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#8

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.

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 fatally-flawed economic programs. This one is the fifth 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 \$25 billion tax cut. But upon examination 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.

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.

He has created a synthetic fuel program with an enormous potential for waste because he simply doesn't understand the free enterprise system.

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 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.

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.

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 below 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 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 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.

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

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 5 percent or 50 percent, but we do know that there would be savings.

Crucial to this strategy will be the appointment to top government positions of men and women who share the same economic philosophy that is at the heart of my policies. We will have an administration in which the word from the top isn't lost as it gets to the various departments. That voice will be heard because it

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 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

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 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

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.

--DRAFT-- -1-

*Comments from
Vicki Cleave
9/5/80 - 6 pm*A Strategy for Growth:The American Economy in the 1980s

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.

It is in the field of economics that he has promised the most and delivered the least. This is part of a pattern going back to 1976.

In an interview with Fortune magazine in May 1976, he said: "I don't see any reason why the permanent level of inflation can't be as low as 2 or 3 percent."

Today we all know the reason the inflation rate isn't at 2%: Jimmy Carter.

9/4/80

In his latest version of the oldest established permanent floating crap game in government -- the Carter economy -- he tells us that if we give him four more years he just might be able to bring inflation down to 6%.

Only under Carter economics is it considered a triumph to aim for an inflation rate at the end of 8 years that is higher than it was at the beginning of those 8 years.

In an interview with Business Week Magazine, May 3, 1976, he said, "We can have a balanced budget if I'm President. There is no way not to estimate benefits to be derived from top competent management of government."

After four years of Carter economics, there still is no way we can estimate benefits from competent management because we haven't seen any.

At the end of that same interview he was asked: "How do you categorize your brand of economics...?"

His answer is one I cherish. He said:

"How would you describe me? I don't know."

We know now, don't we?

Two years ago he gave us his latest in a series of fatally flawed economic programs. This one is the fifth "New" Economic Program in the last 3½ years. It bears a striking resemblance to its predecessors: it is long on rhetoric and short on effective action.

--DRAFT--

There is a proposal for a \$28 billion tax cut. But upon examination, half of 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, it isn't so new at all -- it is similar to those recently proposed by Republicans and by the Senate Finance Committee.

The "new" refundable investment tax credit is obviously meant as a gesture to those industries undercut by Carter's 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 line: -- because that's where he's been putting them.

If he is serious about this program, why doesn't he send it up to Congress now? Why wait until next year? Because these are not economic programs, but political programs. He knows this program doesn't have a chance of becoming legislation and won't even send it to the Hill.

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.

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 is going to establish 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, 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 business, it is just not possible to be otherwise. The new vital-growing businesses do not need government help -- it is only the failing ones,

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, to 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 stopped its harrassment of business. We don't need a new partnership, we need only to have an Uncle Sam who will help, not hinder, the American 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 every 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 will have endured 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 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 piecemeal federal packages of solutions, or pious hopes wrapped in soothing words, but the hard work and concerted programs necessary for real growth.

We must first recognize that the problem with the U.S. economy is too much inefficient government, too much needless regulation, too much taxation, too much printing press money. We don't need any more eight or ten point programs of 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 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 increase our economic growth markedly.

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 ^{linked to} ~~dependent on~~ the other two for success 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 of growth based on what we know the American people are capable of:

1. First, we must stop inflationary policies of the federal government. This means the necessary precondition of such action, a balanced budget.

2. Second, 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 20½% of GNP in the current fiscal year, to 23-3/4% by fiscal year 1985. Under Carter's program, Uncle Sam will be taking 30% of additions to taxable incomes over the next 5 years. There is no way we can stop the economy's erosion with that level of taxation.

3. Third, we must ^{rebuild} ~~restore~~ our ^{defense} ~~military~~ capability ^{restore the margin of safety which} 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.~~

will provide us with
the best prospect for
the 1980's.
Preserving peace in

I am asked, can we do it all at once? My answer is: we must.

I am asked, can we do it immediately? My answer is: No, it took Mr. Carter 4 years of hard work to get us into the economic mess we are in. It will take ^{time}~~years~~ to get us out.

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.

But we can do it we must do it, and we ^{will}~~must~~ do all three together: balance the budget, cut tax rates, 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.

A fundamental priority of the strategy for growth is 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 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 \$63 billion by FY 1985.

And I think we can do even better. My goal is to ultimately reduce spending by 10%.

