

Richard Nixon Presidential Library
Contested Materials Collection
Folder List

<u>Box Number</u>	<u>Folder Number</u>	<u>Document Date</u>	<u>No Date</u>	<u>Subject</u>	<u>Document Type</u>	<u>Document Description</u>
39	1	9/29/1972	<input type="checkbox"/>	Campaign	Report	Proposed action steps and calendar for getting out the President's vote on November 7. 3 pgs
39	1		<input checked="" type="checkbox"/>	Campaign	Other Document	Handwritten notes RE campaign/field staff activities (author & recipient unknown). 1pg.
39	1	10/2/1972	<input type="checkbox"/>	Campaign	Memo	From Fred Malek to Clark MacGregor RE Voter Turnout Plan. 1pg.
39	1		<input type="checkbox"/>	Campaign	Brochure	A program for voter identification and turnout. 87 pg brochure, only the cover is scanned.

<u>Box Number</u>	<u>Folder Number</u>	<u>Document Date</u>	<u>No Date</u>	<u>Subject</u>	<u>Document Type</u>	<u>Document Description</u>
39	1	9/5/1972	<input type="checkbox"/>	Campaign	Memo	Author: Ken Khachigian. Recipient: Mr. Haldeman. California ballot initiatives.
39	1	9/4/1972	<input type="checkbox"/>	Campaign	Newspaper	Overview of Marijuana initiative upcoming vote in California.
39	1	7/5/1972	<input type="checkbox"/>	Campaign	Newspaper	Overview of controversial initiatives in California.
39	1	9/29/1972	<input type="checkbox"/>	Campaign	Memo	Author: Fred Malek. Recipient: Gordon Strachan. California propositions.
39	1	9/26/1972	<input type="checkbox"/>	Campaign	Report	Political evaluation of 1972 ballot propositions in California general election. 3 pgs.

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39	1	9/7/1972	<input type="checkbox"/>	Campaign	Memo	Author: Gordon Strachan. Recipient: Fred Malek. California propositions.
39	1	10/24/1972	<input type="checkbox"/>	Campaign	Memo	Author: Devan L. Shumway. Through: Jeb S. Magruder. Recipient: Clark MacGregor. The Westinghouse Broadcasting invitation to a background breakfast.
39	1	10/24/1972	<input type="checkbox"/>	White House Staff	Other Document	Clark MacGregor's schedule of October 25, 1972.
39	1	10/12/1972	<input type="checkbox"/>	Economy	Memo	Author: Al Abrahams. Through: Jeb Magrude. Recipient: Clark MacGregor. Welfare, taxes and the economy. Cover letter and George McGovern's speeches attached.
39	1	10/12/1972	<input type="checkbox"/>	Campaign	Brochure	Author: Clark MacGregor. Recipient: Fellow Nixon supporter. Senator George McGovern economic and welfare speech; Tax increases speech; McGovern-Sriver Smear campaign. 74 pgs.

MacG, Malek, Field Staff

10/2

MacG

New Am Majority / Broad Based Support,
to replace handshake / Mandate
neither to be used again

- Broad based - all segments of Society

Only 2 more wks of Canvass - now all
Get Out Vote

FM

- Oct 30 - Nov 7 - all telephones to
all Reps + supporters

- Plans not concrete -

Rich Fore - count down calendar to Elec.

- ① Resig priority sts + locations for
Get Out Vote in 23 key sts
Key sts, Marginal sts + Key Sen Races
- Suris to use Voter Turnout
Language

S-get
cc of
Fore
Tul Pop

FM trying to find out fr/Teeter who
large turnout - rally helps P or
just turnout our voters.

- ② Voter Bloes phase out + all
to turnout

- Oct 28 - Get Out Vote Day

- ③ 10/16 - Comm mobilized to key cnts
for key cities.

† - ④ Oct 28 - Massive Gen Get
Out Vote similar to
Canvass Kick Off

Workshop Sessions in sts. 10/16-22

Morlim - get
out our uncommitted
Vote on long term
w/Canvass

October 2, 1972

MEMORANDUM FOR: CLARK MacGREGOR
FROM: FRED MALEK
SUBJECT: Voter Turnout Plan

As we have discussed, the basic thrust of the field organization is beginning to turn to the voter turnout program. The basic parts of this thrust consist of:

1. Pre-election reminder to vote phone calls to all supporters. October 30 - November 7.
2. Election day phone calls to all supporters. November 7.
3. In all states, Victory Squad volunteers going door-to-door in the afternoon and evening to supporters who have not voted. November 7.
4. Poll checking coordinated with phoning and victory squads. November 7. (In states where poll checking is permitted.)

Our initial plan and calendar for accomplishing these activities are attached at Tab A. At Tab B is a proposed special event using surrogates to promote turn-out-the-vote activities. This event is still in the discussion stage, and I would like to get your views at an early date. I will keep you informed as our plans develop.

Attachments

bcc: H. R. Haldeman ✓

PROPOSED ACTION STEPS AND CALENDAR FOR GETTING OUT

THE PRESIDENT'S VOTE ON NOVEMBER 7

1. September 29 - October 4 - Work with polling staff to designate priority states, cities, counties, and precincts for Get Out the Vote
2. October 2 - Outline to the Regional Directors our Get Out the Vote plans, timetable and materials available to aid in program implementation
3. October 4-6 - Tour Division and White House get brief memo with talking points for mention by surrogates, Vice President, etc. in all appearances, or communication with state and local supporters. Regular emphasis by them will help us get across the importance of canvassing and voter turnout.
4. October 4 - Assign Business and Industry full time to locate loan a phone operations available in cities and urban areas throughout the country to augment the phone centers and other boiler rooms already available for to *In addition vol. recruiting* Election Day use.
5. October 4-24 - Voter blocs (including Citizens, Youth, Women, etc) begin to close out "doing their own thing" and to focus on the voter turnout program which must be everyone's activity for the last ten days of the campaign.

In this latter regard, the voter blocs will be responsible for contacting every possible member of their active following to secure commitments for the following:

1. Participation in the October 28 Get Out the Vote Kick-Off - Final Canvass effort
2. A definite time commitment for the Get Out the Vote activity during the week of October 30-November 6
3. Definite Election Day assignments

Each national voter bloc director will be responsible for placing lists of those recruited with addresses and phone numbers and specific commitments into the hands of appropriate Regional Director by close of business on October 24.

6. October 4-7 - Develop a contingency plan for key areas that have not successfully completed voter identification. This plan will enlarge the base of probable favorable voters to be turned out in these areas by:
 - a. Analyzing and selecting high priority precincts for broad voter turnout

- b. Securing lists of all registered Republicans and GOP primary voters (in non-party Registration states) for in-mass turnout
7. October 16 - Mobilize a majority of the national staff into key counties in key states to promote voter turnout under the direction of the Regional Directors and National Field Representatives.
 8. October 16-21 - In the key and marginal states, National field Representatives make Regional presentations and make sure "Get Out the Vote" meetings are scheduled at the county level and state program is set for voter turnout
 9. October 22-26 - State should hold county Get Out the Vote workshops in each county. The 450 priority counties will receive a sophisticated slide/tape presentation for this workshop. Some 2000 tape messages on Get Out the Vote will be delivered to the states for use with simple tape recorders at these workshops in other counties.
 10. October 28 - Get Out the Vote Kick-Off - Surrogates go to key states, marginal states, and states with important Senate races - approximately 50 media markets. *Maybe*

October 28 activity -

1. Surrogate speaks on the importance of Get Out the Vote activities
 2. Get Out the Vote volunteers recruited by telephone and flyers in shopping centers
 3. Completion of canvass
 4. Completion of Get Out the Vote preparations and clerical work
 5. Public emphasis on the importance of the volunteer and the people-to-people basis of the President's campaign
11. November 7 - Maximum number of National CREP, RNC and State CREP staff take Election Day field assignments. State and local leadership must be persuaded to join in to make Election Day Voter Turnout activity the "must" program in which everyone participates.

PROPOSED SPECIAL EVENT TO PROMOTE "TURN OUT OUR VOTE" ACTIVITIES

SUGGESTED DATE: Saturday, October 28

ALTERNATIVE SITES:

1. Key States only
2. Key States and Marginal States
3. Key and Marginal States and States with important Senate Races (Our recommendation)

PURPOSE:

1. Stress the high priority which must be placed on pre-election and election day activities to get out our vote. Dangers of apathy and overconfidence, etc.
2. Emphasize the massive number of volunteers needed to help the President on election day to insure a mandate from the voters for the next four years.
3. Survey preparations for election day in the area visited by the surrogate.
4. Recruit and give definite election day assignments to volunteers who come to meet the surrogate.
5. Receive extensive volunteer help this day, as outlined in point 3 below.

PLAN: Schedule each surrogate to at least one headquarters and one phone center in the city he will visit.

1. This is not a rally...another emphasis on people-to-people politics and dignifying the role of the volunteer.
2. Surrogate speaks on the importance of election day turnout. Statistics on previous close elections, information showing that a candidate with less than a majority of public support can win, and other motivational material is provided surrogate. Speaker makes a public appeal for Nixon election day volunteers.
3. Everyone present is signed up for an election day activity. Everyone recruited for October 28 commits to help with election day preparations on that Saturday by:
 - a. Recruiting supporters by phone to help with election day activities
 - b. Completing the clerical work from door-to-door and phone canvassing
 - c. Concluding the door-to-door and phone canvass
4. As the surrogate leaves to visit another headquarters, volunteers begin to do above tasks. Surrogate visits additional headquarters to further survey election day plans and to motivate volunteers.

September 27, 1972

POSSIBLE NEGATIVE FACTORS TO CONSIDER REGARDING A SPECIAL EVENT
UTILIZING SURROGATES TO PROMOTE TURNOUT ACTIVITIES

1. One additional function for which preparations must be made and advance men received might take more time away from the core program and what we have already asked of them than it would add measured by motivation and added manpower.
2. They may have had their fill of surrogates with so many being scheduled already into these same areas.
3. Poor (disappointing) surrogate selections will generate complaining.

President Nixon

Now more than ever

TARGET '72

Sixty Days To Victory

a program for

VOTER IDENTIFICATION & TURNOUT



**Republican
National
Committee.**

Senator Bob Dole, Chairman

**Committee
for the Re-election
of the President**

Clark MacGregor, Campaign Director

THE WHITE HOUSE

WASHINGTON

September 5, 1972

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: MR. HALDEMAN
FROM: KEN KHACHIGIAN 
SUBJECT: CALIFORNIA BALLOT

As usual, the California ballot will have a number of initiatives on it. They have serious political implications needing advance consideration. The 1958 Right-to-Work example ought to be a lesson for us in this respect.

The attached articles discuss, among others, the three items which will probably be the most serious for us, and I imagine that somewhere along the line, RN will have to take some position. (1) The Death Penalty; (2) Legalized marijuana; (3) Cesar Chavez and the farmworkers.

Here is my recommendation: Nofziger, Finch, Klein, and other California hands should be asked to do an analysis of the California initiative questions with their recommendations. This is essential in order that we go into our California strategy prepared for the possible whipsaw effect these measures can have on a close election.

Once we have decided what to do, the word should get out in the clearest possible terms just how these issues are to be handled in California.

Attachments

A MARIJUANA VOTE WITH IMPACT ON RACE FOR WHITE HOUSE

SAN FRANCISCO

California voters in November will be the first in the nation to have a choice on a Statewide basis of saying "yes" or "no" to marijuana.

Going on the ballot is a proposition that would amend State law to permit private use and cultivation of marijuana by adults.

Leaders of the California Marijuana Initiative collected 382,095 signatures to put the proposition on the ballot. What are its chances in November?

Says Robert Ashford, 28, a San Francisco attorney and State co-ordinator of the CMI organization:

"Six months ago the issue was political suicide. Now that we have gotten so much support, it is becoming politically respectable to support it. If we lose this time, we will keep trying until we get it passed."

Win or lose, the marijuana issue is already raising this question: Will it draw enough voters to the polls—particularly young people—to have an effect on the State's presidential race?

Proposed change. To be voted on is a proposed addition to the State's Health and Safety Code to make it read:

"No person in the State of California 18 years of age or older shall be punished criminally, or be denied any right or privilege, by reason of such person's planting, cultivating, harvesting, drying, processing, otherwise preparing, transporting, or possessing marijuana for personal use, or by reason of that use.

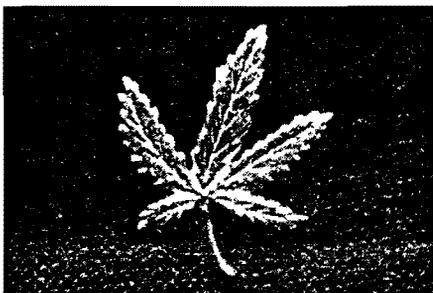
"This provision shall in no way be construed to repeal existing legislation, or limit the enactment of future legislation, prohibiting persons under the influence of marijuana from engaging in conduct that endangers others."

Backers of the proposition argue that this wording would not permit "legalization" of marijuana to the extent of permitting commercial sales and advertising but would merely constitute "decriminalization" of its use.

Says one opponent:

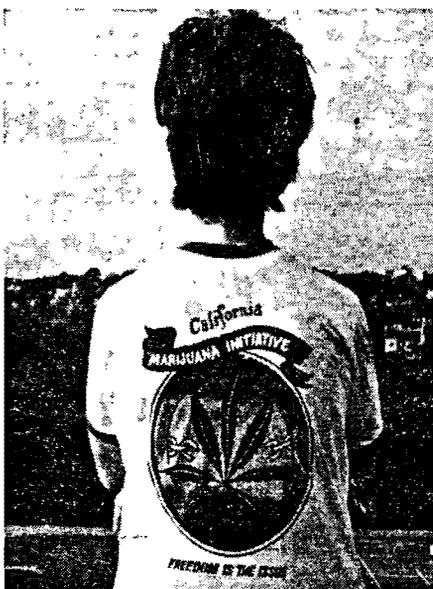
"That's a phony issue. If you decriminalize marijuana, you legalize it."

