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TALK WITH

212-943-9515
212-688-2188

ALAN GREENSPAN

9-1-80

(DICTATE COPY: QUIP MACHINE)

11:10 A.M.

TO ALAN
(212-943-9519)

THE ISSUE OF INFLATION

WHAT IS THE PURPOSE?

TO EXPLAIN ECONOMIC PROGRAM:

* NUMBERS ARE NECESSARY

WHAT IS IT WE STAND FOR?

WHERE ARE WE GOING IS

THE POINT

OF J.C.

THE RHETORIC IS FINE - BUT
THE REALITY?

POTENTIAL FOR HUGE

BUDGET EXPANSION;

TAX BURDEN; CREDIT

HUGE EXPANSION OF FED
GOVT.

2.

PHILOSOPHICAL ISSUES

"ECONOMIC REVITALIZATION"

CARTER TALKS ABOUT GOVT.

ENHANCING HI-TEC - TRYING

TO EMULATE THE JAPS -

REALLY WHAT HE IS

DOING : "LEMON & SOCIALISM"
PROTECTING ONES THAT CAN'T
DO MAKE IT

J.C. : SHORING UP FAILURES

REMINISCENT OF BRITISH

RATHER THAN JAPANESE

ANY PARTNERSHIP BETWEEN

GOVT. + BIZ means

GOVT. IS SENIOR

PARTNER

(3)

THE HI-TECH, NO TECH don't
end up in the doorstep of the
WHITE HOUSE...

SHORING UP FAILURES DOESN'T
WORK...

CARTER TALKS A GOOD
GAME - BUT:

- HE HAS CREATED SYNTHETIC
FUEL WITH POTENTIAL FOR
WASTE

- OVERSEEN A RISE IN
GOVT. REGULATION

PAGES
DURING 3 YEARS)
GONE UP 35% (check

with KEVIN

since 1976-1979
first things

④

OUR PROBLEM IS GOUT.

GOUT. REG., GOUT INFLATION

CARTER SAYS MORE OF THE
SAME.

LATEST CARTER PACKAGE:

AUG. 28: CARTER FACT SHEET
GET IT

"A NEW PARTNERSHIP"

"EC. REVITALIZATION BOARD"

THEY TALK ABOUT GROWTH -

IN PRACTICE IT IS A

MECHANISM FOR

GOUT. BAIL-OUTS

5

J.C.'s SINCERITY AND

UNFLINCHING SUPPORT OF

FREE ENTERPRISE --- WON'T
MAKE ANY DIFFERENCE
IT WON'T WORK

NO POLITICAL ALTERNATIVE..

THIS NEW MECHANISM
WON'T WORK...

(J.C. NEW PROGRAMS PROMISE, BUT
THEY FAIL...)

* GET ~~FIRST~~ CART STUFF ON
ALL 4 CARTER PROGRAMS

RHETORIC: FREE ENTERPRISE
ACTION: MORE GOVT

6

REAGAN: GOALS

① PREVENT RISE IN TAX
BURDEN NOW ON THE
BOOKS.

② BALANCE BUDGET WILL BE
ACHIEVED AT THE PRICE
OF DESTROYING ECONOMY
UNDER CARTER POLICIES-

③ RESTORE MILITARY CAP.

④ REFUSE INFLATIONARY
POLICIES; NECESSARY
CONDITION IS BALANCED
BUDGET

WE HAVE NO CHOICE OF
TRADE-OFFS -- WE HAVE TO

⑦

DO ALL AT ONCE?

CAN WE?

WE MUST?

IS IT EASY?

NO. CARTER MAKES IT DIFF.

~~DUES IT REQUIRE~~

HOW?

FIRST

WHERE ARE WE?

MINIMUM: RESTRAIN

RATE OF FURTHER GROWTH...

THIS DOES NOT REQUIRE

~~THE TAKING AWAY~~ ALTERING OR

TAKING BACK ENTITLEMENTS

ALREADY GRANTED TO THE

AMERIC

8.

(A) IT DOES REQUIRE
RESTRAINING CONGRESSIONAL
"ADD-ONS" + NEW PROGRAMS
THE ANNUAL ADD-ON
I WILL VETO.

(B) ENTIT. PROGRAMS ARE
NOT UNCONTROLLABLE...

SOC. SEC. IS UNTOUCHABLE

BUT THE WAY THE OTHERS ARE
ADMINISTERED IS IMPORTANT

MAJOR OVERHAUL OF ADMINIST
IN MANY INSTANCES, MOVE
ADMINIST. AUTHORITY BACK TO
STATES

⑨ (SEE MARTY'S SHEET FOR
AD. SAVINGS)

THIS MEANS WE CAN
CUT TAXES + BUILD-UP DEFENSES

★ DON'T BACK THE GOV. AWAY
FROM 10-10-10 ^{CUT}
COMMIT HIM TO 30%^{CUT} IN GENERAL
IN IND. TAX RATES

COMMIT HIM TO SKIP A YEAR...
IF THINGS ARE BET
"REAGAN TAX PACKAGE"

WHEN WE DO THIS WE
WILL GO TO INDEXING TAX
BRACKETS.

MY PROJECTIONS ARE
OPTIMISTIC - AS THEY SHOULD
BE. I WILL NOT SETTLE
FOR "LOWER"
I DO NOT ACCEPT SECOND BEST

WE CAN DO IT!

WE CAN RESTORE WHAT
HAS BEEN LOST!

THIS IS NOT A
"CONSERVATIVE" FORECAST...

RE: INFLATION (SEE GREENSPAN
DRAFT)

There is a FISCAL FLAW
IN OUR SYSTEM - ONE CANNOT
RELY SOLELY ON PRESIDENTIAL
VETUES... WE NEED

① SOMETHING MORE FUNDAMENTAL
CONST. AMDT REQUIRING ALL
"MONEY BILLS" HAVE 60%
MAJORITY

② THE ABILITY OF THE PRESIDENT
TO HAVE A ITEM VETO

③ EXPLORATION OF APPROPRIATE
CONSTITUTIONAL
LANGUAGE NEEDED TO CREATE
A BALANCED BUDGET
AMDT.

PENDING THIS, WE WOULD
NEED APPROPRIATE STATUTORY
AUTHORITIES... ZEAL PAGES
WE NEED AN AMDT.

Bell Curve

Reagan's Program for
Economic Growth and Stability
in the 1980s

- I Key Issues: Real purchasing power and Job security.
- II Philosophical base: government intervention/share of economy.
- III Damage to economy in last 3 1/2 years.
- IV Comprehensive Economic Program (emphasis on growth, jobs, future)
 - (a) Spending Control
 - (1) Appointments to top government jobs critical; must share same principles on spending as RR--their decisions will be backed up from the White House--spending control in every area of government including defense--cut, squeeze and trim--reduce "rate at which federal government is growing", not "cut spending"--A President must have the ability to say no.....
 - (2) Establish national citizen's task force--ala California--to rigorously examine every department and agency.
 - (3) Spending Control Task Force--headed by Cap Weinberger (see press release)--will report on additional ways and techniques to search out and eliminate waste, fraud, extravagance...
 - (4) ~~Line-item~~ veto power (distinguish between what must be done now, and what long range structural changes must be started now...)
 - (5) Call for 60 percent majority vote on all spending bills in the Congress (see AG)
 - (6) Constitutional limitation on federal spending.
 - (7) Transfer of federal programs to states: welfare, education (see 'white paper').

(b) Tax Rate Reduction

- (1) Across-the-board 30 percent reduction in personal income tax rates: 10 percent in FY1981, 10 percent in FY1983 and 10 percent in FY1985. (If economy recovers more quickly and it may, then go for a more rapid phase-in schedule...emphasize that that this is what we are confident we can do, and our goal is to do it faster)
- (2) Indexation of income tax brackets after full 30 percent rate reduction is in effect.
- (3) Accelerated depreciation for business to stimulate job-creating investments (not 10-5-3)....RR's plan. details to follow later
- (4) Elimination of federal inheritance and gift tax--to begin in FY1983.

