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During the campaign I called attention to the fact that Social Security had both a short range and a long range fiscal problem. I pledged to do my best to restore the program's fiscal responsibility and to do so without in any way reducing or eliminating benefits for those now dependent on Social Security.

Last spring we suggested a plan to the Congress -- at their request -- aimed at resolving the fiscal problem in Social Security. It was in the height of the debate over our economic recovery program and for what ever reason what we had suggested was attached as a device for cutting the budget at the expense of you who are already collecting Social Security.

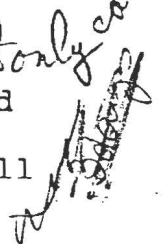
To all of you listening and particularly those of you now receiving Social Security, may I ask you to listen very carefully: first to the problem that threatens the integrity of the program and then to a possible solution.

~~When Social Security began there were~~ ^{In 1950, there} 16 people working and paying the Social Security payroll tax for every one retiree. Today that ratio has changed to only ~~3.8~~ ^{3.2} workers paying in for each beneficiary. The number of retirees is increasing ~~2 1/2 times~~ ^{at a substantially greater rate than} ~~as the increase~~ in the number of workers.

For many years we've known that an actuarial imbalance existed and that the program faced ~~an unfunded liability~~ ^{a long term deficit} ~~of several trillion dollars that will catch up with us a few decades down the road.~~ ^{deficit of \$1.5 trillion.}

There is a short range problem that is much closer than that. The trust fund from which retirement benefits are paid has been paying out billions of dollars more each year than it takes in. The simple fact is that the fund will run out of money before the end of ¹⁹⁸²~~1982~~ unless something is done. ✓ 

Some of our opponents claim new figures reveal a cushion of several billions of dollars which will carry the program beyond 1982. Possibly they mean beyond the 1982 elections.

The cushion they speak of is to borrow from two other Social Security funds that are in better shape than the trust fund. These are the Medicare fund and the disability fund. Of course doing this would be a temporary expedient only to postpone the day of reckoning. Alice Rivlin of the Congressional Budget Office told a Congressional committee day before yesterday that such borrowing might carry us to 1990, but then we'd face the same problem. And as she put it we'd have to cut benefits or raise the payroll tax. *she also said it might only carry us to 1985* 

Well, let me point out that in 1977 Congress passed the largest tax increase in our history and it was a series of increases in the Social Security payroll tax. There will be an increase in this coming January, another in 1985, and again in ~~1987~~ and 1990.



1986

When these increase^{ed} were signed into law about three years ago, it was stated that they guaranty^{ee} the solvency of Social Security until the year 20²⁰~~15~~. But we're running out of money in 1982 -- just ⁴³33 years short of 20³⁰~~15~~.

~~For more than half the nation's work force the Social Security tax is bigger than the income tax.~~ In 1937

~~we were told the tax would never be greater than 3% of the first \$3,000 of earnings. It is presently 13.3% of the first \$29,700 and the scheduled increases will take it to 15.3% of the first \$66,900 in 1990.~~ And even then Miss Rivlin

says we would need an additional increase. [By the year 20²⁰~~15~~ the tax would have to be 23% of all earnings and our economy could not support such a tax.]

The year 2015 may sound like a far distant time, but you in the work force who are 30 years old will just be reaching retirement age. And those below that age will be paying the excessive tax I mentioned.

Some have suggested reducing benefits, others propose an income tax on benefits or that the retirement age should be moved back to age 68. And there are some who would simply fund Social Security out of general tax funds as welfare is funded. I believe there are better solutions.

First I am asking the Congress to restore the minimum benefit which was cancelled in the recent budget bill. It was never our intention to take this support away from those who truly need it. There is, however, a sizable percentage of recipients who are adequately provided for

by pensions or other income and should not be adding to the financial burden of Social Security.

The same situation prevails with regard to disability payments. Congress liberalized the disability standards ^{in the 1960's which was followed by an} in 1965 and there was an almost immediate upsurge in disability claims. Now no one will deny that one with a legitimate claim should be provided for. We believe, however, that there is widespread abuse of the system which should not be allowed to continue.

Since 1962 there has been provision for early retirement. Participants in the Social Security program can retire at age 62 and receive a reduced benefit of 80% of the full payment. Since that went into effect, there has been the greatest change in the composition of our work force in our history. The most productive age group -- those between the ages of 54 and 64 -- has experienced a great decline while the percentage of citizens taking early retirement on Social Security vastly increased.

*Incorrect
argue*
~~And even with the 20% reduction in benefit there was an additional burden on the trust fund.~~

We, therefore, in our proposal asked that early retirees in the future receive 55% of the total benefit. But, and this is most important, those early retirees would only have to work an additional 20 months to be eligible for the 80% payment. I don't believe very many of you were allowed to hear of that part of the proposal.

Incorrect!
suggest drop
DROP!!

This will work -

The only change proposed for those already receiving Social Security had to do with the annual cost of living adjustment. This was portrayed as a violation of my campaign promise to make Social Security fiscally sound without reducing the benefits you are now receiving. I'll leave it to you to judge how much (if any) violation there was.

The cost of living adjustments are made on July 1st each year. That is a hang over from the days when the fiscal year began in July. We proposed a one time delay in making that adjustment, postponing it for three months until October 1st. From then on it would continue to be made ^{by Congress} every 12 months. *Others have recommended eliminating or reducing the COLA. I am opposed to taking this protection away from our retirees.* These few changes would have solved both the short range and long range problems of Social Security once and for all.

