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*Last Updated: 03/25/2025*

JULY 26, 1981

GOOD EVENING, I HAD INTENDED TO MAKE SOME REMARKS

ABOUT THE PROBLEM OF SOCIAL SECURITY TONIGHT -- BUT THE IMMEDIACY OF <sup>Congressional</sup> 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 <sup>THOSE OF</sup> YOU WHO

ARE DEPENDENT ON SOCIAL SECURITY HAVE BEEN NEEDLESSLY FRIGHTENED, ~~BY SOME OF THE INACCURACIES WHICH HAVE BEEN GIVEN WIDE CIRCULATION.~~ 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~~ <sup>HAVE BEEN BUILDING</sup> PROBLEMS FOR MORE THAN 20 YEARS -- AND <sup>NOTHING HAS BEEN DONE.</sup> ~~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

President's  
final copy --  
made on  
this at  
meeting of  
Baer,  
Meese,  
Gering,  
Dylan  
in  
Baer's  
64 office  
at  
approx  
10:00  
10:00 am

THE WORST ECONOMIC MESS SINCE THE GREAT DEPRESSION. <sup>Prime</sup> INFLATION 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.

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 \$100 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.

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FOR <sup>\*</sup>10 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 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 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. 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, YOU FIND 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.

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 20 YEARS.

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

THEN YOUR VOICES BEGAN TO BE HEARD AND SUDDENLY IN FEBRUARY THE LEADERSHIP DISCOVERED A ONE 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 INSURES THAT THE 1983 DEFICIT WILL BE MORE THAN 7 BILLION GREATER THAN UNDER OUR PLAN. THEREFORE, THE THIRD YEAR <sup>TAX</sup> 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 LIKE.

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 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 THEIR TAX CUT IS SLIGHTLY MORE GENEROUS THAN OURS -- FOR THE FIRST 2 YEARS -- THEN 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.

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 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 <sup>ON</sup> 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  
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  
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.



TELETYPE SPEECH

GOOD EVENING. ✓ I HAD INTENDED TO MAKE SOME REMARKS ABOUT THE PROBLEM OF SOCIAL SECURITY TONIGHT -- BUT 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.

*Long*

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 MONTHLY SOCIAL SECURITY CHECKS.)

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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."

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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.

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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 <sup>and a half ago</sup> 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 INCREASE 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. <sup>It has been estimated that</sup> IF YOU EARNED \$10,000 A YEAR IN 1972, BY 1980 YOU HAD TO EARN \$19,850 JUST TO STAY EVEN WITH INFLATION. BUT THAT'S BEFORE TAXES. COME APRIL 15TH, YOU FIND 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.

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 <sup>almost</sup> THAN 20 YEARS.

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

THEN YOUR VOICES BEGAN TO BE HEARD AND SUDDENLY IN  
FEBRUARY THE LEADERSHIP DISCOVERED A ONE 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 INSURES 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.

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 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~~ <sup>an array</sup> EARNING BRACKETS FROM ~~\$5,000 ON UP TO \$50,000~~ <sup>100k</sup> THEIR TAX CUT IS SLIGHTLY MORE GENEROUS THAN OURS -- FOR THE FIRST 2 YEARS -- THEN TAXES IN ~~EVERY ONE OF THESE~~ <sup>That</sup> 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. <sup>This is true of all earning brackets.</sup>

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 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 OF THE FEDERAL BUDGET.

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

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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.

GOOD EVENING. I HAD INTENDED TO MAKE SOME REMARKS ABOUT THE PROBLEM OF SOCIAL SECURITY TONIGHT -- BUT 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 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 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.

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 <sup>can estimated</sup> \$100 BILLION TO THE COST OF THINGS WE BUY.

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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

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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 <sup>(and a half)</sup> 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 INCREASE <sup>real productivity</sup> 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 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, "WELL, YES, THAT'S ALL VERY INTERESTING -- BUT 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. ~~IT HAS BEEN ESTIMATED THAT~~ IF YOU EARNED \$10,000 A YEAR IN 1971<sup>2</sup>, BY 1980 YOU HAD TO EARN \$19,850<sup>4,700</sup> JUST TO STAY EVEN WITH INFLATION. BUT THAT'S BEFORE TAXES. COME APRIL 15<sup>TH</sup><sup>1981</sup>, YOU ~~FIND~~<sup>FOUND</sup> YOUR TAX RATES ~~HAVE~~<sup>HAD</sup> INCREASED ~~25~~ PERCENT. IF YOU'VE BEEN WONDERING WHY YOU DON'T SEEM AS WELL OFF AS YOU WERE A FEW YEARS BACK,

X  
X  
X  
X

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 <sup>almost</sup> ~~MORE THAN~~ 20 YEARS.

