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JULY 26, 1981

GOOD EVENING. I HAD INTENDED TO MAKE SOME REMARKS ABOUT THE PROBLEM OF SOCIAL SECURITY TONIGHT -- ^{But} THE THE IMMEDIACY OF HOUSE ACTION ON THE TAX PROGRAM, A KEY COMPONENT OF OUR ECONOMIC PACKAGE, HAS TO TAKE PRIORITY. LET ME JUST SAY, HOWEVER, I'VE BEEN DEEPLY DISTURBED BY THE WAY YOU WHO ARE DEPENDENT ON SOCIAL SECURITY HAVE BEEN NEEDLESSLY FRIGHTENED AND IN SOME INSTANCES, BY THOSE WHO PLACE POLITICS ABOVE TRUTH.

IT IS TRUE THAT THE SOCIAL SECURITY SYSTEM HAS FINANCIAL PROBLEMS. IT IS ALSO TRUE THAT SOME WHO HAVE CAUSED CONFUSION AND FEAR BY THEIR IRRESPONSIBLE CHARGES HAVE BEEN IN A POSITION TO DO SOMETHING CONSTRUCTIVE ABOUT THESE FINANCIAL PROBLEMS FOR MORE THAN 20 YEARS -- AND THEY HAVE DONE NOTHING.

I HOPE TO ADDRESS YOU ON THIS ENTIRE SUBJECT IN THE NEAR FUTURE. IN THE MEANTIME, LET ME JUST SAY THIS: I STATED DURING THE CAMPAIGN AND I REPEAT NOW I WILL NOT STAND BY AND SEE THOSE OF YOU WHO ARE DEPENDENT ON SOCIAL SECURITY DEPRIVED OF YOUR BENEFITS, I MAKE THAT PLEDGE TO YOU AS YOUR PRESIDENT. YOU HAVE NO REASON TO BE FRIGHTENED. YOU WILL CONTINUE TO RECEIVE YOUR CHECKS IN THE FULL AMOUNT DUE YOU. IN ANY PLAN TO RESTORE FISCAL INTEGRITY OF SOCIAL SECURITY I PERSONALLY WILL SEE THAT NO PART OF THE PLAN WILL BE AT THE EXPENSE OF YOU WHO ARE NOW DEPENDENT ON YOUR ^{hard-earned} MONTHLY SOCIAL SECURITY CHECKS.

NOW, LET US TURN TO THE BUSINESS AT HAND. IT'S BEEN NEARLY 6 MONTHS SINCE I FIRST REPORTED TO YOU ON THE STATE OF THE NATION'S ECONOMY. I'M AFRAID MY MESSAGE THAT NIGHT WAS GRIM AND DISTURBING. I REMEMBER TELLING YOU WE WERE IN THE WORST ECONOMIC MESS SINCE THE GREAT DEPRESSION. INFLATION

FLON RECY Program
2-18-81, P. 4-13
Style p. 46

WAS CONTINUING TO SPIRAL UPWARD, UNEMPLOYMENT WAS AT A CRIPPLING LEVEL AND ALL BECAUSE GOVERNMENT WAS TOO BIG AND SPENT TOO MUCH OF OUR MONEY.

Style p. 104

WE'RE STILL NOT OUT OF THE WOODS, BUT WE'VE MADE A START. AND WE'VE CERTAINLY SURPRISED THOSE LONG-TIME AND SOMEWHAT CYNICAL OBSERVERS OF THE WASHINGTON SCENE WHO LOOKED, LISTENED AND SAID, "IT CAN NEVER BE DONE. WASHINGTON WILL NEVER CHANGE IT'S SPENDING HABITS."

Style p. 46, 47, 48

WELL, SOMETHING VERY EXCITING HAS BEEN HAPPENING HERE IN WASHINGTON AND YOU ARE RESPONSIBLE. YOUR VOICES HAVE BEEN HARD. MILLIONS OF YOU, DEMOCRATS, REPUBLICANS AND INDEPENDENTS, FROM EVERY PROFESSION, TRADE AND LINE OF WORK, AND FROM EVERY PART OF THIS LAND; YOU SENT A MESSAGE THAT YOU WANTED A NEW BEGINNING. YOU WANTED TO CHANGE ONE LITTLE TWO-LETTER WORD. IT DOESN'T SOUND LIKE MUCH, BUT IT SURE CAN MAKE A DIFFERENCE CHANGING "CONTROL BY GOVERNMENT" TO "CONTROL OF GOVERNMENT."

PP. 93 (96-97)
2-5-81, TV address
Style p. 46, 36, 182
Style p. 79, 181, 184
Center for Study
of Am. Business
Murray Weidenbaum
P. 11, Table 5
11-80

IN THAT EARLIER BROADCAST YOU'LL RECALL I PROPOSED A PROGRAM TO DRASTICALLY CUT BACK GOVERNMENT SPENDING IN THE 1982 BUDGET WHICH BEGINS OCTOBER 1ST AND TO CONTINUE CUTTING IN '83 AND '84. ALONG WITH THIS I SUGGESTED AN ACROSS-THE-BOARD TAX CUT SPREAD OVER THOSE SAME 3 YEARS AND THE ELIMINATION OF UNNECESSARY REGULATIONS WHICH WERE ADDING ^(an estimated) \$100 BILLION TO THE COST OF THINGS WE BUY.

Time 3-23-81, P. 89
When the cheering
died
UN, 3-2-81 P. 65
How labor plans
survive Reagan
Style p. 46

ALL THE LOBBYING, THE ORGANIZED DEMONSTRATIONS AND THE CRIES OF PROTEST BY THOSE WHOSE WAY OF LIFE DEPEND ON MAINTAINING GOVERNMENT'S WASTEFUL WAYS WERE NO MATCH FOR YOUR VOICES WHICH WERE HEARD LOUD AND CLEAR IN THESE MARBLE HALLS OF GOVERNMENT.

AND YOU MADE HISTORY WITH YOUR TELEGRAMS, YOUR LETTERS, YOUR PHONE CALLS AND, YES, PERSONAL VISITS TO TALK TO YOUR ELECTED REPRESENTATIVES. YOU REAFFIRMED THE MANDATE YOU DELIVERED IN THE ELECTION LAST NOVEMBER. A MANDATE THAT CALLED FOR AN END TO GOVERNMENT POLICIES THAT SENT PRICES AND MORTGAGE RATES SKYROCKETING, WHILE MILLIONS OF AMERICANS WENT JOBLESS.

ECON
IND

BECAUSE OF WHAT YOU DID, REPUBLICANS AND DEMOCRATS IN THE CONGRESS CAME TOGETHER AND PASSED THE MOST SWEEPING CUTBACKS IN THE HISTORY OF THE FEDERAL BUDGET. RIGHT NOW MEMBERS OF THE HOUSE AND SENATE ARE MEETING IN A CONFERENCE COMMITTEE TO RECONCILE THE DIFFERENCES BETWEEN THE TWO BUDGET CUTTING BILLS PASSED BY THE HOUSE AND THE SENATE. WHEN THEY FINISH, ALL AMERICANS WILL BENEFIT BY SAVINGS OF MORE THAN \$140 BILLION IN REDUCED GOVERNMENT COSTS OVER THE NEXT 3 YEARS. AND THAT DOESN'T INCLUDE THE ADDITIONAL SAVINGS FROM THE HUNDREDS OF BURDENSOME REGULATIONS ALREADY CANCELLED OR FACING CANCELLATION.

FOR 19 OUT OF THE LAST 20 YEARS THE FEDERAL GOVERNMENT HAS SPENT MORE THAN IT TOOK IN. THERE WILL BE ANOTHER LARGE DEFICIT IN THIS PRESENT YEAR WHICH ENDS SEPTEMBER 30TH. BUT WITH OUR PROGRAM IN PLACE IT WON'T BE QUITE AS BIG AS IT MIGHT HAVE BEEN AND STARTING NEXT YEAR THE DEFICITS WILL GET INCREASINGLY SMALLER UNTIL IN JUST A FEW YEARS THE BUDGET WILL BE BALANCED AND, HOPEFULLY, WE CAN BEGIN WHITTILING AT THAT ALMOST 1 TRILLION DOLLAR DEBT THAT HANGS OVER THE FUTURE OF OUR CHILDREN.

NOW SO FAR I'VE BEEN TALKING ABOUT ONLY ONE PART OF OUR PROGRAM FOR ECONOMIC RECOVERY -- THE BUDGET CUTTING PART.

Style p. 54, 46
FACTS ON FILE
11-4-81, p. 831-9

CR, 5-9-8, p. 83-5

Style p. 31, 52, 36, 44

NOT, 7-24-81, P. A1
Conference Room to End
Sec Sec Floor

Style p. 48, 55, 37, 36, 11

Style p. 46, 181

EDDACE-OMB PA3080

STATEMENT BY BASH
6-13-81, Press for
Reg. Rel. release

PA 82 Budget p. 613

Style p. 181, 44, 182, 36

ECON RECY PROGRAM
2-18-81, p. 12

CG 5-7-81, p. 783

MARLIN FITZWATER
TREASURY PA 566-5252

AP 7-14-81, P. A1
Revised Report \$966b

Style p. 184

ECON RECY PROGRAM
2-18-81, p. 1-4

Style p. 36, 184

NYT, 7-1-81, p. A1
all industries
optimism
on nation's future
NYT, 7-24-81, p. A1
consumer prices
up 0.7% in June
Susan Nelson
CEA 5096X
MARCUM BALDRIGE
MEMO TO RR
7-8-81 Re Steel
Industry Expansion
ECON RECOVERY PROGRAM
2-18-81, p. 1-4

I DON'T MINIMIZE IT'S IMPORTANCE. JUST THE FACT THAT DEMOCRATS AND REPUBLICANS COULD WORK TOGETHER AS THEY HAVE, PROVING THE STRENGTH OF OUR SYSTEM HAS CREATED AN OPTIMISM IN OUR LAND. THE RATE OF INFLATION IS NO LONGER IN DOUBLE DIGIT FIGURES, THE DOLLAR HAS REGAINED STRENGTH IN THE INTERNATIONAL MONEY MARKETS AND BUSINESSMEN AND INVESTORS ARE MAKING DECISIONS WITH REGARD TO INDUSTRIAL DEVELOPMENT, MODERNIZATION AND EXPANSION. ALL OF THIS BASED ON ANTICIPATION OF OUR PROGRAM BEING ADOPTED AND PUT INTO OPERATION.

NYT, 7-18-81, p. A1
Poll indicates
towards optimism
on nation's future
NYT, 7-18-81, p. A1
ECON RECOVERY PROGRAM
2-18-81, p. 1-4

A RECENT POLL SHOWS THAT WHERE A YEAR ^{and a half} AGO ONLY 24 PERCENT OF OUR PEOPLE BELIEVED THINGS WOULD GET BETTER, TODAY 46 PERCENT BELIEVE THEY WILL. TO JUSTIFY THEIR FAITH WE MUST DELIVER THE OTHER PART OF OUR PROGRAM. IT IS ABSOLUTELY ESSENTIAL IF WE ARE TO PROVIDE INCENTIVE AND MAKE CAPITAL AVAILABLE FOR THE INCREASED PRODUCTIVITY REQUIRED TO ^{provide} ~~PROVIDE~~ JOBS FOR OUR PEOPLE.

NYT, 7-25-81, p. A1
Reason for Hill
on Tax Bill
Kim Hargard - Press
Office 2100 8am Mon
WP, 7-25-81, p. A1
AID

^{the} DAY AFTER TOMORROW -- WEDNESDAY -- THE HOUSE OF REPRESENTATIVES WILL BEGIN DEBATE ON TWO TAX BILLS AND ONCE AGAIN THEY NEED TO HEAR FROM YOU. I KNOW THAT DOESN'T GIVE YOU MUCH TIME, BUT A GREAT DEAL IS AT STAKE.

NYT, 7-27-81, p. A1
PP, 7-27-81, p. 2-5-81
TV address
ECON RECOVERY PROGRAM
2-18-81, p. 1-4
Dolan mts w/ RR
7-23-81 speaking
of Kent Hance
CQ, 6-6-81, 979-80

A FEW DAYS AGO I WAS VISITED HERE IN THE OFFICE BY A DEMOCRATIC CONGRESSMAN FROM ONE OF OUR SOUTHERN STATES. HE'D BEEN BACK IN HIS DISTRICT AND ONE DAY ONE OF HIS CONSTITUENTS ASKED HIM WHERE HE STOOD ON THE ECONOMIC RECOVERY PROGRAM I'D OUTLINED IN THAT EARLIER BROADCAST. WELL, THE CONGRESSMAN, WHO HAPPENS TO BE A STRONG LEADER IN SUPPORT OF OUR PROGRAM, REPLIED AT SOME LENGTH WITH A DISCUSSION OF THE TECHNICAL POINTS

INVOLVED, BUT ALSO MENTIONING A FEW RESERVATIONS HE HAD ON CERTAIN POINTS. THE CONSTITUENT, A FARMER, LISTENED POLITELY UNTIL HE'D FINISHED AND THEN SAID, "WELL, YES, THAT'S ALL VERY INTERESTING -- BUT WHAT I WANT TO KNOW IS -- ARE YOU FOR ~~AM~~ OR AGIN ~~AM~~?"

I APPRECIATE THE GENTLEMAN'S SUPPORT AND SUGGEST HIS QUESTION IS A MESSAGE YOUR OWN REPRESENTATIVES SHOULD HEAR. LET ME ADD THOSE REPRESENTATIVES HONESTLY AND SINCERELY WANT TO KNOW YOUR FEELINGS. THEY GET PLENTY OF INPUT FROM THE SPECIAL INTEREST GROUPS, THEY'D LIKE TO HEAR FROM THEIR HOMEFOLKS.

LET ME EXPLAIN WHAT THE SITUATION IS AND WHAT IS AT ISSUE. WITH OUR BUDGET CUTS WE PRESENTED A COMPLETE PROGRAM OF REDUCTION IN TAX RATES. AGAIN, OUR PURPOSE WAS TO PROVIDE INCENTIVE FOR THE INDIVIDUAL, INCENTIVES FOR BUSINESS TO ENCOURAGE PRODUCTION AND HIRING OF THE UNEMPLOYED AND TO FREE UP MONEY FOR INVESTMENT.

