "Able-bodied welfare recipients" to work, the Reagan program never touched more than 6/10th of 1% of welfare recipients. Although the program was designed to have 59,000 participants in its first year in 35 counties, it managed only 1,100 participants in 10 counties, mostly rural farm areas.

ECONOMIC RECOVERYThe Reagan Rhetoric

"In this election season the White House is telling us a solid economic recovery is taking place. It claims a slight drop in unemployment. It says that prices aren't going up as fast, but they are still going up, and that the stock market has shown some gains. But, in fact, things seem just about as they were back in the 1972 election year. Remember, we were also coming out of a recession then. Inflation has been running at around 6%. Unemployment about 7. Remember, too, the upsurge and the optimism lasted through the election year and into 1973. And then, the roof fell in. Once again we had unemployment. Only this time not 7%, more than 10. And inflation--wasn't 6%, it was 12%."

Page 1, paragraph 3

"Now, in this election year 1976, we're told we're coming out of this recession. Just because inflation and unemployment rates have fallen to what they were at the worst of the previous recession. If history repeats itself we will be talking recovery four years from now merely because we've reduced inflation from 25% to 12%."

Page 2, paragraph 2

The Ford Record

There are now 2.6 million more people at work today than there were just a year ago. Total employment is at its highest point in history.

Unemployment reached its peak in May, 1975 at 8.9%--not "more than 10%". March, 1976 figures show that this rate has been reduced to 7.5%, and that it continues to decline.

Prices are not going up as fast. In 1974, inflation stood at an annualized rate of 12.2%. Inflation today is down to 6.3%--cut nearly in half.

This recovery has taken place on a broad and lasting front. In addition to a decrease in both unemployment and inflation, major gains have been posted in retail sales, GNP, durable goods, housing and personal income. This Administration's statements are based on more than just the unemployment and cost-of-living statistics that candidate Reagan implies.



## EDUCATION

### The Reagan Rhetoric

"Schools. In America, we created at the local level and administered at the local level for many years the greatest public school system in the world. Now through something called federal aid to education, we have something called federal interference and education has been the loser. Quality has declined as federal intervention has increased."

Page 11, paragraph 2

### The Ford Record

The Federal government supports only 7% of the total cost of elementary and secondary education. The bulk of this support is distributed through the states to local governments to meet the specific educational needs of each community.

President Ford has recognized that "since Abraham Lincoln signed the Act creating the land grant colleges, Federal encouragement and assistance to education has been an essential part of the American system. To abandon it now would be to ignore the past and threaten the future."

The very first major piece of legislation the President signed was an omnibus education bill, it improved the distribution of Federal education funds and the administration of Federal programs.

On March 1 of this year, President Ford sent an education message to Congress which combined 24 categorical grant programs into one grant program of \$2.3 billion so that state and local school systems would have far greater flexibility in the use of these funds. This action insured continuing, appropriate Federal support for education, while minimizing the intensive rules and regulations which are unrelated to the development of quality education.



ENERGYThe Reagan Rhetoric

"Only a short time ago we were lined up at the gas station. We turned our thermostats down as Washington announced 'Project Independence.' We were going to become self-sufficient, able to provide for our own energy needs.

At the time we were only importing a small percentage of our oil. Yet, the Arab boycott caused half a million Americans to lose their jobs when plants closed down for lack of fuel. Today, it's almost three years later and 'Project Independence' has become 'Project Dependence.' Congress has adopted an energy bill so bad we were led to believe Mr. Ford would veto it. Instead he signed it. And, almost instantly, drilling rigs all over our land started shutting down. Now, for the first time in our history, we are importing more oil than we produce. How many Americans will be laid off if there is another boycott? The energy bill is a disaster that never should have been signed."

Page 6, paragraphs 1-2

The Ford Record

Candidate Reagan seems to have missed the whole point of having a national energy policy. Two years ago (not the three that he claims), at the time of the March, 1974 announcement of Project Independence, the United States was importing 35% of its oil--not the "insignificant" amount that Mr. Reagan seems to recall. It was for this reason that President Ford called for a comprehensive national energy policy to achieve, by 1985, national energy independence. Oil rigs did not begin shutting down after the passage of the EPCA. There were an average of 1,662 drilling rigs operating last year, the highest number in a decade. Figures for January 1976--just this week released--show that 1,710 rotary rigs were in operation one full month after passage of EPCA.

And, preliminary estimates indicate that 1976 investments by the petroleum industry in production and development activities will exceed those of 1975.

The Energy Policy and Conservation Act passed by the Congress and signed by President Ford in December ended a difficult, year-long debate between the Congress and the Administration on oil pricing policy; opening the way to an orderly phasing out of controls on domestic oil over forty months, thereby stimulating our own oil production.

By removing controls, this legislation should give industry sufficient incentive over a period of time to explore, develop and produce new fields in the outer continental shelf, Alaska, and potential new reserves in the lower forty-eight states. Removal of these controls at the end of forty months should increase domestic production by more than one million barrels per day by 1985 and reduce imports by about three million barrels per day.

More importantly, this bill enables the United States to meet a substantial portion of the mid-term goals for energy independence set forth over a year ago. Incorporated in this are authorities for:

- a strategic storage system
- conversion of oil and gas-fired utility and industrial plants to coal
- energy efficiency labeling
- emergency authorities for use in the event of another embargo
- and the authority we need to fulfill our international agreements with other oil consuming nations.

These provisions will directly reduce the nation's dependence on foreign oil by almost two million barrels per day by 1985. The strategic storage system and the stand-by authority will enable the United States to withstand a future embargo of about four million barrels per day.

The EPCA didn't give President Ford everything that he wanted, but it was a step in the right direction. Most importantly, it recognized the need and provided the means for gradual decontrol of oil.

President Ford has already put these authorities to good use-- his Administration recently announced the decontrol of heavy fuel oil, and will shortly follow suit with decontrol of other products as provided under the law.

Finally, candidate Reagan seems to have conveniently forgotten that President Ford long ago called for the decontrol of natural gas, production from national petroleum reserves, measures to stimulate more effective conservation, the development of new energy sources, and the development of more and cleaner energy from our vast coal resources.

Perhaps the question which should be asked is, "Does Mr. Reagan even have a policy?"



## FEDERAL SPENDING

### The Reagan Rhetoric

"The fact is, we'll never build a lasting economic recovery by going deeper into debt at a faster rate than we ever have before. It took this nation 166 years--until the middle of World War II--to finally accumulate a debt of \$95 billion. It took this administration just the last 12 months to add \$95 billion to the debt. And this administration has run up almost one-fourth of our total national debt in just these short nineteen months."

"Inflation is the cause of recession and unemployment. And we're not going to have real prosperity or recovery until we stop fighting the symptoms and start fighting the disease. There's only one cause for inflation--government spending more than government takes in. The cure is a balanced budget. Ah, but they tell us, 80% of the budget is uncontrollable. It's fixed by laws passed by Congress."

Page 2, paragraphs 3-4

"But laws passed by Congress can be repealed by Congress. And, if Congress is unwilling to do this, then isn't it time we elect a Congress that will?"

"Soon after he took office, Mr. Ford promised he would end inflation. Indeed, he declared war on inflation. And, we all donned those WIN buttons to "Whip Inflation Now." Unfortunately, the war--if it ever really started--was soon over. Mr. Ford, without WIN button, appeared on TV, and promised he absolutely would not allow the Federal deficit to exceed \$60 billion (which incidentally was \$5 billion more than the biggest previous deficit we'd ever had). Later he told us it might be as much as \$70 billion. Now we learn it's \$80 billion or more."

Page 3, paragraphs 1-2

### The Ford Record

The national debt reached \$72 billion in 1942. The estimated deficit for FY '76 is \$76.9 billion. The gross Federal debt up through FY '76 is estimated at \$634 billion. Thus, the Administration's share of the national debt is 15.6%, not the 25% declared by candidate Reagan.

President Ford's economic policy has been designed to:

1. Create sustained economic recovery and growth without inflation;
2. Reach a balanced Federal budget by 1979; and,
3. Provide jobs for all who seek work.

President Ford has offered specific plans for achieving a balanced budget; but, a large part of the cause of the current recession is the result of past fiscal policies, especially rapid increases in Federal expenditures. There is no quick remedy for the problems created a decade ago.

A precipitous return to a balanced budget, as candidate Reagan would like, would fuel inflation, halt the recovery, and mean a sustained period of high unemployment.

Some 77.1% of the federal budget for FY '77 is in "uncontrollable" or "open-ended" expenditures. Approximately \$236.8 billion of this is allocated to payments to individuals. In order to achieve candidate Reagan's "balanced" budget as quickly as he suggests, we would have to terminate all of some, or part of several, of the following expenditures:

\$108.0 billion	Social Security and Railroad Retirement
38.4 billion	Medicare and Medicaid
26.0 billion	Public Assistance Programs
22.9 billion	Federal Retirement Funds
16.3 billion	Veterans Benefits

About 26 cents out of every Federal tax dollar in 1977 will go to defense (\$101.2 billion). Revenue sharing and grants to states and localities--funds returned for use at the local level--take up another 15 cents out of every Federal dollar spent. This too, leaves little room for immediate, massive Federal cuts.

