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*Speeches
1963*

November 5, 1963

Mr. Lester Skene Bork
President
The Economic Club of Detroit
920 Free Press Building
321 West Lafayette
Detroit 26, Michigan

Dear Larry:

There is a great deal of interest being generated for copies of the transcript of the discussion I had with Neil Staebler, and would therefore like to have about 500 copies as soon as possible. Will you please let me know if this possible and if so, how soon may I expect to receive them.

If it appears that I may not have the copies of the transcript within the next week, could you please have a corrected copy of Neil's closing statement send on to me within the next few days?

Thanks for anything you may do to speed this up for me.

Warmest personal regards.

Sincerely,

Gerald R. Ford, M. C.

GRF:l



November 4, 1963

Mr. Lester Skene Bork
President
The Economic Club of Detroit
920 Free Press Building
321 West Lafayette
Detroit 26, Michigan

Dear Larry:

Many thanks for your letter of October 29th with which you enclosed a transcript of the remarks made by Neil Staebler and me at the Detroit Economic Club.

I have edited my part of the transcript and in accordance with your request it is returned herewith.

Once again my thanks to you and the others for your kind hospitality.

Warmest personal regards.

Sincerely,

Gerald R. Ford, M.C.

GRF:1





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November 4, 1963

Dear Jerry:

Pursuant to our conversation there is attached hereto a transcript of the tape of you and Neil Staebler before the Economics Club in Detroit. Your suggestion that Staebler's concluding statement is probably going to be the Party's line next year is, I believe, accurate. If you have no objection and feel that it should be otherwise, I would like to propose that we mimeograph Staebler's concluding statement and distribute it to all members, plus all State chairmen of the National Committee with an attachment indicating that this could well be used by the Kennedy Administration to advance their cause next year.

I shall undertake nothing until I hear from you. In the meantime I have retained three copies of your transcript.

Sincerely,

Edward F. Terrar, Jr.
Executive Secretary

EFT:jms
Enclosure

The Honorable Gerald R. Ford
United States House of Representatives
Room 351
Washington, D.C.



hold up pending necessary corrected copy

Lester Skene Bork

The Economic Club of Detroit

920 FREE PRESS BLDG., 321 W. LAFAYETTE

DETROIT 26, MICH., PHONE 963-8547

OFFICE OF THE PRESIDENT
PHONE 963-8564

October 29, 1963

The Honorable Gerald R. Ford
Representative from the 5th Michigan District
House Office Building
Washington, D. C.

Dear Jerry:

Your lovely and thoughtful letter of October 25th was received and I was happy to hear that you had personally thanked Frank Tomlinson. These thoughtful gestures on your part have endeared you to so many of your constituents and they are most appreciative of your attitude.

Enclosed is a transcript of the affair with Neil Staebler. Request that it be edited and returned to us. You may have 100 copies or more of this reprint as soon as it is off the press. It will take several weeks. We will send you a few copies of the advance publication and then follow up with another 100 for your office use.

I have heard many wonderfully complimentary remarks about your efforts, the clarity of your statement, your fine principles and your obvious sincerity, so I am indeed grateful for having had the privilege of having you with us on October 21st.

Sincerely,

Lester Skene Bork

Lester Skene Bork
President

LSB:l
Enc.



October 21, 1963

The first topic for discussion, Mr. Ford will be the first speaker, is Centralization of Power in the Federal Government.

Mr. Ford: Never in the history of the United States, in peace or war, has there been such a strong desire for or the use of centralization of power in the Federal Government. The enormous size of federal establishment, particularly the Executive Branch of the government, is seldom spot-lighted and as a result, in my judgment, is getting out of hand. This establishment comprises approximately two million 5 hundred thousand civilian employees, with an annual pay roll of approximately 14 billion dollars each year. This vast network of federal executive employees with authority emanating from Washington operates in every one of our States. Through legislation or regulations promulgated in the Nation's Capital, this huge ~~ix~~ bureaucracy has the authority to move into every business, ~~every~~ ^{every} home, through the power to collect taxes, to enforce regulations or to spend tax payers' money. Such authority from the banks of the Potomac is backed by the awesome power of over one hundred billion dollars a year in federal funds, which can and have been used to persuade, to entice, or sometimes bludgeon States, communities, business organizations and even individuals to fall into line, to play the game of accepting federal domination. In the past 30 years there has been a growing, an almost insidious trend, toward Washington dictatorship with occasional pauses when the voters took matters in their own hands. The election of 1946 swept out O.P.A. and Ike's victory in 1952 signed the termination of O.P.S. This trend towards centralization of authority and abuse of Executive power has accelerated in the past 34 months under the Kennedy Administration. During the entire 1962 session of Congress the President made 88 new requests for funds and 29 additional requests for

Presidential power. The Kennedy record in 1963 is even more startling. From January through June of this year there were 207 new demands for funds and 70 new requests for Presidential powers. Parenthetically, the flow of White House messages since July 1st has not decreased, but increased, and all seek more money for new programs and new policies and new Presidential authority. To justify an all-powerful federal octopus, the arguments are often made that now and in the future the States and local governing institutions cannot solve our economic and social problems and, furthermore, individuals and segments of our economy want and need federal dependence rather than independence and responsibility. I doubt that many Americans approved of Presidential action in anger during the steel industry controversy in 1961 that resulted in federal agents badgering innocent citizens at home at ^{mid}night. I doubt if many Americans approved of the politically inspired decision of the Secretary of Health, Education and Welfare in the ADCU controversy that nullified the good intentions of Governor Romney in the Michigan legislature. I think there is very little evidence in Michigan to support the contention of the Secretary of the Interior and Senator Hart that authorities in Washinton should determine the size, the acreage of a park at Sleeping Bear, or write new procedures for seizing private property or decide hunting and fishing regulations in the State of Michigan. Furthermore, when given a clear cut choice Americans will not sell freedom ~~if~~ ^{rammed} for a handout. The Kennedy Administration in 1962, as you well know, ~~ran~~ through farm legislation which gave wheat farmers two choices, on the one hand, the most rigid control plus the enticement of high price supports, or the alternative of no controls with a slash in wheat prices. Secretary Freeman with the full backing of the President and the massive help of federal funds and the and the personnel of the Department of Agriculture put on the greatest propaganda campaign on behalf of federal control. You know the refreshing story, the American wheat

farmer despite the lure of a guaranteed income voted for freedom rather than Freeman. Our traditional form of government, with the specific and limited delegation of power to the federal government has met every domestic and international crisis. We must never forget that a government big enough to give us everything we want is a government big enough to take from us everything we have. Centralism, with all its evil connotations, will be checked only when national leaders refuse to encourage the easy way of federal assistance and State and local officials assume the responsibilities and privilege of local action. The big issue today is whether the excess concentration of federal power and sovereignty will destroy State, local and individual freedom and responsibility. (Applause)

_____ : Mr. Stabler will now address himself to the first topic.

Mr. Stabler: Fr. Britt and Congressman Ford, General Bort?, members of the Economic Club, and guests, at the outset I want to express my appreciation in having an opportunity to be with the Economic Club again, and in the company of my distinguished colleague, Congressman Ford. As he has pointed out, Americans have always had a healthy distrust of government. Not all government, however, should be regarded as an evil or an infringement of individual freedom. Government regulations often provide us with a greater freedom as, for example, traffic signals which enable us to drive our automobiles safely. We cannot rely upon drivers to regulate themselves and we can't always rely upon big business or big labor to regulate themselves. To determine what is useful and what is abusive federal power we need sober reflection rather than fear of vague generalizations. Let us explore the problem of federal power by trying to answer three questions. One, when is federal action necessary? Two, is the federal government misusing its power? And three, is the individual citizen more or less free today than he was when the federal government was smaller?

There would seem to be two situations in which federal action is necessary. One is where States fail to meet their responsibilities. Another is where problems are national in scope. There is no question that the federal government is doing some things which ought to be done by State governments. For example, inadequate State regulations in the field of water pollution have necessitated federal action. Here in Detroit federal hearings revealed severe pollution in the Detroit River, which was endangering the health and property of our down-river citizens. Yet the problem goes beyond the fact that the federal government has been forced to act when States have failed to act. In some fields, even with the best intentions, State action would prove inadequate because many problems are national in scope and therefore require national solutions. Unemployment, civil rights and air pollution are a few examples of national problems. So is the problem of deceptive packaging and advertising of consumer goods, a problem in which Senator Hart has been working so effectively. Education and health are also national problems, because many of our States are too poor to marshal funds necessary for adequate facilities and individual care.

Now lets ask: is the federal government abusing its power? Some people think that the federal government is becoming an ever-larger network of people interfering in our daily lives. Congressman Ford called it an octopus. The truth is that the number of people employed by government as a percentage of the population has actually declined since 1946. Then it was 19 people per thousand, today its only 13 people per thousand. If you subtract from federal employment those working in defence, the ~~postal Post Office,~~ Post Office and the Veterans Administration, the remainder of federal government employs fewer people than the telephone industry.

Finally, I want to say a few words about the question of individual freedom. Would the individual citizen be more free today is the federal government

refrained or was made to refrain from areas of regulation and positive action? More free, perhaps, to drink polluted water, more free to fly on unregulated airlines, more free to buy dangerous drugs, falsely advertised products, free to be unemployed, free to have an inadequate education or unequal opportunities. Should the individual be free to be take thalidomide? Let's be honest about this matter. Less federal regulation does not necessarily mean greater individual freedom. It can mean freedom for private tyrannies to assert themselves. On the other hand, it is true the government is big and that it over-awes many citizens. Nowadays it isn't as simple as it was 40 years ago. It takes time to read about government, time to ponder it, time to ask questions. Many business and professional people brush off their responsibilities by turning problems over to trade associations. This is fine for an individual case affecting an industry. But what about the great problem of centralization of power which goes beyond industries and maybe even counter to them? This is what political parties are for. And I suggest active membership in either political party multiplies the effectiveness of an individual and his ideas in dealing with government at any level, particularly, the federal government. Our political parties offer the best means we have for protecting ourselves against unnecessary government control. And I do not doubt that with an enlightened citizenry and an alert Congress we can be assured that ~~g~~ federal power is used to provide conditions under which every individual can lead a freer and better life. (Applause)

_____ : The second topic is that of medicare and by prior agreement it has been established that the first speaker for this topic will be Mr. Stabler.

Mr. Stabler: I'm sorry that I have only a few minutes to talk with you about the very important subject of medicare for our senior citizens. Actually the word "medicare" is a misnomer because what we are really talking about is a program of hospital insurance paid for by social security contributions. It

has nothing to do with the payment of doctor bills. It would only help pay for hospital bills and related expenses such as drugs. Its worth noting that the United States is the only major industrial nation in the civilized world that does not provide a program of pre-paid hospital insurance for older citizens. In the United States today 18 million of our citizens are over 65 and 670,000 of these senior citizens are here in ~~Midwest~~ Michigan. Not only will this number continue to grow but the life expectancy of our older people also is rising. A man who reaches 65 today can expect to live another 13 years. A woman who is 65 can expect to see 80. In the past when a person lived only a relatively ~~few~~ few years after retirement it was often possible for him to meet his hospital needs. Now, however, with~~more~~ people living 10 to 15 years after retirement at a time when their medical needs continue to rise, they simply cannot afford to meet the increased burden of health care. The vast majority of senior citizens are living on a reduced income at best and with pitifully small cash reserves. I am sure many of us here know of the incidents where just one serious illness has completely wiped out the financial resources of an elderly person. I think it is obvious to all of us that this matter will become even more serious/^{as}~~if~~ life expectancy increases and hospital costs go up. Few people dispute this. The question then is how are these necessary expenses going to be met. Should their children take up this burden? Should we leave it to charity? Can private insurance plans do the job? Or is there another way? I don't think children, charity or private insurance alone or together can do the job. ~~They~~ They can and should help, of course. But the basic job ought to be done on a universal basis through a social security prepayment plan. This is the program recommended by President Kennedy and the Democratic Party. I support it and I will cast my vote for it. We've already tried the charity approach and it doesn't work satisfactorily. I'm talking about the