OUR BILL CALLS FOR A 5 PERCENT REDUCTION IN THE INCOME TAX RATES BY OCTOBER 1ST, A 10 PERCENT REDUCTION BEGINNING JULY 1, 1982 AND ANOTHER 10 PERCENT CUT A YEAR LATER -- A 25 PERCENT TOTAL REDUCTION OVER 3 YEARS. BUT THEN TO ENSURE THE TAX CUT IS PERMANENT WE CALL FOR INDEXING THE TAX RATES IN 1985 WHICH MEANS ADJUSTING THEM FOR INFLATION. AS IT IS NOW, IF YOU GET A COST OF LIVING RAISE INTENDED TO KEEP YOU EVEN WITH INFLATION YOU FIND THAT THE INCREASE IN THE NUMBER OF DOLLARS YOU GET MAY VERY LIKELY MOVE YOU INTO A HIGHER TAX BRACKET AND YOU WIND UP POORER THAN YOU WERE. THIS IS CALLED BRACKET CREEP.

style p. 54

ECON RECY PROGRAM
2-18-81, p. 1-4, 14-17
style p. 36

ECON RECY TAX ACT OF
1981, 7-24-81 UPDATE
style p. 181, 182, 36
URGACE Full RECAP
7-23-81 Wash State
PACIFIC REPORTS - ASST
Secy Econ Policy
Treasury memo
6-4-81 506-2551

S 7-28-81, p. 114
 Reg. 26.1-1
 have Roberts, Asst
 econ. policy
 1/18/81 memo to
 Elliott 5/6/81
 1/18/81, p. 114

BRACKET CREEP IS AN INSIDIOUS TAX. LET ME GIVE AN
 (It has been estimated that)
 EXAMPLE. IF YOU EARNED \$10,000 A YEAR IN 1971, BY 1980 YOU
 HAD TO EARN \$19,850 JUST TO STAY EVEN WITH INFLATION. BUT
 THAT'S BEFORE TAXES. COME APRIL 15th, 1981, YOU ~~FIND~~ ^{found} YOUR TAX RATES
 HAVE INCREASED 33 PERCENT. IF YOU'VE BEEN WONDERING WHY
 YOU DON'T SEEM AS WELL OFF AS YOU WERE A FEW YEARS BACK, IT'S
 BECAUSE GOVERNMENT MAKES A PROFIT ON INFLATION. IT GETS AN
 AUTOMATIC TAX INCREASE WITHOUT HAVING TO VOTE ON IT. WE
 INTEND TO STOP THAT.

XX
 X
 X
 X

CON RECY TAX ACT
 1981, UPDATE 7-24-81
 1/18/81, p. 114
 FACTS ABOUT SMALL
 BUSINESS AND SBA
 1/18/81, p. 114
 REC STUDY ON
 ECON RECY PROGRAM
 1-24-81, p. 11

TIME WON'T ALLOW ME TO EXPLAIN EVERY DETAIL, BUT OUR
 BILL INCLUDES JUST ABOUT EVERYTHING TO HELP THE ECONOMY. WE
~~DO AWAY WITH~~ ^{reduce} THE MARRIAGE PENALTY, THAT UNFAIR TAX THAT HAS
 A WORKING HUSBAND AND WIFE PAY MORE TAX THAN IF THEY WERE
 SINGLE. WE INCREASE THE EXEMPTION ON THE INHERITANCE (OR
 ESTATE) TAX TO \$600,000 SO THAT FARMERS AND FAMILY-OWNED
 BUSINESSES DON'T HAVE TO SELL THE FARM OR STORE IN THE
 EVENT OF DEATH JUST TO PAY THE TAXES. MOST IMPORTANT WE WIPE
 OUT THE TAX ENTIRELY FOR A SURVIVING SPOUSE. NO LONGER, FOR
 EXAMPLE, WILL A WIDOW HAVE TO SELL THE FAMILY SOURCE OF INCOME
 TO PAY A TAX ON HER HUSBAND'S DEATH. THERE ARE DEDUCTIONS TO
 ENCOURAGE INVESTMENT AND SAVINGS. BUSINESS GETS REALISTIC
 DEPRECIATION ON EQUIPMENT AND MACHINERY. AND THERE ARE TAX
 BREAKS FOR SMALL AND INDEPENDENT BUSINESSES WHICH CREATE 80
 PERCENT OF ALL NEW JOBS. IT IS, IN SHORT, THE FIRST REAL TAX
 CUT FOR EVERYONE IN ~~MORE THAN~~ ^{almost} 20 YEARS.

X

X

1/18/81, p. 114
 TAX STATEMENT
 1/18/81, p. 114
 1/18/81, p. 114
 CAPITAL DIRECTORY
 2.144

NOW WHEN WE PROPOSED THIS -- AND INCIDENTALLY IT HAS NOW
 BECOME A BIPARTISAN MEASURE CO-AUTHORED BY REPUBLICAN BARBER

V

There were those who
 CONABLE AND DEMOCRAT KENT HANCE -- ~~THE DEMOCRATIC LEADERSHIP~~
 DECLARED A TAX CUT WAS OUT OF THE QUESTION. IT WOULD BE
 WILDLY INFLATIONARY. ~~THAT WAS IN JANUARY.~~

*UP, 2-21-81, Dems
 sent significant
 message in the press*
 THEN YOUR VOICES BEGAN TO BE HEARD AND SUDDENLY IN
 FEBRUARY THE LEADERSHIP DISCOVERED A ~~ONE~~ ^(Democratic) YEAR TAX CUT WAS
 FEASIBLE. WE KEPT ON PUSING OUR 3 YEAR TAX CUT AND BY JUNE
 THE OPPOSITION FOUND THAT A 2 YEAR CUT MIGHT WORK. NOW IT'S
 JULY AND THEY FIND THEY COULD GO FOR A THIRD YEAR CUT PROVIDED
 THERE WAS A TRIGGER ARRANGEMENT THAT WOULD ONLY ALLOW IT TO
 GO INTO EFFECT IF CERTAIN ECONOMIC GOALS HAD ^{BEEN} MET BY 1983.

*ENRICH THOMAS
 Affairs Treasury
 1/8/81-3546
 style p. 39, 36, 64, 182*
 BUT THERE IS A LITTLE SLEIGHT OF HAND IN THAT TRIGGER
 MECHANISM. THE COMMITTEE BILL ENSURES THAT THE 1983 DEFICIT
 WILL BE MORE THAN \$7 BILLION GREATER THAN UNDER OUR PLAN.
 THEREFORE, THE THIRD YEAR CUT WILL AUTOMATICALLY NEVER TAKE
 PLACE. *Inset (Will Rogers)*

*COMPARISON OF TWO BILLS
 1581 Treasury
 style p. 40, 48, 39, 36
 1/8/81-3546
 style p. 39, 36, 64, 182*
 THERE TAX PROPOSAL, SIMILAR IN A NUMBER OF WAYS TO
 OURS, BUT DIFFERING IN SOME VERY VITAL PARTS, WAS PASSED OUT
 OF THE HOUSE WAYS AND MEANS COMMITTEE, AND FROM NOW ON I'LL
 REFER TO IT AS THE COMMITTEE BILL AND OURS AS THE BIPARTISAN
 BILL. THEY WILL BE THE BILLS TAKEN UP WEDNESDAY.

*9, 7-18-81, p. 1306-7
 to 2/18/81
 Treasury Comparison
 2 bills
 MAKING POINTS - 2 plans
 7-20-81
 CON RECY TAX ACT OF
 1981, 7-24-81 UPDATES*
 THE MAJORITY LEADERSHIP CLAIMS THEIRS GIVES A GREATER
 BREAK TO THE WORKER THAN OURS AND IT DOES -- THAT IS, IF
 YOU'RE ONLY PLANNING TO LIVE 2 MORE YEARS. THE PLAIN TRUTH
 IS OUR CHOICE IS NOT BETWEEN ^{two} PLANS TO REDUCE TAXES, IT IS
 BETWEEN A TAX CUT OR A TAX INCREASE. THERE IS BUILT INTO OUR
 PRESENT SYSTEM, INCLUDING PAYROLL SOCIAL SECURITY TAXES AND
 THE BRACKET CREEP I'VE MENTIONED, A 22 PERCENT TAX INCREASE

OVER THE NEXT 3 YEARS. THE COMMITTEE BILL OFFERS A 15 PERCENT CUT OVER 2 YEARS; OUR BIPARTISAN BILL GIVES A 25 PERCENT REDUCTION OVER 3 YEARS. AS YOU CAN SEE BY THIS CHART -- HERE IS THE 22 PERCENT INCREASE LINE AND HERE IS THEIR CUT BELOW THAT LINE AND OURS WIPING OUT THE INCREASE WITH A LITTLE TO SPARE.

INCIDENTALLY, THEIR CLAIM THAT CUTTING TAXES FOR INDIVIDUALS FOR AS MUCH AS 3 YEARS AHEAD IS RISKY RINGS A LITTLE HOLLOW WHEN YOU REALIZE THAT THEIR BILL CALLS FOR BUSINESS TAX CUTS EACH YEAR FOR 7 YEARS AHEAD.

IT RINGS EVEN MORE HOLLOW WHEN YOU CONSIDER THE FACT THE MAJORITY LEADERSHIP ROUTINELY ENDORSES FEDERAL SPENDING BILLS THAT PROJECT YEARS INTO THE FUTURE, BUT OBJECT TO A TAX BILL THAT WILL RETURN YOUR MONEY OVER A 3 YEAR PERIOD.

HERE IS ANOTHER CHART WHICH ILLUSTRATES WHAT I SAID ABOUT THEIR GIVING A BETTER BREAK IF YOU ONLY INTEND TO LIVE FOR 2 MORE YEARS. THEIRS IS THE DOTTED LINE, OURS THE SOLID. AS YOU CAN SEE, IN EACH OF THE EARNING BRACKETS FROM \$5,000 ON UP TO \$50,000 THE TAX CUT IS SLIGHTLY MORE GENEROUS THAN OURS -- FOR THE FIRST 2 YEARS -- THAN TAXES IN EVERY ONE OF THESE EARNING LEVELS START GOING UP. ON THE OTHER HAND, AS YOU CAN SEE IN OUR BIPARTISAN BILL, THE TAX KEEPS GOING DOWN AND THEN STAYS DOWN PERMANENTLY. *It is the same for all other brackets, too.*

THIS ORANGE SPACE BETWEEN THE TWO LINES IS THE TAX MONEY THAT WILL REMAIN IN YOUR POCKETS IF OUR BILL PASSES AND IT'S THE AMOUNT THAT WILL LEAVE YOUR POCKETS IF THEIR TAX BILL IS PASSED.

I TAKE NO PLEASURE IN SAYING THIS, BUT THOSE WHO WILL SEEK TO DEFEAT OUR CONABLE-HANCE BIPARTISAN BILL AS DEBATE BEGINS WEDNESDAY ARE THE ONES WHO HAVE GIVEN UP ^{five} QUOTE-UNQUOTE "TAX CUTS" IN THE LAST 10 YEARS, BUT OUR TAXES WENT UP \$400 BILLION IN THOSE SAME 10 YEARS.

THE LINES ON THESE CHARTS SAY A LOT ABOUT WHO'S REALLY FIGHTING FOR WHOM. ON THE ONE HAND, YOU SEE A GENUINE AND LASTING COMMITMENT TO THE FUTURE OF WORKING AMERICANS. ON THE OTHER, JUST ANOTHER EMPTY PROMISE. THOSE OF US IN THE BIPARTISAN COALITION WANT TO GIVE THIS ECONOMY AND THE FUTURE OF THIS NATION BACK TO THE PEOPLE, BECAUSE PUTTING PEOPLE FIRST HAS ALWAYS BEEN AMERICA'S SECRET WEAPON. THE HOUSE MAJORITY LEADERSHIP SEEMS LESS CONCERNED WITH PROTECTING YOUR FAMILY BUDGET, THAN WITH SPENDING MORE OF THE FEDERAL BUDGET.

OUR BIPARTISAN TAX BILL TARGETS THREE-QUARTERS OF ITS TAX RELIEF TO MIDDLE-INCOME WAGE EARNERS, WHO PRESENTLY PAY ALMOST THREE-QUARTERS OF THE TOTAL INCOME TAX. IT ALSO THEN INDEXES THE TAX BRACKETS TO INSURE THAT YOU CAN KEEP THAT TAX REDUCTION IN THE YEARS AHEAD. THERE ALSO IS, AS I SAID, ESTATE TAX RELIEF THAT WILL KEEP FAMILY FARMS AND FAMILY-OWNED BUSINESSES IN THE FAMILY. AND THERE ARE PROVISIONS FOR PERSONAL RETIREMENT PLANS AND INDIVIDUAL SAVINGS ACCOUNTS.

BECAUSE THE BIPARTISAN BILL IS SO CLEARLY DRAWN AND BROADLY BASED IT PROVIDES THE KIND OF PREDICTABILITY AND CERTAINTY THAT FINANCIAL MANAGERS NEED TO MAKE THE INVESTMENT DECISIONS THAT STIMULATE PRODUCTIVITY AND MAKE THE ECONOMY GROW.

CP, 6-6-81, P. 979-80
UP, 7-25-81, P. 191
boon goes to hill
in 100% but
to dep. 10/30/81
Treasury Presses
1-23-81, Marlin
at 10:00 AM 566-5252
Statement by Regan

Charts see reference
pg 8
CP, 6-6-81, P. 979-80
UP, 7-25-81, P. 191
to dep. 10/30/81
P. 59-81, P. 106
Shells fragile group

CP, 6-6-81, P. 979-80
UP, 7-25-81, P. 191
CON RECY TAX ACT OF 1980
981, 7-24-81 UPDATE
CON RECY TAX ACT OF
1981, 6-10-81, TABLE 2
reference pg 6

CP, 6-6-81, P. 979-80
UP, 7-25-81, P. 191
CON RECY TAX ACT OF
1981, 7-24-81 UPDATE
CON RECY PROTON
1-18-81, P. 14-17

EVEN MORE IMPORTANT -- IF THE TAX CUT GOES TO YOU THE AMERICAN PEOPLE IN THE THIRD YEAR -- THAT MONEY RETURNED TO YOU WON'T BE AVAILABLE TO THE CONGRESS TO SPEND. AND THAT IN MY VIEW IS WHAT THIS WHOLE CONTROVERSY COMES DOWN TO: ARE YOU ENTITLED TO THE FRUITS OF YOUR OWN LABOR OR DOES GOVERNMENT HAVE SOME PRESUMPTIVE RIGHT TO IT.

I'M ALSO CONVINCED OUR BUSINESS TAX CUT IS SUPERIOR TO THIERS, BECAUSE IT IS MORE ^EQUITABLE, AND IT WILL DO A MUCH BETTER JOB PROMOTING THE SURGE IN INVESTMENT WE SO BADLY NEED TO REBUILD OUR INDUSTRIAL BASE.

THERE IS SOMETHING ELSE I WANT TO TELL YOU. OUR BIPARTISAN COALITION WORKED OUT A TAX BILL WE FELT WOULD PROVIDE INCENTIVE AND STIMULATE PRODUCTIVITY, THUS REDUCING INFLATION AND PROVIDING JOBS FOR THE UNEMPLOYED. THAT WAS OUR GOAL.

