THE WHITE HOUSE

Office of the Press Secretary

EMBARGOED FOR WIRE TRANSMISSION
UNTIL 4 P.M. (E.S.T.)
AND RELEASE UNTIL 9 P.M. (E.S.T.)
Wednesday, February 18, 1981.

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SUMMARY FACT SHEET

A Program for Economic Recovery

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SUMMARY FACT SHEET

The President's Economic Program

Summary: President Reagan tonight presented to a Joint Session of the Congress a comprehensive program to bring about a recovery of the Nation's economy to reduce the burdens of high inflation, high taxation and over-regulation. The program calls for fundamental redirection in the role of the federal government, including:

- Reductions in personal tax rates and business taxes;
- Spending cuts and other measures to reduce the budget deficit;
- Reductions in the burden and the intrusion of Federal regulations; and
- A new commitment to a stable monetary policy.

BACKGROUND:

- Immediately upon taking office, President Reagan asked for a comprehensive audit of our Nation's economic situation. He described the findings in a Nationwide television address on February 5, 1981. Among the serious economic problems that he found upon taking office were:
  - Rates of consumer price inflation were 13.3% in 1979 and 12.4% in 1980, up from 4.8% in 1976.
  - Interest rates for short term credit had reached 20%, and home mortgage rates were over 15%, two and one-half times 1960 levels.
  - Almost eight million people were unemployed.
  - Under the previous Administration the Federal budget was out of control:
    - Estimates made in March 1980 of Federal spending in fiscal year 1981 were low by at least $50 billion, and estimates of the deficit were low by over $70 billion.
    - Recent Federal spending has been growing by about 16% per year.
    - Deficits this year are now expected to be around $80 billion, including over $55 billion that shows up in the Federal budget and about $25 billion which is hidden in so-called "off-budget" programs.
    - The national debt is approaching $1 trillion.
  - The percentage of income paid by individuals in Federal taxes has doubled since 1960 -- all to pay the costs of expanding Federal programs.
  - Government regulation has expanded rapidly, adding to the cost of all consumer goods, impeding new industrial development, and substituting Washington-based decisions for those of individuals, businesses, and State and local governments.

- During his first few days in office, the President:
  - Took initial steps to bring government spending under control, including a freeze on government hiring and procurement, reductions in government travel, and reductions in the use of consultants and contracts.
  - Created a task force under the direction of the Vice President to coordinate efforts to reduce the regulatory burden, placed a freeze on new regulations, and withdrew certain regulations issued in the final days of the Carter Administration.

NEW ACTIONS ANNOUNCED TODAY

In his address to a Joint Session of the Congress and in detailed economic and budget reform messages, the President described his proposals and plans for:

- The first round of major reductions in Federal spending. Additional spending reductions will be presented on March 10, 1981, in a full revision of the 1982 budget. Together, these proposals will reduce FY 1982 spending $41.4 billion below current policy levels, they will also result in $2.0 billion in user fees and $5.7 billion in off-budget cuts for a total of $49.1 in savings.
- A major reduction in individual and business taxes.
- Additional measures to reduce the cost, burden and intrusion of government regulations.

The principal effects of the President's program, if it is approved by the Congress, will be to:

- Reduce inflation rates.
- Reduce the nonproductive burden imposed by the Federal government, particularly through regulations.
- Reduce the heavy tax burden on the American taxpayer.
- Reduce the size and role of the Federal government, and its intrusion in decisions that could better be made by individuals, businesses, and State and local governments.
- Reduce interest rates for credit purchases and borrowing of money by reducing government borrowing made necessary to cover massive deficits.
- Increase real incomes by spurring capital investment and enhancing productivity .

The President's proposals are summarized below and described more fully in documents being sent to the Congress.

BUDGET OUTLOOK WITH THE PRESIDENT'S BUDGET SAVINGS AND TAX REDUCTION PROGRAM.

Official budget estimates showing the President's tax and budget savings proposals will be provided in the March 10th revision of the 1982 Budget. The table below provides a preliminary estimate of the renewed fiscal balance when the President's measures are fully implemented:

	1981	1982	1983	1984	1985	1986
Proposed Outlay Ceilings	654.7	695.5	733.1	771.6	844.0	912.1
Receipts with tax plan	600.2	650.5	710.2	772.1	850.9	942.1
Target Deficit (-) or Surplus	-54.5	-45.0	-22.9	+0.5	+6.9	+29.9
Share of GNP						
Outlays	23.0	21.8	20.4	19.3	19.2	19.0
Receipts	21.1	20.4	19.7	19.3	19.3	19.6

THE PRESIDENT'S BUDGET REFORM PLAN

In his address to the Joint Session and in a detailed Budget Reform Plan sent to the Congress, the President described the first major steps in a comprehensive redirection of Federal Government activity including:

- Cutbacks in lower priority Federal activities;
- Sharply constrained overall spending levels; and
- Dramatic shifts in internal budget priorities.

A. Past Actions Have Contributed to Today's Economic and Budget Problems.

The rate of increase in Federal spending has risen sharply over the past 25 years:

	Average Annual Rate of Increase
• From 1955 - 1964:	6.3%
• From 1976 - 1981:	11.9%
• From 1979 - 1981:	15.9%

Spending increased even more rapidly than tax revenues, which were pushed up by inflationary movement of taxpayers into higher tax brackets.

The results have included increased tax burden, reduced incentives for working, saving and investing and a slow down in the economy. As a result, Federal deficits and borrowing continue to increase.

Also, national defense was underfunded because of the failure to control domestic program expansion.

B. New Priorities.

Achieving the President's budget savings targets will require an end to the proliferation of new Federal programs and a reversal of the trend toward greater Federal roles in economic and social programs. The President's program stresses two overriding priorities:

- Sufficient budget resources must be provided to rebuild the Nation's defense capacities;
- The Social Safety Net of income security measures erected in the 1930's to protect the elderly (including cost of living protection for the elderly), unemployed, and poor, as well as veterans, must be maintained.

Beyond these two priorities, all other Federal programs are being subjected to thorough scrutiny and widespread reduction.

C. Criteria Used in Evaluating Programs and Funding Levels.

Eight basic criteria have been used in evaluating and making decisions on all other programs:

1. Entitlement Programs must be revised to eliminate unwarranted beneficiaries and payments.
2. Subsidies and benefits for middle and upper income levels must be reduced.
3. Allocable costs of government programs must be recovered from those benefiting from the services provided, such as airports and airways, inland waterways and Coast Guard services to yacht and boat owners.
4. Sound economic criteria must be applied to economic subsidy programs such as synthetic fuels, Export-Import Bank loans, and subsidized loans.
5. Capital investments in public sector programs — such as highways, waste treatment plants and water resource projects — must be stretched out and retargeted.

6. Fiscal restraint must be imposed on programs that are in the national interest but are lower in priority than the national defense and safety net programs. Examples include NASA, National Science Foundation, and the National Institutes of Health, which would be allowed to grow at lower rates than planned.

7. Large numbers of categorical grants must be consolidated into block grants permitting less Federal administrative overhead, greater flexibility for State and local governments, greater efficiency in management and reduced overall costs. Examples include elementary and secondary education, and health and social services.

8. Federal personnel and overhead costs, and program waste and inefficiency must be reduced.

D. Major features of the President's Program

Major features of the President's program include:

- A $41.4 billion reduction in FY 82 outlays compared to the current policy base, together with $2.0 billion in user charges and $5.7 billion in off-budget outlay reductions for a total of $49.1 billion in fiscal savings.
- A dramatic downward shift in Federal spending growth rates, bringing the 16% trend of the recent period to about 7% over the next several fiscal years.
- A steady reduction in the Federal deficit, resulting in a balanced budget in 1984 and modest surpluses thereafter.
- The first comprehensive proposal in more than a decade to overhaul the Nation's overgrown $350 billion entitlements system. Proposed revisions of food stamp, extended unemployment benefits, trade adjustment assistance, student loans, various secondary social security benefits, medicaid and other entitlement programs would save $9.4 billion in fiscal year 1982, with savings growing to $18.9 billion by FY 86.
- Substantial cutbacks or actual elimination of non-essential or ineffective Federal programs, including CETA public service jobs, AMTRAK, energy technology commercialization programs, impact aid, and Federal support for the arts.
- Proposed consolidation of nearly 100 narrow categorical grant programs into a few flexible block grants for State and local support of education, health, and social services. Savings by FY 1983 would exceed $4 billion.
- Sharp reductions in direct Federal subsidies for synfuels development, Export-Import Bank activities and the dairy industry, along with a substantial stretch-out of funding for highways, airports, sewage treatment plants and water projects.
- Increased user fees for barge operators, airway system users and commercial and recreational vessels.

Specific program reductions proposed in the President's Budget Reform Program are listed by department and agency in the attached 10 page table. This table shows esimated reductions in budget authority and outlays, as well as increased receipts from user charges, for fiscal years 1981-1986.

E. A Stronger National Defense within Restrained Overall Spending Levels.

The President has decided that budget resources must be devoted to national defense to improve and sustain the readiness of U.S. forces and to increase their ability to deter and, should deterrence fail, to prevail in response to aggression against U.S. interests. The defense budget has been reviewed closely to achieve cost savings. Part of the defense growth will be financed by the savings that result from increased efficiency and reductions in travel and other marginal activities.

The President has also decided that Federal spending growth must be held to 6% in FY 82 and that similar restraint must be exercised in future years. To provide $7.2 billion extra for defense in 1982, overall spending levels must be reduced by $41.4 billion or by 6% from the current policy base.

The 83 major policy and program changes described in the President's Budget Reform Plan and listed in the appendix to this Fact Sheet provide most of the savings required in FY 1982, with larger reductions in future years. In summary, the President's Budget Savings Plan would provide the following:

	Outlays Fiscal years ($ in Billions)					
	1981	1982	1983	1984	1985	1986
Existing budget status						
Current policy base	657.8	729.7	792.1	849.0	911.4	972.8
Added Defense funds	1.3	7.2	20.7	27.0	50.2	63.1
Current policy base with adequate defense	659.1	736.9	812.8	876.0	961.6	1035.9
President's Budget Plan						
Proposed spending ceiling	654.7	695.5	733.1	771.6	844.0	912.1
Budget savings target	4.4	41.4	79.7	104.4	117.6	123.8
President's Budget Savings Proposals						
Actions recommended now or to be included in March Budget Revisions:						
Budget Outlay reductions	4.8	41.4	58.5	73.7	86.6	95.8
User charges (receipts)	-	(2.0)	(2.6)	(3.0)	(3.5)	(3.9)
Off-budget outlay reductions	(.7)	(5.7)	(7.4)	(9.2)	(11.1)	(13.1)
Subtotal	(5.5)	(49.1)	(68.5)	(85.9)	(101.2)	(112.8)
Budget savings to be proposed subsequently	-	-	21.2	30.7	31.0	28.0

F. The Resulting Shift in Spending.

The shift in government spending priorities as a result of the rigorous review conducted by the President and the Cabinet is shown in the tables below:

(Dollar amounts in billions)	1962	1981	1984
Department of Defense–Military	46.8	157.9	249.8
Safety net programs	26.2	239.3	313.0
Net interest	6.9	64.3	66.8
All other		193.2	142.0
Total	106.8	654.7	771.6
Outlay Shares (Percent)			
Department of Defense–Military	43.8	24.1	32.4
Safety net programs	24.5	36.6	40.6
Net interest	6.4	9.8	8.6
All other	25.2	29.5	18.4
Total	100.0	100.0	100.0

G. The First Step in Budget Reform.

The Budget Reform Message forwarded to the Congress is the first step in the President's program to reduce budget deficits. The reform package provides details on 83 major policy and program actions to achieve budget savings. These major actions are being provided now to permit the Congress to begin work immediately and meet its schedule for reconciling fiscal year 1981 spending levels and setting the course for fiscal year 1982.

H. The Fully Revised 1982 Budget.

On March 10, 1981, the President plans to submit his fully revised 1982 budget to the Congress. This new budget will provide details on the additional 1981 and 1982 budget savings that are needed to achieve the President's goal of a $41.4 billion reduction in 1982 outlays below the current policy base.

THE PRESIDENT'S PROPOSAL TO REDUCE TAXES

President Reagan's plan for reducing taxes proposes:

- Reducing individual tax rates by 10% a year for 3 years.
- Increasing the incentive for productive investments by business and industry in new plant and equipment by allowing more rapid write-off of recosts of investments.

A. Reducing individual income tax rates. Tax rates will be reduced by 10% effective July 1, 1981; a second 10% on July 1, 1982; and the third 10% on July 1, 1983.

The net effect will be a 5% reduction in 1981 individual taxes, a 15% reduction in 1982 taxes, a 25% reduction in 1983 taxes and a 30% reduction in 1984 taxes.