(c) Deregulation of the Economy

- (1) Conduct thorough and prompt review of all(non-safety and non-health)regulations that affect business and commerce--modify and change to encourage economic growth.....establishment of deregulation task force.

(d) Stable and Sound Monetary Policy

- (1) Importance of appointments to Federal Reserve Board--Using analogy of Supreme Court....will appoint men and women who believe in sound money.

(e) Competitive International Economic Policy

- (1) Establish Presidential Commission--including top representatives of Labor, Government, and Business--to come up with specific recommendations --U.S. must regain its competitive edge and its fair share of world markets in the 1980s.

- (f) Balanced Budget Amendment. Within five years add balanced budget amendment to constitution that will keep any administrations budget in control....realize is long-term, but must start now.

- (g) Stable Economic Policy. Emphasize the importance of establishing an economic policy early on in the administratic and then sticking to it.

V Projected Results

If these policies are implemented during FY1981, they will reinforce and complement one another (this is what gives RR's economic program power and force...and validity), we could reasonably expect by FY1985:

- (1) The addition of ____ million new jobs; and ____ million of these over and above what we would have if we follow Carter's way for another 4 years.
- (2) Salary and wage levels ____ percent higher....real economic growth of ____ percent a year; steady increase in personal incomes.
- (3) Income tax rates on personal incomes 30 percent lower than what they would be if we reelect Carter.
- (4) Inflation less than 5 percent and falling.
- (5) Interest rates at ____ percent.....

Copy # 5

August 22, 1980

MEMORANDUM FOR GOVERNOR REAGAN

From: Martin Anderson *MCA*

Subject: Federal Spending and Tax Receipt Projections,
FY 1981-85

As you requested several weeks ago, the Budget Policy Advisory Group has carefully reviewed the rapidly changing economic conditions with particular concern for how these changes may affect your budget policy plans for fiscal year 1981 and beyond. In addition to the Budget group (Alan Greenspan, chairman; Jim Lynn, Caspar Weinberger, Don Ogilvie, Paul O'Neill and Bill van Cleave) this issue has been discussed with George Schultz, Charles Walker, Jack Kemp, John Mueller, Art Laffer, Norman Ture, Dick Wirthlin, Ed Meese, Bill Casey, Dick Allen and Committee Staff members on the Hill.

During the last few months the overall economic situation in the U.S. has deteriorated markedly. The Carter Administration's economic policies have plunged us into a recession that is much worse than virtually anyone forecast. The result of the sharp rise in unemployment--as you have often noted during the campaign--has been a drop in government revenue and an increase in government spending. Consequently, the prospects are for much larger federal deficits in the near future.

When you made your initial statements on economic policy President Carter was projecting a relatively modest deficit for FY1980 and a balanced budget for FY 1981. The revised budget figures of July 1980 have shattered these hopes. Carter is now projecting a budget deficit of \$61 billion for FY1980, the second-largest in history (if you account for "off-budget" items it is the largest in history).

The most disturbing news, however, concerns the new budget projections for FY1981. Carter's balanced budget is gone--way gone. The latest estimates from the Congressional Budget Office (CBO) show a deficit of \$44 billion, and the consensus among a number of economists that we have consulted with is that this number will almost certainly go higher. In sum, the economy under Carter has dropped into a far worse recession than was predicted.

The recent sharp drop in the July Consumer Price Index to zero change is certain to be a temporary phenomenon. The drop was almost entirely due to an earlier decline in mortgage interest rates, and these rates have already begun to move back up.

shorter leash on spending is at least worth trying."

Last week's action of the Senate Finance Committee underscores this point. By a virtually unanimous vote the Committee, dominated by senior Democrats, voted to embrace tax legislation that is essentially what you have been urging all year--that it is directly opposed to the basic thrust of Carter's own economic policy. In fact, their action last week is probably the single most eloquent refutation of Carter's demagogic (and untrue) attack on your economic program in his acceptance speech, and a strong reaffirmation of the soundness of your basic position.

The rapid deterioration of the economy during the last few months and the continuing decline of our defense "margin of safety" simply reaffirms the urgent necessity of slowing the rise of the tax burdens now scheduled over the next five years and of rebuilding our military capabilities to overcome the neglect of recent years.

President Carter is saying that we cannot have a reduction in tax rates, a restoration of our military strength and a balanced budget. Pursuing his policies we cannot, as he has more than amply demonstrated during the last 3½ years.

On the other hand, there is no question that this economy can be turned around. But we must recognize that the policy failures of the Carter administration and the Democratic Congress have so undermined our economic system that policies that would have been easy to implement six months or a year ago are now becoming more difficult. It is almost five months between now and when you would take office if elected. The worse the economy becomes over the next five months, the more difficult it will be and the longer it will take, to repair the damage.

As you know, we have used the standard revenue and expenditure projections of the Congressional Budget Office from now out to FY1985 in order to test the feasibility of your policy initiatives, especially for tax changes and increases in defense spending. Given an economy that grows moderately with an inflation rate declining over time to 7.2% and an unemployment rate that drops to 6.2 percent, CBO estimates that the tax receipts of the federal government under existing law will grow to \$1,077 billion by FY1985, an increase of \$559 billion over the FY1980 level. On the spending side, assuming all entitlement programs and contractual commitments stay intact and normal adjustments (not mandated by law) are made for inflation, CBO estimates that federal spending will increase to \$902 billion by FY1985. Thus, under "current policy" assumptions, federal government receipts projected under CBO economic assumptions run \$175 billion higher than federal spending for fiscal year 1985. (see Table 1)

Referring to Table 1 we can see that federal tax receipts climb steadily and rapidly by about \$120 billion a year from now until 1985. Federal spending on the other hand increases by approximately \$65 billion a year. The result is that the current large deficits disappear within a couple of years and are replaced by potentially large surpluses.

The effect of 1/2 percent additional growth would add \$4 billion in FY1981 and increase on up to \$34 billion by year FY1985.

- (c) Increase in defense spending. Many of the changes in defense spending that you plan to initiate would not have significant budget effects for a year or two. Your defense and foreign policy advisers have not yet come up with a firm estimate of the total cost, but for working purposes we have used the estimates in line (c) which show relatively modest increases--over and above the increases already called for in the existing budget projection--for FY1981 and FY1982, and substantial increases for the next three years, culminating in FY1985 with a \$60 billion increase over "current policy" projections.
- (d) Elimination of the federal inheritance and gift tax. If you were successful in getting this legislation passed, we estimate that it would not be implemented until the beginning of FY1982 and would have a maximum revenue loss of approximately \$6 billion a year.
- (e) Accelerated depreciation for business investment. As you know, we have been reviewing, in conjunction with the tax policy advisory group, a number of specific plans for accelerating depreciation allowances. A typical plan now under consideration would result in the annual revenue losses shown on line (e) in Table 2.
- (f) Across-the-board reduction of personal income tax rates. This estimate assumes (a) that economic conditions warrant your moving ahead with a rapid phase-in of your goal of a 30 percent reduction in personal income tax rates and (b) that Congress approves the legislation in a timely manner. The full and rapid implementation of your tax rate reduction goal--10 percent in 1981, 10 percent more in 1982 and the last 10 percent in 1983--would produce, according to CBO estimates, the revenue effects shown on line (f) in Table 2. As you can see, the effect is relatively small in FY1981 and then increases rapidly, reaching an estimated \$172 billion by FY1985.

The estimated effects of your major policy proposals on the currently projected federal (deficit)/surplus over the next five years is shown at the bottom of Table 2. The revised estimates still show a substantial projected deficit for FY1981 and FY1982, which then begins to decline sharply, and finally moves into a small surplus for FY1985, balancing the budget.

The deficit as a percentage of total federal spending, which will be well over 10 percent under Carter in FY1980, drops steadily (see Table 2) from 8.3 percent in FY1981, to 7.1 percent in FY1982, 4.0 percent in FY1983, 2.9 percent in FY1984 and disappears in FY1985.

Modified Phase-In of Tax Rate Reductions

As you requested, we have also calculated the effects of a more gradual implementation of your tax rate reduction program. Table 3 is the same as Table 2 except for line (f) and everything below it. In Table 3 it was assumed that the first 10 percent personal income tax rate reduction went into effect in 1981, the second 10 percent in 1983, and the last 10 percent in 1985. The Joint Committee on Taxation's estimate of the revenue effects (using the same assumptions as the Congressional Budget Office) are shown in line (f).