Crucial to my strategy of spending control will be the appointment to top government positions of men and women who share the same economic philosophy that is at the heart of my policies. We will have an administration in which the word from the top isn't lost as it gets to the various departments. That voice will be heard because it 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 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 Director of the Office of Management and Budget, Casper Weinberger, that will report on additional ways and techniques to search out and eliminate waste, extravagance, 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 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~~ ^{Fraud} in federal government programs could reach as high as \$25 billion and ~~Jimmy~~ ^{Mr.} Carter tells us we can't have a tax cut.

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 nature--welfare and education.

This brings me to my tax rate reduction plan.

This plan calls for an across-the-board 30% reduction in personal income tax rates -- 10% in 1981; 10% in 1982; and 10% in 1983. My goal is to implement these reductions in a systematic, planned manner -- 10% a year each year for three years. It is essential to move as rapidly as we can to reduce the dangerous growth in our tax burden.

High rates of taxation destroy incentives to earn, to save, to invest; 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 establishing 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 official projections 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.

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, the CBO projections show a substantial surplus of \$175 billion in FY 1985. These large and growing surpluses can be used in two basic ways: (1) ~~the funding of additional~~ ^{increased} government ~~programs~~ ^{spending}, or (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 indexed to compensate for inflation.

The federal inheritance and estate tax often forces the breakup of family estates when someone dies. I have long felt that this is an unfair tax. Today it accounts for less than one percent of federal tax receipts. The federal tax collector should not profit by death, and I will seek the elimination of the entire federal inheritance and estate tax. This will strengthen the incentive of our citizens to work and save to build an estate to pass on to their loved ones.

This 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 realistic optimism. When I am told that my view of the future is optimistic, I answer: it should be. We do not have to lower our 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.

If we succeed in the first stage of my strategy for growth, the second stage 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 economic 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, has been only partially successful. More is needed.

I will 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 also 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 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 the irresponsible printing of money.

Moreover, even the extended tax rate cuts which I am recommending still leave an increasing tax burden. In the second half of the decade ahead, additional tax rate reductions are needed.

A fundamental part of my strategy for economic growth is the restoration of business confidence. If our business community is going to invest and build and create new,

well-paying jobs, they must have a future free from arbitrary government action. They must have confidence that the economic "rules-of-the-game" won't be changed suddenly.

In my administration, a national economic policy would be established and we will begin to implement it within the first 90 days. And I will stick with it.

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 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 willing ness 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 resulting from the knowledge that government policy is directed towards jobs, towards opportunity, towards 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 Mr. 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.

^{AS}
~~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 Mr. 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.

Reagan & Bush

Reagan Bush Committee

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NEWS RELEASE

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ADDRESS BY THE HONORABLE RONALD REAGAN
INTERNATIONAL BUSINESS COUNCIL
CHICAGO, ILLINOIS
SEPTEMBER 9, 1980

A Strategy for Growth:
The American Economy in the 1980s

Almost two months ago, in accepting the presidential nomination of my party, 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 President Carter to change this grave, unprecedented situation.

In fact, during the last few months the overall economic situation in the United States has deteriorated markedly. The cumulative effect of the economic policies the Carter administration has followed over the last three and one-half years has damaged our economy much more than virtually anyone could have foreseen.

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Interest rates and inflation have become unconscionably high. Almost two million Americans have lost their jobs this year alone. And the tax burden continues to steadily increase.

In effect, Mr. Carter's economic failures are an assault on the hopes and dreams of millions of American families.

These are more than just economic failures. They are essentially an unprecedented failure of presidential leadership that strikes at the very heart of every American family, every factory, every farm, every community.

Make no mistake about it: what Mr. Carter has done to the American economy is not merely a matter of lines and graphs on a chart. Individuals and families are being hurt and hurt badly. Factories are empty; unemployment lines are full.

Every American family has felt what the Carter inflation means to hopes for a better life. Every visit to the supermarket reminds us of what Mr. Carter's policies have done. We pay the price of Carter's inflation every time we buy food or clothing or other essentials.

We are dealing with an unprecedented crisis that takes away not only wages and savings, but hopes and dreams.

And what is Mr. Carter's response to this tragedy?

Words. And more words.

Two weeks ago he gave us his latest in a series of economic policy shifts. This one is the fifth "new economic program" in the

last three and one-half years. It contains rhetoric that Mr. Carter apparently hopes will lead us to believe he has finally discovered free enterprise.