1. Background. Individual tax burdens have been increasing steadily over the past few years as inflation pushes individuals into higher tax brackets and social security tax rates have increased. This has reduced the incentive to work and the ability to save.

2. Effect on tax rates. At present, under each of the four taxpayer rates schedules -- joint, single, married filing separately, and head of household -- individuals pay tax at marginal rates ranging between 14% and 70%. When the tax cut proposed by the President is fully implemented, rates will range between 10% and 50%.

3. Implementing the tax reductions. Under the President's proposal, reductions will begin July 1, 1981. At that time, withholding will be reduced by roughly 10% for individual taxpayers.

4. Expected effects. The cut in tax rates will provide individuals greater incentives for productive employment and for savings. Also, reduced tax rates will make tax shelters less attractive and productive investments more attractive. Thus, cuts in individual taxes are expected to contribute to increased investments that will expand the productive base of the economy and create more jobs.

B. Encouraging Productive Investments by Business and Industry.

The second major part of the President's tax proposals -- called the Accelerated Cost Recovery System -- would establish a new system for treating investments by business and industry. This system will determine the periods of time over which the costs of investments can be "recovered" or "written off" when calculating taxes. The system will result in fixed periods, known in advance, over which the cost of investments in particular plant and equipment can be charged off as expenses of doing business and thus deducted from gross income before calculating taxes.

1. The New System.

Most business property will, for purposes of calculating taxes, fall into one of the three write-off periods listed below. An accelerated costs recovery schedule is provided for each.

- 3 years: This class consists of autos and light trucks and machinery and equipment used for research and development. Expenditures can be written off in 3 years: 33% in the first year, 45% in the second year, and 22% in the third. An investment credit of 6% will also appy to this class, up 2-2/3 percentage points from present law for property written off in 3 years.

- 5 years: This class consists of other machinery and equipment, except for certain long-lived public utility property. After a phase-in period, the original cost of additions can be written off according to an accelerated 5-year schedule:

  - 20% in the year acquired.
  - 32% in the 2nd year.
  - 24% in the 3rd year.
  - 16% in the 4th year.
  - 8% in the 5th year.

  The full 10% investment credit will be allowed for this class.

- 10 years: This class consists of factory buildings, retail stores, and warehouses used by their owners; and public utility property for which present guidelines exceed 18 years. The accelerated schedule for deductions is as follows:

  - 10% in the 1st year
  - 18% in the 2nd year.
  - 16% in the 3rd year.
  - 14% in the 4th year
  - 12% in the 5th year
  - 10% in the 6th year.
  - 8% in the 7th year.
  - 6% in the 8th year.
  - 4% in the 9th year.
  - 2% in the 10th year.

  As in present law, the 10% investment credit applies to public utility property in this class, but is not generally available for real property.

  Specific depreciation periods, not requiring subsequent audit, would be established for write-off of other depreciable real estate -- on a straight line basis (i.e., the same % share of the original cost each year). These are:

  - 15 years: for other nonresidential buildings, such as offices and leased stores and for low-income housing.
  - 18 years: for other rental residential structures.

2. Effective Dates.

The new system would be effective for property acquired or placed in service after December 31, 1980. A 5-year phase in period would provide progressively shorter recovery periods for long-lived machinery and buildings acquired before 1985.

3. Principal Changes from the Current System.

The proposed new capital recovery system improves upon the current system in several ways. Specifically, it would:

- Substantially increase the incentive for business investments for increased productivity, higher real wages, and sustained economic growth.
- Provide the basis for creating new jobs.
- Improve U.S. competitive position in world markets.
- Reduce the accounting and tax planning burden for taxpayers, by replacing the current, complex concepts such as "useful life" and "facts and circumstances of the anticipated use" which require estimates by taxpayers and later audit by IRS agents and which result in years of dispute and litigation.
- Reduce the auditing burden on the Internal Revenue Service.

Details of both tax proposals are being provided in material released by the Secretary of the Treasury.

C. Estimated Receipts with the Tax Reduction Program.

The table below shows current estimates of receipts and taxes as a share of GNP — before and after the President's Tax reduction program:

	Fiscal years ($ in Billions)					
	1981	1982	1983	1984	1985	1986
Current law receipts	609.0	702.4	807.6	917.2	1033.2	1159.8
Individual Income tax reductions	-6.4	-44.2	-81.4	-118.1	-141.5	-162.4
Depreciation Reform	-2.5	-9.7	-18.6	-30.0	-44.2	-59.3
Proposed user charges	-	2.0	2.6	3.0	3.5	3.9
Receipts with new tax policy	600.2	650.5	710.2	772.1	850.9	942.0
Share of GNP						
Current Law	21.4	22.0	22.4	22.9	23.5	24.1
After tax reduction program	21.1	20.4	19.7	19.3	19.3	19.6

THE PRESIDENT'S PROGRAM TO REDUCE REGULATORY BURDEN

In his address to a Joint Session of the Congress, the President reviewed the actions taken since January 20th and new steps to reduce the burden, cost and intrusion of government regulatory efforts that are unnecessary, duplicative, inefficient, ineffective, or simply not justified on the basis of benefits.

A. Actions Taken Since January 20th.

The actions taken by the President since January 20th include:

- Creation of a Task Force on Regulatory Relief on January 22, 1981. The Task Force is chaired by the the Vice President and has seven cabinet-level members.
- Termination on January 29, 1981, of the Council on Wage and Price Stability's wage-price standards program which has been ineffective in halting the rising rate of inflation, has proven unnecessarily burdensome and a waste of taxpayer money.

- Postponement of regulations on January 29. The President requested the heads of 12 departments and agencies to postpone, to the extent permitted by law, the effective dates of regulations that would otherwise become effective before March 29, 1981, and to refrain to the extent permitted by law from issuing new regulations during that same 60-day period.
- Withdrawal or modification of regulations. In response to the President's request for a close review of existing and proposed regulations, the Secretaries of Education, Transportation, Labor and Energy, and the heads of EPA and OMB already have modified or revoked a number of regulations.

B. New Actions Announced by the President.

The President announced two additional actions in his continuing program to reduce unnecessary regulation. These are:

- Issuance of an Executive Order designed to improve management of the Federal regulatory process.
- Integration of the goals of regulatory relief with paperwork reduction, principally as is carried out under the recently enacted Paperwork Reduction Act of 1980 which provides, in effect, for OMB review of most regulations.

Changes from Current Base
Summary Table of Budget Authority and Outlay Savings by Agency
and Increases to Governmental Receipts
FY 1981 - 1986
(in millions of dollars)

I. Budget Authority and Outlay Savings

	1981		1982		1983		1984		1985		1986		Item Totals	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Department of Agriculture														
Dairy price supports (Commodity Credit Corporation).....	---	138	---	1,095	---	1,614	---	1,887	---	2,263	---	2,727	---	9,724
Food Stamps.....	150	150	1,828	1,822	2,012	2,004	2,462	2,451	2,636	2,624	2,771	2,759	11,859	11,810
Child Nutrition.....	145	42	1,657	1,575	1,800	1,709	1,934	1,835	2,046	1,940	2,158	2,045	9,740	9,146
Rural Electrification Administration (off-budget).....	(38)	(38)	(1,142)	(1,142)	(2,328)	(2,328)	(3,603)	(3,603)	(4,975)	(4,975)	(6,450)	(6,450)	(18,536)	(18,536)
(Loan guarantee commitments).....	(187)		(5,495)		(5,935)		(6,405)		(6,925)		(7,480)		(32,427)	
Farmers Home Admin....	---	30	---	105	30	179	105	255	179	331	255	407	569	1,307
(Direct loan obligations).....	(565)		(2,354)		(2,354)		(2,354)		(2,354)		(2,354)		(12,335)	
Alcohol Fuels/Biomass Loans 1/.....	505	46	---	94	---	3	---	4	---	3	---	3	505	153
Subtotal.....	800	406	3,485	4,691	3,842	5,509	4,501	6,432	4,861	7,161	5,184	7,941	22,673	32,140
Department of Commerce														
Economic and Regional Development (including Appalachian Regional Commission 2/).....	502	24	769	440	854	644	934	755	1,010	882	1,085	997	5,154	3,742
National Oceanic and Atmospheric Admin....	9	6	152	69	202	148	238	216	250	253	241	223	1,092	915
Subtotal.....	511	30	921	509	1,056	792	1,172	971	1,260	1,135	1,326	1,220	6,246	4,657
Department of Defense-Military														
Personnel.....	68	68	2,387	2,387	3,736	3,736	4,152	4,152	4,369	4,369	4,544	4,544	19,256	19,256
Program and all other.	360	280	840	530	1,360	1,050	2,180	1,700	2,860	2,400	3,560	3,000	11,160	8,960
Subtotal.....	428	348	3,227	2,917	5,096	4,786	6,332	5,852	7,229	6,769	8,104	7,544	30,416	28,216

Summary Table (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986		Item Totals	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Department of Education														
Elementary and Secondary Grants Consolidation.....	---	---	1,498	106	1,761	1,217	1,998	1,766	2,366	2,051	2,617	2,272	10,240	7,412
School Assistance in In Federally Affected Areas (Impact Aid)...	67	82	474	450	523	500	567	551	608	584	632	613	2,871	2,780
Vocational Education..	---	---	236	220	242	242	259	252	277	269	294	283	1,308	1,266
Student Assistance....	338	106	1,016	803	1,659	1,499	1,857	1,808	2,074	2,019	2,287	2,233	9,231	8,468
National Institute of Education.....	---	---	20	22	22	20	23	20	25	21	27	22	117	105
Institute of Museum Services.....	12	2	14	12	15	13	16	14	18	16	19	18	94	75
Subtotal.....	417	190	3,258	1,613	4,222	3,491	4,720	4,411	5,368	4,960	5,876	5,441	23,861	20,106
Department of Energy														
Synthetic Fuels.....	545	275	1,028	864	1,064	859	362	676	140	224	25	256	3,164	3,154
Fossil Energy.....	70	59	373	361	522	433	605	549	676	657	602	604	2,848	2,663
Solar Energy.....	99	79	363	365	428	414	372	406	330	330	275	275	1,867	1,869
Other Energy Supply...	148	37	186	156	178	177	178	170	169	158	176	163	1,035	861
Energy Conservation...	254	66	677	310	597	611	427	589	374	433	373	373	2,702	2,382
Energy Information and Departmental Overhead	13	3	38	27	62	62	67	67	73	73	78	78	331	310
Energy Regulation.....	33	33	150	127	138	140	131	132	127	123	118	117	697	672
Alcohol fuels Subsidy 1/.....	745	114	---	29	---	13	---	15	---	15	---	15	745	201
General Science.....	5	4	40	29	45	43	61	61	72	72	84	84	307	293
Subtotal.....	1,912	670	2,855	2,268	3,034	2,752	2,203	2,665	1,961	2,085	1,731	1,965	13,696	12,405
Department of Health and Human Services														
Social Security- Minimum Benefits.....	---	50	---	1,000	---	1,100	---	1,100	---	1,100	---	1,100	---	5,450
Disability Insurance.	---	65	---	550	---	1,175	---	1,700	---	2,225	---	2,750	---	8,465
Student Benefits.....	---	20	---	700	---	1,200	---	1,500	---	1,700	---	1,700	---	6,820
Aid to Families with Dependent Children...	*	*	520	520	670	670	722	722	795	795	824	824	3,531	3,531
Medicaid.....	353	100	1,237	1,013	2,213	1,986	3,166	2,930	4,181	3,916	5,318	5,021	16,468	14,966
Health and Social Services grant Consolidation 3/.....	---	---	2,697	2,540	3,148	2,993	3,532	3,347	3,863	3,676	4,084	3,929	17,324	16,485