In addition they would have made it possible to cancel the increases in the payroll tax by 1985. To a young person just starting in the work force the savings from cancelling those increases would, on the average, amount to \$33,000 by the time they reached retirement. Add compound interest to this and it makes a tidy nest egg. *are open to compromise on*

However, let me point out ~~our feet were never imbedded~~ *we were never against change* in ~~concrete~~ *our* on this proposal. We hoped it could be a starting point for a bi-partisan solution to the problem.

We were ready to listen to alternatives or other ideas which might improve on or replace our proposals. But the majority

leadership in the House of Representatives refused to join in any such cooperative effort.

The problem of a short fall of funds in 1982 still remains. I therefore am asking, as I said, for restoration of the minimum payment and I will support interfund borrowing as a temporary measure while we seek a permanent solution. *This may*

only put the problem off one year, to 1983.

To remove this all important problem from politics once and for all, I am asking the Speaker of the House of Representatives and the Majority Leader in the Senate, Howard Baker, to join me in creating a task force to review all the options and come up with a plan. A plan that guarantees there will be no pulling of the rug out from under *our retirees.* ~~those dependent on Social Security for their livelihood.~~

unplanned needs
I ask Speaker O'Neill to appoint 5 members to this task force, and Senator Baker 5 members, and I will appoint 5 members.

I cannot and will not stand by and see financial hardship imposed on the more than 36 million ~~senior citizens~~ *beneficiaries* who have worked and served this nation throughout their lives. They deserve better from us. *7*

Now in conclusion, let me return to the principal purpose of this message -- the budget and the imperative need for all of use to ask less of government; to help up return to spending no more than we take in; to end the deficits and bring down interest rates that otherwise can destroy what we've been building here for two centuries.

*Burd/Lang
12-4 (2 Dem)*

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There is a short range problem that is much closer than that. The trust fund from which retirement benefits are paid has been paying out billions of dollars more each year than it takes in. The simple fact is that the fund will run out of money before the end of 1982 unless something is done.

Some of our opponents claim new figures reveal a cushion of several billions of dollars which will carry the program beyond 1982. Possibly they mean beyond the 1982 elections.

The cushion they speak of is to borrow from two other Social Security funds that are in better shape than the trust fund. These are the Medicare fund and the disability fund. Of course doing this would be a temporary expedient only to postpone the day of reckoning. Alice Rivlin of the Congressional Budget Office told a Congressional committee day before yesterday that such borrowing might carry us to 1990, but then we'd face the same problem. And as she put it we'd have to cut benefits or raise the payroll tax.

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Draft 9/24 afternoon

Good evening.

Shortly after taking office, I came before you to map out a plan for national economic recovery. There were four main parts to our program:

- Tax cuts to stimulate more growth and more jobs;
- Spending cuts to put an end to continuing deficits and high inflation;
- Regulatory relief to lift the heavy burden of government rules and paperwork;
- And finally, I recommended a steady, consistent monetary policy.

Over these past several months, we have made strong, encouraging progress on all four fronts. The flood of new governmental regulations, for example, has been cut by ^{more} than a third.]

I was especially pleased with actions taken by ^{the} Congress this summer. As a bipartisan coalition of Republicans and Democrats joined together, we enacted the biggest tax cuts and the greatest reduction in Federal spending in our nation's history. And both will begin to take effect a week from today.

Let me say that these two bills would never have passed without your help. Your voices were heard in Washington, and they were heeded by those you've chosen to represent you in government.

all style

Yet, in recent weeks we've begun to hear a chorus of voices protesting that we haven't had full economic recovery. This is true. But these voices are the same ones that were raised against our program when it was first presented to the Congress. Now that the first part of it has been passed, they declare it hasn't worked. Well it hasn't -- for the simple reason that it doesn't really start until one week from today.

There have been some bright spots in our economic performance these past few months. At long last, [inflation has fallen] and pressures are easing on both food and fuel prices. More than a million more Americans are now at work than a year ago. And recently there has even been a small crack in interest rates.

But let me be the first to say that our problems are deep-seated. They won't suddenly disappear next week, next month or for that matter next year. We are just starting down a road that I believe will lead us out of the economic swamp we've been in for so long. [But the bitter inheritance of the 70s will be with us for a while in the 80s.]

It will take time for the effect of the tax rate reductions to be felt in increased savings, productivity and new jobs. It will also take time for the budget cuts to reduce the budget deficits which have brought us near runaway inflation and, in turn, the ruinous interest rates.

The important thing now is to hold to a firm, steady course. [As I've had an opportunity to travel recently and to read the mail that so many of you take the time to write, I've heard one message over and over: "Don't lose your nerve at the first cries from the critics. Don't repeat the mistakes of the past. Stay on course because this is the only way out of our economic troubles." Let me assure you that we will do just that.]

Tonight I want to talk with you for a few moments about the next steps that we must take along that path -- additional reductions in federal spending that will help to lower our interest rates, lower our inflation and bring us closer to full economic recovery. X

I know that high interest rates are punishing many of you -- from the young family that wants to buy its first home to the farmer who needs a new truck or tractor. But all of us know that interest rates will only come down and stay down when government is no longer borrowing huge amounts of money to cover all of its deficits. X

These deficits have been piling up every year, and some people here in Washington almost throw up their hands in despair. Maybe you'll remember that we were told in the spring of 1980 that the next budget would be balanced. Well, [that budget -- like too many in the past -- hemorrhaged badly and wound up in a sea of red ink.]

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I have pledged that we shall not stand idly by and see that same thing happen again. When I presented our economic recovery program to ^{the} Congress, I said we were aiming to cut the deficit steadily downward, reaching balance by 1984. X

We made an historic start toward shrinking the growth of big government in the budget bill that I signed this summer. [That bill cut \$35 billion from the 1982 budget and slowed the growth of spending by \$130 billion over the next ³ years.] In one clean sweep, we cut the government's rate of growth nearly in half. X X

Now we must move on to a second round of budget savings -- savings that will keep us on the road to a balanced budget.