Hearing him and members of his administration use the language of free enterprise reminds me of one of the stories of Mark Twain. He had a habit of using foul language, which distressed his wife no end. She decided on a form of shock treatment to cure him of his habit. She came up to him one day and recited every word of the salty language she had ever heard him use. He listened patiently and when she was finished, said: "My dear, you have the words all right, you just don't have the tune."

I'd like to speak to you today about a new concept of leadership, one that has both the words and the music. 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 people.

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

We must first recognize that the problem with the U.S. economy is swollen, inefficient government, needless regulation, too much taxation, too much printing press money. We don't need any more

doses of Carter's eight- or ten-point programs to "fix" or fine tune the economy. For three and one-half years these ill-thought-out initiatives have constantly sapped the vitality of the most productive economic system the world has ever known.

Our country is in a downward cycle of progressive economic deterioration that must be broken if the economy is to recover and move into a vigorous growth cycle in the 1980s.

We must move boldly, decisively and quickly to control the runaway growth of federal spending, to remove the tax disincentives that are throttling the economy, and to reform the regulatory web that is smothering it.

We must have and I am proposing a new strategy for the 1980s.

Only a series of well-planned economic actions, taken so that they complement and reinforce one another, can move our economy forward again.

- We must keep the rate of growth of government spending at reasonable and prudent levels.
- We must reduce personal income tax rates and accelerate and simplify depreciation schedules in an orderly, systematic way to remove disincentives to work, savings, investment, and productivity.
- We must review regulations that affect the economy, and change them to encourage economic growth.

--We must establish a stable, sound and predictable monetary policy.

--And we must restore confidence by following a consistent national economic policy that does not change from month to month.

I am asked: Can we do it all at once? My answer is: We must.

I am asked: Can we do it immediately? My answer is: No, it took Mr. Carter three and one-half years of hard work to get us into this economic mess. It will take time to get us out.

I am asked: Is it easy? Again, my answer is: No. It is going to require the most dedicated and concerted peacetime action ever taken by the American people for their country.

But we can do it, we must do it, and I intend that we will do it.

We must balance the budget, reduce tax rates, and restore our defenses.

These are the challenges. Mr. Carter says he can't meet these challenges; that he can't do it. I believe him. He can't. But, I refuse to accept his defeatist and pessimistic view of America. I know we can do these things, and I know we will.

But don't just take my word for it. I have discussed this with any number of distinguished economists and businessmen, including George Shultz, William Simon, Alan Greenspan, Charls Walker and

James Lynn. The strategy I offer is based on solid economic principles and basic experience in both government and the marketplace. It has worked before and will work again.

Let us look at how we can meet this challenge.

One of the most critical elements of my economic program is the control of government spending. Waste, extravagance, abuse and outright fraud in federal agencies and programs must be stopped. Billions of the taxpayers' dollars are wasted every year throughout hundreds of federal programs, and it will take a major, sustained effort over time to effectively counter this.

Federal spending is now projected to increase to over \$900 billion a year by fiscal year 1985. But through a comprehensive assault on waste and inefficiency, I am confident that we can squeeze and trim 2 percent out of the budget in fiscal year 1981, and that we will be able to increase this gradually to 7 percent of what otherwise would have been spent in fiscal year 1985.

Actually, I believe we can do even better. My goal will be to bring about spending reductions of 10 percent by fiscal year 1984.

Crucial to my strategy of spending control will be the appointment to top government positions of men and women who share my economic philosophy. We will have an administration in which the word from the top isn't lost or hidden in the bureaucracy. That voice will be heard because it is a voice that has too long been absent from Washington--the voice of the people.

I will also establish a citizen's task force, as I did in California, to rigorously examine every department and agency. There is no better way to bring about effective government than to have its operations scrutinized by citizens dedicated to that principle.

I already have as part of my advisory staff a Spending Control Task Force, headed by my good friend and former Director of the Office of Management and Budget, Caspar Weinberger, that will report on additional ways and techniques to search out and eliminate waste, extravagance, fraud and abuse in federal programs.

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

This strategy does require restraining the congressional desire to "add-on" to every old 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 some instances, administrative authority can be moved back to the states.

The second major element of my economic program is a tax rate reduction plan. This plan calls for an across-the-board three-year reduction in personal income tax rates--10 percent in 1981; 10

percent in 1982; and 10 percent in 1983. My goal is to implement three reductions in a systematic, planned manner.

More than any single thing, high rates of taxation destroy incentive to earn, to save, to invest. They 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 establishing reasonable, fair levels of taxation.