Summary Table (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986		Item Totals	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Regulation of Health Care Industry														
-Health Planning.....	28	10	100	62	168	87	180	159	190	188	199	197	865	703
-PSRO'S.....	6	38	15	117	19	134	27	212	29	223	31	234	127	958
(PSRO obligations)..	(38)		(119)		(136)		(215)		(227)		(238)		(973)	
National Institutes of Health 4/.....	126	54	197	145	373	336	512	468	628	584	726	682	2,562	2,269
Health Professions Education.....	219	32	280	126	309	221	336	260	361	297	385	313	1,890	1,249
Health Maintenance Organizations.....	37	6	24	18	57	27	66	50	69	61	72	73	325	235
National Research Service Awards (ADAMHA) 4/.....	4	1	5	4	5	4	6	6	6	5	7	6	33	26
Merchant Seamen (PHS) 5/.....	39	39	110	110	183	183	194	194	205	205	215	215	946	946
National Health Service Corps Scholarship....	16	3	31	14	45	37	54	45	65	54	80	65	291	218
Subtotal.....	828	418	5,216	6,919	7,190	10,153	8,795	12,693	10,392	15,029	11,941	17,109	44,362	62,321
Department of Housing and Urban Development														
Planning Assistance....	34	3	37	26	39	36	42	39	44	41	46	44	242	189
Rehabilitation Loan Fund.....	130	63	130	191	134	210	138	211	140	213	142	214	814	1,102
Neighborhood Self-Help Development.....	8	4	10	9	11	10	11	11	12	11	12	12	64	57
Community Development Support Assistance....	---	---	584	12	678	67	837	271	882	702	926	814	3,907	1,866
Subsidized Housing														
-program level.....	---	1	3,536	10	3,026	39	3,440	95	3,437	223	3,624	371	17,063	739
-rent contributions...	500	9	4,916	232	4,574	538	5,587	1,018	6,066	1,748	6,269	2,445	27,912	5,990
Public Housing Modernization.....	(300)**	---	800	---	800	---	800	20	800	60	800	100	4,000	180
Solar Energy and Conservation Bank.....	121	47	132	149	141	137	150	147	158	157	166	162	868	799
Subtotal.....	793	127	10,145	629	9,403	1,037	11,005	1,812	11,539	3,155	11,985	4,162	54,870	10,922

Summary Table (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986		Item Totals	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Department of the Interior														
Improved targeting of conservation expenditures	573	91	566	270	512	286	465	365	471	349	605	403	3,192	1,764
Youth Conservation Corps	56	52	60	59	60	60	60	60	60	60	60	60	356	351
Subtotal	629	143	626	329	572	346	525	425	531	409	665	463	3,548	2,115
Department of Labor														
Unemployment Insurance-Extended Benefits	400	523	700	1,231	700	477	100	196	100	284	200	287	2,200	2,998
Unemployment Insurance-Work Test	---	---	---	---	---	285	---	285	---	272	---	264	---	1,106
Unemployment compensation for ex-service members	60	60	175	175	175	175	181	181	183	183	183	183	957	957
Trade Adjustment Assistance	---	---	1,150	1,150	760	760	380	380	380	380	380	380	3,050	3,050
Comprehensive Employment and Training (CETA)	153	635	4,644	3,566	4,236	4,073	4,578	4,408	4,946	4,762	5,341	5,143	23,898	22,587
Young Adult Conservation Corps	---	53	250	179	256	248	262	262	269	268	275	274	1,312	1,284
Federal employees injury compensation (FECA)	---	---	102	102	114	114	126	126	138	138	151	151	631	631
Subtotal	613	1,271	7,021	6,403	6,241	6,132	5,627	5,838	6,016	6,287	6,530	6,682	32,048	32,613
Department of Transportation														
Federal Highway Construction	---	---	1,390	244	1,964	1,211	2,546	1,700	3,243	2,088	3,437	2,234	12,580	7,477
Urban Mass Transportation-Capital Grants	210	31	950	270	1,047	545	1,220	975	1,368	1,284	1,497	1,480	6,292	4,585
Operating Subsidies	---	---	103	96	581	256	1,059	600	1,528	1,083	1,626	1,356	4,897	3,391
Airport Construction	272	120	250	140	278	161	305	196	330	219	371	239	1,806	1,075
AMTRAK Subsidies	25	25	431	325	606	485	760	688	964	904	1,056	1,050	3,842	3,477
Northeast Corridor Improvement Project	---	25	288	95	-13	114	20	51	15	25	---	---	310	310
Low volume railroad branch lines	80	8	88	32	96	62	104	80	112	103	119	110	599	395
Highway Safety Grants	---	---	167	16	125	112	138	138	162	150	178	163	770	579
Cooperative Automotive Research Program	12	6	13	9	14	13	15	14	16	14	17	15	97	71
Subtotal	599	215	3,680	1,227	4,698	2,959	6,167	4,442	7,738	5,870	8,301	6,647	31,183	21,160

Summary Table (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986		Item Totals	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Other Independent Agencies														
EPA Waste Treatment Grants	1,000	---	3,610	125	1,540	1,045	1,860	1,970	2,170	1,960	2,465	1,950	12,645	7,050
NASA	75	60	330	241	248	334	-90	86	-390	-156	-200	-124	-27	441
Civil Aeronautics Board-Airline subsidy	---	---	56	50	64	64	54	54	34	34	2	2	210	204
Corporation for Public Broadcasting	---	---	43	43	52	52	73	73	98	98	111	111	377	377
Export-Import Bank	750	60	1,980	410	2,110	990	2,250	1,380	2,410	1,600	2,560	1,710	12,060	6,150
Foreign Aid (FAP)	616	85	1,854	402	205	584	2,513	1,063	2,978	1,527	3,187	1,827	11,353	5,488
National Consumer Cooperative Bank	91	82	136	128	160	152	185	178	185	175	200	190	957	905
National Endowment for the Arts/Humanities	---	---	165	85	186	131	203	193	222	223	239	231	1,015	863
National Science Foundation	63	26	66	15	90	81	120	109	153	141	183	155	675	527
Office of Personnel Management - Institution of annual COLA	---	---	558	510	472	424	430	389	416	366	417	367	2,293	2,056
Postal Service Subsidies	250	250	632	632	690	690	765	765	779	779	779	779	3,895	3,895
Student Loan Marketing Association (off-budget)	---	---	---	(1,923)	---	(2,500)	---	(3,000)	---	(3,500)	---	(4,000)	---	(14,923)
Water Resource Development Construction programs	---	---	95	90	340	337	545	544	515	514	215	217	1,710	1,702
Corps of Engineers	(---)	(---)	(50)	(50)	(296)	(296)	(485)	(485)	(439)	(439)	(179)	(179)	(1,449)	(1,449)
Water & Power Resources Service	(---)	(---)	(35)	(35)	(28)	(28)	(43)	(43)	(57)	(57)	(20)	(20)	(183)	(183)
Soil Conservation Service	(---)	(---)	(10)	(5)	(16)	(13)	(17)	(16)	(19)	(18)	(16)	(18)	(78)	(70)
U.S. Railway Association Conrail subsidies	-350	-250	400	300	550	550	300	300	150	150	100	- 100	1,150	1,150
Subtotal	2,495	313	9,925	3,031	6,707	5,434	9,208	7,104	9,720	7,411	10,258	7,515	48,311	30,808
Federal Personnel Reduction not related to above reductions	386	386	1,342	1,342	1,811	1,811	2,264	2,264	2,763	2,763	3,263	3,263	11,829	11,829
Effects on civilian agency pay costs of revising the Federal Pay Comparability Standard	---	---	2,165	2,079	2,938	2,907	3,463	3,356	3,740	3,698	3,990	3,873	16,296	15,913
Mineral Leasing on Outer Continental Shelf and Federal Lands 6/	250	250	800	800	2,000	2,000	3,100	3,100	3,500	3,500	3,500	3,500	13,150	13,150

Summary Table (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986		Item Totals	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
TOTAL, On-Budget Authority and Outlay Savings	10,661	4,767	54,666	34,757	58,810	50,109	69,082	61,365	76,618	70,232	82,654	77,325	352,491	298,555
Off-budget Items -														
Rural Electrification Administration	38	38	1,142	1,142	2,328	2,328	3,603	3,603	4,975	4,975	6,450	6,450	18,536	18,536
(Loan guarantee commitments)	(187)		(5,495)		(5,935)		(6,405)		(6,925)		(7,480)		(32,427)	
Student Loan Marketing Association	---	---	---	1,923	---	2,500	---	3,000	---	3,500	---	4,000	---	14,923
TOTAL, Budget Authority and Outlay Savings	10,699	4,805	55,808	37,822	61,138	54,937	72,685	67,968	81,593	78,707	89,104	87,775	371,027	332,014

* Less than $500 thousand
** Deferral
1/ The appropriations for the Alcohol Fuels and Biomass programs are in the Department of the Treasury.
2/ Funds for the Appalachian Regional Commission are appropriated to the President.
3/ Some of these savings are to be derived from agencies other than the Department of Health and Human Services.
4/ Elimination of National Research Service Awards is also included in National Institutes of Health reduction.
5/ These savings to the Public Health Service will be partially offset by additional costs to the U.S. Coast Guard, the Merchant Marine and several other agencies.
6/ Offset included for Department of Interior operating costs and payments to states.

II. Other Reductions to the Deficit

	(in millions of dollars)					
	1981	1982	1983	1984	1985	1986
Black Lung Trust Fund reform.....	30	378	354	353	382	469
Smaller reductions (for agencies listed above and for other agencies) that have been identified (outlays).....	---	6,300	8,000	12,000	16,000	18,000
Total, Other reductions to the budget deficit.....	30	6,678	8,354	12,353	16,382	18,469
Off-budget items: Smaller reductions that have been identified.	706	2,617	2,565	2,603	2,637	2,615
Total, Other reductions to the deficit, including off-budget items.....	736	9,295	10,919	14,956	19,019	21,084

III. Increases to Governmental Receipts

	(in millions of dollars)					
	1981	1982	1983	1984	1985	1986
Corps of Engineers						
Inland Waterway User Charges						
Increase fuel tax to recover operation, maintenance, and replacement costs and capital costs on new waterways	—	—	258	275	300	315
Transportation						
Coast Guard						
Phase-in fees for Coast Guard Services	—	100	200	300	400	500
Federal Aviation Administration						
Increase trust fund taxes to cover all operating expenses	—	1,882	2,159	2,442	2,753	3,104
Subtotal	—	1,982	2,359	2,742	3,153	3,604
Total, increases to governmental receipts	—	1,982	2,617	3,017	3,453	3,919

IV. Summary effects on the deficit

	(in millions of dollars)					
	1981	1982	1983	1984	1985	1986
Listed outlay savings (Table I).....	4,767	34,757	50,109	61,365	70,232	77,325
Other outlay reductions (Table II).....	30	6,678	8,354	12,353	16,382	18,469
Total, effect on outlays.....	4,797	41,435	58,463	73,718	86,614	95,794
Increases to governmental receipts (Table III).	---	1,982	2,617	3,017	3,453	3,919
Total, effect on the budget deficit....	4,797	43,417	61,080	76,735	90,067	99,713
Off-budget outlays listed above (Table I).....	38	3,065	4,828	6,603	8,475	10,450
Other changes in off-budget entities that have been identified (Table II).....	706	2,617	2,565	2,603	2,637	2,615
Total, off-budget changes.....	744	5,682	7,393	9,206	11,112	13,065
Effect on the deficit, including effects on off-budget entities.....	5,541	49,099	68,473	85,941	101,179	112,778

We will fill the blanks with figures next week.
RR

February 17, 1981
Second Draft

Mr. Speaker, Mr. President, Distinguished Members of the Congress, Honored Guests and fellow citizens:

Only a month ago, I was your guest in this historic building and I pledged to you my cooperation in doing what is right for this Nation we all love so much.

I am here tonight to reaffirm that pledge and to ask that we share in restoring the promise that is offered to every citizen by this, the "last, best hope of ~~man.~~ earth."

All of us are aware of the punishing inflation which has, for the first time in some 60 years, held to double digit figures for two years in a row. Interest rates have reached absurd levels of more than 20 percent and over 15 percent for those who would borrow to buy a home. All across this land one can see newly-built homes standing vacant, unsold because of mortgage interest rates.

Almost eight million Americans are out of work. These are people who want to be productive. But as the months go by, despair dominates their lives. The threats of layoff and unemployment hang over other millions, and all who work are frustrated by their inability to keep up with inflation.

One worker in a Midwest city put it to me this way: he said, "I'm bringing home more dollars than I thought I could ever earn but I seem to be getting worse off." Well, he is. The average weekly take home pay of an American worker in 1972 was $122 a week. If we figure his take home

Hourly earnings of the American worker, after adjusting for inflation, have declined five percent over the last five years. And furthermore, in the last ~~five~~ seven years, federal personal taxes for the average family increased 69 percent.

pay last year in those same 1972 dollars, he only received $105. And inflation isn't the only cause of this. In the last four years Federal personal taxes for the average family increased by 58 percent.

We can no longer procrastinate and hope things will get better. They will not. If we do not act forcefully, and now, the economy will get worse.

Can we who man the ship of state deny it is out of control? Our National debt is approaching $1 trillion. A few weeks ago I called such a figure -- a trillion dollars -- incomprehensible. I've been trying to think of a way to illustrate how big it really is. The best I could come up with is to say that a stack of $1,000 bills in your hand only four inches high would make you a millionaire. A trillion dollars would be a stack of $1,000 bills 67 miles high.