NOW WHEN WE PROPOSED THIS -- AND INCIDENTALLY IT HAS NOW BECOME A BIPARTISAN MEASURE CO-AUTHORED BY REPUBLICAN BARBER CONABLE AND DEMOCRAT KENT HANCE -- <sup>there were those who</sup> ~~THE DEMOCRATIC LEADERSHIP~~ DECLARED A TAX CUT WAS OUT OF THE QUESTION. IT WOULD BE WILDLY INFLATIONARY. ~~THAT WAS IN JANUARY.~~

THEN YOUR VOICES BEGAN TO BE HEARD AND SUDDENLY IN FEBRUARY THE <sup>Democratic</sup> LEADERSHIP DISCOVERED A <sup>1</sup> ~~ONE~~ 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. <sup>Insert 1</sup>

BUT THERE IS A LITTLE SLEIGHT OF HAND IN THAT TRIGGER MECHANISM. ~~THE COMMITTEE BILL ENSURES THAT THE 1983 DEFICIT~~ <sup>E</sup> ~~WILL BE MORE THAN \$7 BILLION GREATER THAN UNDER OUR PLAN.~~ <sup>Insert</sup>

<sup>Sketch</sup> THEREFORE, THE THIRD YEAR CUT WILL AUTOMATICALLY NEVER TAKE PLACE. <sup>2</sup>

<sup>Sketch</sup> 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~~<sup>two</sup> 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~~ <sup>for people earning \$15,000 a year</sup> ~~THEIR~~ <sup>Committee</sup> TAX CUT IS SLIGHTLY MORE GENEROUS THAN OURS -- FOR THE FIRST 2 YEARS -- THEN 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. <sup>It is the same for all other brackets, too.</sup>

THIS ORANGE SPACE BETWEEN THE ~~2~~ <sup>two</sup> 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 ~~5~~ <sup>five</sup> 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 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~~ 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 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.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE PRESIDENT

FROM: Speechwriting Research Department  
VIA: Anthony R. Dolan  
DATE: July 27, 1981  
SUBJECT: RECOMMENDED CHANGES ON TELEVISION ADDRESS DRAFT

Page 1	paragraph 3	Paragraph needs to be changed to avoid conflict with the elimination of Social Security benefits presently being handled by Conference Committee. More stress should be placed on fact that <u>no</u> "earned benefits" will be eliminated as opposed to "unearned benefits" which are being eliminated. (Source: Paul Simmons, Deputy Commissioner, Social Security Administration, 245-7654.)
Page 2	paragraph 3	Add "an estimated" to "\$100 billion to the cost of things we buy" for clarification.
Page 3	paragraph 3	Substitute "19 out of the last 20 years" for "10 out of the last 20 years."
Page 4	paragraph 2	Substitute "recent poll shows that a year and a half ago..." for "recent poll shows that a year ago..."
Page 6	paragraph 3	Insert "It has been estimated that..." before "If you earned \$10,000...". Substitute 1972 for 1971; substitute 19,860 for 19,850; change tenses to read "come April 15, 1981, you found your tax rates had increased 33 percent."

RE: RECOMMENDED CHANGES ON TELEVISION ADDRESS DRAFT  
Page 2

Page 8	paragraph 1	Substitute "almost 20 years" for "more than 20 years" to accomodate Kennedy tax cut in 1964.
Page 8	paragraph 2	Cannot substantiate "democratic leadership declared a tax cut was out of the question." Suggest "there were those who declared..." and deletion of sentence "That was in January."
Page 8	paragraph 3	Change "the leadership discovered..." to "the Democratic leadership discovered..."
Page 8	paragraph 4	Economic model at Treasury Department is being rerun to substantiate the \$7 billion figure.
Page 10	continuing paragraph, line 2	Suggest change in lines 2 through 5 to read "As you can see, for people earning \$15,000 a year the committee tax cut is slightly more generous than ours -- for the first 2 years -- then taxes start going up..." to accomodate chart Treasury prepared.
Page 11	paragraph 5	Suggest change from "...in the beginning didn't want a tax bill..." to "...in the beginning didn't want a tax cut..."