For and against. The most influential organization to join in support of the marijuana initiative so far has been the San Francisco Bar Association. In an April referendum, the active members who voted favored the amendment by 1,133 to 502.



—USN&WR Photos

Pin in shape of marijuana leaf is offered to \$10 contributors in drive aimed at easing California law. T-shirts selling at \$2.50 to \$3 help fund the campaign.



Officials of the California Marijuana Initiative claim widespread support of young people. Gordon Brownell, CMI political co-ordinator, describes the drive as "an emerging political movement, like the antiwar movement was in the '60s." He says 2.5 million to 3.5 million Californians have used marijuana at least once.

An organization called Citizens Opposing the Marijuana Initiative was formed in June to fight the move. It is preparing billboards and bumper stickers that bear the slogan "Don't Let California Go to Pot." The group has youthful leaders, but it is relying on broad support from church groups and civic organizations.

Prof. Hardin Jones, of the University of California at Berkeley, has also spoken

out against the initiative. Says Dr. Jones:

"Legalization would undoubtedly increase usage, particularly with the young, 40 per cent of whom are now using it. Laws against marijuana are a deterrent to those who respect the law. Most who are not using it are not using it because it is illegal. Those who are masterminding this know that, if they can get California to legalize marijuana, they can get it anywhere else."

Governor Ronald Reagan has voiced his opposition, saying, "I resist anything that psychologically would seem to be endorsing any leniency in this regard when we are marshaling all our forces to fight the total drug problem."

Effect on election. Much speculation has centered on whether the Marijuana Initiative—and other special propositions on the California ballot—will have an impact on the presidential race.

Evelle Younger, California attorney general, predicts:

"We can expect a large voter turnout. Who will benefit from the turnout in the presidential race is anyone's guess."

But Willie Brown, a State assemblyman whose help was important in the primary campaign of Senator George McGovern, contends the Democratic candidate will benefit. He says:

"I think the marijuana issue will help McGovern. People who may not otherwise want to help him, because they think he is not revolutionary or radical enough, will be out there working for the Marijuana Initiative."

Choice for courts. Under present California law, State courts have the choice of treating marijuana possession or use as either a felony or a misdemeanor. Marijuana arrests by State or local officials have been running from 60,000 to 70,000 each year. They would end if the proposition is approved.

The federal law which prohibits possession of marijuana without a medical prescription would not be affected. But John Milano, special U. S. attorney in charge of drug-abuse enforcement in San Francisco, comments:

"I can't anticipate that the Federal Government would try to fill the gap left by law enforcement locally. Our job is going after those trafficking in drugs in large volume. And we pay more attention to harder drugs than to marijuana. We have to be realistic."

California Voters Take Their Grievances to the Poll

By John Berthelsen

Special to The Washington Post

SACRAMENTO, California—Voters have decided that if their state legislature or courts won't act for them, they will do it themselves—by the initiative ballot process.

They are setting out—on a wide spectrum from conservative to liberal—to reinstitute the death penalty, protect the California coastline, legalize the personal use of marijuana, take away their lawmakers' ability to set their own salaries, and act on tax reform. All of

these issues have been ignored or turned down by the lawmakers in past several legislative sessions.

At least nine initiatives are almost certain to qualify for next November's ballot.

Those in statute form require 325,504 signatures of registered voters, while constitutional amendments require 520,986. Both figures are based on a percentage of the vote in the last gubernatorial election.

Perhaps the most explosive ballot issue is the death penalty, which was outlawed last February by the State Supreme Court as

cruel and unusual punishment.

The U.S. Supreme Court on Thursday at least partly affirmed that decision. On the same day Gov. Ronald Reagan held a press conference to say he hopes the measure will stay on the ballot, and that people will turn out overwhelmingly to vote for it, although constitutional lawyers say the vote may be no more useful than a straw poll.

The other measure that probably will attract significant attention is a stiff coastline preservation plan. The initiative is now backed

by more than 100 conservation organizations, including the Sierra Club, as well as 50 of the state's 120 legislators.

When the proposal was before the legislature, a broad coalition of lobbyists from local government, business and labor helped kill it in a state senate committee. So backers collected 460,000 signatures in five weeks to put the issue on the Nov. 6 ballot.

Now, it appears that the same opposition that catalyzed to kill Proposition 9, the "Environment Initiative" in the legislature and later

on a June primary ballot, is at work again. Proponents are predicting \$1 million will be spent in the campaign.

Also on the ballot is a drug measure that is almost identical to recommendations of the President's Commission on Marijuana. It will "decriminalize" in the words of its backers, the use of marijuana. Unlike the commission's recommendations, it will also allow residents to grow marijuana for home use, although penalties for selling will remain

and minors will not be allowed to use it.

Both the coastline and the marijuana measures should pull in thousands of young, committed voters expected to help out George McGovern, if he is the Democratic Party's nominee.

Another initiative, which qualified months ago with 525,000 signatures, would severely curtail the type of unionizing tactics used by Cesar Chavez and his United Farm Workers Union. It would ban the secondary boycott, Chavez' most important tool. That measure has been before the

legislature for three straight years, and it has never gotten out of committee.

A worried Democratic Assembly Speaker Bob Morretti, watching as the legislature wiped out consumer, environment and human rights legislation, forecast that the people would become furious enough to take their grievances to the polling booth.

"It's a sad commentary when the people have to do what the legislature cannot do because of the disproportionate power held by special interests, in Sacra-

mento," says Democrat Sieroty, one of the two authors of the coastline protection bill.

Other ballot measures include a controversial proposal to limit property taxes, sponsored by Los Angeles County Assessor Philip Watson. Tax reform, too, has been a major relative issue.

Other measures would come down on obscenity, raise salaries for state highway patrolmen, and restrict the governor's veto power over state employees' salaries among other things.

**Committee
for the Re-election
of the President**

1701 PENNSYLVANIA AVENUE, N.W., WASHINGTON, D.C. 20006 (202) 333-0920

September 29, 1972

MEMORANDUM FOR:

GORDON STRACHAN

FROM:

FRED MALEK *FMA*

SUBJECT:

California Propositions

As you requested, I am enclosing the following related to the California Propositions:

1. A brief review of the political impact of the 22 propositions prepared by Marvin Collins.
2. A booklet prepared by the Assembly Republican Consultants giving a thorough analysis of the propositions.
3. A booklet from the Secretary of State's office.

I hope this will provide the information that you need. Please let me know if anything further is needed.

Enclosures

9/26/72

POLITICAL EVALUATION OF 1972 BALLOT
PROPOSITIONS IN CALIFORNIA GENERAL ELECTION

PROPOSITION

- #1 No organized opposition, but California voters have in recent years made a habit of voting against bond issues. Support by Community College Association and teachers' unions. Chances of passage: 50-50.
- #2 Third time this bond issue has been presented to voters. Has failed in the past because of student unrest on California campuses. Strongly supported by doctors. This time the proposition has a better chance of passage. Governor Reagan supports.
- #3 Considered to be a "special interest" proposition, but not much controversy over it. Highly technical. No way of knowing how the voters will act on it.
- #4 Has bi-partisan legislative support, but many newspapers are opposing it. Chances of passage are not good because people are suspicious of legislature staying in session continuously.
- #5 Non-controversial. No known opposition. Expected to pass.
- #6 Non-controversial. Merely cleans up technical language in the present constitution. Expected to pass.
- #7 Wide support. Will almost certainly pass.
- #8 Companion proposition to #3. Controversial because it sounds like a tax-giveaway to certain industries. Opposition beginning to build. Chances less than 50-50 of passage.
- #9 Called the "earthquake" bonds so as to provide safe schools that are structurally sound. Probably will pass.
- #10 No controversy. Will pass.
- #11 Somewhat pointless in its stated purpose. No organized opposition, and should pass.
- #12 No controversy. Will pass.

#13 Labor sponsored. No opposition. Should pass.

NOTE:

#1 - #13 (reviewed above) are all relatively non-controversial and will not cause any additional voter turnout that could be measured. The more controversial propositions are included between #14 - #22.

- #14 Highly technical and controversial tax revision proposal that would severely limit property taxes and would at the same time raise the sales tax, the "sin" taxes and cause inner-shifting of other taxes. Opposed by almost all legislators in both parties, by the school districts, teachers, labor and most liberal groups. Supported by farmers, some businesses, and some taxpayer associations. A lot of advertising being run in opposition to Proposition 14. Odds are against passage.
- #15 Would remove governor's power to veto salary increases to state employees. Opposed by most newspapers, Governor Reagan and AFL-CIO. Almost certainly will not pass.
- #16 Would determine and adjust salaries for Highway Patrol and take power away from governor to control same through veto power. Odds against passage better than 50-50.
- #17 Would supplant State Supreme Courts' decision against the death penalty by reinstating it in the Constitution. Highly controversial and yet expected to carry by 2-1 margin. Strong support by Governor, the attorney general, blue collar workers, law enforcement agencies. Opposed by ACLU and certain liberal groups. Will help turnout large vote of conservatives and law-and-order advocates.
- #18 Many feel it is unconstitutional. Most newspapers opposed to it being restrictive of freedom of speech. Not expected to pass --- feel it goes too far in trying to control pornography. Not much controversy being aroused by it, however.
- #19 Marijuana "legalization" in that it would remove all criminal penalties. Will bring out large youth vote favorable to it, but expected to fail by about 2-1 margin.
- #20 Controversial. Big issue to conservationists, who strongly favor it. For: Most major newspapers, about 1/2 the legislature, Sierra Clubs, and LWV.

#20 (Continued)

Against: Organized labor, State Chamber of Commerce and county supervisor associations.

Because it is being sold as a "save the coast" proposition, it will probably pass, but a lot of money will be spent to defeat it.

#21 An anti-busing proposition. Busing not that big an issue in California, however, so this one hasn't heated up. Too close to call --- will depend on mood of voters at that time. Blacks will be urged to turn out and vote against it, therefore could increase Black voter turnout.

#22 Most controversial of all.

Would restrict Chavez' union by outlawing secondary boycotts and would require secret ballot elections on unionization of farm workers.

Very close, but not expected to pass as of now.

Most liberals and especially organized labor is strongly against.

Governor Reagan and the farmers are the strongest advocates. May be thrown off the ballot on the basis of fraudulent collection of signatures gathered to get the proposition on the ballot.

This will affect turnout - in that Mexican-Americans will be urged to turn out and vote against it.

ADMINISTRATIVELY CONFIDENTIAL

September 7, 1972

m
~~9/12~~
9/29

MEMORANDUM FOR:

FRED MALEK

FROM:

GORDON STRACHAN

SUBJECT:

California Propositions

Pursuant to our telephone conversation this morning, it would be an excellent idea for your political coordinator for California to review with the top California political operatives the effect of the various propositions. In addition to the widely publicized marijuana proposition, there is also one on the death penalty, I believe. Propositions on a California election ballot have historically been huge issues in the campaign. The analysis should probably cover not just the affect of the proposition on voter turnout, etc., but also an assessment of the proposition's chances.

Would you advise me when this project might be complete.

GS/jb
FU - 5 days
9/12

9/15 - on way
9/28 - being done

G. Strachan

Committee for the Re-election of the President

MEMORANDUM

October 24, 1972

MEMORANDUM TO THE HONORABLE CLARK MacGREGOR

THROUGH: JEB S. MAGRUDER

The Westinghouse Broadcasting bureau staff in Washington would like to make arrangements to have a background breakfast with you on either Monday or Tuesday of next week from 8:00 - 9:30 a.m. Westinghouse, as you know, serves most large metropolitan areas through both their radio and television outlets. I would place this in a low priority category and leave the ultimate decision to you.

_____ Approve

_____ Disapprove

Comments: _____

DEVAN L. SHUMWAY

October 24, 1972/6:55p.m.

SCHEDULE: CLARK MacGREGOR TUESDAY, OCTOBER 24, 1972

Nothing scheduled for this evening.

WEDNESDAY, OCTOBER 25, 1972

6:45 a.m. - TODAY Show, NBC Studios, 4001 Nebraska Avenue, N.W.

8:15 a.m. - Roosevelt Room

9:15 a.m. - Staff Meeting

12:00 Noon - Get Out the Vote Press Conference w/Senator Dole,
3rd Floor Conference Room, 1701

12:30 p.m. - Lunch w/Eleanor MacGregor

6:30 p.m. - Fund raising party for Bill Weeks, 3933 Fordham Road

Mr. Strachan

Committee for the Re-election of the President

MEMORANDUM

October 12, 1972

MEMORANDUM FOR THE HONORABLE CLARK MacGREGOR

THROUGH: Jeb Magruder *JM*

FROM: Al Abrahams

SUBJECT: Welfare, Taxes and the Economy

Inasmuch as welfare, taxes, and the economy will continue to be a theme in the coming weeks, here is a suggested draft letter from you to our people in the field, with suggested enclosures, including speech inserts.

Approve _____

Disapprove _____

See Me _____

Attachments:

1. Draft Letter
2. Economic and Welfare Speech
3. Speech Insert - McGovern Tax Increases
4. Speech Insert - McGovern-Shriver Smear Campaign
5. Memo - The Economy, Spending, Taxes and Welfare (with attachments)

**Committee
for the Re-election
of the President**

1701 PENNSYLVANIA AVENUE, N.W., WASHINGTON, D.C. 20006 (202) 333-0920

October 12, 1972

Dear Fellow Nixon Supporter:

You received last week from me materials dealing with the welfare and economic programs of Senator George McGovern. Included in that package was a suggested draft speech for use by our speakers. We would like you to continue emphasizing the economic, spending, tax and welfare policies of Senator McGovern in the coming week, and add to the material available to our speakers, a speech insert which is critical of the McGovern policy of desperation--his smear campaign in a losing cause.

In addition to the speech inserts, I am attaching other materials dealing with both the positive aspects of the President's effort, such as the achievements of the New Economic Policy, and an analysis of George McGovern's own positions.

Some of this may be duplicative in that the material may have been previously sent you. Inasmuch as we intend to stress these issues in the weeks ahead, I thought you might be interested in the entire package bound together for you, in the thought that it might contribute to your own thinking and that of your associates.