The revenue effect is the same for the first year, \$18 billion. However, it is significantly less in the second year and in the years following--increasing to \$128 billion in FY1985 instead of \$172 billion.

If you were to follow this course, the budget would move into balance much sooner and, by FY1984 you would begin to generate substantial surpluses.

A Note on the Numbers

It cannot be emphasized too strongly that all these economic projections are uncertain and somewhat volatile. Carter's budget projections for FY1980 and FY1981--which are a lot closer than those for FY1985--were changed dramatically in the period of a few weeks earlier this year.

Just last week the Senate Budget Committee, with support of both Democrats and Republicans, revised their five-year projections of federal tax receipts and federal spending. They used the basic CBO computer model, but they modified the assumptions used in that model. Assuming they are right, their projected results show a deficit that is \$26 billion less for FY1981, and \$21 billion less for FY1982.

We have not used any of these very recent changes in revenue and spending projections in our own calculations, but you should be aware that they are constantly changing.

Conclusions

It is urgent that this country move forward towards three critical goals.

- (1) Prevent the scheduled rise in tax burden from choking off economic growth.
- (2) Restore our defense capability

1

(10/10/70)
First Draft (10/10/70) - 1
9-1-70
Time 5:00

Almost two months ago, in my speech accepting the nomination of my party as its presidential candidate, I spoke of the historically unique crisis facing the United States. At that time I said:

"Never before in our history have Americans been called upon to face three grave threats to our very existence, any one of which could destroy us. We face a disintegrating economy, a weakened defense and an energy policy based on the sharing of scarcity."

Since I first spoke those words, no action has been taken by the President to change the grave, unprecedented situation.

I emphasize the word "action." Jimmy Carter has shown that he is ready to adopt the rhetoric of action. But it is rhetoric only.

We have a "new" Jimmy Carter insofar as his words are concerned, a new Carter suddenly, after four years as Commander-in-Chief, concerned about our national security. Since he caused the national security crisis it is fitting that he should at long last come to realize it, however late.

But it is in the field of economics that he has been most recently vocal--and, as usual, ineffective.

Two weeks ago he gave us his latest in a series of ^{"NEW" ECONOMIC PROGRAM} fatally-flawed economic programs. This one is the fifth₁ in the last four years. It bears a striking resemblance to its predecessors: it is long on rhetoric and short on effective action.

There is a proposal for a \$²⁸~~25~~ billion tax cut. But upon examination ^{HALF OF THAT} ~~that~~ tax cut is an illusion by a master illusionist, made up of federal paper-shuffling, since it is a scheduled rebate on the new Carter social security tax, ^{INCREASE.}

There is a new depreciation schedule. But upon examination this isn't new at all--it is similar to those proposed by Republicans and by the Senate Finance Committee. And by itself it will not vitalize our economy.

The "new" refundable investment tax credit is obviously meant as a gesture to those industries undercut by Carter previous "new" plans.

There is a proposal for job-training to train people for jobs that don't exist and are not likely to exist under his economic policies. Given his policies the best training Jimmy Carter can offer American workers is advice on how to stand in unemployment lines--because that's where he's been putting them.

I mention all of this not because Jimmy Carter is serious about this program--he knows it doesn't have a chance of becoming

legislation and won't even send it to the Hill--but, rather, because it exemplifies the fundamental error in his handling of the economy.

Jimmy Carter has mastered some of the language of a free economy. He knows certain phrases that suggest to the casual listener that he is in favor of a free, growing economy.

But his actions show the real Jimmy Carter--no matter how many "new" Jimmy Carters we are offered.

system the world has ever known. I see a true revitalization of the American economy as a two stage process: first, we must stop the frightening erosion that now confronts our economy. Then we must turn our growth potential markedly higher. The second stage will be relatively easy if we make the first stage work. At the heart of the first stage of this strategy are three fundamental policies, each of which is vital, each of which is dependent on the other two for success, and all three of which working concert under effective leadership can take us from the Carter economics of despair and stagnation to an economics of hope and of growth based on what we know the American people are capable of:

1: We must prevent rises in the tax burden now crippling the economy and savaging family earnings. Carter's tax cut program still leaves the ratio of total Federal revenues rising from 20 1/2% of GNP in the current fiscal year, to 23-3/4% by fiscal year 1985. Under Carter's program, Uncle Sam will be taking --- % of additions to taxable incomes over the next five years. There is no way we can stop the economy's erosion with that level of taxation.

2: We must stop inflationary policies of the federal government. This means the necessary precondition of such action, a balanced budget.

3: We must restore our military capability in order to meet the challenges we face now and will face in the near future, during that five year period in the '80's called the Soviet window of opportunity.

Q I am asked can we do it all at once? My answer is we must. I am asked, is it easy? My answer is no. It is going to require perhaps the most dedicated and concerted action ever taken on the part of the American people for their government. Nothing worth doing is ever easy.

But we can do it, we must do it and we must do all three together: cut tax rates, balance the budget and build our defenses. That is the challenge. Mr. Carter says he can't meet that challenge. He says he can't do it. I believe him. He can't. I refuse to accept his defeatist, pessimistic, unrealistic, view of America. I know we can do these things and I know we must.

Let us then examine how we can meet this challenge beginning with "the Reagan Tax Rate Reduction" plan. This plan calls for an across the board 30% reduction in income tax rates, 10% in 1981; 10% in 1983; and 10% in 1985. Six months ago, I had been hopeful we could implement a 30% cut in tax rates in three years. But under the stewardship of this Administration, the budget has deteriorated to a point which has made that too risky. However, if the economy recovers faster than we expect, I will move to a more rapid phase-in of these cuts. In any event, it is essential to move as rapidly as we can to reduce the dangerous growth in the tax burdens.

Pre

High rates of taxation destroy incentives to earn, cripple productivity, lead to deficit financing and inflation, and create unemployment. We can go a long way toward restoring the economic health of this country by moving toward reasonable fair levels of taxation.

Jimmy Carter says it can't be done. In fact, he says it shouldn't be done. He favors the current crushing tax burden because it fits into his philosophy of government as the dominating force in American economic life.

But figures of the Congressional Budget Office show that by FY 1985, if current rates of taxation are in effect, with no additional Congressional programs, tax revenues should approach more than one trillion dollars.

~~According to these same figures--the figures used by Congress today estimated spending should be something close to 130 billion dollars for that. (Note: I am working here from memory because I don't have the green sheet in front of me. These figures have to be checked.)~~

Surely Jimmy Carter isn't telling us that the American people couldn't find better things to do with all that money than see it spent by the government.

Assuming a continuation of current policies, ^{IN GOVERNMENT SPENDING} and ~~growth~~ in governmental spending, the CBO projections show a substantial deficit of \$44 billion for FY 1981. This drops sharply to \$15 billion in FY 1982 and in FY 1983 turns into a substantial surplus of \$37 billion. In FY 1984 this surplus grows to \$96 billion and then way up to \$175 billion in FY 1985. These large and growing surpluses can be used in two basic ways: (1) the funding of additional government programs, and (2) the reduction of tax rates. ^{THE CHOICE IS UP TO THE AMERICAN PEOPLE. AT LEAST IT SHOULD BE.}

It should be noted here that all economic forecasts--including, most especially, those Mr. Carter has been

making for four years--do not have the degree of precision we would want. But the CBO figures do give us a reasonable look at what is feasible.

The most insidious tax increase is the one we must pay when inflation pushes us into higher tax brackets. While inflation is with us, taxes should be based on real incomes, not government inflated ones. Federal tax rate brackets, as well as the amount of exemptions, deductions, and credits, should be adjusted to compensate for inflation.

I mention this only to underscore the fact that the strategy for growth is based on something more than forecasts. It is based on what we already know the American people can do. Economic policies must be based on facts--as mine are--but those facts must be seen in a context of optimism. When I am told that my view of the future is optimistic, I answer: it should be. I will not stand for lower expectations. I know the American people have always been a people of great expectations and I would not ask them to elect me as President if I did not share this historic view.