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

MEMORANDUM FOR ANTHONY R. DOLAN

FROM: Daryl S. Borgquist *DSB*  
Julie A. Cave *JAC*  
Misty L. Church *MLC*

DATE: July 26, 1981

SUBJECT: SUBSTITUTE PARAGRAPH ON SOCIAL SECURITY

Some suggested remarks for the third paragraph on page 1 from Paul Simmons, Deputy Commissioner of the Social Security Administration (245-7654):

Our next priority after the tax bill has got to be to make sure that our Social Security system is alive and well and here to serve you and your children and their children for generations to come. I pledged to you in my campaign, and I pledge to you now as your President, that I will work with the Congress in the months to come to make that happen. We will have a bipartisan plan to rescue the system. We will do it without taking away your hard-earned benefits. We will do it in a way that preserves the basic benefit structure of the system. Those who have paid into Social Security all of their working lives must be confident that their hard-earned dollars will come back to them."

GOOD EVENING. I HAD INTENDED TO MAKE SOME REMARKS ABOUT THE PROBLEM OF SOCIAL SECURITY TONIGHT -- BUT 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 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

*by Tony*



THE WORST ECONOMIC MESS SINCE THE GREAT DEPRESSION. INFLATION 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. Tay

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." Tay

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." Ben

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 \$100 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 Tay

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 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 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.

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BRACKET CREEP IS AN INSIDIOUS TAX. LET ME GIVE AN 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, YOU FIND 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.

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 20 YEARS.

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

THEN YOUR VOICES BEGAN TO BE HEARD AND SUDDENLY IN FEBRUARY THE LEADERSHIP DISCOVERED A ONE 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 INSURES 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.

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 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

*very good*

*Ben ✓  
mullins*

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 THEIR TAX CUT IS SLIGHTLY MORE GENEROUS THAN OURS -- FOR THE FIRST 2 YEARS -- THEN 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.

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 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 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 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.

*Ben's 2*



GOOD EVENING. I HAD INTENDED TO MAKE SOME REMARKS ABOUT THE PROBLEM OF SOCIAL SECURITY TONIGHT -- BUT 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 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 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.

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 \$100 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 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 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.

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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.

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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?"

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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 1971, BY 1980 YOU HAD TO EARN \$19,850 JUST TO STAY EVEN WITH INFLATION. BUT THAT'S BEFORE TAXES. COME APRIL 15TH, YOU FIND 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.

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 20 YEARS.

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

THEN YOUR VOICES BEGAN TO BE HEARD AND SUDDENLY IN FEBRUARY THE LEADERSHIP DISCOVERED A ONE 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 INSURES 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.

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 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 THEIR TAX CUT IS SLIGHTLY MORE GENEROUS THAN OURS -- FOR THE FIRST 2 YEARS -- THEN 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.

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 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 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 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 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 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.

From Camp David

JULY 25, 1981

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GOOD EVENING. ✓ 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 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.

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".

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 1981 <sup>B</sup> 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 \$100 BILLION TO <sup>The</sup> COST OF THINGS WE BUY.

~~to you tonight~~  
I ;had intnedn to make some remark about the problem of  
social security tongith -- but the immediacy of house action  
~~is~~ a key component of our ~~legislative~~ <sup>economic</sup> path  
on the tax program has to take priority, ~~a~~ let me  
just say however I've been deeply ;distrubed by the way you ~~should~~  
~~who~~ are depneding ~~and~~ on social serucity have been neddlessly firghteen  
~~and~~ in osme instances, by those who ~~love~~ politics above  
truth.

It is time ~~that the social sec~~ true that the social -security  
sstyem has finaicial lproglrems. It is also ture that  
some who have cuased confusion and fear by thier irresponsible  
chages hve been in a positon to do womthing construcitve  
about these finicial problems for more than 20 yers ~~0--~~  
and they have done nohting.