But even the extended tax rate cuts which I am recommending still leave too high a tax burden on the American people. In the second half of the decade ahead we are going to need, and we must have, additional tax rate reductions.

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.

Official projections of the Congressional Budget Office show that by fiscal year 1985, if the current rates of taxation are still in effect, federal tax revenues will rise to over one trillion dollars a year.

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

Assuming a continuation of current policies in government, congressional projections show a huge and growing potential surplus

by 1985. These surpluses can be used in two basic ways: 1) to fund additional government programs, or 2) to reduce tax rates.

That choice should be up to the American people.

The most insidious tax increase is the one we must pay when inflation pushes us into higher tax brackets. As long as inflation is with us, taxes should be based on real income. Federal personal income taxes should be based on real income. Federal personal income taxes should be indexed to compensate for inflation, once tax rates have been reduced.

We also need faster, less complex depreciation schedules for business. Outdated depreciation schedules now prevent many industries, especially steel and auto, from modernizing their plants. Faster depreciation would allow these companies to generate more capital internally, permitting them to make the investment necessary to create new jobs, and to become more competitive in world markets.

Another vital part of this strategy concerns government regulation. The subject is so important and so complex that it deserves a speech in itself--and I plan to make one soon. For the moment, however, let me say this.

Government regulation, like fire, makes a good servant but a bad master. No one can argue with the intent of much of this regulation--to improve health and safety and to give us cleaner air and water--but too often regulations work against rather than for

the interests of the people. When the real take-home pay of the average American worker is declining steadily, and 8 million Americans are out of work, we must carefully re-examine our regulatory structure to assess to what degree regulations have contributed to this situation. In my administration there should and will be a thorough and systematic review of the thousands of federal regulations that affect the economy.

Along with spending control, tax reform and deregulation, a sound, stable and predictable monetary policy is essential to restoring economic health. The Federal Reserve Board is, and should remain, independent of the Executive Branch of government. But the President must nominate those who serve on the Federal Reserve Board. My appointees will share my commitment to restoring the value and stability of the American dollar.

A fundamental part of my strategy for economic growth is the restoration of confidence. If our business community is going to invest and build and create new, well-paying jobs, they must have a future free from arbitrary government action. They must have confidence that the economic "rules-of-the-game" won't be changed suddenly or capriciously.

In my administration, a national economic policy will be established, and we will begin to implement it, within the first 90 days.

Thus, I envision a strategy encompassing many elements--none of which can do the job alone, but all of which together can get it done. This strategy depends for its success more than anything else on the will of the people to regain control of their government.

It depends on the capacity of the American people for work, their willingness to do the job, their energy and their imagination.

This strategy of economic growth includes the growth that will come from the cooperation of business and labor based on their knowledge that government policy is directed toward jobs, toward opportunity, toward growth.

We are not talking here about some static, lifeless econometric model--we are talking about the greatest productive economy in human history, an economy that is historically revitalized not by government but by people free of government interference, needless regulations, crippling inflation, high taxes and unemployment.

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

When such a strategy is put into practice, our national defense needs can be met because the productive capacity of the American people will provide the revenues needed to do what must be done.

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

When Mr. Carter first took office, he had sufficient budget flexibility to achieve these goals. But he threw away the opportunity to generate new economic growth and strengthen national security. Now the damage done to the economy by his misguided policies will make the achievement of these crucial objectives far more difficult.

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

This task is going to be difficult but our goals are optimistic--as they should be. Success is going to take time, as well as work.

There is only one phrase to describe the last three years and eight months. It has been an American tragedy.

It isn't only that Mr. Carter has increased federal spending by 58 percent in four years, or that taxes in his 1981 budget are double what they were in 1976, the equivalent of a tax increase on an average family of four of more than \$5,000.

The tragedy lies as much in what Mr. Carter has failed to do as in what he has done.

He has failed to lead.

Mr. Carter had a chance to govern effectively. He had a sound economic base with an inflation rate of 4.8 percent when he took office.

But he has failed. His failure is rooted in his view of government, in his view of the American people.

Yet he wants this dismal view to prevail for four more years.

The time has come for the American people to reclaim their dream. Things don't have to be this way. We can change them. We must change them. Mr. Carter's American tragedy must and can be transcended by the spirit of the American people, working together.

Let's get America working again.

The time is now.