OUR OPPONENTS IN THE BEGINNING DIDN'T WANT A TAX ~~BILL~~ ^{CUT} AT ALL. WHAT IS THE PURPOSE BEHIND THEIR CHANGE OF HEAR? THEY'VE PUT A TAX PROGRAM TOGETHER FOR ONE REASON ONLY, TO PROVIDE A POLITICAL VICTORY FOR THEMSELVES. NEVER MIND THAT IT WON'T SOLVE THE ECONOMIC PROBLEMS CONFRONTING OUR COUNTRY. NEVER MIND THAT IT WON'T GET THE WHEELS OF INDUSTRY TURNING AGAIN OR ELIMINATE THE TAXES WHICH ARE EATING US ALIVE. THIS IS NOT THE TIME FOR POLITICAL FUN AND GAMES. THIS IS THE TIME FOR A NEW BEGINNING.

I ASK YOU NOW TO PUT ASIDE ANY FEELINGS OF FRUSTRATION OR HELPLESSNESS ABOUT OUR POLITICAL INSTITUTIONS AND JOIN ME IN THIS DRAMATIC BUT RESPONSIBLE PLAN TO REDUCE THE ENORMOUS BURDEN OF FEDERAL TAXATION ON YOU AND YOUR FAMILY.

File 9.18.2, 39.46

Comparison of 2 Plans
January 7-15-81

9.16.6-81, p. 14-28
in 9.1.2
CONFEY PROGRAM
7-8-81, p. 14-17

amendment not in DE
JULY 2-21-81, Demos to
and sign change in
tax (Bing)
9.16.27-81, p. 1130-1

9.16.27-81, p. 1130-1
CONFEY TAX ACT OF
9.1.2, 7-24-81 UPDATE
CONFEY TAX ACT OF
9.1.6-10-81, Table 2

X

X

X

V

DURING RECENT MONTHS, MANY OF YOU HAVE ASKED WHAT YOU CAN DO TO HELP MAKE AMERICA STRONG AGAIN. I URGE YOU AGAIN TO CONTACT YOUR SENATORS AND CONGRESSMEN, TELL THEM OF YOUR SUPPORT FOR THIS BIPARTISAN PROPOSAL, TELL THEM YOU BELIEVE THIS IS AN UNEQUALLED OPPORTUNITY TO HELP RETURN AMERICA TO PROSPERITY AND MAKE GOVERNMENT AGAIN THE SERVANT OF THE PEOPLE.

IN A FEW DAYS, THE CONGRESS WILL STAND AT THE FORK OF TWO ROADS.

ONE ROAD IS ALL TOO FAMILIAR TO US. IT LEADS -- ULTIMATELY -- TO HIGHER TAXES. IT MERELY BRINGS US FULL CIRCLE BACK TO THE SOURCE OF OUR ECONOMIC PROBLEMS -- WHERE THE GOVERNMENT DECIDES THAT IT KNOWS BETTER THAN YOU WHAT SHOULD BE DONE WITH YOUR EARNINGS, AND, IN FACT, HOW YOU SHOULD CONDUCT YOUR LIFE.

THE OTHER ROAD PROMISES TO RENEW THE AMERICAN SPIRIT. IT'S A ROAD OF HOPE AND OPPORTUNITY. IT PLACES THE DIRECTION OF YOUR LIFE BACK IN YOUR HANDS -- WHERE IT BELONGS.

I HAVE NOT TAKEN YOUR TIME THIS EVENING MERELY TO ASK YOU TO TRUST ME. INSTEAD, I ASK YOU TO TRUST YOURSELVES. THAT'S WHAT AMERICA IS ALL ABOUT. OUR STRUGGLE FOR NATIONHOOD, OUR UNRELENTING FIGHT FOR FREEDOM, OUR VERY EXISTENCE -- THESE HAVE ALL RESTED ON THE ASSURANCE THAT YOU MUST BE FREE TO SHAPE YOUR LIFE AS YOU ARE BEST ABLE TO -- THAT NO ONE CAN STOP YOU FROM REACHING HIGHER OR TAKE FROM YOU THE CREATIVITY THAT HAS MADE AMERICA THE ENVY OF MANKIND.

ONE ROAD IS TIMID AND FEARFUL.

THE OTHER BOLD AND HOPEFUL.

IN THESE 6 MONTHS, WE HAVE DONE SO MUCH AND HAVE COME SO FAR. IT HAS BEEN THE POWER OF MILLIONS OF PEOPLE LIKE YOU WHO

HAVE DETERMINED THAT WE WILL MAKE AMERICA GREAT AGAIN. YOU HAVE
MADE THE DIFFERENCE UP TO NOW. YOU WILL MAKE THE DIFFERENCE
AGAIN.

LET US NOT STOP NOW.

THANK YOU. ^GGOD BLESS YOU AND GOOD NIGHT.

Step 28

7

TELEVISED ADDRESS TO THE NATION -- ^{7:15} ~~JANUARY~~ 27, 1981

Good evening. I had intended to make some remarks about the problem of Social Security tonight -- but the immediacy of Congressional action on the tax program, a key component of our economic package, has to take priority. Let me just say, however, I've been deeply disturbed by the way those of you who are dependent on Social Security have been needlessly frightened by some of the inaccuracies which have been given wide circulation.

It is true that the Social Security system has financial problems. It is also true that these financial problems have been building for more than 20 years -- and nothing has been done.

I hope to address you on this entire subject in the near future. In the meantime, let me just say this: I stated during the campaign and I repeat now I will not stand by and see those of you who are dependent on Social Security deprived of your benefits. I make that pledge to you as your President. You have no reason to be frightened. You will continue to receive your checks in the full amount due you. In any plan to restore fiscal integrity of Social Security I personally will see that no part of the plan will be at the expense of you who are now dependent on your monthly Social Security checks.

Now, let us turn to the business at hand. It's been nearly 6 months since I first reported to you on the state of the Nation's economy. I'm afraid my message that night was grim and disturbing. I remember telling you we were in

the worst economic mess since the Great Depression. Prices and unemployment were continuing to spiral upward and all because Government was too big and spent too much of our money.

We're still not out of the woods, but we've made a start. And we've certainly surprised those long-time and somewhat cynical observers of the Washington scene who looked, listened and said, "It can never be done. Washington will never change its spending habits."

Well, something very exciting has been happening here in Washington and you are responsible. Your voices have been heard. Millions of you, Democrats, Republicans and Independents, from every profession, trade and line of work, and from every part of this land; you sent a message that you wanted a new beginning. You wanted to change one little two-letter word. It doesn't sound like much, but it sure can make a difference changing "control by Government" to "control of Government."

In that earlier broadcast you'll recall I proposed a program to drastically cut back Government spending in the 1982 budget which begins October 1st and to continue cutting in '83 and '84. Along with this I suggested an across-the-board tax cut spread over those same 3 years and the elimination of unnecessary regulations which were adding billions to the cost of things we buy.

All the lobbying, the organized demonstrations and the cries of protest by those whose way of life depends on maintaining Government's wasteful ways were no match for your voices which were heard loud and clear in these marble halls of Government.

And you made history with your telegrams, your letters, your phone calls and, yes, personal visits to talk to your elected representatives. You reaffirmed the mandate you delivered in the election last November. A mandate that called for an end to Government policies that sent prices and mortgage rates skyrocketing, while millions of Americans went jobless.

Because of what you did, Republicans and Democrats in the Congress came together and passed the most sweeping cutbacks in the history of the Federal budget. Right now Members of the House and Senate are meeting in a conference committee to reconcile the differences between the two budget cutting bills passed by the House and the Senate. When they finish, all Americans will benefit by savings of approximately \$140 billion in reduced Government costs over the next 3 years. And that doesn't include the additional savings from the hundreds of burdensome regulations already cancelled or facing cancellation.

For 19 out of the last 20 years the Federal Government has spent more than it took in. There will be another large deficit in this present year which ends September 30th. But with our program in place it won't be quite as big as it

might have been and starting next year the deficits will get smaller until in just a few years the budget can be balanced. And we hope we can begin whittling at that almost \$1 trillion debt that hangs over the future of our children.

Now so far I've been talking about only one part of our program for economic recovery -- the budget cutting part. I don't minimize its importance. Just the fact that Democrats and Republicans could work together as they have, proving the strength of our system, has created an optimism in our land. The rate of inflation is no longer in double-digit figures, the dollar has regained strength in the international money markets and businessmen and investors are making decisions with regard to industrial development, modernization and expansion. All of this based on anticipation of our program being adopted and put into operation.

A recent poll shows that where a year-and-a-half ago only 24 percent of our people believed things would get better, today 46 percent believe they will. To justify their faith we must deliver the other part of our program. Our economic package is a closely knit, carefully constructed plan to restore America's economic strength and put our Nation back on the road to prosperity. Each part of this package is vital. It cannot be considered piecemeal. It was proposed as a package and it has been supported as such by the American people. Only if the Congress passes all of its major components does it have any real chance of success. This is absolutely essential if we are to provide incentives and

make capital available for the increased productivity required to provide [real, permanent] jobs for our people.

And let us not forget that the rest of the world is watching America carefully to see how we will act at this critical moment. I have recently returned from a summit meeting with world leaders in Ottawa, Canada and the message I heard from them was quite clear -- our allies depend on a strong and economically sound America and they are watching events in this country, particularly those surrounding our program for economic recovery, with close attention and great hopes. [In short, the best way to have a foreign policy abroad is to have a strong economy at home.]

The day after tomorrow -- Wednesday -- the House of Representatives will begin debate on two tax bills and once again they need to hear from you. I know that doesn't give you much time, but a great deal is at stake.

A few days ago I was visited here in the Office by a Democratic Congressman from one of our Southern States. He'd been back in his district and one day one of his constituents asked him where he stood on the economic recovery program I'd outlined in that earlier broadcast. Well, the Congressman, who happens to be a strong leader in support of our program, replied at some length with a discussion of the technical points involved, but also mentioning a few reservations he had on certain points. The constituent, a farmer, listened politely until he'd finished and then said, "Don't give me an essay. What I want to know is are you for 'em or agin 'em?"

I appreciate the gentleman's support and suggest his question is a message your own Representatives should hear. Let me add those Representatives honestly and sincerely want to know your feelings. They get plenty of input from the special interest groups, they'd like to hear from their homefolks.

Let me explain what the situation is and what is at issue. With our budget cuts we presented a complete program of reduction in tax rates. Again, our purpose was to provide incentive for the individual, incentives for business to encourage production and hiring of the unemployed and to free up money for investment.

Our bill calls for a 5 percent reduction in the income tax rates by October 1st, a 10 percent reduction beginning July 1, 1982 and another 10 percent cut a year later -- a 25 percent total reduction over 3 years. But then to ensure the tax cut is permanent we call for indexing the tax rates in 1985, which means adjusting them for inflation. As it is now, if you get a cost of living raise intended to keep you even with inflation, you find that the increase in the number of dollars you get may very likely move you into a higher tax bracket and you wind up poorer than you were. This is called bracket creep.

Bracket creep is an insidious tax. Let me give an example. If you earned \$10,000 a year in 1972, by 1980 you had to earn \$19,700 just to stay even with inflation. But that's before taxes. Come April 15th, you find your tax rates have increased 30 percent. If you've been wondering why you don't seem as well off as you were a few years back, it's because Government makes a profit on inflation. It

gets an automatic tax increase without having to vote on it. We intend to stop that.

Time won't allow me to explain every detail, but our bill includes just about everything to help the economy. We do away with the marriage penalty, that unfair tax that has a working husband and wife pay more tax than if they were single. We increase the exemption on the inheritance (or estate) tax to \$600,000 so that farmers and family-owned businesses don't have to sell the farm or store in the event of death just to pay the taxes. Most important we wipe out the tax entirely for a surviving spouse. No longer, for example, will a widow have to sell the family source of income to pay a tax on her husband's death. There are deductions to encourage investment and savings. Business gets realistic depreciation on equipment and machinery. And there are tax breaks for small and independent businesses which create 80 percent of all new jobs. This bill also provides major credits to the research and development industry -- these credits will help spark the high technology breakthroughs that are so critical to America's economic leadership in the world. There are also added incentives for small businesses including a provision that will lift much of the burden of costly paperwork that Government has imposed on small business.

In addition, there is short-term but substantial assistance for the hard-pressed thrift industry as well as reductions in oil taxes that will benefit new or independent oil producers and move our Nation a step closer to energy self-sufficiency.

Our bill is, in short, the first real tax cut for everyone in almost 20 years.

Now when I first proposed this -- and incidentally it has now become a bipartisan measure co-authored by Republican Barber Conable and Democrat Kent Hance -- the Democratic leadership said a tax cut was out of the question. It would be wildly inflationary. That was before my inauguration.

Then your voices began to be heard and suddenly in February the leadership discovered a 1 year tax cut was feasible. We kept on pushing our 3 year tax cut and by June the opposition found that a 2 year cut might work. Now it's July and they find they could go for a third year cut provided there was a trigger arrangement that would only allow it to go into effect if certain economic goals had been met by 1983.

18- [But by holding the people's tax reduction hostage to future economic events, they will eliminate people's ability to plan ahead. Shopkeepers, farmers and individuals will be denied the certainty they must have to begin saving or investing more of their money. And encouraging more savings and investment is precisely what we need most to rebuild our economy.]

Greg Williams
treasury
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[But there is a little sleight of hand in that trigger mechanism. [The committee bill ensures that the 1983 deficit will be \$6.5 billion greater than their own trigger requires. As it stands now the design of their own bill will not meet the trigger they have put in. Therefore, the third year tax cut will automatically never take place.]

If I could paraphrase a well-known statement by Will Rogers that he had never met a man he didn't like -- I'm afraid we have some people around who never met a tax they didn't hike.

Their tax proposal, similar in a number of ways to ours, but differing in some very vital parts, was passed out of the House Ways and Means Committee, and from now on I'll refer to it as the committee bill and ours as the bipartisan bill. They will be the bills taken up Wednesday.

The majority leadership claims theirs gives a greater break to the worker than ours and it does -- that is, if you're only planning to live 2 more years. The plain truth is our choice is not between two plans to reduce taxes, it is between a tax cut or a tax increase. There is built into our present system, including payroll Social Security taxes and the bracket creep I've mentioned, a 22 percent tax increase over the next 3 years. The ~~committee~~ bill offers a 15 percent cut over 2 years; our bipartisan bill gives a 25 percent reduction over 3 years. As you can see by this chart -- here is the 22 percent increase line and here is their cut below that line and ours wiping out the increase with a little to spare. X

Incidentally, their claim that cutting taxes for individuals for as much as 3 years ahead is risky rings a little hollow when you realize that their bill calls for business tax cuts each year for 7 years ahead.

It rings even more hollow when you consider the fact the majority leadership routinely endorses Federal spending bills that project years into the future, but object to a tax bill that will return your money over a 3 year period.