In March, 1975, President Ford literally "drew the line" at a deficit of \$60 billion. To meet that goal, the President vetoed some 47 bills sent to him by the Congress--at an attempted cost savings to the American taxpayer of \$26 billion. The Congress overrode only 7 of these vetoes, but at a cost to the taxpayer of another \$13 billion added to the Federal deficit.

Thus, the estimated deficit for FY 76 will be \$76.9 billion. The largest previous yearly deficit occurred in 1943--\$54.8 billion.

Gross national debt for FY 76 is estimated to be \$634 billion--of which \$76.9 billion, or 15.6% occurred during a year in which a Ford budget was in effect.

The President's proposed budget for FY 1977 cuts the rate of growth of Federal spending in half, down to 5.5%. The estimated deficit for FY 77 is \$43 billion or \$33 billion less than the previous year and some \$26 billion less than projected expenditures had government continued to grow at the same pace as it had during the last decade.

President Ford has set a balanced budget as his goal for 1979.



ANGOLAThe Reagan Rhetoric

"We gave just enough support to one side of Angola to encourage it to fight and die but too little to give it a chance of winning."

Page 13, paragraph 2

The Ford Record

The U.S. objective in supporting the FNLA/UNITA forces in Angola was to assist them, and through them all of black Africa, to defend against a minority faction supported by Soviet arms and Cuban intervention. Despite massive Soviet aid and the presence of Cuban troops, we were on the road to success in Angola until December 19 when Congress adopted the Tunney Amendment cutting off further U.S. aid to the FNLA and UNITA. President Ford severely rebuked the Congress for that action.

CHINAThe Reagan Rhetoric

"In Asia our new relationship with mainland China can have practical benefits with both sides. But that doesn't mean it should include yielding to demands by them as the Administration has to reduce our military presence on Taiwan where we have a long-time friend and ally, the Republic of China."

Page 13, paragraph 3

The Ford Record

We have not reduced our forces on Taiwan as a result of Peking's demands. Our reductions stem from our own assessment of U.S. political and security interests. The ending of the Vietnam conflict and the lessening of tension in the area brought about by our new relationship with the People's Republic of China has made this drawdown possible.

ISRAEL

The Reagan Rhetoric

"Mr. Ford's new Ambassador to the United Nations attacks our long time ally Israel."

Page 13, paragraph 3

The Ford Record

Candidate Reagan has grossly distorted the facts. William Scranton did not attack Israel. His veto blocked an unbalanced Security Council Resolution critical of Israel--a resolution that every other member of the Security Council voted for. In a March 23 speech in the United Nations Security Council, Ambassador Scranton reiterated long-standing U.S. policy--a policy articulated by every Administration--and every U.S. Representative to the United Nations since 1967--on Israel's obligations as an occupying power under international law with regard to the territories under its occupation.

Far from attacking our long-time ally, Israel, President Ford's Administration seized an historic opportunity to help the area move towards a secure, just and comprehensive peace settlement. During the Spring of 1975, the President held an extensive series of meetings with important leaders in the area. A second, interim agreement was reached shortly thereafter between Israel and Egypt.

This agreement reaffirmed and strengthened the ceasefire, widened the buffer zone, and committed both sides to settle the Middle East conflict by peaceful means, refraining from use of force. For the first time in years, the Suez Canal was opened to Israel for non-military shipping.

VIETNAM

The Reagan Rhetoric

"And, it is also revealed now that we seek to establish friendly relations with Hanoi. To make it more palatable,

we are told this might help us learn the fate of the men still listed as Missing in Action."

Page 13-14, paragraph 3

### The Ford Record

Neither President Ford nor his Administration spokesman have said we "seek to establish friendly relations with Hanoi." Such an assertion is totally false.

The Congress, reflecting the views of the American people and the Ford Administration, has called for an accounting of our Missing in Action and the return of the bodies of dead servicemen still held by Hanoi.

The Ford Administration, in keeping with this Congressional mandate, has offered to discuss with Hanoi the significant outstanding issues between us.

### CUBA

#### The Reagan Rhetoric

"In the last few days, Mr. Ford and Dr. Kissinger have taken us from hinting at invasion of Cuba to laughing it off as a ridiculous idea. Except, that it was their ridiculous idea. No one else suggested it. Once again -- what is their policy? During this last year, they carried on a campaign to befriend Castro. They persuaded the Organization of American States to lift its trade embargo, lifted some U.S. trade restrictions, they engaged in culture exchanges. And then on the eve of the Florida primary election, Mr. Ford went to Florida, called Castro an outlaw and said he'd never recognize him. But he hasn't asked our Latin American neighbors to reimpose a single sanction, nor has he taken any action himself. Meanwhile, Castro continues to export revolution to Puerto Rico, to Angola, and who knows where else?

Page 14, paragraph 2



The Ford Record

Neither President Ford nor his representative stated -- or hinted-- at an "invasion of Cuba." Nor did the United States persuade the OAS to lift the sanctions against Cuba.

At San Jose last summer, the U.S. voted in favor of an OAS resolution which left to each country freedom of action with regard to the sanctions. The U.S. did so because a majority of the OAS members had already unilaterally lifted their sanctions against Cuba, and because the resolution was supported by a majority of the organization members. Since that resolution passed, no additional Latin American country has established relations with Cuba.

The U.S. has not lifted its own sanctions against Cuba. It did not enter into any agreements with Cuba, and did not trade with Cuba. We did not engage in cultural exchanges.

The U.S. did validate a number of passports for U.S. Congressmen and their staffs, for some scholars and for some religious leaders to visit Cuba. And the U.S. issued a few select visas to Cubans to visit the U.S.

These minimal steps were taken to test whether there was a mutual interest in ending the hostile nature of our relations. This policy was consistent with the traditional American interest in supporting the free flow of ideas and people. Since the Cuban adventure in Angola, the Ford Administration has concluded that the Cubans are not interested in changing their ways. The U.S. has resumed its highly restrictive policies toward Cuban travel.

With regard to Cuban efforts to interfere in Puerto Rican affairs, the U.S. has made it emphatically clear in the UN and bilaterally to the Cubans and other nations that the U.S. will not tolerate any interference in its internal affairs.

Mr. Reagan's criticism is particularly interesting when compared to the following comment he made last August in a release for his weekly editorial column.

"Recent conciliatory gestures by Castro, including the return of \$2 million ransom money he had impounded in connection with a U.S. airliner hijacking, indicates that he is ready to talk turkey with the United States. Since we can accomplish both humanitarian and national objectives in the process, it's time for the Washington establishment to lift its Cuban dialogue above the level of that advertising slogan, 'Since we're neighbors, let's be friends.'"



FOREIGN AFFAIRSEASTERN EUROPEThe Reagan Rhetoric

"Now we learn that another high official of the State Department, Helmut Sonnenfeldt, whom Dr. Kissinger refers to as his "Kissinger", has expressed the belief that, in effect, the captive nations should give up any claim of national sovereignty and simply become a part of the Soviet Union. He says, 'Their desire to break out of the Soviet straightjacket' threatens us with World War III. In other words, slaves should accept their fate."

Page 17, paragraph 2

The Ford Record

The Reagan statement is wholly inaccurate. It is a gross distortion of fact, to ascribe such views to Mr. Sonnenfeldt or to the Ford Administration. Not a single person in the Ford Administration has ever expressed any such belief.

The U.S. does not accept a sphere of influence of any country, anywhere, and emphatically rejects a Soviet sphere of influence in Eastern Europe.

Two Presidents have visited in Eastern Europe; there have been two visits to Poland and Romania and Yugoslavia, by Presidents. Administration officials have made repeated visits to Eastern Europe, on every trip to symbolize and to make clear to these countries that the U.S. is interested in working with them and that it does not accept or act upon the exclusive dominance of any one country in that area.

At the same time, the U.S. does not want to give encouragement to an uprising that might lead to enormous suffering. The United States does not accept the dominance of any one country anywhere.

Yugoslavia was mentioned, for example. The Ford Administration would emphatically consider it a very grave matter if outside forces were to attempt to intervene in the domestic affairs of Yugoslavia. The U.S. welcomes Eastern European countries developing more in accordance with their national traditions, and we will cooperate with them. This is the policy of the United States, and there is no "Sonnenfeldt" doctrine.

FOREIGN AFFAIRS  
THE HELSINKI PACT

The Reagan Rhetoric

"Why did the President travel halfway 'round the world to sign the Helsinki Pact, putting our stamp of approval on Russia's enslavement of the captive nations?