But, as I said, tax cuts alone won't do the job. We also need control of government spending leading to a balanced budget. How can this be achieved?

There must and can be a reduction in the projected spending levels for FY 1981 by some 2 percent. This level of spending restraint, once achieved for the last half of FY 1981 would continue on through the succeeding years. Continued attempts to

control government spending would result in a further 2 percent reduction in FY 1982, an additional 1 percent in FY 1983, and 1/2 percent more in both FY 1984 and FY 1985. Even these relatively modest reductions in the rate of increase of federal spending produce substantial increases in available funds that can be used for either increased spending or for reducing tax rates to stimulate economic growth. Beginning with an additional \$13 billion in FY 1981, the number grows steadily to \$54 billion by FY 1985.

Allow me for a moment to expand on what I have just stated.

This strategy for growth does not require altering or taking back entitlements already granted to the American people. The integrity of the Social Security system will be defended by my administration and its benefits made once again meaningful because we will also be fighting inflation.

This strategy does require restraining the Congressional desire to "add-on" to every program and to create new programs funded by deficits.

This strategy does require that the way federal programs are administered will be changed, so that we can benefit from the savings that will come about when, in many instances, administrative authority is moved back to the states.

The federal programs that I believe should be carefully considered for transfer to the states (along with the federal tax resources to finance them) are those which are essentially local in

is, in this vital area, the voice that has for too long been absent from Washington--the voice of the people.

I will also establish a national citizen's task force, as I did in California, to rigorously examine every department and agency. There is nothing better for effective government than to have its operations closely scrutinized by citizens with savings on their minds.

I already have as part of my advisory staff a Spending Control Task Force, headed by my good friend and former Secretary of Health, Education, and Welfare, Casper Wienberger, that will report on additional ways and techniques to search out and eliminate waste, fraud and abuse in federal programs.

If I may digress for one moment: the subject of waste, fraud and abuse in government programs is one so important that I will not even try to discuss its full implications in these remarks because it deserves a special speech all of its own. I intend to make such a ~~speech soon. For the present just let me say that when~~

~~special speech all of its own.~~ I intend to make such a speech soon. For the present just let me say, when HEW alone reported over \$6 billion lost, strayed or stolen, surely there is more reason than ever to see to it that tax dollars are used more effectively. The Office of Management and Budget estimates that the annual waste in federal government programs could reach as high as \$50 billion and Jimmy Carter tells us we can't have a tax cut.

If we succeed in Stage I, Stage II is a natural extension, parts of which should be put into place before Stage I is fully effective. It is important that we recognize that presidential veto power, no matter how judiciously and courageously used, cannot hope to meet the challenge to our survival alone. We have developed over the years a built-in tendency to overspend our tax receipts. The Budget Act of 1974 which for the first time created a procedure for the Congress to limit total spending ^(Accordingly) has been only partially successful. More is needed. I will seek a constitutional amendment requiring that all money bills require a 60% majority of both houses of the Congress rather than the current 50%. I will also seek a presidential right to have an item veto, so that the President can reflect the people's will in a manner that is effective and responsible. I will immediately ask for a study to be made in order to find the most appropriate language for a necessary constitutional amendment for a balanced budget. Pending such an amendment's passage, I would expect and would seek appropriate statutory authority for a balanced budget from the Congress. These measures should once and for all put an end to irresponsible printing of money.

~~make such a speech~~ ^{own} special speech all of its own. I intend to make such a speech soon. For the present just let me say, when HEW alone reported over \$6 billion lost, strayed or stolen, surely there is more reason than ever to see to it that tax dollars are used more effectively. The Office of Management and Budget estimates that the annual waste in federal government programs could reach as high as \$50 billion and Jimmy Carter tells us we can't have a tax cut.

If we succeed in Stage I, Stage II is a natural extension, parts of which should be put into place before Stage I is fully effective. It is important that we recognize that presidential veto power, no matter how judiciously and courageously used, cannot hope to meet the challenge to our survival alone. We have developed over the years a built-in tendency to overspend our tax receipts. The Budget Act of 1974 which for the first time created a procedure for the Congress to limit total spending ^(Accordingly) has been only partially successful. More is needed. I will seek a constitutional amendment requiring that all money bills require a 60% majority of both houses of the Congress rather than the current 50%. I will also seek a presidential right to have an item veto, so that the President can reflect the people's will in a manner that is effective and responsible. I will immediately ask for a study to be made in order to find the most appropriate language for a necessary constitutional amendment for a balanced budget. Pending such an amendment's passage, I would expect and would seek appropriate statutory authority for a balanced budget from the Congress. These measures should once and for all put an end to irresponsible printing of money.

Moreover, even the extended tax cuts which I am recommending still create a rise in the tax burden and hence additional tax cuts scheduled and in place for the second half of the decade are needed. I will outline these additional tax and other measures at a later time. They will address the issue of enterprise zones for our cities which I raised first in my address to the National Urban League, the need for tax code simplification, broad reduction in the regulatory burden and a number of other items of our national economic agenda.

Thus, I envision a strategy encompassing many elements; each of which cannot do the job alone, but all of which working together can get it done. Such a strategy

~~a strategy~~ depends for its success on the will of the people to regain control of their government.

And, most importantly, it depends on the capacity of the American people for work, their willingness to do the job, their energy and their imagination. For this strategy of growth includes the growth that will come from the cooperation of business and labor that will result from the knowledge that government policy is

He has overseen a rise in government regulation that during his first three years has seen a 35.8 percent increase in the number of pages devoted to regulation of the federal government.

¶ He talks about an Economic Revitalization Board and suggests that "a new partnership between government and industry and labor" can meet our needs. But when you become partners with the government, it is the government who becomes the senior partner. His words suggest that he would like our nation to follow the example offered by the relationship between government and industry in Japan. ¶ Whatever else may be said about that model, and I for one do not believe it would or could work in the United States, the fact is that Jimmy Carter is not only wrong economically, he is wrong geographically. His views, if followed, would lead us not to the Japanese experience but to the British disaster, an endless series of bailouts, shoring up with tax dollars those big enterprises that have failed and in general stifling real growth by regulation and the inevitable inflation that would accompany this bailout philosophy. It is a philosophy rejected by the current British Government and -- in its last months -- by the previous government as well. ¶ Despite all of the good intentions not to allow an economic revitalization program to become a vehicle to bail out failing businesses, it is just not possible to be otherwise. The new vital-growing businesses do not need government help -- it is only the failing ones -- threatening large job losses -- which will show up at the door of the White House for help. But experience both here and abroad amply demonstrates that the jobs that are "saved" are temporary, and the damage to the economy overall, leads to far greater job loss -- or more exactly, failure to create jobs for a growing labor force.

Japan "works" because the government is not anti-business. We would have the same vitality if government withdrew from its harassment of business. We don't need a new partnership, we need only to have Uncle Sam become a more passive participant in its role in the economy. ¶ When I hear Jimmy Carter use the rhetoric of free enterprise, I am reminded of the story told about Mark Twain. It seems Mark had a habit of using foul language. To shock him out of it his wife came up to him one day and repeated every bit of the salty language she had ever heard him say. Mark listened patiently and when she was finished he said, "My dear, you have the words, but you don't have the tune."

The same can be said about Jimmy Carter and his seemingly limitless capacity for new programs. He knows all the words, but he lacks something vital. Jimmy Carter's tragedy as a leader is that he has never known where he wants to go. And because we have had to endure this nonleadership for four years, it is our tragedy as well.

Today I want to speak to you of a different concept of leadership, one based on faith of the American people, confidence in the American economy, and a firm commitment to see to it that the federal government is once more responsive to the needs of the people. That view is rooted in a strategy for growth, a program that sees the American economic system as it is, a huge, complex dynamic system which demands not piecemeal federal packages of solutions, or pious promises wrapped in soothing words, but the hard work and the concerted programs necessary for real growth. ¶ We must first recognize that the problem with the U.S. economy is too much government, too much regulation, too much taxation, too much printing press money. We don't need anymore four or five point programs or government actions to "fix" the economy. It is the overdose of such initiatives which has been gradually sapping the vitality of the most productive economic

directed toward jobs, toward opportunity, toward growth. That is why I fully expect revenues to the government to increase, not decrease under such programs as I have outlined. We are not talking here about some static, lifeless model of econometrics--we are talking about the greatest productive economy in human history, one historically revitalized not by government but by people freed of government interference, needless regulations, crippling inflation, high taxes and unemployment.