Here is another chart which illustrates what I said about their giving a better break if you only intend to live for 2 more years. Theirs is the dotted line, ours the solid. As you can see, in an earning bracket of \$20,000 their tax cut is slightly more generous than ours -- for the first 2 years -- then taxes in that earning level start going up. On the other hand, in our bipartisan bill, the tax keeps going down and then stays down permanently. This is true of all earning brackets.

This red space between the 2 lines is the tax money that will remain in your pockets if our bill passes and it's the amount that will leave your pockets if their tax bill is passed.

I take no pleasure in saying this, but those who will seek to defeat our Conable-Hance bipartisan bill as debate begins Wednesday are the ones who have given us five "tax cuts" in the last 10 years, but our taxes went up \$400 billion in those same 10 years.

The lines on these charts say a lot about who's really fighting for whom. On the one hand, you see a genuine and lasting commitment to the future of working Americans. On the other, just another empty promise. Those of us in the bipartisan coalition want to give this economy and the future of this Nation back to the people, because putting people first has always been America's secret weapon. The House majority leadership seems less concerned with protecting

your family budget, than with spending more on the Federal budget.

Our bipartisan tax bill targets three-quarters of its tax relief to middle-income wage earners, who presently pay almost three-quarters of the total income tax. It also then indexes the tax brackets to ensure that you can keep that tax reduction in the years ahead. There also is, as I said, estate tax relief that will keep family farms and family-owned businesses in the family. And there are provisions for personal retirement plans and individual savings accounts.

Because our bipartisan bill is so clearly drawn and broadly based it provides the kind of predictability and certainty that the financial segments of our society need to make investment decisions that stimulate productivity and make our economy grow.

Even more important -- if the tax cut goes to you the American people in the third year -- that money returned to you won't be available to the Congress to spend. And that in my view is what this whole controversy comes down to: Are you entitled to the fruits of your own labor or does Government have some presumptive right to spend and spend and spend.

I'm also convinced our business tax cut is superior to theirs, because it is more equitable, and it will do a much better job promoting the surge in investment we so badly need to rebuild our industrial base.

There is something else I want to tell you. Our bipartisan coalition worked out a tax bill we felt would provide incentive and stimulate productivity, thus reducing inflation and providing jobs for the unemployed. That was our goal.

Our opponents in the beginning didn't want a tax bill at all. What is the purpose behind their change of heart? They've put a tax program together for one reason only, to provide a political victory for themselves. Never mind that it won't solve the economic problems confronting our country. Never mind that it won't get the wheels of industry turning again or eliminate the inflation which is eating us alive. This is not the time for political fun and games. This is the time for a New Beginning.

I ask you now to put aside any feelings of frustration or helplessness about our political institutions and join me in this dramatic but responsible plan to reduce the enormous burden of Federal taxation on you and your family.

During recent months, many of you have asked what you can do to help make America strong again. I urge you again to contact your Senators and Congressmen, tell them of your support for this bipartisan proposal, tell them you believe this is an unequalled opportunity to help return America to prosperity and make Government again the servant of the people.

In a few days, the Congress will stand at the fork of two roads.

One road is all too familiar to us. It leads -- ultimately -- to higher taxes. It merely brings us full circle back to the source of our economic problems -- where the Government decides that it knows better than you what should be done with your earnings, and, in fact, how you should conduct your life.

The other road promises to renew the American spirit. It's a road of hope and opportunity. It places the direction of your life back in your hands - where it belongs.

I have not taken your time this evening merely to ask you to trust me. Instead, I ask you to trust yourselves. That's what America is all about. Our struggle for nationhood, our unrelenting fight for freedom, our very existence -- these have all rested on the assurance that you must be free to shape your life as you are best able to -- that no one can stop you from reaching higher or take from you the creativity that has made America the envy of mankind.

One road is timid and fearful.

The other bold and hopeful.

In these 6 months, we have done so much and have come so far. It has been the power of millions of people like you who have determined that we will make America great again. You have made the difference up to now. You will make the difference again.

Let us not stop now.

Thank you. God bless you and good night.

7/24/81

Notes To "Keeping Taxes Down"

This chart compares the effects of the President's bipartisan tax reduction program and the Ways and Means tax bill on the real tax burden of a worker who earned \$15,000 in 1980, and who receives cost-of-living increases exactly offsetting inflation each year thereafter. Both bills reduce the worker's real tax burden initially.

After 1983, however, the Ways and Means tax cut begins to fade due to bracket creep and inflation. The real tax burden begins to climb. By 1984, most of the tax cut is wiped out. By 1985, it is gone altogether. Real tax payments hit new heights and keep rising.

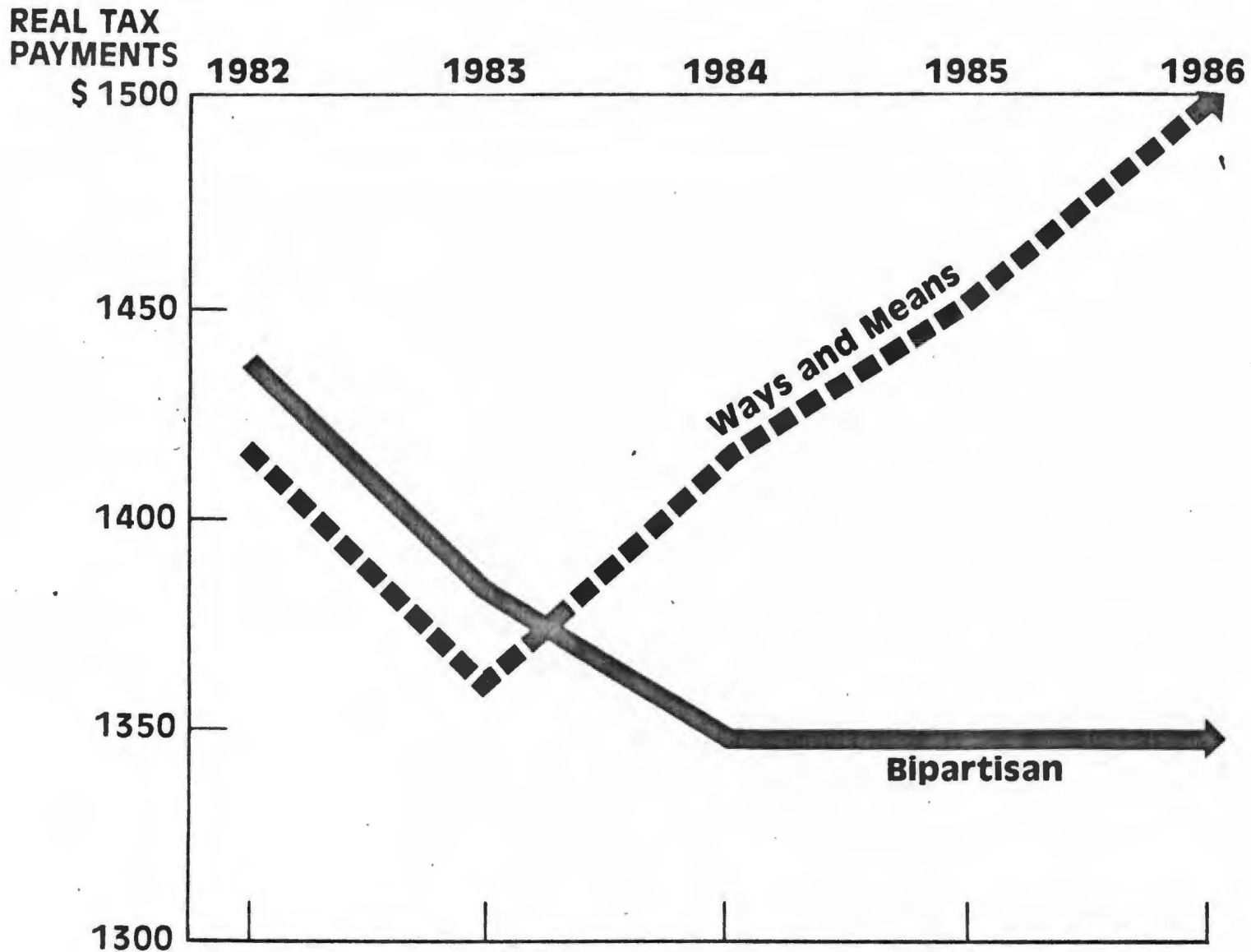
Under the President's bipartisan tax reduction program, a third year of tax reduction lowers the real tax burden further. In 1985 and beyond, the personal exemptions and tax brackets are adjusted annually for inflation to prevent bracket creep and to lock in the tax cut for the taxpayer and his family.

Indexation of the tax system makes tax reductions real and permanent throughout the income categories and preserves the incentives to work, save, and invest generated by tax rate reduction.

Keeping Taxes Down

One-earner Family Of Four - - \$15,000 Wages

7/24/81



GOOD EVENING. I HAD INTENDED TO MAKE SOME REMARKS ABOUT THE PROBLEM OF SOCIAL SECURITY TONIGHT -- BUT THE IMMEDIACY OF ^{congression} ~~HOUSE~~ ACTION ON THE TAX PROGRAM, A KEY COMPONENT OF OUR ECONOMIC PACKAGE, HAS TO TAKE PRIORITY. LET ME JUST SAY, HOWEVER, I'VE BEEN DEEPLY DISTURBED BY THE WAY ^{those of} YOU WHO ARE DEPENDENT ON SOCIAL SECURITY HAVE BEEN NEEDLESSLY FRIGHTENED, ^{by some of the inaccuracies which have been given} ~~AND IN SOME INSTANCES BY THOSE WHO PLACE POLITICS ABOVE~~ TRUTH. wide circulation

IT IS TRUE THAT THE SOCIAL SECURITY SYSTEM HAS FINANCIAL PROBLEMS. IT IS ALSO TRUE THAT ~~SOME WHO HAVE CAUSED CONFUSION AND FEAR BY THEIR IRRESPONSIBLE CHARGES HAVE BEEN IN A POSITION TO DO SOMETHING CONSTRUCTIVE ABOUT THESE FINANCIAL~~ ^{have been building} PROBLEMS ^{nothing has been done} FOR MORE THAN 20 YEARS -- AND THEY HAVE DONE NOTHING.

I HOPE TO ADDRESS YOU ON THIS ENTIRE SUBJECT IN THE NEAR FUTURE. IN THE MEANTIME, LET ME JUST SAY THIS: I STATED DURING THE CAMPAIGN AND I REPEAT NOW I WILL NOT STAND BY AND SEE THOSE OF YOU WHO ARE DEPENDENT ON SOCIAL SECURITY DEPRIVED OF YOUR BENEFITS. I MAKE THAT PLEDGE TO YOU AS YOUR PRESIDENT. YOU HAVE NO REASON TO BE FRIGHTENED. YOU WILL CONTINUE TO RECEIVE YOUR CHECKS IN THE FULL AMOUNT DUE YOU. IN ANY PLAN TO RESTORE FISCAL INTEGRITY OF SOCIAL SECURITY I PERSONALLY WILL SEE THAT NO PART OF THE PLAN WILL BE AT THE EXPENSE OF YOU WHO ARE NOW DEPENDENT ON YOUR MONTHLY SOCIAL SECURITY CHECKS.

NOW, LET US TURN TO THE BUSINESS AT HAND. IT'S BEEN NEARLY 6 MONTHS SINCE I FIRST REPORTED TO YOU ON THE STATE OF THE NATION'S ECONOMY. I'M AFRAID MY MESSAGE THAT NIGHT WAS GRIM AND DISTURBING. I REMEMBER TELLING YOU WE WERE IN

paragraph
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THE WORST ECONOMIC MESS SINCE THE GREAT DEPRESSION, ^{prices} ~~INFLATION~~ ^{and} ~~WAS CONTINUING TO SPIRAL UPWARD,~~ ^{were continuing to} ~~UNEMPLOYMENT WAS AT A~~ ^{Spiral upward} ~~CRIPPLING LEVEL~~ AND ALL BECAUSE GOVERNMENT WAS TOO BIG AND SPENT TOO MUCH OF OUR MONEY.

WE'RE STILL NOT OUT OF THE WOODS, BUT WE'VE MADE A START. AND WE'VE CERTAINLY SURPRISED THOSE LONG-TIME AND SOMEWHAT CYNICAL OBSERVERS OF THE WASHINGTON SCENE WHO LOOKED, LISTENED AND SAID, "IT CAN NEVER BE DONE. WASHINGTON WILL NEVER CHANGE ITS SPENDING HABITS."

WELL, SOMETHING VERY EXCITING HAS BEEN HAPPENING HERE IN WASHINGTON AND YOU ARE RESPONSIBLE. YOUR VOICES HAVE BEEN HEARD. MILLIONS OF YOU, DEMOCRATS, REPUBLICANS AND INDEPENDENTS, FROM EVERY PROFESSION, TRADE AND LINE OF WORK, AND FROM EVERY PART OF THIS LAND; YOU SENT A MESSAGE THAT YOU WANTED A NEW BEGINNING. YOU WANTED TO CHANGE ONE LITTLE TWO-LETTER WORD. IT DOESN'T SOUND LIKE MUCH, BUT IT SURE CAN MAKE A DIFFERENCE CHANGING "CONTROL BY GOVERNMENT" TO "CONTROL OF GOVERNMENT."

IN THAT EARLIER BROADCAST YOU'LL RECALL I PROPOSED A PROGRAM TO DRASTICALLY CUT BACK GOVERNMENT SPENDING IN THE 1982 BUDGET WHICH BEGINS OCTOBER 1ST AND TO CONTINUE CUTTING IN '83 AND '84. ALONG WITH THIS I SUGGESTED AN ACROSS-THE-BOARD TAX CUT SPREAD OVER THOSE SAME 3 YEARS AND THE ELIMINATION OF UNNECESSARY REGULATIONS WHICH WERE ADDING ^{one hundred} ~~\$100~~ ^{billions} BILLION TO THE COST OF THINGS WE BUY.

ALL THE LOBBYING, THE ORGANIZED DEMONSTRATIONS AND THE CRIES OF PROTEST BY THOSE WHOSE WAY OF LIFE DEPENDS ON MAINTAINING

GOVERNMENT'S WASTEFUL WAYS WERE NO MATCH FOR YOUR VOICES WHICH WERE HEARD LOUD AND CLEAR IN THESE MARBLE HALLS OF GOVERNMENT.

AND YOU MADE HISTORY WITH YOUR TELEGRAMS, YOUR LETTERS, YOUR PHONE CALLS AND, YES, PERSONAL VISITS TO TALK TO YOUR ELECTED REPRESENTATIVES. YOU REAFFIRMED THE MANDATE YOU DELIVERED IN THE ELECTION LAST NOVEMBER. A MANDATE THAT CALLED FOR AN END TO GOVERNMENT POLICIES THAT SENT PRICES AND MORTGAGE RATES SKYROCKETING, WHILE MILLIONS OF AMERICANS WENT JOBLESS.