Our immediate challenge is to hold down the deficit in the coming year, 1982 -- a fiscal year that actually begins next week. As in the past, a number of threats are now appearing that will drive the deficit upward [if we fail to act.] For example, in the euphoria just after our budget bill was approved this summer, we didn't point out immediately that while we did get most of what we'd asked for in savings, most isn't all. Some of the savings in our proposal were not approved; and since then, the Congress has also taken actions that [could] add even more to the cost of government.

The result is that without further reductions, our deficit for 1982 will be increased by some \$16 billion. The estimated deficit for '83 will be increased proportionately.

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And without further cuts, we can't achieve our goal of a balanced budget by 1984. [Added to this is the unanticipated increase in the cost of borrowing to meet those deficits due to the high interest rates.]

It would be easy to sit back and say, "Well, it will take longer than we thought to put our house in order. We got most of what we proposed, so let's stop there." But that's not good enough. [If we don't hold to a steady course of shrinking the growth of government, we will have continued big deficits -- deficits that will keep interest rates high, and drastically slow our fight against inflation.]

In meeting to discuss this problem a few days ago, Senator Pete Domenici of New Mexico, Chairman of the Senate Budget Committee, recalled the words of that great heavy weight champion Joe Louis just before he stepped into the ring against Billy Conn. There had been some speculation that Billy might be able to avoid Joe's lethal right hand. Joe said, "Well, he can run but he can't hide."

Senator Domenici said to me, "That's just what we're facing on runaway Federal spending. We can try to run from it but we can't hide. We have to face up to it."

He's right, of course. In the last few decades we started down a road that led to a massive explosion in Federal spending. It took about 170 years for the Federal budget to reach \$100 billion. That was in 1962. But then it only took 8 years to reach the \$200 billion mark and only 5 more to make it \$300 billion. In the next 5 we nearly doubled that.

It would be one thing if we'd been able to pay for all the things government decided to do, but we've only balanced the budget once in the last 20 years. X

In just the past decade, our national debt has more than doubled. And in the next few days it will pass the trillion dollar mark. One trillion dollars of debt -- if we as a nation need a warning, let that be it. X

(1981) [Our interest payments on the debt alone are now running more than \$96 billion a year] That's more than the total combined profits of the 500 biggest companies in the country; or to put it another way, [Washington spends more on interest than on all of its education, nutrition and medical programs combined.]

4.5
total 14.8
B 1/2 11.2 food 55.78
3.4 start
medical 16.4
medical 27
B 13 859

In the past, there have been several methods used to fund some of our social experiments. One was to take it away from ~~National~~ Defense. From being the strongest nation on earth XXXX in the post WW II years we steadily declined, while the Soviet Union engaged in the most massive military buildup the world X has ever seen.

Now with all our economic problems, we are forced to try to catch up so that we can preserve the peace. Government's first responsibility is national security, and we are determined to meet that responsibility. Indeed, we have no choice.

Well, what all of this is leading up to is -- what do we plan to do? Last week I met with the Cabinet and we took up the matter.

style only

I'm proud to say there was no hand wringing, no pleading to avoid further budget cuts. We all agreed that the "tax and tax, spend and spend" policies of the last few decades lead only to economic disaster. Our government must return to the tradition of living within our means and must do it now. We asked ourselves two questions -- and the answers weren't long in coming: "If not ^tus -- who? If not now -- when?"

Let me talk with you now about the specific ways that I believe we ought to achieve additional savings -- [savings of some \$16 billion in 1982 and a total of \$80 billion] when spread over the next three years. I recognize that many in Congress may have other alternatives, and I welcome a dialogue with them. But let there be no mistake: we have no choice but to continue down the road toward a balanced budget -- a budget that will keep us strong at home and secure overseas. And let me be clear that this cannot be the last round of cuts. Holding down spending must be a continuing battle for several years to come.

Now, here is what I propose as our next steps:

First, I am asking ^{the} Congress to reduce the 1982 appropriation for most government agencies and programs by 12 percent. [This will save \$17.5 billion over the next several years.] In some cases, absorbing these reductions will not be easy, but duplication, excess, waste and overhead is still far too great and can be trimmed further.

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There is simply no other choice: if we spend what we don't have, we'll have more of what we don't want -- rising deficits, renewed inflation and a delay in economic recovery.]

No one asked to be exempt from belt-tightening. Over the next ~~three~~³ years, the increase we had originally planned in the Defense budget will be cut by \$13 billion. I'll confess, I was reluctant about this because of the long way we have to go before the dangerous window of vulnerability confronting us will be appreciably narrowed. But the Secretary of Defense assured me he can meet most of our critical needs in spite of this cut.

*Ok per
Genl
Bohlander*
Second, to achieve further economies, we will shrink the size of the non-defense payroll over the next three years by [some 6 1/2% -- some 75,000 employees] Much of this will be attained by not replacing those who retire or leave. There will, however, be some reductions in force simply because we are reducing our administrative overhead.

I intend to set the example here by reducing the size of the White House staff and the staff of the Executive Office of the President.

As a third step, I am proposing to dismantle two Cabinet departments -- Energy and Education. Both Secretaries are wholly in accord with this. Some of the activities in both of these departments will, of course, be continued either independently or in other areas of government.