Does Jimmy Carter really believe that the American people are not capable of rebuilding our economy? If he does, that is even one more reason--aside from his record--that he should not be President.

When such a strategy is put into practice, our national defense needs will be capable of being met because the productive capacity of the American people, free of government restraint, and the ability of the new administration to make government less wasteful and more efficient, will provide the revenues needed to do what must be done in defense.

All of this demands a vision. It demands looking at government and looking at the economy as they exist, not as words on paper, but as institutions guided by our will and knowledge, capable of growth, capable of restraint, capable of effective action.

When President Carter first took office he had sufficient budget flexibility to achieve these goals without too much

difficulty. He not only threw away the security of restoring economic vitality and international security by a series of failed policies, but has now made the achievement of these critical objectives far more difficult.

Nevertheless this nation cannot afford to back away from any of these goals. We cannot allow tax burdens to rise inordinately, inflation to take hold, or allow our defenses to deteriorate--without severe consequences.

This task is going to be difficult and our goals are optimistic--as they should be. It's going to take time as well as work--but it will be time worth the effort.

presidential candidate I spoke of the historically unique crisis facing the United States. At that time, I said: Never before in our history have Americans been called upon to face three grave threats to our very existence, any one of which could destroy us. We face a disintegrating economy, a weakened defense and an energy policy based on the sharing of scarcity."

Since I first spoke those words, no action has been taken by the President to change the grave, unprecedented situation.

I emphasize the word "action." Jimmy Carter has shown that he is ready to adopt the rhetoric of action. But it is rhetoric only.

We have a new Jimmy Carter. In 1976, after four years as Commander-in-Chief, concerned about our national security. Since he caused us a national security crisis, it is fitting should at long last come to realize it, however late.

But it is in the field of economics that he has been most recently and, as usual, ineffective. Two weeks ago, he gave us his latest of fatally flawed economic programs. This one is the fifth "new" the last four years. It bears a striking resemblance to its predecessor: It is long on rhetoric and short on effective action.

There is a proposal for a \$28 billion tax cut, but upon examination the tax cut is an illusion by a master illusionist made up of federal since it is a scheduled rebate on the new Carter social security. There is a new depreciation schedule. But upon examination this is all. It is similar to those proposals by Republicans and by the Senate Committee. And by itself, it will not revitalize our economy.

The now refundable investment tax credit is obviously meant to protect those industries undercut by Carter's previous new plans.

There is a proposal for job training to train people for jobs and are not likely to exist under his economic policies. Of the best training Jimmy Carter can offer American workers is to stand on unemployment lines, because that's where he has been.

I mention all of this not because Jimmy Carter is serious about it, he knows it doesn't have a chance at becoming legislation and he won't push it to the Hill. But rather because it exemplifies the fundamental handling of the economy.

Jimmy Carter has mastered some of the language of a free economy. He uses certain phrases that suggest to the casual listener that he is for a free growing economy, but his actions show the real Jimmy Carter. Many new Jimmy Carter's we are offered. He has created a system, to give but one example, with an enormous potential to simply doesn't understand the free enterprise system. He has increased government regulation that during his first three years has increased the number of pages of Federal Registrar devoted to

used, cannot hope to meet the challenge to our survival alone. What is needed--and what I will seek--is a constitutional amendment requiring that all "money bills" in the Congress require a sixty percent majority, rather than the current fifty percent.

I will also seek a presidential right to have a "line-item" veto so that the President can reflect the people's will in a manner that is effective and responsible.

I will immediately ask for a study to be made in order to find the most appropriate language necessary for a constitutional amendment for a balanced budget. Pending such an amendment's passage I would expect and would seek appropriate statutory authority for a balanced budget from Congress.

(AT THIS POINT OTHER ASPECTS OF THE "GOVERNMENT" APPROACH MIGHT BE ADDED.)

As you can see, I envision not the quick-fix, piece-meal, reaction to evnest that has been the mark of Carter economics but a strategy encompassing many elements, each of which cannot do the job alone, but all of which working together can get it done. Such

HEW alone reported over six billion dollars lost, strayed or stolen, surely there is more reason than ever to see to it that tax dollars are used more effectively. The Office of Management and Budget estimates that the annual waste in federal government programs could reach as high as \$50 billion. And Jimmy Carter tells us we can't have a tax cut!

At this stage in our national crisis, it is important that we recognize that presidential veto power, no matter how judiciously

series of bail-outs, shoring up with tax dollars those big enterprises that have failed, and, in general, stifling growth, real growth, by regulation and the inevitable inflation that would accompany this "bail-out" philosophy.

When I hear Jimmy Carter use the rhetoric of free enterprise, I am reminded of the story told about Mark Twain. It seems Mark had a habit of using foul language. To shock him out of it, his wife came up to him one day and repeated every bit of the salty language she had ever heard him say. Mark listened patiently and when she was finished said, "My dear, you have the words but you don't have the tune."

The same can be said about Jimmy Carter and his seemingly limitless capacity for "new" programs. He knows all the words--but he lacks something vital. Jimmy Carter's tragedy as a leader is that he has never known where he wants to go. And because we have had to endure this non-leadership for four years, it is our tragedy as well.

Today I want to speak to you of a different concept of leadership, one based on faith in the American people, confidence in the American economy and a firm commitment to see to it that the federal government is once more responsive to the needs of the people.

That view is rooted in a strategy for growth, a program that sees the American economic system as it is, a huge, complex, dynamic system which demands not piece-meal federal packages or

pious hopes wrapped in soothing words, but the hard work and the concerted programs necessary for real growth.

At the heart of this strategy for growth are three fundamental policies, each of which is vital, each of which is dependent on the other two and all three of which, working in concert under effective leadership, can take us from the Carter economics of despair and stagnation to an economics of hope and growth, based on what we know the American people are capable of.

-- We must prevent rises in the tax burden now crippling the economy and savaging family earnings.

-- We must stop inflationary policies of the federal government. This means the necessary pre-condition of such action, a balanced budget.

-- We must restore our military capability in order to meet the challenges we face now and will face in the near future, during that five-year period in the 80's called the Soviet window of opportunity.

I am asked: Can we do it all at once?

My answer is: We must.

I am asked: Is it easy?

My answer: No. It's going to take perhaps the most dedicated and concerted action ever made on the part of the American people and their government. Nothing worth doing is every easy.

He talks about an "Economic Revitalization Board" and suggests that a "new partnership between government and industry and labor" can meet our needs. But when you become partners with the government, it is the government who becomes the senior partner.

His words suggest that he would like our nation to follow the example offered by the relationship between government and industry in Japan. Whatever else may be said about that model--and I for one do not believe it would or could work in the United States--the fact is that Jimmy Carter is not only wrong economically, he is wrong geographically. His views, if followed would lead us not to the Japanese experience but to the British disaster, an endless

6

But we can do it. We must do it. And we must do all three together--cut tax rates, balance the budget, and build our defenses.

That's the challenge.

Mr. Carter says he can't meet that challenge. He says he can't do it. I believe him. He can't.

I refuse to accept his defeatist, pessimistic, unrealistic view of America. I know we can do these things.

And I know we must.

Let us then examine how we can meet this challenge, beginning with what is now being called "The Reagan Tax-Rate Reduction" plan.

This plan calls for across-the-board 30 percent reduction in income tax rates, 10 percent in FY 1981; 10 percent in FY 1983; and 10 percent in FY 1985. If the economy warrants such action, I will move to a more rapid phase-in of these cuts. I am confident that this can be done. I am certain that this tax rate reduction must be done.