Kerr-Mills medical assistance law passed three years ago by Congress. It sets humiliating requirements on our older people, virtually forces them to take a pauper's oath and doesn't do the job. Michigan was the first State to qualify for Kerr-Mills, yet last year only ~~13,000~~ 13,583 of our senior citizens qualified for health care assistance. What about the other 656,000 Michigan citizens over 65? Should we attempt to help them by extending Blue Cross or other similar programs? This is a solution many people suggest. The trouble with Blue Cross or other private insurance is twofold. It lies in the increasing longevity of people and the increasing costs of hospitalization. The very same thing that is helping life insurance companies decreasing actuary risks works against Blue Cross. It increases the risk for Blue Cross. Secondly, not only is life expectancy increasing but the cost of hospital care is constantly rising. Hospital care comprises about three-quarters of the medical costs of the elderly. The alternative to private insurance then is the social security approach, the principal paying for our hospital insurance during our working years. Notice that this distributes the risk over the entire population. Not everybody will have a big hospital bill when they are elderly, but everyone will share in the cost of the insurance, about 25¢ a week. The real objection to hospital insurance or medicare comes from those who fear that it would destroy either the medical profession or the insurance business. Neither Congress nor people will allow this to happen. In my view, the challenge of health for our senior citizens can be met only by the broad approach of a social security program. This is a program that ~~preserves~~ preserves the self-respect of the individual concerned by providing him with benefits he has already paid for and is entitled to receive. (Applause)

_____ : Mr. Ford will now discuss medicare.

Mr. Ford: ~~The~~ The issues is not health care for the aged versus no

health care. Everyone agrees, I believe, that our elderly ~~whom~~ who need health care should get it when they need it, whether or not they can afford to pay for it. The real issue is how health care for elderly can best be provided. Whether it should be voluntary or compulsory, whether the federal government should take care of people who can take care of themselves. The voluntary program is available now. It combines health insurance and pre-payment plans for those able to purchase them. And the Kerr-Mills Act and other locally administered laws for helping those who need help in ~~paymen~~ paying for health care. The compulsory alternative approach is the King-Anderson Bill referred to as Medicare. More than 60% of the aged already have protected themselves against the cost of illness through health insurance. The number covered has tripled in the last 10 years and the aged are buying health insurance at a faster rate than any other age group in ^{our} ~~the~~ population. The Kerr-Mills law was passed by Congress in 1960. The law enables the individual States to guarantee every aged American, who needs help, the health care he requires. In addition to the more than 2 million covered by old age assistance, the law is designed to benefit all other older persons who are ordinarily self-supporting but unable to meet the cost of a serious prolonged illness. It helps those that need help. Each State can pattern its program to meet its own particular needs. It is administered locally where the individual needs of the aged are well known. If by only helping those who need help, it avoids waste of tax dollars; The King-Anderson Bill is now before the Congress. This plan would provide limited health care benefits for everyone over 65 under social security or Railroad Retirement, plus 2 million 5 hundred thousand persons who are 65 or older today but not covered by either act. It would pay practically no doctor bills. It would not furnish any drugs or devices outside of a hospital. It would not cover cost of diagnosis in a doctor's office or anywhere else unless

part of a hospital service. It offers no help for those confined in mental or tuberculosis hospitals. It would actually cover less than 25% of the total yearly care costs of the average aged person. It would establish a tax-supported program for everyone when he reaches his 65th birthday, regardless of need. American wage-earners and their employers would be compelled to pay the bill through a substantial tax increase. The cost would be staggering. For the first year alone cost has been estimated from a billion four to two billion five. No nation that has ever tried compulsory federal government controlled medicine has ever been able to honestly and correctly anticipate the cost. England's own program now costs nearly five times the original estimate. King-Anderson calls for a double increase in pay roll taxes, an increase of one-quarter of one percent for both employees and employe~~ers~~ and three-eighths of one percent for the self-employed, plus an increase from 48 hundred to 52 hundred in the base. And additional tax burden of 35 billion dollars would be placed on the shoulders of tomorrow's younger workers and their employers. The 35 billion is the estimated cost for health care benefits for today's aged during the rest of their lives. ~~In~~ other words, King-Anderson, the program would start off with a 35 billion dollar debt. It is both inequitable and immoral to saddle the Nation's younger workers with this huge burden. Many believe the initial tax increase would be just a beginning. Congress has been warned that the plan would cost at least 5.4 billion by 1983. This of course would mean a fantastic increase in social security taxes, a high Administration official credited with writing the legislation testified before the Senate Finance Committee that he envisages an eventual pay roll tax of ^{20%}~~20%~~ on a base of 9 thousand dollars, or \$75 a month for the employer and the employee. This would be an increase of 411% over the present tax. Former Congressman Forand?, one of the original authors of this bill, explained the ultimate goal in 1961: "If we

can only break through and get our foot inside the door, then we can expand the program after that." Aside from the cost the worst aspect of King-Anderson is the ~~an~~ inevitable loss in quality of health care. We are proud of the competence of our doctors and nurses. Whenever mass medical care under government control takes over we lose not gain in prolonging life and saving lives. (Applause)

_____ : Our third topic Defense and Foreign Aid. If I may interject just a brief historical item, I might note that in 1911 a Brigadier General Allen appeared before Congress and with apologies asked for an astronomical annual budget to insure U.S. supremacy in the air, the amount one million dollars. The first speaker on this topic will be Mr. Ford.

Mr. Ford: Since January of 1961 under President Kennedy we have had increased appropriations for the Armed Forces by about 10 billion dollars over a two year period. Secondly, we have had increased manpower in the various military services by about one hundred thousand, from two million seven hundred thousand to two million eight hundred thousand. Thirdly, we've had an increased amount for foreign aid, from about an average of three billion dollars under former President Eisenhower per year to a request of four billion nine this year by President ~~Kennedy~~ Kennedy and an average during his term of office of approximately 4 billion dollars. In the foreign aid program under President Kennedy we had a shift from military to economic assistance. And there's also been an alleged shift from outright grants and economic aid to so-called loans. But before you say this is good, let me give you the terms of the loan. Forty-year loans, a ten-year grace period with a service charge, not an interest charge, of three-quarters of one percent. Now these increases in dollars and manpower under President Kennedy were based on the premise that America's prestige and influence abroad would be enhanced and inevitably as a result

would lead to U.S. and free world success. I think we should ask ourselves: where do we stand today? And what are the results? One quipster in Washington the other day might have said: The grim world of the **Brothers Wonderful**. Now every American was pleased to find, thanks to Bob McNamara's honesty and frankness, that the alleged and purely politically motivated missile gap was wiped out within the first two weeks after the Kennedy's took over. Of course, there never was a missile gap. It was a missile myth, perpetrated for political purposes. Now, has defense policy changed under this Administration? I wouldn't say it has changed very significantly. There has been some acceleration in some programs, we have increased the size of the Army by two divisions, we've added some airlift. But there have been cut backs in other programs. The Skybolt got the axe, and RS70 won't go beyond an R&D program. Frankly, I'm not concerned too much about these changes in this respect. But the most serious ~~problem~~ problem is that not one new major weapons system has come into inventory in the last 34 months. Now has our prestige abroad improved? Are we more successful in the free world struggle against Communism; take Europe? NATO is in disarray to use the President's own words. I wonder if we are going to have the ~~a~~ courage to do what we should about troop strength in Europe. Are we going to do anything about the fact that we are paying 9.8% of our gross national product while our European allies are paying 5.4%. There is no solution under this Administration to General de Gaulle. There's no breakthrough in trade. As a matter of fact, we can't even win the chicken war. The Berlin Wall was built under this Administration. We hesitated while it was constructed and we rationalize now and leave it alone. As a matter of fact, we've put about a billion dollars into Spain. And ~~at~~ just the other day it was revealed that despite these advances and current ones we can't even get the rights to put Polaris submarines in those ~~ports~~ ports. Let's turn to the Far East. South Viet Nam is the best example of one step forward and

one step backwards. One doesn't know what is the policy in Viet Nam today. I'm glad to say that I think that we're doing alright militarily. But on the other hand, we have tiptoed from one end of the teeter-totter to the other on the political problem in Viet Nam. Does anybody know whether we are for or against the Diem regime today? Let's take Latin America. With fanfare the Alliance for Progress was launched. There has been negligible results in achieving social or tax reform in Latin American despite vast promises of funds by Uncle ~~Sam~~ Sam. Venezuela is under seige from Castroism. Cuba is a base for Soviet subversion and infiltration. Brazil and Bolivia are on the brink of economic and political chaos. Military dictatorships are taking over at an accelerated pace in all of Latin America. Our problems today stem from the Kennedy Administration's attitude. There is no unanimity ~~in~~ unity of purpose. Some in the Administration want to win against Communism. Others naively believe Krushchev's change of pace can be accommodated. Krushchev still wants to bury us. He'll throw us a slow ball one day, a curve the next, and a fast one the next. And this Administration just can't take care of this change of pace. We must not be ~~fool~~ fooled. We must maintain our superior military strength. The enemy must know that we have that strength. The enemy must know that we will use our strength. And we must be prepared to use our power in the cause of freedom. (Applause)

_____ : Mr. Stabler will now address himself to Defense and Foreign Aid.

Mr. Stabler: Both Parties agree on the importance of our country's security. Disagreement occurs on how best to go about it. The Kennedy Administration approach rests on five principles, military strength second to none; economic growth; preservation of the free world; willingness to reduce armaments and tension is possible, and a willingness to take advantage of

every opportunity to divide the enemies of freedom. When President Kennedy assumed office we had fallen behind the Russians in military development, and weapons designed for what we now call brush war fires the Russians were ahead of us in the development of space weapons and had been since Sputnik. Through the expenditure of considerable sums of money, through an all-out effort in space and with the excellent Administration Secretary of Defense McNamara we now have pulled ahead of the Russians in missiles and have developed a capability in conventional weapons more than adequate for any kind of limited warfare that we may encounter. Our defense capabilities today are second to none. The other side of our national security is the preservation of the free world. This is the goal of our foreign aid program. The greater part of our foreign assistance has gone and goes today directly to countries menaced by Communist aggression, external or internal. Foreign Aid measures/~~range~~^{range} from direct military assistance to supplying doctors and teachers to countries ~~try~~ trying to improve health and education ~~for~~ for their people. Next to our defense establishment, foreign aid is the single best tool of our government in its efforts to fortify our national security. It is vital to our efforts to bring peace and stability to a troubled world, to influence other nations toward the course of independence and freedom. And even some places to fight cold war battles. We got into the foreign aid business after World War II. The Marshall Plan was the beginning. Then came the Truman Doctrine. Both were aimed at holding back Communism and helping Western Europe get back on its economic feet. You all know the result. The Western European economy today is prospering. It leads the free world in economic growth. Communism is contained in Europe and is being contained virtually on every frontier around the world. It is interesting to note that in those early days almost 90% of our aid to Europe was in the form of grants. Today the trend is just the ~~opposite~~

opposite, with the bulk of the program constituting loans in the interest rate. And the House Bill just passed has been raised thanks to our Republican friends to 2%. Since World War II we have been confronted with a world-wide surge of nationalism among the under-developed countries. This has resulted in many new nations, radical changes in governments of other nations. All of these areas are plagued with low economic and social development. And it is in these areas that we are leading the Communist challenge head-on through our foreign aid program. The Communist preach that the shortest route to economic and social progress lies along the totalitarian road. The free world answer has been that of freedom and self-development. In most of the emerging nations, those who advocate freedom are ^{locked} ~~in~~ in struggle with those who advocate totalitarianism. The margin of victory sometimes is supplied by economic or military aid either from us or from the Communists. The hottest points of conflict today are Latin, America, the Far East, Africa. If we want to save freedom in these areas we must continue economic and military aid. If we get impatient, cut aid too soon, we may find a dozen Cubas on our doorstep in Latin America. If this happens those who thought we were saving money will be bitterly disappointed. The smallest military operation would completely dwarf our aid expenditures. The present attempt to save several hundred million dollars in the Alliance for Progress program could easily lead to spending of billions of dollars and loss of lives in military action should Latin America fall prey to the Communists. At the present time the foreign aid appropriation is in great danger of drastic cuts. The authorization bill has been cut 40% below the President's recommendation. Further cuts are threatened. It is astonishing to observe that Congressman Ford and everyone of the Michigan Republican representatives, except two, supported the deep cut in foreign aid. Even more disturbing is that after the cut was made six of these gentlemen voted against the act completely. I suggest this is tantamount

to abolishing the Fire Department. Let me remind you of what General Eisenhower said recently about foreign aid: "Never has there been any question in my mind as to the necessity of a program of economic and military aid to keep the free nations of the world from being over-run by the Communists." Our foreign aid program, gentlemen, is just as much a part of our defense program as our guns, planes and submarines. And I think we all agree that foreign aid is far less expensive. (Applause)

_____ : We hear much these days about the physical fitness program and it was thought that this particular group might have a somewhat greater interest in fiscal fitness. The fourth topic Fiscal Policy and Economic Growth, the first discussant will be Mr. Stabler.