* * * * *

A Modest Program

Ronald Reagan finally found some number-crunchers to churn out an answer to the question of how he could cut taxes, increase defense spending and balance the budget all at once. The chief result of the exercise is to demonstrate that, for all the denunciation it has received, the Kemp-Roth bill for a three-year, 30% tax cut is essentially a modest proposal.

A glance at the accompanying table tells the story. These are, of course, Mr. Reagan's numbers, based on projections by the Senate Budget Committee. Mr. Carter has OMB projections that show government receipts in 1985 lower and the effect of Mr. Reagan's cuts larger. And while any projection at this time is problematical, the main point is indisputable.

To wit, if there are no tax cuts, taxes will increase sharply. The Senate Budget Committee estimates show that tax increases under the current law, most especially the effect of inflation pushing everyone into higher

ceeded the inflation rate, if imaginative accounting is discounted.

Mr. Reagan proposes a different distribution over the next few years: Military spending will grow, to over 6% of GNP in 1985. Personal taxes will be cut by 10% a year for three years, and thereafter indexed to avoid automatic increases. Business taxes will be reduced through faster depreciation. Non-defense spending will increase at slightly less than the inflation rate.

You can argue about the estimates, and change the figures here and there, but there is little question that this kind of redistribution is economically possible. Whether it is politically possible is of course another question—in fact, the question this election is all about.

All of the above lays aside the question of "supply-side economics," whether correctly designed tax cuts would provide a larger pie to divide and larger government revenues. The

THE REAGAN PROGRAM

	FY81		FY85	
	\$	%GNP	\$	%GNP
Spending	(Billions)		(Billions)	
Senate Budget Comm.	633	22.7	920	20.7
Reagan	620	22.2	856	19.3
Tax Receipts				
Senate Budget Comm.	610	21.8	1102	24.7
Reagan	588	21.1	910	20.4

A comparison of Senate Budget Committee estimates of federal spending and tax receipts and the projections of the effect of Reagan tax cuts and expenditure reduction, based on materials released by the Reagan campaign.

For convenience the table ignores the effects of faster economic growth claimed to result from the Reagan proposals. Inclusion of these effects would add an estimated \$39 billion in tax receipts in 1985, but would also increase the GNP estimate used in calculating the percentage figures.

brackets with no increase in real income, would boost tax revenues to 24.7% of GNP in fiscal 1985 from 21.8% in 1981. This has in fact been our experience under the Carter administration; federal receipts rose to 21.0% of GNP in 1979 from 19.5% in 1976.

These built-in tax increases generate huge leverage — for increasing spending, reducing taxes or reducing the government deficit. All you need do is project the numbers out a few years, and combine the rising tax take with modest fiscal restraint, and the supposedly impossible challenge to Mr. Reagan becomes child's play. You can of course argue about the distribution of this "fiscal dividend" among defense spending, non-defense spending, tax reduction and budget balancing. But given the size of the economy and the federal budget, over time you can do quite a bit of each.

In recent years, we have channeled most of this recurring "dividend" into non-defense spending, especially transfer payments to individuals. In the first three years of the Carter administration, transfers grew by some 16% a year. Taxes rose, deficits were large, and defense spending barely ex-

latest Reagan estimates are that by 1985, \$192 billion in tax reductions would create revenue reflows of \$39 billion. This strikes us as low, though we wonder if the GNP growth originally forecast by the Senate Budget Committee is consistent with the tax increases it also estimates. At least Mr. Reagan's people make some estimate of revenue reflows, long ignored by everyone.

The supply-side analysis remains in Mr. Reagan's economic package, but has obviously been muted by the Nixon-Ford economic advisers who could provide numbers that could withstand attack. His military budget increases are not huge, though a bit more is promised. His spending cuts are cautious; no objection is raised, for example, to Social Security recipients gaining income faster than workers do.

Mr. Reagan has, in short, spelled out a prudent, gradual, responsible reordering of economic priorities, not much different from the kind of thing Republicans have always offered. The question is not whether it is sound enough economically, but whether it is bold enough politically.

Debatory

Jimmy Carter won't come to the League of Women Voters debate now that John Anderson has been invited. "Anderson is primarily a creation of the press," he said. Ronald Reagan won't debate Mr. Carter one-on-one until the President changes his mind and stops being unfair to Mr. Anderson. The President's campaign chairman, Robert Strauss, says it isn't fair to the American people to deny them a face-to-face encounter between Reagan and Carter in the first debate. Mr. Anderson says it isn't fair to the American people to deny them a look at him. The only redeeming thing about any of this is Mr. Strauss's admission that, yes, maybe there is some political calculation involved. Mr. Strauss, a gifted political operator, knows when to make a clean breast of things.