BECAUSE OF WHAT YOU DID, REPUBLICANS AND DEMOCRATS IN THE CONGRESS CAME TOGETHER AND PASSED THE MOST SWEEPING CUTBACKS IN THE HISTORY OF THE FEDERAL BUDGET. RIGHT NOW MEMBERS OF THE HOUSE AND SENATE ARE MEETING IN A CONFERENCE COMMITTEE TO RECONCILE THE DIFFERENCES BETWEEN THE TWO BUDGET CUTTING BILLS PASSED BY THE HOUSE AND THE SENATE. WHEN THEY FINISH, ALL AMERICANS WILL BENEFIT BY SAVINGS OF ~~MORE THAN~~ \$140 BILLION IN REDUCED GOVERNMENT COSTS OVER THE NEXT 3 YEARS. AND THAT DOESN'T INCLUDE THE ADDITIONAL SAVINGS FROM THE HUNDREDS OF BURDENSOME REGULATIONS ALREADY CANCELLED OR FACING CANCELLATION.

FOR ~~10~~¹⁹ OUT OF THE LAST 20 YEARS THE FEDERAL GOVERNMENT HAS SPENT MORE THAN IT TOOK IN. THERE WILL BE ANOTHER LARGE DEFICIT IN THIS PRESENT YEAR WHICH ENDS SEPTEMBER 30TH. BUT WITH OUR PROGRAM IN PLACE IT WON'T BE QUITE AS BIG AS IT MIGHT HAVE BEEN AND STARTING NEXT YEAR THE DEFICITS WILL GET ~~INCREASINGLY~~ SMALLER UNTIL IN JUST A FEW YEARS THE BUDGET

can

And
We hope

~~WILL~~ BE BALANCED, ~~AND, HOPEFULLY,~~ WE CAN BEGIN WHITTILING AT THAT ALMOST \$1 TRILLION DEBT THAT HANGS OVER THE FUTURE OF OUR CHILDREN.

NOW SO FAR I'VE BEEN TALKING ABOUT ONLY ONE PART OF OUR PROGRAM FOR ECONOMIC RECOVERY -- THE BUDGET CUTTING PART. I DON'T MINIMIZE ITS IMPORTANCE. JUST THE FACT THAT DEMOCRATS AND REPUBLICANS COULD WORK TOGETHER AS THEY HAVE, PROVING THE STRENGTH OF OUR SYSTEM, HAS CREATED AN OPTIMISM IN OUR LAND. THE RATE OF INFLATION IS NO LONGER IN DOUBLE DIGIT FIGURES, THE DOLLAR HAS REGAINED STRENGTH IN THE INTERNATIONAL MONEY MARKETS AND BUSINESSMEN AND INVESTORS ARE MAKING DECISIONS WITH REGARD TO INDUSTRIAL DEVELOPMENT, MODERNIZATION AND EXPANSION. ALL OF THIS BASED ON ANTICIPATION OF OUR PROGRAM BEING ADOPTED AND PUT INTO OPERATION.

A RECENT POLL SHOWS THAT WHERE A YEAR ^{ago} AGO ONLY 24 PERCENT OF OUR PEOPLE BELIEVED THINGS WOULD GET BETTER, TODAY 46 PERCENT BELIEVE THEY WILL. TO JUSTIFY THEIR FAITH WE MUST DELIVER THE OTHER PART OF OUR PROGRAM. OUR ECONOMIC PACKAGE IS A CLOSELY KNIT, CAREFULLY CONSTRUCTED PLAN TO RESTORE AMERICA'S ECONOMIC STRENGTH AND PUT OUR NATION BACK ON THE ROAD TO PROSPERITY. EACH PART OF THIS PACKAGE IS VITAL. IT CANNOT BE CONSIDERED PIECEMEAL. IT WAS PROPOSED AS A PACKAGE AND IT HAS BEEN SUPPORTED AS SUCH BY THE AMERICAN PEOPLE. ONLY IF THE CONGRESS PASSES ALL OF ITS MAJOR COMPONENTS DOES IT HAVE ANY REAL CHANCE OF SUCCESS. THIS IS ABSOLUTELY ESSENTIAL IF WE ARE TO PROVIDE INCENTIVES AND MAKE CAPITAL AVAILABLE FOR THE INCREASED PRODUCTIVITY REQUIRED TO PROVIDE JOBS FOR OUR PEOPLE.

AND LET US NOT FORGET THAT THE REST OF THE WORLD IS WATCHING AMERICA CAREFULLY TO SEE HOW WE WILL ACT AT THIS CRITICAL MOMENT. I HAVE RECENTLY RETURNED FROM A SUMMITT MEETING WITH WORLD LEADERS IN OTTAWA, CANADA AND THE MESSAGE I HEARD FROM THEM WAS QUITE CLEAR -- OUR ALLIES DEPEND ON A STRONG AND ECONOMICALLY SOUND AMERICA AND THEY ARE WATCHING EVENTS IN THIS COUNTRY, PARTICULARLY THOSE SURROUNDING OUR PROGRAM FOR ECONOMIC RECOVERY, WITH CLOSE ATTENTION AND GREAT HOPES.

DAY AFTER TOMORROW -- WEDNESDAY -- THE HOUSE OF REPRESENTATIVES WILL BEGIN DEBATE ON TWO TAX BILLS AND ONCE AGAIN THEY NEED TO HEAR FROM YOU. I KNOW THAT DOESN'T GIVE YOU MUCH TIME, BUT A GREAT DEAL IS AT STAKE.

A FEW DAYS AGO I WAS VISITED HERE IN THE OFFICE BY A DEMOCRATIC CONGRESSMAN FROM ONE OF OUR SOUTHERN STATES. HE'D BEEN BACK IN HIS DISTRICT AND ONE DAY ONE OF HIS CONSTITUENTS ASKED HIM WHERE HE STOOD ON THE ECONOMIC RECOVERY PROGRAM I'D OUTLINED IN THAT EARLIER BROADCAST. WELL, THE CONGRESSMAN, WHO HAPPENS TO BE A STRONG LEADER IN SUPPORT OF OUR PROGRAM, REPLIED AT SOME LENGTH WITH A DISCUSSION OF THE TECHNICAL POINTS INVOLVED, BUT ALSO MENTIONING A FEW RESERVATIONS HE HAD ON CERTAIN POINTS. THE CONSTITUENT, A FARMER, LISTENED POLITELY UNTIL HE'D FINISHED AND THEN SAID, "WELL, YES, THAT'S ALL VERY INTERESTING -- BUT WHAT I WANT TO KNOW IS -- ARE YOU FOR UM OR AGIN UM?"

I APPRECIATE THE GENTLEMAN'S SUPPORT AND SUGGEST HIS QUESTION IS A MESSAGE YOUR OWN REPRESENTATIVES SHOULD HEAR.

LET ME ADD THOSE REPRESENTATIVES HONESTLY AND SINCERELY WANT TO KNOW YOUR FEELINGS. THEY GET PLENTY OF INPUT FROM THE SPECIAL INTEREST GROUPS, THEY'D LIKE TO HEAR FROM THEIR HOMEFOLKS.

LET ME EXPLAIN WHAT THE SITUATION IS AND WHAT IS AT ISSUE. WITH OUR BUDGET CUTS WE PRESENTED A COMPLETE PROGRAM OF REDUCTION IN TAX RATES. AGAIN, OUR PURPOSE WAS TO PROVIDE INCENTIVE FOR THE INDIVIDUAL, INCENTIVES FOR BUSINESS TO ENCOURAGE PRODUCTION AND HIRING OF THE UNEMPLOYED AND TO FREE UP MONEY FOR INVESTMENT.

OUR BILL CALLS FOR A 5 PERCENT REDUCTION IN THE INCOME TAX RATES BY OCTOBER 1ST, A 10 PERCENT REDUCTION BEGINNING JULY 1, 1982 AND ANOTHER 10 PERCENT CUT A YEAR LATER -- A 25 PERCENT TOTAL REDUCTION OVER 3 YEARS. BUT THEN TO ENSURE THE TAX CUT IS PERMANENT WE CALL FOR INDEXING THE TAX RATES IN 1985, WHICH MEANS ADJUSTING THEM FOR INFLATION. AS IT IS NOW, IF YOU GET A COST OF LIVING RAISE INTENDED TO KEEP YOU EVEN WITH INFLATION, YOU FIND THAT THE INCREASE IN THE NUMBER OF DOLLARS YOU GET MAY VERY LIKELY MOVE YOU INTO A HIGHER TAX BRACKET AND YOU WIND UP POORER THAN YOU WERE. THIS IS CALLED BRACKET CREEP.

BRACKET CREEP IS AN INSIDIOUS TAX. LET ME GIVE AN EXAMPLE. ~~It has been estimated that~~ IF YOU EARNED \$10,000 A YEAR IN 1971, BY 1980 YOU HAD TO EARN \$19,850 JUST TO STAY EVEN WITH INFLATION. BUT THAT'S BEFORE TAXES. COME APRIL 15th 1980, YOU ~~FIND~~ ^{found} YOUR TAX RATES ~~HAVE~~ ^{had} INCREASED 33 PERCENT. IF YOU'VE BEEN WONDERING WHY YOU DON'T SEEM AS WELL OFF AS YOU WERE A FEW YEARS BACK,



IT'S BECAUSE GOVERNMENT MAKES A PROFIT ON INFLATION. IT GETS AN AUTOMATIC TAX INCREASE WITHOUT HAVING TO VOTE ON IT. WE INTEND TO STOP THAT.

TIME WON'T ALLOW ME TO EXPLAIN EVERY DETAIL, BUT OUR BILL INCLUDES JUST ABOUT EVERYTHING TO HELP THE ECONOMY. WE DO AWAY WITH THE MARRIAGE PENALTY, THAT UNFAIR TAX THAT HAS A WORKING HUSBAND AND WIFE PAY MORE TAX THAN IF THEY WERE SINGLE. WE INCREASE THE EXEMPTION ON THE INHERITANCE (OR ESTATE) TAX TO \$600,000 SO THAT FARMERS AND FAMILY-OWNED BUSINESSES DON'T HAVE TO SELL THE FARM OR STORE IN THE EVENT OF DEATH JUST TO PAY THE TAXES. MOST IMPORTANT WE WIPE OUT THE TAX ENTIRELY FOR A SURVIVING SPOUSE. NO LONGER, FOR EXAMPLE, WILL A WIDOW HAVE TO SELL THE FAMILY SOURCE OF INCOME TO PAY A TAX ON HER HUSBAND'S DEATH. THERE ARE DEDUCTIONS TO ENCOURAGE INVESTMENT AND SAVINGS. BUSINESS GETS REALISTIC DEPRECIATION ON EQUIPMENT AND MACHINERY. AND THERE ARE TAX BREAKS FOR SMALL AND INDEPENDENT BUSINESSES WHICH CREATE 80 PERCENT OF ALL NEW JOBS. THIS BILL ALSO PROVIDES MAJOR CREDITS TO THE RESEARCH AND DEVELOPMENT INDUSTRY -- THESE CREDITS WILL HELP SPARK THE HIGH TECHNOLOGY BREAKTHROUGHS THAT ARE SO CRITICAL TO AMERICA'S ECONOMIC LEADERSHIP IN THE WORLD. THERE ARE ALSO ADDED INCENTIVES FOR SMALL BUSINESSES INCLUDING A PROVISION THAT WILL LIFT MUCH OF THE BURDEN OF COSTLY PAPERWORK THAT GOVERNMENT HAS IMPOSED ON SMALL BUSINESS.

IN ADDITION, THERE IS ~~SUBSTANTIAL~~ SHORT-TERM BUT SUBSTANTIAL ASSISTANCE FOR THE HARD-PRESSED THRIFT INDUSTRY AS WELL AS

REDUCTIONS IN OIL TAXES THAT WILL BENEFIT NEW OR INDEPENDENT OIL PRODUCERS AND MOVE OUR NATION A STEP CLOSER TO ENERGY SELF-SUFFICIENCY.

OUR BILL IS, IN SHORT, THE FIRST REAL TAX CUT FOR EVERYONE IN ~~MORE THAN~~ ^{almost} 20 YEARS.

NOW WHEN ~~WE~~ ^{I first} PROPOSED THIS -- AND INCIDENTALLY IT HAS NOW BECOME A BIPARTISAN MEASURE CO-AUTHORED BY REPUBLICAN BARBER CONABLE AND DEMOCRAT KENT HANCE -- THE DEMOCRATIC LEADERSHIP ^{said} DECLARED A TAX CUT WAS OUT OF THE QUESTION. IT WOULD BE WILDLY INFLATIONARY. THAT WAS ~~IN JANUARY~~ ^{before my inauguration}.

THEN YOUR VOICES BEGAN TO BE HEARD AND SUDDENLY IN FEBRUARY THE LEADERSHIP DISCOVERED A ~~ONE~~ ¹ YEAR TAX CUT WAS FEASIBLE. WE KEPT ON PUSHING OUR 3 YEAR TAX CUT AND BY JUNE THE OPPOSITION FOUND THAT A 2 YEAR CUT MIGHT WORK. NOW IT'S JULY AND THEY FIND THEY COULD GO FOR A THIRD YEAR CUT PROVIDED THERE WAS A TRIGGER ARRANGEMENT THAT WOULD ONLY ALLOW IT TO GO INTO EFFECT IF CERTAIN ECONOMIC GOALS HAD BEEN MET BY 1983.

BUT THERE IS A LITTLE SLEIGHT OF HAND IN THAT TRIGGER MECHANISM. THE COMMITTEE BILL ~~ENSURES~~ ^{ten} THAT THE 1983 DEFICIT WILL BE MORE THAN ~~7~~ ^{ten} BILLION GREATER THAN UNDER OUR PLAN. THEREFORE, THE THIRD YEAR CUT WILL AUTOMATICALLY NEVER TAKE PLACE.

IF I COULD PARAPHRASE A WELL-KNOWN STATEMENT BY WILL ROGERS THAT HE HAD NEVER MET A MAN HE DIDN'T LIKE -- I'M AFRAID WE HAVE SOME PEOPLE AROUND WHO NEVER MET A TAX THEY DIDN'T HIKE.

THEIR TAX PROPOSAL, SIMILAR IN A NUMBER OF WAYS TO OURS, BUT DIFFERING IN SOME VERY VITAL PARTS, WAS PASSED OUT OF THE HOUSE WAYS AND MEANS COMMITTEE, AND FROM NOW ON I'LL REFER TO IT AS THE COMMITTEE BILL AND OURS AS THE BIPARTISAN BILL. THEY WILL BE THE BILLS TAKEN UP WEDNESDAY.