Mr. Stabler: I am pleased that General Bort has put this issue of fiscal policy and the economic growth in the wind-up position of today's discussion. Economic growth is the paramount problem of our time. President Kennedy has recognized this fact and, in my opinion, the ~~Kenn~~ Kennedy Administration has acted decisively and effectively to meet the country's needs. We are discussing growth today in the context of booming auto production in Michigan and general national prosperity. Yet here in Michigan 58 of our 83 counties still are distressed areas, areas of chronic unemployment and serious economic problems. Across the country despite general prosperity many other pockets of chronic economic problems exist. And our national unemployment level remains high, at about 5%. Since President Kennedy has taken office our annual rate of growth has climbed to about 4% compared with an average of 2 3/4% during the Eisenhower years. Our gross national product is headed for an all-time high of 580 billion. This has had a good effect on Michigan. Auto production is booming and unemployment is at its lowest level since 1955. These are indications of impressive growth. But this is not enough. We must do better or face living with an unemployment of more than 7% of our national

work force. Let me remind you that unemployment is expensive. In 1962 it cost the federal government and private business 4 billion 7 hundred million dollars. Our basic problem is we are producing more with fewer workers at a time when our labor force is being flooded with new young people. President Kennedy is tackling economic growth at three levels. First, broad tax cut program as a stimulus for the entire economy. Second, special programs pinpointed to aid depressed areas. Third, increased aid to education so that we can build new skills in our young people and retrain our older people displaced by automation. That part of the President's program which has ~~gone~~ gone into effect is working and working well. The reduction in corporate tax liabilities last year through investment tax credits and business depreciation reform already has pumped more than 2 billion dollars back into the economy, in terms of plant and equipment investment. In Michigan we can see the results of the special programs for depressed areas. We have received more than 7 million dollars for area redevelopment. We were the first State in the Nation to begin manpower ~~retraining~~ retraining. An accelerated public works programs totalling 55 million dollars have ^{been approved} ~~improved~~ and are underway in scores of Michigan communities. Ironically the accelerated public works program ~~is~~ which is building badly needed municipal improvements has been opposed by 7 of our 11 Michigan Republican Congressmen, including Congressman Ford. The voted against the ~~APW~~ APW appropriation this year. The main thrust of Congress in this Session is, of course, the President's proposal for tax reduction. The 11 billion tax cut already has passed the House, again with Congressman Ford and 8 other Michigan Republicans voting against it. Despite opposition of our Michigan Republican Congressmen the tax program is not a partisan proposal. It is supported by business, industry and labor. Our own Henry Ford is co-chairman of the National Business Committee for Tax Reduction. Individuals who get the

biggest benefit of the tax cut with reductions of 8 billion 7 hundred million the largest cuts will go to the low income families, average reduction will be about 20%. The tax cut will mean more take-home pay for virtually every working family in Michigan and in the country. This is the purpose of the program, to put more money into the hands of consumers and corporations. For families it will mean more money to spend on needed consumer goods. For business and industry it will mean more money to spend on plant expansion and remodelling of new equipment. The net effect will be an increase ~~x~~ in production which means more jobs. It is estimated expansion of the economy as a result of the tax cut will add some 3 million jobs. Opponents to the ~~x~~ tax cut have muddied the waters by trying to tie tax reform to the question of the budget. We can't have a tax cut, they say, until the budget is in perfect balance. Well, this is like telling an auto worker he can't have a pay increase until he has paid off his home mortgage. Don't misunderstand me. As a business man I know the importance of making sure that expenditures don't exceed revenue. Our Republican friends raise such a clamor about economy, however, that the point has escaped general notice that the Kennedy Administration has set a remarkably good record for economy. What many people aren't aware of ~~x~~ is that major increases in spending in this country have been in the national security connected areas of the budget. Non-defense spending, money for health, education and welfare, has dropped from 27% of the budget in 1949 to 21% of the budget today. Republican ideas about economy differ from ours rather sharply. They believe in cutting out whole programs or in broad across the board slashes. We believe in applying good business principles which squeeze the waste out of every program. Let me just give you one example. Secretary of Defense McNamara has squeezed 3 billion dollars of savings out of last year's defense program by instituting tighter controls. The budget, of

course, will increase year by year, just as the budget of a growing household or well-run business increases each year. But in the final analysis, the tax cut should increase our economic growth to a point where over-all tax revenues will be more than adequate to balance the budget. We have been warned often that if we do not act to prime the nation's economic pump, we can look forward to another round of serious recessions. I believe we've got to act now.

(Applause)

_____ : Mr. Ford will now address himself to fiscal policy and economic growth.

Mr. Ford: Republicans in the Congress favor a tax reduction. We recognize fully the inequity and the confiscatory nature of the federal tax structure, which is the product of the need for ~~a~~ revenue during World War II and Korea. We know federal taxes must be reduced if we are to have increased growth of our nation and if we are to insure prosperity for the future. Republicans firmly believe, however, you negate and wash out economic benefits of a tax reduction by increased federal spending. Quite frankly, I am delighted to see that the Democrats in Congress now favor rate reduction in federal taxes. They are welcome Johnny-come-latelys, because in 1947 and 1954 the Democratic Party, including the President while he was in Congress, was on the other side of the fence. In 1963 the Democrats are riding two horses. I am delighted to amplify what Mr. Stabler said, Henry Ford and his Committee are not riding two horses. They believe in a tax reduction and a reduction in expenditures in the federal government. Now in January the President proposed tax reduction and increased spending of about 5 billion dollars. Now the President wants a tax cut. But he is riding side-saddle on spending. He's off again, on again on the spending issues. On the day he promised Wilbur Mills, the Chairman of the House Committee on Ways and Means, that he was going to hold down the spending he was out on a

non-political jaunt in the Western States promising citizens in that area over 2 billion dollars more in additional federal spending. Now the policy of confusion or the confusion on policy, I'm not sure which, about spending in the Kennedy Administration is wide-spread. In January the President submitted a tight budget, according to his own words. However, in recent weeks Secretary of Treasury Dillon has praised the Congress for budget cuts totalling as of now about 4 billion dollars. What is the policy? Big spending or great frugality? I think it depends upon who is talking or when or to what audience. Frankly, the Republicans agree with and vote for economy and I'm delighted to have my friend Neil verify that. But we have reservations about the Democrats on this issue. The 1961 federal budget had a deficit of 3 billion dollars, the Democrats said that was a mistake and they promised a surplus, ended^{up}/with a 6 billion dollar deficit in '62. In 1963 they promised a half a billion dollar surplus. They made another mistake, ended up with a 6 billion dollar deficit. Now in the current fiscal year and in the next fiscal year they've just plain given up. And they are going to have a 9 billion dollar deficit this year and a 9 billion dollar deficit next year. And they only vaguely promise you a balanced budget in 1968 or '69. This fiscal irresponsibility undermines whatever efforts have been made to solve our adverse balance of payments, our gold flow problems. A tax cut with more spending, more interest payments on an expanding national debt undermines confidence of the United States dollar. It is immoral in my judgment for us of this generation to live off the fatted calf and pass bills on to future generations in the form of higher interest on greater debt. Its natural for everyone of us to want a tax cut. The Democrats in Washington believe its natural for everyone to want a federal handout. We can't have it both ways, without ~~us~~ ultimately falling on our face. To have a tax cut unmatched by expenditure restraint is to endanger the economy not to improve it. We know from history what happens to

nations throughout the world that persist in living beyond their means. There is a deep-rooted anxiety throughout the Western World right today, not about the quantity of our dollars but about their quality. ~~Wax~~ Quantity without quality places ~~k~~ in jeopardy the savings bonds, the life insurance policies, the bank balances and the pension benefits of our own people. Adding deficit on defitit may get the country moving again but in the wrong direction. The road to tax reduction is an expenditure restraint. Expenditure reduction ~~RE~~ requires determination ~~xx~~ and forthrightness by each one of us. Lip service and pious resolutions wont do it. We must realize that today's grandiose political promises of more and more and more spending become tomorrow's taxes. We must earn a tax cut by expenditure restraint. A tax cut financed by more and more borrowed money will lead us to a fool's paradise. ~~W~~ If we follow the policy of expenditure restraint and control with a firm priority list of programs and projects the United States can have and will have earned federal tax reduction, a ~~blaxxx~~ balanced budget, economic prosperity and sound economic growth. (.Applause)

_____ : ~~x~~ As previously announced each of our distinguished speakers will now have five minutes for a final summary. The order of appearance to be determined by the flip of a coin, which will be supervised by General Bort. With apologies to the Supreme Court, I should ~~notxx~~ note that this carries the legend "In God We Trust". It has come up tails, the first summary will be given by Mr. Ford.

Mr. Ford: First, if I may, I would like to respond to several questions raised by Neil Stabler. He indicated that under this Administration most of the increase in federal spending had been for the Defense Department or related agencies. Let~~k~~ me give you the facts on this. The last budged submitted by President Eisenhower in January of 1961 for fiscal year 1962 called for an 80

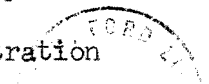
billion dollar budget. The fiscal '64 budget submitted by President Kennedy in January of this year called for a budget of 107 or 108 billion dollars. So in a period of two fiscal years, we've had an increase of 27 billion dollars. Only 10 out of the 27 billion dollars related to the Defense Department. 17 or 18 billion out of the 27 went for non-defense agencies. The facts are that most of the increase in the budget, in the spending under this Administration is for non-defense purposes. Let's talk for a minute about foreign aid. There's been much comment about the efforts in the House of Representatives to reduce President Kennedy's request for this fiscal year of 4 billion 9 hundred million dollars for foreign aid. The House of Representatives about a month or so ago cut this 3 billion 5. They ~~xxx~~ talk about the cuts. But let me assure you a 3 to 3½ billion dollar foreign aid program is still a big program in my opinion. And when you give them 3 to 3½ billion dollars and you add to it what we call our surplus agricultural commodity program of about a billion dollars a year, its a very substantial program of substance from the American people. Well let's talk about fiscal responsibility just a bit. This Administration whether its in office 4 years or 8 years, I will promise you will never balance the federal budget. They have not balanced it ~~xxx~~ yet and they don't promise it at any time during their term of office. Now let's talk for a minute about the 8 years under President Eisenhower, which I think on a comparable basis was an infinitely better period of time for the United States. We had a defense program at that time of about 40 billion dollars a year. We had 2 million 7 hundred ~~thxxx~~ thousand young men and women under active duty for the Army, Navy and Air Force. This was a program which was predicated on the ~~xxxx~~ basis of preserving the peace through strength. And let me say quickly that it met every emergency. We handled the crisis in Berlin in 1958, no Wall was built and Krushchev backed down. When

trouble broke out in Lebanon in the Middle East in 1958 President Eisenhower sent the armed forces as Wilbur Brucker knows and the Marines to Lebanon and we handled that situation without a shot being fired. And then there was Quemoy and Matsu, which arose in 1958. Some people wanted to give those islands up. Ike said no. We sent military forces there, they handled the situation and we still have a strong front in the Far East today. Under the Eisenhower Administration we were able to meet these crisis head-on, without an emergency existing every other day. And I say to you that this Administration under Eisenhower on a comparable basis did a better job fiscally, did a better job militarily and we didn't find the world in disarray under Eisenhower that we find today. When Ike turned over the government to the President in January of 1961 there was no wall in Berlin, there were no military forces or military hardware in Cuba. Viet Nam was not at War. We now have 12 to 15 thousand military personnel in Viet Nam. Yes, when you look at the total picture, the 8 years under Ike, economically, fiscally, militarily or otherwise, on a comparable basis was a great deal better era in the history of the United States and I hope and trust that somehow this Administration can stop being indecisive and stop having 20 different spokesmen for every issue and if they do they will get the full support of the Republican Party for any programs of fiscal responsibility, military strength and freedom for America. Thank you.