There is only one way to shrink the size and cost of big government -- that is by eliminating agencies that are not needed and are getting in the way of a solution. X

We do not need an Energy Department to solve our energy problem: as long as we let the forces of the marketplace work without undue interference, the ingenuity of consumers, businesses, producers and inventors will do that for us. *Insert*

Similarly, education is the principal responsibility of local school systems, teachers, parents, citizen boards and state governments. By eliminating the Department of Education less than two years after it was created, we can not only reduce the budget but ensure that local needs and preferences -- rather than the wishes of Washington -- determine the education of our children. *new #7*

We also plan the elminiation of a *few* smaller agencies and a number of boards and commissions, some of which have fallen into disuse or which are now being duplicated.

Fourth, we intend to make sizable reductions of some \$20 billion in Federal loan guarantees. These guarantees are not funds that the government spends directly; they are funds that are loaned in the private market that the government insures at subsidized rates. Our problem is that Federal loan guarantees have become a form of back-door, uncontrolled borrowing that prevent many small businesses -- businesses that aren't subsidized -- from obtaining financing of their own. X

-1 Barcoady

They are also a major factor in driving up interest rates. It is time we brought this practice under control.

the
Fifth, I intend to forward to Congress this fall a new package of entitlement and welfare reform measures -- outside Social Security -- to save nearly \$27 billion over the next ³ ~~three~~ years. [In the past two decades, we have created hundreds of new programs to provide personal assistance.] Many of these programs may have come from a good heart, but not all have come from a clear head. And the costs have been staggering. In 1955, these programs cost \$8 billion. By 1965 the cost was \$79 billion. Next year it will be \$188 billion.

Let there be no confusion on this score. Benefits for the needy will be protected. But the black market in food stamps must be stopped. The abuse and fraud in medicaid by beneficiaries and providers alike cannot be tolerated. Provision of school loans and meal subsidies to the affluent can no longer be afforded.

In California when I was Governor and embarked upon welfare reform, there were screams from those who claimed that we intended to victimize the needy. But over ⁴ years time, we saved the taxpayer some \$2⁰ billion at the same time we were able to increase the grants for the deserving and truly needy by an average of more than ⁴⁰%. It was the first cost of living increase they had received in ¹³ years. I believe progress can also be made at the national level.

Insert - ?

Style only

We can be compassionate about human needs without being complacent about budget excess.

Sixth, I will soon urge ^{the} Congress to enact new proposals to eliminate abuses and obsolete incentives in the tax code. The Treasury Department believes that the deficit can be reduced by \$3.0 billion next year and \$22 billion over the next ~~three~~³ years with prompt enactment of these measures.

Now that we have provided the greatest incentives for saving, investment, work and productivity ever proposed, we must also ensure that taxes due the government are collected and that a fair share of the burden is borne by all.

Finally, I am renewing my plea to ^{the} Congress to approve my proposals for user fees -- proposals first suggested last spring, but which have been neglected since.

When the Federal government provides a service directly to a particular industry or to a group of citizens, I believe that those who receive benefits should bear the cost. For example, this next year the Federal government will spend \$525 million to maintain river harbors, channels, locks, and dams for the barge and maritime industries. Yacht owners, commercial vessels [and the airlines] will receive services worth \$2.8 billion from Uncle Sam.

My spring budget proposals included legislation that would authorize the Federal government to recover a total of \$980 million from the users of these services through fees.

*Barack
Stallman*

Stallman

Stallman

That is only a third of the \$3.3 billion it will cost the government to provide those same services. I believe it is fair to ask these groups to bear more of the cost of services from which they benefit directly.

None of these steps will be easy. We are going through a period of difficult and painful readjustment. I know that we are asking for sacrifices from virtually all of you. But there is no alternative. Some of those who oppose this plan have participated over the years in the extravagance that has brought us inflation, unemployment, high interest rates and an intolerable debt. I grant they were well-intentioned but their costly reforms didn't eliminate poverty or raise welfare recipients from dependence to self-sufficiency, independence and dignity. Yet in their objections to what we've proposed they offer only what we know now has failed.

I believe we've chosen a path that leads to an America at work, to fiscal sanity, to lower taxes and less inflation. I believe our plan for recovery is sound and it will work.

Tonight I'm asking all of you who joined in this crusade to save our economy to help again. To let your representatives know that you'll support them in making the hard decisions to further reduce the cost and size of government.

Steve
Gibby

Now if you'll permit me, I'd like to turn to another subject which I know has many of you very concerned and even frightened. This is an issue apart from the economic reform package we've first been discussing, but I feel I must clear the air. There has been a great deal of misinformation and for that matter pure demagoguery on the subject of Social Security.

[During the campaign I called attention to the fact that Social Security had both a short and a long range fiscal problem. I pledged to do my best to restore it to fiscal responsibility without in any way reducing or eliminating existing benefits for those now dependent on it.]

To all of you listening and particularly those of you now receiving Social Security, I ask you to listen very carefully: first to what threatens the integrity of Social Security and then to a possible solution.

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[For many years we've known that an actuarial imbalance existed and that the program faced an unfunded liability of several trillion dollars.]

The short range problem is much closer than that. The Social Security ^{retirement} trust fund has been paying out billions of dollars more each year than it takes in and it ^{could} ~~will~~ run out of money before the end of 1982 unless something is done.

John
Stahn

read
to
John

Error

Some of our ~~opponents~~ ^{critics} claim new figures reveal a cushion of several billions of dollars which will carry the program beyond 1982. I'm sure it's only coincidence that 1982 is an election year.

The cushion they speak of is borrowing ^{from} the Medicare fund and the disability fund. Of course doing this would only postpone the day of reckoning. Alice Rivlin of the Congressional Budget Office told a Congressional committee day before yesterday that such borrowing might carry us to 1990, but then we'd face the same problem. And as she put it we'd have to cut benefits or raise the payroll tax. But the payroll tax is already being raised.