JIM FULLER
REVITALIZATION SPEECH:

① DEVELOPMENT OF STATEMENT:

NO CABINET IN-PUT

OUTSIDE OF TREASURY:

RESULT: A HIDGE-PIDGE
MAKE-SHIFT AD-HOC

② CARTER (PARAPHRASE)

"Good Political Policy

is not always good

Check
quote. Economic Policy" (or vice-versa)

③ GOVT. SUBSIDIZATION OF
LOSING ENTERPRISES...

BAIL-OUT A PEANUT

Reagan & Bush

Reagan Bush Committee

901 South Highland Street, Arlington, Virginia 22204 (703) 685-3400

FOR IMMEDIATE RELEASE

AUGUST 28, 1980

CONTACT: Lyn Nofziger
703/685-3630

STATEMENT BY GOVERNOR RONALD REAGAN

AUGUST 28, 1980

Mr. Carter's "new" economic program -- his fifth so-called "new" economic program in 3½ years -- is, unfortunately, cut from the same cloth as his earlier proposals -- people out of work, people out of money, and people out of hope. And it will produce the same results.

The largest element in Carter's package is a \$25 billion tax cut, yet \$15 billion of that is merely more federal paper shuffling. It's a scheduled rebate on the new social security tax increase which, with President Carter's approval, will go into effect January 1st. A typical family will have to pay an additional 78 dollars into the U.S. treasury by way of higher social security taxes and then, according to Mr. Carter's proposal, get it back through tax credits. That just doesn't make sense. That just is not a tax cut.

Mr. Carter is now talking about long-term revitalization of the economy. But the only thing long-term is the damage it will leave in its wake.

A key feature of his "new" economic program is a new depreciation schedule -- similar to those proposed by Republicans and the Senate Finance Committee -- which, by itself, will not revitalize our economy.

Carter's refundable investment tax credit scheme is obviously meant to throw a sop to some of those industries which have been badly undercut by economic fallout of Carter's previous "new" economic programs.

In a return to the failed policies of the Great Society, Carter is also asking for job-training moneys to train people for jobs that don't exist, and are likely not to exist under his economic policies.

Carter's program goes through the ritual of promising a better America. But the truth is this is only a short-term political quick-fix.

I suspect Mr. Carter knows this, and that may be the reason he isn't even bothering to send it to Congress as serious legislation. The truth is his program has nothing to do with the economy -- it has everything to do with the election. You can bet Carter wouldn't have bothered with his half-hearted approach if this were not a year divisible by four.

To his credit, Mr. Carter apparently does recognize that the economy is a mess of his own making and requires some sort of action.

But what we need is not more government "fine tuning" of the economy or more government bureaucratic interference in the lives of Americans, but less. We need to remove the heavy hand of Jimmy Carter's government that has so undercut our economic vitality. We need to cut the tax burden that hobbles economic initiative. We need less regulation and more freedom.

If that was what Carter were proposing as his fifth so-called "new" economic program, I would applaud him, and wish him well. Unfortunately, he has run out of ideas, and I do not believe the American people will stand still for a 6th "economic program" next year, after his first five have failed.

Generally, the American people give you three strikes before you are out. In Mr. Carter's case we have been very tolerant and have given him four. But five strikes are too many, and we are going to call him out in November.

First Draft (WG)
9-1-80
Time: 5:00

Almost two months ago, in my speech accepting the nomination of my party as its presidential candidate, I spoke of the historically unique crisis facing the United States. At that time I said:

Never before in our history have Americans been called upon to face three grave threats to our very existence, any one of which could destroy us. We face a disintegrating economy, a weakened defense and an energy policy based on the sharing of scarcity.

Since I first spoke those words, no action has been taken by the President to change the grave, unprecedented situation

I emphasize the word "action". Jimmy Carter has shown that he is ready to adopt the rhetoric of action. But it is rhetoric ~~only~~ only.

We have a "new" ^{JIMMY} Carter insofar as his words are concerned, ^{new} a Carter ^{suddenly, after four years as Commander in Chief, concerned} ~~concerned~~ about our national security, ~~and~~ ^{Since} he caused the national security crisis it is fitting that he ^{SHOULD} ~~should~~ at long last come to realize it, ^{HOWEVER LATE.}

But it is in the field of economics that he has been most recently, ^{as usual,} ~~least~~ ^{least} effective.

Recently

Two weeks ago he gave us his latest in ^{a series,} ~~series~~ of ~~failed~~ fatally-flawed economic programs. This one ^{is} ~~is~~ the fifth in the ~~last~~ four years. It bears a striking resemblance to its predecessors: it is long on rhetoric, ^{and} ~~and~~ short on ^{effective} ~~active~~ action.

and

There is a proposal for a \$25 billion tax cut. But upon examination that tax cut is ^{an} ~~expensive~~ ^{BY A MASTER ILLUSIONIST,} illusion, made up of federal ^{PAPER-} ~~paper~~-shuffling, since ^{IT IS,} ~~it is~~ a scheduled rebate on the new ~~social-security tax increase Jimmy Carter has asked for and received~~ ^{CARTER} ~~for a Congress dominated by those who share his views.~~

There is a new depreciation schedule. But upon ^{ISN'T} ~~exam~~ examination this ^{PROMISED} ~~isn't~~ new at all--it is similar to those ~~promised~~ by Republicans and by the Senate Finance Committee. And by itself it will not ~~vitalize~~ our economy.

The ^{"NEW"} ~~refundable investment~~ tax credit is obviously ^{MEANT AS A} ~~meant to~~ ^{MEANT AS A} ~~gesture~~ a gesture to those industries undercut by Carter previous "new" plans.

There is ^{A PROPOSAL} ~~proposal~~ for job-training to train people for jobs that don't exist and are not likely to exist under his economic policies. Given ^{HIS} ~~these~~ policies the ~~best~~ ^{best} training Jimmy Carter can offer American workers is advice on ^{HOW} ~~how~~ to stand in unemployment lines.

I mention all of this not because Jimmy Carter is serious ~~about~~ ^{about} this program--he knows it doesn't have ^a ~~a~~ chance of becoming legislation and won't even send it to the Hill--but, rather, because it exemplifies the fundamental error in his handling of the ^{economy} ~~economy~~.

Because that's
where he's
been
putting
them

2A.

Jimmy ~~Carter~~ ^{SOME OF THE} has mastered ~~the language~~ ^{LANGUAGE} of a free economy. He knows certain phrases ~~that sound~~ ^{CASUAL} that suggest to the casual listener that he is inferior of a free, growing economy.

But his ~~actions~~ ^{SHOW} show the real Jimmy Carter--no matter how many "New" Jimmy Carters we have. ^{on offer.}

He has created a synthetetic fuel program ^{ENORMOUS} with an enormous potential for waste ~~and extravagance~~ because he simply ~~doesn't~~ ^{doesn't} want the free enterprise system to do what must be done to solve our energy ~~problems~~ ^{understand the free enterprise system.}

He has overseen a rise in government regulation ~~that~~ that during his first three ~~years~~ ^{years} there has been a 35.8% in ~~increase~~ ^{increase} in the number of pages devoted to regulation ~~in the federal~~ of the federal government.

He talks about an "Economic Revitalization Board" and suggests that a "new partnership between government and industry and labor can meet our needs. But when you become partners with the government, it is the government who becomes the ^{SENIOR} ~~senior~~ partner.

His words suggest that he would like our nation to follow the ^{EXAMPLE} ~~example~~ offered by the relationship between government and industry in Japan. Whatever else may be said about that model--and I for one do not believe it would or could work in the United States--the fact is that Jimmy Carter is not only wrong economically, he is wrong geographically. His views, if followed would lead us not to the Japanese experience but to the British ^{DISASTER} ~~experience~~, an ^{ENDLESS} ~~endless~~ series of bail-outs, ~~showing up~~ with tax dollars those ^{FORMER BIG ENTERPRISES THAT} ~~big business~~ that have failed, and, in general, stifling growth, real growth, by ~~the government~~ ^{inflation} government regulation and the inevitable ^{inflation} ~~inflation~~ that would accompany this "bail-out" ~~tax~~ ^{tax} philosophy.

3.