Used and Abused

President Carter has great sympathy for the "little people" and takes every opportunity to prove it. But some "little people" don't like paternalism. A campaign TV commercial showing the President radiating warmth in Steubenville, Ohio, has Sondra Downend standing up at a public meeting to tell the President the EPA is putting her husband's small coal mine out of business. Mr. Carter promptly orders that she be brought to Washington to plead her case. There's a burst of applause. End of film clip.

But not the end of Mrs. Downend. She turned up on the Today Show yesterday to say she got no satisfaction in Washington and no one asked permission to put her in the commercial. She felt used. She will vote for Reagan. "President Carter deals in symbols and I was a symbol," she told Today's viewers.

Who's Got the Secret?

A Senate subcommittee wants Bert Lance to "assist in its pursuit of the facts" in the Billy Carter affair. Mr. Lance says he won't testify unless the session is open to the public. He claims he fears the "powercrats" will distort his testimony by leaking carefully selected parts of it to the press. But the subcommittee doesn't want to decide whether to give him an open hearing until it hears what he has to say. So some are speculating it might hold Mr. Lance in contempt. If it does, we suspect, the public may wonder who deserves the citation more.

Potomac Dew Line

Just when we were most worried about the nation's defenses, word has come from Washington that a plan is afoot to insure that the government would survive a nuclear attack. Someone apparently knows who's most worth saving and we are assured that enough key officials would be preserved to insure the "continued democratic functioning" of the United States. We feel better already.

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FACT SHEET

Ronald Reagan's Strategy for Economic Growth and Stability in the 1980s

Background

During the last few months the overall economic situation in the U.S. has deteriorated markedly. The cumulative effect of the Carter Administration's economic policies followed over the last 3 1/2 years has damaged the economy much worse than virtually anyone forecast. The underlying rates of inflation and unemployment remain unconscionably high. Almost two million Americans have lost their jobs this year alone. And the tax burden continues to steadily increase.

One critical consequence of this economic deterioration--primarily caused by the sharp rise in unemployment--has been a drop in government revenues and an increase in government spending. The prospects for the future under a continuation of Mr. Carter's economic policies are increasingly large federal deficits--and these will bring in their wake more inflation, higher interest rates, and more Americans out of work.

Earlier this year the Carter Administration was forecasting a relatively modest deficit for FY 1980 and a balanced budget for FY 1981.

The official revised budget forecasts of July now show a deficit of \$61 billion for FY 1980, the second-largest deficit in the history of this country (the largest in history if "off-budget" items are accounted for).

The most alarming news, however, concerns the new budget projections for FY 1981. Carter's balanced budget has evaporated under the heat of inflation and unemployment. His latest estimates show a deficit of \$30 billion.

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This is not just a temporary run of bad economic luck. It is the result of five major "new economic programs" that Mr. Carter has come up with during the last 3 1/2 years. The basic structure of our economy has been weakened by the increasing burden of taxes and regulations. Unless strong corrective action is taken soon, the prospect for the next 5 years is a steadily worsening economic outlook.

Between FY 1980 and FY 1985, the gross national product (GNP) of the U.S. is estimated to increase by some \$1.9 trillion dollars.

The federal government's planned share of this increase in our GNP is projected to be \$584 billion--a stunning 31 percent. Historically, the federal government's share of GNP has rarely risen above 20 percent.

The federal government's share of the projected increase in GNP over the next 5 years is over 50 percent above the historical norm.

If the tax policies established by the Carter Administration stay in place over the next 5 years, the relative size of the federal government will rise to unprecedented levels--as will the tax burden of the American people.

We are in a state of progressive economic deterioration, a downward cycle that must be broken if the economy is to recover and move forward through vigorous economic growth in the 1980s. We must move boldly and decisively to control the runaway growth of federal spending, to remove the tax disincentives that are throttling the economy, and to reform the regulatory web that is smothering it.

We need a new strategy for the 1980s. As Paul McCracken, former chairman of the Council of Economic Advisers, recently stated:

"For well over a decade our strategy has been to reach a better economy by a generalized resistance to spending in order to achieve a balanced budget, thereby winning the right to tax reduction. This predictably has left us within swollen federal outlays, deficits, and an enervated economy. The road to a stronger budget and a stronger economy by immediately taking needed tax action and directly attaching a shorter lease on spending is at least worth trying."