In 1977 Congress passed the largest tax increase in our history. It called for a payroll tax increase in January of 1982, another in 1985, and again in 198⁰⁶~~7~~ and 1990.

When that law was passed we were told it made Social Security safe until the year ~~2015~~ ²⁰³⁰. But we're running out of money ⁴⁸ ~~33~~ years short of ~~2015~~ ³⁰.

~~For more than half the nation's work force the Social Security tax is already the biggest tax they pay. In 1937~~ ¹⁹³⁵ we were told the tax would never be greater than ~~4%~~ ^{14%} of the first \$3,000 of earnings. It is presently 13.3% of the first \$29,700 and the scheduled increases will take it to 15.3% of the first ^{760,600} ~~\$66,000~~. And that's when ~~Mrs.~~ ^{Dr.} Rivlin says we would need an additional increase.

60% fair comparison

(49.)
3/3

error

Some have suggested reducing benefits, others propose an income tax on benefits or that the retirement age should be moved back to age 68. And there are some who would simply fund Social Security out of general tax funds as welfare is funded. I believe there are better solutions.

[I am asking the Congress to restore the minimum benefit for current beneficiaries with ^{low} incomes, ~~if less than \$6,000~~] John

~~per individual and \$7,500 per couple.~~ It was

never our intention to take this support away from those who truly need it. There is, however, a sizable percentage of recipients who are adequately provided for by pensions or other income and should not be adding to the financial burden of Social Security.]

The same situation prevails with regard to disability payments. No one will deny our obligation to those with legitimate claims. But there is widespread abuse of the system which should not be allowed to continue.

Since 1962 early retirement has been allowed at age 62 with 80% of full benefits.

In our proposal we asked that early retirees in the future receive 55% of the total benefit. But, and this is most important, those early retirees would only have to work an additional 20 months to be eligible for the 80% payment. I don't believe very many of you were aware of that part of our proposal.

Suggested drop

The only change we proposed for those already receiving Social Security had to do with the annual cost of living adjustment.

Those adjustments are made on July 1st each year, a hang over from the days when the fiscal year began in July. We proposed a one time delay in making that adjustment, postponing it for three months until October 1st. From then on it would continue to be made every 12 months. [That one time delay would not lower your existing benefits but would on the average reduce your increase by about \$86, ^{next year.}]

By making these few changes we would solve the short and long range problems of Social Security once and for all.

In addition we could cancel the increases in the payroll tax by 1985. To a young person just starting in the work force the savings from cancelling those increases would, on the average, amount to \$33,000 by the time they reached retirement. Add compound interest to this and it makes a tidy nest egg to add to their Social Security benefits.

However, let me point out our feet were never [embedded in concrete] on this proposal. We hoped it could be a starting point for a ~~bi~~partisan solution to the problem. We were ready to listen to alternatives and other ideas which might improve on or replace our proposals. But the majority leadership in the House of Representatives refused to join in any such cooperative effort.

[I therefore am asking, as I said, for restoration of the minimum payment and for interfund borrowing as a temporary measure to give us time to seek a permanent solution.]

Inconsistent

Error

- 17 -

To remove Social Security once and for all from politics, I am also asking Speaker Tip O'Neill² of the House of Representatives and Majority Leader in the Senate Howard Baker to each appoint five members and I will appoint five to a task force which will review all the options and come up with a plan that assures the fiscal integrity of Social Security and that Social Security recipients will continue to receive their full benefits.

I cannot and will not stand by and see financial hardship imposed on the more than ³⁶~~30~~ million senior citizens who have worked and served this nation throughout their lives. They deserve better from us.

Now in conclusion, let me return to the principal purpose of this message -- the budget and the imperative need for all of us to ask less of government; to help us return to spending no more than we take in; to end the deficits and bring down interest rates that otherwise can destroy what we've been building here for two centuries.

I know that we are economizing in many areas and programs that were started with the best of intentions and a dedication to a worthwhile cause or purpose. But I know also that some of these programs have not succeeded in their purpose. Others have proven too costly, benefiting those who administer them, rather than those who were the intended beneficiaries.

This does not mean we should discontinue trying to help where help is needed. Government must continue to do its share, but I ask all of you as private citizens to join this effort, too.

As a people we have a proud tradition of generosity. More than a century ago a Frenchman came to America and later wrote a book for his countrymen telling them what he had seen here. He told them that in America a citizen would see a problem that needed solving. He would cross the street and talk to a neighbor about it and the first thing you know a committee would be formed and before long the problem would be solved. "And then," he added, "you may not believe this but not a single bureaucrat would ever be involved."

Some years ago when we were a young nation we began visiting the lands of our forefathers. The American tourist of that day was rather brash, unsophisticated by European standards but blessed with a spirit of independence and pride.

One such tourist, an elderly, small town gentleman and his wife, were listening to a tour guide go on about the wonders of the volcano Mt. Etna. He spoke of the great heat it generated, the boiling lava etc. and went on until the old boy turned to his wife and said "We got a volunteer fire department at home -- put that thing out in 15 minutes."

I believe the spirit of volunteerism still lives in America. We see examples of it on every hand -- the community charity drives, support of hospitals and all manner of nonprofit institutions, the rallying around when disaster or tragedy strikes.

The truth is we've let government take away many things we once considered were really ours to do voluntarily out of the goodness of our hearts and a sense of community pride and neighborliness.

I believe many of you want to do those things again, want to be involved if only someone will ask you or offer the opportunity. Well we intend to make that offer.

We are going to launch a nationwide effort to encourage our citizens to join with us in finding where need exists and then to organize volunteer programs to meet that need. We have already set the wheels of such a volunteer effort in motion.