The interest on our debt this year will be almost $80 billion. And unless we change the proposed spending for the fiscal year beginning October 1st we'll add another almost $80 billion to the debt.

Adding to our troubles is a mass of regulations imposed on the shopkeeper, the farmer, the craftsman, professionals and major industry that adds $100 billion to the price of things we buy and reduces our ability to produce. The rate of increase in American productivity, once the highest in the world, is among the lowest of all major industrial nations. Indeed, it actually declined last year.

I have painted a grim picture but I believe I have painted it accurately. It is within our power to change this picture and we can act in hope. There is nothing wrong with our internal strengths. There has been no breakdown in the human, technological, and natural resources upon which the economy is built.

Based on this confidence in a system which has never failed us -- but which we have failed through a lack of confidence, and sometimes through a belief that we could fine tune the economy and get a tune more to our liking -- I am proposing a comprehensive four-part program. I will now outline and give in some detail the principal parts of this program, but you will each be provided with a completely detailed copy of the program in its entirety.

This plan is aimed at reducing the growth in government spending and taxing, reforming and eliminating regulations which are unnecessary and counterproductive, and encouraging a consistent monetary policy aimed at maintaining the value of the currency.

If enacted in full, our program can help America create 13 ~~12~~ million new jobs, nearly three million more than we would without these measures. It will also help us gain control of inflation, ~~cutting it in half by 1986, and to less than five percent by 1986.~~

It is important to note that we are only reducing the rate of increase in taxing and spending. We are not attempting to cut either spending or taxing to a level below that which we presently have. This plan will get our economy moving again, increase productivity growth, and thus create the jobs our people must have.

spending

Isn't it confusing not to put in $41.4b for direct Federal spending?

direct Federal ~~expenditures~~ in fiscal year 1982, along with $7.7 billion in user fees and off-budget savings for a total savings of $49.1 billion.

I am asking that you join me in reducing ~~the proposed budget for 1982 by $___ billion.~~ by $41.4 billion. This will still allow an increase of $40.8 billion over 1981 spending.

I know that exaggerated and inaccurate stories about these cuts have disturbed many people, particularly those dependent on grant and benefit programs for their basic needs. Some of you have heard from constituents afraid that Social Security checks, for example, might be taken from them. I regret the fear these unfounded stories have caused and welcome this opportunity to set things straight.

We will continue to fulfill the obligations that spring from our national conscience. Those who through no fault of their own must depend on the rest of us, the poverty stricken, the disabled, the elderly, all those with true need, can rest assured that the social safety net of programs they depend on are exempt from any cuts.

OASI 20.5 7.0 SSI 3.7 dep.

31 million

The full retirement benefits of the more than 31 million Social Security recipients will be continued along with an annual cost of living increase. Medicare will not be cut, nor will supplemental income for the blind, aged and disabled. Funding will continue for veterans' pensions.

does not include aid to elderly

School breakfasts and lunches for the children of low income families will continue as will nutrition and other special services for the aging. There will be no cut in probable cut Project Head Start or summer youth jobs. ~~There will be about $3.5 billion for job training programs under C.E.T.A. and we will keep nearly a million college work-study jobs as well as more than 900,000 loans to college students.~~

I thought we were cutting CETA (Figures??) (Not sure what this is??) If not what about Work Incentive - I need - the college loans ??

RR

All in all, nearly ~~more than~~ $216 billion ~~in some 20 programs~~ providing help for tens of millions of Americans -- will be ~~maintained at the present growth level.~~ But government will not continue to subsidize individuals or particular business interests where real need cannot be demonstrated. And while we will reduce some subsidies to regional and local government, we will at the same time convert a number of categorical grant programs into block grants to reduce wasteful administrative overhead and to give local government entities and States more flexibility and control. We call for an end to duplication in Federal programs and reform of those which are not cost-effective.

Insert paragraph from P. 17

[Historically the American people have supported by voluntary contributions more artistic and cultural activities than all the other countries in the world put together.] I wholeheartedly support this approach and believe Americans will continue their generosity. Therefore, I am proposing a savings of ~~$128~~ 85 million in the Federal subsidies now going to the arts and humanities.

There are a number of subsidies to business and industry I believe are unnecessary. Not because the activities being subsidized aren't of value but because the marketplace contains incentives enough to warrant continuing these activities without a government subsidy. One such subsidy is the synthetic fuels program (Department of Energy). We will continue support of research leading to development of new technologies and more independence from foreign oil, but we can save at least $ ~~8.7~~ 3.2 billion by leaving to

We show 3.2 savings for synthetic fuels program 1981 through 1986.

private industry the building of plants to make liquid or gas fuels from coal.

We are asking that another major business subsidy, the Export-Import Bank loan authority, be reduced by one-third in 1982. We are doing this because the primary beneficiaries of taxpayer funds in this case are the exporting companies themselves -- most of them profitable corporations.

And this brings me to a number of other lending programs in which government makes low-interest loans, some of them for an interest rate as low as 2 percent. ~~and not more than 5 percent.~~ What has not been very well understood is that the Treasury Department has no money of its own. It has to go into the private capital market and borrow the money to provide those loans. In this time of excessive interest rates the government finds itself paying interest several times as high as it receives from the borrowing agency. The taxpayers -- your constituents -- of course, are paying that high interest rate and it just makes all other interest rates higher.

By terminating the Economic Development Administration we can save ~~$300~~ (hundreds of) million (of dollars) in 1982 and ~~$2~~ billion (more over the next few years) ~~through 1985~~. There is a lack of consistent and convincing evidence that E.D.A. and its Regional Commissions have been effective in creating new jobs. They have been effective in creating an array of planners, grantsmen and professional middlemen. We believe we can do better just by the expansion of the economy and the job creation which will come from our economic program.

The Food Stamp program will be restored to its original purpose, to assist those without resources to purchase sufficient nutritional food. We will, however, save ~~$2.6~~ 1.8 billion in FY 1982 by removing from eligibility those who are not in real need or who are abusing the program. Despite this reduction, the program will be budgeted for more than $10 billion.

We will tighten welfare and give more attention to outside sources of income when determining the amount of welfare an individual is allowed. This plus strong and effective work requirements will save ~~$671~~ 520 million next year.

I stated a moment ago our intention to keep the school breakfast and lunch programs for those in true need. But by cutting back on meals for children of families who can afford to pay, the savings will be $1.6 billion in FY 1982.

Let me just touch on a few other areas which are typical of the kind of reductions we have included in this economic package. The Trade Adjustment Assistance program provides benefits for workers who are unemployed when foreign imports reduce the market for various American products causing shutdown of plants and layoff of workers. The purpose is to help these workers find jobs in growing sectors of our economy. And yet, because these benefits are paid out on top of normal unemployment benefits, we wind up paying greater benefits to those who lose their jobs because of foreign competition than we do to their friends and neighbors who are laid off due to domestic competition. Anyone must

agree that this is unfair. Putting these two programs on the same footing will save $1.15 billion in just one year.

Earlier I made mention of changing categorical grants to States and local governments into block grants. We know of course that categorical grant programs burden ~~local~~ State and ~~State~~ local governments with a mass of Federal regulations and Federal paperwork. X

Ineffective targeting, wasteful administrative overhead -- all can be eliminated by shifting the resources and decision-making authority to ~~local~~ State and ~~State~~ local government. This will also consolidate programs which are scattered throughout the Federal bureaucracy. It will bring government closer to the people and will save ~~$5~~ $23.9 billion over the next five years. X

Our program for economic renewal deals with a number of programs which at present are not cost-effective. An example is Medicaid. Right now Washington provides the States with unlimited matching payments for their expenditures. At the same time we here in Washington pretty much dictate how the States will manage the program. We want to put a cap on how much the Federal Government will contribute but at the same time allow the States much more flexibility in managing and structuring their programs. I know from our experience in California that such flexibility could have led to far more cost-effective reforms. This will bring a savings of $1 billion next year.

The space program has been and is important to America and we plan to continue it. We believe, however, that a reordering of priorities to focus on the most important and cost-effective NASA programs can result in a savings of a quarter of a billion dollars.

Coming down from space to the mailbox -- the Postal Service has been consistently unable to live within its operating budget. It is still dependent on large Federal subsidies. We propose reducing those subsidies by $632 million in 1982 to press the Postal Service into becoming more effective.

The Economic Regulatory Administration in the Department of Energy has programs to force companies to convert to specific fuels. It administers a gas rationing plan and prior to decontrol it ran the oil price control program. With these regulations gone we can save several hundreds of millions of dollars over the next few years.

Now I'm sure there is one department you've been waiting for me to mention. That is the Department of Defense. It is the only department in our entire program that will actually be increased over the present budgeted figure. But even here there was no exemption. The Department of Defense came up with a number of cuts which reduced the budget increase needed to restore our military balance.

I believe my duty as President requires that I recommend increases in defense spending over the coming years. Since 1970 the Soviet Union has invested $300 billion more in its military forces than we have. As a result of its massive military buildup, the Soviets now have a significant numerical advantage in strategic nuclear delivery systems, tactical aircraft, submarines, artillery and anti-aircraft defense. To allow this imbalance to continue is a threat to our national security.

Notwithstanding our economic straits, making the financial changes beginning now is far less costly than waiting and attempting a crash program several years from now. Nevertheless, the Department of Defense will not be spared the obligation of making significant reductions over the coming years by finding and eliminating waste and inefficiency in its existing programs. These measures will save $2.9 billion in 1982 and a total of $28.2 billion ~~by 1988~~ will have been saved. The aim will be to provide the most effective defense for the lowest possible cost.

We remain committed to the goal of arms limitation through negotiation and hope we can persuade our adversaries to come to realistic balanced and verifiable agreements. But, as we negotiate, our security must be fully protected by a balanced and realistic defense program.

Let me say a word here about the general problem of waste and fraud in the Federal Government. The Department

of Justice ~~has~~ once estimated that fraud alone may account for anywhere from 1 to 10 percent -- as much as $25 billion -- of Federal expenditures for social programs. If the tax dollars that are wasted or mismanaged are added to this fraud total, the staggering dimensions of this problem begin to emerge.

The Office of Management and Budget is now putting together an interagency task force to attack waste and fraud, and we are planning to appoint as inspector generals highly-trained professionals who will spare no effort to do this job.

No administration can promise to immediately stop a trend that has grown in recent years as quickly as government expenditures themselves. But let me say this: waste and fraud in the Federal budget is exactly what I have called it before -- an unrelenting national scandal -- a scandal we are bound and determined to do something about.

Marching in lockstep with the whole program of reductions in spending is the equally important program of reduced tax rates. Both are essential if we are to have economic recovery. It is time to create new jobs, build and rebuild industry, and give the American people room to do what they do best. And that can only be done with a tax program which provides incentive to increase productivity for both workers and industry.

Our proposal is for a 10 percent across-the-board cut every year for three years in the tax rates for all individual income taxpayers making a total tax cut of 30 percent. This three-year reduction will also apply to the tax on unearned income leading toward an eventual elimination of the present differential between the tax on earned and unearned income.

I had hoped we could make this retroactive to January 1st but the explosion of the Federal deficit since last September has ruled that out. We also learned that making it retroactive would work a hardship on States where the State income tax is tied to the Federal tax. Their budgets, already in place, would be thrown out of balance.

Therefore, the effective starting date for these 10 percent personal income tax rate reductions will be July 1st of this year.

Again, let me remind you this 30 percent reduction in marginal rates, while it will leave the taxpayers with $500 billion more in their pockets over the next five years, is actually only a reduction in the tax increase already built into the system.

Unlike some past tax (quote, unquote) "reforms," this is not merely a shift of wealth between different sets of taxpayers. This proposal for an equal reduction in everyone's tax rates will expand our national prosperity, enlarge national incomes, and increase opportunities for all Americans.

Some will argue, I know, that ~~a reduced~~ reducing tax rates now will be inflationary. ~~A solid body of~~ economic experts does not agree. And certainly tax cuts adopted over the past three-fourths of a century indicate ~~the~~ these economic experts are right. The advice I have had is that by 1985 our real production of goods and services will grow by 20 percent and will be ~~$400~~ $300 billion higher than it is today. The average worker's wage will rise (in real purchasing power) by eight percent and those are after-tax dollars. This, of course, is predicated on our complete program of tax cuts and spending reductions being implemented.

The other part of the tax package is aimed directly at providing business and industry with the capital needed to modernize and engage in more research and development. This will involve an increase in depreciation allowances and this part of our tax proposal will be retroactive to January 1st.

The present depreciation system is obsolete, needlessly complex, and economically counterproductive. Very simply, it bases the depreciation of plant, machinery, vehicles, and tools on their original cost with no recognition of how inflation has increased their replacement cost. We are proposing a much shorter write-off time than is presently allowed. We propose a five-year write-off for machinery; three years for vehicles and trucks; and a ten-year write-off for plant.