(Applause)

_____ : The final summary will be given by Mr. Stabler.

Mr. Stabler: Well I'm interested in this rosy glow of the Eisenhower period which Jerry remembers. I ~~xxx~~ remind him that in 6 of the 8 Eisenhower years there was a deficit, the budget was not met. And that in 1959 we encountered the largest budget deficit ever in American history in a peace time year, 12 billion dollars. I think you will find the Kennedy Administration



doing much better than that. The fact is that the federal budget has not gotten out of hand under Kennedy. Our non-defense expenditures actually are decreasing in terms of the total budget and in terms of the population. So our deficit is not sky-rocketing. The federal government has a far better record than State and local governments, than private business and even than the American consumer. Since 1947 the federal debt per person, per person, has declined 19% while State debt per person has jumped 550%. May I remind you there are 10 million more people in the country than when President Kennedy took office. Our foreign aid program is vital to the security of the United States, not a waste of money. It has in fact stood as a bulwark of the free world since World War II. Its significant to note ~~x~~ that of the 15 new nations which have emerged since World War II, not one of them has swung into the Communist bloc. Our national defense position is excellent. Our country has never been stronger. At the same time we are bringing about an easing of nuclear testing. The Kennedy Administration program for economic growth, certainly a vital part in keeping this country strong, is based on a broad individual corporate tax cut as a means of stimulating the national economy. Its a needed reform, has bipartisan support of all segments of the economy and its necessary if we are to prevent a recurrence of the cycle of depressions we have experienced since World War II. The President has made ~~bx~~ broad recommendations in the field of education, medicare and civil rights. We have not dealt in any great detail in civil rights because I believe it is accepted by both Congressman Ford and myself that there will and there must be action in this area this year. President Kennedy's civil rights proposals are not radical as far as Michigan is concerned. Virtually all of the measures he ~~was~~ is asking for already have been accepted~~x~~ here in Michigan, equality of opportunity in education, employment, voting and public accommodation. The medicare program will be passed by Congress, we are long overdue in taking this

action for our senior citizens. I want to turn now to a brief assessment of where we as a country stand today and what we face in the future. I think we have three alternatives as a nation. The first is to return to the position of the Eisenhower Administration which was essentially defensive. We waited for the Communist world to act and then we responded to that action. The second alternative is the one being pushed by Senator Barry Goldwater and you have heard echoes of it today from Congressman Ford. This position can lead only to war. This is the only conclusion you can draw from the close reading of the statements of Senator Goldwater, who is emerging as the new spokesman of the Republican Party. I note, incidentally, that Michigan Republican Congressmen and other GOP leaders have said Goldwater would be acceptable to them. Well let's take a look at what they are buying. Senator Goldwater is opposed to the United Nations. He is opposed to the World Bank. He voted against the nuclear test ban treaty. He is opposed to banning nuclear testing in space. He proposes to surrender the emerging nations to Communism, which is what would happen if we should stop foreign aid, as he favors. He would withdraw diplomatic recognition from Russia. He makes no distinction between Red China and Russia, nor does he see any advantage in exploiting the current ~~xxx~~ split between these ~~Communist~~ Communist countries. This is extremist thinking running wild. If the country were to follow his leadership there is no question in my mind that we would end up at war. I find an alarming tendency on the part of many Republicans ~~to~~ to try and incorporate the Goldwater attitude into their own position. After all the Arizona Senator makes it sound so simple and clearcut. Well its not so simple. There is only one button that we can push that will make the Russians disappear. What sensible person would recommend that course of action. The better alternative, our third alternative, is the course that President Kennedy is taking. It is based on keeping our defense

systems second to none while maintaining a willingness to take reasonable steps to ease world tension. We have shown Krushchev our firmness and our decisiveness. At the same time we have taken major steps toward peace. I believe the majority of the American people support the Kennedy approach. (Applause)

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CENTRALIZATION OF POWER IN THE FEDERAL GOVERNMENT

Rep. Gerald R. Ford

Never in the history of the United States has there been a desire for or the use of the centralization of power in the federal government in relatively few top officials.

The enormous size of the federal establishment, particularly the executive branch under the President, is seldom spotlighted and as a result is getting out of hand at a rapid pace. This establishment comprises approximately 2 million 500 thousand civilian employees with an annual payroll of about \$14 billion each year. It is augmented by 2 million 800 thousand men and women on active duty with the Army, Navy, Air Force, and Marines.

This vast network of federal executive employees, with authority emanating from Washington, operates in every state of the Union. Either through legislation or through regulations promulgated in the Nation's Capital this huge bureaucracy has the authority to move into every business, every home through the power to collect taxes, to enforce regulations, or to spend taxpayers' money. Such authority from the banks of the Potomac is backed by the awesome power of over \$100 billion annually in federal funds which can and have been used to persuade, to entice, and sometimes bludgeon states, communities, business organizations and even individuals to fall into line, to play the game of accepting federal domination or dependence.

In the past 30 years there has been a growing, an almost insidious trend, toward Washington dictatorship with occasional pauses when the voters took matters in their own hands. The election of 1946 swept out O.P.A. and Ike's victory in 1952 signed the termination of O.P.S.



This trend toward centralization of authority and abuse of executive power has, however, accelerated in the past 34 months under the Kennedy Administration. During the entire 1962 session the President made 88 new requests for funds and 29 additional requests for Presidential powers. The Kennedy record in 1963 is even more startling. From January through June there were 207 new demands for funds and 70 new requests for Presidential powers. I might add parenthetically the flow of White House messages since July 1st has not decreased but increased and all seeking more money for new programs and new Presidential authority to control the destiny of the 190 million Americans.

To justify an all powerful federal octopus the arguments are made that now and in the future the states and local governing units cannot solve our economic and social problems and furthermore individuals and segments of our economy want and need federal dependence rather than independence and responsibility.

I doubt that many Americans approved of Presidential action in anger during the steel industry price controversy in 1961 that resulted in federal agents badgering citizens in the middle of the night. I doubt if many Americans approved of the politically inspired decision of the Secretary of Health, Education, and Welfare in the ADC-U controversy that nullified the good intentions of Governor Romney and the Michigan legislature. There is little evidence in Michigan to support the contention of the Secretary of Interior and Senator Hart that authorities in Washington should determine the size, the acreage of a park at Sleeping Bear, or write new procedures for seizing private property or decide hunting and fishing regulations in our state.



Furthermore, when given a clear-cut choice Americans will not sell freedom for a federal handout. The Kennedy Administration in 1962 rammed through farm legislation which gave wheat farmers two choices - - on the one hand the most rigid controls plus the enticement of high price supports or the alternative of no controls with a slash in wheat prices. Secretary Freeman with the full backing of the President and the massive help of federal funds and the personnel of the Department of Agriculture put on the greatest propaganda campaign on behalf of federal control.

You know the refreshing story. The American wheat farmer, despite the lure of a guaranteed income voted for Freedom rather than Freeman.

Our traditional form of government with the specific and limited delegation of power to the federal government has met every domestic and international crisis of the past. We must never forget a government big enough to give us everything we want is a government big enough to take from us everything we have. Centralism with all its evil connotations will be checked only when national leaders refuse to encourage the "easy way" of federal assistance and state and local officials assume the responsibility and privilege of local action. The big issue today is whether the excess concentration of federal power and ~~sovereignty~~ sovereignty will destroy state, local, and individual freedom and responsibility.



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November 13, 1963

Dear Mr. Ford:

Mr. Terrar wishes to have this returned to you and
thanks you for the use of it.

Sincerely,

Joanne Stone

Miss Joanne Stone
Secretary to Mr. Terrar

The Honorable G. R. Ford
House of Representatives
Washington, D.C.



Economic Club
Oct 21

MEDICARE
Rep. Gerald R. Ford

The issue is NOT health care for the aged versus no health care. Everyone agrees that all of our elderly who need health care should get it when they need it...whether or not they can afford to pay for it. The real issue is how health care for the elderly can best be provided, whether it should be voluntary or compulsory, whether the Federal government should take care of people who can take care of themselves.

The voluntary program is available now. It combines health insurance and prepayment plans for those able to purchase them, and the Kerr-Mills Act and other locally administered laws for helping those who need help in paying for health care. The compulsory, alternative approach is the King-Anderson Bill (sometimes referred to as "Medicare") now before Congress.

More than 60% of the aged already have protected themselves against the cost of illness through health insurance. The number covered has tripled in the past 10 years and the aged are buying health insurance at a faster rate than any other age group.

The Kerr-Mills Law was passed by Congress in 1960. The law enables the individual states to guarantee to every aged American who needs help the health care he requires. In addition to the more than 2,000,000 covered by Old Age Assistance, the law is designed to benefit all other older persons who are ordinarily self-supporting but unable to meet the cost of a serious or prolonged illness. It helps those who need help. Each state can pattern the



program to meet its own particular needs. It is administered locally where the individual needs of the aged are known. By helping only those who need help, it avoids waste of tax dollars. It is financed by Federal-State matching funds.

The King-Anderson Bill is now before Congress. This plan would provide limited health care benefits for everyone over 65 under the Social Security and Railroad Retirement Acts, plus 2,500,000 persons who are 65 and over but not covered by the two acts. It would provide 90 to 180 days of hospital care after certain payments by the aged patient, or up to 45 days at no cost to the patient; nursing home care for up to 180 days; diagnostic services above the first \$20, which the patient would pay, and some home health services. Diagnostic services would be limited to those which were part of the services of a hospital. Cost of the program would be financed by increased social security taxes.

On the other hand, it would pay practically no doctor bills. It would not furnish any drugs or devices outside a hospital. It would not cover cost of diagnosis (X-ray, blood tests, etc.) in a doctor's office or anywhere else unless part of a hospital service. It offers no help for those confined in mental or tuberculosis hospitals. It would cover less than one-quarter (25%) of the total yearly health care costs of the average aged person.

It would establish a tax-supported program for everyone when he reaches his 65th birthday--regardless of need. America's wage-earners and their employers would be compelled to pay the bill through a substantial tax increase.



There is general agreement that the cost would be staggering. For the first year alone, the cost has been estimated at from \$1.4 billion to \$2.5 billion. But no nation that has tried compulsory Federal Government-controlled medicine ever has been able to anticipate the cost correctly. England's socialized medicine program now costs nearly five times the original estimates.

King-Anderson calls for a double increase in payroll taxes--an increase of one-fourth of 1% for employees, a like amount for the employers, and three-eighths of 1% for the self-employed...PLUS an increase in the tax base from \$4,800 to \$5,200. All future payroll tax increases would be figured on the higher tax base. There have been nine increases since social security began, and two more are already written into law. King-Anderson would add still another increase.

When the compulsory King-Anderson payroll tax first would be deducted from paychecks, workers making \$100 a week or more (and more than one-half do) would be forced to pay 16% more payroll tax than they pay today. By 1966 because of social security tax increases already scheduled to go into effect, they would pay 30% more. Still another social security tax boost goes into effect in 1968, and then the wage-earner would pay 46% more than he is paying today. Workers making \$5,200 a year would pay \$27.50 in increased social security taxes the first year under King-Anderson, and their employers would pay a like amount for a total of \$55. And these figures are based on the lowest estimated cost of the plan. As the number of aged increased the cost of the program would increase.



An additional tax burden of \$35 billion would be placed on the shoulders of today's and tomorrow's younger workers and their employers. The \$35 billion is the estimated cost of health care benefits for today's aged during the rest of their lives. In other words, the King-Anderson program would start off with a \$35 billion debt. Many believe it is both inequitable and immoral to saddle the nation's young workers with this huge burden when millions of today's aged can afford to provide for their own health care.

Many believe the initial tax increase would be just the beginning. Congress has been warned that the plan would cost at least \$5.4 billion a year by 1983. This, of course, would mean a fantastic increase in social security taxes. A high administration official, credited with writing the King-Anderson Bill and who would help administer it, told the Senate Finance Committee that he envisions an eventual payroll tax of 20% on a base of \$9,000... or \$75 a month for employee, \$75 a month for employer, and more than \$112 a month for the self-employed. This would be an increase of 411% over the present tax.