We gave away the freedom of millions of people -- freedom that was not ours to give."

Page 16, paragraph 2

The Ford Record

Again, candidate Reagan has distorted the facts for emotional impact. President Ford stated clearly on July 25 that "the United States has never recognized the Soviet incorporation of Lithuania, Latvia and Estonia and is not doing so now. Our official policy of non-recognition is not affected by the results of the European Security Conference."

President Ford went to Helsinki along with the Chiefs of State or heads of government of all our Western allies and, among others, a Papal Representative, to sign a document which contains Soviet commitments to greater respect for human rights, self-determination of peoples, and expanded exchanges and communication throughout Europe. Article three of the Act calls for a freer flow of people and ideas among all the European nations.

The Helsinki Act, for the first time, specifically provides for the possibility of peaceful change of borders when that would correspond to the wishes of the peoples concerned.

And the Helsinki document itself states that no occupation or acquisition of territory by force will be recognized as legal.

FOREIGN AFFAIRSPANAMA CANALThe Reagan Rhetoric

"The Canal Zone is not a colonial possession. It is not a long-term lease. It is sovereign U.S. territory every bit the same as Alaska and all the states that were carved from the Louisiana Purchase. We should end those negotiations (on the Panama Canal) and tell the General; We bought it, we paid for it, we built it and we intend to keep it."

Page 15, paragraph 3

The Ford Record

It is not certain whether the Reagan rhetoric on the Panama Canal Zone best displays his ignorance--or his frequent distortion of the facts for political gain. What is certain is that Mr. Reagan view that the Canal Zone is "sovereign U.S. territory every bit the same as Alaska and all the states that were carved from the Louisiana Purchase" is absolutely incorrect.

The United States did not buy the Canal Zone from Panama for \$10 million in 1903. Instead, this country bought certain rights which Panama then granted--rights to run the Canal Zone as if it were U.S. territory, subjecting Panamanians to U.S. law and police in a strip of land through the middle of their country.

Neither is the Canal Zone sovereign U.S. territory. The original treaty does not give sovereignty to the U.S. but only rights the U.S. would exercise as "if it were sovereign." The 1936 treaty refers to the Canal Zone as Panamanian territory under U.S. jurisdiction. Legal scholars have been clear on this for three-quarters of an century. Unlike children born in the United States, for example, children born in the Canal Zone are not automatically citizens of the United States.

Candidate Reagan's rhetoric aggravates an already difficult situation. In 1964, anti-American riots in the Canal area took 26 lives. Since that time, negotiations between the United States and Panama on the Canal have been pursued by three successive American Presidents. The purpose of these negotiations is to protect our national security, not diminish it.



FOREIGN AFFAIRSTHE U.S. ROLEThe Reagan Rhetoric

"Now we must ask if someone is giving away our own freedom. Dr. Kissinger is quoted as saying that he thinks of the U.S. as Athens and the Soviet Union as Sparta. "The day of the U.S. is past and today is the day of the Soviet Union." And he added, "...My job as Secretary of State is to negotiate the most acceptable second-best position available."

Page 16, paragraph 3

The Ford Record

Candidate Reagan's so-called quotes from Secretary Kissinger are a total and irresponsible fabrication. He has never said what Mr. Reagan attributes to him, or anything like it.

In a March 23, 1975 press conference in Dallas, Secretary Kissinger said: "I do not believe that the United States will be defeated. I do not believe that the United States is on the decline."

"I believe that the United States is essential to preserve the security of the free world and for any progress in the world that exists."

"In a period of great national difficulty, of the Viet-Nam war, of Watergate, of endless investigations, we have tried to preserve the role of the United States as that major actor. And I believe that to explain to the American people that the policy is complex, that our involvement is permanent, and that our problems are nevertheless soluble, is a sign of optimism and of confidence in the American people rather than the opposite."



GOVERNMENT GROWTH & FEDERAL TAXES

The Reagan Rhetoric

"Then came a White House proposal for a \$28 billion tax cut, to be matched by a \$28 billion cut in the proposed spending -- not in the present spending, but in the proposed spending in the new budget. Well, my question then and my question now is, if there was \$28 billion in the new budget that could be cut, what was it doing there in the first place?"

Page 3, paragraph 3

"They could ... correct a great unfairness that now exists in our tax system. Today, when you get a cost-of-living pay raise-- one that just keeps you even with purchasing power-- it often moves you up into a higher tax bracket. This means you pay a higher percentage in tax but you reduce your purchasing power. Last year, because of this inequity, the government took in \$7 billion in undeserved profit in the income tax alone, and this year they'll do even better."

Page 4, paragraph 2

The Ford Record

President Ford has submitted a budget for FY '77 which will curb the growth in Federal expenditures -- proposing a \$28 billion cut in existing programs, not a reduction in the proposed budget as candidate Reagan would have the public believe. The President has called for this spending cut to be tied to a tax cut which would return to a family of four earning \$15,000 a year approximately \$227 more in take-home pay -- and which would give businesses more incentive to create jobs.

The President's tax proposals for individuals have several key features:

- an increase in the personal exemption from \$750 to \$1000.
- substitution of a single standard deduction-- \$2,500 for married couples filing jointly and \$1,800 for single taxpayers -- for the existing low income allowance and percentage standard deduction.
- a reduction in individual income tax rates.

President Ford's proposals to increase the inheritance tax exemption from \$60,000 to \$150,000, and his proposal to stretch out the Federal estate tax payment period for farms and small businesses, will help to keep farms and small business in the family after years of hard work.

And, to help businessmen create jobs, the President has proposed:

- permanent reductions in corporate income taxes;
- a permanent increase in the investment tax credit;
- accelerated depreciation for construction of plants and equipment in high unemployment areas;
- broadened incentives to encourage stock ownership by low and middle income working Americans.

The President's budget and tax measures have already meant more jobs for American workers, the slashing of inflation, and the growth of real take-home pay. His effort to curb the growth of government -- and to return control to the individual -- has already, and will continue to return dollars to the American worker.

NATIONAL DEFENSE

The Reagan Rhetoric

"The Soviet Army outnumbered ours more than two-to-one and in reserves four-to-one. They out-spend us on weapons by 50%. Their Navy outnumbered ours in surface ships and submarines two-to-one. We are outgunned in artillery three-to-one and their tanks outnumber ours four-to-one. Their strategic nuclear missiles are larger, more powerful and more numerous than ours. The evidence mounts that we are Number Two in a world where it is dangerous, if not fatal, to be second best."

Page 16, paragraph 1

The Ford Record

In January of this year, President Ford submitted to Congress the largest peacetime budget for the Department of Defense in the history of the United States--\$112 billion, \$700 million. He has assured the American people that "the United States is going to be number one, as it is, in our national security" as long as he is President.

Candidate Reagan conveniently neglects to mention that our strategic forces are superior to the Soviets'. The United States holds numerous advantages over the Soviet Union, including the following:

- Our missile warheads have tripled and we lead the Soviets in missile warheads by more than two-to-one.
- Our missiles are twice as accurate and more survivable.
- We have a three-to-one lead in the number of strategic bombers.
- We are proceeding with the development and production of the world's most modern strategic bomber, the B-1.
- We are developing the world's most modern and lethal missile launching submarine, the Trident.
- We are developing a new large ICBM.

National defense is more than a numbers game, and candidate Reagan's rhetoric indicates a disturbingly shallow grasp of what true balance is all about. It is absolutely meaningless to say the Soviet Army is twice the size of the U.S. Army when one considers that one million of their troops are deployed on the Chinese border.

Candidate Reagan also ignores that we are at the head of a great Alliance system in Europe, and we are firmly tied to the strongest economic power in Asia.



President Ford is the one responsible for reversing the recent trend of shrinking defense budgets in which a Democratic Congress has made \$37 billion in cuts during the past seven years.

Mr. Reagan's short-sighted, politically motivated statements that proclaim that our nation is "in danger" are both factually irresponsible and potentially damaging to this country. They alarm our people, confuse our allies, and invite our adversaries to seek new foreign adventures.

## SOCIAL SECURITY

### The Reagan Rhetoric

"Now, let's look at Social Security. Mr. Ford says he wants to 'preserve the integrity of Social Security.' Well, I differ with him on one word. I would like to restore the integrity of Social Security. Those who depend on it see a continual reduction in their standards of living. Inflation strips the increase in their benefits. The maximum benefit today buys 80 fewer loaves of bread than it did when that maximum payment was only \$85 a month. In the meantime, the Social Security payroll tax has become the most unfair tax any worker pays. Women are discriminated against. Particularly, working wives. And, people who reach Social Security age and want to continue working, should be allowed to do so and without losing their benefits. I believe a Presidential commission of experts should be appointed to study and present a plan to strengthen and improve Social Security while there's still time--so that no person who has contributed to Social Security will ever lose a dime."