We are about to enter the home stretch. It is important that we continue to stress the positive, but always remembering that the policies of our opponent are not popular with Americans and that this lack of popularity needs to be re-emphasized.

Sincerely,

Clark MacGregor
Campaign Director

Enclosures:

1. Economic and Welfare Speech
2. Speech Insert - McGovern Tax Increases
3. Speech Insert - McGovern-Shriver Smear Campaign
4. Memo - The Economy, Spending, Taxes and Welfare
(with attachments)

ECONOMIC AND WELFARE SPEECH FOR SURROGATES' USE

In recent months we have witnessed the extraordinary take-over of a major political party by a small band of intellectual elitists who want to force their ideas on the Democratic Party.

This fact alone makes a close examination of the issues in this election campaign one of sharp contrasts and startling surprises.

Nowhere is the contrast clearer than on the issues of economic and welfare policies. The divergence of views between the candidates is stark and revealing.

On the one hand, we have the President's proven record. It is a record of responsible accomplishment, based on moderate, free enterprise principles.

On the other hand, we have George McGovern's hastily drafted -- and constantly changing -- programs to over heat the economy and push up inflation while taxing individuals at an ever increasing rate. "McGovernomics" would put an increasing number of Americans on welfare while weakening our national defense and reducing our capacity to achieve peace. Payrolls would give way to welfare rolls, and the working taxpayer would have to foot the bill.

This is not an over-simplification of the opposition's program.

The tiny cadre of elitist economists that has temporarily taken over the Democratic Party with Senator McGovern has an important message to deliver to the Nation and its working people. But they are calling us collect. They want us to pay for their social experiments and welfare giveaways. And believe me, the American people don't want to pay any more of the "collect" charges -- charges that are extracted through inflation, massive welfare programs, and questionable economic policies.

The people know the record of accomplishment of this President.

They realize that attacks on his record are expedient fabrications that grow ever wilder as the challenger grows more desperate.

And there is nothing more desperate, more unprincipled, than a demagogue on the losing end of a campaign.

A demagogue, you know, is a politician who rocks the boat and then alarms you about the dangerous storm at sea.

Well, there is some pretty peculiar boat rocking going on these days, and I think the American people aren't going to be fooled by it.

For example, we have Senator McGovern and his economists calling for the dismantling of the President's very successful Phase II economic program of wage-price controls. He calls it "unworkable" and "unsound."

The opposition candidates would scrap the controls in favor of voluntary guidelines and the type of "jawboning" that between 1965 and 1968 resulted in a disastrous growth in the rate of inflation.

Still, he hasn't said what his guidelines would be. Nor has he convinced the American people that the Phase II program has been either unworkable or unsound. Because it is working, and it is sound.

Polls show overwhelming support for the President's economic initiatives of last August 15. The people know that this is the way to the problem -- through responsible statesmanship.

While the boat rockers are shouting the alarm over the non-existent storm, let's look at the facts:

- The rate of increase in the cost of living, which had been cut by one-third before the freeze, has now been cut in half.
- There are 2.5 million more civilian jobs now than there were a year ago.
- The unemployment rate has declined from about 6 percent to 5-1/2 percent.
- Our economy is growing at a rate of about 9 percent a year, the highest since 1965.
- Industrial production is reaching record levels, and, for August, was 8.2 percent above that of a year ago.
- Workers' real weekly spendable earnings have risen 4 percent in the last year, three times the average rate from 1960 to 1968.
- And, we have led the world on the path toward international financial and trade reform which will substantially improve our international competitive position as well as helping other countries strengthen their economies.

These are the facts. They refute the wild claims of the demagogues.

Their only alternative would be a policy which is the same as the one that caused inflation in the first place.

And the American people won't buy that.

Take the issue of Federal spending.

Senator McGovern seems to suffer from the illusion that the Government can provide for massive new programs costing billions and billions of dollars without causing more inflation or increasing taxes.

Leaving aside the McGovern income redistribution plan -- the bogus \$1,000 a person grant and its successors -- the Senator has proposed programs which would increase the Federal budget by more than \$150 billion a year. This is in addition to the \$250 billion current fiscal year budget.

How does the Senator propose to pay for these new programs?

Simple, he says. Cut the defense budget by \$32 billion, and raise taxes on the corporations and the wealthy.

Well, it's not that simple.

I don't think I have to go into much detail to suggest that defense cuts of the kind McGovern proposes would open this Nation to a security gap that no responsible electorate could tolerate. The Democratic-controlled Congress has already decisively demonstrated its abhorrence of such a move by rejecting a McGovern-proposed \$4 billion Defense appropriation cut-back.

As for increased taxes on corporations and the rich, the McGovern proposal is a delusion.

The largest part of his revenue, he says would be a \$17 billion increased tax on corporations.

But the way he proposes to raise this amount is to revoke action taken by the Kennedy and Nixon Administrations which stimulated business investment.

This type of investment is a proven method of speeding up the growth of productivity, which, in the long run, is the surest route to higher real incomes for the average American. It means more jobs and more wages for working Americans:

Whatever increased revenues which would come from this proposal, will be paid for by the consumer in higher prices, and by the worker in fewer jobs and lower real wages. That is not progress; that is disaster.

In any case, it would not yield the \$17 billion Senator McGovern claims -- and in the long run, it would produce more unemployment and higher welfare rolls.

And speaking of welfare rolls, the McGovern economists have a strange compulsion -- they want to put everyone on welfare, all of us.

The Senator's income redistribution program, which began as a \$1000-a-head joke, would, according to the Senator, cost an additional

\$27 billion a year. That would be on top of the \$150 billion in additional costs for his other proposals.

Later, when prominent economists, including Ways and Means Committee Chairman Wilbur Mills, said the welfare plan would cost between \$43 to \$76 billion, the Senator backed off.

But he did not back away from the idea behind the plan. He still wants to replace our American work ethic with an alien welfare ethic. That is, he still wants to greatly increase taxes on working people to lavish tax dollars on those who don't work.

He says he will just take it from the rich. But, even with the most extreme, confiscatory taxation of the wealthy, the revenue would not be anywhere near enough.

The truth is it would have to come from greatly increasing taxes on middle and lower income working people, removing the incentive among the great majority of American workers to work harder, to compete, to save, and to get ahead.

In fact, if the McGovern spending and tax programs were enacted as a whole, achievement and success would be penalized. Private enterprise would be stifled.

And those millions of American workers, both white and black, who have developed a sense of pride in the achievements of their hard work, who support their families and are saving for new homes and a

better future will be the first called on to pay the price of a McGovern in the White House.

The McGovern economics are not the new economics, they are the old, worn-out, warmed-over failures of the past, jazzed up to look new and appealing. And the welfare schemes he bandies about are discredited, unworkable failures dug up from the New Deal of the thirties and from alien welfare States.

There is no such thing as something for nothing. In the real world, everything has its price. And the American people are too smart to be taken by by this charade.

Senator McGovern pays elaborate lip-service to tax reform, but the only real "reform" he proposes is increased taxes.

In sharp contrast, it is President Nixon who, by keeping control of expenditures, has made real tax reform possible, who has lightened the tax burden of millions of average Americans.

Do you realize that in 1973 individuals will be paying \$22 billion less in income taxes than they would be paying under the tax rates in effect when President Nixon took Office?

For example, a married couple with two children and an income of \$5,000 from wages pays 66 percent less Federal income tax in 1972 than it did in 1969. For a wage income of \$15,000, the reduction has been 20 percent.

Earlier this year, Senator McGovern admitted to an interviewer that "it is true that I find the monetary and economic issues difficult."

Well, this may explain the foolish inconsistency of the McGovernomics. But it doesn't excuse it. Not in a candidate for the highest office in the land.

Now I ask you: do we want to support the proven leadership of the President in this crucial area, or do we want to take our chances with the misguided, outdated, confused and contradictory economic schemes conjured up by George McGovern and his economic elitists?

The choice is clear.

I am convinced that the American people will overwhelmingly reject the irresponsibility of George McGovern and give the responsible, workable policy of President Nixon a resounding vote of confidence.

##

SPEECH INSERT -- McGovern Tax Increases

George McGovern would not like me to tell you this, of course, but I will anyway: every citizen who enters the voting booth on November 7 and votes for George McGovern will be voting for higher federal taxes.

The question is not, Will Sen. McGovern mean higher taxes? The question is only, How much higher will those taxes be?

I offer you two estimates. The first is Senator Hubert Humphrey's estimate of what George McGovern's \$1,000 per person welfare proposal alone would cost a single secretary making \$8,500 per year. Sen. Humphrey's estimate is more than \$500 in federal income taxes.

Second, I offer an estimate by an economic study group. Their calculations conclude that if George McGovern were successful in putting into law every spending proposal he has made in this campaign, the taxes on a family of four earning \$12,500 per year would be increased by \$1,038 a year. That would neatly double what that family pays in federal taxes today.

I am not sure which estimate to recommend to you since I am not sure which of his spending proposals Sen. McGovern has back-tracked on in the last 24 hours. A lot depends on what states he has been in and what audience he has spoken to. Neither am I sure what new spending promises the Senator may have offered since I checked last.

But let us be moderate and accept Sen. Humphrey's estimate of more than \$500. That, at the minimum, is what George McGovern would mean to the working people of this country.

The reason for these estimates of huge tax increases is quite clear. If we add up all the spending promises George McGovern has made and subtract from that figure the

TAXES
2-2-2-2

massive defense cuts which Senator McGovern proposes, we find that his budget is in the red by \$99 billion. Somewhere, somehow, George McGovern would have to find \$99 billion. Somewhere, somehow, George McGovern would have to find \$99 billion to pay off his promises if he became President.

He would like us to believe that he will get it from the rich. But no serious economist I have ever read suggests that even if we confiscated every penny from people who make more than \$100,000 we would come close to paying off that \$99 billion. So it is quite clear where that money will come from. It will come from the only source available -- the paychecks of working men and women of this country.

Unless, of course, Sen. McGovern proposes to go ahead and run a \$99 billion deficit. Such a deficit -- as the people know full well -- would send inflation soaring out of sight. It would destroy the hard won gains produced by President Nixon's anti-inflation policies. Through four years of tough, decisive leadership, President Nixon has reduced the annual rate of inflation from 6.1 per cent to 2.4 per cent based on last month's reports from the Department of Labor.

Inflation, of course, is not a direct tax -- it is an indirect tax. And just like a direct tax, it would be paid by America's working families.

In his first four years, Richard Nixon has signed into legislation or otherwise created actions which have reduced the taxes paid by consumers by \$22 billion. Men and women in the lowest income tax bracket have seen their federal taxes reduced by better than 80 per cent under President Nixon.

And four more years of Nixon leadership will continue and consolidate that progress. But the frightening truth is that four years of a McGovern Administration would destroy that progress and break the backs of every working family in America.

SPEECH INSERT -- McGovern Welfare Programs

Senator McGovern has taken so many positions on so many of the major issues in this campaign that it is often very difficult to keep track of him long enough to discuss his proposals. But since he first decided that he would like to be President of the United States, Senator McGovern has become identified -- and properly so -- with massive programs of welfare spending.

The most famous McGovern proposal, of course, is his suggestion that the way to approach welfare in America is to put every man, woman and child in the country on the welfare rolls at \$1,000 a head. Sen. McGovern has since tried to wriggle out of that one, of course, first by camouflaging it in a speech in New York City as an "employment" program; and second, through the extraordinary step of sending his runningmate out to California to deny that George McGovern ever advocated putting the entire country on welfare.

But the American people heard Sen. Humphrey attack the McGovern \$1,000 per person program during the Humphrey-McGovern debates preceding the California primary. And, what's more, they heard Sen. McGovern defend his schemes. No amount of camouflage will hide the fact that George McGovern wants to take this country down the road to massive welfare spending ... and no amount of dissembling by Sargent Shriver will convince the American people that they didn't hear what they in fact did hear.

The choice, as the President has repeatedly said, is clear. This November, the American voter will be asked to choose between the McGovern policy of putting more and more people on welfare and the Nixon program of putting more and more people to work. We will be asked to support the Nixon policies which have created more than

WELFARE

2-2-2-2

two and one-half million new jobs in the past year alone or the McGovern programs which could put as many as 12 million more Americans on the welfare rolls almost overnight.

We will be asked to decide the direction we want our country to take: do we want to create a steadily-increasing welfare class supported at the expense of a steadily-decreasing work force? ... or do we want to begin the process of shrinking welfare rolls and increasing the number of productive citizens earning their own way in society?

For two years now, President Nixon has had before the Congress of the United States a bill which would help break the welfare cycle -- which would reward welfare recipients who found jobs and enable them to work their way off welfare. Sen. McGovern and his Democratic colleagues in the Congress have persistently and stubbornly refused to vote that bill up or down. Earlier this summer, I challenged Sen. McGovern to come home to the United States Senate and help us bring the President's bill to a vote. At that time, I suggested that he could test public support for his \$1,000 per person scheme by offering an amendment to that bill from the floor of the Senate.

So far, Sen. McGovern has not shown up. And frankly, I don't believe he ever will show up with a piece of legislation which would accomplish what he has so often said he wanted to accomplish -- to multiply welfare recipients and welfare spending. I think he will hide out somewhere hoping that the public will forget what his welfare proposals are -- in the desperate hope that somehow he can capture the Presidency and suddenly re-discover his sackful of \$1,000 bills.

WELFARE

3-3-3-3

But the people will not forget -- and those of us who have the responsibility for political leadership will not let the people forget. For the welfare ethic espoused by Sen. McGovern would tear down our economy, destroy opportunity and divide America permanently into a welfare class and a working class. And such a development would be a calamity for us and for every generation to follow.

The McGovern-Shriver team -- to quote their fellow Democrat, Congressman Jerome Waldie of California -- has lately "gotten into the gutter" with an increasing barrage of smears, slurs and slanderous epithets. The so-called "New Politics" of the McGovernites -- the politics they claimed would be freshening and enlightening, the politics they said would avoid inflammatory rhetoric and address the issues -- this "New Politics" as practiced by McGovern and Shriver has turned out to be a vicious brand of personal vilification and character assassination which would be the envy of the worst demagogues of our political history.