In ~~calendar~~ fiscal year 1982 under this plan business would acquire nearly $10 billion for investment and by 1985 the figure would be nearly $45 billion. These changes are essential to provide the new investment which is needed to create ~~three~~ 5 million new jobs between now and 1986 and to make America competetive once again in world markets. These are not makework jobs, they are productive jobs WITH A ~~for the~~ future.

I'm well aware that there are many other desirable tax changes such as indexing the income tax brackets to protect taxpayers against inflation. There is the unjust discrimination against married couples if both are working and earning, tuition tax credits, the unfairness of the inheritance tax especially to the family-owned farm and the family-owned business and a number of others. But our program for economic recovery is so urgently needed to begin to bring down inflation that I would ask you to act on this plan first and with great urgency. Then I pledge to you I will join with you in seeking these additional tax changes at an early date.

American society experienced a virtual explosion in government regulation during the past decade. Between 1970 and 1979, expenditures for the major regulatory agencies quadrupled, the number of pages published annually in the Federal Register nearly tripled, and the number of pages in the Code of Federal Regulations ~~nearly doubled.~~ increased by nearly two-thirds.

The result has been higher prices, higher unemployment, ~~less employment,~~ and lower productivity growth. Overregulation causes small and independent businessmen and women, as well as large businesses, to defer or terminate plans for expansion and, since they are responsible for most of our new jobs, those new jobs aren't created.

We have no intention of dismantling the regulatory agencies -- especially those necessary to protect the environment and to assure the public health and safety. However, we must come to grips with inefficient and burdensome regulations -- eliminate those we can and reform those we must keep.

I have asked Vice President Bush to head a cabinet-level Task Force on Regulatory Relief. Second, I asked each member of my Cabinet to postpone the effective dates of the hundreds of regulations which have not yet been implemented. Third, in coordination with the Task Force, many of the agency heads have taken prompt action to review and rescind existing burdensome regulations. Finally, just yesterday, I signed an executive order that for the first time provides for effective and coordinated management of the regulatory process.

Although much has been accomplished, this is only a beginning. We will eliminate those regulations that are unproductive and unnecessary by executive order where possible and cooperate fully with you on those that require legislation.

The final aspect of our plan requires a national monetary policy which does not allow money growth to increase consistently faster than the growth of goods and services. In order to curb inflation, we need to slow the growth in our money supply.

We fully recognize the independence of the Federal Reserve System and will do nothing to undermine that independence. We will consult regularly with the Federal Reserve Board on all aspects of our economic program and will vigorously pursue budget policies that will make their job easier in reducing monetary growth.

A successful program to achieve stable and moderate growth patterns in the money supply will keep both inflation and interest rates down and restore vigor to our financial institutions and markets.

This, then, is our proposal. "America's New Beginning: A Program for Economic Recovery." I do not want it to be simply the plan of my Administration -- I am here tonight to ask you to join me in making it our plan. Together, we can embark on this road not to make things easy, but to make things better.

Can we do the job? The answer is yes. But we must begin now. Our social, political, and cultural, as well as our economic institutions, can no longer absorb the repeated shocks that have been dealt them over the past decades.

We are in control here. There is nothing wrong with America that we can't fix. So I'm full of hope and optimism that we will see this difficult new challenge to its end -- that we will find those reservoirs of national will to once again do the right thing.

I'm sure there will be some who will raise the familiar old cry, "don't touch my program -- cut somewhere else."

I hope I've made it plain that our approach has been even-handed; that only the programs for the truly deserving needy remain untouched.

To Page 5

Already, some have protested there must be no reduction of aid to schools. Let me point out that Federal aid to education amounts to only ~~10~~ eight percent of total educational funding. For this the Federal Government has insisted on a tremendously disproportionate share of control over our schools. Whatever reductions we've proposed in that ~~10~~ eight percent will amount to very little of the total cost of education. It will, however, restore more authority to States and local school districts.

The question is, are we simply going to go down the same path we've gone down before -- carving out one special program here and another special program there. I don't think that is what the American people expect of us. More important, I don't think that is what they want. They are ready to return to the source of our strength.

The substance and prosperity of our Nation is built by wages brought home from the factories and the mills, the farms and the shops. They are the services provided in ten thousand corners of America; the interest on the thrift of our people and the returns from their risk-taking. The production of America is the possession of those who build, serve, create, and produce.

For too long now, we've removed from our people the decisions on how to dispose of what they created. We have strayed from first principles. We must alter our course.

The taxing power of government must be used to provide revenues for legitimate government purposes. It must not be used to regulate the economy or bring about social change. We've tried that and surely must be able to see it doesn't work.

Spending by government must be limited to those functions which are the proper province of government. We can no longer afford things simply because we think of them.

~~In the months left in this fiscal year we can reduce the budget by $___ billion and in 1982 by~~ Next year we can reduce the budget by $ 41.4 billion, without harm to government's legitimate purposes and to our responsibility to all who need our benevolence. This, plus the reduction in tax rates, will ~~put an~~ help bring an end to inflation.

~~May I direct a question to those who have indicated unwillingness to accept this plan for a new beginning: an~~

This came from Dave Stockman

In the Health and social services areas alone the plan we are proposing will substantially reduce the need for 465 pages of laws, 1400 pages of regulations and 5000 EEDs employees who presently administer 7,600 separate grants at about 25,000 locations. Over 7 mil. men & women hours of work by state & local officials are required to fill out Fed. forms

May I direct a question to those who have indicated unwillingness to accept this plan for a new beginning; an economic recovery? Have they an alternative which offers a greater chance of balancing the budget, reducing and eliminating inflation, stimulating the creation of jobs, and reducing the tax burden? And, if they haven't, are they suggesting we can continue on the present course without coming to a day of reckoning in the very near future? and a growing tax burden.

If we don't do this, inflation will put an end to everything we believe in and to our dreams for the future. We do not have an option of living with inflation and its attendant tragedy, of millions of productive people willing and able to work but unable to find buyers in the job market.

We have an alternative to that, a program for economic recovery, a program that will balance the budget, put us well on the road to our ultimate objective of eliminating inflation entirely, increasing productivity and creating millions of new jobs.

True, it will take time for the favorable effects of our proposal to be felt. So we must begin now.

The people are watching and waiting. They don't demand miracles, but they do expect us to act. Let us act together.

Thank you and good night.

THE WHITE HOUSE

Office of the Press Secretary

EMBARGOED FOR WIRE TRANSMISSION
UNTIL 4:00 P.M. (E.S.T.) AND
EMBARGOED FOR RELEASE UNTIL
9 P.M. (E.S.T.), Wednesday, February 18, 1981

February 18, 1981

FACT SHEET

President Reagan's Initiatives to Reduce Regulatory Burdens

Summary: President Reagan today announced the details of a far-reaching program to reduce the burden of Federal regulations and paperwork, and to reduce the intrusion of the Federal Government into our daily lives.

BACKGROUND

- During the campaign, President Reagan promised swift action to ease the economic burden of government regulation.
- Previous administrations have instituted programs to manage the regulatory process. But, despite these measures, regulations have continued to proliferate, often based on inadequate analysis of the costs and benefits that would result.
- During the last month of the Carter Administration, regulatory agencies in the Executive Branch issued more than 150 final regulations. Of these so-called "Midnight Regulations," over 100 were scheduled to become effective within the next 60 days. Many of these new regulations impose substantial new burdens on the economy.
- Often, the high cost of regulatory compliance is due to the cumulative effect on an industry of many agencies' rules, rather than to a single major rule. For example, at least five Federal agencies directly regulate the auto industry, and these five agencies are now considering more than 50 significant new auto rules.
- This year, the Federal government is forcing Americans to spend over a billion hours providing information to the government.

ACTIONS TAKEN SINCE JANUARY 20

Since taking office on January 20th, the President has taken a number of actions as a part of a broad effort to free the economy, wherever feasible, of the hidden tax of complying with Federal rules and paperwork requirements which do not contribute to the public welfare. This effort will also seek to assure that regulations essential to the goal of protecting the public health and safety achieve their goal in the most efficient manner.

1. Task Force on Regulatory Relief

   President Reagan announced the creation of a Presidential Task Force on Regulatory Relief on January 22, 1981. It is chaired by the Vice President. The other members are the Secretary of the Treasury, the Attorney General, the Secretary of Commerce, the Secretary of Labor, the Director of the Office of Management and Budget, the Assistant to the President for Policy Development, and the Chairman of the Council of Economic Advisers.

This Task Force has ongoing responsibilities which will be reinforced by the President's Executive Order on Federal Regulation. The Task Force will:

- Review major regulatory proposals by executive branch agencies, especially those proposals that would appear to have major policy significance or where there is overlapping jurisdiction among agencies.
- Assess executive branch regulations already on the books, especially those that are burdensome to the national economy or to key industrial sectors.
- Oversee the development of legislative proposals in response to Congressional timetables (e.g., the Clean Air Act must be reauthorized this year), and codify the President's views on the appropriate role and objectives of regulatory agencies.
- Seek to increase public awareness of regulations and their impact, including regulatory expenditures that do not show up in the Federal budget.
- Make recommendations to the President on regulatory personnel and how to reform regulation through Executive Orders, agency actions, and legislative changes.

2. Termination of CWPS's Wage-Price Program

On January 29, President Reagan issued Executive Order 12288 terminating the Council on Wage and Price Stability's wage-price standards program.

The Council on Wage and Price Stability (CWPS) was created in 1974 to study and encourage wage and price restraint, monitor inflation in the economy, encourage productivity, and review the inflationary impact of government programs and regulations. In 1978, President Carter directed CWPS to establish a program of "voluntary" wage and price standards. The Office of Federal Procurement Policy was ordered to issue regulations denying Federal contracts to violators of these standards. The CWPS staff grew from approximately 50 to 238 in 1979. As of January 20, 1981, employment was 170.

The CWPS program of wage-price standards proved ineffective in halting the rising rate of inflation. It proved to be an unnecessary burden on labor and industry, and a waste of taxpayers' money.

About $1.5 million will be saved in 1981 by this action, employment in the Executive Office of the President will be reduced by about 135 people, and Federal requirements that businesses submit voluminous reports will be ended. Companies spent some $300 million to comply with the reporting requirements alone of this program (more than 5,000 company reports were submitted to CWPS). CWPS's small regulatory staff will work closely with OMB and the Presidential Task Force on Regulatory Relief to carry out the program of regulatory relief.

3. Postponement of Pending Regulations

On January 29, President Reagan requested the heads of 12 departments and agencies, to the extent permitted by law, to postpone the effective dates of regulations that otherwise would have become effective before March 29 and refrain from issuing any new final regulations during this same 60-day period. This suspension in the effective date of new regulations was to:

- Allow the new Administration time to review the "midnight" regulations issued during the last days of the Carter Administration to assure that they are cost-effective and in concert with this Administration's policies.
- Allow time for this Administration's appointees to come aboard and to become familiar with the details of the various programs for which they will be responsible.

- Allow time for this Administration, through the Presidential Task Force, to develop improved procedures for management and oversight of the regulatory process.

The request was sent to the heads of the Departments of Agriculture, Commerce, Education, Energy, Health and Human Services, Housing and Urban Development, Interior, Justice, Labor, Transportation and Treasury, and the Environmental Protection Agency.

With certain exceptions, the effective dates of all rules that would have become legally effective during the 60-day period have been extended. The Office of Management and Budget has received and has granted several requests for waivers of this regulatory suspension. Most such cases involve regulatory actions necessary for economic activity to go forward.

4. Initial Regulatory Actions

The program of regulatory relief is underway. Several cabinet departments and agencies, on their own initiative and in coordination with the President's Task Force, have taken action on several significant issues:

- On February 2, the Secretary of Education withdrew the proposed bilingual education rules. These rules would have required all school systems to offer bilingual instruction to each child whose primary language is other than English. The Department estimated that the proposed rule could have cost up to $1 billion over the first 5 years of the program and an annual maintenance cost of between $72 million and $157 million thereafter.

- On February 9, the Secretary of Transportation proposed a one-year delay in a regulation which would have mandated the installation of passive restraints, beginning with large cars, in September 1981. The implementation of this regulation could have resulted in consumers paying as much as $800 more per vehicle equipped with air bags. Moreover, this requirement would have hit U.S. auto producers hardest. Before the government imposes additional costs on the consumer and puts an additional financial burden on an already troubled industry, it must be sure that such an action is warranted. A one-year delay will provide the opportunity for such an evaluation.