Page 4, paragraph 3

### The Ford Record

The statement that the "maximum benefit today buys 80 fewer loaves than it did when the maximum benefit was only \$85 a month" implies that the purchasing power of Social Security payments has declined substantially. In fact, the average benefit has almost tripled in terms of the amount it can buy from that time in 1940 when the benefit was \$85.

It was President Ford who first recognized inflation as the single greatest threat to the quality of life for older Americans. As a result, his budget request to Congress for fiscal year 1977 included a full cost-of-living increase in Social Security benefits in order to maintain the purchasing power of 32 million older Americans.

Rather than add to government bureaucracy a "Presidential commission of experts" to re-study the complex problem, as candidate Reagan suggests, the President has taken immediate action by requesting legislation to maintain the fiscal integrity of the Social Security Trust Fund. President Ford has proposed an increase in payroll taxes of three tenths of one per cent for both employers and employees so that future Social Security payments will not exceed revenues.

And, beyond merely strengthening the Social Security system, and fighting inflation, President Ford has proposed coverage of catastrophic illness--with a ceiling of \$750 on medical expenditures.



# Reagan Rhetoric, Record Conflict

One of the biggest myths in American politics is the image of Ronald Reagan as a tight-fisted fiscal conservative.

In reality, Reagan was the biggest taxpayer and spender of any governor in California's history.

Lou Cannon, a political writer for the Washington Post and author of a Reagan biography, wrote in a recent article:

"At times Reagan seems to be the various things his advocates and his adversaries say about him. What Reagan says and what Reagan does are frequently contradictory. And he left a conflicting legacy after two four-year terms in the governorship."

Nowhere are the Reagan rhetoric and the Reagan record in more conflict than in the field of fiscal policy.

Let's compare the rhetoric and the record.

A letter from Sen. Paul Laxalt, R-Nevada, who is chairman of Citizens for Reagan, set the theme of the campaign.

The senator said Reagan would tell the American people "that as governor of California he was successful in:

—creating and returning an \$850 million surplus to the California taxpayers.

—keeping the size of the California state government constant.

—originating and signing a massive tax relief bill which resulted in a \$378 million saving to California's property owners and a \$110 million saving to renters."

That's the rhetoric. In detail, let's look at the record.

**Q. What about the Reagan campaign claim that as governor, he created and returned an \$850 million surplus to the California taxpayers?"**

A. The \$850 million surplus was not the result of any savings in state government. Rather, it was a serious miscalculation. In 1967, Reagan, in effect, 'overtaxed' Californians through an enormous \$943 million tax increase. While the tax increase was permanent, the rebate was a one-shot temporary form of relief in 1969—the year preceding his bid for reelection.

**Q. And the claim of a "massive tax relief bill which resulted in a \$378 million saving to property owners and a \$110 million saving to renters?"**

A. This was in no way the result of sound management of the state. The property tax relief was achieved by other federal and state revenues. Specifically, they were a federal revenue sharing surplus, a major increase in the state sales tax and a strong business climate.

**Q. What about the Reagan campaign boast that he kept "the size of California state government constant?"**

A. Under Reagan, the state budget more than doubled in eight years from \$4.6 billion to \$10.2 billion. The number of state employees increased from 113,779 in 1967 to 127,929 in 1975.

**Q. Yes, but don't inflation and the growth of California's population contribute to that budget increase?**

A. Doubtless they do. But it is significant to note that under Reagan the state budget increased an average of 12.2% yearly. Under his successor, Edmund G. Brown, Jr., the increase has been 6%. And while California's population grew 1% a year during Reagan's eight-year administration, it grew 3% a year during the 14 preceding years under Governors Edmund G. Brown, Sr. and Goodwin J. Knight.

**Q. How did Reagan balance the state budget during those years that it more than doubled? By practicing fiscal economies?**

A. By no means. Under Reagan, there were three huge tax increases totalling more than \$2 billion. In 1967, there was an increase of \$967 million—the largest state tax hike in the nation's history. Of this, \$280 million went for a one-time deficit payment and future property tax relief. In 1971, the increase was \$488 million with \$150 million for property tax relief. In 1972, the increase was \$682 million with \$650 million for property tax relief. Much of this property tax relief was short term. But the overall tax increases were permanent.

(over)



# Reagan Rhetoric

**Q. How was this money raised?**

A. By all sorts of taxes. State personal income tax revenues went from \$500 million to \$2.5 billion, a 500% increase. Top bracket levies were increased from 7% to 11%. The size of the brackets was reduced so that taxpayers reached the highest bracket more quickly. And personal exemptions were reduced. Finally, after adamantly denying he would ever do so, the governor agreed to a system of withholding state income taxes.

Bank and corporation taxes went up 100%. The state sales tax rose from 4% to 6%. The tax on cigarettes went up 7 cents a pack and the liquor tax rose 50 cents per gallon. Inheritance tax rates also were increased and collections more than doubled.

**Q. But didn't taxpayers benefit from local property tax relief?**

A. Hardly. Under Reagan, the average tax rate for each \$100 of assessed valuation rose from \$8.84 to \$11.15. Under predecessor Pat Brown the increase was much less in dollars and percentage—from \$6.96 to \$8.84. And in the six years of Republican Knight's administration it was still less—from \$5.94 to \$6.96. One reason for the big increase under Reagan—from \$3.7 billion to \$8.3 billion—is that the state paid a steadily smaller percentage of school costs—one of the biggest reasons for local property taxes.

Despite periodic efforts to provide relief, there has been a substantial increase in the burden carried by most property owners. Inflation and higher assessments have helped wipe out any savings. Only \$855 million of the record \$10.2 billion budget in Reagan's final year was for tax relief for homeowners and renters.

**Q. What did Reagan have to say about all this spending?**

A. Nothing very consistent. In his first inaugural message on January 5, 1967, he said, "we are going to squeeze and cut and trim until we reduce the cost of government."

On July 9, 1967, he said in a televised speech that as long as California grows in population and as long as the country is in an inflationary spiral "we will have a record breaking budget every year . . . and that is roughly 8%."

On Oct. 2, 1967, Reagan was asked in Milwaukee about his comment that he balanced the budget without new taxes. He replied: "We raised the old ones about \$1 billion."

**Q. Many of Reagan's supporters claim that the reason for the huge budget increases in his administration was because of increases in assistance to local governments?**

A. That's true. And under the same logic, we could eliminate about \$60 billion from the federal budget spent for assistance to the states. Extending that bookkeeping system to foreign aid and assistance to individuals, nearly three-fourths of the federal budget could be disregarded. If Reagan is going to continue to criticize the growth of the federal budget, he has to accept similar criticism on the growth of California's budget while he was governor. He can't have it both ways.



(over)

# Reagan Speech Called Misleading, Simple, Divisive

## **Old Prop, Old Script** *(From The Philadelphia Inquirer)*

To get to the White House, Reagan will have to describe not how he would reduce government, but how he would enhance America's spirit and self-confidence.

He won't do it with the simplistic, misleading and divisive rhetoric he unloaded in our living rooms last week.

## **Desperate Candidate** *(From The Los Angeles Times)*

Ronald Reagan is a desperate man in his quest of the Presidency. He paraded his desperation before a nationwide television audience (March 31) in a 28-minute address ringing with oversimplifications that evoked unhappy memories of the troubled years immediately after World War II.

He then quoted Kissinger as allegedly having said: "The day of the U.S. is past, and today is the day of the Soviet Union. . . . My job as secretary of state is to negotiate the most acceptable second-best position available."

A Kissinger aide denies that the remark was ever made. Certainly nothing in the actions and statements of the secretary of state lend credibility to the accusation that he would settle for secondary status for America.

As a political contender, Reagan has the privilege, and indeed the duty, to point out what he considers the shortcomings of his opponents; that is part of the democratic process. But he also has the duty to do so with responsibility, and that was as lacking in his telecast as were constructive alternatives to the policies he abhors.

## **The Reagan Show** *(From The Detroit Free Press)*

If Ronald Reagan has convincing evidence that Henry Kissinger now believes the U.S. to be a second-rate power and is formulating foreign policy on such a basis, he should have documented that assertion in his national television speech Wednesday night.

What the former California governor apparently did, in an address that threw every possible punch at President Ford, was merely to repeat convenient hear-say in what was billed as a responsible political appearance. And if that is the case, then Reagan owes somebody an apology—not least of whom is the American voter he has been trying to persuade.

The speech did accomplish some important things, however. It gave the country a fairly vivid indication of the kind of president Reagan would make. It showed he is clearly running a third-party campaign for the presidency, in tone, at least, if not in fact. And it almost certainly foreclosed any chance that President Ford might pick Reagan as his Republican running mate.

## **Reagan on the Issues** *(From The Sacramento Bee)*

Ronald Reagan's penchant for glossing over the facts to score a political point was exemplified in his nationwide television address.

Primary election campaigns should bring a full and frank discussion of the issues and Reagan did devote his \$100,000 half-hour to some of the leading questions in the presidential race. But in the process he again displayed his knack for oversimplifying problems and solutions.