Last May, Senator McGovern said -- and I quote -- "I have sought not to whip up emotions, but to appeal to humanity and reason." [Washington Post, May 17, 1972]

Consider, then, what the candidacy of this "decent" man, this "gentle" Professor from the Plains, has contributed to the campaign since that time:

- On at least two occasions McGovern has compared the President to Adolph Hitler. [Associated Press, June 30, 1972; NBC "Evening News," August 15, 1972]
- Shriver prefers to call the President the "number one warmaker" and the "number one bomber of all time." [Associated Press, August 25, 1972; Washington Evening Star and Daily News, September 19, 1972]
- In Baltimore, McGovern says the President is a liar on the prisoner of war question. [New York Times, October 1, 1972]
- In El Paso Shriver refers to the President as a "psychiatric case." [Washington Post, September 14, 1972]
- McGovern calls the President a "fraud" and says his Administration is the "most corrupt" in history. [New York Times, October 4, 1972]
- And Shriver likens the President to a "reformed drunk." [Washington Post, September 8, 1972]

Or consider the "decent," "gentle" words of key advisers to the McGovern - Shriver ticket:

- McGovern's political director, Frank Mankiewicz, calls the President a "shifty politician." [Newhouse News Service in the Long Island Press, July 25, 1972]
- His chief pollster, Pat Cadell, calls him "an evil man." [Long Island Press as above]
- And Fred Dutton, one of his top aides, simply says that the President of the United States is "a son of a bitch." [Long Island Press as above]

These are the McGovernites' "appeal to humanity and reason." This is the way they avoid "whipping up emotions." But mere attacks on the President and on his Administration -- vicious as they may be -- aren't enough for George McGovern. Most recently he has expanded the scope of his attack to include the Republican Party, which he compares to the Ku Klux Klan. [Washington Post, October 7, 1972]

But don't think that you've escaped McGovern's vitriolic smears if you happen to be a Democrat or Independent. If, for example, you are a working man and you support the President's re-election, George McGovern has said that you ought to have your head examined. [Associated Press, September 6, 1972] And, if you are a young person and you support the President's re-election, he says you are "too confused to know which end is up." [Associated Press, September 10, 1972]

That's what Senator McGovern says of the 61% of Americans under the age of 30 who George Gallup tells us support the President. And that's what he says of the 64% of American working men and women who Mr. Gallup tells us also support the President. [Associated Press, September 10, 1972]

And if you are a Democrat, but neither a young person nor a working man or woman, and you support the President, well, McGovern still has a word for you -- he compares you to a deserter -- to a soldier who, quote, "runs away from his country." [Associated Press, August 24, 1972]

Of course, even if you don't support the President -- even if you just happen to oppose McGovern because you are offended by his shabby purge of Senator Eagleton from his ticket -- then George McGovern will tell you -- and I quote the very words he used in mid-October in Kansas City -- he will tell you that you are "betraying the national interest." [Associated Press, October 7, 1972]

How many people are left in this country whom McGovern has not compared to Hitler or a Klansman; whose mental capacities he has not questioned; whom he has not suggested must be traitors or deserters because they don't support him? How many people are left who have not been slandered and smeared by McGovern's vituperativeness?

Well, there are probably more now than there will be by election day. Because just as George McGovern's desperation -- his anger and frustration over the fact that the American people reject him, his philosophy and his policies -- just as this desperation grows, the broader and more vicious his attacks become. If George McGovern ever had an honest claim as a "gentle," and "decent" candidate, as the candidate of "humanity and reason," he has forfeited that claim. And along with it he has forfeited all claims on the American electorate as a serious, responsible candidate for this Nation's highest office.

Committee for the Re-election of the President

MEMORANDUM

MEMORANDUM FOR: STATE CHAIRMEN
STATE PUBLICITY DIRECTORS
ETC.

FROM: CLARK MacGREGOR, CAMPAIGN DIRECTOR

SUBJECT: THE ECONOMY, SPENDING, TAXES, AND WELFARE

The materials attached focus on the issues of government spending, welfare, tax reform, wage-price controls, and revenue sharing. Included among them is a sample stump speech on these issues for your use.

It is hoped that Surrogates and other spokesmen for the President will avail themselves of the opportunity to speak to these issues during the week beginning Sunday, October 8, 1972.

They key points follow:

GENERAL ECONOMY

- When President Nixon took office the U.S. had the highest rate of inflation of any major industrial nation in the world -- today it has the lowest. The U.S. rate has been cut in half.
- The U.S. presently has the highest economic growth rate of any nation in the world including Japan thanks to President Nixon's New Economic Policy.
- Under President Nixon, for the first time in 6 years, workers' real earnings have risen sharply by more than 4%.
- The American economy is strong and growing stronger. At the present rate of growth, this year's increase in the American economy will be equal to the entire GNP of the Soviet Union.
- More Americans are working today, earning more money and saving more than ever before in history.
- The job market is increasing at the fastest rate in 20 years -- 2.5 million new jobs in the past twelve months.

WAGE-PRICE CONTROLS

-- The overwhelming majority of Americans (75% according to Gallup) favor either continuing present controls or making them stricter. Senator McGovern has promised to eliminate them within 90 days of his election.

-- The President's policies have cut the inflation rate in half -- 6.1% in 1969 vs. 2.9% in 1972.

-- Wage-price controls have benefitted the American worker by increasing his real spendable earning power 4% during the past year alone. By contrast, from 1966-1970, real earnings did not increase at all despite record wage increases. Those increases were eaten up by inflation.

-- The President has ordered the Cost of Living Council to take whatever steps are necessary to stop the rise in food prices. Although food prices have been rising, they have gone up much more slowly since wage-price controls were implemented (5.0% v. 3.8% before and after the freeze). Moreover, Americans pay a smaller portion of their earnings for food than any other nation in the world. McGovern's farm parity proposals (90%) and his ending of controls would send food prices soaring.

GOVERNMENT SPENDING

-- Senator McGovern's budget proposals and welfare scheme would increase federal expenditures by \$100 billion dollars. This would double the present tax bill of the average American. A family of four earning \$12,500 per year would pay an additional \$1,038 in taxes if the Senator's proposals are implemented.

-- Senator McGovern's \$30 billion slash in the defense budget would not only emasculate the Armed Forces of the United States but would also result in the loss of 1.8 million jobs, including the loss of 850,000 industrial jobs nation-wide.

-- The President is determined to hold the line on government spending and to avoid new taxes. He has asked the Congress to set an upper limit of \$250 billion on federal spending to achieve that goal.

WELFARE REFORM AND TAXES

-- On January 19, 1972, Senator McGovern promised that if elected he'd give every man, woman and child in America \$1,000 per year with no strings attached. In a major economic speech to the New York Society of Securities Analysts last month, Senator McGovern made no mention of his welfare proposal.

-- Senator McGovern's tax reform proposals, as indicated above, would hit the average American family hardest and not the very rich. Moreover, his announced intention to increase taxes on American corporations would put hundreds of thousands of people out of work by making American products too expensive to compete in world markets.

-- Senator McGovern's call for the repeal of the investment tax credit, depreciation rules, and other corporate tax "loopholes" is political hypocrisy. He himself voted for all of these only last year by casting a yes vote for the Senate bill which resulted in enactment of the Revenue Act of 1971.

-- Putting it in its simplest terms, the McGovern budget coupled with his announced promise to eliminate wage-price controls within 90 days, would mean higher taxes, higher inflation, higher government spending and reduced earning power for all Americans.

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ACHIEVEMENTS OF THE NEW ECONOMIC POLICY

PRICES

- Over the past 12 months:
- CPI rose 2.9% as compared with 3.8% before the freeze; 6% during 1969-1970.
 - Food prices increased 3.8%/ it increased 5.0% in the 8 months before the freeze.
 - Commodities other than food increased at a rate of 2.0%/ it was 2.9% during the 8 months before the freeze.
 - Services increased at a rate of 3.4% / it was 4.6% before the freeze.
 - WPI increased 4.4% / 5.2% before the freeze.

REAL EARNINGS

- real spendable earnings increased 4.2% during Phase II.
- There was no increase at all between 1965-1970.

GROSS NATIONAL PRODUCT

- grew 9.4% -- the highest rate since the 4th quarter, 1965.

EMPLOYMENT

- In August total civilian employment was 2.5 M higher than a year ago; this is the highest rate of adding jobs since 1955!

UNEMPLOYMENT

- has averaged 5.5% - down 5.9% from the preceding 3-mo. period.

RETAIL SALES

- in August were 9.7% above the level of a year earlier.

CONSUMER PRICE INDEX

- Rose at an annual rate of only 2.9%, continuing the declining trend since 1969. INFLATION HAS BEEN CUT IN HALF!

SENATOR MCGOVERN -

DOES HE UNDERSTAND ECONOMICS?

General

"I've spent more time trying to broaden my understanding of economics than any other field...But it is true that I find the monetary and economic issues difficult."

AP
June 30, 1972

"...the American people want economic policies that work more than once every four years."

AP
June 30, 1972

President Nixon's Handling of the Economy

"I haven't really looked into it carefully enough to answer that. It's a complicated subject. I think the pressure on the dollar has come largely from our overextension in Vietnam and in other overseas concerns, and we've got to cut back in that area. We've got to cut back on military outlays. In my opinion that'll do more to strengthen the dollar and reduce the inflationary fires than anything else we can do. I think the trouble the dollar is in stems from misplaced priorities both in foreign policy and here at home."

Chicago Tribune
July 23, 1972

ECONOMISTS VIEW MCGOVERN AS BAD NEWS FOR THE ECONOMY

350 economists from business, the financial and academic communities, and government, indicated quite clearly what they think of Senator McGovern's economic policies in a survey conducted by the National Association of Business Economists. The results of the survey were reported on September 6, 1972, at the annual convention of NABE. They show that the economists feel President Nixon's economic performance would far exceed Senator McGovern's, as would the Republican Party's over the Democrats.

UNDER WHICH ADMINISTRATION ARE WE LIKELY TO SEE THE FOLLOWING DEVELOPMENTS?

	In 1973 *		In 1976	
	<u>Nixon</u>	<u>McGovern</u>	<u>Republicans</u>	<u>Democrats</u>
(Favorable to the President/Republicans)				
Higher Real GNP	48%	11%	49%	26%
Higher Consumer Price Index	5	56	6	73
Higher Interest Rates	21	40	20	46
Higher Housing Starts	24	20	22	27
Higher Effective Tax Rate	12	56	12	68
Higher Fed. Gov't. Spending	8	70	3	85
Higher Stock Prices	76	9	51	20
(Favorable to McGovern/Democrats)				
Higher Unemployment Rate	41	20	49	20

* Figures are rounded off.

SHRIVER ADMITS DEMOCRATIC GUILT ON INFLATION

"We've got inflation that is out of control. Now, let's admit it, I do certainly, that the inflation began under the Democrats. It began under President Johnson in 1966. I argued at that time for taxes to pay for the war in Vietnam but the decision was made against that. And instead, we started financing the war in Vietnam on credit. And that was the beginning of inflation."

Sargent Shriver
Speech, Scranton, Pa.
September 15, 1970

MCGOVERNOMICS

INTRODUCTION

"I've spent more time trying to broaden my understanding of economics than any other field. I really feel that I know the foreign-policy and national defense issues, tax reform questions, quite well. But it is true that I find the monetary and economic issues difficult."

George McGovern
AP
June 30, 1972

As a result of George McGovern's economic ignorance, his economic program is a set of obscure and radically simplistic proposals, full of contradictions and inaccuracies. This program has been continuously modified and sometimes reversed as critical analysis of "McGovernomics," in the light of economic realities, has increasingly forced McGovern to retreat toward the responsible and effective economic accomplishments of the Nixon Administration.

Senator Hubert Humphrey has called McGovern's economic conversion program "a lot of bunk," (New York Times, May 23, 1972)-- an impression echoed by countless Democrats and non-partisan economists.

Under McGovern's economic program, the already strained level of Federal expenditures would be increased enormously. Additionally, McGovern consciously advocates unfathomable budget deficits that have been estimated at over \$100 billion annually, yet does not pretend to suggest an adequate source of increased revenues that would be required to finance his programs. Instead, McGovern naively asserts:

"No American whose income comes from wages and salaries would pay one penny more in federal taxes than he does now."

Speech
New York Society of Security
Analysts
New York, New York
August 29, 1972

How, then, does McGovern propose to raise the necessary revenue to finance his lavish schemes? To date, this remains the best kept of secrets, if indeed a solution is possible at all. Sadly, one is presented only with sloppy figures, obscure programs, unrealizable promises, and catchy campaign "soak the rich" rhetoric without responsible substantiation of the means of securing the needed funds or the consequences for the American consumer, worker, businessman and investor.

PRESIDENT NIXON'S ECONOMIC INHERITANCE

When President Nixon took office early in 1969, he inherited the consequences of years of Democratic mismanagement, including:

- an artificial prosperity dependent upon large outlays for the Vietnam war;
- rising wages completely eroded by raging inflation;
- irresponsible full employment budget deficits exceeding \$25 billion in 1968, thereby guaranteeing strong inflationary pressure for the coming years, forcing President Nixon to face the overwhelming task of restoring fiscal responsibility and to minimize the disastrous consequences of Democrat "spend now-pay later," "guns and butter" policies.

FISCAL AND BUDGETARY POLICY

"I firmly believe...that our Nation cannot continue to live beyond its means, year after year, and not expect to face painful consequences. No country in the world can continually add to its national debt without undercutting its economic stability and inviting inflation.

"It seems to me that we, as Members of Congress, have a solemn constitutional duty to protect the solvency of our nation...The time has come for us to start exercising more fiscal responsibility."

George McGovern
Congressional Record
 March 20, 1967

"if my...budget were adopted, inflation would end immediately, unemployment would be decreased, and the federal budget would be balanced."