As Tom Paine said 200 years ago: "We have it within our power to begin the world over again."

What are we waiting for?

Now if you'll permit me, I'd like to turn to another subject which I know has many of you very concerned and even frightened. This is an issue apart from the economic reform package we've first been discussing, but I feel I must clear the air. There has been a great deal of misinformation and for that matter pure demagoguery on the subject of Social Security.

To all of you listening and particularly those of you now receiving Social Security, may I ask you to listen very carefully: first to the problem that threatens the integrity of the program and then to a way that I hope will lead to a solution.

In 1950
~~When Social Security began~~ there were 16 people working and paying the Social Security payroll tax for every one retiree. Today that ratio has changed to only ~~2.8~~ ^{3.2} workers paying in for each beneficiary. The number of retirees is increasing ~~2 1/2 times as fast as the increase in~~ ^{at a substantially greater rate than} the number of workers.

For many years we've known that an actuarial imbalance existed and that the program faced ~~an unfunded liability of~~ ^{a long term deficit} ~~several trillion dollars that will catch up with us a few decades down the road.~~ ^{\$1.5 trillion}

There is a short range problem that is much closer than that. The trust fund from which retirement benefits are paid has been paying out billions of dollars more each year than it takes in. The simple fact is that the fund will soon run out of money unless something is done.

Last spring we suggested a plan to the Congress - at their request -- aimed at resolving all the problems in Social Security. Unfortunately, the Congress has failed to act. What is worse, the opposition openly threatens to turn social security into a political football, jeopardizing the benefits of 36 million recipients and needlessly spreading alarm and division among our people.

As your President, I cannot permit our national consensus to be ruptured by partisan politics nor will I permit the financial integrity of our basic social insurance system to be jeopardized by legislative conflict.

The plan I sent to the Congress, I believe, was sound, fair and constructive. It did not reduce by a single penny the current earned benefit level of retired workers. Nor did it raise taxes on younger workers as some have proposed. But it did seek to reduce costs so that the threatened insufficiency of funds late next year could be avoided and the checks continued.

We proposed to achieve this by tightening the disability program -- so that only the truly disabled would be eligible. We also proposed to encourage early retirees to wait 20 months longer before being eligible for their full benefit. Likewise, we proposed to eliminate certain windfalls and other unearned payments that drain the fund and jeopardize those who earned their benefit.

To older Americans watching tonight, let me be quite direct: Not by any stretch of the imagination could it be said that this rescue plan was a threat to your social security. Instead, it was designed to protect the system from the mismanagement of the past.

Unfortunately, during these past several months not only have these facts been misrepresented, but precious time has been lost and the possibility for bi-partisan consensus in the Congress has been imperiled.

But the clock is still running and unless action is taken soon, the retirement fund will be depleted. Therefore, late this afternoon I sent a letter to the Speaker of the House formally setting aside my own plan for the sake of national unity. I proposed that instead he join me in an effort to seek a consensus solution to our problem.

This would involve two steps. First, passage of legislation to permit temporary borrowing from other funds to ensure that for the next several years checks can continue.

Further I am asking Congress to remove this all important problem from politics once and for all. But most importantly of all, I am asking the Speaker of the House of Representatives and the Majority Leader in the Senate, Howard Baker, to join me in creating a task force to review all the options and come up with a plan -- a plan that guarantees there will be no pulling of the rug out from under those dependent on Social Security for their livelihood; a plan that will

restore the fiscal integrity to the system. I ask Speaker O'Neill to appoint 5 members to this task force, and Senator Baker 5 members, and I will appoint 5 members.

I cannot and will not stand by and see financial hardship imposed on the more than 30 million ^{beneficiaries} ~~senior citizens~~ who have worked and served this nation throughout their lives. They deserve better from us.

Along with the temporary authority to borrow, I am also asking Congress to restore minimum benefit protection to all current beneficiaries with incomes of under \$7500 per year. The plan we passed last summer provides a solid safety net of income protection for those who need it, but the rhetoric and alarms we have heard from partisan critics since then have spread needless doubt across the land.

Tonight, we will put those doubts to rest.

Now, in conclusion, let me return to the principal purpose of this message-- the budget and the imperative need for all of us to ask less of government; to help return to spending no more than we take in; to end the deficits and bring down interest rates that otherwise can destroy what we've been building here for two centuries.

September 23, 1981

Monica's typed draft
Jim Burnham/CER
X5084

If this were a "State of the Union" address I would point out that, at long last, inflation ^{any pressures are easing} ~~has fallen below~~ ^{have} ~~double digits~~ and ~~that~~ pressures ~~are~~ ^{ed} easing on both food and fuel prices. ^{for} Further good news would be that over a million more Americans are at work today than there were late last year. We have cut the flood of new Government regulations in half and in a week the biggest cut in tax rates in our Nation's history will go into effect.

That tax cut was, as you know, accompanied by the greatest reduction in Federal spending in our history and that too goes into effect in a week as the new fiscal year begins on October 1.

These last two items are what I'd like to talk to you about tonight -- what we have called our "Economic Recovery Program." It wouldn't have been possible without your help. Your voices were heard in Washington and they were heeded by those you've chosen to represent you in government.

In recent weeks a different chorus of voices has been raised protesting that we haven't had economic recovery yet; that interest rates are driving small businesses to the wall; and people are unable to buy or build homes for themselves. And all of this is true. But these voices are the same ones that were raised against our program when it was first presented to the Congress. Now that it

has been passed they declare it hasn't worked. Well it hasn't -- for the simple reason that it doesn't start until 1 week from today.