I hope to adress oyou on this entire subject in the near  
future. In the meatetime, liet me just say this ; I stated  
during the campaign andI repeat now I will not stand by and  
see ~~you~~ <sup>threat</sup> who are dependnet on social lseucirty deprived of  
your benefitis, I make thatpledge to you as your president.  
You have no reason to be firthened You will continue to revie  
you chekcs in the full ~~month~~ <sup>amount</sup> due you. In any plnac to restore  
fsical intergity of scoial serucity I personnall y will see that  
no part of the plan will be ast the xpene of you who are now dpeenndent  
on your monthly social ecurity chekc.'

, Nokw let ~~me~~ <sup>us</sup> turn to the ~~business~~ <sup>hand</sup>.

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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 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

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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. 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.

A RECENT POLL SHOWS THAT WHERE A YEAR AGO ONLY 24% OF OUR PEOPLE BELIEVED THINGS WOULD GET BETTER, TODAY 46% 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 JOBS FOR OUR PEOPLE.

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



Each part of this package is vital.

*Heart*  
It cannot be considered piecemeal. It was proposed as a package and it has been supported as ~~package~~<sup>such</sup> by the American people. Only if Congress passes ~~xxx~~ it in all its major components does it have any real chance of success.

*Our*  
Our economic package is a closely knit, carefully constructed plan to restore America's economic strength and put ~~this~~<sup>our</sup> nation back on the road to ~~national~~<sup>prosperity</sup>. ~~It is~~<sup>This</sup> absolutely essential if we are to provide incentive and make capital available for the increased productivity required to provide jobs for our people.

*America*  
And let me make it clear ~~to the world~~<sup>we not hoped that the</sup> the rest of the world is watching ~~to see what we will do at this moment.~~<sup>carefully to see how we</sup> ~~how we will~~

*will*  
act at this critical moment. As you know I have recently returned from a summit meeting with world leaders in Ottawa Canada ~~and~~<sup>and</sup> the message I ~~received~~<sup>heard from them</sup> was quite clear -- our allies depend on a restoration of America's ~~economic strength~~<sup>strong and economically sound</sup> and ~~our~~<sup>they are</sup> watching ~~closely~~<sup>the fate of our economic package</sup> closely.

*those*  
events in this country, particularly those surrounding ~~the~~<sup>our program for economic</sup> recovery, with ~~great~~<sup>great</sup> attention and ~~hope~~<sup>hope</sup>.  
Close attention and great hopes.



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at  
w/son  
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,  
MENTIONING A FEW RESERVATIONS HE HAD ON CERTAIN POINTS. THE CONSTITUENT,  
A FARMER, LISTENED POLITELY UNTIL HE'D FINISHED AND 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% REDUCTION IN THE INCOME TAX RATES BY OCTOBER 1ST,  
A 10% REDUCTION <sup>beginning July 1, 1982</sup> IN ~~1983~~ AND ANOTHER 10% CUT <sup>a year later</sup> IN ~~1984~~ - A 25% 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.

INsert one ----- No longer for example will a widow have to ~~sell~~ the family source of income to pay a tax on ~~xx~~ her husband's death.

insert two ----- And there are tax breaks for small and independent buinesses which ~~business, which~~ creates 80 ½er cent of all new jobs.

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BRACKET CREEP IS AN INSIDIOUS TAX. LET ME GIVE AN 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, YOU FIND YOUR TAX RATES HAVE INCREASED 33%. 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. <sup>insert 1</sup> THERE ARE DEDUCTIONS TO ENCOURAGE INVESTMENT AND SAVINGS. BUSINESS GETS REALISTIC DEPRECIATION ON EQUIPMENT AND MACHINERY. <sup>insert two</sup> IT IS, IN SHORT, THE FIRST REAL TAX CUT FOR EVERYONE IN MORE THAN 20 YEARS.

Now because a ~~lot~~ <sup>measure co-</sup> NOW WHEN WE PROPOSED THIS - AND INCIDENTALLY IT IS BI-PARTISAN CO-AUTHORED BY REPUBLICAN BARBER CONABLE AND DEMOCRATIC ~~W~~ KENT HANCE, THE MAJORITY LEADERSHIP DECLARED A TAX CUT WAS OUT OF THE QUESTION. IT WOULD BE WILDLY INFLATIONARY. THAT WAS IN JANUARY.