The King-Anderson Bill would cost taxpayers millions of dollars more a year than Kerr-Mills and would provide fewer health care benefits for the elderly. Kerr-Mills helps only those who need help, but it gives them a wide range of benefits including drugs and doctors' services.

King-Anderson is socialized medicine for a segment of the population, those 65 and over. And inevitably would lead to socialized medicine for everyone. Former Congressman Aime J. Forand, considered the father of King-Anderson type legislation, explained the ultimate goal in January, 1961, in these words:



"If we can only break through and get our foot inside the door, then we can expand the program after that." The AFL-CIO strongly backs this legislation as a "framework" for a more ambitious program. One AFL-CIO lobbyist said that if it is passed, "We will come back for more and more--and more."



MEDICARE
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King-Anderson calls for a double increase in payroll taxes--an increase of one-fourth of 1% for employees, a like amount for the employers, and three-eighths of 1% for the self-employed...PLUS an increase in the tax base from \$4,800 to \$5,200. All future payroll tax increases would be figured on the higher tax base. There have been nine increases since social security began, and two more are already written into law. King-Anderson would add still another increase.

When the compulsory King-Anderson payroll tax first would be deducted from paychecks, workers making \$100 a week or more (and more than one-half do) would be forced to pay 16% more payroll tax than they pay today. By 1966 because of social security tax increases already scheduled to go into effect, they would pay 30% more. Still another social security tax boost goes into effect in 1968, and then the wage-earner would pay 46% more than he is paying today. Workers making \$5,200 a year would pay \$27.50 in increased social security taxes the first year under King-Anderson, and their employers would pay a like amount for a total of \$55. And these figures are based on the lowest estimated cost of the plan. As the number of aged increased the cost of the program would increase.



An additional tax burden of \$35 billion would be placed on the shoulders of today's and tomorrow's younger workers and their employers. The \$35 billion is the estimated cost of health care benefits for today's aged during the rest of their lives. In other words, the King-Anderson program would start off with a \$35 billion debt. Many believe it is both inequitable and immoral to saddle the nation's young workers with this huge burden when millions of today's aged can afford to provide for their own health care.

Many believe the initial tax increase would be just the beginning. Congress has been warned that the plan would cost at least \$5.4 billion a year by 1983. This, of course, would mean a fantastic increase in social security taxes. A high administration official, credited with writing the King-Anderson Bill and who would help administer it, told the Senate Finance Committee that he envisions an eventual payroll tax of 20% on a base of \$9,000... or \$75 a month for employee, \$75 a month for employer, and more than \$112 a month for the self-employed. This would be an increase of 411% over the present tax.

The King-Anderson Bill would cost taxpayers millions of dollars more a year than Kerr-Mills and would provide fewer health care benefits for the elderly. Kerr-Mills helps only those who need help, but it gives them a wide range of benefits including drugs and doctors' services.

King-Anderson is socialized medicine for a segment of the population, those 65 and over. And inevitably would lead to socialized medicine for everyone. Former Congressman Aime J. Forand, considered the father of King-Anderson type legislation, explained the ultimate goal in January, 1961, in these words:



"If we can only break through and get our foot inside the door, then we can expand the program after that." The AFL-CIO strongly backs this legislation as a "framework" for a more ambitious program. One AFL-CIO lobbyist said that if it is passed, "We will come back for more and more--and more."



CENTRALIZATION OF POWER IN THE FEDERAL GOVERNMENT
Rep. Gerald R. Ford

Never in the history of the United States has there been a desire for or the use of the centralization of power in the federal government in relatively few top officials.

The enormous size of the federal establishment, particularly the executive branch under the President, is seldom spotlighted and as a result is getting out of hand at a rapid pace. This establishment comprises approximately 2 million 500 thousand civilian employees with an annual payroll of about \$14 billion each year. It is augmented by 2 million 800 thousand men and women on active duty with the Army, Navy, Air Force, and Marines.

This vast network of federal executive employees, with authority emanating from Washington, operates in every state of the Union. Either through legislation or through regulations promulgated in the Nation's Capital this huge bureaucracy has the authority to move into every business, every home through the power to collect taxes, to enforce regulations, or to spend taxpayers' money. Such authority from the banks of the Potomac is backed by the awesome power of over \$100 billion annually in federal funds which can and have been used to persuade, to entice, and sometimes bludgeon states, communities, business organizations and even individuals to fall into line, to play the game of accepting federal domination or dependence.

In the past 30 years there has been a growing, an almost insidious trend, toward Washington dictatorship with occasional pauses when the voters took matters in their own hands. The election of 1946 swept out O.P.A. and Ike's victory in 1952 signed the termination of O.P.S.



This trend toward centralization of authority and abuse of executive power has, however, accelerated in the past 34 months under the Kennedy Administration. During the entire 1962 session the President made 88 new requests for funds and 29 additional requests for Presidential powers. The Kennedy record in 1963 is even more startling. From January through June there were 207 new demands for funds and 70 new requests for Presidential powers. I might add parenthetically the flow of White House messages since July 1st has not decreased but increased and all seeking more money for new programs and new Presidential authority to control the destiny of the 190 million Americans.

To justify an all powerful federal octopus the arguments are made that now and in the future the states and local governing units cannot solve our economic and social problems and furthermore individuals and segments of our economy want and need federal dependence rather than independence and responsibility.

I doubt that many Americans approved of Presidential action in anger during the steel industry price controversy in 1961 that resulted in federal agents badgering citizens in the middle of the night. I doubt if many Americans approved of the politically inspired decision of the Secretary of Health, Education, and Welfare in the ADC-U controversy that nullified the good intentions of Governor Romney and the Michigan legislature. There is little evidence in Michigan to support the contention of the Secretary of Interior and Senator Hart that authorities in Washington should determine the size, the acreage of a park at Sleeping Bear, or write new procedures for seizing private property or decide hunting and fishing regulations in our state.



Furthermore, when given a clear-cut choice Americans will not sell freedom for a federal handout. The Kennedy Administration in 1962 rammed through farm legislation which gave wheat farmers two choices - - on the one hand the most rigid controls plus the enticement of high price supports or the alternative of no controls with a slash in wheat prices. Secretary Freeman with the full backing of the President and the massive help of federal funds and the personnel of the Department of Agriculture put on the greatest propaganda campaign on behalf of federal control.

You know the refreshing story. The American wheat farmer, despite the lure of a guaranteed income voted for Freedom rather than Freeman.

Our traditional form of government with the specific and limited delegation of power to the federal government has met every domestic and international crisis of the past. We must never forget a government big enough to give us everything we want is a government big enough to take from us everything we have. Centralism with all its evil connotations will be checked only when national leaders refuse to encourage the "easy way" of federal assistance and state and local officials assume the responsibility and privilege of local action. The big issue today is whether the excess concentration of federal power and sovereignty will destroy state, local, and individual freedom and responsibility.



"MAJOR ISSUES
FACING THE 88TH CONGRESS"

Guest Speakers

HON. GERALD R. FORD

HON. NEIL STAEBLER

Monday Noon, October 21, 1963



**"MAJOR ISSUES
FACING THE 88TH CONGRESS"**

- I. Centralization of Power in the Federal Government**
- II. Medicare**
- III. Defense and Foreign Aid**
- IV. Fiscal Policy and Economic Growth**

Guest Speakers

**The Honorable
NEIL STAEBLER
Congressman-at-Large
from Michigan**

**The Honorable
GERALD R. FORD
Congressman from
the 5th Michigan District**

BEFORE THE ECONOMIC CLUB OF DETROIT

**Monday Noon, October 21, 1963
Cobo Hall
12:15 P.M.**

PRESIDING OFFICER

**THE VERY REVEREND
LAURENCE V. BRITT, S.J.
President
University of Detroit**

**LESTER SKENE BORK
President
The Economic Club of Detroit**



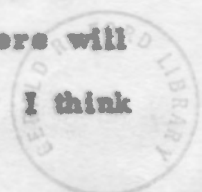
(The meeting was opened by President Lester Skene Berk, who presented The Very Reverend Laurence V. Britt, S.J., President, University of Detroit, as Presiding Officer.)

FATHER L. V. BRITT: General Berk, distinguished guests and gentlemen:

I think first before introducing our distinguished visitors I should explain to you why I was chosen for this presiding task, and I am quoting from a letter which General Berk doesn't know I had occasion to see. He stated that, "Father Britt is definitely a non-announced neutral, I've never heard of his being considered a Democrat or a Republican." He apparently thinks that Jesuits are that third political party you've heard references made to. (Laughter) Actually every time we have a political speaker on campus, I find that I'm quickly identified with that particular group.

All of us I think are aware of the fact that at times democracy has a way of muddling along with a really frightening number of wrong solutions to very grave problems. This is a problem, but it will be more of a problem and democracy will cease to exist, if the time ever comes when concerned citizens cease to ask questions or cease to seek solutions to the problems. And we know in the many years that this country has endured, free discussion has been one of the most important means we have had for arriving at new ideas.

Today we're privileged to have as our discussion leaders two gentlemen whose experience certainly eminently qualifies them for the task at hand. With respect to the discussion format, it has been agreed that each speaker will have from four to six minutes to speak on each of the four topics that you'll find listed on the front of the program. At the end of five minutes, General Berk assures me that he will be heard from with one sharp chime; at the end of six minutes, there will be two chimes that will indicate the deadline has been reached. I think



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you'll agree that this is much more subtle than the method used over at the Vatican Council where at the end of the allotted time, the engineer simply disconnects the Bishop's microphone. (Laughter)

At the conclusion of the discussion of the four topics, I will flip a coin -- which is my own coin; they didn't even contribute that to the occasion -- that will determine who will be the lead-off speaker.

Our speakers today have their biographical data summarized in the program. I'm not going to duplicate items that are there. But if I may begin by introducing the man who will be the lead-off speaker, I will then also introduce the second gentleman so that there will be no gap between the introductions and the beginnings of the discussion.

One of our distinguished visitors has been in Congress since January of 1949. He is currently serving his eighth consecutive term. Mr. Ford, as you know, is Michigan's Representative from the 5th District. Among other responsibilities, he is Chairman of the Republican Conference of the House of Representatives, a member of the Committee on Appropriations, and a member of the Republican Policy Committee. He is the senior Republican member of the Sub-Committee on Appropriations for the Department of Defense, and has a host of other responsibilities.

It will interest you to know -- I think already many of you know this -- that he was graduated from the University of Michigan in 1935 and in the light of recent developments I am sure he would be very much welcomed back on that campus. He graduated after having won three varsity letters in football, after having played on the University's undefeated teams back in the early Thirties, ^{He} was selected as the University's most valuable player, was also selected to be the recipient of Sports Illustrated's Silver Anniversary All-American Award, received his law degree from Yale in 1935, practiced law in Grand Rapids, served in the U. S. Navy, and somehow ^{found} time then to run for Congress; and has had

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many marks of recognition during these many years, ^{Now} ~~now~~ in ~~his~~ his 8th term as Congressman, he is generally recognised as one of the most experienced and most brilliant of the young Republicans in the Congress. I will ask Mr. Ford to stand up please.

(Applause)

Our second speaker, The Honorable Neil Staebler, Michigan's Democratic Congressman-at-Large, you may recall, appeared before this group just a year or so ago. He is also a Democratic National Committee-man, an Ann Arbor businessman, ^{and} for three decades ^{has been} a worker and leader in the Democratic Party. ^{From 1955 to 1960} ^{he} served as Chairman of the Democratic National Advisory Committee on Political Organization, was a member of the National Committee's 1960 Planning Committee -- which seems to have accomplished its objective, -- ^{Graduated} also from the University of Michigan in 1926, in 1962, ^{he} had the honor of receiving an honorary Law Degree from his Alma Mater. -- ^{The} citation given at the time instances as bases for the recognition such things as: "political skill, dedication to purposes transcending the partisan, emphasis on substantive issues, success in demonstrating the role that can be played by the citizen amateur in state political life," and so on.

He takes justifiable pride, I think, in the fact that his own experience enables him to look at politics and government from the businessman's point of view, with sincere concern for such realities as taxes and expenditures, labor, production costs and so on.

Mr. Staebler is also a Navy veteran and, as all of you know, there are rumors being heard that he is to be considered one of the strong possible gubernatorial candidates for the State of Michigan at the next election. Mr. Staebler.

(Applause)

The first topic for discussion -- Mr. Ford will be the first speaker -- is "Centralization of Power in the Federal Government." Mr. Ford.