THE MAJORITY LEADERSHIP CLAIMS THEIRS GIVES A GREATER BREAK TO THE WORKER THAN OURS AND IT DOES -- THAT IS, IF YOU'RE ONLY PLANNING TO LIVE 2 MORE YEARS. THE PLAIN TRUTH IS OUR CHOICE IS NOT BETWEEN 2 ^{we} PLANS TO REDUCE TAXES, IT IS BETWEEN A TAX CUT OR A TAX INCREASE. THERE IS BUILT INTO OUR PRESENT SYSTEM, INCLUDING PAYROLL SOCIAL SECURITY TAXES AND THE BRACKET CREEP I'VE MENTIONED, A 22 PERCENT TAX INCREASE OVER THE NEXT 3 YEARS. THE COMMITTEE BILL OFFERS A 15 PERCENT CUT OVER 2 YEARS; OUR BIPARTISAN BILL GIVES A 25 PERCENT REDUCTION OVER 3 YEARS. AS YOU CAN SEE BY THIS CHART -- HERE IS THE 22 PERCENT INCREASE LINE AND HERE IS THEIR CUT BELOW THAT LINE AND OURS WIPING OUT THE INCREASE WITH A LITTLE TO SPARE.

INCIDENTALLY, THEIR CLAIM THAT CUTTING TAXES FOR INDIVIDUALS FOR AS MUCH AS 3 YEARS AHEAD IS RISKY RINGS A LITTLE HOLLOW WHEN YOU REALIZE THAT THEIR BILL CALLS FOR BUSINESS TAX CUTS EACH YEAR FOR 7 YEARS AHEAD.

IT RINGS EVEN MORE HOLLOW WHEN YOU CONSIDER THE FACT THE MAJORITY LEADERSHIP ROUTINELY ENDORSES FEDERAL SPENDING BILLS THAT PROJECT YEARS INTO THE FUTURE, BUT OBJECT TO A TAX BILL THAT WILL RETURN YOUR MONEY OVER A 3 YEAR PERIOD.

HERE IS ANOTHER CHART WHICH ILLUSTRATES WHAT I SAID ABOUT THEIR GIVING A BETTER BREAK IF YOU ONLY INTEND TO LIVE

FOR 2 MORE YEARS. THEIRS IS THE DOTTED LINE, OURS THE SOLID. AS YOU CAN SEE, ^{IN AN} ~~IN EACH OF THE EARNING BRACKETS FROM~~ ^{OK} ~~20,000~~ ^{of} ~~\$5,000 ON UP TO \$50,000~~ THEIR TAX CUT IS SLIGHTLY MORE GENEROUS THAN OURS -- FOR THE FIRST 2 YEARS -- THEN TAXES IN ~~EVERY ONE OF THESE EARNING LEVELS~~ ^{that} START ^{IS} GOING UP. ON THE OTHER HAND, ~~AS YOU CAN SEE~~ IN OUR BIPARTISAN BILL, THE TAX KEEPS GOING DOWN AND THEN STAYS DOWN PERMANENTLY. *this is true of a 1 earning brackets.*

THIS ORANGE SPACE BETWEEN THE 2 LINES IS THE TAX MONEY THAT WILL REMAIN IN YOUR POCKETS IF OUR BILL PASSES AND IT'S THE AMOUNT THAT WILL LEAVE YOUR POCKETS IF THEIR TAX BILL IS PASSED.

I TAKE NO PLEASURE IN SAYING THIS, BUT THOSE WHO WILL SEEK TO DEFEAT OUR CONABLE-HANCE BIPARTISAN BILL AS DEBATE BEGINS WEDNESDAY ARE THE ONES WHO HAVE GIVEN US ^{five} 5 QUOTE- UNQUOTE "TAX CUTS" IN THE LAST 10 YEARS, BUT OUR TAXES WENT UP \$400 BILLION IN THOSE SAME 10 YEARS.

THE LINES ON THESE CHARTS SAY A LOT ABOUT WHO'S REALLY FIGHTING FOR WHOM. ON THE ONE HAND, YOU SEE A GENUINE AND LASTING COMMITMENT TO THE FUTURE OF WORKING AMERICANS. ON THE OTHER, JUST ANOTHER EMPTY PROMISE. THOSE OF US IN THE BIPARTISAN COALITION WANT TO GIVE THIS ECONOMY AND THE FUTURE OF THIS NATION BACK TO THE PEOPLE, BECAUSE PUTTING PEOPLE FIRST HAS ALWAYS BEEN AMERICA'S SECRET WEAPON. THE HOUSE MAJORITY LEADERSHIP SEEMS LESS CONCERNED WITH PROTECTING YOUR FAMILY BUDGET, THAN WITH SPENDING MORE ~~ON~~ THE FEDERAL BUDGET.

OUR BIPARTISAN TAX BILL TARGETS THREE-QUARTERS OF ITS TAX RELIEF TO MIDDLE-INCOME WAGE EARNERS, WHO PRESENTLY PAY

ALMOST THREE-QUARTERS OF THE TOTAL INCOME TAX. IT ALSO THEN INDEXES THE TAX BRACKETS TO ENSURE THAT YOU CAN KEEP THAT TAX REDUCTION IN THE YEARS AHEAD. THERE ALSO IS, AS I SAID, ESTATE TAX RELIEF THAT WILL KEEP FAMILY FARMS AND FAMILY-OWNED BUSINESSES IN THE FAMILY. AND THERE ARE PROVISIONS FOR PERSONAL RETIREMENT PLANS AND INDIVIDUAL SAVINGS ACCOUNTS.

BECAUSE THE BIPARTISAN BILL IS SO CLEARLY DRAWN AND BROADLY BASED IT PROVIDES THE KIND OF PREDICTABILITY AND CERTAINTY THAT FINANCIAL MANAGERS NEED TO MAKE THE INVESTMENT DECISIONS THAT STIMULATE PRODUCTIVITY AND MAKE THE ECONOMY GROW.

EVEN MORE IMPORTANT -- IF THE TAX CUT GOES TO YOU THE AMERICAN PEOPLE IN THE THIRD YEAR -- THAT MONEY RETURNED TO YOU WON'T BE AVAILABLE TO THE CONGRESS TO SPEND. AND THAT IN MY VIEW IS WHAT THIS WHOLE CONTROVERSY COMES DOWN TO: ARE YOU ENTITLED TO THE FRUITS OF YOUR OWN LABOR OR DOES GOVERNMENT HAVE SOME PRESUMPTIVE RIGHT TO IT.

I'M ALSO CONVINCED OUR BUSINESS TAX CUT IS SUPERIOR TO ~~THEIR~~, BECAUSE IT IS MORE EQUITABLE, AND IT WILL DO A MUCH BETTER JOB PROMOTING THE SURGE IN INVESTMENT WE SO BADLY NEED TO REBUILD OUR INDUSTRIAL BASE.

THERE IS SOMETHING ELSE I WANT TO TELL YOU. OUR BIPARTISAN COALITION WORKED OUT A TAX BILL WE FELT WOULD PROVIDE INCENTIVE AND STIMULATE PRODUCTIVITY, THUS REDUCING INFLATION AND PROVIDING JOBS FOR THE UNEMPLOYED. THAT WAS OUR GOAL.

OUR OPPONENTS IN THE BEGINNING DIDN'T WANT A TAX ~~BILL~~ cut AT ALL. WHAT IS THE PURPOSE BEHIND THEIR CHANGE OF HEART?

THEY'VE PUT A TAX PROGRAM TOGETHER FOR ONE REASON ONLY, TO PROVIDE A POLITICAL VICTORY FOR THEMSELVES. NEVER MIND THAT IT WON'T SOLVE THE ECONOMIC PROBLEMS CONFRONTING OUR COUNTRY. NEVER MIND THAT IT WON'T GET THE WHEELS OF INDUSTRY TURNING AGAIN OR ELIMINATE THE TAXES WHICH ARE EATING US ALIVE. THIS IS NOT THE TIME FOR POLITICAL FUN AND GAMES. THIS IS THE TIME FOR A NEW BEGINNING.

I ASK YOU NOW TO PUT ASIDE ANY FEELINGS OF FRUSTRATION OR HELPLESSNESS ABOUT OUR POLITICAL INSTITUTIONS AND JOIN ME IN THIS DRAMATIC BUT RESPONSIBLE PLAN TO REDUCE THE ENORMOUS BURDEN OF FEDERAL TAXATION ON YOU AND YOUR FAMILY.

DURING RECENT MONTHS, MANY OF YOU HAVE ASKED WHAT YOU CAN DO TO HELP MAKE AMERICA STRONG AGAIN. I URGE YOU AGAIN TO CONTACT YOUR SENATORS AND CONGRESSMEN, TELL THEM OF YOUR SUPPORT FOR THIS BIPARTISAN PROPOSAL, TELL THEM YOU BELIEVE THIS IS AN UNEQUALLED OPPORTUNITY TO HELP RETURN AMERICA TO PROSPERITY AND MAKE GOVERNMENT AGAIN THE SERVANT OF THE PEOPLE.

IN A FEW DAYS, THE CONGRESS WILL STAND AT THE FORK OF TWO ROADS.

ONE ROAD IS ALL TOO FAMILIAR TO US. IT LEADS -- ULTIMATELY -- TO HIGHER TAXES. IT MERELY BRINGS US FULL CIRCLE BACK TO THE SOURCE OF OUR ECONOMIC PROBLEMS - WHERE THE GOVERNMENT DECIDES THAT IT KNOWS BETTER THAN YOU WHAT SHOULD BE DONE WITH YOUR EARNINGS, AND, IN FACT, HOW YOU SHOULD CONDUCT YOUR LIFE.

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THE OTHER ROAD PROMISES TO RENEW THE AMERICAN SPIRIT.
IT'S A ROAD OF HOPE AND OPPORTUNITY. IT PLACES THE DIRECTION
OF YOUR LIFE BACK IN YOUR HANDS - WHERE IT BELONGS.

I HAVE NOT TAKEN YOUR TIME THIS EVENING MERELY TO ASK
YOU TO TRUST ME. INSTEAD, I ASK YOU TO TRUST YOURSELVES.
THAT'S WHAT AMERICA IS ALL ABOUT. OUR STRUGGLE FOR NATIONHOOD,
OUR UNRELENTING FIGHT FOR FREEDOM, OUR VERY EXISTENCE --
THESE HAVE ALL RESTED ON THE ASSURANCE THAT YOU MUST BE FREE
TO SHAPE YOUR LIFE AS YOU ARE BEST ABLE TO - THAT NO ONE CAN
STOP YOU FROM REACHING HIGHER OR TAKE FROM YOU THE CREATIVITY
THAT HAS MADE AMERICA THE ENVY OF MANKIND.

ONE ROAD IS TIMID AND FEARFUL.

THE OTHER BOLD AND HOPEFUL.

IN THESE 6 MONTHS, WE HAVE DONE SO MUCH AND HAVE COME
SO FAR. IT HAS BEEN THE POWER OF MILLIONS OF PEOPLE LIKE
YOU WHO HAVE DETERMINED THAT WE WILL MAKE AMERICA GREAT
AGAIN. YOU HAVE MADE THE DIFFERENCE UP TO NOW. YOU WILL
MAKE THE DIFFERENCE AGAIN.

LET US NOT STOP NOW.

THANK YOU, GOD BLESS YOU AND GOOD NIGHT.

GOOD EVENING. I HAD
INTENDED TO MAKE SOME
REMARKS ABOUT THE PROBLEM
OF SOCIAL SECURITY
TONIGHT -- BUT THE
IMMEDIACY OF CONGRESSIONAL
ACTION ON THE TAX PROGRAM,
A KEY COMPONENT OF OUR
ECONOMIC PACKAGE, HAS TO
TAKE PRIORITY. LET ME
JUST SAY, HOWEVER, I'VE
BEEN DEEPLY DISTURBED BY
THE WAY THOSE OF YOU WHO
ARE DEPENDENT ON SOCIAL
SECURITY HAVE BEEN
NEEDLESSLY FRIGHTENED BY
SOME OF THE INACCURACIES
WHICH HAVE BEEN GIVEN
WIDE CIRCULATION.

IT IS TRUE THAT THE
SOCIAL SECURITY SYSTEM HAS
FINANCIAL PROBLEMS. IT IS
ALSO TRUE THAT THESE
FINANCIAL PROBLEMS HAVE
BEEN BUILDING FOR MORE
THAN 20 YEARS -- AND
NOTHING HAS BEEN DONE.

I HOPE TO ADDRESS YOU
ON THIS ENTIRE SUBJECT IN
THE NEAR FUTURE. IN THE
MEANTIME, LET ME JUST SAY
THIS: I STATED DURING
THE CAMPAIGN AND I REPEAT
NOW I WILL NOT STAND BY
AND SEE THOSE OF YOU WHO
ARE DEPENDENT ON SOCIAL
SECURITY DEPRIVED OF YOUR
BENEFITS. I MAKE THAT
PLEDGE TO YOU AS YOUR
PRESIDENT. YOU HAVE NO
REASON TO BE FRIGHTENED.
YOU WILL CONTINUE TO
RECEIVE YOUR CHECKS IN
THE FULL AMOUNT DUE YOU.
IN ANY PLAN TO RESTORE
FISCAL INTEGRITY OF
SOCIAL SECURITY I
PERSONALLY WILL SEE THAT
NO PART OF THE PLAN WILL
BE AT THE EXPENSE OF YOU
WHO ARE NOW DEPENDENT ON
YOUR MONTHLY SOCIAL
SECURITY CHECKS.

NOW, LET US TURN TO
THE BUSINESS AT HAND.
IT'S BEEN NEARLY 6 MONTHS
SINCE I FIRST REPORTED
TO YOU ON THE STATE OF
THE NATION'S ECONOMY. I'M
AFRAID MY MESSAGE THAT
NIGHT WAS GRIM AND
DISTURBING. I REMEMBER
TELLING YOU WE WERE IN
THE WORST ECONOMIC MESS
SINCE THE GREAT DEPRESSION.
PRICES WERE CONTINUING
TO SPIRAL UPWARD AND
UNEMPLOYMENT WAS REACHING
INTOLERABLE LEVELS AND ALL
BECAUSE GOVERNMENT WAS
TOO BIG AND SPENT TOO MUCH
OF OUR MONEY.

WE'RE STILL NOT OUT
OF THE WOODS, BUT WE'VE
MADE A START. AND WE'VE
CERTAINLY SURPRISED THOSE
LONG-TIME AND SOMEWHAT
CYNICAL OBSERVERS OF THE
WASHINGTON SCENE WHO
LOOKED, LISTENED AND SAID,

"IT CAN NEVER BE DONE.
WASHINGTON WILL NEVER
CHANGE ITS SPENDING
HABITS."

WELL, SOMETHING VERY
EXCITING HAS BEEN
HAPPENING HERE IN
WASHINGTON AND YOU ARE
RESPONSIBLE. YOUR VOICES
HAVE BEEN HEARD.
MILLIONS OF YOU, DEMOCRATS,
REPUBLICANS AND
INDEPENDENTS, FROM EVERY
PROFESSION, TRADE AND
LINE OF WORK, AND FROM
EVERY PART OF THIS LAND;
YOU SENT A MESSAGE THAT
YOU WANTED A NEW
BEGINNING. YOU WANTED TO
CHANGE ONE LITTLE 2-LETTER
WORD. IT DOESN'T SOUND
LIKE MUCH, BUT IT SURE CAN
MAKE A DIFFERENCE CHANGING
"CONTROL BY GOVERNMENT" TO
"CONTROL OF GOVERNMENT."