<sup>discovered</sup> THEN YOUR VOICES BEGAN TO BE HEARD AND SUDDENLY THE LEADERSHIP IN FEBRUARY SAID A ONE YEAR TAX CUT WAS FEASIBLE. WE KEPT ON PUSHING OUR



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*the opposition*  
3 YEAR TAX CUT AND BY JUNE THEY 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.*

*insert* *Waseit (1) →*  
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 BI-PARTISAN BILL. THEY WILL BE THE BILLS TAKEN UP WEDNESDAY,

THE MAJORITY LEADERSHIP CLAIMS THEIRS GIVES A GREATER BREAK TO THE WORKER THAN OURS AND ~~THAT'S TRUE~~ *it does - what is* IF YOU'RE ONLY PLANNING TO LIVE 2 *more* YEARS, THE PLAIN TRUTH IS OUR CHOICE IS NOT BETWEEN 2 PLANS TO REDUCE TAXES.

*present* ~~OUR CHOICE~~ IS BETWEEN A TAX CUT OR A TAX INCREASE, THERE IS BUILT INTO OUR SYSTEM ~~TAX INCREASES~~ NOW INCLUDING PAYROLL SOCIAL SECURITY TAXES AND THE BRACKET CREEP I'VE MENTIONED, A 22% TAX INCREASE OVER THE NEXT 3 YEARS. THE COMMITTEE BILL OFFERED ~~A~~ *gives a reduction* 15% CUT OVER 2 YEARS, *our* THE BI-PARTISAN BILL 25% OVER 3 YEARS. AS YOU CAN SEE BY THIS CHART - HERE IS THE 22% 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 3 YEARS AHEAD IS RISKY RINGS A LITTLE HOLLOW WHEN YOU *realize* SEE THAT THEIR BILL GIVES *for as much as* BUSINESS *cuts* CUTS EACH YEAR FOR 7 YEARS AHEAD. *call*

*has* *It might even more hollow when you consider* *intend to*  
HERE IS ANOTHER CHART WHICH ILLUSTRATES WHAT I SAID ABOUT THEIR GIVING A BETTER BREAK IF YOU ONLY LIVED *intend to* 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 THEIR TAX CUT IS SLIGHTLY MORE GENEROUS

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This bill also ~~adds~~ provides major credits to the research and development industry

*These credits will help spark high tech breakthroughs*  
~~which will stimulate credits that~~  
will stimulate high tech the kind of high technology breakthroughs

*breakthroughs this*  
~~are so critical to our economy~~ so critical to our ~~economy~~ *country's economic leadership*

There are also added incentives for small business -- including

*much of*  
~~one provision that will do much to lift the burden of excessive~~ *costly*  
~~government paperwork~~ *for small government has imposed on small business*

*There is* In addition ~~substantial assistance~~ *there is* for

the hard pressed thrift industry and finally there additional

is reduction in taxes ~~for new and independent~~

oil producers that will move this stimulate oil exploration and

move our nation to energy self-sufficiency.

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 business including a provision that will lift much of the burden of costly paperwork that government has imposed on small businesses.

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

insert one But htere is a little sleight of hand in that trigger mechanism. The committee bill insures that the 1983 deficit <sup>will</sup> be more <sup>than</sup> 7 billllion 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.

<sup>+</sup> insert two --- It rings even more hollow when you consider the fact the majority leadreship <sup>routinely</sup> ~~willingly~~ & enorses multi-year and ~~somes lgesilation that plans for federal spending bills~~ that ~~projxxxxxxx~~ project years into the future <sup>but object</sup> ~~but when it comes to a tax bill that will they object when it to tax bill that does the same thing.~~

*When we try to ~~pass~~ a tax bill -- that will try to give ~~you~~ your money rather than ~~to you~~ to the taxpayers over the a three year period.*



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THAN OURS - FOR <sup>the list</sup> 2 YEARS - THEN TAXES IN <sup>every one</sup> EACH OF THESE EARNING LEVELS START GOING UP. ON THE OTHER HAND, <sup>as you can see in our</sup> IN THE BI-PARTISAN BILL, THE TAX KEEPS GOING DOWN AND THEN STAYS DOWN PERMANENTLY.