George McGovern
Press Release
January 24, 1972

Although McGovern claims to support balanced budgets and criticizes the Nixon Administration's fiscal policy, a close examination of the Senator's own proposals reveals conscious advocacy of enormous, highly inflationary budget deficits in drastic contrast to the Nixon Administration's record of fiscal responsibility.

Prior to McGovern's August 29 speech modifying or dropping many of his earlier proposals, McGovern had advocated Federal expenditure increases totaling more than \$130 billion during the course of his two year campaign. His major proposals included:

- \$7.2 billion for child development;
- \$19 billion for equalization and one-third Federal financing of public education;
- \$9 billion for public service employment;
- \$59 billion for national health insurance;
- \$4 billion for urban redevelopment;
- \$4 billion for pollution control;
- nearly \$6 billion for rural development and agriculture.

McGovern's proposed expenditure reductions of \$37 billion (largely for defense cutbacks) would still leave a net expenditure increase of more than \$93 billion.

A report from the Republican House Conference entitled "The McGovern Budget" (released August 16, 1972) revealed the absurdity of McGovern's proposals. The report indicated that:

- the underfinancing of McGovern's old \$1,000 per person welfare proposal combined with the adjustments he would make in personal income taxes would yield \$70.5 billion less revenue than the current individual income tax; even when the additional revenue, estimated at \$23 billion, derived from McGovern's personal, business, gift and estate tax reforms and from his proposed doubling of payroll taxes are applied, McGovern is still lacking \$15 billion in needed federal revenues;

-McGovern's total tax and spending program would result in a \$126 billion deficit in FY 1974 if fully implemented.

McGovern claims he could balance the budget, yet as the House Republican Conference notes, to balance his budget McGovern would place an especially severe burden on single individuals and small families:

-families with an annual income of \$12,000 or more would have their taxes increased by from 46 percent to 100 percent;

-a husband and wife whose combined earnings totaled \$18,000 would experience a 73 percent tax increase;

-a single person earning \$8,000 would have a 155 percent tax increase.

On August 29, 1972, Senator McGovern announced his latest welfare reform proposal, essentially the third since he began campaigning. Although his "National Income Insurance" proposal involves much greater federal expenditures than does the President's, the format of McGovern's plan is based on H.R. 1.

WELFARE PROPOSAL NUMBER THREE

The major features of McGovern's latest welfare proposal are:

-a guaranteed annual income of \$4,000 per year to a family of four that would involve spending 40 percent more per person on welfare than the President's "workfare" and would leave unguarded the potential for gross inflation;

-an implementation cost of approximately \$14 billion (though exact estimates are still unavailable) in comparison to an implementation cost of \$5.6 billion for H.R. 1 (the President's program). The yearly cost of operating McGovern's program has yet to be determined;

-the retention of the food stamp program--one of the federal government's largest welfare complicators. In contrast, H.R. 1 would incorporate jurisdiction of the food stamp program under the Department of HEW.

Most striking about McGovern's program, however, is not what it proposes, so much as what it fails to delineate. As an analysis by the Associated Press (September 1, 1972) indicates, in many instances the specifics of McGovern's program are "still to be determined" or "have not been worked out." This presents a strong contrast to the President's proposal, already passed by the House, employing specific eligibility requirements with strictly regulated, but fair, work requirements and a comprehensive "Opportunities for Families" program that would provide manpower training, child care, and other services to registered families.

SOCIAL SECURITY

McGovern's proposal for a \$3 billion increase in social security benefits is a bit late in coming. Evidently he failed to note that the President has just signed into law (with some reluctance for inflationary reasons) a 20 percent raise in social security benefits.

SOMETHING OLD, SOMETHING NEW, SOMETHING BORROWED

Any consideration of the McGovern economic program should reveal

that:

-McGovern would retain much of the old welfare "mess," whereas the President believes that total reform is an absolute necessity. Not only would McGovern retain the current social security and food stamp inequities, he would add an additional \$16 billion for a subsidized job program, with no attempt to employ resources of existing programs in this area.

TAX REFORM

"Nixon has...increased the tax burden on the average family.

"While the family budget is being squeezed, the corporate coffers are getting fatter. Last year alone, Mr. Nixon gave away 5.7 billion dollars in tax treats to big business...

"But even this 'New Economic Policy' featured a lot of the old medicine: \$6.8 billion in estimated 1973 tax relief for corporations, compared with a \$3.5 billion cut in individual income taxes..."

McGovern Press Release
August 6, 1972

ADMINISTRATION RECORD

Contrary to McGovern's irresponsible charges, the facts show that during the Nixon Administration, individual taxes have been dramatically reduced while corporate taxes have increased.

For the four calendar years, 1969-1972, a comparison of tax rates when the Nixon Administration took office with reformed rates accomplished in the Tax Reform Act of 1969 and the Revenue Act of 1971 shows that:

-corporate income taxes will have increased by a total of \$4.9 billion;

-individual income taxes will have decreased by \$18.9 billion; persons in the lowest tax bracket will pay 82 percent less this year than they would have paid if the Tax Reform Acts of 1969 and 1971 were not in effect; persons with adjusted gross income in the \$10,000-\$15,000 range will pay 13 percent less; and persons with incomes over \$100,000 will pay 7 1/2 percent more;

-excise taxes, mostly on individuals, will have decreased about \$3.5 billion.

MCGOVERN PROGRAM

In contrast, McGovern's tax reform proposals, however nebulous and contradictory, would erode the solid economic progress accomplished for all Americans during the Nixon Administration and would stifle the strong job-creating economic expansion that the Nixon Administration has brought about.

While McGovern has campaigned widely on the theme of tax reform, he has generally been quite imprecise as to which of the multitude of current tax preferences he would eliminate. In fact, the revenue gain from the specific loopholes that he has explicitly advocated closing would be considerably smaller than his rhetoric implies.

Just what does George McGovern mean when he speaks of tax reform?

For corporations, McGovern wants:

-a \$13 billion tax hike (down from his original estimate of \$17 billion when he discovered this higher amount required a return to the 52 percent corporate tax rate that prevailed prior to 1962); a careful search of the record reveals, however, that even this \$13 billion figure is too high.

For Americans filing personal income tax returns, McGovern would:

-expand their taxable income base, though he himself is not sure how; McGovern speaks of closing loopholes, most of which have the backing of powerful constituencies and could not easily be closed; yet somehow McGovern would derive an additional \$14 billion in revenue from these sources.

And from the paychecks of all Americans, McGovern would have to extract:

-a large new payroll tax hike to finance the McGovern-sponsored Kennedy National Health Insurance Plan that would cost, according to HEW estimates, \$81.2 billion if fully effective in FY 1974; one of the provisions of the Kennedy plan provides that half its total cost, or \$40.6 billion, be financed through new payroll taxes; since the current Hospital Insurance (HI) payroll tax is expected to yield \$8.4 billion in FY 1974, a net increase of \$32.2 billion in payroll taxes, or nearly double their current level, would be needed to finance this program.

In an August 29, 1972 speech, McGovern modified or abandoned many of his earlier proposals. His latest "specific" reforms included:

- inclusion of capital gains in income;
- taxation of capital gains at death;
- taxation of municipal bonds;
- elimination of tax preferences for oil, gas, and other natural resources;
- reduction of depreciation allowances;
- revision of the investment credit;
- elimination of real estate investment tax shelters and special amortization provisions;

- repeal of special treatment for income earned abroad;
- elimination of "tax shelter" farm losses;
- strengthening of the excess investment interest provision;
- revision of death and gift taxes.

Clearly, many of these so-called "loopholes" that McGovern attacks have a positive aim and became law for a variety of socio-economic reasons in an effort of positive improvement. Yet tax reform is an emotionally attractive issue--the idea that someone else's taxes will be reformed will always be popular.

However, as McGovern's "soak the rich" campaign rhetoric has been increasingly scrutinized, it reveals gross inaccuracy, incompleteness, irrationality and confusion.

McGovern's tax reform proposals ignore the basic economic fact that strong investment is a prerequisite for a prosperous, job-creating economy. In addition, the Senator's proposals to discourage investment ignores the fact that the United States already has the highest capital gains tax rate in the world and an increasingly challenging international trade position as other nations become more productive and competitive.

Yet, almost incredibly, McGovern would discourage capital investment by raising corporate taxes by \$17 billion. In short, the probable result of McGovern's tax reforms would be lower productivity and capital investment, or economic stagnation, or a recession, or an enormous balance of payments deficit--all of which would mean far fewer jobs.

REACTION TO PLAN NUMBER THREE

The following comments are characteristic of the national response to McGovern's more moderate economic proposals of August 29, 1972 (a drastic departure from the Senator's earlier more radical proposals in his campaign for the Democratic nomination):

"The new plan merely enlarges the area of inconstancy and uncertainty which surrounds the McGovern campaign without giving the average taxpayer even the slightest hope for...relief..."

Richard Wilson
Baltimore Sun
 September 2, 1972

"In essence, this is a kind of prairie populism at best and undiluted socialism at its worst."

John S. Knight
Philadelphia Inquirer
 September 3, 1972

"By most reckoning, even wholesale confiscation from the rich wouldn't produce the kind of money McGovern is talking about; one way or another, the broad middle class would wind up paying the bulk of the bill."

Editorial
Chicago Daily News
 August 31, 1972

"Which is THE McGovern program? There are three...the one he used to get nominated, the party platform he helped dictate, and now his latest issued this week in New York..."

"The voters now may simply be confused on where McGovern stands...Not too hard...when he keeps shifting."

Kiplinger Washington Letter
 September 1, 1972

ECONOMIC STABILIZATION

"Under Richard Nixon's dismal game plan, we were supposed to slow growth and thereby slow inflation. Instead we reduced growth to a snail's pace and let inflation run away like a rabbit."

George McGovern
 Speech-Executive Committee of
 the Amalgated Clothing
 Workers Union
 August 7, 1972

In addition to Senator McGovern's inaccuracy concerning productive growth, inflation and purchasing power during the Nixon Administration, he also fails to cite the effects of years of Democratic economic mismanagement which had led to economic chaos by the time President Nixon took office.

NIXON ADMINISTRATION

In contrast, President Nixon has restored fiscal responsibility, drastically reduced the rate of budget increases, and brought about a sustainable peacetime prosperity. Consider these facts:

- today, the United States has the fastest, highest rate of economic growth of any major industrial nation in the world, including Japan;
- the rate of inflation has been reduced from over 6 percent to an annual rate of 2.9 percent--less than half the rate at the time the Nixon Administration took office;
- the purchasing power of the average American worker's paycheck showed the highest June-to-June yearly gain on record as reported July 21 by the Bureau of Labor Statistics. Over the first year of the President's New Economic Policy, real earnings have increased almost 5 percent--over three times more than the average rate during the previous eight years of Democrat Administrations;
- the average paycheck increased \$7.82 or 6.1 percent over the past year;
- on July 21, the Department of Commerce reported that Gross National Product--the market value of output of the nation's goods and services--surged to an 8.9 percent annual rate of expansion in the second quarter, representing the largest gain since the fourth quarter of 1965. The increase is in "real" terms, meaning inflation has been taken into account to show how the economy is really performing. This indicator, which showed significant improvement, is considered the most comprehensive measurement of the state of the economy. The Department of Commerce said GNP in terms of current dollars increased by \$29.9 billion in the second quarter, an actual gain of 11.2 percent to a seasonally adjusted annual rate of \$1.139 trillion.

McGovern's rhetoric is irresponsible, his facts erroneous. In contrast to McGovern's desperate oratory, the Nixon Administration has pursued policies which are rewarding all Americans, as worker, farmer, consumer, and businessman.

JOBS

"Senator George McGovern is committed to preserving the well-being of the American working man and his family."

"McGovern on the Issues"
1972

"The number one economic issue before America today is: jobs and more jobs. I would guarantee a job for every man and woman who wants to work..."

McGovern Campaign Literature

While the Senator has talked about "guaranteeing" jobs, he has consistently opposed programs which provide employment. McGovern's supposed "commitment" to the working man and to the trade union movement is hardly evident from his voting record. He has repeatedly cast votes that labor clearly views as harmful to their interests.

-In 1960 McGovern voted against a raise of the minimum wage to \$1.15 and extension of its coverage to 1.4 million retail workers.

-In 1966 McGovern voted to deny minimum wage coverage to some 1,000,000 workers in retail and service firms with gross sales of less than \$500,000 annually (this proposal was offered by the late Senator Everett Dirksen).

-In 1966 McGovern voted against a Long amendment requiring states to provide eligible workers a minimum of 26 weeks unemployment compensation coverage for 20 weeks of employment.

-In 1968 McGovern voted to table a Javits amendment that would have provided \$52.1 million to the Labor Department for summer jobs.

- -McGovern voted to eliminate funds for the building of the Supersonic Transport (SST). Testifying before the Senate Appropriations Committee on March 10, 1971, AFL-CIO President George Meany said that 42,000 jobs would be available immediately if the SST prototype were funded, and 150,000 would be created if the SST were mass produced. (This figure includes jobs in industry indirectly related to the building of the SST.)

-McGovern voted to kill the loan to the Lockheed Aircraft Corporation. On July 13, 1971 Lockheed's Chairman of the Board, Daniel J. Haughton, stated before the House Banking and Currency Committee that Lockheed would go bankrupt without the loan and "bankruptcy would result in the loss of 60,000 jobs."

-Overall, McGovern proposes a cut in the defense budget of approximately \$32 billion. The Bureau of Labor Statistics estimates that for every \$1 billion of purchases (or cuts), 62,700 jobs are affected. Simple math reveals that McGovern's proposed defense cuts could put approximately 2,000,000 people out of work.

So, as the record reveals, McGovern publicly supports jobs while continuing to vote against them...no small feat for a presidential nominee.

ECONOMIC CONVERSION

"I would make economic conversion a top priority of the administration. I've already called for a new Federal investment of approximately 10 billion dollars that would assist in applying aerospace and defense capacity to new challenges that face this country."