Reagan cited his welfare cuts while governor and rescuing the state government from fiscal ruin. There was no mention of the sizeable tax increases he required and the doubling of the state budget during his eight-year administration.

Reagan is in his element before the television cameras, but weighing what he said rather than how he said it raises doubts that he really has solutions to the problems facing the nation.

(OVER)



# Reagan Speech Called Misleading, Simple Divisive

## Reagan's Politics of Fright (From The Chicago Daily News)

If the world were the kind of place perceived by Ronald Reagan, it would be a terrific place to live. Despite his victory in North Carolina, Reagan is on the ropes as a candidate for GOP presidential nomination. He is desperate, especially for money, and his TV appeal may bring in enough money to continue his quest for a while. But his message, the politics of fright, offers nothing the American people should buy.

## Reagan's Easy Answers (From The Rocky Mountain News)

Without a crystal ball, it is difficult to know if Ronald Reagan's nationwide television address the other night will help in his uphill fight to wrest the GOP nomination from President Ford.

But what is quite clear is that Reagan was neither fair, accurate nor intellectually honest in his sharp attacks on the administration's foreign and domestic policies.

It must be comfortable to go through life with easy answers for difficult dilemmas. Somebody ought to remind Reagan of one of H. L. Mencken's laws: "For every human problem, there is a neat, plain solution—and it is always wrong."

## The Reagan Show (From The Denver Post)

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(over)



# President Ford Committee

1828 L STREET, N.W., SUITE 250, WASHINGTON, D.C. 20036 (202) 457-6400

April 12, 1976

MEMORANDUM FOR:

BFC LEADERSHIP

FROM:

FRED SLIGHT *FMS*  
Director of Research

SUBJECT:

Ronald Reagan's National  
Television Address

Ronald Reagan presented, via the NBC network, a 30-minute political speech on the evening of March 31.

It is of note that his performance was worthy of his long career in the acting profession; however, it is disconcerting that such factual inaccuracies and simplistic conclusions could have been offered by someone who is seeking the Presidency of the United States.

In order to provide you with a more balanced understanding of the critical national and international issues which were discussed, I attach an analysis of Mr. Reagan's speech which contrasts the fact and fiction of his politically motivated remarks.

I trust that you will find this material to be of interest and use.

Attachment



BUSINGThe Reagan Rhetoric

"Nothing has created more bitterness for example than forced busing to achieve racial balance. It was born of a hope that we could increase understanding and reduce prejudice and antagonism. I'm sure we all approved of that goal. But busing has failed to achieve the goal."

Page 11, paragraph 3

The Ford Record

Candidate Reagan's statement implies that neither the President nor his Administration is either aware of this problem or concerned enough to do something about it. On the President's 12th day in office, he signed an education bill with the following provisions:

- Prohibits the use of all Federal funds (except Impact Aid) for busing activities.
- Allows the courts to terminate busing orders on a finding that the school district has and will continue to comply with the fifth and fourteenth amendments.
- Prohibits any new order to bus past the next nearest school.
- Prohibits orders to bus except at the start of an academic year.
- Prohibits busing across district lines or altering district lines unless, as a result of discriminatory actions in both school districts, the lines caused segregation.
- Provides school districts a reasonable time to develop voluntary plans before a court order can be executed.

The President has also directed the Secretary of Health, Education, and Welfare, the Attorney General, and members of the White House staff to review the ramifications of busing and to develop better methods to achieve quality education within an integrated environment for all school children.

CALIFORNIA GOVERNMENT GROWTHThe Reagan Rhetoric

"When I became Governor, I inherited a state government that was in almost the same situation as New York City. The state payroll had been growing for a dozen years at a rate of from 5 to 7,000 new employees each year. State government was spending from a million to a million and a half dollars more each day than it was taking in."

Page 7, paragraph 2

The Reagan Record

The California state budget under then Governor Reagan more than doubled, increasing from \$4.6 billion in 1967 to \$10.2 billion in 1973.

In addition, the state payroll continued to increase, from a total of 113,779 persons in 1967 to 127,929 persons in 1973.

As for the \$4 billion bonded indebtedness of California, there is little basis for comparison of the state with the current multitude of problems facing the City of New York.



CALIFORNIA STATE TAXESThe Reagan Rhetoric

"California was faced with insolvency and on the verge of bankruptcy. We had to increase taxes. Well, this came very hard for me because I felt taxes were already too great a burden. I told the people the increase, in my mind, was temporary and that, as soon as we could, we'd return their money to them."

Page 7, paragraph 3

The Reagan Record

Under Ronald Reagan, there were three huge state tax increases which totaled more than \$2 billion.

In 1967, there was an increase of \$967 million, the largest state tax hike in the nation's history. Of this, \$280 million went for a one-time deficit payment and state property tax relief. In 1971 the increase was \$488 million, with \$150 million going to property tax relief. In 1972, there was a final increase of \$682 million, with \$650 million going for property tax relief. While much of the property tax relief was short-term, the huge tax increases were permanent.

State personal income tax revenues went from \$500 million to \$2.5 billion, a 500% increase. Taxable bracket levies were increased from 7% to 11%. The range of the brackets was reduced so that taxpayers reached the highest taxable bracket more quickly and personal exemptions were reduced. Finally, after he adamantly denied that he would ever do so, then Governor Reagan agreed to a system of withholding state income taxes.

Bank and corporation taxes went up 100%. The state sales tax rose from 4% to 6%. The tax on cigarettes increased 7 cents a pack and the liquor tax rose 50 cents per gallon. Inheritance tax rates were increased and collections more than doubled.

Under Governor Reagan, the average tax rate for each \$100 of assessed valuation rose from \$8.84 to \$11.15. Under his predecessor, Pat Brown, the increase was much less in dollars and percentage--from \$6.96 to \$8.84. And in the six years of Republican Governor Knight's administration, it was still less--from \$5.94 to \$6.96. One reason for the big increase under Mr. Reagan--from \$3.7 billion to \$8.3 billion--is that the state paid a steadily smaller percentage of the school costs--one of the biggest reasons for local property taxes.

Despite periodic efforts to provide relief, there has been a substantial increase in the burden carried by most property owners. Inflation and high assessments have helped wipe out any savings. Only \$855 million of the record \$10.2 billion budget in Reagan's final year was for tax relief for homeowners and renters.

CALIFORNIA WELFARE REFORMThe Reagan Rhetoric

"After a few years of trying to control this runaway program (welfare) and being frustrated by bureaucrats here in California and in Washington, we turned again to a citizens' task force. The result was the most comprehensive welfare reform ever attempted.

And in less than three years we reduced the rolls by more than 300,000 people. Saved the taxpayers \$2 billion".

Page 10, paragraph 2-3

"And, increased the grants to the truly deserving needy by an average of 43%. We also carried out a successful experiment which I believe is an answer to much of the welfare problem in the nation. We put able-bodied welfare recipients to work at useful community projects in return for their welfare grants."

Page 11, paragraph 1

The Reagan Record

One reduction of 20,000 persons was due to a correction in accounting procedures in the state's largest county, Los Angeles.

Candidate Reagan also has taken credit for a drop of 110,000 cases which in fact, had occurred before his program had gone into effect. Moreover, a reduction in unemployment in California from 7.4% in April, 1971 to 5.9% in September, 1972 had as large an effect on checking the rise of welfare cases as any other single factor.

In addition, the migratory rate of unemployed persons into California declined from 233,000 in 1967 to 44,000 in 1971, reducing potential welfare roll increases.

Rolls for welfare families increased in the eight years of Mr. Reagan's governorship from 729,357 to 1,384,400, and the cost of the program went from \$32.3 million to \$104.4 million.

With regard to increasing grants to the deserving and putting "Able-bodied welfare recipients" to work, the Reagan program never touched more than 6/10th of 1% of welfare recipients. Although the program was designed to have 59,000 participants in its first year in 35 counties, it managed only 1,100 participants in 10 counties, mostly rural farm areas.



ECONOMIC RECOVERYThe Reagan Rhetoric

"In this election season the White House is telling us a solid economic recovery is taking place. It claims a slight drop in unemployment. It says that prices aren't going up as fast, but they are still going up, and that the stock market has shown some gains. But, in fact, things seem just about as they were back in the 1972 election year. Remember, we were also coming out of a recession then. Inflation has been running at around 6%. Unemployment about 7. Remember, too, the upsurge and the optimism lasted through the election year and into 1973. And then, the roof fell in. Once again we had unemployment. Only this time not 7%, more than 10. And inflation--wasn't 6%, it was 12%."

Page 1, paragraph 3

"Now, in this election year 1976, we're told we're coming out of this recession. Just because inflation and unemployment rates have fallen to what they were at the worst of the previous recession. If history repeats itself we will be talking recovery four years from now merely because we've reduced inflation from 25% to 12%."