THIS ORANGE SPACE BETWEEN THE 2 LINES IS THE TAX MONEY THAT WILL REMAIN IN YOUR POCKETS IF OUR BILL PASSES <sup>and it's the money that will</sup> ~~OR~~ LEAVE YOUR POCKETS IF THEIR ~~DOES.~~ <sup>tax bill is passed</sup>

I TAKE NO PLEASURE IN SAYING THIS, BUT THOSE WHO WILL SEEK TO DEFEAT <sup>you</sup> THE CONABLE-HANCE BI-PARTISAN BILL AS DEBATE BEGINS WEDNESDAY ARE THE ONES WHO HAVE GIVEN US 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 OF THE ~~FEDERAL BUDGET.~~ <sup>underline - federal thing.</sup>

OUR BIPARTISAN TAX BILL TARGETS THREE-QUARTERS OF ITS TAX RELIEF TO <sup>who really pay without 3% of the total income tax. It also then indexes the tax brackets to 1981 so that you can keep that tax reduction in your hands. That also is</sup> MIDDLE-INCOME WAGE EARNERS, INDEXING TO ELIMINATE BRACKET CREEP, AND ESTATE TAX RELIEF THAT WILL KEEP FAMILY FARMS AND FAMILY-OWNED BUSINESSES IN THE FAMILY. <sup>as I said estate tax</sup>

<sup>insert</sup> <sup>And there are provisions for personal retirement plans, 401(k) and individual</sup>

insert 1

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Our bipartisan tax bill targets three-quarters of its tax relief to middle-income wage earners, who presently pay ~~amolomst~~ three quarters of the ~~xxx~~ 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 ~~arms~~ <sup>farms</sup> and family-owned businesses in the family. And there are ~~p~~ <sup>pro</sup>visions for personal retirement plans and individual savings accounts.

~~so you can see that this bipartisan bill is broadly based~~ <sup>Because</sup> ~~it~~ <sup>is</sup> ~~but it also provides the financial segments of society the~~ <sup>the kind of</sup> ~~predictability and certainty they need to plan the investments~~ ~~that financial and investment need to~~ ~~xxx of xxx need to~~ <sup>managers need to make the decisions investment decisions that</sup> ~~xxx who need this information to plan the investments that~~ ~~m stimulate productivity and make the economy grow.~~

Even more important -- if the tax cut goes to you the American people ~~xxxxxxx~~ <sup>---</sup> 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 the whole controversy about this ~~bill~~ comes down to --- it's time to reject the idea that government has a presumptive right or first claim to the fruits of labor. Are you entitled to the fruits of your own labor or does government have some presumptive right to it.



peer  
page

2 things - 1st - we  
are bill 1st - we  
2nd - regulatory + currency

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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.

*What is the purpose behind their change of heart?*  
OUR OPPONENTS, WHO IN THE BEGINNING DIDN'T WANT A TAX BILL AT ALL, HAVE A DIFFERENT GOAL. THEY'VE PUT A TAX PROGRAM TOGETHER *for one reason only,* JUST TO DEFEAT US AND *to* PROVIDE A POLITICAL VICTORY FOR THEMSELVES. IF I COULD PARAPHRASE WILL ROGERS' LINE ABOUT NEVER HAVING MET A MAN HE DIDN'T LIKE - IT SEEMS TOO MANY OF THOSE OPPOSING OUR BILL NEVER MET A TAX THEY DIDN'T LIKE.

*Never mind that it won't get the wheels of industry turning again or again.*  
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. *eliminate my share*

*This is not the time for gettards here and games. This is the time for a New Beginning.* *which is Carter's plan*  
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.

all of our

all of our

Ottawa

integral part of package - important to all of allies - success - recognizing success in many programs

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

ONE ROAD IS ALL TO <sup>d</sup>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 ALL 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.

JULY 25, 1981 .

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LRT US NOT STOP NOW.

THANK YOU. GOD BLESS YOU AND GOOD NIGHT.

(Elliott)

July 24, 1981

Nance

TELEVISED SPEECH: TAXES AND SOCIAL SECURITY

Good evening. It's been nearly 6 months since I first reported to you on the state of the Nation's economy. If you'll remember, that report didn't make very good listening. And believe me, I didn't enjoy giving it.

I had to tell you that we were in the worst economic mess since the Great Depression. And I warned that while we had managed for years to postpone our judgment day, we no longer had that luxury. We were out of time and Government was out of control.