But let me be the first to say our problems won't suddenly disappear next week or next month or for that matter next year. Next week we will start on a road that I believe will lead us out of the economic swamp we've been in for so long. But the bitter inheritance of the seventies will be with us for a while in the eighties. It will take time for the effect of the tax rate reductions to be felt in increased productivity, jobs and prosperity.

It will take time for the budget cuts to reduce the budget deficits which have brought us near runaway inflation and in turn the ruinous interest rates.

These interest rates are hurting all of us including Government. They will only come down when Government no longer is competing in the money market with people who want to buy or build homes and businesses seeking capital for expansion. As this fiscal year ends, for example, we will have to borrow to pay the huge deficit we inherited. Maybe you'll remember we were told in March of 1980 that the 1981 budget would be balanced.

When we presented our economic recovery program to the Congress we said we were aiming for a budget deficit of \$45.0 billion in 1982. ^{we had taken} the proposed budget left to us

Insert: In July we reestimated
the deficit to \$42.5 billion

change

X

the deficit would now be

in January, ~~was~~ about double that amount. Well about \$35 billion of the program was passed as you well know. But in the euphoria of the moment we didn't point out immediately that while we did get most of what we'd asked for, most isn't all. Some of the cuts in our proposal were omitted and a number of additional spending measures were added during the legislative process.

The result is that without further reductions our \$42.5 billion deficit for 1982 will be increased by some \$18 billion. The estimated deficit for '83 will be increased proportionately. And without further ongoing cuts we can't achieve our goal of a balanced budget by 1984. Added to this is the unanticipated increase in the cost of borrowing to meet those deficits due to the high interest rates.

It would be easy to sit back and say, "Well, it will take longer than we thought. We got most of what we proposed." But that's not good enough. Yes, the budget for the coming year has been reduced by \$35 billion and that will mean a \$47 billion reduction in 1983 and \$51 billion in 1984.

But those budget projections had been based on the runaway spending of 1981. The rate of increase was 148 percent a year. We aim to cut that by more than half. If we don't, continued budget deficits will keep interest rates high and drastically slow our fight against inflation.

CG, 8-15-81, p. 1466
Stulep, p. 184
CG, 8-1-81, p. 1377

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piece to Ben Elliott
mid session review
7-15-81, p. 70
Stulep, p. 184

CG, 8-15-81, p. 1466
Stulep, p. 36, 181, 81
Econ. Policy program
2-18-81, p. 12-13

Mac Ghees - om B
GAP paper w/ figures
mid session review p. 1
FY82 budget, 7-15-81
FY82 budget, p. 613
Kudlow 9/17/81 piece
in Federal credit
reductions to
Ben Elliott

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In meeting to discuss this problem a few days ago, Senator Pete Domenici of New Mexico, Chairman of the Senate Budget Committee, recalled the words of that great heavy-weight champion, Joe Louis, just before he stepped into the ring against the German Champion, Max Schmeling. There had been some speculation that Max might be able to avoid Joe's lethal right hand. Joe said, "Well, he can run but he can't hide."

Senator Domenici said to me, "That's just what we're facing on runaway Federal spending. We can try to run from it but we can't hide. We have to face up to it."

He's right, of course. In the last few decades we started down a road that led to a massive explosion in Federal spending. It took [some] 170 years for the Federal budget to reach \$100 billion. That was in 1962. But then it took only 8 years to reach the \$200 billion mark and only 5 more to make it \$300 billion. In the next 5 we almost doubled that again.

When President Eisenhower left office there were only about 260 domestic assistance programs on the books -- now there are almost 1200. It has been estimated that more than half the people in our land are receiving assistance -- directly or indirectly -- from Washington.

Joe Montas

world demand
1981, p. 63
Joe Louis' biography
of a champion
by Eugene Vitale
p. 116

FY82 Budget, p. 613
Style p. 44, 181, 36
Historical Statistics
of the U.S., part II, p. 1115

Catalog of Federal
Domestic Assistance
programs 1965/1981
New edition 8/81
Style p. 44
US article -
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It would be one thing if we'd been able to pay for all the things Government decided to do, but we've only balanced the budget once in the last 20 years.

Ten years ago our national debt was \$400 billion. In the next few days it will pass the trillion dollar mark. Our interest payments alone were more than \$74 billion last year. That is nearly as much as the total combined profits of the "Fortune 500 companies;" the biggest, most profitable in our land.

In addition to borrowing we've levied higher and higher taxes on our people. In 1965 the average family of four paid \$1,500 a year to the Federal Government. Today the bill is ~~four~~ ⁸³⁵ times that much. ~~Government is the biggest single cost item in the American family budget.~~

There were other methods used to fund some of our social experiments. One was to take it away from our national defense. From being the strongest Nation on earth in the post-World War II years we steadily declined while the Soviet Union engaged in the most massive military buildup the world has ever seen. Now with all our economic troubles we are forced to try and catch up so that we can preserve the peace. Government's first responsibility is national security and we are determined to meet that responsibility. Indeed, we have no choice.

Style p. 46, 3d/81
FY82 Budget, p. 63

STAT ABSTRACT, 781
p. 258, Table 433
Federal budget requests
Outlays and debt
Style p. 183, 50, 184
FY82 mid-session
review, 7-15-81, p. 63
Forthcoming, 5-4-81,
p. 322-3
Wp. AIA 9-22-81 Data
Base: 99826.11.10

Treasury office of tax
analysis, Table 1,
Outlays Income FICA
taxation for 4-person
family w/ median
income, 1955-85
Style p. 184, 44, 46

Style p. 57, 60, 46
Econ. Policy program
2-18-81, p. 11
St. Rep. 78

Well, what all of this is leading up to is -- what do we plan to do? Last week I met with the Cabinet and we took up the matter of an answer to this question. I'm proud to say there was no hand-wringing, no pleading to avoid further budget cuts. We're all agreed that the "tax and tax, spend and spend" policies of the last few decades lead only to economic disaster. Our Government must return to the ways of fiscal responsibility and must do so now. We asked ourselves and answered two questions: "If not us -- who? If not now -- when?"