Overview

Ronald Reagan's economic program emphasizes economic expansion. Only a vigorously growing economy can create the new jobs and the new income that will stop inflation, lower interest rates, and allow us to spend what we must spend on national defense. It specifically rejects the "economics of scarcity."

Above all, it is a comprehensive program. Each element of the program represents sound economic policy, but what gives the program its effectiveness and guarantees its success is the interaction of all its component parts.

Our economy is extremely complex. There is no simple remedy to the economic mess we are in. Only a series of well-planned economic actions, taken so that they complement and reinforce one another, can succeed in moving our economy forward once again.

The program has five basic parts:

1. Controlling the rate of growth of government spending to reasonable, prudent levels.
2. Reducing personal income tax rates and accelerating and simplifying depreciation schedules in an orderly, systematic way in order to remove the increasing disincentives to work, to save, to invest and to produce.
3. A thorough review of regulations that affect the economy, and prompt action to change them to encourage economic growth.
4. The establishment of a stable and sound monetary policy.
5. The restoration of confidence by following a consistent national economic policy that does not change from month to month.

THE PROGRAM

Spending Control

One of the most critical elements of Ronald Reagan's economic program is the control of federal spending. The reports of waste, extravagance, abuse and outright fraud are legendary. Billions of

the taxpayers' dollars are wasted every year. This waste is buried deep within hundreds of federal programs, and it will take a major, sustained effort over a period of years to effectively counter it.

Federal spending is now projected to increase to over \$900 billion a year by FY 1985.

Ronald Reagan's goal is to systematically reduce that increase in future spending through a comprehensive assault on the waste and inefficiency that is widespread in the federal government.

His program will begin by reducing spending levels by 2 percent in FY 1981. These savings will, of course, carry on into future years. The FY 1982 projected spending levels will be cut by at least an additional 2 percent, and then an additional 1 percent in each of the succeeding fiscal years. The cumulative result will be a 2 percent reduction from the proposed increase for FY 1981, 4 percent for FY 1982, 5 percent for FY 1983, 6 percent for FY 1984, and 7 percent for FY 1985. (Table 1)

But Ronald Reagan plans to do better than that. Looking at the projected levels of federal spending over the next five years, his goal will be to reduce projected annual spending by gradually increasing amounts--up to 10 percent.

The spending reduction goal in FY 1981 will be 3 percent. This will increase by another 3 percent to 6 percent in FY 1982. The goal will be 8 percent in FY 1983 and 10 percent in FY 1984 and FY 1985. (Table 1)

If these goals are reached, the efforts will be redoubled, because certainly more than 10 percent of the money the federal government spends every year is misspent.

Here are some of the steps that will be taken to achieve these goals:

1. No one man can control federal spending. It is a task that must be relentlessly pursued at all levels of government, especially at the top levels. Very high priority will be assigned to appointing men and women who share Ronald Reagan's philosophy of spending control. The hundreds of top-level appointees in a Reagan

Administration will be charged with making sure that the taxpayers' dollars are spent wisely and effectively. And they will have the full backing of the White House.

2. He will call for an immediate freeze on the level of federal employment.
3. National Citizens' Task Forces will be appointed to rigorously examine every department and agency of the federal government. Ronald Reagan used this approach very effectively while he was Governor, saving the taxpayers of California hundreds of millions of dollars.
4. Over the next two months, a special Spending Control Task Force, chaired by Caspar Weinberger, former Director of the Office of Management and Budget, will carefully examine all facets of spending control, and then submit a detailed report during the transition on specific ways to search out and eliminate waste and extravagance.

Tax Rate Reduction

The revenue of the federal government will, unless significant changes are made, increase enormously over the next 5 years. Given August 27, 1980, Senate Budget Committee estimates--a rate of real economic growth of 1.0 to 3.8 percent, an inflation rate that declines slowly to 7.5 percent, and an unemployment rate that drops to 6.1 percent by FY 1985--the revenue of the federal government will climb to \$1,102 billion a year by FY 1985, an increase of \$584 billion over the FY 1980 level.

This is an increase of about \$117 billion a year between now and 1985. If allowed to happen, it would generate a hypothetical budget surplus of \$182 billion in FY 1985.

This growing tax burden will add even more disincentives to earning, saving and investing. Ronald Reagan's tax program is designed to remove these disincentives, to stimulate the kind of economic growth that will result in a steady increase in the real take-home pay of the American worker and the removal of uncertainty about job security.

