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THE WHITE HOUSE

WASHINGTON

April 3, 1976

MEMORANDUM FOR:

✓ COUNCIL OF ECONOMIC ADVISERS
✓ ECONOMIC POLICY BOARD
FEDERAL ENERGY ADMINISTRATION
NATIONAL SECURITY COUNCIL
OFFICE OF MANAGEMENT & BUDGET

VIA:

ROBERT T. HARTMANN

FROM:

GWEN ANDERSON *GAMS*

SUBJECT:

REAGAN COMMENTS

Attached are the draft comments of the Reagan speech. Please review the comments for accuracy in your area of expertise.

Any comments or suggested corrections should be returned to my office (Room 122) by NOON, MONDAY, APRIL 5, 1976.

Your priority attention to this important matter is urgently requested.

Thank you for your cooperation.

Please check one box and sign below:

() I approve the draft without changes.

() Suggested revisions are noted on the draft or attached separately.

Initials: _____

fw Sedma



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

REAGAN STATEMENT:

Page 1, paragraph 3

"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 -- March, 1976 -- show the rate was 7.5%. The employment is now at an all time high with 86.7 million at work. This exceeds the pre-recession peak of July, 1974 and is a 2.6 million gain since March '75.

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's statistical facts concerning 1973-74 are incorrect. The peak unemployment figure was reached in May 1975 at 8.9%. It never reached 10% as he states. (Source: CEA)



REAGAN STATEMENT:

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. (Source: CEA, OMB)



REAGAN STATEMENT:

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%. (Source: CEA, OMB)



REAGAN STATEMENT:

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 remedy for problems created a decade ago. A rapid return to a balanced budget, as Mr. Reagan calls for, would provide fuel for 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. (Source: CEA, OMB)



REAGAN STATEMENT:

Page 3, last two 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 programs call for outlays of \$383.1 billion in FY 1977 (plus the third quarter). \$236.8 billion is allocated to payments for individuals. Does 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

(Source: CEA, OMB)



REAGAN STATEMENT:

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 -- 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."

RESPONSE:

The President did draw a line at a deficit of \$60 billion on March 29, 1975 in a televised address. The largest single yearly deficit occurred in 1943 -- \$54.8 billion. The difference between \$54.8 billion and \$60 billion is, of course, \$5.2 billion. The current estimated deficit for FY 76 is not \$80 billion or more, it is \$76.9 billion. (Source: CEA, OMB)



REAGAN STATEMENT:

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 existing. The President's proposal was an effort to prevent further increases in spending.

(Source: CEA)



REAGAN STATEMENT:

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: CEA)



REAGAN STATEMENT:

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. He has vetoed 46 bills and saved the taxpayers \$13 billion. (Source: OMB)

Monetary expansion is now far more restrained than in 1972. Over the last six months, the broadly defined money supply has grown at an 8.6% annual rate. In the comparable September 1971-March 1972 period, it grew at a 14.6% rate. It should be noted that a 14.6% rate is well above the 10.5% upper limit of the Federal Reserve's present target range. (Source: EPB)

Wholesale prices increased 12.5% from March 1974-March 1975, while the price index went up only 5.5% between March 1975 and March 1976. (Source: EPB)

Employment reached an all-time high of 86.5 million in February. (Source: P Speech 3/12/76)

New orders for manufactured goods were up 2.4 percent in February. (Source: P Speech 3/19/76)



REAGAN STATEMENT:

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 mb/d, and we produced 8.4 mb/d.

The Energy Policy and Conservation Act passed by the Congress in December ended a year-long debate between the Congress and the Administration on oil pricing policy and opened 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 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.

(Source: FEA)



Oil rigs didn't begin shutting down. 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 '75.

(Source: EPB)



REAGAN STATEMENT:

Page 7, paragraph 2

"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. The State's great water project was unfinished and underfunded by a half a billion dollars. My predecessor had spent the entire year's budget for Medicaid in the first six months of the fiscal year. And, we learned that the teachers' retirement fund was unfunded. A four billion dollar liability hanging over every property owner in the state. I didn't know whether I'd been elected Governor or appointed receiver."

RESPONSE:

The bonded indebtedness of California at \$4 billion does not compare to New York City's current problem.

The State payroll increased from 113,779 in 1967 to 127,929 in 1973.

The state budget more than doubled under Ronald Reagan. From \$4.6 billion in 1967 to \$10.2 billion in 1973. (Source: PFC)



REAGAN STATEMENT:

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 balanced 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, there was an increase of \$967 million, the largest state tax hike in the nation's history. Of this, \$280 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



Page 7, paragraph 3 and Page 9, paragraph 2 (continued)

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.