- On February 9, the EPA asked the D.C. Court of Appeals to remand to it a rule setting noise emission standards for garbage trucks. This request set in motion a process in which EPA will review regulatory alternatives suggested by the garbage truck industry. During this review, EPA will not enforce any aspect of the rule. When the rule was issued, EPA estimated that it would cost $25 million annually to comply with the rule, most of which would be borne by municipalities.

- On February 12, the Secretary of Labor announced action on three major rules.

  - An OSHA rule requiring that chemicals in the workplace be labeled was withdrawn for reconsideration. This rule, if issued in final form, would have cost between $643 million and $900 million initially, and between $338 million and $473 million annually according to Labor Department figures. Lower-cost means of assuring worker protection will be sought.

  - New rules under the Fair Labor Standards Act were postponed indefinitely. These would have raised the salary levels used as tests, in part, to determine whether executives must be paid overtime. This would have cost employers over $50 million annually, would have reduced employment opportunities, and would have raised prices, especially in the fast foods industry.

  - The implementation of new rules under the Service Contract Act was postponed. These rules would have extended Davis-Bacon "prevailing wage" principles to those timber sales, automatic data processing, and research and development firms

under contract with the Federal government. The Department estimated that these rules would have cost at least $68 million annually.

- On February 14, OMB withdrew the policy memorandum on Federal Support for Hospital Construction issued by the previous Administration. This policy set out an elaborate review process to prevent Federal support for unnecessary hospital construction and renovation projects. In the Administration's judgment, the objectives of the policy could be met more simply and effectively through other means.
- On February 17, the President rescinded the mandatory Federal controls on building temperatures which had been imposed by the previous Administration. This action allows operators of non-residential buildings to choose the methods of conserving energy that best suit their circumstances.
- On February 17, the Secretary of Energy took several actions:
  - Announced that national energy efficiency standards for major household appliances will not be issued until a thorough review is completed. The 1980 proposal would require producers to redesign, by 1986, virtually all existing models of these appliances and to retool their production lines. As a result, many small firms would probably be forced out of business. Consumers would face sharply higher purchase prices —about $500 million annually. Low-income families could be especially hard-hit, since the standards would prohibit continued production of the kinds of lower cost appliances they can afford.
  - Withdrew proposed standby energy conservation measures involving a compressed work week, vehicle use stickers, and the part of the employer-based commuter and travel measures concerning working hours and transit subsidies. In addition, the Secretary has proposed to withdraw several interim final measures, including odd-even day motor fuel purchases, additional employer-based commuter and travel measures, increased enforcement and/or reduction of the 55 m.p.h speed limit and mandatory temperature restrictions. This action will remove measures which, if implemented, would interfere excessively in the daily life and business of Americans.
- On February 17, the Director of OMB revoked the Department of Energy's clearance under the Federal Reports Act for the collection of industrial energy consumption data.. A number of respondents have provided data which demonstrated that the information requested is needlessly detailed and unduly burdensome. This action will terminate the collection of industrial energy data for sites not subject to Federal regulation and preclude the Federal Government from expanding its regulatory programs.
- On February 17, President Reagan revoked Executive Order 12264, which established a cumbersome, duplicative and burdensome regulatory policy regarding the export of some hazardous substances. The rescinded Executive Order would have threatened American workers' jobs and could have disrupted production abroad where affected U.S. exports serve as vital material inputs. Procedures already exist which inform foreign governments of hazards associated with exported American products. Thus, each foreign government can decide for itself whether to import the products and what precautions to take.

NEW ACTIONS ANNOUNCED BY THE PRESIDENT

Building on the steps taken since January 20th, today the President announced the following additional actions taken by his Administration:

1. The Executive Order on Federal Regulation

Yesterday, the President signed a new Executive Order designed to improve coordination and management of the Federal regulatory process. This Order will produce better quality regulation and reduce the excess burden of regulation on the American people. The Order:

- Instructs the agencies on what is expected of them with respect to their regulatory work and provides reassurance to the American people of the government's ability to control its regulatory activities.
- Charges the Office of Management and Budget with administering the new order, subject to the overall direction of the Presidential Task Force on Regulatory Relief.
- Emphasizes that: regulatory decisions should be based on adequate information; actions should not be undertaken unless the potential benefits to society outweigh the potential costs; and regulatory priorities should be set on the basis of net benefits to society.
- Directs agencies to determine the most cost-effective approach for meeting any given regulatory objective, and requires that factors such as the economic condition of industry, the national economy, and prospective regulations be taken into account.
- Requires each agency to perform certain tasks as part of the development of an important regulation. A Regulatory Impact Analysis is required to evaluate potential benefits and costs in light of the regulatory objectives. A determination must be made that any proposed rule is consistent with applicable legal authority and Presidential policy and that it reflects careful evaluation of the comments of all persons affected by or interested in the regulation. The Task Force is to oversee this process; the Office of Management and Budget is to make substantive comments on regulatory analyses, help determine which new and existing regulations should be so analyzed, and oversee the publication of semiannual regulatory agendas.

2. Integrating the Goals of Regulatory Relief with Paperwork Reduction

The Administration's program to reduce regulatory burdens will be integrated with its program to implement the Paperwork Reduction Act of 1980. During 1981, given present requirements, Americans will spend over 1.2 billion hours filling out government forms. This is equivalent to the annual labor input for the entire steel industry.

The costs of Federal paperwork and regulation discourage Americans from opening small businesses, doctors from accepting Medicare patients, and State and local governments from requesting needed Federal aid. The Office of Management and Budget has exercised some control over the paperwork burdens of the cabinet departments since 1942. Last year, OMB supervised an effort which resulted in a reduction of almost 10 percent in the burden imposed by agencies subject to OMB Federal Reports Act authority. However, agencies not subject to OMB information collection review increased their paperwork load last year by more than 10 million hours.

The Paperwork Reduction Act of 1980 brings the independent regulatory agencies under OMB authority, directs that the paperwork burden be reduced by 15 percent by October 1, 1982, and relates the effort to reduce paperwork burden to the need to minimize regulatory burden.

This Act creates an Office of Information and Regulatory Affairs within OMB and directs the agency to review Federal regulations that contain a recordkeeping or reporting requirement under a variety of different procedures. It provides that no agency may impose civil or criminal penalties on any person who fails to comply with a recordkeeping or reporting requirement that has not received OMB approval.

3. Future Candidates for Regulatory Review

The Administration is completing a comprehensive initial review of the regulations of 14 key executive branch agencies: Departments of Treasury, Justice, Interior, Agriculture, Commerce, Labor, Health and Human Services, Housing and Urban Development, Transportation, Energy and Education, and the Environmental Protection Agency, the Equal Employment Opportunity Commission and the Office of Management and Budget. This review covers both rules under development as well as rules now in effect. Regulations now under development can usually be withdrawn, modified, or cancelled by the agency head at his or her direction. In the case of existing rules, the agency head will have to issue a new notice of proposed rulemaking and follow usual procedures before making substantive change. That is, revision or withdrawal of these existing rules would require that the agency propose the revision or withdrawal and obtain public comment before taking final action.

During the coming weeks and months, agencies will be conducting intensive reviews of many existing and proposed regulations -- at their own initiative, and in response to requests from the Task Force on Regulatory Relief.

4. Legislative Changes

The Administration will examine all legislation that serves as the foundation for major regulatory programs. This review will be led by the Presidential Task Force on Regulatory Relief and will result in recommendations to reform these statutes.

Not all of our regulatory problems can be solved satisfactorily through more effective regulatory management and decision-making. Statutory constraints often preclude effective regulatory decisions. Also, the Administration's efforts to better control the regulatory process may, in some cases, require further Congressional action. For example:

- Many of the statutes are conflicting, overlapping, or inconsistent. Some force agencies to promulgate regulations while giving them little discretion to take into account changing conditions or new information. Other statutes give agencies extremely broad discretion, which they may sometimes exercise unwisely. Statutes should not force agencies to promulgate inefficient regulations: they should provide agencies with requisite discretion and sufficient direction so that they act wisely.
- Compliance deadlines are often established in various laws. In general, they are imposed to ensure that agencies move forward expeditiously in implementing the law. However, these deadlines are often impossible to meet, especially if the rules developed are to be based on adequate information. Deadlines in statutes also constrain agencies' ability to tailor rules to the economic conditions of the affected parties. Where deadlines are unreasonable, changes will be sought.

Over the past few years numerous procedural reforms have been introduced in Congress that would respond to increasingly burdensome and intrusive regulations being imposed by the Federal Government. They have included requirements for regulatory analyses, an across-the-board legislative veto, and broader judicial review of the substance of regulations. While supportive of the goals of such proposals, the Administration is concerned about legislation that may result in excessive layering of review or an undue broadening of control responsibility. Legislative proposals should be developed in a manner to ensure they do not make the process even more complex, increase the size of the federal bureaucracy, make it more difficult to make needed changes in regulations, create additional delay and uncertainty, or contribute to the waste that results from the current adversarial nature of the rulemaking process.

February 17, 1981
Second Draft

Mr. Speaker, Mr. President, Distinguished Members of the Congress, Honored Guests and fellow citizens:

Only a month ago, I was your guest in this historic building and I pledged to you my cooperation in doing what is right for this Nation we all love so much.

INAUG. STAT. HALL JAN. 20 J.C.I.C.

I am here tonight to reaffirm that pledge and to ask that we share in restoring the promise that is offered to every citizen by this, the "last, best hope of man." // Bartlett's //

All of us are aware of the punishing inflation which has, for the first time in some 60 years, held to double digit figures for two years in a row. Interest rates have reached absurd levels of more than 20 percent and over 15 percent for those who would borrow to buy a home. All across this land one can see newly-built homes standing vacant, unsold because of mortgage interest rates.

C.P.I. ECON. INDICATORS

Almost eight million Americans are out of work. These are people who want to be productive. But as the months go by, despair dominates their lives. The threats of layoff and unemployment hang over other millions, and all who work are frustrated by their inability to keep up with inflation.

One worker in a Midwest city put it to me this way: he said, "I'm bringing home more dollars than I thought I could ever earn but I seem to be getting worse off." Well, he is. The average weekly take home pay of an American worker in 1972 was $122 a week. If we figure his take home

pay last year in those same 1972 dollars, he only received $105. And inflation isn't the only cause of this. In the last four years Federal personal taxes for the average family increased by ~~58~~ 60 percent.

We can no longer procrastinate and hope things will get better. They will not. If we do not act forcefully, and now, the economy will get worse.

Can we who man the ship of state deny it is out of control? Our National debt is approaching $1 trillion. A few weeks ago I called such a figure -- a trillion dollars -- incomprehensible. I've been trying to think of a way to illustrate how big it really is. The best I could come up with is to say that a stack of $1,000 bills in your hand only ~~three~~ FOUR inches high would make you a millionaire. A trillion dollars would be a stack of $1,000 bills 65 miles high.

The interest on our debt this year will be almost $80 billion. And unless we change the proposed spending for the fiscal year beginning October 1st we'll add another almost $80 billion to the debt.

Adding to our troubles is a mass of regulations imposed on the shopkeeper, the farmer, the craftsman, professionals and major industry that adds $100 billion to the price of things we buy and reduces our ability to produce. The rate of increase in American productivity, once the highest in the world, is now among the lowest of all major industrial nations. Indeed, it actually declined last year.

I have painted a grim picture but I believe I have painted it accurately. It is within our power to change this picture and we can act in hope. There is nothing wrong with our internal strengths. There has been no breakdown in the human, technological, and natural resources upon which the economy is built.

Based on this confidence in a system which has never failed us -- but which we have failed through a lack of confidence, and sometimes through a belief that we could fine tune the economy and get a tune more to our liking -- I am proposing a comprehensive four-part program. I will now outline and give in some detail the principal parts of this program, but you will each be provided with a completely detailed copy of the program in its entirety.

This plan is aimed at reducing the growth in government spending and taxing, reforming and eliminating regulations which are unnecessary and counterproductive, and encouraging a consistent monetary policy aimed at maintaining the value of the currency.

If enacted in full, our program can help America create 12 million new jobs, three million more than we would without these measures. It will also help us gain control of inflation, ~~cutting it in half by 198_, and to less than five percent by 1986~~.

It is important to note that we are only reducing the rate of increase in taxing and spending. We are not attempting to cut either spending or taxing to a level below that which we presently have. This plan will get our economy moving again, increase productivity growth, and thus create the jobs our people must have.

does not include anti-clunger receipts & off-budget outlays.

I am asking that you join me in reducing the proposed budget for 1982 by $41.4 billion. This will still allow an increase of $40.8 billion over 1981 spending.

I know that exaggerated and inaccurate stories about these cuts have disturbed many people, particularly those dependent on grant and benefit programs for their basic needs. Some of you have heard from constituents afraid that Social Security checks, for example, might be taken from them. I regret the fear these unfounded stories have caused and welcome this opportunity to set things straight.