Page 2, paragraph 2

The Ford Record

There are now 2.6 million more people at work today than there were just a year ago. Total employment is at its highest point in history.

Unemployment reached its peak in May, 1975 at 8.9%--not "more than 10%". March, 1976 figures show that this rate has been reduced to 7.5%, and that it continues to decline.

Prices are not going up as fast. In 1974, inflation stood at an annualized rate of 12.2%. Inflation today is down to 6.3%--cut nearly in half.

This recovery has taken place on a broad and lasting front. In addition to a decrease in both unemployment and inflation, major gains have been posted in retail sales, GNP, durable goods, housing and personal income. This Administration's statements are based on more than just the unemployment and cost-of-living statistics that candidate Reagan implies.



EDUCATIONThe Reagan Rhetoric

"Schools. In America, we created at the local level and administered at the local level for many years the greatest public school system in the world. Now through something called federal aid to education, we have something called federal interference and education has been the loser. Quality has declined as federal intervention has increased."

Page 11, paragraph 2

The Ford Record

The Federal government supports only 7% of the total cost of elementary and secondary education. The bulk of this support is distributed through the states to local governments to meet the specific educational needs of each community.

President Ford has recognized that "since Abraham Lincoln signed the Act creating the land grant colleges, Federal encouragement and assistance to education has been an essential part of the American system. To abandon it now would be to ignore the past and threaten the future."

The very first major piece of legislation the President signed was an omnibus education bill. It improved the distribution of federal education funds and the administration of Federal programs.

On March 1 of this year, President Ford sent an education message to Congress which combined 24 categorical grant programs into one grant program of \$3.3 billion so that state and local school systems would have far greater flexibility in the use of these funds. This action insured continuing, appropriate Federal support for education, while minimizing the intensive rules and regulations which are unrelated to the development of quality education.

ENERGYThe Reagan Rhetoric

"Only a short time ago we were lined up at the gas station. We turned our thermostats down as Washington announced 'Project Independence.' We were going to become self-sufficient, able to provide for our own energy needs.

At the time we were only importing a small percentage of our oil. Yet, the Arab boycott caused half a million Americans to lose their jobs when plants closed down for lack of fuel. Today, it's almost three years later and 'Project Independence' has become 'Project Dependence.' Congress has adopted an energy bill so bad we were led to believe Mr. Ford would veto it. Instead he signed it. And, almost instantly, drilling rigs all over our land started shutting down. Now, for the first time in our history, we are importing more oil than we produce. How many Americans will be laid off if there is another boycott? The energy bill is a disaster that never should have been signed."

Page 6, paragraphs 1-2

The Ford Record

Candidate Reagan seems to have missed the whole point of having a national energy policy. Two years ago (not the three that he claims), at the time of the March, 1974 announcement of Project Independence, the United States was importing 35% of its oil--not the "insignificant" amount that Mr. Reagan seems to recall. It was for this reason that President Ford called for a comprehensive national energy policy to achieve, by 1985, national energy independence. Oil rigs did not begin shutting down after the passage of the EPCA. There were an average of 1,662 drilling rigs operating last year, the highest number in a decade. Figures for January 1976--just this week released--show that 1,710 rotary rigs were in operation one full month after passage of EPCA.

And, preliminary estimates indicate that 1976 investments by the petroleum industry in production and development activities will exceed those of 1975.

The Energy Policy and Conservation Act passed by the Congress and signed by President Ford in December ended a difficult, year-long debate between the Congress and the Administration on oil pricing policy, opening the way to an orderly phasing out of controls on domestic oil over forty months, thereby stimulating our own oil production.



By removing controls, this legislation should give industry sufficient incentive over a period of time to explore, develop and produce new fields in the outer continental shelf, Alaska, and potential new reserves in the lower forty-eight states. Removal of these controls at the end of forty months should increase domestic production by more than one million barrels per day by 1985 and reduce imports by about three million barrels per day.

More importantly, this bill enables the United States to meet a substantial portion of the mid-term goals for energy independence set forth over a year ago. Incorporated in this are authorities for:

- a strategic storage system
- conversion of oil and gas-fired utility and industrial plants to coal
- energy efficiency labeling
- emergency authorities for use in the event of another embargo
- and the authority we need to fulfill our international agreements with other oil consuming nations.

These provisions will directly reduce the nation's dependence on foreign oil by almost two million barrels per day by 1985. The strategic storage system and the stand-by authority will enable the United States to withstand a future embargo of about four million barrels per day.

The EPCA didn't give President Ford everything that he wanted, but it was a step in the right direction. Most importantly, it recognized the need and provided the means for gradual decontrol of oil.

President Ford has already put these authorities to good use-- his Administration recently announced the decontrol of heavy fuel oil, and will shortly follow suit with decontrol of other products as provided under the law.

Finally, candidate Reagan seems to have conveniently forgotten that President Ford long ago called for the decontrol of natural gas, production from national petroleum reserves, measures to stimulate more effective conservation, the development of new energy sources, and the development of more and cleaner energy from our vast coal resources.

Perhaps the question which should be asked is, "Does Mr. Reagan even have a policy?"



FEDERAL SPENDINGThe Reagan Rhetoric

"The fact is, we'll never build a lasting economic recovery by going deeper into debt at a faster rate than we ever have before. It took this nation 166 years--until the middle of World War II--to finally accumulate a debt of \$95 billion. It took this administration just the last 12 months to add \$95 billion to the debt. And this administration has run up almost one-fourth of our total national debt in just these short nineteen months."

"Inflation is the cause of recession and unemployment. And we're not going to have real prosperity or recovery until we stop fighting the symptoms and start fighting the disease. There's only one cause for inflation--government spending more than government takes in. The cure is a balanced budget. Ah, but they tell us, 80% of the budget is uncontrollable. It's fixed by laws passed by Congress."

Page 2, paragraphs 3-4

"But laws passed by Congress can be repealed by Congress. And, if Congress is unwilling to do this, then isn't it time we elect a Congress that will?"

"Soon after he took office, Mr. Ford promised he would end inflation. Indeed, he declared war on inflation. And, we all donned those WIN buttons to "Whip Inflation Now." Unfortunately, the war--if it ever really started--was soon over. Mr. Ford, without WIN button, appeared on TV, and promised he absolutely would not allow the Federal deficit to exceed \$60 billion (which incidentally was \$5 billion more than the biggest previous deficit we'd ever had). Later he told us it might be as much as \$70 billion. Now we learn it's \$80 billion or more."

Page 3, paragraphs 1-2

The Ford Record

The national debt reached \$72 billion in 1942. The estimated deficit for FY '76 is \$76.9 billion. The gross Federal debt up through FY '76 is estimated at \$634 billion. Thus, the Administration's share of the national debt is 15.6%, not the 25% declared by candidate Reagan.

President Ford's economic policy has been designed to:

1. Create sustained economic recovery and growth without inflation;
2. Reach a balanced Federal budget by 1979; and,
3. Provide jobs for all who seek work.

President Ford has offered specific plans for achieving a balanced budget; but, a large part of the cause of the current recession is the result of past fiscal policies, especially rapid increases in Federal expenditures. There is no quick remedy for the problems created a decade ago.

A precipitous return to a balanced budget, as candidate Reagan would like, would fuel inflation, halt the recovery, and mean a sustained period of high unemployment.

Some 77.1% of the federal budget for FY '77 is in "uncontrollable" or "open-ended" expenditures. Approximately \$236.8 billion of this is allocated to payments to individuals. In order to achieve candidate Reagan's "balanced" budget as quickly as he suggests, we would have to terminate all of some, or part of several, of the following expenditures:

\$108.0 billion	Social Security and Railroad Retirement
38.4 billion	Medicare and Medicaid
26.0 billion	Public Assistance Programs
22.9 billion	Federal Retirement Funds
16.3 billion	Veterans Benefits

About 26 cents out of every Federal tax dollar in 1977 will go to defense (\$101.2 billion). Revenue sharing and grants to states and localities--funds returned for use at the local level--take up another 15 cents out of every Federal dollar spent. This, too, leaves little room for immediate, massive Federal cuts.

In March, 1975, President Ford literally "drew the line" at a deficit of \$60 billion. To meet that goal, the President vetoed some 47 bills sent to him by the Congress--at an attempted cost savings to the American taxpayer of \$26 billion. The Congress overrode only 7 of these vetoes, but at a cost to the taxpayer of another \$13 billion added to the Federal deficit.

Thus, the estimated deficit for FY 76 will be \$76.9 billion. The largest previous yearly deficit occurred in 1943--\$54.8 billion.

Gross national debt for FY 76 is estimated to be \$634 billion--of which \$76.9 billion, or 15.6% occurred during a year in which a Ford budget was in effect.