No one asked to be exempt from further cuts. Over the next 3 years the increase in the defense budget will be trimmed by \$13 billion. I'll confess, I was reluctant about this because of the long way we have to go before the dangerous window of vulnerability confronting us will be appreciably narrowed. But the Secretary of Defense assured me he can meet most of our critical needs in spite of this cut.

Next, it was decided to shrink the size of ~~non-military~~ ^{civilian, non-DOD} employment 75,000 or about 6 1/2 percent, by 1984. Government by about 6 1/2 percent. ~~Some 75,000 employees.~~ We hope to accomplish the cuts. Most of this will be attained by not replacing those who retire or through attrition. There will, however, be some reductions in force simply because we are reducing our administrative functions.

An example of that will be the dismantling of two Cabinet agencies -- the Department of Energy and the

by 75000 or about 6 1/2% by 1984

style p. 37, 36, 46, 184
FY82 Budget, p. 613
Jensen press briefing
9-10-81, p. 14-15
Karen Hart, Craig
Buller's office
Cabinet Admin.
R2023 - last cabinet
meeting 9/17/81

Style p. 181, 36, 55
Summary of FY 82
Fall offense, 9-17-81
P. 4 Savings Summary
9-15-81 up p. 4
Weinberger cautions
deputies on budget

FTE Reductions
fact sheet from
OMB 9/15/81
Glenn Schlande
OMB X3200
style 46, 181

style p. 37, 41, 184
Fall economic and
budget control plan
summary of major
program elements
7-17-81, p. 7

Department of Education. Both Secretaries are wholly in accord with this. Some of the activities in both these agencies will, of course, be continued either independently or in other areas of Government.

We also plan the elimination of a number of boards and commissions, some of which have fallen into disuse or which are now being duplicated.

All departments are being asked to reduce what are called discretionary accounts -- programs providing a variety of services. This does not include what are called entitlements, the payment of benefits to those in need of help. For fiscal 1982, we will be submitting to the Congress reductions in discretionary account appropriations.

Exemptions in these discretionary accounts will be such services as the veterans' hospitals, the FBI, etc.

We intend to make sizable reductions in Federal loan guarantees -- some \$21 billion [in fiscal '82 alone.]

These are not funds that the Government spends directly; they are funds that are loaned in the private market that the Government insures as subsidized rates. Our problem is that Federal loan guarantees have become a form of back-door, uncontrolled subsidies that prevent many small businesses -- businesses that aren't subsidized -- from obtaining financing of their own. They are also a major factor in driving up interest rates. It is time we brought this practice under control. ^(new #?) Insert (per Larry Kudlow)

Insert: These loan guarantee programs also cost billions of our tax dollars each year, and often have the same kind of adverse effects on the financial markets as the borrowing the Government must do to cover the Federal deficit.

FACT SHEET ON REORGANIZATION PROPOSALS
OMB 9-18-81
Stul p. 46, 41, 55

Style p. 36, 38
OMB Fact Sheet on
Reorganization
Proposals 9/18/81
Glenn Schleede
OMB X3200

OMB Fact Sheet: FY82
12% Cuts 9/18/81
Glenn Schleede
OMB X3200
Stul p. 41

OMB Fact Sheet: FY82
12% Cuts 9/18/81
Glenn Schleede
OMB X3200

Style p. 158
Larry Kudlow 9/23
3pm de figure
Kudlow 9/17/81
piece to Elliott
on Federal credit
reduction
Stul p. 44, 18, 46, 75

I am convening a special cabinet-level task force and asking them over the next 6 weeks to assemble a welfare reform package. Secretary Richard Schweiker has already been busily at work on this project, and I am convinced that through intelligent reforms -- reforms that continue to protect the truly needy -- we can save as much as \$15-20 billion over the next 3 years.

In California when I was Governor and embarked upon welfare reform, there were screams from those who claimed that we intended to victimize the needy. But over 3 years' time, we saved the taxpayers some \$2 billion at the same time we were able to increase the grants for the deserving and truly needy by an average of 43 percent. It was the first cost-of-living increase they had received in 15 years. I believe something of this kind can be done at the national level. X

There are other items in addition to planning the reductions for 1983 and 1984 which we announced would be necessary when we sent the economic package to the Congress.

Let us have no illusions. We are going through a period of difficult and painful readjustment. I know that we are asking for sacrifices from virtually all of you. But there is no alternative. Some of those who oppose this plan have participated over the years in the extravagance that has brought us inflation, unemployment, high interest rates,

and an intolerable debt. I grant they were well intentioned, but their costly reforms didn't eliminate poverty or raise welfare recipients from dependence to self-sufficiency, independence and dignity. Yet in their objections to what we've proposed they offer only what we know now has failed.

I believe we've chosen a path that leads to an America at work, to fiscal sanity, to lower taxes and no inflation. I believe our plan for recovery is sound and it will work.

Tonight I'm asking all of you who joined in this crusade to save our economy to help again, to let your representatives know that you'll support them in making the hard decisions to further reduce the cost and size of Government.

Now if you'll permit me I'd like to turn to another subject which I know has many of you very concerned and even frightened. This is an issue apart from the economic reform package we've first been discussing but I feel I must clear the air. There has been a great deal of misinformation and, for that matter, pure demagoguery on the subject of Social Security.