We will continue to fulfill the obligations that spring from our national conscience. Those who through no fault of their own must depend on the rest of us, the poverty stricken, the disabled, the elderly, all those with true need, can rest assured that the social safety net of programs they depend on are exempt from any cuts.

The full retirement benefits of the more than 31 million Social Security recipients will be continued along with an annual cost of living increase. Medicare will not be cut, nor will supplemental income for the blind, aged and disabled. Funding will continue for veterans' pensions.

School breakfasts and lunches for the children of low income families will continue as will nutrition and other special services for the aging. There will be no cut in Project Head Start or summer youth jobs. ~~There will be about $3.6 billion for job training programs under C.E.T.A. and we will keep nearly a million college work-study jobs as well as more than 900,000 loans to college students.~~ probable cut

All in all, nearly $216 billion in some 20 programs -- providing help for tens of millions of Americans -- will be maintained at the present growth level. But government will not continue to subsidize individuals or particular business interests where real need cannot be demonstrated. And while we will reduce some subsidies to regional and local government, we will at the same time convert a number of categorical grant programs into block grants to reduce wasteful administrative overhead and to give local government entities and States more flexibility and control. We call for an end to duplication in Federal programs and reform of those which are not cost-effective.

Historically the American people have supported by voluntary contributions more artistic and cultural activities than all the other countries in the world put together. I wholeheartedly support this approach and believe Americans will continue their generosity. Therefore, I am proposing a savings of $128 million in the Federal subsidies now going to the arts and humanities.

There are a number of subsidies to business and industry I believe are unnecessary. Not because the activities being subsidized aren't of value but because the marketplace contains incentives enough to warrant continuing these activities without a government subsidy. One such subsidy is the synthetic fuels program. We will continue support of research leading to development of new technologies and more independence from foreign oil, but we can save $2.7 billion by leaving to

private industry the building of plants to make liquid or gas fuels from coal.

We are asking that another major business subsidy, the Export-Import Bank loan authority, be reduced by one-third in 1982. We are doing this because the primary beneficiaries of taxpayer funds in this case are the exporting companies themselves -- most of them profitable corporations.

And this brings me to a number of other lending programs in which government makes low-interest loans, some of them for an interest rate as low as 2 percent and not more than 5 percent. What has not been very well understood is that the Treasury Department has no money of its own. It has to go into the private capital market and borrow the money to provide those loans. In this time of excessive interest rates the government finds itself paying interest several times as high as it receives from the borrowing agency. The taxpayers -- your constituents -- of course, are paying that high interest rate and it just makes all other interest rates higher.

By terminating the Economic Development Administration we can save $300 million in 1982 and $2 billion through 1985. There is a lack of consistent and convincing evidence that E.D.A. and its Regional Commissions have been effective in creating new jobs. They have been effective in creating an array of planners, grantsmen and professional middlemen. We believe we can do better just by the expansion of the economy and the job creation which will come from our economic program.

The Food Stamp program will be restored to its original purpose, to assist those without resources to purchase sufficient nutritional food. We will, however, save $2.6 billion by removing from eligibility those who are not in real need or who are abusing the program. Despite this reduction, the program will be budgeted for more than $10 billion.

We will tighten welfare and give more attention to outside sources of income when determining the amount of welfare an individual is allowed. This plus strong and effective work requirements will save $671 million next year.

I stated a moment ago our intention to keep the school breakfast and lunch programs for those in true need. But by cutting back on meals for children of families who can afford to pay, the savings will be $1.6 billion.

Let me just touch on a few other areas which are typical of the kind of reductions we have included in this economic package. The Trade Adjustment Assistance program provides benefits for workers who are unemployed when foreign imports reduce the market for various American products causing shutdown of plants and layoff of workers. The purpose is to help these workers find jobs in growing sectors of our economy. And yet, because these benefits are paid out on top of normal unemployment benefits, we wind up paying greater benefits to those who lose their jobs because of foreign competition than we do to their friends and neighbors who are layed off due to domestic competition. Anyone must

agree that this is unfair. Putting these two programs on the same footing will save $1.15 billion. in 82.

Earlier I made mention of changing categorical grants to States and local governments into block grants. We know of course that categorical grant programs burden local and State governments with a mass of Federal regulations and Federal paperwork. P.5

Ineffective targeting, wasteful administrative overhead -- all can be eliminated by shifting the resources and decision-making authority to local and State government. This will also consolidate programs which are scattered throughout the Federal bureaucracy. It will bring government closer to the people and will save $23.9 billion over the next five years.

Our program for economic renewal deals with a number of programs which at present are not cost-effective. An example is Medicaid. Right now Washington provides the States with unlimited matching payments for their expenditures. At the same time we here in Washington pretty much dictate how the States will manage the program. We want to put a cap on how much the Federal Government will contribute but at the same time allow the States much more flexibility in managing and structuring their programs. I know from our experience in California that such flexibility could have led to far more cost-effective reforms. This will bring a savings of $1 billion next year. (?) DD OK OMB

The space program has been and is important to America and we plan to continue it. We believe, however, that a reordering of priorities to focus on the most important and cost-effective NASA programs can result in a savings of a quarter of a billion dollars.

Coming down from space to the mailbox -- the Postal Service has been consistently unable to live within its operating budget. It is still dependent on large Federal subsidies. We propose reducing those subsidies by $632 million to press the Postal Service into becoming more effective.

The Economic Regulatory Administration in the Department of Energy has programs to force companies to convert to specific fuels. It administers a gas rationing plan and prior to decontrol it ran the oil price control program. With these regulations gone we can save several hundreds of millions of dollars over the next few years.

Now I'm sure there is one department you've been waiting for me to mention. That is the Department of Defense. It is the only department in our entire program that will actually be increased over the present budgeted figure. But even here there was no exemption. The Department of Defense came up with a number of cuts which reduced the budget increase needed to restore our military balance.

I believe my duty as President requires that I recommend increases in defense spending over the coming years. Since 1970 the Soviet Union has invested $300 billion more in its military forces than we have. As a result of its massive military buildup, the Soviets now have a significant numerical advantage in strategic nuclear delivery ~~systems~~, tactical aircraft, submarines, artillery and anti-aircraft defense. To allow this imbalance to continue is a threat to our national security.

Notwithstanding our economic straits, making the financial changes beginning now is far less costly than waiting and attempting a crash program several years from now. Nevertheless, the Department of Defense will not be spared the obligation of making significant reductions over the coming years by finding and eliminating waste and inefficiency in its existing programs. These measures will save $2.9 billion in 1982 and $28.2 billion by 1986. The aim will be to provide the most effective defense for the lowest possible cost.

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The Office of Management and Budget is now putting together an interagency task force to attack waste and fraud, and we are planning to appoint as inspector generals highly-trained professionals who will spare no effort to do this job.

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Marching in lockstep with the whole program of reductions in spending is the equally important program of reduced tax rates. Both are essential if we are to have economic recovery. It is time to create new jobs, build and rebuild industry, and give the American people room to do what they do best. And that can only be done with a tax program which provides incentive to increase productivity for both workers and industry.

Our proposal is for a 10 percent across-the-board cut every year for three years in the tax rates for all individual income taxpayers making a total tax cut of 30 percent. This three-year reduction will also apply to the tax on unearned income leading toward an eventual elimination of the present differential between the tax on earned and unearned income.

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Therefore, the effective starting date for these 10 percent personal income tax rate reductions will be July 1st of this year.

Again, let me remind you this 30 percent reduction, while it will leave the taxpayers with $500 billion more in their pockets over the next five years, is actually only a reduction in the tax increase already built into the system. (I.R.S.) Unlike some past tax (quote, unquote) "reforms," this is not merely a shift of wealth between different sets of taxpayers. This proposal for an equal reduction in everyone's tax rates will expand our national prosperity, enlarge national incomes, and increase opportunities for all Americans.

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American society experienced a virtual explosion in government regulation during the past decade. Between 1970 and 1979, expenditures for the major regulatory agencies quadrupled, the number of pages published annually in the Federal Register nearly tripled, and the number of pages in the Code of Federal Regulations ~~nearly doubled.~~ has increased by 3/3.

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The result has been higher prices, less employment, and lower productivity. Overregulation causes small and independent businessmen and women, as well as large businesses, to defer or terminate plans for expansion and, since they are responsible for most of our new jobs, those new jobs aren't created.

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The final aspect of our plan requires a national monetary policy which does not allow money growth to increase consistently faster than the growth of goods and services. In order to curb inflation, we need to slow the growth in our money supply.

We fully recognize the independence of the Federal Reserve System and will do nothing to undermine that independence. We will consult regularly with the Federal Reserve Board on all aspects of our economic program and will vigorously pursue budget policies that will make their job easier in reducing monetary growth.

A successful program to achieve stable and moderate growth patterns in the money supply will keep both inflation and interest rates down and restore vigor to our financial institutions and markets.

Is this the title? OK

This, then, is our proposal. "America's New Beginning: A Program for Economic Recovery." I do not want it to be simply the plan of my Administration -- I am here tonight to ask you to join me in making it our plan. Together, we can embark on this road not to make things easy, but to make things better.

Can we do the job? The answer is yes. But we must begin now. Our social, political, and cultural, as well as our economic institutions, can no longer absorb the repeated shocks that have been dealt them over the past decades.

We are in control here. There is nothing wrong with America that we can't fix. So I'm full of hope and optimism that we will see this difficult new challenge to its end -- that we will find those reservoirs of national will to once again do the right thing.

I'm sure there will be some who will raise the familiar old cry, "don't touch my program -- cut somewhere else."

I hope I've made it plain that our approach has been even-handed; that only the programs for the truly deserving needy remain untouched.

Already, some have protested there must be no reduction of aid to schools. Let me point out that Federal aid to education amounts to only 8% percent of total educational funding. For this the Federal Government has insisted on a tremendously disproportionate share of control over our schools. Whatever reductions we've proposed in that 8% percent will amount to very little of the total cost of education. It will, however, restore more authority to States and local school districts.

The question is, are we simply going to go down the same path we've gone down before -- carving out one special program here and another special program there. I don't think that is what the American people expect of us. More important, I don't think that is what they want. They are ready to return to the source of our strength.

The substance and prosperity of our Nation is built by wages brought home from the factories and the mills, the farms and the shops. They are the services provided in ten thousand corners of America; the interest on the thrift of our people and the returns from their risk-taking. The production of America is the possession of those who build, serve, create, and produce.

For too long now, we've removed from our people the decisions on how to dispose of what they created. We have strayed from first principles. We must alter our course.

The taxing power of government must be used to provide revenues for legitimate government purposes. It must not be used to regulate the economy or bring about social change. We've tried that and surely must be able to see it doesn't work.

Spending by government must be limited to those functions which are the proper province of government. We can no longer afford things simply because we think of them.

In the months left in this fiscal year we can reduce the budget by $4.4 billion and in 1982 by $41.9 billion, without harm to government's legitimate purposes and to our responsibility to all who need our benevolence. This, plus the reduction in tax rates, will help bring an end to inflation.

May I direct a question to those who have indicated unwillingness to accept this plan for a new beginning: an

economic recovery? Have they an alternative which offers a greater chance of balancing the budget, reducing and eliminating inflation, stimulating the creation of jobs, and reducing the tax burden? And, if they haven't, are they suggesting we can continue on the present course without coming to a day of reckoning in the very near future?

If we don't do this, inflation will put an end to everything we believe in and to our dreams for the future. We do not have an option of living with inflation and its attendant tragedy, of millions of productive people willing and able to work but unable to find buyers in the job market.

We have an alternative to that, a program for economic recovery, a program that will balance the budget, put us well on the road to our ultimate objective of eliminating inflation entirely, increasing productivity and creating millions of new jobs.

True, it will take time for the favorable effects of our proposal to be felt. So we must begin now.

The people are watching and waiting. They don't demand miracles, but they do expect us to act. Let us act together.

Thank you and good night.

Date: February 17, 1981

MEMORANDUM FOR: SECRETARY REGAN
DEPUTY SECRETARY-DESIGNATE MCNAMAR

From: E. George Cross, II

Subject: Money Measurement

Based on the use of $1,000 bills, this chart shows the height of a stack of such bills necessary to produce the following amounts of money.

AMOUNT	TIGHT	LOOSE
$1 million	4 inches	4.29 inches
$1 billion	333 feet	357.5 feet
$1 trillion	63 miles	67.7 miles

A tight pack of bills is based on the "bricks" of money used by the Bureau of Engraving. One "brick" is sixteen inches deep.

