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7 May 1980
MEMORANDUM

To: BILL CASEY, ED MEESE, DICK WIRTHLIN, ANDY CARTER
From: Lorelei Kinder *LK*
RE: CALIFORNIA CAMPAIGN

From the beginning - I was brought on campaign staff in March 1979 to develop the plan by which Ronald Reagan would carry California's 168 delegates to the Convention. The plan was to involve no more than \$250,000.

Elements of the plan I devised were the following:

- 1) incorporate all Republican elected and volunteer leadership into the Reagan structure prior to January 1, 1980 so no other candidate could establish an organizational base.
- 2) develop a strong volunteer leadership base capable of organizing a voter program without the Governor's presence and without money.
- 3) develop a people budget and a people program.
- 4) preserve the "winner-take-all".

Implementation of the above plan has occurred.

- 1) There is no organization in California other than the Reagan organization.
- 2) To date the Governor has made only 3 (three) campaign appearances:
 - a) February 4 - Los Angeles Campaign Rally
 - b) April 14 - California Headquarters Opening
 - c) April 25 - Bakersfield

He is scheduled to spend an additional 3½ days campaigning in the state. There is no demand (or need) for more.

- 3) There is one state headquarters coordinating the activities of "at home" headquarters throughout the state - This is a "dining room" campaign (one event is planned to highlight this).
- 4) There are no more challenges to winner-take-all. The Reagan delegation (reading like a "Who's Who" in California politics) has been filed.

The \$250,000 budget for California was replaced by a \$100,000 budget which has been replaced by a \$20,000 budget. There is no need for more. Because the March 1979 thru March 1980 plan was successful, we are able to do the following:

- 1) use the Governor's limited time here to extend perception of his campaign effort. The Republican voter will believe he has campaigned extensively through our use of free media and the timing of his appearances.

We are supplementing RR appearances with Mike Reagan and Maureen Reagan.

- 2) have incumbent Republican Assembly members mail a RR signed letter into their Districts. Letter is soliciting volunteer help for the Assemblyman. We have focused on "heartland Districts".
- 3) arrange for RR GOTV letters and mailgrams for unopposed Republican candidates.
- 4) arrange for 2 (two) major rallies (San Jose and Orange) to get-out-the-vote paid for by the local Republican Party.

The current schedule, family and surrogate appearances, above described mailing program plus the constant media exposure we get when the Governor is on tour will keep RR visibility high.

My concerns for the California campaign are the following:

- 1) Reaction - In 1976 we over-reacted. I do not want us to be blasé, however, feel we should consider any action carefully before changing current strategy.
- 2) Schedule - Having Governor "at home" too much during last two weeks of California campaign. We could be hurt by being perceived as:
 - a) taking California for granted.
 - b) "the candidate who didn't care enough to come" for the national press will play up the RR schedule especially if Bush continues his challenge. This will be copied in states where we have not campaigned.
- 3) Money -
 - a) The lack of money for a media program could be compensated for by scheduling interviews with California media and/or doing a modest "actuality program", cost of which is minimal.
 - b) Should any money be available, would purchase door-knob hangers so that our volunteer army would have something with which to work on election day.

I believe the more we adhere to our current strategy, the easier it will be to carry California in the general. The Bush campaign threat should be monitored but our course should be determined by what is best not only in the primary, but in the general election as well.

THANK YOU. LCK/ym

PRIVATE AND CONFIDENTIAL

October 14, 1980

MEMORANDUM FOR: ED MEESE

FROM: ED GRAY

RE: TV

Today, we are on the defensive in the news. Carter was very effective in his appearance on television. He called the Reagan economic program highly inflationary, charged that the only areas of government that would go untouched would be defense and entitlements, and that the Reagan program is nothing more than a campaign document that would leave a budget deficit of \$130 billion in 1983. He challenged RR to say where he would specifically make cuts to accommodate his program. TV reported that our truth squad (including Charls Walker) couldn't name areas where cuts would be made.

Reagan on television (a news conference) spent time parrying questions about the process/criteria he would use in appointing judges (defensive) and that he would appoint a woman to the Supreme Court. Reference was made by reporters to the strategy of appointment of a woman in terms of RR vulnerability with women, ie. war fears and ERA.

Carter was on the offensive. We were on the defensive.

RR cannot afford to spend time any more on defending our positions. He must stay on the attack, on the offensive.

P. S. On RR promise to appoint woman to Supreme Court, Strauss, Wexler and Carter all were shown (on ABC) calling it a cynical campaign ploy.