IN THAT EARLIER
BROADCAST YOU'LL RECALL I

PROPOSED A PROGRAM TO
DRASTICALLY CUT BACK
GOVERNMENT SPENDING IN
THE 1982 BUDGET WHICH
BEGINS OCTOBER 1st AND
TO CONTINUE CUTTING IN
'83 AND '84. ALONG WITH
THIS I SUGGESTED AN
ACROSS-THE-BOARD TAX CUT
SPREAD OVER THOSE SAME
3 YEARS AND THE
ELIMINATION OF
UNNECESSARY REGULATIONS
WHICH WERE ADDING
BILLIONS TO THE COST OF
THINGS WE BUY.

ALL THE LOBBYING,
THE ORGANIZED
DEMONSTRATIONS AND THE
CRIES OF PROTEST BY THOSE
WHOSE WAY OF LIFE DEPENDS
ON MAINTAINING
GOVERNMENT'S WASTEFUL WAYS
WERE NO MATCH FOR YOUR
VOICES WHICH WERE HEARD
LOUD AND CLEAR IN THESE
MARBLE HALLS OF
GOVERNMENT.

AND YOU MADE HISTORY
WITH YOUR TELEGRAMS, YOUR
LETTERS, YOUR PHONE CALLS
AND, YES, PERSONAL VISITS
TO TALK TO YOUR ELECTED
REPRESENTATIVES. YOU
REAFFIRMED THE MANDATE
YOU DELIVERED IN THE
ELECTION LAST NOVEMBER.
A MANDATE THAT CALLED FOR
AN END TO GOVERNMENT
POLICIES THAT SENT PRICES
AND MORTGAGE RATES
SKYROCKETING, WHILE
MILLIONS OF AMERICANS
WENT JOBLESS.

BECAUSE OF WHAT YOU
DID, REPUBLICANS AND
DEMOCRATS IN THE CONGRESS
CAME TOGETHER AND PASSED
THE MOST SWEEPING CUTBACKS
IN THE HISTORY OF THE
FEDERAL BUDGET. RIGHT NOW
MEMBERS OF THE HOUSE AND
SENATE ARE MEETING IN A
CONFERENCE COMMITTEE TO
RECONCILE THE DIFFERENCES

BETWEEN THE TWO BUDGET
CUTTING BILLS PASSED BY
THE HOUSE AND THE SENATE.
WHEN THEY FINISH, ALL
AMERICANS WILL BENEFIT
FROM SAVINGS OF
APPROXIMATELY \$140 BILLION
IN REDUCED GOVERNMENT
COSTS OVER THE NEXT
3 YEARS. AND THAT
DOESN'T INCLUDE THE
ADDITIONAL SAVINGS FROM
THE HUNDREDS OF
BURDENSOME REGULATIONS
ALREADY CANCELLED OR
FACING CANCELLATION.

FOR 19 OUT OF THE
LAST 20 YEARS THE FEDERAL
GOVERNMENT HAS SPENT MORE
THAN IT TOOK IN. THERE
WILL BE ANOTHER LARGE
DEFICIT IN THIS PRESENT
YEAR WHICH ENDS
SEPTEMBER 30TH. BUT WITH
OUR PROGRAM IN PLACE IT
WON'T BE QUITE AS BIG AS
IT MIGHT HAVE BEEN AND
STARTING NEXT YEAR THE

DEFICITS WILL GET SMALLER
UNTIL IN JUST A FEW YEARS
THE BUDGET CAN BE BALANCED.
AND WE HOPE WE CAN BEGIN
WHITTILING AT THAT ALMOST
\$1 TRILLION DEBT THAT
HANGS OVER THE FUTURE OF
OUR CHILDREN.

NOW SO FAR I'VE BEEN
TALKING ABOUT ONLY ONE
PART OF OUR PROGRAM FOR
ECONOMIC RECOVERY -- THE
BUDGET CUTTING PART. I
DON'T MINIMIZE ITS
IMPORTANCE. JUST THE FACT
THAT DEMOCRATS AND
REPUBLICANS COULD WORK
TOGETHER AS THEY HAVE,
PROVING THE STRENGTH OF
OUR SYSTEM, HAS CREATED AN
OPTIMISM IN OUR LAND.
THE RATE OF INFLATION IS
NO LONGER IN DOUBLE-DIGIT
FIGURES, THE DOLLAR HAS
REGAINED STRENGTH IN THE
INTERNATIONAL MONEY
MARKETS AND BUSINESSMEN
AND INVESTORS ARE MAKING

DECISIONS WITH REGARD TO
INDUSTRIAL DEVELOPMENT,
MODERNIZATION AND
EXPANSION. ALL OF THIS
BASED ON ANTICIPATION OF
OUR PROGRAM BEING ADOPTED
AND PUT INTO OPERATION.

A RECENT POLL SHOWS
THAT WHERE A
YEAR-AND-A-HALF AGO
ONLY 24 PERCENT OF OUR
PEOPLE BELIEVED THINGS
WOULD GET BETTER, TODAY
46 PERCENT BELIEVE THEY
WILL. TO JUSTIFY THEIR
FAITH WE MUST DELIVER THE
OTHER PART OF OUR PROGRAM.
OUR ECONOMIC PACKAGE IS A
CLOSELY KNIT, CAREFULLY
CONSTRUCTED PLAN TO
RESTORE AMERICA'S ECONOMIC
STRENGTH AND PUT OUR
NATION BACK ON THE ROAD
TO PROSPERITY. EACH PART
OF THIS PACKAGE IS VITAL.
IT CANNOT BE CONSIDERED
PIECEMEAL. IT WAS
PROPOSED AS A PACKAGE AND

IT HAS BEEN SUPPORTED AS SUCH BY THE AMERICAN PEOPLE. ONLY IF THE CONGRESS PASSES ALL OF ITS MAJOR COMPONENTS DOES IT HAVE ANY REAL CHANCE OF SUCCESS. THIS IS ABSOLUTELY ESSENTIAL IF WE ARE TO PROVIDE INCENTIVES AND MAKE CAPITAL AVAILABLE FOR THE INCREASED PRODUCTIVITY REQUIRED TO PROVIDE REAL, PERMANENT JOBS FOR OUR PEOPLE.

AND LET US NOT FORGET THAT THE REST OF THE WORLD IS WATCHING AMERICA CAREFULLY TO SEE HOW WE WILL ACT AT THIS CRITICAL MOMENT. I HAVE RECENTLY RETURNED FROM A SUMMIT MEETING WITH WORLD LEADERS IN OTTAWA, CANADA, AND THE MESSAGE I HEARD FROM THEM WAS QUITE CLEAR -- OUR ALLIES DEPEND ON A STRONG

AND ECONOMICALLY SOUND
AMERICA AND THEY ARE
WATCHING EVENTS IN THIS
COUNTRY, PARTICULARLY
THOSE SURROUNDING OUR
PROGRAM FOR ECONOMIC
RECOVERY, WITH CLOSE
ATTENTION AND GREAT HOPES.
IN SHORT, THE BEST WAY TO
HAVE A STRONG FOREIGN
POLICY ABROAD IS TO HAVE
A STRONG ECONOMY AT HOME.

THE DAY AFTER
TOMORROW -- WEDNESDAY --
THE HOUSE OF REPRESENTATIVES
WILL BEGIN DEBATE ON TWO
TAX BILLS AND ONCE AGAIN
THEY NEED TO HEAR FROM
YOU. I KNOW THAT DOESN'T
GIVE YOU MUCH TIME, BUT
A GREAT DEAL IS AT STAKE.

A FEW DAYS AGO I WAS
VISITED HERE IN THE OFFICE
BY A DEMOCRATIC
CONGRESSMAN FROM ONE OF
OUR SOUTHERN STATES.
HE'D BEEN BACK IN HIS

DISTRICT AND ONE DAY ONE
OF HIS CONSTITUENTS ASKED
HIM WHERE HE STOOD ON THE
ECONOMIC RECOVERY PROGRAM
I'D OUTLINED IN THAT
EARLIER BROADCAST,
PARTICULARLY THE TAX CUT.
WELL, THE CONGRESSMAN,
WHO HAPPENS TO BE A
STRONG LEADER IN SUPPORT
OF OUR PROGRAM, REPLIED AT
SOME LENGTH WITH A
DISCUSSION OF THE
TECHNICAL POINTS INVOLVED,
BUT ALSO MENTIONING A FEW
RESERVATIONS HE HAD ON
CERTAIN POINTS. THE
CONSTITUENT, A FARMER,
LISTENED POLITELY UNTIL
HE'D FINISHED AND THEN
SAID, "DON'T GIVE ME AN
ESSAY. WHAT I WANT TO
KNOW IS ARE YOU FOR 'UM
OR AGIN 'UM?"

I APPRECIATE THE
GENTLEMAN'S SUPPORT AND
SUGGEST HIS QUESTION IS A
MESSAGE YOUR OWN

REPRESENTATIVES SHOULD
HEAR. LET ME ADD THOSE
REPRESENTATIVES HONESTLY
AND SINCERELY WANT TO
KNOW YOUR FEELINGS.
THEY GET PLENTY OF INPUT
FROM THE SPECIAL INTEREST
GROUPS, THEY'D LIKE TO
HEAR FROM THEIR
HOMEFOLKS.

LET ME EXPLAIN WHAT
THE SITUATION IS AND WHAT
IS AT ISSUE. WITH OUR
BUDGET CUTS WE PRESENTED
A COMPLETE PROGRAM OF
REDUCTION IN TAX RATES.
AGAIN, OUR PURPOSE WAS TO
PROVIDE INCENTIVE FOR THE
INDIVIDUAL, INCENTIVES
FOR BUSINESS TO ENCOURAGE
PRODUCTION AND HIRING OF
THE UNEMPLOYED AND TO
FREE UP MONEY FOR
INVESTMENT.

OUR BILL CALLS FOR A
5 PERCENT REDUCTION IN THE
INCOME TAX RATES BY
OCTOBER 1st, A 10 PERCENT

REDUCTION BEGINNING
JULY 1, 1982, AND ANOTHER
10 PERCENT CUT A YEAR
LATER -- A 25 PERCENT
TOTAL REDUCTION OVER
3 YEARS. BUT THEN TO
ENSURE THE TAX CUT IS
PERMANENT WE CALL FOR
INDEXING THE TAX RATES
IN 1985, WHICH MEANS
ADJUSTING THEM FOR
INFLATION. AS IT IS
NOW, IF YOU GET A COST
OF LIVING RAISE INTENDED
TO KEEP YOU EVEN WITH
INFLATION, YOU FIND THAT
THE INCREASE IN THE
NUMBER OF DOLLARS YOU GET
MAY VERY LIKELY MOVE YOU
INTO A HIGHER TAX BRACKET
AND YOU WIND UP POORER
THAN YOU WERE. THIS IS
CALLED BRACKET CREEP.

BRACKET CREEP IS AN
INSIDIOUS TAX. LET ME GIVE
AN EXAMPLE. IF YOU
EARNED \$10,000 A YEAR IN

1972, BY 1980 YOU HAD TO
EARN \$19,700 JUST TO STAY
EVEN WITH INFLATION.
BUT THAT'S BEFORE TAXES.
COME APRIL 15TH, YOU FIND
YOUR TAX RATES HAVE
INCREASED 30 PERCENT.
IF YOU'VE BEEN WONDERING
WHY YOU DON'T SEEM AS
WELL OFF AS YOU WERE A
FEW YEARS BACK, IT'S
BECAUSE GOVERNMENT MAKES
A PROFIT ON INFLATION.
IT GETS AN AUTOMATIC TAX
INCREASE WITHOUT HAVING
TO VOTE ON IT. WE INTEND
TO STOP THAT.

TIME WON'T ALLOW ME
TO EXPLAIN EVERY DETAIL,
BUT OUR BILL INCLUDES
JUST ABOUT EVERYTHING TO
HELP THE ECONOMY. WE
REDUCE THE MARRIAGE
PENALTY, THAT UNFAIR TAX
THAT HAS A WORKING HUSBAND
AND WIFE PAY MORE TAX THAN
IF THEY WERE SINGLE. WE

INCREASE THE EXEMPTION
ON THE INHERITANCE (OR
ESTATE) TAX TO \$600,000 SO
THAT FARMERS AND
FAMILY-OWNED BUSINESSES
DON'T HAVE TO SELL THE
FARM OR STORE IN THE
EVENT OF DEATH JUST TO
PAY THE TAXES. MOST
IMPORTANT WE WIPE OUT THE
TAX ENTIRELY FOR A
SURVIVING SPOUSE. NO
LONGER, FOR EXAMPLE, WILL
A WIDOW HAVE TO SELL THE
FAMILY SOURCE OF INCOME
TO PAY A TAX ON HER
HUSBAND'S DEATH. THERE
ARE DEDUCTIONS TO
ENCOURAGE INVESTMENT AND
SAVINGS. BUSINESS GETS
REALISTIC DEPRECIATION ON
EQUIPMENT AND MACHINERY.
AND THERE ARE TAX BREAKS
FOR SMALL AND INDEPENDENT
BUSINESSES WHICH CREATE
80 PERCENT OF ALL NEW JOBS.
THIS BILL ALSO PROVIDES
MAJOR CREDITS TO THE
RESEARCH AND DEVELOPMENT

INDUSTRY -- THESE CREDITS
WILL HELP SPARK THE HIGH
TECHNOLOGY BREAKTHROUGHS
THAT ARE SO CRITICAL TO
AMERICA'S ECONOMIC
LEADERSHIP IN THE WORLD.
THERE ARE ALSO ADDED
INCENTIVES FOR SMALL
BUSINESSES INCLUDING A
PROVISION THAT WILL LIFT
MUCH OF THE BURDEN OF
COSTLY PAPERWORK THAT
GOVERNMENT HAS IMPOSED
ON SMALL BUSINESS.

IN ADDITION, THERE
IS SHORT-TERM BUT
SUBSTANTIAL ASSISTANCE
FOR THE HARD-PRESSED
THRIFT INDUSTRY AS WELL AS
REDUCTIONS IN OIL TAXES
THAT WILL BENEFIT NEW OR
INDEPENDENT OIL PRODUCERS
AND MOVE OUR NATION A
STEP CLOSER TO ENERGY
SELF-SUFFICIENCY.

OUR BILL IS, IN SHORT,
THE FIRST REAL TAX CUT FOR
EVERYONE IN ALMOST 20 YEARS.