A loose pack of bills is based on a Bureau of Engraving count of 233 bills in a one inch pack.

cc: Misty Church

	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Ex. Sec.
Surname	CROSS					
Initials / Date	/	/	/	/	/	/

THE WHITE HOUSE
WASHINGTON

RE: STACKING OF $1000 BILLS

Bureau of Engraving says there are 233 bills in one inch.

Multiplying 233 x 12 (inches) makes 2796 bills in a foot.

Multiply 2796 x 5280 (feet) makes 14,762,880 bills in a mile.

14,762,880 $1000 bills is $14,762,880,000 (almost $15 billion).

$14.76288 x 67 miles equals just over $989 billion (almost a trillion dollars).

billion

$1 million thousand dollar bills

357 feet

Misty -

Source National Archives Federal Register Office —

Fed. Register

Unadjusted 1970 Figures - Total Pages: 20,036

Unadjusted 1979 Figures - Total Pages: 77 498

1979 adjusted - Pages: 729 Pres
19,366 Rules/Reg
18,091 Proposed Rules
33,005 Notices
6,301 Blank pages

CFR

1979 88,562-78-
87,681 - total pages 98,9(2) not adjusted

1970
54,482 - total pages

5%

81%

Source: Ruth Pontias
523-5227
Fed Register
Stats Office

Bob Jarker
523-3408

22

February 17, 1981
Second Draft

Mr. Speaker, Mr. President, Distinguished Members of the Congress, Honored Guests and fellow citizens:

Only a month ago, I was your guest in this historic building and I pledged to you my cooperation in doing what is right for this Nation we all love so much.

I am here tonight to reaffirm that pledge and to ask that we share in restoring the promise that is offered to every citizen by this, the "last, best hope of man."

All of us are aware of the punishing inflation which has, for the first time in some 60 years, held to double digit figures for two years in a row. Interest rates have reached absurd levels of more than 20 percent and over 15 percent for those who would borrow to buy a home. ~~Across this land one can see newly built homes standing vacant, unsold because of mortgage interest rates.~~

Almost eight million Americans are out of work. These are people who want to be productive. But as the months go by, despair dominates their lives. The threats of layoff and unemployment hang over other millions, and all who work are frustrated by their inability to keep up with inflation.

One worker in a Midwest city put it to me this way: he said, "I'm bringing home more dollars than I thought I could ever earn but I seem to be getting worse off." Well, he is. The average weekly take home pay of an American worker in 1972 was $122 a week. If we figure his take home

pay last year in those same 1972 dollars, he only received $105. And inflation isn't the only cause of this. In the last four years Federal personal taxes for the average family increased by 58 percent.

We can no longer procrastinate and hope things will get better. They will not. If we do not act forcefully, and now, the economy will get worse.

Can we who man the ship of state deny it is out of control? Our National debt is approaching $1 trillion. A few weeks ago I called such a figure -- a trillion dollars -- incomprehensible. I've been trying to think of a way to illustrate how big it really is. The best I could come up with is to say that a stack of $1,000 bills in your hand only four inches high would make you a millionaire. A trillion dollars would be a stack of $1,000 bills 63 miles high.

The interest on our debt this year will be almost $80 billion. And unless we change the proposed spending for the fiscal year beginning October 1st we'll add another almost $80 billion to the debt.

Adding to our troubles is a mass of regulations imposed on the shopkeeper, the farmer, the craftsman, professionals and major industry that adds $100 billion to the price of things we buy and reduces our ability to produce. The rate of increase in American productivity, once the highest in the world, is now among the lowest of all major industrial nations. Indeed, it actually declined last year.

I have painted a grim picture but I believe I have painted it accurately. It is within our power to change this picture and we can act in hope. There is nothing wrong with our internal strengths. There has been no breakdown in the human, technological, and natural resources upon which the economy is built.

Based on this confidence in a system which has never failed us -- but which we have failed through a lack of confidence, and sometimes through a belief that we could fine tune the economy and get a tune more to our liking -- I am proposing a comprehensive four-part program. I will now outline and give in some detail the principal parts of this program, but you will each be provided with a completely detailed copy of the program in its entirety.

This plan is aimed at reducing the growth in government spending and taxing, reforming and eliminating regulations which are unnecessary and counterproductive, and encouraging a consistent monetary policy aimed at maintaining the value of the currency.

If enacted in full, our program can help America create 12 million new jobs, three million more than we would without these measures. It will also help us gain control of inflation, cutting it in half by 198_ and to less than five percent by 1986.

It is important to note that we are only reducing the rate of increase in taxing and spending. We are not attempting to cut either spending or taxing to a level below that which we presently have. This plan will get our economy moving again, increase productivity growth, and thus create the jobs our people must have.

CEA

I am asking that you join me in reducing the proposed budget for 1982 by $41.4 billion. This will still allow an increase of $40.8 billion over 1981 spending.

I know that exaggerated and inaccurate stories about these cuts have disturbed many people, particularly those dependent on grant and benefit programs for their basic needs. Some of you have heard from constituents afraid that Social Security checks, for example, might be taken from them. I regret the fear these unfounded stories have caused and welcome this opportunity to set things straight.

We will continue to fulfill the obligations that spring from our national conscience. Those who through no fault of their own must depend on the rest of us, the poverty stricken, the disabled, the elderly, all those with true need, can rest assured that the social safety net of programs they depend on are exempt from any cuts.

The full retirement benefits of the more than 35 million Society Security recipients will be continued along with an annual cost of living increase. Medicare will not be cut, nor will supplemental income for the blind, aged and disabled. Funding will continue for veterans' pensions.

School breakfasts and lunches for the children of low income families will continue as will nutrition and other special services for the aging. There will be no cut in Project Head Start or summer youth jobs. There will be probable cut about $3.5 billion for job training programs under C.E.T.A. and we will keep nearly a million college work-study jobs as well as more than 900,000 loans to college students.

All in all, more than $216 billion in some 20 programs -- providing help for tens of millions of Americans -- will be maintained at the present growth level. But government will not continue to subsidize individuals or particular business interests where real need cannot be demonstrated. And while we will reduce some subsidies to regional and local government, we will at the same time convert a number of categorical grant programs into block grants to reduce wasteful administrative overhead and to give local government entities and States more flexibility and control. We call for an end to duplication in Federal programs and reform of those which are not cost-effective.

Historically the American people have supported by voluntary contributions more artistic and cultural activities than all the other countries in the world put together. I wholeheartedly support this approach and believe Americans will continue their generosity. Therefore, I am proposing a savings of $~~120~~ million in the Federal subsidies now going to the arts and humanities.

There are a number of subsidies to business and industry I believe are unnecessary. Not because the activities being subsidized aren't of value but because the marketplace contains incentives enough to warrant continuing these activities without a government subsidy. One such subsidy is the synthetic fuels program. We will continue support of research leading to development of new technologies and more independence from foreign oil, but we can save $____ billion by leaving to

private industry the building of plants to make liquid or gas fuels from coal.

We are asking that another major business subsidy, the Export-Import Bank loan authority, be reduced by one-third in 1982. We are doing this because the primary beneficiaries of taxpayer funds in this case are the exporting companies themselves -- most of them profitable corporations.

And this brings me to a number of other lending programs in which government makes low-interest loans, some of them for an interest rate as low as 2 percent and not more than 5 percent. What has not been very well understood is that the Treasury Department has no money of its own. It has to go into the private capital market and borrow the money to provide those loans. In this time of excessive interest rates the government finds itself paying interest several times as high as it receives from the borrowing agency. The taxpayers -- your constituents -- of course, are paying that high interest rate and it just makes all other interest rates higher.

By terminating the Economic Development Administration we can save $300 million in 1982 and $2 billion through 1985. There is a lack of consistent and convincing evidence that E.D.A. and its Regional Commissions have been effective in creating new jobs. They have been effective in creating an array of planners, grantsmen and professional middlemen. We believe we can do better just by the expansion of the economy and the job creation which will come from our economic program.

The Food Stamp program will be restored to its original purpose, to assist those without resources to purchase sufficient nutritional food. We will, however, save $2.6 billion by removing from eligibility those who are not in real need or who are abusing the program. Despite this reduction, the program will be budgeted for more than $10 billion.

We will tighten welfare and give more attention to outside sources of income when determining the amount of welfare an individual is allowed. This plus strong and effective work requirements will save $671 million next year.

I stated a moment ago our intention to keep the school breakfast and lunch programs for those in true need. But by cutting back on meals for children of families who can afford to pay, the savings will be $1.2 billion.

Let me just touch on a few other areas which are typical of the kind of reductions we have included in this economic package. The Trade Adjustment Assistance program provides benefits for workers who are unemployed when foreign imports reduce the market for various American products causing shutdown of plants and layoff of workers. The purpose is to help these workers find jobs in growing sectors of our economy. And yet, because these benefits are paid out on top of normal unemployment benefits, we wind up paying greater benefits to those who lose their jobs because of foreign competition than we do to their friends and neighbors who are layed off due to domestic competition. Anyone must

agree that this is unfair. Putting these two programs on the same footing will save $1.15 billion.

Earlier I made mention of changing categorical grants to States and local governments into block grants. We know of course that categorical grant programs burden local and State governments with a mass of Federal regulations and Federal paperwork.

Ineffective targeting, wasteful administrative overhead -- all can be eliminated by shifting the resources and decision-making authority to local and State government. This will also consolidate programs which are scattered throughout the Federal bureaucracy. It will bring government closer to the people and will save $5 billion over the next five years.

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We fully recognize the independence of the Federal Reserve System and will do nothing to undermine that independence. We will consult regularly with the Federal Reserve Board on all aspects of our economic program and will vigorously pursue budget policies that will make their job easier in reducing monetary growth.

A successful program to achieve stable and moderate growth patterns in the money supply will keep both inflation and interest rates down and restore vigor to our financial institutions and markets.

This, then, is our proposal. "America's New Beginning: A Program for Economic Recovery." I do not want it to be simply the plan of my Administration -- I am here tonight to ask you to join me in making it our plan. Together, we can embark on this road not to make things easy, but to make things better.

Can we do the job? The answer is yes. But we must begin now. Our social, political, and cultural, as well as our economic institutions, can no longer absorb the repeated shocks that have been dealt them over the past decades.

We are in control here. There is nothing wrong with America that we can't fix. So I'm full of hope and optimism that we will see this difficult new challenge to its end -- that we will find those reservoirs of national will to once again do the right thing.

I'm sure there will be some who will raise the familiar old cry, "don't touch my program -- cut somewhere else."

I hope I've made it plain that our approach has been even-handed; that only the programs for the truly deserving needy remain untouched.

Already, some have protested there must be no reduction of aid to schools. Let me point out that Federal aid to education amounts to only 8 percent of total educational funding. For this the Federal Government has insisted on a tremendously disproportionate share of control over our schools. Whatever reductions we've proposed in that 8 percent will amount to very little of the total cost of education. It will, however, restore more authority to States and local school districts.

The question is, are we simply going to go down the same path we've gone down before -- carving out one special program here and another special program there. I don't think that is what the American people expect of us. More important, I don't think that is what they want. They are ready to return to the source of our strength.

The substance and prosperity of our Nation is built by wages brought home from the factories and the mills, the farms and the shops. They are the services provided in ten thousand corners of America; the interest on the thrift of our people and the returns from their risk-taking. The production of America is the possession of those who build, serve, create, and produce.

For too long now, we've removed from our people the decisions on how to dispose of what they created. We have strayed from first principles. We must alter our course.

The taxing power of government must be used to provide revenues for legitimate government purposes. It must not be used to regulate the economy or bring about social change. We've tried that and surely must be able to see it doesn't work.

Spending by government must be limited to those functions which are the proper province of government. We can no longer afford things simply because we think of them.

In the months left in this fiscal year we can reduce the budget by $4.4 billion and in 1982 by $41.4 billion, without harm to government's legitimate purposes and to our responsibility to all who need our benevolence. This, plus the reduction in tax rates, will put an end to inflation.

May I direct a question to those who have indicated unwillingness to accept this plan for a new beginning: an

economic recovery? Have they an alternative which offers a greater chance of balancing the budget, reducing and eliminating inflation, stimulating the creation of jobs, and reducing the tax burden? And, if they haven't, are they suggesting we can continue on the present course without coming to a day of reckoning in the very near future?

If we don't do this, inflation will put an end to everything we believe in and to our dreams for the future. We do not have an option of living with inflation and its attendant tragedy, of millions of productive people willing and able to work but unable to find buyers in the job market.

We have an alternative to that, a program for economic recovery, a program that will balance the budget, put us well on the road to our ultimate objective of eliminating inflation entirely, increasing productivity and creating millions of new jobs.

True, it will take time for the favorable effects of our proposal to be felt. So we must begin now.

The people are watching and waiting. They don't demand miracles, but they do expect us to act. Let us act together.

Thank you and good night.