HON. GERALD R. FORD: Never in the history of the United States, in peace or war, has there been such a strong desire for, or the use of centralization of power in the federal government. The enormous size of the federal establishment, particularly the Executive Branch of the government is seldom spotlighted, and as a result, in my judgment is getting out of hand.

This establishment comprises approximately 2,500,000 civilian employees, with an annual payroll of approximately \$14 billion. This vast network of federal executive employees, with authority emanating from Washington, operates in every one of our states. Through legislation or regulations promulgated in the nation's capital, this huge bureaucracy has the authority to move into every business, every home, through the power to collect taxes, to enforce regulations or to spend taxpayers' money. Such authority from the banks of the Potomac is backed by the awesome power of over \$100 billion a year in federal funds, which can and have been used to persuade, to entice, or sometimes bludgeon states, communities, business organizations and even individuals to fall into line, to play the game of accepting federal domination.

In the past 30 years there has been a growing and almost insidious trend toward Washington dictatorship, with occasional pauses when the voters took matters in their own hands. The election of 1946 swept out OPA, and Ike's victory in 1952 signed the termination of OPS. This trend toward centralization of authority and abuse of executive power has accelerated in the past 34 months under the Kennedy Administration. During the entire 1962 session of Congress, the President made 88 new requests for funds, and 29 additional requests for Presidential power.

The Kennedy record in 1963 is even more startling. From January through June this year there were 207 new demands for funds and 70 new requests for Presidential power. Parenthetically, the flow of White House messages since July 1st has not decreased, but increased;

and all seek more money for new programs, new policies and new Presidential authority .

To justify an all-powerful federal octopus, the arguments are often made that now and in the future the state and local governing institutions cannot solve our economic and social problems. Furthermore, individuals and segments of our economy want and need federal dependence, rather than independence and responsibility.

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I think there is very little evidence in Michigan to support the contention of the Secretary of the Interior, and Senator Hart, that authorities in Washington should determine the size, the acreage of a park at Shoping Bear; or write new procedures for seizing private property; or decide hunting and fishing regulations in the State of Michigan.

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Freeman. Our traditional form of government, with the specific and limited delegation of power to the federal government, has met every domestic and international crisis. We must never forget that a government big enough to give us everything we want, is a government big enough to take from us everything we have.

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(Applause)

FATHER L. V. BRITT: Mr. Staebler will now address himself to the first topic. Mr. Staebler.

HON. NEIL STAEBLER: Father Britt, Congressman Ford, General Bork, members of The Economic Club and guests:

At the outset I want to express my appreciation at having an opportunity to be here with The Economic Club again, and in the company of my distinguished colleague Congressman Ford. As he has pointed out, Americans have always had a healthy distrust of government. Not all government, however, should be regarded as an evil, or an infringement of individual freedom. Government regulations often provide us with greater freedom, as for example, traffic signals which enable us to drive our automobiles safely. We cannot rely upon drivers to regulate themselves, and we can't always rely upon big business or big labor to regulate themselves. To determine what is useful and what is abusive federal power, we need sober reflection rather than fear or vague generalisations. Let us explore the problem of federal power by trying to answer three questions.



One, when is federal action necessary? Two, is the federal government misusing its power? Three, ^{is} ~~do's~~ the individual citizen more or less free today than he was when the federal government was smaller?

There would seem to be two situations in which federal action is necessary. One is where states fail to meet their responsibilities. The other is where problems are national in scope. There is no question that the federal government is doing some things which ought to be done by state governments. For example, inadequate state regulations in the field of water pollution have necessitated federal action. Here in Detroit federal hearings revealed severe pollution of the Detroit River, which was endangering the health and property of our downriver citizens.

Yet the problems goes beyond the fact that the federal government has been forced to act when states have failed to act. In some fields even with the best intentions, state action would prove inadequate because many problems are national in scope and therefore require national solutions. Unemployment, civil rights and air pollution are a few examples of national problems. So is the problem of deceptive packaging and advertising of consumer goods, a problem in which Senator Hart has been working so effectively. Education and health are also national problems because many of our states are too poor to marshal the funds necessary for adequate facilities and individual care.

Now let's ask, is the federal government abusing its power? Some people think that the federal government is becoming an ever larger network of people interfering in our daily lives. Congressman Ford called it an octopus. The truth is that the number of people employed by government as a percentage of the population has actually declined since 1946. Then it was 19 people per thousand. Today it is only 13 people per thousand. If you subtract from federal employment those working in Defense, the Post Office, and the Veterans Administration, the remainder

of federal government employs fewer people than the telephone industry.

Finally, I want to say a few words about the question of individual freedom. Would the individual citizen be more free today if the federal government refrained or was made to refrain from areas of regulation and positive action? More free perhaps -- to drink polluted water; or to fly on unregulated airlines; more free to buy dangerous drugs, falsely advertised products; free to be unemployed; free to have an inadequate education or unequal opportunity. Should the individual citizen be free to take Thalidomide?

Let's be honest about this matter. Less federal regulation does not necessarily mean greater individual freedom. It can mean freedom for private tyrannies to assert themselves. On the other hand, it is true that government is big and that it overawes many citizens. Nowadays it isn't as simple as it was 40 years ago. It takes time to read about government, time to ponder it, time to ask questions. Many business and professional people brush off their responsibilities by turning problems over to trade associations. This is fine for an individual case affecting an industry, but what about the great problem of centralization of power which goes beyond industries and maybe even counter to them? This is what political parties are for, and I suggest active membership in either political party multiplies the effectiveness of an individual and his ideas in dealing with government at any level, particularly the federal government.

Our political parties offer the best means we have for protecting ourselves against unnecessary government controls. I do not doubt that with an enlightened citizenry and an alert Congress we can be assured that federal power is used to provide conditions under which every individual can lead a freer and better life.

(Applause)



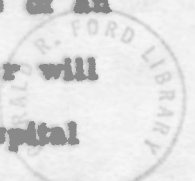
FATHER L. V. BRITT: The second topic is that of Medicare and by prior agreement it has been established that the first speaker for this topic will be Mr. Staebler.

HON. NEIL STAEBLER: I'm sorry that I have only a few minutes to talk with you about the very important subject of Medicare for our senior citizens. Actually the word "Medicare" is a misnomer because what we are really talking about is a program of hospital insurance paid for by Social Security contributions. It has nothing to do with the payment of doctor bills. It would only help pay for hospital bills and related expenses such as drugs.

It's worth noting that the United States is the only major industrial nation in the civilized world that does not provide a program of prepaid hospital insurance for older citizens. In the United States today 18 million of our citizens are over 65 and 670,000 of these senior citizens are here in Michigan. Not only will this number continue to grow, but the life expectancy of our older people also is rising. A man who reaches 65 today can expect to live another 13 years. A woman who is 65 can expect to see 80.

In the past when a person lived only a relatively few years after retirement, it was often possible for him to meet his hospital needs. Now, however, with people living 10 to 15 years after retirement, at a time when their medical needs continue to rise, they simply cannot afford to meet the increased burden of health care. The vast majority of senior citizens are living on a reduced income at best, and with pitifully small cash reserves.

I am sure many of us here know of incidents where just one serious illness has completely wiped out the financial resources of an elderly person. I think it's obvious to all of us that this matter will become even more serious as life expectancy increases and hospital costs go up. Few people dispute this. The question then is, how are



these necessary expenses going to be met? Should the children take up this burden? Should we leave it to charity? Can private insurance plans do the job? Or is there another way? I don't think children, charity or private insurance, alone or together, can do the job. They can and should help, of course. But the basic job ought to be done on a universal basis through a Social Security prepayment plan.

This is the program recommended by President Kennedy and the Democratic Party. I support it and I will cast my vote for it. We have already tried the charity approach and it doesn't work satisfactorily. I'm talking about the Kerr-Mills Medical Assistance Law passed three years ago by Congress. It sets humiliating requirements for our older people -- virtually forces them to take a pauper's oath; and doesn't do the job!

Michigan was the first state to qualify for Kerr-Mills. Yet last year only 13,583 of our senior citizens qualified for health care assistance. What about the other 656,000 Michigan citizens over 65? Should we attempt to help them by extending Blue Cross or other similar programs? This is a solution many people suggest. The trouble with Blue Cross or other private insurance is two-fold. It lies in the increasing longevity of people and the increasing cost of hospitalization. The very same thing that is helping life insurance companies decrease the actuarial risks works against Blue Cross. It increases the risks for Blue Cross.

Secondly, not only is life expectancy increasing, but the cost of hospital care is constantly rising. Hospital care comprises about three-quarters of the medical costs of the elderly. The alternative to private insurance then is the Social Security approach: the principle of paying for our hospital insurance during our working years. Notice that this distributes the risk over the entire population. Not everybody will have a big hospital bill when they are elderly, but everyone will share in the



cost of the insurance -- about 25 cents a week.

The real objection to hospital insurance or Medicare comes from those who fear that it will destroy either the medical profession or the insurance business. Neither Congress nor ^{the} people will allow this to happen. In my view, the challenge of health care for our senior citizens can be met only by the broad approach of a Social Security program. This is a program that preserves the self-respect of the individual concerned by providing him with benefits he has already paid for and is entitled to receive.

(Applause)

FATHER L. V. BRITT: Mr. Ford will now discuss Medicare.

HON. GERALD R. FORD: The issue is not health care for the aged versus no health care. Everyone agrees, I believe, that our elderly who need health care should get it when they need it, whether or not they can afford to pay for it. The real issue is how health care for elderly can best be provided; whether it should be voluntary or compulsory; whether the federal government should take care of people who can take care of themselves?

The voluntary program is available now. It combines health insurance and prepayment plans for those able to purchase them, and the Kerr-Mills Act and other locally administered laws for helping those who need help in paying for health care.

The compulsory alternative approach is the King-Anderson bill referred to as Medicare.

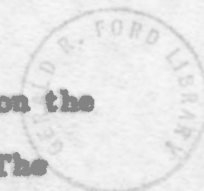
More than 60% of the aged already have protected themselves against the costs of illness through health insurance. The number covered has tripled in the last 10 years and the aged are buying health insurance at a faster rate than any other age group in our population. The Kerr-Mills Law was passed by Congress in 1960. The law enables the individual states to guarantee every aged American who needs help the health care

he requires. In addition to the more than 2 million covered by Old Age Assistance, the law is designed to benefit all other elder persons who are ordinarily self-supporting, but unable to meet the cost of a serious or prolonged illness. It helps those that need help. Each state can pattern its program to meet its own particular needs. It is administered locally where the individual needs of the aged are well known. By helping only those who need help it avoids waste of tax dollars.

The King-Anderson Bill is now before the Congress. This plan would provide limited health care benefits for everyone over 65 under Social Security or Railroad Retirement, plus 2,500,000 persons who are 65 or older today, but not covered by other act. It would pay practically no doctor bills. It would not furnish any drugs or devices outside of a hospital. It would not cover cost of diagnosis in a doctor's office, or anywhere else unless part of a hospital service.

It offers no help for those confined in mental or tuberculosis hospitals. It would actually cover less than 25% of the total yearly care cost of the average aged person. It would establish a tax-supported program for everyone when he reaches his 65th birthday, regardless of need. America's wage earners and their employers would be compelled to pay the bill through a substantial tax increase. The cost would be staggering. For the first year alone the cost has been estimated from \$1.4 billion to \$2.5 billion. No nation that has ever tried compulsory federal government controlled medicine has ever been able to honestly and correctly anticipate the cost. England's own program now costs nearly five times the original estimate. King-Anderson calls for a double increase in payroll taxes, an increase of 1/4 of 1% for both the employees and employers, and 3/8th's of 1% for the self-employed, plus an increase from \$4,800 to \$5,200 in the base.

An additional tax burden of \$35 billion would be placed on the shoulders of tomorrow's younger workers and their employers. The



\$35 billion is the estimated cost for health care benefits for today's aged, during the rest of their lives. In other words, ^{the} King-Anderson program would start off with a \$35 billion debt. It is both inequitable and immoral to saddle the nation's younger workers with this huge burden.

Many believe the initial tax increase would be just a beginning. Congress has been warned that the plan would cost at least \$5.4 billion by 1983. This of course would mean a fantastic increase in Social Security taxes. The high Administration official credited with writing the legislation testified before the Senate Finance Committee that he envisions an eventual payroll tax of 20% on a base of \$9,000 -- or \$75.00 a month for the employer and the employee. This would be an increase of 411% over the present tax.