The President's proposed budget for FY 1977 cuts the rate of growth of Federal spending in half, down to 5.5%. The estimated deficit for FY 77 is \$43 billion or \$33 billion less than the previous year and some \$26 billion less than projected expenditures had government continued to grow at the same pace as it had during the last decade.

President Ford has set a balanced budget as his goal for 1979.



ANGOLA

The Reagan Rhetoric

"We gave just enough support to one side of Angola to encourage it to fight and die but too little to give it a chance of winning."

Page 13, paragraph 2

The Ford Record

The U.S. objective in supporting the FNLA/UNITA forces in Angola was to assist them, and through them all of black Africa, to defend against a minority faction supported by Soviet arms and Cuban intervention. Despite massive Soviet aid and the presence of Cuban troops, we were on the road to success in Angola until December 19 when Congress adopted the Tunney Amendment cutting off further U.S. aid to the FNLA and UNITA. President Ford severely rebuked the Congress for that action.

CHINA

The Reagan Rhetoric

"In Asia our new relationship with mainland China can have practical benefits with both sides. But that doesn't mean it should include yielding to demands by them as the Administration has to reduce our military presence on Taiwan where we have a long-time friend and ally, the Republic of China."

Page 13, paragraph 3

The Ford Record

We have not reduced our forces on Taiwan as a result of Peking's demands. Our reductions stem from our own assessment of U.S. political and security interests. The ending of the Vietnam conflict and the lessening of tension in the area brought about by our new relationship with the People's Republic of China has made this drawdown possible.



ISRAEL

The Reagan Rhetoric

"Mr. Ford's new Ambassador to the United Nations attacks our long time ally Israel."

Page 13, paragraph 3

The Ford Record

Candidate Reagan has grossly distorted the facts. William Scranton did not attack Israel. His veto blocked an unbalanced Security Council Resolution critical of Israel--a resolution that every other member of the Security Council voted for. In a March 23 speech in the United Nations Security Council, Ambassador Scranton reiterated long-standing U.S. policy--a policy articulated by every Administration--and every U.S. Representative to the United Nations since 1967--on Israel's obligations as an occupying power under international law with regard to the territories under its occupation.

Far from attacking our long-time ally, Israel, President Ford's Administration seized an historic opportunity to help the area move towards a secure, just and comprehensive peace settlement. During the Spring of 1975, the President held an extensive series of meetings with important leaders in the area. A second, interim agreement was reached shortly thereafter between Israel and Egypt.

This agreement reaffirmed and strengthened the ceasefire, widened the buffer zone, and committed both sides to settle the Middle East conflict by peaceful means, refraining from use of force. For the first time in years, the Suez Canal was opened to Israel for non-military shipping.

VIETNAM

The Reagan Rhetoric

"And, it is also revealed now that we seek to establish friendly relations with Hanoi. To make it more palatable,

we are told this might help us learn the fate of the men still listed as Missing in Action."

Page 13-14, paragraph 3

The Ford Record

Neither President Ford nor his Administration spokesman have said we "seek to establish friendly relations with Hanoi." Such an assertion is totally false.

The Congress, reflecting the views of the American people and the Ford Administration, has called for an accounting of our Missing in Action and the return of the bodies of dead servicemen still held by Hanoi.

The Ford Administration, in keeping with this Congressional mandate, has offered to discuss with Hanoi the significant outstanding issues between us.

CUBA

The Reagan Rhetoric

"In the last few days, Mr. Ford and Dr. Kissinger have taken us from hinting at invasion of Cuba to laughing it off as a ridiculous idea. Except, that it was their ridiculous idea. No one else suggested it. Once again -- what is their policy? During this last year, they carried on a campaign to befriend Castro. They persuaded the Organization of American States to lift its trade embargo, lifted some U.S. trade restrictions, they engaged in culture exchanges. And then on the eve of the Florida primary election, Mr. Ford went to Florida, called Castro an outlaw and said he'd never recognize him. But he hasn't asked our Latin American neighbors to reimpose a single sanction, nor has he taken any action himself. Meanwhile, Castro continues to export revolution to Puerto Rico, to Angola, and who knows where else?

Page 14, paragraph 2

The Ford Record

Neither President Ford nor his representative stated -- or hinted-- at an "invasion of Cuba." Nor did the United States persuade the OAS to lift the sanctions against Cuba.

At San Jose last summer, the U.S. voted in favor of an OAS resolution which left to each country freedom of action with regard to the sanctions. The U.S. did so because a majority of the OAS members had already unilaterally lifted their sanctions against Cuba, and because the resolution was supported by a majority of the organization members. Since that resolution passed, no additional Latin American country has established relations with Cuba.

The U.S. has not lifted its own sanctions against Cuba. It did not enter into any agreements with Cuba, and did not trade with Cuba. We did not engage in cultural exchanges.

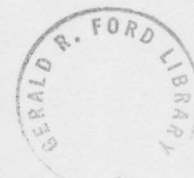
The U.S. did validate a number of passports for U.S. Congressmen and their staffs, for some scholars and for some religious leaders to visit Cuba. And the U.S. issued a few select visas to Cubans to visit the U.S.

These minimal steps were taken to test whether there was a mutual interest in ending the hostile nature of our relations. This policy was consistent with the traditional American interest in supporting the free flow of ideas and people. Since the Cuban adventure in Angola, the Ford Administration has concluded that the Cubans are not interested in changing their ways. The U.S. has resumed its highly restrictive policies toward Cuban travel.

With regard to Cuban efforts to interfere in Puerto Rican affairs, the U.S. has made it emphatically clear in the UN and bilaterally to the Cubans and other nations that the U.S. will not tolerate any interference in its internal affairs.

Mr. Reagan's criticism is particularly interesting when compared to the following comment he made last August in a release for his weekly editorial column.

"Recent conciliatory gestures by Castro, including the return of \$2 million ransom money he had impounded in connection with a U.S. airliner hijacking, indicates that he is ready to talk turkey with the United States. Since we can accomplish both humanitarian and national objectives in the process, it's time for the Washington establishment to lift its Cuban dialogue above the level of that advertising slogan, 'Since we're neighbors, let's be friends.'"





FOREIGN AFFAIRSEASTERN EUROPEThe Reagan Rhetoric

"Now we learn that another high official of the State Department, Helmut Sonnenfeldt, whom Dr. Kissinger refers to as his "Kissinger", has expressed the belief that, in effect, the captive nations should give up any claim of national sovereignty and simply become a part of the Soviet Union. He says, 'Their desire to break out of the Soviet straightjacket' threatens us with World War III. In other words, slaves should accept their fate."

Page 17, paragraph 2

The Ford Record

The Reagan statement is wholly inaccurate. It is a gross distortion of fact, to ascribe such views to Mr. Sonnenfeldt or to the Ford Administration. Not a single person in the Ford Administration has ever expressed any such belief.

The U.S. does not accept a sphere of influence of any country, anywhere, and emphatically rejects a Soviet sphere of influence in Eastern Europe.

Two Presidents have visited in Eastern Europe; there have been two visits to Poland and Romania and Yugoslavia, by Presidents. Administration officials have made repeated visits to Eastern Europe, on every trip to symbolize and to make clear to these countries that the U.S. is interested in working with them and that it does not accept or act upon the exclusive dominance of any one country in that area.

At the same time, the U.S. does not want to give encouragement to an uprising that might lead to enormous suffering. The United States does not accept the dominance of any one country anywhere.

Yugoslavia was mentioned, for example. The Ford Administration would emphatically consider it a very grave matter if outside forces were to attempt to intervene in the domestic affairs of Yugoslavia. The U.S. welcomes Eastern European countries developing more in accordance with their national traditions, and we will cooperate with them. This is the policy of the United States, and there is no "Sonnenfeldt" doctrine.

FOREIGN AFFAIRS  
THE HELSINKI PACT

The Reagan Rhetoric

"Why did the President travel halfway 'round the world to sign the Helsinki Pact, putting our stamp of approval on Russia's enslavement of the captive nations?

We gave away the freedom of millions of people -- freedom that was not ours to give."

Page 16, paragraph 2

The Ford Record

Again, candidate Reagan has distorted the facts for emotional impact. President Ford stated clearly on July 25 that "the United States has never recognized the Soviet incorporation of Lithuania, Latvia and Estonia and is not doing so now. Our official policy of non-recognition is not affected by the results of the European Security Conference."

President Ford went to Helsinki along with the Chiefs of State or heads of government of all our Western allies and, among others, a Papal Representative, to sign a document which contains Soviet commitments to greater respect for human rights, self-determination of peoples, and expanded exchanges and communication throughout Europe. Basket three of the Act calls for a freer flow of people and ideas among all the European nations.

The Helsinki Act, for the first time, specifically provides for the possibility of peaceful change of borders when that would correspond to the wishes of the peoples concerned.

And the Helsinki document itself states that no occupation or acquisition of territory by force will be recognized as legal.