George McGovern .
Meeting with NASA Engineers
Houston, Texas
September 7, 1972

When George McGovern appears before audiences whose employment has been jeopardized by Federal budget cuts, he bemoans the loss of jobs these cuts have created. Of course he carefully fails to mention that he was in the vanguard of those Senators who voted to initiate those cuts. So, to compensate for his crusade to unemploy thousands of military personnel and civilian employees in defense-related industries, McGovern has offered a grand scheme of economic conversion...which gets less and less grand as its details become apparent.

Perhaps the most outrageous aspect of McGovern's economic conversion program is its provision for continued unemployment.

MCGOVERN PROGRAM

As McGovern admitted during the California primary campaign:

"...there will be a period of 10 to 12 months when some of our people will be out of work.

"I propose a full year of unemployment benefits at a rate not less than 80 percent of the present benefits."

Los Angeles Times
May 21, 1972

As McGovern's fellow Democrat, Senator Hubert Humphrey, noted in response to this:

"People don't want welfare. They want jobs. J-O-B-S. They don't want all that nonsense that ways wait a little while. They, the McGovern camp, say two years' transition, and we'll give you unemployment compensation. That's a lot of bunk."

Washington Post
May 23, 1972

And as Democrat Congressman Peter Kyros of Maine has indicated, the McGovern program vis a vis his defense cuts is hardly a program of employment. Kyros says:

"If George McGovern gets his way, the Boston and Philadelphia Navy Yards would be closed down almost immediately... McGovern... recommends cutting back the Navy fleet by 365 ships. As a result, there would be almost no new Navy ship-building contracts... In fact, the only new ship building... would be 15 nuclear submarines."

Boston Herald Traveler
April 19, 1972

When the President announced his New Economic Policy and the job creation program within it, McGovern said:

"What we have heard tonight is economic madness."

McGovern Press Release
August 15, 1972

ADMINISTRATION RECORD

Yet, at a glance, the Administration's record reveals otherwise. In contrast to McGovern's contradictory pledges, the Nixon Administration has acted to boost employment and to minimize the burden of peacetime conversion. The Nixon Administration record includes the following accomplishments:

- proposed and signed into law the Job Development Investment Credit, thereby boosting employment by encouraging increased investment and expansion;
- improved U.S. competitiveness in international trade through devaluation of the dollar and efforts to boost productivity thus increasing employment;
- established a national network of computerized job banks to match job seekers with job openings;
- proposed \$2 billion for Manpower Revenue Sharing;
- proposed \$3.9 billion for FY 1973 for manpower training and employment services;
- provided record summer job opportunities for 1,201,400 youths in a joint Federal and private voluntary effort with \$377.6 million in Federal funds;
- directed special efforts in aiding veterans through the Jobs for Veterans program, employment preferences, and other programs;
- directed special efforts at boosting minority employment through:
 - establishment of the Office of Minority Business Enterprise (OMBE)
 - a 250 percent increase in funding assistance to minority business enterprise
 - achieving 50 percent enrollment of minorities in total manpower program;
- proposed responsible expansionary job-creating budgets.

INTERNATIONAL ECONOMIC POLICY

"I make no claim to having the expertise in such matters [international monetary crisis] as have several members of the Congress and...academic and business economists. But I submit that the situation has become [so] threatening...We must seek to come to terms with this situation."

McGovern Press Release
May 13, 1971

As President, McGovern would: "impose a capital equalization tax which will discourage American firms from setting up plants abroad to flood the American market. In a McGovern Administration there will be no trade deficit."

McGovern Press Release
January 27, 1972

NIXON ADMINISTRATION

In the field of international economics, as in other areas of economic policy, McGovern has shown a striking lack of basic understanding and a near absence of specific proposals. In sharp contrast, the Nixon Administration has confronted intensifying challenges in international trade and monetary affairs with bold and effective action that has produced impressive economic results as well as contributed to the improvement and success of other aspects of foreign policy.

While McGovern naively states that in his administration there would be "no trade deficit" and calls for a simplistic trade policy, the Nixon Administration has acted to remove the complex root causes of the deteriorating trade and payments situation it inherited. The Nixon Administration has acted to:

- curb inflation at home and realign exchange rates, thereby increasing the competitiveness of American products;
- seek removal of specific barriers to U.S. exports and establish a "Doctrine of Fairness" in international trade through improved enforcement of existing statutes;
- set up an Office of Tariff and Trade Affairs to deal specifically with trade discrimination;
- strengthen the competitiveness of American industry by favorable tax treatment and efforts to boost productivity;

-facilitate adjustment of domestic industries to the pressures of excessively rapid import increases;

-broaden and increase opportunities for trade with Communist countries to increase U.S. exports, improve the trade balance, and increase domestic employment;

-coordinate International Trade policies by activating the Council on International Economic Policy (CIEP).

In addition the Nixon Administration has negotiated a wide ranging program designed to promote American trade interests abroad and boost exports by:

-permitting the Export-Import Bank to expand its program and thereby provide increased assistance in financing U.S. exports;

-a negotiated voluntary textile restraint agreement with the four major textile exporters in the Far East;

-invoking the multilateral Long-Term Arrangement on Cotton Textiles where necessary to restrain rapid growth in imports of those products;

-a negotiated extension and improvement of the Voluntary Steel Arrangements in order to limit exports of steel mill products from Japan and members of the European Community to the U.S. over the next three years;

-relaxing currency controls and transportation restrictions to permit increased trade with the People's Republic of China and also increasing the range of products permitted for export;

-a negotiated grain sale to the Soviet Union of over \$750 million;

-a recent agreement with Japan to improve the U.S. trade balance by \$1 billion.

CONCLUSION

"I pledge that when I say something it will be what I really believe...you can count on that."

George McGovern
Buffalo Evening News
March 13, 1971

McGovern has based the crucial test of his credibility and fitness to be President on "telling it like it is." As a prophet of the "New Politics," McGovern has promised integrity and candor; he has presented himself as a man different unto any other.

As McGovern's promise and performance indicate, he has not only failed to meet the test he alone established, he has shown a total lack of responsibility.

McGovern's radical, inaccurate, contradictory, and unrealistic economic proposals have evoked protest and opposition throughout the country--especially from other Democrats.

As Senator Hubert Humphrey has indicated, McGovern's old welfare proposal would not overburden the wealthy but tax middle income people to pay a \$1,000 per person national payment:

"Those with incomes under \$8,000 would get some help, but when you start to raise taxes of those getting \$8,000 to \$20,000 a year, I do not believe that's what you call tax reform...When you start socking it to them, that's middle income."

Washington Post
May 21, 1972

And Democrat Senator William Proxmire said of this program:

"I think this is going too far...I think our whole system of rewarding people for unusual effort and unusual work would be reduced with that kind of drastic modification."

Press Release
May 20, 1972

When the McGovern record is viewed, it reveals:

- expenditure increases totalling more than \$130 billion;
- huge inflationary budget deficits of more than \$100 billion annually;
- an income redistribution program that is underfinanced by \$70 billion even after allowing for McGovern's proposal to nearly double payroll taxes;
- enormous spending that could only be financed by huge tax increases (from 46 to 100 percent) that would fall most heavily on single individuals, small families and middle income earners;
- defense cuts of \$30 billion that would greatly increase unemployment;
- tax reforms that would severely undermine domestic investment, economic expansion, and U.S. competitiveness abroad.

By contrast, the Nixon Administration economic record is one of continuing improvement and proven success. As evidence, consider these confirmed accomplishments during the Nixon Administration:

- inflation has been cut by more than half;
- employment, already at record levels of 82 million, is growing rapidly and the unemployment rate decreasing;
- real spendable earnings, the purchasing power of the average worker, are increasing three times faster than the average for the previous eight years of Democrat rule;
- work stoppages are unusually few;
- international trade has been greatly expanded;
- devaluation of the dollar makes American exports more competitive;
- in spite of the enormous difficulties of conversion to peacetime, sustainable and job-creating economic expansion is a reality;

-the rate of budget increases has been cut from 17 percent to 4 to 5 percent;

-the largest tax cuts in U.S. history have returned power to the people in the most fundamental sense, particularly in the lowest income brackets, while taxes for corporations and the wealthy have increased.

With these accomplishments on record and others to follow in the future, the striking difference between McGovern's ill-advised proposal and the President's program is readily seen. As the President has said:

"As we move into a generation of peace, as we blaze the trail toward the new prosperity, I say to every American: Let us raise our spirits. Let us raise our sights. Let all of us contribute all we can to the great and good country that has contributed so much to the progress of mankind. Let us invest in our nation's future; and let us revitalize that faith in ourselves that built a great nation in the past, and will shape the world of the future."

Richard Nixon
August 15, 1971

Rowland Evans and Robert Novak ^{WP} 8/30/72

Report on McGovernomics

THE FIRST comprehensive survey of business attitudes toward a McGovern presidency predicts that if Congress enacted the three major items in Sen. George McGovern's economic program, the result would be "a severe recession" before the end of 1973.

The private survey was made by the New York consulting firm of Rinfret-Boston Associates, headed by Dr. Pierre Rinfret. Democrats will surely attack this as the work of a highly prejudiced source in view of Rinfret's role as President Nixon's "principal economic spokesman" for the 1972 campaign. Nevertheless, his business survey of the effects of McGovernomics on capital investment—and hence the overall economy—cannot be lightly brushed off.

The reason: Rinfret's record of excellence in forecasting capital expenditures from estimates made by more than 600 major business firms on an annual—and highly confidential—basis.

Using his regular business respondents, the flamboyant Rinfret has now informed his clients in a private "special report" that "the Mc-

Govern economic proposals as they apply to capital expenditures would lower such expenditures by about 5.5 per cent or \$5 billion in 1973." That would be the first decline in dollar capital expenditures since 1961 and the third-largest since World War II.

RINFRET'S SPECIAL survey, sent out July 21 after McGovern's nomination for President, posed this hypothesis: congressional approval of McGovern's major proposals for dealing with capital expenditures. These are repeal of the investment tax credit, elimination of accelerated depreciation allowances, and abolition of depletion allowances on oil and other minerals.

Even if McGovern were elected, Congress would be unlikely totally to repeal the investment tax credit or the 22 per cent oil depletion allowance. As for accelerated depreciation, President McGovern could eliminate that without congressional sanction.

The tax credit and accelerated depreciation (the core of President Nixon's New Economic Plan in August 1971) give tax breaks to business to encourage cent-

tal investment. The current boom now pushing the economy to record highs is being fueled by these two tax concessions.

Rinfret's July 21 survey asked this question: "Assume that your 1973 spending plans were initially programmed at the same level as 1972 (capital) expenditures. What change, if any, would you make in these plans if Sen. McGovern's proposals were implemented by mid-1973?"

THE RESULTS: 57 per cent of his respondents said their plans would not change at all. The balance replied they would lower their capital expenditures. The aggregate decline, Rinfret has informed his clients, would be 5.5 per cent in current dollars. When adjusted for inflation, which Rinfret estimates at 5.5 per cent in capital goods, the actual decline in the volume of real capital expenditures would be about 11 per cent. Says Rinfret's private report:

"To the extent that industry does what it indicated it will do in this survey, a severe recession would affect the 1973 economy. It is not possible to have (such) a decline in capital spending without having a severe im-

act on the American economy."

Rinfret has impressive credentials in forecasting all-important capital expenditures. Since 1952 his regular autumn survey for the following year has been within a point or two of the Securities and Exchange Commission's spring survey of business spending. During those 20 years, his only serious misses came in 1969 and 1971 (in 1971 he predicted an 8.6 per cent increase as against an actual 2 per cent).

The colorful, iconoclastic Rinfret—named on Aug. 18 to his Nixon campaign post—has not pulled his punches against the Nixon administration. He sent his clients a celebrated "We Accuse" critique of Nixonomics in July, 1969, concluding with the words: "We accuse the administration of incompetence."

Rinfret's alarming report of business reaction to McGovernomics could not take into account the senator's latest economic program announced in New York yesterday. It is doubtful, however, whether McGovern's partial hedge on repealing the investment tax credit would much change the grim prophecy of Rinfret's survey.

THE NEW "MCGOVERNOMICS" STILL DOESN'T ADD UP

The following are excerpts from leading editorials on Senator McGovern's new economic proposals:

"It is human nature to want something for nothing, and politicians have been catering to this trait for as long as anyone remembers. Senator George S. McGovern's speech to the New York Society of Security Analysts was, unfortunately, in this mold."

"The trouble comes with McGovern's insistence that he can do all this..."

"As a practical matter, it isn't possible, and the South Dakotan is being disingenuous when he leads the American people to think that it is."

"In real life, therefore, a McGovern Administration would be faced with the necessity of either raising everybody's taxes or abandoning its national income insurance plan."

-- Los Angeles Times
August 31, 1972

"Senator McGovern's somewhat elusive tax and welfare program has alighted again, like a mosquito in the summer twilight, and deserves a couple of slaps before it takes off into the shadows to change shape and alight somewhere else."

"But Mr. McGovern's plans are still riddled with old flaws and have picked up some new ones. For instance, he now favors treating all capital gains as ordinary income -- something he said only last May that he did not propose to do."

"But if Mr. McGovern were to confine himself to what is fair and sensible, he could not begin to conjure up, even on paper, the vast amounts of money he needs to finance promises he has made."

-- Chicago Tribune
August 31, 1972

"The new McGovernomics still doesn't add up."

"... now the senator is back from the drawing boards of some new advisers with the latest version of McGovernomics. Latest but not necessarily last, if figures which don't add up are going to determine the longevity of the nominee's plans for tax reform and income redistribution."

"On the most controversial part of his earlier plan -- the proposal to give everybody in the country \$1,000 -- it is still difficult to tell just what Mr. McGovern has in mind, if indeed he or anybody else knows."

"Mr. McGovern makes it all sound deceptively simple, but it was that way with his first plan, too... But he continues to confirm the conclusion of his friendly biographer, Robert Sam Anson, that 'generally his friends, not to mention his critics, cite economics as McGovern's weakest point, both politically and intellectually.'"