Well, our situation remains very serious. We're still not out of the woods and back on the road toward permanent economic recovery. But we have made a start. And the good news is, something very exciting is happening in Washington.

Your Government is listening to you again. Your voices have finally gotten through. Millions of you, Democrats, Republicans and Independents, from every profession, every background, and every region of this land, are making Washington understand that you want a new beginning. That you want to bring common sense and plain dealing back into Government. And that the way you intend to do that is by changing just one little two-letter word: control "by" Government, to control "of" Government.

I think we're making progress. Some would even say historic progress. Because with the cooperation of Democrats and Republicans, we've done more in a shorter period of time to get our economy on a sound footing, than any Government



in the past 50 years. Right now, House and Senate Members are putting the final touches on a budget bill that includes more than \$140 billion in savings. These spending reductions will be shared by all Americans. And they will benefit all Americans too -- by helping us gain the upper-hand in the war against inflation. We are already seeing signs inflation has begun to decline.

What this proves, I think, is that our system can work and will work when we make it work. It proves that Democrats and Republicans can place principle over politics . . . and that we can all have a Government that lives within its means again, and that keeps its commitments to us.

All this sounds encouraging, I know. But in truth, it's just the first step of a long climb up a mountain of problems -- problems that result from years of Government mismanagement. The kind of mismanagement that left us with chronic inflation and punishing taxation, record-breaking interest rates and nearly 8 million people unemployed, 19 unbalanced budgets in the last 20 years, a national debt nearing \$1 trillion and regulation run wild.

Yes, we have begun to get spending under control. But we're still a long, long way from getting Government under control. So tonight I want to speak to you about two other serious challenges we face -- both important, and both in urgent need of our attention.

First, taxes, because passage of our bipartisan tax bill is the most crucial item left on our agenda for prosperity. Perhaps all the recent quarrelling over taxes has left you a

bit confused. You have my sympathy. But let me cut through the fog with one undeniable fact: Our bipartisan coalition offers a real tax reduction; the House Democratic leadership offers another big tax increase. It's that simple.

Now, a lot of people have missed this point because my good friend the Speaker has developed a strange habit: He likes to compare all of their bill with only part of ours. He boasts that their tax cut of 15 percent gives a bigger break to the worker than our bill. And if you are only planning on living 2 years, so it does. But then bracket creep takes over and taxes start going up again.

Frankly, I wonder how they look you in the eye and say "we're reducing your taxes." Because as you can see from this chart, we propose a full 25 percent reduction over 3 years -- enough to offset the built-in tax increase of nearly 22 percent -- but they offer only a 15 percent tax cut, and no tax cut at all for 1984. They claim it is too risky to cut taxes 3 years ahead for individuals, but they find it perfectly all right to offer business a tax cut every year for the next 7 years.

And here's something else: Our reductions of 25 percent in tax rates become permanent after 3 years because we index them. In other words, your tax rates will be tied to the cost-of-living index, so you will not continually be pushed into higher tax brackets just because your income is rising with inflation.

Bracket creep is an insidious tax. For example, if you



earned \$10,000 in 1972, you needed to make \$19,860 in 1980 just to stay even with inflation before paying your taxes. But even if you managed that, you would have lost purchasing power because bracket creep would have pushed up your tax rates by 33 percent. So while you get pinched by higher taxes and inflation, Government profits from both without having to pass a tax increase. We're determined to put an end to this sleight of hand.

Now just recently, the House majority suggested the possibility of triggering a third-year tax cut of their own, if economic conditions improve. 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. A trigger will do much more to preclude a third-year tax cut than to promote one.

And let's remember something else too: This trigger was designed by people who don't believe in cutting taxes. As a matter of fact, in the last 10 years, the Majority leadership in the House gave the people 5 "tax cuts." But in those 10 years taxes increased by more than \$400 billion. I'm afraid that's one talent we do not have.

If I could paraphrase Will Rogers' line about never having met a man he didn't like . . . it seems too many of the House leadership have never met a tax they didn't like.

If we're sincere about reducing taxes, then we have to do better than the one-shot, here-today, gone-tomorrow rebates of old.

We must make the people a commitment. The kind of commitment that says if you work or save more tomorrow than you did today, then your reward will be higher. More of every added dollar you earn will be yours to keep. This is why it is so important that we reduce tax rates, and that we reduce them for 3 consecutive years.