It when I hear Jimmy Carter use the rhetoric of free enterprise,

I am reminded of the story told ~~about~~ ^{ABOUT} Mark Twain. It seems Mark had a habit of using foul language. To shock him out of it, his wife came up to him one day and repeated ~~every~~ ^{EVERY} bit of the salty language she had ~~heard~~ ^{EVER} him say. Mark listened ~~patiently~~ ^{PATIENTLY} and when she was finished said: "MY dear, you have the words but you don't have the tune."

The same can be said ~~about~~ ^{ABOUT} Jimmy Carter and his seemingly ~~he~~ knows all the words--but he lacks something vital, ~~never~~ limitless capacity for "new" programs. Jimmy Carter's ~~tragedy~~ ^{as a leader} is that he has never known ~~where~~ ^{where} he wants to go. And because we have had ~~the knowledge~~ ^{non-leadership} to endure this, for four years, it is our tragedy as well.

Today I want to speak to you of a different concept of leadership, one based on faith in the American people, confidence in the American economy and a ~~firm~~ ^{firm} commitment to see ~~it~~ ^{TO} it that the federal government is ~~made~~ ^{once more} responsive to the needs of ~~acknowledging~~ the people.

That ~~ex~~ view is rooted in a ~~strategy~~ ^{STRATEGY} for growth, a program that sees the American economic system as it is, a ~~huge~~ ^{HUGE}, complex, dynamic system which ~~needs to be~~ demands for ~~a President~~ not piece-meal ~~Fixed~~ packages or pious hopes wrapped in soothing words, but the hard work and the concerted programs necessary for real growth.

4.

At the ~~head~~^{heart} of this strategy for growth are three fundamental policies, ~~each~~^{each} of which is vital, ~~each~~^{which} of which is dependent on the other two and all ^{three} of which, working in concert under effective leadership, can ~~and will~~ take us ~~from~~^{from} the ~~economics~~^{CARTER} of despair and stagnation ~~of the last few years~~^{to} ~~give us~~^{and growth} an economics of hope ~~based on what we~~^{based on what we} know the American people are capable of.

-- We must prevent rises in the tax burden now crippling the economy ~~and~~^{and} savaging family earnings. ~~and~~

-- We must stop ~~the inflationary~~^{inflationary} policies of the federal government. ~~and~~^{and} This means the necessary pre-condition of such action, a balanced budget.

-- We must restore our military capability in ~~order~~^{order} to meet the challenges we face now and will face in the near ~~future~~^{FUTURE}, during that five year period in the 80's called the Soviet ~~window~~^{WINDOW} of opportunity.

I am asked:

Can we do it all at once?

^{ANSWER} My answer is : we must.

I am asked : is it easy?

My answer: No. It's going to take perhaps the most dedicated and concerted action ~~on~~^{on} the part of the American people and their government. Nothing worth doing is ever easy.

But we can do it. We ~~must~~^{must} do it. And we must do all ~~three~~^{three} together--cut ~~taxes~~^{taxes}, tax rates, balance the budget and build our defenses.

That's the challenge.

Mr. Carter says ~~we~~^{he} can't meet that challenge. He says ~~we~~^{he} can't do it. ~~I believe Mr. Carter~~^{I believe Mr. Carter}.

~~For~~^{For} I refuse to ~~accept~~^{accept} his defeatist, pessimistic, ~~unrealistic~~^{UNREALISTIC} view of America. I know we can do these things.

And I know we must.

5.

Let us than exmaine how we can meet this challaenge.beginning
wiht what is now being called "The Reagan
~~Sullivan~~
Tax-Rate Reduction" plan.

This plan calls for across-the-board 30 per cent
reduction in income tax rates, 10% in ^{FY} 1981; 10% in FY 1983; and
10% in FY 1985. If the ecomony warrants such action, I will move to a
mor rapid ~~phase-in~~ ^{PHASE-IN} of these cuts. I am confident that this can be
~~done~~ ^{done}. I am certain that this tax rate reduction must be
done.

High rates of taxation ~~destroy~~ ^A incentives to earn, cripple
prod~~uctivity~~ ^{uctivity}, lead to deficit finanacing and inflation and create
unemp~~lyment~~ ^{lyment}. We can go a long way toward restoring the ecomnoic
helath of this country by moving toward reasonable fair levsl of taxation.
Jimmy Cater says it ~~should~~ ^{CANT} be done. ^{IN FACT, HE SAYS IT SHOULDN'T BE DONE.} He favors the current
~~crushing~~ ^{CRUSHING} tax burden because it ~~fits~~ ^{FITS INTO} his ~~philosophy~~ ^{PHILOSOPHY} of govern~~ment~~ ^{ment}
as the ~~dominating~~ ^{DIMINATING} force in American ~~economic~~ ^{ECONOMIC} life.

But figures of the Conressonal ~~Budget~~ ^{BUDGET} Office~~s~~ show that
by FY 1985, if currnet ~~states~~ ^{RATES} of taxaion are in effect ^{with no} ~~and~~ ² additiona~~l~~
Congressional ~~actio~~ ^{SHOULD} ~~programs~~, ~~the~~ tax revenues ~~would~~
~~approa~~ ^{APPROACH} more than one trillion dollras. ~~Therefore~~ ^{IT} According
to these same figures--the figues used by Congress today--estiamed
~~spending~~ ^{SPENDING} should be something close to 130 bl lions ~~dollars~~ ^{dollars} below ~~that~~.

(Note: Im working here ~~from~~ ^{from} memeory because I dont have the green sheet
in ~~front~~ ^{front} of me. These figures have to be ~~checked~~ ^{checked},).
~~SURELY~~ ^{SURELY} Jimmy ~~Cater~~ ^{Cater} ~~is~~ ^{isnt} telling ~~us~~ ^{us} that the American people ~~cannot~~ ^{CANNOT}
~~find~~ ^{find} betr things to do with all that money than see it spent ~~on~~ ^{by}
by governmnet.

Assuming a continuation of current policies and a normal growth in governmental spending, the CBO projections show a substantial deficit of \$44 billion for FY 1981. This drops sharply to \$15 billion in FY1982 and in FY1983 turns into a substantial surplus of \$37 billion. In FY1984 this surplus grows to \$96 billion and then way up to \$175 billion in FY1985. These large and growing surpluses can be used in two basic ways: (1) the funding of additional government programs, and (2) the reduction of tax rates.

It should be noted here that all economic forecasts--including, most especially those Mr. Cater has been making for four years--do not have the degree of precision we would want. But the CBO figures do give us a reasonable look at what is feasible.

~~INSERT~~
I mention this only to underscore the fact that the strategy for growth is based on something more than forecasts. It is based on what we already know the American people can do. Economic policies must be based on hard facts--~~not~~ as mine are--but those facts must ~~also~~ be seen in a context of optimism. When I am told that my view of the future is optimistic, I answer: it should be. I will not second for lower expectations. I know the American people have always been a people of great expectations and I would not ask them to elect me as President if I did not share this historic view.

But, as I said, tax cuts alone won't do the job. We also need control of government spending leading to a balanced budget. How can this be achieved?

5

There must and can be a reduction in,

the projected spending levels for FY1981 by some 2 percent. This level of spending restraint, once achieved for the last half of FY1981 would continue on through the succeeding years. ~~We have further assumed that your~~ Continued attempts to control government spending would result in a further 2 percent reduction in FY1982, an additional 1 percent in FY1983, and 1/2 percent more in both FY 1984 and FY1985. ~~As you can see, even~~ these relatively modest reductions in the rate of increase of federal spending produce substantial increases in available funds that can be used for either increased spending or for reducing tax rates to stimulate economic growth. Beginning with an additional \$13 billion in FY1981, the number grows steadily to \$54 billion by FY1985. ~~There is a mistaken view that entitlement program costs are uncontrollable. As you demonstrated in California this is not true. How programs are administered can significantly effect their cost.~~

8

Allow me for a moment to expand on what I have just stated.

This strategy for growth does not require altering or taking back entitlements already granted to the American people. The integrity of

The Social Security System will be defended by ~~my~~ ^{MY ADMINISTRATION} administration

and its ~~benefits~~ ^{BENEFITS} made once gain ~~meaningful~~ ^{meaningful} because we will also

be ~~fighting~~ ^{FIGHTING} inflation. ~~Now does this strategy require~~ ^{Now does this strategy require}

~~the~~ ^{STRATEGY} This strategy ~~does require~~ ^{REQUIRE} restraining Congressional

desire to "add-on" to every program and to create new programs

funded by deficits.