October 15, 1980

Memorandum to Ed Meese

From Davis Robinson

Subject: Personal Views on What to Do to Win

Current Status of Campaign

For whatever it may be worth, I, like Evans and Novak in their Post column this morning, believe that the Governor is becoming a clear underdog at this time, without changes being made. The reasons for my conclusion are not the same as those of Evans and Novak in all cases but are based on the following: 1) the powers of the incumbent are vast in these last three weeks and the odds of an event which may help Carter may not be insignificant; 2) the undecideds in recent polls in key big states are averaging almost 25% and with Reagan and Carter "even-steven" in most of these states (except for New York where Carter seems to have a greater margin), Carter presumably is in the lead if one makes the common sense assumption that more undecideds will go with the incumbent in the voting booth rather than take on the unknown challenger (this result would appear even more probable where, as in this case, a substantial majority of the undecideds are reported ^{to be} Democrats and independents); and 3) Anderson appears to be fading and if it is true that Anderson pulls more from Carter than from Reagan, then they may return to Carter in greater numbers than to the Governor.

Suggestions on How to Reverse the Trend

General

The dismal Carter record is only half the equation for victory. That record tells Americans why not to vote for Carter but it does not tell them why to vote for Reagan-Bush. The Governor's trust in

the ability of Americans as free and industrious people to tackle and beat the nation's problems and his confidence in the basic values of our society are the other half. The affirmative reason to vote for Reagan is that he has faith in America and its people if he does not have faith in its big government. Carter is a pessimist and bad-mouths the public. The Governor's positive message is not only what Americans want to hear but it is also what they should hear, as without hope in the future, there is not much left. I would recommend that every day in the next three weeks the Governor should stress his long espoused message of ,in the words of TIME, "down with government and up with people". There must be the affirmative of the Governor to go with the negative of the president.

The Debate Issue

Having personally attended the two debates in New Hampshire, I have little doubt that barring a mistake, the Governor, with his easy and light style, would come out on top over Carter and could thereby determine the outcome of the election. My ^{proposed} course of action on this issue is unusual but would put Carter in a particularly difficult spot, I believe. I would accept a one-on-one debate with Carter but only on one condition. At the same time he accepts to debate Carter, I would have the Governor say that out of fairness to Anderson, whom Carter consistently refuses to debate, the Governor will on the same night and immediately following the debate with Carter have a second debate with Anderson, with the same amount of time ^{devoted} ~~debated~~ to the Carter debate as to the Anderson debate. This course would be justified by citing Anderson's entitlement to a fair shake. By this course, in one fell swoop, the Governor is seen fearlessly taking on all comers in a just manner, Carter will be glaringly absent from half of the program and

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Anderson will be given a boost. Carter would, I suspect, be in such a hot spot that he might refuse to debate even though he has said that he would debate the Governor at any time and at any place.

Foreign Policy

To alleviate the war issue, I suggest that the Governor make a major address on the arms race or some other appropriate issue in a setting where leading Republican foreign policy deans such as Henry Kissinger and William Rogers can be seen at his side. To reduce concerns about the Governor's lack of foreign policy experience *and* to demonstrate that Ambassador Bush's talents will be put to meaningful and good use, I would recommend that the Governor announce before the election that Bush will serve as his National Security Adviser as well as Vice-President, supported by an executive director of the National Security Council and a small staff. *e*

Competence Issue

To dispel concerns about competence, I would have a Republican luminary travel with the Governor every day and be seen and photographed constantly at his side. One day you might have Arthur Burns and the next William Scranton and the next Margaret Chase Smith and so on.

Economic Proposals

I believe it is critical that the credibility of the Governor's economic proposals receive greater support and in the process, I would make extensive use of the points made in an excellent Wall Street Journal editorial of October 9, 1980 which emphasizes that incentives are created by reductions in marginal tax rates (the Reagan-Kemp-Roth plan) and that a cut in those rates may increase revenues. Carter's proposals are put in sharp contrast. A copy is attached for your information.

Women

Much was done on this front yesterday, but why not have Ambassador Armstrong travel with the Governor on occasion and be given greater visibility.

Reagan and Bush Together

The more frequently that the Governor and the Ambassador can be seen and photographed together, the better I suspect the ticket will do in critical suburban areas.

REVIEW & OUTLOOK

The Economic Issue

The surface appearance reflects campaign atmospherics, and the presidential campaign seems issueless and empty. Both the Democratic incumbent and the Republican challenger promise to curb inflation, cut taxes and strengthen national defense. But the underlying reality is quite different; in fact next month the electorate will make a clear choice of direction. It does not take much probing below the surface to find sharp differences between the candidates, and nowhere is this quite so clear as on the issue of economic policy in general and tax policy in particular.

The candidates have of course rounded the sharp edges of their disagreements. In proposing personal and business tax reductions for 1981, President Carter has dropped his opposition to tax cuts. In offering a detailed economic plan for tax reduction and budget cuts, Governor Reagan has dropped any suggestion that all tax cuts pay for themselves in increased revenues.