-- The Philadelphia Inquirer
August 31, 1972

"McGovern appeared to have ... rid himself of a piece of baggage from his program that has weighed him down; he offered new proposals that were taken seriously by both economists and politicians, at least for the moment; ..."

"With 10 weeks left until Election Day, Mr. McGovern finds himself in the worst shape of any Democratic Presidential candidate since Alfred E. Smith 44 years ago."

-- The New York Times
August 31, 1972

"The first comprehensive survey of business attitudes toward a McGovern presidency predicts that if Congress enacted the three major items in Senator George McGovern's economic program, the result would be 'a severe recession' before the end of 1973." (The private survey was made by the New York consulting firm of Rinfret-Boston Associates)

"Rinfret's alarming report of business reaction to McGovernomics could not take into account the senator's latest economic program announced in New York yesterday. It is doubtful, however, whether McGovern's partial hedge on repealing the investment tax credit would much change the grim prophecy of Rinfret's survey."

-- Evans and Novak
The Washington Post
August 30, 1972

"For Americans who are concerned about inflation, about swollen federal spending, about the increase in governmental power -- and about the continued growth of a productive economy -- Mr. McGovern presents, all in all, a discouraging picture."

-- Baltimore Sun
August 31, 1972

"The best that can be said for Senator McGovern's revised tax-reform and welfare proposals is that they approach the outer fringes of plausibility."

"And yet the new McGovern program remains flawed to a degree that surprises, considering the size and stature of the group of Democratic economists that for more than a month has labored to make the Senator's original proposals more rational and saleable."

"Moreover, McGovern has hit upon some out-and-out tax dodges that cannot be justified... No realistic reform plan... is likely to produce the \$22 billion a year McGovern suggests."

"The Senator's welfare plan, at least as it appeared this week, stands little chance of commanding serious attention."

"All this, it is said, might be clarified later. But then, that's the way it has been with the Senator's welfare ideas all year."

-- The Evening Star
August 31, 1972

TALKING PAPER

SENATOR MCGOVERN'S ECONOMIC POLICIES
-- A SUREFIRE PRESCRIPTION FOR UNEMPLOYMENT

-- At a time when more Americans are working, earning more income, and saving more, than ever before in history;

-- At a time when a record 2.6 million new jobs have been created in the United States over the past twelve months, the highest rate of increase of jobs in twenty years;

Senator McGovern Falsely Charges the President with Creating Unemployment!

SENATOR MCGOVERN'S PRESCRIPTION FOR UNEMPLOYMENT

Higher Taxes: 1. Senator McGovern's tax proposals would stifle investment in new plants, equipment and industries. Without such capital investment, growth in the economy would slow down, or stop all together, throwing millions out of work. A recent survey of 600 major business firms which asked for an estimate of capital investment if President McGovern were elected, indicated an average decline of 5.7% over current levels. The impact on unemployment would be catastrophic!

2. Under the latest McGovern budget proposals, the Federal Government would have to increase taxes by an additional \$100 billion to pay for his programs. For a family of four earning \$12,500 per year, this would mean a tax increase of \$1,038 - or double its present payment. Higher taxes for individuals and corporations mean higher unemployment.

Increased Welfare Rolls: 3. Under Senator McGovern's third welfare proposal (\$4,000 per year for a family of four), no provision is made for the "working poor."

Although it is impossible to estimate exactly how many additional Americans would be added to the welfare rolls under the McGovern welfare proposal, it is strikingly similar to one offered last year by Senator Fred Harris of Oklahoma (\$4,000/year for a family of four) (S. 2747). The Harris proposal would have increased the welfare rolls from 12 million at present to over 80 million in 1974!

In view of the foregoing, it is appropriate to ask the Senator,

WHO WOULD CREATE UNEMPLOYMENT IN AMERICA?

McGOVERN BUDGET PROPOSALS

(In addition to present spending level)

PROGRAMS SENATOR McGOVERN ADVOCATES

National Health Insurance	\$60.0B
(Health proposal expressly provides for increasing the employees' payroll tax by \$7.7B)	
School spending equalizing within states	9.2
Expanded breakfast and lunch programs	4.7
Full funding of programs passed by Congress to full authorization level*	27.6
Lower retirement eligibility age to 60 in all government pension programs	5.0
Aid to every college student	1.2
Increase Social Security retirement test	.5
Subsidized housing	.3
Federal operating subsidies for local transit systems	.4
Additional staff in VA hospitals	.5
Full Federal support for qualified nursing homes	3.0
Aid to local schools for property tax relief	15.0
Welfare	
Subsidy for jobs in private sector	10.0
Subsidy for jobs in public sector	6.0
Expand Social Security to 3M people	3.0(low estimate)
Transfers to people outside Social Security who will not be able to work (AFDC)	5.0(low estimate)
TOTAL OF NEW SPENDING	\$151.4
Minus cut in military spending	<u>-30.0</u>
TOTAL NEW SPENDING MINUS DEFENSE CUTS	\$121.4
Minus revenues from new tax proposals	<u>-22.0</u>
<u>TOTAL SPENDING IN EXCESS OF CUTS AND TAX INCREASES i. e. DEFICIT OR NEW, HIGHER TAXES</u>	<u>\$99.4</u>

PROPOSALS TOO VAGUE TO PRICE OUT

- Welfare proposal for working poor (without which his plan makes it better to be on welfare than to go to work)
- Bill of Rights for veterans and policemen
- Raise farm income to 100 percent of parity
- Aerospace and defense industry adjustment assistance

*Approximately one half of this amount is accounted for by the Department of Agriculture with significant amounts related to programs within the departments of HEW, Interior, Commerce and Justice. All other departments account for less than \$1 billion each in this aggregate figure.

Issue:

Employment implications of the proposed McGovern defense budget.

Answer:

The McGovern proposals for 1975 have been compared to the Administration's 1972 defense program. The question is, what would the impact be if McGovern could instantaneously alter our defense program to meet his objectives?

JOB REDUCTIONS

	<u>Industrial</u>	<u>Total, Including Govt.</u>
Pacific	187 thousand	385 thousand
Middle Atlantic	157	223
South Atlantic	134	417
West South Central	93	221
East North Central	88	148
New England	81	112
East South Central	34	92
Mountain	22	38
West North Central	<u>54</u>	<u>102</u>
TOTAL	850	1,788
California	157	297
Texas	81	167
Indiana	23	30
Illinois	15	38
Ohio	28	46
Florida	25	61
Pennsylvania	30	52
New York	100	115
New Jersey	27	54
Wisconsin	9	9
Missouri	26	45
North Carolina	13	53
Virginia	39	76
Tennessee	<u>10</u>	<u>17</u>
TOTAL	583	1,060

This table is based on figures published by Senator George McGovern in the document entitled: "Toward a More Secure America, An Alternative National Defense Posture." McGovern's force levels and personnel levels were accepted but repriced to include future pay increases for both military and civil service employees as prescribed by law.

All the data presented represent only direct employment impact. Indirect or secondary employment impact is not estimated in this paper. The secondary impact would be significant, however, particularly in view of the psychological effect of the direct unemployment of 1.8 million Americans. The analysis is consistently conducted utilizing 1975 dollars.

Issue:

California employment impact of McGovern's defense budget.

Answer:

We have carefully examined the McGovern proposals for a \$30 billion reduction in defense spending, in particular the impact of these proposals on the national economy and on the states that would be most affected. No state would be affected more than California. Were these proposals enacted today, there would be an immediate direct unemployment of 1.8 million Americans, and 300,000 of these Americans would be Californians. Of these 300,000 California jobs, 157,000 are industrial jobs and another 43,000 are civil service government jobs -- a total displacement in the civilian sector in California of 200,000 jobs.

TOTAL JOBS

National Impact	1,788,000 jobs
¹ Regional Impact	385,000 jobs
California Impact	297,000 jobs

INDUSTRIAL JOBS

National Impact	850,000 jobs
Regional Impact	187,000 jobs
California Impact	157,000 jobs

<u>Program</u>	<u>Peak California Jobs</u>	<u>McGovern's Voting Record or Budget Recommendations</u>
F-14	3,300	against
Phoenix	8,000	against
F-15	4,100	against
Minuteman III	9,000	against
Space Shuttle	25,000	against

¹ Washington, Oregon, California, Alaska and Hawaii

McGovern's latest so-called anti-inflation program is a prescription for more disasterous inflation. Once again exhibiting the sloppy staff work which made it famous in the Eagleton fiasco, the McGovern high command labored mightily and brought forth a gnat.

And in what amounts to another chink out of McGovern's credibility armour, he has brought forward a wage and price control program only one short month after he promised he would "end wage and price controls" and return to a free-market economy. On August 16, McGovern promised a free economy and on September 15, he promised wage/price guidelines. As McGovern proposals go, one month is not a bad lifetime.

-- Most troublesome is the McGovern turn to the discredited "wage/price guidelines" of the 1960's to solve the economic problems of the 70's. This, after all the evidence that the Kennedy-Johnson wage/price program was a disasterous failure. It was the same Walter Heller-inspired guidelines which gave us the skyrocketing inflation of the 1960's that George McGovern has reheated and served up to the American family.

-- McGovern's wage/price guidelines program is a sure guarantee for a return to inflation. If the voting public wants higher prices, the simple answer is to vote for George McGovern.

-- McGovern's latest proposal would arrogate to him near dictatorial powers in setting prices and wages. It is a direct intrusion into the free enterprise system and would give McGovern power to stifle economic activity.

-- The McGovern plan, with its emphasis on detailed cost figures and bureaucratic meddling, would require a vast new network of agencies and red tape. It wouldn't take long for the McGovern red tape to turn into red ink on the balance books of the working man and businesses throughout the country.

-- The McGovern plan is to mix voluntary and mandatory controls in a brew which would so confuse the American economy as to invite fiscal chaos and financial disaster.

-- It speaks volumes of McGovern's range of wisdom that the best he can come up with is a dusting off of old, ill-suited, discredited programs that got America into the economic mess from which it is now extricating itself.

SENATOR MCGOVERN'S WELFARE CALAMITY

His Famous \$1,000 Giveaway

"I propose that every man, woman and child receive from the federal government an annual payment . . . At the present time a payment of almost \$1,000 per person would be required."

Congressional Record
January 19, 1972

However, McGovern was forced to back off on his proposal shortly after it became well-publicized and subject to analysis by economists.

By June of this year, McGovern was saying:

The \$1,000 per-person figure is only "one suggestion and it may have been a mistake."

New York Times Interview
June 7, 1972

McGovern had also earlier proposed a \$6500 welfare plan for a family of four.

"... when I return to Washington this afternoon I am introducing HR 7257 (demanding a minimum income of \$6500 for a family of four), the bill introduced and fought for by the Black Caucus and their supporters, a bill to provide an adequate income for every American, on the floor of the United States Senate..."

Congressional Record
July 29, 1971

Yet, when confronted with this proposal by Senator Humphrey, McGovern again reversed his position:

"The organization came to me after Senator McCarthy left the Senate, and said there was no one that they could get to introduce the bill. I told them there was no chance to get a measure through the Senate that

would require a payment of \$6500 to a family of four, but I would introduce the bill so that at least it would have a hearing. I did that ...

"The proposals that I have made have nothing to do with that specific proposal of the Welfare Reights Organization."

"Face the Nation"

May 28, 1972

"It was so complex that I don't think you could really present it successfully in a campaign ... You frighten more people than you satisfy."

Newsweek

September 11, 1972

SENATOR MCGOVERN FLIP-FLOPS ON TAX REFORM

Minimum Income Tax

"I have not suggested the imposition of an income ceiling at \$50,000 or any other level."

Wall Street Journal
May 22, 1972

"I propose a minimum income tax so that the rich could not avoid their share of the tax burden no matter what loopholes they used. One possible formula would be a minimum income tax to apply to all those with total incomes in excess of \$50,000. The entire income of any person in this range would be subject to payment of taxes at a rate of 75 percent of the current nominal rates."

Congressional Record
January 19, 1972

Depreciation and Depletion

"I have not suggested that the true economic costs of physical depletion, depreciation, and obsolescence be disregarded in measuring income."

Wall Street Journal
May 22, 1972

"Special loopholes, such as percentage depletion, need to be phased out, but a broad balance also needs to be established between taxable and untaxable earnings of corporations. As it is, we have tipped that balance too far in the direction of untaxable earnings."

Congressional Record
January 19, 1972

Corporate Taxes

"I have not suggested that the present corporate tax rate of 48 percent be increased to the old rate of 52 percent."

Wall Street Journal
May 22, 1972

"I propose that the actual corporation income tax be returned to its' 1960 [52 percent] level by the elimination of the special loopholes that have been opened since then."

Congressional Record
January 19, 1972

Estate Taxes

"I do not suggest that a ceiling be placed on inheritances at \$500,000 or any other level."

Wall Street Journal
May 22, 1972

"This cumulative lifetime tax on recipients would mean that we must set a ceiling on the amount that might be received and then place a 100 percent tax on all gifts and inheritances above that amount."

Congressional Record
January 19, 1972

Capital Gains

" I have not suggested the elimination of capital gain limitations existing in the present code. "

Wall Street Journal
May 22, 1972

"We must phase out the tax preference or loophole for capital gains. "

Speech
New York Society of
Securities Analysts
August 28, 1972

KEY FACTS ON TAX REFORM

- I. Senator McGovern's Federal spending proposals would cost \$100 billion more than he would raise through his proposals for defense cuts and tax reform and would double taxes for the average American.
- II. The President will not increase taxes.
- A. He will keep taxes down by cutting wasteful spending programs from the budget.
 - B. He is pushing Congress for a \$250 billion ceiling on Federal spending.
- III. The President's track record is excellent - he achieved substantial tax reform through the Tax Reform Acts of 1969 and 1971.
- A. 12 million low income Americans have been dropped from the tax rolls.
 - B. Over the past 4 years, Federal taxes on individuals down by \$22 billion, and taxes on corporations up by \$5 billion.
 - C. Since 1969, taxes for the poor and middle-income families have decreased:

<u>Income For Family of Four</u>	<u>1969 Tax</u>	<u>1972 Tax</u>	<u>% Reduction</u>
\$ 5,000	\$ 290	\$ 98	-66%
\$10,000	\$1,225	\$ 905	-26%
\$25,000	\$4,853	\$4,240	-13%

- IV. The President is committed to making our tax system fairer and simpler and to the goal of reducing residential property taxes.