~~If this strategy does require~~ ^{If this strategy does require}

~~It does not~~ ^{It does not} that the way ~~entitlement~~ ^{federally} programs are ~~administered~~ ^{ADMINISTERED}

will be changed, so that we can ~~benefit from~~ ^{benefit from} the savings that

will come ~~about~~ ^{about} when, in many ~~instances~~ ^{instances}, administrative ~~authority~~ ^{AUTHORITY} is

moved ~~tax~~ back to the states.

The federal programs that I believe should be carefully considered for transfer to the states (along with the federal tax resources to finance them) are those which are essentially local in nature. The broad areas that include the most likely prospects for transfer are welfare, and education.

Programs that are national in nature, or that are handled by trust arrangements outside the general revenue structure should not be transferred. In addition to the obvious ones -- Social Security, national defense and space -- this group would include Medicare and other old-age assistance programs; the enforcement of federal law; veteran's affairs; certain aspects of agriculture; energy; transportation and the environment; the TVA and other multi-state public works projects; certain types of research; and possibly others.

Few would want to end the Federal government's role in setting national goals and standards. And no one would want to rule out a role

for Washington in those few areas where its influence has been essential: crash efforts such as the Manhattan and Apollo projects, and massive self-liquidation programs such as the Homestead Act and the land-grant colleges. And, certainly, the Federal government must have an active role in assuring this nation an adequate supply of energy.

The systematic, phased transfer of some federal programs and federal revenue sources could save the taxpayers money. As federal programs were transferred to the states, federal revenue sources, sufficient to finance the programs, would be transferred at the same time. The amount of federal resources transferred should be more than enough to fund the programs transferred, making possible a net tax reduction for individuals and families. There are two basic reasons why this can be expected:

The first is the elimination of the "freight charge". When the taxpayer's money is sent to Washington, counted, then doled back to the states with the regulatory strings of the Washington bureaucrats attached, some of it is lost in the process. We don't know precisely what this "freight charge" is for any particular program, but regardless of whether it is five cents on the dollar, 10 cents, 25 cents or 50 cents, it is clear that the taxpayers will pay the bill.

The second is the increase in efficiency that would occur when administrative responsibility passes from federal hands to state and local hands. My experience in California, and that of others elsewhere demonstrates how arbitrary and everchanging federal regulations can inhibit even the most strenuous efforts to achieve economy and effectiveness in state government. Freed of the dead hand of federal regulation, state and local budgets offer the potential for considerable economies. Again, we don't know what the precise savings will be, whether they will be five percent or 50 percent, but we do know that there would be savings.

8.?

Crucial to this ~~strategy~~ ^{STRATEGY} will be the appointment ^{to top government positions,} of men and women ~~taxpayers~~ ^{who share the same economic} philosophy that is at the heart of my policies. We will have an administration in which the word ~~from~~ ^{FROM} the top isn't lost as it gets to the various ~~departments~~ ^{DEPARTMENTS}. That voice will be heard because it is, in this vital area, the voice that has for too long been absent ~~from~~ ^{from} Washinton--the voice of the people.

I will also establish a national citizens' task force, ~~much~~ ^{as} I did in California, to rigorously examine every department and agency. There is nothing ~~better~~ ^{better} for effective government than to have its operations closely scrutinized by citizens with ~~no~~ ^{no} savings on their minds.

I already have as part of my advisory staff a Spending Control Task Force, headed by my good friend and former Secretary of HEW, Casper Wienberger that will report on additional ways and techniques to search out and eliminate waste, fraud and abuse in federal programs.

If I may digress for one moment: the subject of waste, fraud and ~~abuse~~ ^{ABUSE} in government programs is one so important that I will not even try to ~~talk about~~ ^{discuss its full implication} it in these remarks because it deserves a special ~~speech~~ ^{SPEECH all} of its own. I intend to make such a speech soon. For the present just let me say that when HEW alone reported over 6 billion dollars ~~lost, strayed or stolen~~ ^{LOST, STRAYED OR STOLEN} ~~in such manner~~ ^{survey} there is more reason than ever to ~~make~~ ^{see} to it that tax dollars are used more effectively. The Office of Management and Budget estimates that the annual waste in federal government programs could reach as high as \$50 billion. ~~This is a very serious problem~~ ^{And Jimmy Carter} tells us we can't have a tax cut!

At this stage in our nationla crisis, it is imprtnat that we recognize that presidential veto power, no matter how judicioulsy used, cannot hope to meet the challenge to our survival alone. What is needed--and what I will seek--is a consitutional ~~amendment~~ ^{amendment} requiring that all "money bills" in the Congress require a sixty ~~per~~ ^{PER} cent majority , raher than the ~~current~~ ^{Current} fifty per cent.

I will immediatley ask for study to be made in order to find the most ~~appropriate~~ ^{APPROPRIATE} ~~and~~ ^{NECESSARY} language ~~necessary~~ ^{amendment} for a consitutional ~~amndmt~~ for a ~~balnaced~~ ^{balanced} budget. Pending such an ~~amendments~~ ^{amendment's} passage I would expect and would seek appropriate statuatory authority for a balnaced budget ~~from~~ ^{from} Congress.

(AT THIS POINT OTHER ASPECTS OF THE "GOVERNMENT "APPROACH
MIGHT BE ADDED.)

And, most importantly, it depends on the capacity of the American people for work, their willingness to do the job, their energy and their imagination. For this strategy of growth includes the growth that will come ~~from~~ from the cooperation of business and labor that ~~is~~ will result from the knowledge that government policy is directed toward jobs, toward opportunity, toward growth. That is why I fully expect revenues to the government to increase, not decrease under such programs as I have outlined. We are not talking here about some static, lifeless model of econometrics--we are talking about the greatest productive economy in human history, one historically revitalized not

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by government but by people freed of government interference, needless regulations, crippling inflation, high taxes and unemployment.

Does Jimmy Carter really believe that the American people are not capable of rebuilding our economy? If he does, that is even one more reason--aside from his record--that he should not be President.

When such a ~~strategy~~ strategy is put into practice, our national defense needs will be capable of being met because the productive capacity of the American people, free of government ~~restraint~~ ^{RESTRAINT}, and the ~~ability~~ ability of the new administration to make government less wasteful and more efficient, will provide the revenues needed to do what must be done in defense.

~~Excessive government~~

All of this demands a vision. It demands looking at government and looking ^{at the} ~~at the~~ economy as they exist, not as words on paper, but as ^{INSTITUTIONS GUIDED BY OUR WILL AND KNOWLEDGE} ~~living entities~~, capable of growth, capable of restraint, capable of effective action.

~~That is the key to this strategy of growth~~

(u)

(3) ~~first reduce, then eliminate, budget deficits.~~

When President Carter first took office he had sufficient budget flexibility to achieve all ~~three~~ ^{these} goals without too much difficulty. He not only threw away the chance of restoring economic vitality and international security by a series of failed policies, but has now made the achievement of these critical objectives far more difficult.

Nevertheless this nation cannot afford to back away from any of these goals. We cannot allow tax burdens to rise inordinately, inflation to take hold, or allow our defenses to deteriorate--without severe consequences.

This task is going to be difficult and ^{our} ~~your~~ goals are optimistic--as they should be. While ~~you~~ ^{we} may not achieve all three goals fully during your first term, ~~if you~~ ^{if we} don't set them as your objectives, your Administration will surely fall short of your standards.

*It's going to take time as well as work - but
it will be time worth the effort.*

Of course, not all of the programs included in these broad categories would be transferred; we might find, after careful study, that some should remain at the federal level. But, I am confident that we will find that most of them would be more appropriately located at the state and local levels, that they would be more responsive to our needs at those levels, and that they would be run far more efficiently. While it is likely the more worthwhile programs would be retained essentially as they are, and others modified, some -- of dubious value to a particular state or locality -- could and probably would be dropped.