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 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: PFC)



REAGAN STATEMENT:

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 program 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, PFC)



REAGAN STATEMENT:

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 was designed to have 59,000 participants in 1st year in 35 counties, but it managed only 1,100 participants in 10 counties in mostly rural farm areas. (Source, PFC)



REAGAN STATEMENT:

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 guesstimates. 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, OMB)



REAGAN STATEMENT:

Page 13, paragraph 2

"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. (Source, NSC)



REAGAN STATEMENT:

Page 13, paragraph 3

"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: NSC)



REAGAN STATEMENT:

Page 13, paragraph 3

"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 Israel -- a resolution that every other member of the Security Council voted for. In his March 23 speech in the United Nations Security Council Governor 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.

(Source: NSC)



REAGAN STATEMENT:

Page 13-14, paragraph 3

"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. (Source: NSC)



REAGAN STATEMENT:

Page 14, paragraph 2

"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?

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 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



REAGAN STATEMENT: (continued)
Page 14, paragraph 2

RESPONSE: (continued)

in the UN and bilaterally to the Cubans and other nations that
the U.S. will not tolerate any interference in its internal affairs.
(Source: NSC)



REAGAN STATEMENT:

Page 15, paragraph 3

"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."

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. (Source: NSC)



REAGAN STATEMENT:

Page 16, paragraph 1

"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 -- falsely -- that we are in second place. Such statements are both irresponsible and dangerous in that they alarm our people and confuse our allies.

It is meaningless to say the Soviet Army may now be twice the size of the U.S. Army when about half of the Soviet Army is deployed on the Chinese border. More meaningful is the Soviet Army strength in Europe. Such rhetoric based on simplistic factual comparisons indicates a disturbingly shallow grasp of what true balance is all about.

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.

Addressing the implication that the President has tolerated a weak defense policy, 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 might better speak to the Democratic Congress about its \$32 billion cuts in defense over the past six years.

Examining in more detail the question of America's strength first, we must dispose of the numbers game. If national defense were a



REAGAN STATEMENT: (continued)

Page 16, paragraph 1

RESPONSE: (continued)

matter of bookkeeping we could point out that:

- Our missile warheads have tripled;
- We lead the Soviet Union by more than two-to-one;
- We have over a three-to-one lead in strategic bombers;
- Our missiles are twice as accurate as the Soviet Union's.

But it is a disservice to the American people to confuse them with any such numbers comparison. Two important facts are ignored by Governor Reagan.

First, the United States stands at the head of a great Alliance system in Europe, and we are firmly tied to the strongest economic power in Asia. We have friendly relations with most of the nations of the world. These relations are the product of our longtime bipartisan foreign policy and the valuable accomplishments of all of our previous Administrations since President Truman.

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

In our defense programs many new programs insure our position of strength:

- 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.



REAGAN STATEMENT: (continued)
Page 16, paragraph 1

RESPONSE: (continued)

--We are producing three new fighters.

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

It is true a figure that can be cited to show that the Soviets have more ships, but it is a distortion to equate Soviet destroyers with our modern nuclear powered aircraft carriers.

The money we have put into defense over the past several years has been inadequate. However, the responsibility for slashing \$40 billion dollars must rest with the Congress, not the Administration.

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, the trend will have been reversed.

In fact we are number one. Unless we falter or give way to panic we will remain number one. (Source: NSC/DOD)



REAGAN STATEMENT:

Page 16, paragraph 2

"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, 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 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." In fact, the Helsinki document itself states that no occupation or acquisition of territory by force will be recognized as legal. (Source: NSC)



REAGAN STATEMENT:

Page 16, paragraph 3

"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."

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 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." (Source: NSC)



REAGAN STATEMENT:

Page 17, paragraph 2

"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:

The statement 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."

(Source: NSC)



pending

June 1, 1976

TO GWEN ANDERSON
Attn: Marcia

FROM Ruth Kilmer

Attached is a copy of correspondence from Stanley Pratt, Publisher of a newspaper in the Upper Peninsula, Michigan, who suggests that a letter of appreciation be sent to Mrs. Matt Surrell. Other background correspondence is also included.

Mr. Seidman wonders if there is a standard type ^{*acknowledgment*} letter that can be sent to Mrs. Surrell in view of the above request.
(Mr. Surrell handled the media coordination for Michigan.)

Enclosures

LWS:RMK
CHRON:LWSPS# Michigan