The two tax programs, further, are about the same size if you measure them by static revenue loss. That is, they would reduce government revenue by about the same amount assuming a given level of economic activity or to put it another way, assuming the tax changes have no economic effects. Estimates of first-year static revenue losses are \$27.6 billion for the Carter program, \$22 billion for the Reagan program and \$39 billion for the tax program recently passed by the Senate Finance Committee. It should be noted that in the same year bracket creep from inflation, already legislated tax increases and projected economic growth would increase revenues by \$90 billion or so; none of the proposals starves the government, if indeed any of them cuts taxes.

Despite the similarities among these programs, however, a true consensus is by no means at hand. If the voter thinks he has no choice, he ought to look at the shape of the tax cuts and the philosophy that underlies them. The differences between Mr. Reagan's tax plan and Mr. Carter's could scarcely be more clear-cut or more profound.

increases incentives throughout the schedule, and increases them the most where they are the lowest. In the first year, an investor in the top bracket would get to keep 37 cents on a dollar of additional income instead of 30 cents. The last similar across-the-board cuts, those proposed by John F. Kennedy in the early 1960s, did seem to revive a sluggish economy.

On the corporate side, Mr. Reagan has adopted the 10-5-3 plan for faster depreciation write-offs, which of course reduce corporate taxes. This is in effect a rough correction for the overtaxation that results because depreciation is based on original costs rather than inflation-driven replacement costs, and something similar is included in both the Carter program and the Senate Finance Committee bill. It is not as directly marginal as a simple cut in the corporate rate, but clearly is marginal in its impact on investment decisions.

Mr. Carter's tax proposals stand in decided contrast to Mr. Reagan's. The Carter plan cuts marginal rates only sporadically, by accident. Much has been made of the "irony" that more tax relief would flow to corporations under the Democratic plan than under the Republican one. But look at Mr. Carter's business "cuts."

Take, for example, the "targeted investment tax credit," available to areas suffering declining industry and high unemployment, subject to "certificates of necessity" issued by federal bureaucrats. At best, this device substitutes the dead hand of central planning for decentralized market economics. At worst, which is more realistic, it becomes a political plum for picking up votes in Detroit and Pittsburgh.

Similarly, the Carter plan includes a "refundable investment tax credit," under which the Treasury would subsidize investments in money-losing industries. This provides the institutional structure for our own British Steel, increasing incentives not for success but for failure. Some parts of the depreciation changes do of course reduce marginal rates, but taken as a whole, the business side of the Carter

Wall Street
Journal
October 9

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to start with an understanding of what has come to be called supply-side economics. As a catchword, this phrase has been abused by both its friends and enemies, but its fundamental proposition is clear enough historically and logically. The basic notion is that within a given monetary policy, presumably one anchored in a way to curb inflation, production and growth can be encouraged by increasing incentives for investment and work.

Incentives can be increased by cutting *marginal tax rates*. Incentive is measured by how much you can retain of the *next* dollar of income you produce. A tax cut that focuses on reducing the highest marginal rates in the tax schedule will give the biggest economic boost. A "tax cut" that reduces static revenues without changing marginal rates accomplishes nothing. Mr. Carter's ill-fated \$50 rebate, for example, is best understood as another expenditure program.

If marginal rates are prohibitively high, cutting the *rates* may actually increase tax *revenues* by expanding the production, realization or reporting of income subject to the tax. This "Laffer curve" has seemed to work with the Steiger capital gains tax cuts of 1978, and might work again with certain rifle-shot tax cuts, in particular dropping the 70% rate on investment income to the 50% maximum on labor income.

The prohibitive range of the Laffer curve is an extreme case, and marginal tax rates for the ordinary workingman may not yet be this high (though they will rapidly increase in the absence of tax cuts to offset bracket creep). But even if a broad-based tax cut will not immediately pay for itself in increased revenues, the basic insights of supply-side economics remain. You increase incentives and encourage production if you cut marginal tax rates.

The imprint of supply-side thinking on Mr. Reagan's program runs deep, though he has clearly attenuated some of the extreme rhetoric he employed in the early primaries. His detailed economic program offers budget cuts and a reduced deficit, while omitting some of the tax cuts he previously mentioned. Yet even this plan gives tax cuts priority over a balanced budget, a clear change in emphasis from the Nixon-Ford policies and the Carter rhetoric.

More important, the tax cuts are real cuts in marginal rates. On the personal side, Mr. Reagan has adopted the Kemp-Roth plan for

On the personal side, the centerpiece of Mr. Carter's plan is a tax credit for 8% of payroll tax payments for the Social Security Trust Fund. This is a backdoor way of fulfilling the long-standing liberal agenda of financing Social Security through general tax revenues. Since the payroll tax cuts out at \$29,700, the proposal has no effect on marginal rates for workers making more than that amount. It cuts marginal rates where they are low and leaves them undisturbed where they are most likely to be in the prohibitive range.