NOW WHEN I FIRST
PROPOSED THIS -- AND
INCIDENTALLY IT HAS NOW
BECOME A BIPARTISAN
MEASURE CO-AUTHORED BY
REPUBLICAN BARBER CONABLE
AND DEMOCRAT KENT HANCE --
THE DEMOCRATIC LEADERSHIP
SAID A TAX CUT WAS OUT OF
THE QUESTION. IT WOULD
BE WILDLY INFLATIONARY.
THAT WAS BEFORE MY
INAUGURATION.

THEN YOUR VOICES BEGAN
TO BE HEARD AND SUDDENLY
IN FEBRUARY THE
LEADERSHIP DISCOVERED A
1 YEAR TAX CUT WAS
FEASIBLE. WE KEPT ON
PUSHING OUR 3 YEAR TAX CUT
AND BY JUNE THE OPPOSITION
FOUND THAT A 2 YEAR CUT
MIGHT WORK. NOW IT'S JULY
AND THEY FIND THEY COULD
GO FOR A THIRD YEAR CUT
PROVIDED THERE WAS A
TRIGGER ARRANGEMENT THAT
WOULD ONLY ALLOW IT TO GO

INTO EFFECT IF CERTAIN
ECONOMIC GOALS HAD BEEN
MET BY 1983.

BUT BY HOLDING THE
PEOPLE'S TAX REDUCTION
HOSTAGE TO FUTURE
ECONOMIC EVENTS, THEY WILL
ELIMINATE PEOPLE'S
ABILITY TO PLAN AHEAD.
SHOPKEEPERS, FARMERS AND
INDIVIDUALS WILL BE DENIED
THE CERTAINTY THEY MUST
HAVE TO BEGIN SAVING OR
INVESTING MORE OF THEIR
MONEY. AND ENCOURAGING
MORE SAVINGS AND INVESTMENT
IS PRECISELY WHAT WE NEED
MOST TO REBUILD OUR
ECONOMY.

AND THERE IS A LITTLE
SLEIGHT OF HAND IN THAT
TRIGGER MECHANISM. THE
COMMITTEE BILL ENSURES
THAT THE 1983 DEFICIT WILL
BE \$6.5 BILLION GREATER
THAN THEIR OWN TRIGGER
REQUIRES. AS IT STANDS

NOW THE DESIGN OF THEIR OWN BILL WILL NOT MEET THE TRIGGER THEY HAVE PUT IN. THEREFORE, THE THIRD YEAR TAX CUT WILL AUTOMATICALLY NEVER TAKE PLACE.

IF I COULD PARAPHRASE A WELL-KNOWN STATEMENT BY WILL ROGERS THAT HE HAD NEVER MET A MAN HE DIDN'T LIKE -- I'M AFRAID WE HAVE SOME PEOPLE AROUND WHO NEVER MET A TAX THEY DIDN'T HIKE.

THEIR TAX PROPOSAL, SIMILAR IN A NUMBER OF WAYS TO OURS, BUT DIFFERING IN SOME VERY VITAL PARTS, WAS PASSED OUT OF THE HOUSE WAYS AND MEANS COMMITTEE, AND FROM NOW ON I'LL REFER TO IT AS THE COMMITTEE BILL AND OURS AS THE BIPARTISAN BILL. THEY WILL BE THE BILLS TAKEN UP WEDNESDAY.

THE MAJORITY
LEADERSHIP CLAIMS THEIRS
GIVES A GREATER BREAK TO
THE WORKER THAN OURS AND
IT DOES -- THAT IS,
IF YOU'RE ONLY PLANNING TO
LIVE 2 MORE YEARS. THE
PLAIN TRUTH IS, OUR
CHOICE IS NOT BETWEEN TWO
PLANS TO REDUCE TAXES,
IT IS BETWEEN A TAX CUT
OR A TAX INCREASE.
THERE IS BUILT INTO OUR
PRESENT SYSTEM, INCLUDING
PAYROLL SOCIAL SECURITY
TAXES AND THE BRACKET
CREEP I'VE MENTIONED,
A 22 PERCENT TAX INCREASE
OVER THE NEXT 3 YEARS.
THE COMMITTEE BILL OFFERS
A 15 PERCENT CUT OVER
2 YEARS; OUR BIPARTISAN
BILL GIVES A 25 PERCENT
REDUCTION OVER 3 YEARS.
AS YOU CAN SEE BY THIS
CHART -- HERE IS THE
22 PERCENT INCREASE LINE
AND HERE IS THEIR CUT

BELOW THAT LINE AND OURS
WIPING OUT THE INCREASE
WITH A LITTLE TO SPARE.

INCIDENTALLY, THEIR
CLAIM THAT CUTTING TAXES
FOR INDIVIDUALS FOR AS
MUCH AS 3 YEARS AHEAD IS
RISKY RINGS A LITTLE
HOLLOW WHEN YOU REALIZE
THAT THEIR BILL CALLS
FOR BUSINESS TAX CUTS
EACH YEAR FOR 7 YEARS
AHEAD.

IT RINGS EVEN MORE
HOLLOW WHEN YOU CONSIDER
THE FACT THE MAJORITY
LEADERSHIP ROUTINELY
ENDORSES FEDERAL SPENDING
BILLS THAT PROJECT YEARS
INTO THE FUTURE, BUT
OBJECTS TO A TAX BILL
THAT WILL RETURN YOUR
MONEY OVER A 3 YEAR
PERIOD.

~~HERE IS~~

HERE IS ANOTHER CHART WHICH ILLUSTRATES WHAT I SAID ABOUT THEIR GIVING A BETTER BREAK IF YOU ONLY INTEND TO LIVE FOR 2 MORE YEARS. THEIRS IS THE DOTTED LINE, OURS IS SOLID. AS YOU CAN SEE, IN AN EARNING BRACKET OF \$20,000 THEIR TAX CUT IS SLIGHTLY MORE GENEROUS THAN OURS -- FOR THE FIRST 2 YEARS -- THEN TAXES IN THAT EARNING LEVEL START GOING UP. ON THE OTHER HAND, IN OUR BIPARTISAN BILL, THE TAX KEEPS GOING DOWN AND THEN STAYS DOWN PERMANENTLY. THIS IS TRUE OF ALL EARNING BRACKETS.

THIS RED SPACE BETWEEN THE 2 LINES IS THE TAX MONEY THAT WILL REMAIN IN YOUR POCKETS IF OUR BILL PASSES AND IT'S THE AMOUNT THAT WILL LEAVE YOUR POCKETS IF THEIR



TAX BILL IS PASSED.

I TAKE NO PLEASURE
IN SAYING THIS, BUT THOSE
WHO WILL SEEK TO DEFEAT
OUR CONABLE-HANCE
BIPARTISAN BILL AS
DEBATE BEGINS WEDNESDAY
ARE THE ONES WHO HAVE
GIVEN US FIVE
QUOTE-UNQUOTE "TAX CUTS"
IN THE LAST 10 YEARS,
BUT OUR TAXES WENT UP
\$400 BILLION IN THOSE
SAME 10 YEARS.

THE LINES ON THESE
CHARTS SAY A LOT ABOUT
WHO'S REALLY FIGHTING FOR
WHOM. ON THE ONE HAND,
YOU SEE A GENUINE AND
LASTING COMMITMENT TO THE
FUTURE OF WORKING
AMERICANS. ON THE OTHER,
JUST ANOTHER EMPTY PROMISE.
THOSE OF US IN THE
BIPARTISAN COALITION WANT
TO GIVE THIS ECONOMY
AND THE FUTURE OF THIS
NATION BACK TO THE PEOPLE,

BECAUSE PUTTING PEOPLE
FIRST HAS ALWAYS BEEN
AMERICA'S SECRET WEAPON.
THE HOUSE MAJORITY
LEADERSHIP SEEMS LESS
CONCERNED WITH PROTECTING
YOUR FAMILY BUDGET, THAN
WITH SPENDING MORE ON
THE FEDERAL BUDGET.

OUR BIPARTISAN TAX
BILL TARGETS THREE-QUARTERS
OF ITS TAX RELIEF TO
MIDDLE-INCOME WAGE
EARNERS, WHO PRESENTLY
PAY ALMOST THREE-QUARTERS
OF THE TOTAL INCOME TAX.
IT ALSO THEN INDEXES THE
TAX BRACKETS TO ENSURE
THAT YOU CAN KEEP THAT
TAX REDUCTION IN THE YEARS
AHEAD. THERE ALSO IS,
AS I SAID, ESTATE TAX
RELIEF THAT WILL KEEP
FAMILY FARMS AND
FAMILY-OWNED BUSINESSES
IN THE FAMILY. AND THERE
ARE PROVISIONS FOR
PERSONAL RETIREMENT PLANS

AND INDIVIDUAL SAVINGS
ACCOUNTS.

BECAUSE OUR BIPARTISAN
BILL IS SO CLEARLY DRAWN
AND BROADLY BASED IT
PROVIDES THE KIND OF
PREDICTABILITY AND
CERTAINTY THAT THE
FINANCIAL SEGMENTS OF OUR
SOCIETY NEED TO MAKE
INVESTMENT DECISIONS
THAT STIMULATE
PRODUCTIVITY AND MAKE OUR
ECONOMY GROW.

EVEN MORE IMPORTANT--
IF THE TAX CUT GOES TO YOU
THE AMERICAN PEOPLE IN
THE THIRD YEAR -- THAT
MONEY RETURNED TO YOU WON'T
BE AVAILABLE TO THE
CONGRESS TO SPEND. AND
THAT IN MY VIEW IS WHAT
THIS WHOLE CONTROVERSY
COMES DOWN TO: ARE YOU
ENTITLED TO THE FRUITS OF
YOUR OWN LABOR OR DOES
GOVERNMENT HAVE SOME
PRESUMPTIVE RIGHT TO SPEND

AND SPEND AND SPEND.

I'M ALSO CONVINCED
OUR BUSINESS TAX CUT IS
SUPERIOR TO THEIRS,
BECAUSE IT IS MORE
EQUITABLE, AND IT WILL DO
A MUCH BETTER JOB
PROMOTING THE SURGE IN
INVESTMENT WE SO BADLY
NEED TO REBUILD OUR
INDUSTRIAL BASE.

THERE IS SOMETHING
ELSE I WANT TO TELL YOU.
OUR BIPARTISAN COALITION
WORKED OUT A TAX BILL WE
FELT WOULD PROVIDE
INCENTIVE AND STIMULATE
PRODUCTIVITY, THUS
REDUCING INFLATION AND
PROVIDING JOBS FOR THE
UNEMPLOYED. THAT WAS OUR
GOAL.

OUR OPPONENTS IN THE
BEGINNING DIDN'T WANT A
TAX BILL AT ALL. WHAT IS
THE PURPOSE BEHIND THEIR
CHANGE OF HEART? THEY'VE

PUT A TAX PROGRAM TOGETHER
FOR ONE REASON ONLY, TO
PROVIDE A POLITICAL
VICTORY FOR THEMSELVES.
NEVER MIND THAT IT WON'T
SOLVE THE ECONOMIC
PROBLEMS CONFRONTING OUR
COUNTRY. NEVER MIND THAT
IT WON'T GET THE WHEELS
OF INDUSTRY TURNING AGAIN
OR ELIMINATE THE INFLATION
WHICH IS EATING US ALIVE.
THIS IS NOT THE TIME FOR
POLITICAL FUN AND GAMES.
THIS IS THE TIME FOR A
NEW BEGINNING.

I ASK YOU NOW TO PUT
ASIDE ANY FEELINGS OF
FRUSTRATION OR
HELPLESSNESS ABOUT OUR
POLITICAL INSTITUTIONS
AND JOIN ME IN THIS
DRAMATIC BUT RESPONSIBLE
PLAN TO REDUCE THE
ENORMOUS BURDEN OF
FEDERAL TAXATION ON YOU
AND YOUR FAMILY.

DURING RECENT MONTHS,
MANY OF YOU HAVE ASKED
WHAT YOU CAN DO TO HELP
MAKE AMERICA STRONG AGAIN.
I URGE YOU AGAIN TO
CONTACT YOUR SENATORS
AND CONGRESSMEN, TELL
THEM OF YOUR SUPPORT FOR
THIS BIPARTISAN PROPOSAL,
TELL THEM YOU BELIEVE
THIS IS AN UNEQUALLED
OPPORTUNITY TO HELP
RETURN AMERICA TO
PROSPERITY AND MAKE
GOVERNMENT AGAIN THE
SERVANT OF THE PEOPLE.

IN A FEW DAYS, THE
CONGRESS WILL STAND AT
THE FORK OF TWO ROADS.

ONE ROAD IS ALL TOO
FAMILIAR TO US. IT
LEADS -- ULTIMATELY --
TO HIGHER TAXES. IT
MERELY BRINGS US FULL
CIRCLE BACK TO THE
SOURCE OF OUR ECONOMIC
PROBLEMS -- WHERE THE
GOVERNMENT DECIDES THAT IT

KNOWS BETTER THAN YOU WHAT
SHOULD BE DONE WITH YOUR
EARNINGS, AND, IN FACT,
HOW YOU SHOULD CONDUCT
YOUR LIFE.

THE OTHER ROAD
PROMISES TO RENEW THE
AMERICAN SPIRIT. IT'S A
ROAD OF HOPE AND
OPPORTUNITY. IT PLACES
THE DIRECTION OF YOUR
LIFE BACK IN YOUR HANDS --
WHERE IT BELONGS.

I HAVE NOT TAKEN YOUR
TIME THIS EVENING MERELY
TO ASK YOU TO TRUST ME.
INSTEAD, I ASK YOU TO
TRUST YOURSELVES. THAT'S
WHAT AMERICA IS ALL ABOUT.
OUR STRUGGLE FOR
NATIONHOOD, OUR UNRELENTING
FIGHT FOR FREEDOM, OUR VERY
EXISTENCE -- THESE HAVE ALL
RESTED ON THE ASSURANCE
THAT YOU MUST BE FREE TO
SHAPE YOUR LIFE AS YOU ARE
BEST ABLE TO -- THAT NO
ONE CAN STOP YOU FROM

REACHING HIGHER OR TAKE
FROM YOU THE CREATIVITY
THAT HAS MADE AMERICA
THE ENVY OF MANKIND.

ONE ROAD IS TIMID
AND FEARFUL.

THE OTHER BOLD AND
HOPEFUL.

IN THESE 6 MONTHS,
WE HAVE DONE SO MUCH
AND HAVE COME SO FAR.
IT HAS BEEN THE POWER OF
MILLIONS OF PEOPLE LIKE
YOU WHO HAVE DETERMINED
THAT WE WILL MAKE AMERICA
GREAT AGAIN. YOU HAVE
MADE THE DIFFERENCE UP
TO NOW. YOU WILL MAKE
THE DIFFERENCE AGAIN.

LET US NOT STOP
NOW.

THANK YOU. GOD BLESS
YOU AND GOOD NIGHT.

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