FOREIGN AFFAIRSPANAMA CANALThe Reagan Rhetoric

"The Canal Zone is not a colonial possession. It is not a long-term lease. It is sovereign U.S. territory every bit the same as Alaska and all the states that were carved from the Louisiana Purchase. We should end those negotiations (on the Panama Canal) and tell the General; We bought it, we paid for it, we built it and we intend to keep it."

Page 15, paragraph 3

The Ford Record

It is not certain whether the Reagan rhetoric on the Panama Canal Zone best displays his ignorance--or his frequent distortion of the facts for political gain. What is certain is that Mr. Reagan view that the Canal Zone is "sovereign U.S. territory every bit the same as Alaska and all the states that were carved from the Louisiana Purchase" is absolutely incorrect.

The United States did not buy the Canal Zone from Panama for \$10 million in 1903. Instead, this country bought certain rights which Panama then granted--rights to run the Canal Zone as if it were U.S. territory, subjecting Panamanians to U.S. law and police in a strip of land through the middle of their country.

Neither is the Canal Zone sovereign U.S. territory. The original treaty does not give sovereignty to the U.S. but only rights the U.S. would exercise as "if it were sovereign." The 1936 treaty refers to the Canal Zone as Panamanian territory under U.S. jurisdiction. Legal scholars have been clear on this for three-quarters of an century. Unlike children born in the United States, for example, children born in the Canal Zone are not automatically citizens of the United States.

Candidate Reagan's rhetoric aggravates an already difficult situation. In 1964, anti-American riots in the Canal area took 26 lives. Since that time, negotiations between the United States and Panama on the Canal have been pursued by three successive American Presidents. The purpose of these negotiations is to protect our national security, not diminish it.



FOREIGN AFFAIRSTHE U.S. ROLEThe Reagan Rhetoric

"Now we must ask if someone is giving away our own freedom. Dr. Kissinger is quoted as saying that he thinks of the U.S. as Athens and the Soviet Union as Sparta. "The day of the U.S. is past and today is the day of the Soviet Union." And he added, "...My job as Secretary of State is to negotiate the most acceptable second-best position available."

Page 16, paragraph 3

The Ford Record

Candidate Reagan's so-called quotes from Secretary Kissinger are a total and irresponsible fabrication. He has never said what Mr. Reagan attributes to him, or anything like it.

In a March 23, 1975 press conference in Dallas, Secretary Kissinger said: "I do not believe that the United States will be defeated. I do not believe that the United States is on the decline."

"I believe that the United States is essential to preserve the security of the free world and for any progress in the world that exists."

"In a period of great national difficulty, of the Viet-Nam war, of Watergate, of endless investigations, we have tried to preserve the role of the United States as that major actor. And I believe that to explain to the American people that the policy is complex, that our involvement is permanent, and that our problems are nevertheless soluble, is a sign of optimism and of confidence in the American people rather than the opposite."

GOVERNMENT GROWTH & FEDERAL TAXES

The Reagan Rhetoric

"Then came a White House proposal for a \$28 billion tax cut, to be matched by a \$28 billion cut in the proposed spending -- not in the present spending, but in the proposed spending in the new budget. Well, my question then and my question now is, if there was \$28 billion in the new budget that could be cut, what was it doing there in the first place?"

Page 3, paragraph 3

"They could ... correct a great unfairness that now exists in our tax system. Today, when you get a cost-of-living pay raise-- one that just keeps you even with purchasing power-- it often moves you up into a higher tax bracket. This means you pay a higher percentage in tax but you reduce your purchasing power. Last year, because of this inequity, the government took in \$7 billion in undeserved profit in the income tax alone, and this year they'll do even better."

Page 4, paragraph 2

The Ford Record

President Ford has submitted a budget for FY '77 which will curb the growth in Federal expenditures -- proposing a \$28 billion cut in existing programs, not a reduction in the proposed budget as candidate Reagan would have the public believe. The President has called for this spending cut to be tied to a tax cut which would return to a family of four earning \$15,000 a year approximately \$227 more in take-home pay -- and which would give businesses more incentive to create jobs.

The President's tax proposals for individuals have several key features:

- an increase in the personal exemption from \$750 to \$1000.
- substitution of a single standard deduction-- \$2,500 for married couples filing jointly and \$1,800 for single taxpayers -- for the existing low income allowance and percentage standard deduction.
- a reduction in individual income tax rates.

President Ford's proposals to increase the inheritance tax exemption from \$60,000 to \$150,000, and his proposal to stretch out the Federal estate tax payment period for farms and small businesses, will help to keep farms and small business in the family after years of hard work.

And, to help businessmen create jobs, the President has proposed:

- permanent reductions in corporate income taxes;
- a permanent increase in the investment tax credit;
- accelerated depreciation for construction of plants and equipment in high unemployment areas;
- broadened incentives to encourage stock ownership by low and middle income working Americans.

The President's budget and tax measures have already meant more jobs for American workers, the slashing of inflation, and the growth of real take-home pay. His effort to curb the growth of government -- and to return control to the individual -- has already, and will continue to return dollars to the American worker.



NATIONAL DEFENSEThe Reagan Rhetoric

"The Soviet Army outnumbered ours more than two-to-one and in reserves four-to-one. They out-spend us on weapons by 50%. Their Navy outnumbered ours in surface ships and submarines two-to-one. We are outgunned in artillery three-to-one and their tanks outnumber ours four-to-one. Their strategic nuclear missiles are larger, more powerful and more numerous than ours. The evidence mounts that we are Number Two in a world where it is dangerous, if not fatal, to be second best."

Page 16, paragraph 1

The Ford Record

In January of this year, President Ford submitted to Congress the largest peacetime budget for the Department of Defense in the history of the United States--\$112 billion, \$700 million. He has assured the American people that "the United States is going to be number one, as it is, in our national security" as long as he is President.

Candidate Reagan conveniently neglects to mention that our strategic forces are superior to the Soviets'. The United States holds numerous advantages over the Soviet Union, including the following:

- Our missile warheads have tripled and we lead the Soviets in missile warheads by more than two-to-one.
- Our missiles are twice as accurate and more survivable.
- We have a three-to-one lead in the number of strategic bombers.
- We are proceeding with the development and production of the world's most modern strategic bomber, the B-1.
- We are developing the world's most modern and lethal missile launching submarine, the Trident.
- We are developing a new large ICBM.

National defense is more than a numbers game, and candidate Reagan's rhetoric indicates a disturbingly shallow grasp of what true balance is all about. It is absolutely meaningless to say the Soviet Army is twice the size of the U.S. Army when one considers that one million of their troops are deployed on the Chinese border.

Candidate Reagan also ignores that we are at the head of a great Alliance system in Europe, and we are firmly tied to the strongest economic power in Asia.

President Ford is the one responsible for reversing the recent trend of shrinking defense budgets in which a Democratic Congress has made \$37 billion in cuts during the past seven years.

Mr. Reagan's short-sighted, politically motivated statements that proclaim that our nation is "in danger" are both factually irresponsible and potentially damaging to this country. They alarm our people, confuse our allies, and invite our adversaries to seek new foreign adventures.



## SOCIAL SECURITY

### The Reagan Rhetoric

"Now, let's look at Social Security. Mr. Ford says he wants to 'preserve the integrity of Social Security.' Well, I differ with him on one word. I would like to restore the integrity of Social Security. Those who depend on it see a continual reduction in their standards of living. Inflation strips the increase in their benefits. The maximum benefit today buys 80 fewer loaves of bread than it did when that maximum payment was only \$85 a month. In the meantime, the Social Security payroll tax has become the most unfair tax any worker pays. Women are discriminated against. Particularly, working wives. And, people who reach Social Security age and want to continue working, should be allowed to do so and without losing their benefits. I believe a Presidential commission of experts should be appointed to study and present a plan to strengthen and improve Social Security while there's still time--so that no person who has contributed to Social Security will ever lose a dime."

Page 4, paragraph 3

### The Ford Record

The statement that the "maximum benefit today buys 80 fewer loaves than it did when the maximum benefit was only \$85 a month" implies that the purchasing power of Social Security payments has declined substantially. In fact, the average benefit has almost tripled in terms of the amount it can buy from that time in 1940 when the benefit was \$85.

It was President Ford who first recognized inflation as the single greatest threat to the quality of life for older Americans. As a result, his budget request to Congress for fiscal year 1977 included a full cost-of-living increase in Social Security benefits in order to maintain the purchasing power of 32 million older Americans.

Rather than add to government bureaucracy a "Presidential commission of experts" to re-study the complex problem, as candidate Reagan suggests, the President has taken immediate action by requesting legislation to maintain the fiscal integrity of the Social Security Trust Fund. President Ford has proposed an increase in payroll taxes of three tenths of one per cent for both employers and employees so that future Social Security payments will not exceed revenues.

And, beyond merely strengthening the Social Security system, and fighting inflation, President Ford has proposed coverage of catastrophic illness--with a ceiling of \$750 on medical expenditures.