Similarly, Mr. Carter's credit for two-wage-earner families is capped at an income of \$30,000, while "tax relief" is provided to those who pay no income taxes by an increase in the refundable earned income tax credit. In short, where Mr. Reagan's tax plan is an exercise in increasing incentives by reducing marginal tax rates, Mr. Carter's tax plan is an exercise in using the tax code for income redistribution.

* * *

Some voters may of course prefer the goal of income redistribution, while others may conclude that too much attention to this illusive goal is responsible for our current economic malaise. But at least the difference in philosophy is clear. There is a real choice between the candidates.

There is, though, one sense in which the no-difference argument is meaningful. In the country, in the economics profession and in the Congress, the redistributionist impulse has clearly faded while the supply-side impulse has clearly gained. Barring some kind of electoral miracle, Mr. Carter's tax proposals will most likely go the way of the "three-martini" tax bill he offered in his first term. The Senate Finance Committee bill, which passed by a bipartisan vote of 19-1, is distinctly a supply-side bill. It is more complex than the Reagan plan, with some non-marginal provisions and some more directly targeted on high rates, but it does directly reduce rates throughout the schedule. It does cut marginal rates and improve incentives.

Even if Mr. Carter is reelected, Congress is likely to give him this kind of bill. In the end, he would probably be led kicking and screaming in the direction the nation wants to go, as he was on so many issues in his first term. But it would be far easier on the national psyche, make our institutions work far more smoothly, and produce far cleaner legislation if the voters recognized the profound difference between the candidates, and simply voted in a President in step with the

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10% a year for 3 years. This is

economic program they prefer

Ed Meese

October 15, 1980

MEMORANDUM

TO: Max Hugel

FROM: Bob Garrick *rmg*

Relative to the attached memo if someone is willing to take responsibility for the use of the 26 names indicated on this memo, then I will proceed along the usual lines of making the public announcement of the formation of the "Maritime Committee for Reagan-Bush." I contemplate doing this at 5:15 p.m. on Thursday, 16 October immediately after receiving the names as indicated.

Paragraph 3 does lend itself to confusion in that it says we should wait "an additional few days" for additional written confirmations. There is a dichotomy of thinking in this statement as compared to Paragraph 2 in which Schaaf indicates he had no knowledge until yesterday 14 October, 1980 that confirmation in writing was required. In the short time left in this campaign in response to Paragraph 4, the Maritime Coordinator should be directing his full attention to normal political campaign endeavors such as news releases to the industries, newspapers, letters from the leadership to the members, distribution of specialized brochures that can be produced and distributed by the endorsing industries, speeches should be made by the leadership industries to other groups and any other positive action that can aid the candidates towards the ultimate goal of election.

I think there should be no further concern as to what the Coordinator does until after we know the results of November 4, Election Day.

x x x

RMG:jmw

Attachment

cc: John Jachym
Tom Schaaf

National Headquarters
Reagan-Bush Committee
Memorandum

15 OCT 1980

TO ADMIRAL GABRICIC
FROM TOM SCHAAF
SUBJ STATUS OF "MARITIME COMMITTEE FOR REAGAN BUSH"

1. AS OF 14 OCT THERE ARE 26 NAMES OF MARITIME LEADERS (23 MANAGEMENT 3 LABOR) WHO HAVE PERSONALLY CONFIRMED THE USE OF THEIR NAMES FOR A "MARITIME COMMITTEE FOR REAGAN BUSH"
 2. THE REQUIREMENT TO HAVE A SIGNED RELEASE BY THEM WAS NOT RAISED, TO MY KNOWLEDGE, UNTIL YESTERDAY 14 OCT 80. ACCORDINGLY CALLS WERE INITIATED 10/14 TO REQUEST CONFIRMATION IN WRITING.
 3. WE ARE CONTINUING TO GET ADDITIONAL NAMES AND THE LIST WHICH WE WILL HAVE AT 5:00 PM THURSDAY 16 OCT ~~WILL~~ CAN BE INCREASED DURING THE NEXT FEW DAYS AS ADDITIONAL WRITTEN CONFIRMATIONS ARRIVE. (SUCH AS KARL E. ~~BAKKE~~ BAKKE WHO IS OUT OF THE COUNTRY AND RETURNING 10/20)
- A. AT A CONVENIENT TIME I WOULD LIKE TO DISCUSS THE FUNCTIONS OF THIS COMMITTEE AND MY DUTIES AS MARITIME COORDINATOR

U.A.
Tom SchAAF