Former Congressman Farrand, one of the original authors of this bill, explained the ultimate goal in 1961: "If we can only break through and get our foot inside the door, then we can expand the program after that." Aside from the cost, the worst aspect of King-Anderson is the inevitable loss in quality of health care. We are proud of the competence of our doctors and nurses. Whenever mass medical care under government controls takes over, we lose, not gain in prolonging life and saving lives.

(Applause)

FATHER L. V. BRITT: Our third topic is "Defense and Foreign Aid." If I may interject a brief historical item here, I might note that in 1911 a Brigadier General Allen appeared before Congress and, with apologies, asked for an astronomical annual budget to insure U. S. supremacy in the air. The amount -- one million dollars!

The first speaker on this topic will be Mr. Ford.



HON. GERALD R. FORD: Since January of 1961 under President Kennedy we have had increased appropriations for the armed forces by about \$10 billion over a 2-year period. Secondly, we've had increased manpower in the various military services by about one hundred thousand, from 2,700,000 to 2,800,000. Thirdly, we have had an increased amount for foreign aid, from about an average of \$3 billion under former President Eisenhower per year, to a request of \$4.9 billion this year by President Kennedy, and an average during his term of office of approximately \$4 billion.

In the foreign aid program under President Kennedy we've had a shift from military to economic assistance, and there's also been an alleged shift from outright grants in economic aid to so-called loans. But before you say this is good, let me give you the terms of the loans. 40-year loans, a 10-year grace period, with a service charge not an interest charge of 3/4 of 1%. Now these increases in dollars and manpower under President Kennedy were based on the premise that America's prestige and influence abroad would be enhanced and inevitably as a result would lead to U.S. and free world success.

I think we should ask ourselves, where do we stand today? And what are the results? One quipster in Washington the other day might have said, "The grim world of the Brothers Wonderful."

Now every American was pleased to find, thanks to Bob McNamara's honesty and frankness, that the alleged and purely politically motivated missile gap was wiped out within the first two weeks after the Kennedys took over. Of course there never was a missile gap; it was a missile myth perpetrated for political purposes. Has defense policy changed under this Administration? I wouldn't say it has changed very significantly. There has been some acceleration in certain programs. We've increased the size of the Army by two divisions. We've added some airlift. But there have been cutbacks in other programs. The Skybolt got the

axe and the RF-70 won't go beyond an R and D program.

Frankly, I'm not concerned too much about these changes in this respect, but the most serious problem is that not one new major weapons system has come into inventory in the last 34 months.

Now, has our prestige abroad improved? Are we more successful in the free world struggle against communism? Take Europe. NATO is in disarray, to use the President's own words. I wonder if we are going to have the courage to do what we should about troop strength in Europe. Are we going to do anything about the fact that we are paying 9.8% of our Gross National Product while our European allies are paying 3.4%? There is no solution under this Administration to General de Gaulle. There is no breakthrough in trade. As a matter of fact, we can't even win the chicken war. The Berlin Wall was built under this Administration. We hesitated while it was constructed and we rationalize now and leave it alone. As a matter of fact, we've put about a billion dollars into Spain and just the other day it was revealed that despite these advances and current ones, we can't even get the right to put Polaris submarines in those ports.

Let's turn to the Far East. South Viet-Nam is the best example of one step forward and one step backward. One doesn't know what is the policy in Viet-Nam today. I'm glad to say that I think we're doing all right militarily, but on the other hand we have tiptoed from one end of the teeter totter to the other on the political problem in Viet Nam. Does anybody know whether we are for or against the Diem regime today?

Let's take Latin America. With fanfare the Alliance for Progress was launched. There has been negligible results in achieving social or tax reform in Latin America, despite vast promises of funds by Uncle Sam. Venezuela is under siege from Castroism. Cuba is a

base for Soviet subversion and infiltration. Brazil and Bolivia are on the brink of economic and political chaos. Military dictatorships are taking over at an accelerated pace in all of Latin America. Our problems today stem from the Kennedy Administration's attitude. There is no unanimity or unity of purpose. Some in the Administration want to win against communism. Others naively believe Khrushchev's change of pace can be accommodated.

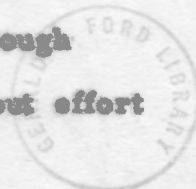
Khrushchev still wants to bury us. He'll throw us a slow ball one day, a curve the next, and a fast one the next. This Administration just can't take of this change of pace. We must not be fooled. We must maintain our superior military strength. The enemy must know that we have that strength. The enemy must know that we will use our strength. And we must be prepared to use our power for the cause of freedom.

(Applause)

FATHER L. V. BRITT: Mr. Staebler will now address himself to "Defense and Foreign Aid."

HON. NEIL STAEBLER: Both parties agree on the importance of our country's security. Disagreement occurs on how best to go about it. The Kennedy Administration approach rests on five principles: military strength second to none; economic growth; preservation of the free world; willingness to reduce armaments and tension if possible; and a willingness to take advantage of every opportunity to divide the enemies of freedom.

When President Kennedy assumed office we had fallen behind the Russians in military development and weapons designed for what we now call brush fire wars. The Russians were ahead of us in the development of space weapons and had been since Sputnik. Through the expenditure of considerable sums of money, through an all-out effort



in space, and with the excellent administration of Secretary of Defense McNamara, we now have pulled ahead of the Russians in missiles and have developed a capability in conventional weapons more than adequate for any kind of limited warfare we may encounter.

Our defense capabilities today are second to none. The other side of our national security is the preservation of the free world. This is the goal of our foreign aid program. The greater part of our foreign assistance has gone and goes today to countries directly menaced by Communist aggression, external or internal. Foreign aid measures range from direct military assistance to supplying doctors and teachers to countries trying to improve health and education for their people. Next to our defense establishment, foreign aid is the single best tool of our government in its efforts to fortify our national security. It is vital to our efforts to bring peace and stability to a troubled world to influence other nations toward a course of independence and freedom, and in some places to fight cold war battles.

We got into the foreign aid business after World War II. The Marshall Plan was the beginning. Then came the Truman Doctrine. Both were aimed at holding back communism and helping Western Europe get back on its economic feet. You all know the result. The Western European economy today is prospering. It leads the free world in economic growth. Communism was contained in Europe and is being contained virtually on every frontier around the world.

It is interesting to note that in these early days almost 90% of our aid to Europe was in the form of grants. Today the trend is just the opposite with the bulk of the program constituting loans, and the interest rate in the House bill just passed has been raised thanks to our Republican friends to 2%.

Since World War II we have been confronted with a world-wide



surge of nationalism among the underdeveloped countries. This has resulted in many new nations, radical changes in government of other nations. All of these areas are plagued with low economic and social development and it is in these areas that we are meeting the Communist challenge head-on through our Foreign Aid program.

The Communists preach that the shortest route to economic and social progress lies along a totalitarian road. The free world answer has been that of freedom and self-development. In most of the emerging nations, those who advocate freedom are locked in struggle with those who advocate totalitarianism. The margin of victory sometimes is supplied by economic and military aid, either from us or from the Communists.

The hottest points of conflict today are in Latin America, the Far East, Africa. If we want to save freedom in these areas, we must continue economic and military aid. If we get impatient, cut aid too soon, then we may find a dozen Cubas on our doorstep in Latin America. If this happens, those who thought we were saving money will be bitterly disappointed. The smallest military operation would completely dwarf our aid expenditures.

The present attempt to save ^{several} hundred million dollars in the Alliance for Progress program could easily lead to spending billions of dollars and loss of lives in military action, should Latin America fall prey to the Communists. At the present time the Foreign Aid appropriation is in great danger of ^a drastic cut. The authorization bill has been cut 40% below the President's recommendation. Further cuts are threatened. It is astonishing to observe that Congressman Ford and every one of the Michigan Republican Representatives except two supported the deep cut in foreign aid. Even more disturbing is that after the cut was made, six of these gentlemen voted against the act completely. I suggest this is tantamount to abolishing a fire department.

Let me remind you what General Eisenhower said recently about foreign aid: "Never has there been any question in my mind as to the necessity of a program of economic and military aid to keep the free nations of the world from being overrun by the Communists." Our Foreign Aid program, gentlemen, is just as much a part of our defense program as our guns, planes and submarines. And I think we all agree, foreign aid is far less expensive.

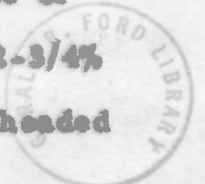
(Applause)

FATHER L. V. BRITT: We hear much these days about the physical fitness program and it was thought that this particular group might have a somewhat greater interest in fiscal fitness. The fourth topic: "Fiscal Policy and Economic Growth." The first discussant will be Mr. Staebler.

HON. NEIL STAEBLER: I am pleased that General Bork has put this issue of fiscal policy and economic growth in the wind-up position of today's discussion. Economic growth is the paramount problem of our times. President Kennedy has recognized this fact and, in my opinion, the Kennedy Administration has acted decisively and effectively to meet the country's needs.

We are discussing growth today in the context of booming auto production in Michigan and general national prosperity. Yet here in Michigan 58 of our 83 counties still are distressed areas; areas of chronic unemployment and serious economic problems. Across the country, despite general prosperity, many other pockets of chronic economic problems exist and our national unemployment level remains high at about 5%.

Since President Kennedy has taken office our annual rate of growth has climbed to about 4% compared with an average of 2-3/4% during the Eisenhower years. Our Gross National Product is headed



for an all-time high of \$580 billion. This has had a good effect on Michigan. Auto production is booming and unemployment is at its lowest level since 1955. These are indications of impressive growth, but this is not enough. We must do better, or face living with an unemployment of more than 7% of our national work force. Let me remind you that unemployment is expensive. In 1962 it cost the federal government and private business \$4.7 billion. Our basic problem is we are producing more with fewer workers at a time when our labor force is being flooded with new young people.

President Kennedy is tackling economic growth at three levels. First, the broad tax cut program as a stimulus for the entire economy; second, special programs pinpointed to aid depressed areas; third, increased aid to education so that we can build new skills in our young people and retrain our older people displaced by automation. That part of the President's program which has gone into effect is working and working well.

The reduction in corporate tax liabilities last year through investment tax credits and business depreciation reforms already has pumped more than \$2 billion back into the economy in terms of plant and equipment investment. In Michigan we can see the results in the special programs for distressed areas. We have received more than \$7 million for area redevelopment. We were the first state in the nation to begin manpower retraining and accelerated public works programs totalling \$55 million have been approved and are under way in scores of Michigan communities.

Ironically the accelerated public works program which is building badly needed municipal improvements has been opposed by seven of our 11 Michigan Republican Congressmen, including Congressman Ford. They voted against the APW appropriation this year. The main thrust of Congress in this session is, of course, the President's proposal for tax reduction. The \$11 billion tax cut already has passed the House,

again with Congressman Ford and eight other Michigan Republicans voting against it. Despite opposition of our Michigan Republican Congressmen, the tax program is not a partisan proposal. It is supported by business, industry and labor. Our own Henry Ford is Co-Chairman of the National Business Committee for Tax Reduction.

Individuals will get the biggest benefit of the tax cut with reductions of \$8.7 billion. Largest cuts will go to the low-income families. The average reduction will be about 20%. The tax cut will mean more take-home pay for virtually every working family in Michigan and in the country. This is the purpose of the program -- to put more money into the hands of consumers and corporations. For families it will mean more money to spend on needed consumer goods. For business and industry it will mean more money to spend on plant expansion, remodeling and new equipment. The net effect will be an increase in production which means more jobs. It is estimated the expansion of the economy as a result of the tax cut will add some three million jobs.

Opponents to the tax cut have muddled the waters by trying to tie tax reform to the question of the budget. We can't have a tax cut, they say, until the budget is in perfect balance. Well, this is like telling an auto worker he can't have a wage increase until he's paid off his home mortgage. Don't misunderstand me, as a businessman I know the importance of making sure that expenditures don't exceed revenue. Our Republican friends raised such a clamor about economy, however, that the point has escaped general notice that the Kennedy Administration has set a remarkably good record for economy. What many people aren't aware of is that major increases in spending in this country have been in the national security-connected areas of the budget. Non-defense spending, money for health, education and welfare, has dropped from 27% of the budget in 1949 to 21% of the budget today.