THE ADMINISTRATION POSITION ON TAX REFORM

McGovern's Federal Spending Proposals Would Double Taxes

McGovern's proposals for new Federal spending programs will cost about \$152 billion. This is a conservative estimate which does not include those programs on which McGovern has not yet put a price tag such as assistance for the working poor or subsidies for the Defense workers his budget cuts would put out of work. He has told us he will finance his new programs by cutting defense spending by \$32 billion and by closing so-called tax loopholes which he says would raise another \$22 billion. Yet, after the Democratic candidate's Defense cuts and tax reforms are subtracted from his proposed spending programs, we are left with a \$100 billion spending deficit. That means that individual income tax revenues would have to be doubled in order to pay for McGovern's Federal spending proposals. For example, an average family of four with a yearly income of \$10,000 which now pays about \$1,000 in taxes would pay about \$2,000 on that same income under McGovern.

President Nixon Will not Seek a Tax Increase

President Nixon has pledged that he will not seek a tax increase if he wins a second term, but will instead keep taxes down by cutting wasteful Federal spending programs from the budget. The President is aware that Federal spending, which is the primary determinant of Federal taxes, has a greater effect on the average taxpayer's burden than do any of the so-called tax "loopholes". Consequently, the President is urging Congress to help him keep taxes down by enacting his proposal for a \$250 billion ceiling on Federal spending.

A recent study by the Brookings Institution underscored the seriousness of this relationship between Federal spending and tax increases. According to the Brookings Institution a tax hike within the next four years will be necessary to finance even existing programs. President Nixon will not increase taxes but will instead cut spending on some of the less productive social programs.

Administration Committed to Tax Reform

The President committed himself to tax reform in the 1968 campaign and within 90 days of his inauguration he proposed major and fundamental tax reform. The tax facts disprove

much of the current campaign rhetoric which would have people believe that taxes on individuals are going up while the corporations are avoiding taxes.

Individuals Pay Less While Corporations Pay More

For the four calendar years, 1969-1972:

- Corporate income taxes will have increased by a total of \$4.9 billion.
- Individual income taxes will have decreased by \$18.9 billion.
- Excise taxes, mostly on individuals, will have decreased by about \$3.5 billion.

Lower and Middle Income Taxpayers Pay Less

Equally important is the fact that the greatest percentage reductions have been made in the low income groups, substantial reductions have been made in the middle income groups, and significant increases have been made in the highest income groups. For example, as a result of the President's proposals, 12 million low income Americans have been dropped from the tax rolls and persons in the lowest income tax bracket will pay this year 82 percent less. Persons with adjusted gross income in the \$10,000 to \$15,000 range will pay 13 percent less. Persons with incomes over \$100,000 will pay 7½ percent more. What these figures show is that in general the wealthy are paying more than they were in 1968 while others are paying less. Although these facts indicate that the Administration has already achieved a significant amount of tax reform there is a continuous effort to make our tax system more fair and more simple for the average taxpayer.

Corporate Depreciation Makes U.S. Business Competitive and Stimulates Economy

The recently approved Asset Depreciation Range System and Job Development Credit have been portrayed on the current campaign circuit as inequitable corporate tax "loopholes." Before the depreciation and investment credit changes were made in 1971, Treasury estimates showed that income tax laws made the capital cost of U.S. business equipment higher than that of any other major industrialized nation in the Western World. The 1971 changes restored American business in this regard to a position somewhat more favorable than Canada, France, and the Netherlands, but still behind West Germany, Japan, the United Kingdom and other of our principal competitors in Western markets.

A Department of Commerce-SEC Survey has revealed a very encouraging 10½ percent rise in business expenditures for plant and equipment for 1972 over 1971. A more recent McGraw Hill survey shows a 14 percent rise. Thus, the Asset Depreciation Range System and Job Development Investment Credit are strong forces in the economic recovery and it would seem to be too early to consider changing this successful policy agreed upon only last year after so much careful deliberation.

Property Tax Relief

The public clamor for tax reform is not only directed to Federal income tax, but to a great extent it is addressed at the local property tax. Many taxpayers equate tax reform with some kind of property tax relief. A recent public opinion poll commissioned by the Advisor Commission on Intergovernmental Relations asked a representative nationwide sample: "Which do you think is the worse tax today, that is, the least fair tax?" Nineteen percent thought that the Federal income tax was least fair, but almost two and one-half times that number, 45 percent; said that they believed local property taxes were least fair. The property tax has more than doubled in the past 10 years, and it is very regressive--placing the heaviest burden on senior citizens, low income families, families with fixed incomes, and farmers.

The President is committed to help the States find ways to relieve their property tax burden. He has requested the Secretary of the Treasury and the bipartisan Advisory Commission on Intergovernmental Relations (ACIR) with representatives from Federal, State and local governments to study various alternatives for achieving his stated goal of a reduction in residential property taxes. Although there has been some talk about substituting a Federal value added tax (VAT) for the school property tax, this is only one of many alternatives and does not appear to be one of the more promising approaches now under consideration. The President will make his final recommendations for property tax relief at the earliest possible date.

ISSUE LINES

Topic: The President tried to stifle the economy.

Response: The Administration has taken many effective fiscal and budgetary steps to stimulate the economy. It is now roaring with GNP, employment, profits, sales, housing starts and industrial production, all at record levels. The U.S. now enjoys a higher growth rate than any industrialized Western country.

Attack: McGovern would reverse this economic progress with measures that would remove incentives. He would eliminate tax incentives for new investment, thus reducing the jobs available tomorrow. His welfare ethic would remove incentives to work. His excessive spending proposals would increase taxes on the average working man.

Issue:

How will wage and price controls be removed and how quickly?

Answer:

The basic premise of the price-wage control system is that the 1970-1971 inflation resulted from expectations, contracts and patterns of behavior built up during the earlier period, beginning in 1965, when there was an inflationary excess of demand for the nation's output. Since there is no longer overall excessive demand, inflation will subside permanently when expectations of inflation disappear. The control system is intended to provide a period of enforced stability during which inflationary expectations and behavior patterns will subside. When this happens, the controls will no longer be necessary.

Because such a period of peace time inflation and controls is unprecedented, the timing of decontrol actions cannot be predicted. From time to time sectors of the economy may be exempted from controls as conditions warrant. Such actions will not portend a weakening of the system or its early termination, since exclusion of sectors where controls are unnecessary will permit concentration of administrative effort on sectors where inflationary pressures remain high.

Opponents Arguments

A body of opinion holds that it will be impossible to completely dispense with controls in the future because of structural changes in the economy that have weakened its inherent resistance to inflation.

Issue:

How can we possibly win the fight against inflation when government deficit spending is in the \$20- to \$40 billion range?

Answer:

None of us can be happy with these large deficits, but we do believe that the budget has to be looked at in context.

The impact of the deficit on the economy is a function of the current state of the economy. The larger part of the deficit in fiscal 1972 -- and all of the deficit in fiscal 1973 -- comes about because the economy is operating below the full employment level. We all agree that a 6% level of unemployment is much too high and that rate has to be brought down. The fiscal stimulus of the deficit should be sufficient to reduce the unemployment rate to the neighborhood of 5% by the end of the year.

	Deficit (Billions of Dollars)	
	FY 1972	FY 1973
Unified Budget	-38.8	-25.5
Full Employment Unified Budget	- 8.1	0.7

The deficit will not, however, seriously interfere with the stabilization goal of a 2-3% inflation rate by the end of 1972. This view is generally shared by economic analysts.

McGovern's budget on the other hand would be at least \$100 billion dollars in the red.

Issue:

Are prices increasing faster than wages?

Answer:

Definitely not. In fact just the opposite is true. Wages are increasing more than twice as fast as prices.

- For example, in the first quarter of 1972, compensation per man-hour rose at an annual rate of around 9 percent but consumer prices rose at an annual rate of only about 3 1/2 percent. The result was that the purchasing power of the average earnings received for an hour's work went up by more than 5 1/2 percent -- the largest quarterly increase in real compensation in more than a decade. Of course, the very large rise in the first quarter was partly due to nonrecurring increases in social security contributions and retroactive wage payments. While we would not anticipate a continued increase at that rapid rate, further increases are expected this year. Compared to the first quarter of 1971, real compensation per manhour was up a bit less than 3 percent.

Another example is the March data when consumer prices did not increase but wages rose at an annual rate of over 6 percent. This increase extended the upward trend of "real" spendable weekly earnings, which had been little changed from 1965 to mid-1971.

Issue:

Although inflation is being curtailed, isn't this being accomplished at the expense of the wage earner?

Answer:

The evidence on wage and price behavior under the New Economic Program does not support such an allegation. While consumer prices have increased at a 2.7 percent annual rate since the Program began in August 1971, average weekly earnings have increased at a 7.3 percent annual rate from August through June.

This has led to significant gains in the real purchasing power of workers. In fact, real take-home pay of the typical rank and file worker in the economy has increased at an annual rate of 4.5 percent since Phase II began. This increase in take-home pay is in sharp contrast to the 0.7 percent reduction registered between 1969 and 1970, the 0.8 percent increase between 1970 and 1971, and the 2.1 percent increase during the first eight months of 1971.

It is highly misleading to compare wage increases with the 16.7 percent rise in corporate profits during the first quarter of this year compared to the same period a year ago. Corporate profits during 1970 and the early part of 1971 dipped to their lowest level in over five years. When this period is compared to a period of substantial economic recovery like the first quarter of 1972, profit increases are bound to appear large. A more accurate comparison of profit increases can be seen in statistics compiled by the Council of Economic Advisers. From 1966 to 1971, corporate profits remained at about the same level while employee compensation increased 50 percent.

KEY FACTS ON PROPERTY TAX RELIEF

I. The President has long recognized people's problems with the property tax:

1. This tax has more than doubled in the last ten years.
2. It is regressive, with the heaviest burden imposed on:
 - a. Senior citizens
 - b. Low-income families
 - c. Families with fixed income
 - d. Farmers
3. Due to complex assessment problems, people in similar circumstances often pay property tax bills which are very different.
4. Constitutionality of local school property taxes as a means of financing schools has been put in serious doubt by recent lower court cases.

II. The President is committed to the goal of reducing residential property taxes:

1. He has requested the bipartisan Advisory Commission on Intergovernmental Relations (mayors, governors, Federal and state legislators, Cabinet) to study all aspects of proposals leading to property tax relief.
2. After receiving the ACIR report, the President will make his final recommendations for property tax relief.
3. Although there has been some talk about substituting a Federal value added tax (VAT) for the school property tax, this is only one of many alternatives and does not now appear to be one of the more promising approaches under consideration.

EXCERPTS FROM THE REMARKS OF HERBERT STEIN
CHAIRMAN, COUNCIL OF ECONOMIC ADVISORS
BEFORE THE
AMERICAN POLITICAL SCIENCE ASSOCIATION CONVENTION
SEPTEMBER 8, 1972

"Food prices are a case in which the gulf between truth and perception is so great that one hesitates to tell the truth, for fear of being considered either a fool or a scoundrel."

"The American people are better fed, and for a lower proportion of their income, than ever before."

"The policies of the Government in the past three years, including its farm policies, its import policies and its control policies, have been a consistent package to hold consumers' food prices down, given the variety of national objectives to be served."

"Food prices in the past year have risen 3.7 percent. It is less than the average rate of increase in the period 1967 to 1971 when food prices were not generally considered to be among our most serious problems."

"The rise of incomes in the past year has been much greater than the rise of food prices. For example, after-tax weekly earnings of nonfarm production workers rose by 7.2 percent, about twice as much as food prices. The average worker's ability to buy food has increased substantially in the past year."

"Nonfood items bought by consumers have risen by 2.9 percent in the past year. These items accounted for 78 percent of the budget of a typical urban worker a year ago."

"With food prices up 3.7 percent, he could have bought 18 percent more food. Of course, he didn't actually buy 18 percent more food, but that was because he chose to buy more of other things."

"... during the year from July to July prices of cereals and bakery products, poultry, eggs and non-alcoholic beverages declined. Prices of dairy products rose less than 1 percent. Prices of fruits and vegetables rose less than 2 percent."

"From 1964 through 1971 the number of minutes of work required to earn enough money to buy a pound of hamburger was never less than 11.8 and never more than 12.7. In July 1972, the figure was about 12.4 minutes. In only 4 of the previous 8 years was the amount of worktime required to buy a pound of hamburger smaller than in July 1972, and never much smaller.

Moreover, the price of meat is coming down. In the past 7 weeks, the wholesale price of beef has fallen 13 percent."

"But the basic fact is that food prices rose because consumers wanted to buy more than was available. There was no excess supply of food. Unless there had been a way to increase supply or curtail demand, there would have been shortages at lower prices."

"Per capita food consumption in the United States was at its all-time high in 1971 and will be down less than one-half of one percent in 1972."

"Meat consumption per capita will be about 3 percent higher than in that same year."

"From 1968 to the first part of this year, food prices rose substantially in all the major industrial countries. The increase in the United States was less than in the United Kingdom, France, Japan, Norway, the Netherlands and Sweden, for example."

"Politicians who go through supermarkets squeezing packages of hamburgers and blaming this Administration for the food prices should consider whether they want to hold this Administration responsible also for record per capita incomes, record per capita food consumption, and low increases of nonfood prices."

"...the policy of this Administration has been a policy to make food a good buy for consumers."

"Senator McGovern has committed himself to raise farm prices to 90 percent of parity. This, of course, means higher food prices to consumers. The Senator acknowledges this."

"Well," McGovern replied, "if grain prices go up, then beef prices will go up too."

"That was surely the right answer. An increase of farm prices to 90 percent of parity would raise the farm cost of food by about 15 percent."