The major changes that will be proposed are:

1. An across-the-board reduction in personal income tax rates: 10 percent in 1981, 10 percent in 1982 and another 10 percent in 1983.
2. Indexing for inflation of the personal income tax brackets after the full 30 percent rate reduction is phased in. This will prevent the automatic tax increase caused by inflation moving taxpayers into higher and higher tax brackets.
3. Accelerated depreciation for business to stimulate job-creating investments.

Deregulation

There will be a thorough and systematic review of the thousands of federal regulations that affect the economy. No one will argue with the intent of much of this regulation--to improve health and safety, and to give us cleaner air and water--but in many cases regulations have gone to extremes and have become counterproductive. When the real take-home pay of the average American worker is declining steadily, and 8 million Americans are out of work, we must carefully re-examine our regulatory structure to assess to what degree regulations have contributed to our deteriorating economy.

Some of the steps to be taken will include:

1. A requirement that any proposed regulation be accompanied by an effective economic impact statement so that the purported benefits of the regulation can be compared against the effect of that regulation on jobs and the economy in general.
2. A Reagan Administration will work with Congress to tighten the provisions of any new legislation in order to limit the parameters within which bureaucrats can formulate and interpret regulations.
3. A special task force on deregulation, chaired by Dr. Murray Weidenbaum, former Assistant Secretary of the Treasury for Tax Policy, will study this area in depth during the remainder of the campaign and submit detailed recommendations in November.
4. Along with spending control, the appointees in a Reagan Administration will have, as one of their highest priorities, the task of analyzing every federal regulation under their jurisdiction, to see if these regulations are needed.

Monetary Policy

A sound, stable, and predictable monetary policy is essential to restoring economic health. The Federal Reserve Board is, and should remain, independent of the Executive Branch of government. But the President nominates those who serve on the Federal Reserve Board.

Ronald Reagan's appointees would be men and women who share his commitment to restoring the value of the American dollar, and who believe in a sound, stable, and predictable monetary policy.

Restoring Confidence

A critical element that pervades every facet of this economic program is sureness and stability. There is probably nothing that undermines economic growth more than widespread uncertainty about the future actions of government.

In a Reagan Administration, every effort will be made to establish and begin to implement economic policy early--within the first 90 days--and then to stick to the essentials of this policy. Because economic policy will be oriented towards the long-term, there will be no sudden or capricious changing of the economic "rules-of-the-game."

Related Policies

Two important factors that affect our national economy are energy and foreign trade. Our national energy policy and our international trade policy are intimately connected with national economic policy.

We must have an energy policy that concentrates on providing us with more energy.

We must have an international trade policy that will allow the U.S. to regain its competitive edge and obtain an enlarged share of world markets in the 1980s.

These are difficult, complex issues and Ronald Reagan will address each one of them during the months ahead.

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Table 1

Proposed Limitations on
Federal Spending Increases
FY 1981 to FY 1985

<u>Percentage Reduction in Projected Spending Level</u>	<u>Fiscal Year</u>				
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Expected	2%	4%	5%	6%	7%
Goal	3%	6%	8%	10%	10%

Table 2

Budget Projections
FY 1981 to FY 1985
(annual amounts in billions of dollars)

Senate Budget Committee Estimates: Second Concurrent Resolution--August 27, 1980	Fiscal Year				
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Gross National Product	2793	3152	3555	3983	4446
Federal Tax Receipts ("Current Law")	610	712	828	951	1102
Federal Spending	633	710	778	845	920
Defense spending	159	187	212	239	270
Nondefense spending	474	523	566	606	650
<u>Proposed Policy Changes</u>					
(a) control growth of federal spending	+13	+28	+39	+51	+64
(b) across-the-board reduction of personal income tax rates and subsequent indexing	-18	-48	-89	-130	-172
(c) accelerated depreciation to stimulate investment	-4	-13	-18	-19	-20
(d) additional economic growth	<u>+5</u>	<u>+10</u>	<u>+18</u>	<u>+20</u>	<u>+39</u>
*estimated (deficit) or surplus	(27)	(21)	---	28	93
*as percent of total spending	(4.3%)	(3.0%)	*	3.3%	10.1%
(e) full achievement of spending reduction goals: additional savings	<u>+6</u>	<u>+15</u>	<u>+23</u>	<u>+34</u>	<u>+28</u>
*estimated (deficit) or surplus	(21)	(6)	23	62	121
*as percent of total spending	(3.3%)	*	3.0%	7.3%	13.2%

*less than 1 percent