Republican ideas about economy differ from ours rather sharply. They believe in cutting out whole programs, or in broad across-the-board slashes. We believe in applying good business principles which squeeze the waste out of every program.

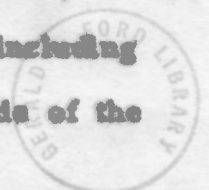
Let me give you just one example. Secretary of Defense McNamara has squeezed \$3 billion of savings out of last year's defense program by instituting tighter controls. The budget, of course, will increase year by year, just as the budget of a growing household or well-run business increases each year. But in the final analysis, the tax cut should increase our economic growth to a point where overall tax revenues will be more than adequate to balance the budget. We have been warned often that if we do not act to prime the nation's economic pump, we can look forward to another round of serious recessions. I believe we've got to act now.

(Applause)

FATHER L. V. BRITT: Mr. Ford will now address himself to "Fiscal Policy and Economic Growth."

HON. GERALD R. FORD: Republicans in the Congress favor a tax reduction. We recognize fully the inequity and the confiscatory nature of the federal tax structure, which is the product of the need for revenue during World War II and Korea. We know federal taxes must be reduced if we are to have increased growth of our nation and if we are to insure prosperity for the future.

Republicans firmly believe, however, you negate and wash out economic benefits of a tax reduction by increased federal spending. Quite frankly I am delighted to see that the Democrats in Congress now favor rate reductions in federal taxes. They are welcome Johnny Come-Lately's because in 1947 and in 1954 the Democratic Party, including the President while he was in Congress, was on the other side of the fence.



In 1963 the Democrats are riding two horses. I am delighted to amplify what Mr. Staebler said. Henry Ford and his Committee are not riding two horses. They believe in a tax reduction and a reduction in expenditures in the federal government. Now, in January, the President proposed tax reduction and increased spending of about \$5 billion. Now the President wants a tax cut but he is riding side saddle on spending. He's off again, on again, on the spending issue. On the day he promised Wilbur Mills, the Chairman of the House Committee on Ways and Means, that he was going to hold down the spending, he was out on a non-political jaunt in the Western states promising citizens in that area over \$2 billion more in additional federal spending.

The policy of confusion -- or the confusion on policy, I'm not sure which -- about spending in the Kennedy Administration is widespread. In January the President submitted a tight budget, according to his own words. However, in recent weeks Secretary of the Treasury Dillon has praised the Congress for budget cuts totalling, as of now, about \$4 billion.

What is the policy -- big spending or great frugality? I think it depends upon who is talking, or when, or to what audience. Frankly the Republicans agree with and vote for economy, and I am delighted to have my friend Neil verify that. But we have reservations about the Democrats on this issue. The 1961 federal budget had a deficit of \$3 billion. The Democrats said that was a mistake and they promised a surplus -- ended up with a \$6 billion deficit in 1962.

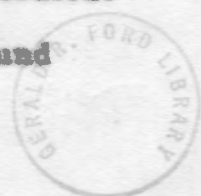
In 1963 they promised a half a billion dollar surplus. They made another mistake -- ended up with a \$6 billion deficit. Now in the current fiscal year and in the next fiscal year, they've just plain given up, and they're going to have a \$9 billion deficit this year and a \$9 billion deficit next year; and they only vaguely promise you a balanced budget



in 1968 or 1969. This fiscal irresponsibility undermines whatever efforts have been made to solve our adverse balance of payments, our gold flow problem. A tax cut with more spending, more interest payments on an expanding national debt undermines confidence of the United States dollars. It is immoral in my judgment for us of this generation to live off the fatted calf and pass bills on to future generations in the form of higher interest on greater debt.

It's natural for everyone of us to want a tax cut. The Democrats in Washington believe it's natural for everyone to want a federal handout. We can't have it both ways, without ultimately falling on our face. To have a tax cut unmatched by expenditure restraint is to endanger the economy, not to improve it. We know from history what happens to nations throughout the world that persist in living beyond their means. There is a deep-rooted anxiety throughout the Western world right today, not about the quantity of our dollars, but about their quality. Quantity without quality places in jeopardy the savings bonds, the life insurance policies, the bank balances and the pension benefits of our own people. Adding deficit on deficit may get the country moving again, but in the wrong direction. The road to tax reduction is an expenditure restraint. Expenditure reduction requires determination and forthrightness by each one of us. Lip service and pious resolutions won't do it. We must realize that today's grandiose political promises of more and more and more spending become tomorrow's taxes. We must earn a tax cut by expenditure restraint. A tax cut financed by more and more borrowed money will lead us to a fool's paradise. If we follow the policy of expenditure restraint and control with a firm priority list of programs and projects, the United States can have and will have earned federal tax reductions, a balanced budget, economic prosperity and sound economic growth.

(Applause)



FATHER L. V. BRITT: As previously announced, each of our distinguished speakers will now have five minutes for a final summary. The order of appearance will be determined by the flip of a coin -- which will be supervised by General Berk. With apologies to the Supreme Court, I should note that this ^{coin} carries the legend "In God We Trust." (Laughter)

The coin has come up tails -- the first summary will be given by Mr. Ford.

HON. GERALD R. FORD: First if I may, I would like to respond to several questions raised by Neil Staebler. He indicated that under this Administration most of the increase in federal spending had been for the Defense Department, or related agencies. Let me give you the facts on this. The last budget submitted by President Eisenhower in January of 1961 for fiscal year 1962 called for an \$80 billion budget. The fiscal 1964 budget submitted by President Kennedy in January of this year called for a budget of \$107 or \$108 billion. So in a period of two fiscal years we've had an increase of \$27 billion. Only \$10 billion out of the \$27 billion related to the Defense Department. Seventeen or eighteen billion out of the \$27 billion went for non-defense agencies.

The facts are that most of the increase in the budget, in the spending under this Administration, is for non-defense purposes.

Let's talk for a minute about Foreign Aid. There's been much comment about the efforts in the House of Representatives to reduce President Kennedy's request for this fiscal year of \$4.9 billion for foreign aid. The House of Representatives about a month or so ago cut this to \$3.5 billion. They talk about the cut, but let me assure you a three to three-and-a-half billion dollar foreign aid program is still a big program in my opinion. And when you give them three to three-and-a-half billion dollars and you add to it what we call our surplus agricultural commodity program of about a billion dollars a year, it's a very substantial program



of substance from the American people.

Now let's talk about fiscal responsibility just a bit. This Administration whether it's in office four years or eight years, I will promise you will never balance the federal budget. They have not balanced it yet and they don't promise it at any time during their term of office.

Now let's talk for a minute about the eight years under President Eisenhower which I think on a comparable basis was an infinitely better period of time for the United States. We had a defense program at that time of about \$40 billion a year. We ^{had} ~~have~~ 2,700,000 young men and women under active duty for the Army, Navy and Air Force. This was a program which was predicated on the basis of preserving the peace through strength. And let me say quickly that it met every emergency. We handled the crisis in Berlin in 1958, no wall was built, and Khrushchev backed down. When trouble broke out in Lebanon in the Middle East in 1958, President Eisenhower sent the Army forces -- as Wilber Brucker knows -- and the Marines to Lebanon and we handled that situation without a shot being fired.

And then there was Quemoy and Matsu, which arose in 1958. Some people wanted to give those islands up. Ike said no. We sent military forces there, they handled the situation and ^{we} still have a strong front in the Far East today. Under the Eisenhower Administration we were able to meet these crises head-on without an emergency existing every other day. I say to you that this Administration under Eisenhower, on a comparable basis, did a better job fiscally, did a better job militarily, and we didn't find the world in disarray under Eisenhower that we find today. When Ike turned over the government to the President in January of 1961 there was no wall in Berlin, there were no military forces or military hardware in Cuba, Viet-Nam was not at war; we now have 12 to 15 thousand military personnel in Viet-Nam. Yes, when you look at the total picture -- the eight years under Ike, economically, fiscally, militarily or otherwise --

on a comparable basis was a great deal better era in the history of the United States.

I hope and trust that somehow this Administration can stop being indecisive, can stop having 20 different spokesmen for every issue, and if they do, ~~they~~ they will get the full support of the Republican Party for any programs of fiscal responsibility, military strength and freedom for America. Thank you.

(Applause)

FATHER L. V. BRITT: The final summary will be given by Mr. Staebler.

HON. NEIL STAEBLER: Well, I'm interested in this rosy glow of the Eisenhower period which Jerry remembers. I remind him that in six of the eight Eisenhower years, there was a deficit -- the budget was not met; and that in 1959 we encountered the largest budget deficit ever in American history in a peacetime year, \$12 billion. I think you will find the Kennedy Administration doing much better than that.

The fact is that the federal budget has not gotten out of hand under Kennedy. Our non-defense expenditures actually are decreasing in terms of the total budget and in terms of the population.

Federal debt -- or deficit -- is not skyrocketing. The Federal Government has a far better debt record than state and local governments, than private business, and even the American consumer. Since 1947 the federal debt per person has declined 19 percent, while state debt per person has jumped 550 percent. I remind you there are 10 million more people in the country than when President Kennedy took office.

Our foreign aid program is vital to the security of the United States, not a waste of money. It has, in fact, stood as a bulwark of the free world since World War II. It is significant to note that of the 50 new nations which have emerged since World War II, not one of them has swung into the Communist bloc.



Our national defense position is excellent; our country has never been stronger. At the same time, we are bringing about an easing of nuclear tensions.

The Kennedy Administration program for economic growth, certainly a vital part of keeping this country strong, is based on a broad individual and corporate tax cut as a means of stimulating the national economy. It is a needed reform; it has bi-partisan support of all segments of the economy, and it is necessary if we are to prevent a recurrence of the cycle of recessions we have experienced since World War II.

The President has made broad recommendations in the field of education, Medicare and civil rights.

We have not dealt in any great detail on civil rights because I believe it is accepted by both Congressman Ford and myself that there will and there must be action in this area this year.

President Kennedy's civil rights proposals are not radical as far as Michigan is concerned - virtually all of the measures he is asking for already have been accepted here in Michigan: equality of opportunity in education, employment, voting and public accommodations.

The Medicare program will be passed by Congress. We are long overdue in taking this action for our senior citizens.

I want to turn now to a brief assessment of where we, as a country, stand today and what we face in the future.

I think we have three alternatives as a nation. The first is to return to the position of the Eisenhower Administration, which was essentially defensive. We waited for the Communist world to act and then we responded to that action.

The second alternative is the one being pushed by Senator Barry Goldwater, and you've heard echoes of it today from Congressman Ford.

This position can lead only to war.



This is the only conclusion you can draw from a close reading of the statements of Senator Goldwater, who is emerging as the new spokesman for the Republican Party. I note, incidentally, that Michigan Republican Congressmen and other GOP leaders have said Goldwater would be acceptable to them. Well, let's take a look at what they are buying.

Senator Goldwater is opposed to the United Nations. He is opposed to the World Bank. He voted against the nuclear test ban treaty; he is opposed to banning nuclear testing in space; he proposed to surrender the emerging nations to communism, which is what would happen if we should stop foreign aid as he favors; he would withdraw diplomatic recognition from Russia; he makes no distinction between Red China and Russia, nor does he see any advantage in exploiting the current split between these Communist countries.

This is extremist thinking running wild. If the country were to follow his leadership, there is no question in my mind that we would end up at war.

I find an alarming tendency on the part of many Republicans to try and incorporate the Goldwater attitude into their own position. After all, the Arizona Senator makes it sound so simple and clear-cut. Well, it is not so simple. There is only one button that we can push that will make the Russians disappear. What sensible person would recommend that course of action?

The better alternative -- our third alternative -- is the course that President Kennedy has taken. It is based on keeping our defense system second to none while maintaining a willingness to take reasonable steps to ease world tension. We have shown Khrushchev our firmness and our decisiveness. At the same time we have taken major steps toward peace.

I believe the majority of the American people support the Kennedy approach.

(Applause)



LESTER SKENE BORK: Thank you very, very much, Congressman Ford and Congressman Staebler for this very learned and impartial discussion. We appreciate your help in presiding at this meeting, Father Britt. Thank you all for attending. The meeting stands adjourned.

ADJOURNMENT