And for all of you who work hard for your families, and who could succeed over time in raising your incomes, we must make another commitment. We must not allow your rewards and your spirit to be crushed by tax rates designed only to feed an already bloated Federal budget. So, in addition to reducing tax rates for 3 years, we must also reduce those rates across-the-board. Only then can we look you in the eye and say, "We are providing real incentives that will help all Americans create, build and share in a new prosperity." Only then can we truthfully say, "We are making a commitment to your future, and not just to the next election."


We make these commitments without qualifications. They offer half a loaf and less than a promise. Look closely at this chart which compares what the real tax payments will be for people earning \$15,000 under the 2 bills. The dotted line is theirs. Yes, it goes down, as they have boasted, a little more sharply in the first year than ours. But then look what happens. You quickly come to the point where

their tax cut stops and starts going up again. They simply give up and permit Social Security tax increases and bracket creep to take over. But notice how our line keeps descending, then levels off under the impact of indexing. This orange space is the tax money that will remain in your pocket if our bill passes, or leave your pocket if theirs does. And what holds true for people earning \$15,000 also applies to every other taxpayer, whether he or she earns \$20, 30, or \$40,000 or more.

By 1983, under their bill, your tax cut is a memory. Your taxes are rising again and they begin shooting higher and higher as time goes on. So despite all the propaganda you hear, working Americans do much better under our proposal because we will get your tax rates down, and we will keep them down.

As a matter of fact, 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 Democratic 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, indexing to



eliminate bracket creep, and estate tax relief that will keep family farms and family-owned businesses in the family.

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 has worked out between us a tax bill we believe will provide incentive and stimulate productivity, thus reducing inflation and providing jobs for the unemployed.

Our opponents have put together a tax bill simply to defeat us and provide a political victory for themselves. Think back to only a few months ago when they derided and denounced the very idea of a tax reduction as wildly inflationary. Then as we persisted and the voice of the people began to be heard, it seems that suddenly one day they too were for a tax cut -- they were just against ours. They wouldn't hear of a 3 year tax cut. But one day we learned they thought a 2 year cut was practical. Now it's 2 years and maybe 3 if some economic standard is met 2 years from now.

Well, no one has ever had to doubt where we stand. We hold no secrets from the people. We have promoted the idea of across-the-board tax rate reductions, along with reductions in Federal spending, monetary growth and excessive regulations as the cornerstones of our economic policy. We cannot sacrifice one without sacrificing our chances for economic recovery.



So I'm here to say tonight that we cannot go back on the policies of the past. Should there be a 2 year tax cut it would not be sufficient to do the job, and I could not support it.

Let us be unafraid. Let us do what we know to be right, and what the American people want, and what our economy and future generations need.

Now I'd like to speak to you briefly about our Social Security system - the precious lifeline for millions of our elderly, orphaned and disabled. Older Americans have always been considered a national treasure. They must never become a national problem. The 36 million Americans who depend on Social Security are entitled to prompt bipartisan action to resolve its financial problems.

I pledged during the campaign, and have repeated since, that the highest priority of my Administration will be to restore the integrity of the Social Security system. So tonight I want to announce the appointment of a bipartisan Task Force, which will operate under a strict deadline of 5 weeks and be charged with developing a comprehensive reform package.

I understand the Majority Leader of the Senate has also appointed a Task Force, and I would like to request that the Speaker of the House do the same. If we work together, I believe we can reach final decisions by this fall on how to secure our future with a Social Security system that will not shatter the hopes of generations to come.

Our elderly look to us for leadership. The last thing they need right now is the cynical political maneuvering being used by some in the Congress to play on their fears.

I must say I was very disturbed the other evening when I saw a woman in a wheelchair being interviewed by a reporter. The woman was in tears because she was afraid her benefits would be cut off and she has no place to go. I think it is absolutely disgraceful and unconscionable to scare innocent people for crass political gain. I said during the campaign, and I will repeat tonight: We will not stand by and allow anyone who is dependent on Social Security checks to be denied those checks. We have kept our pledge.

The Social Security problem is serious. It is here. It is now. And it must be faced before the American people lose all faith. A recent New York Times-CBS poll showed 54 percent of today's workers doubting they will ever collect Social Security when they retire.

If the Congress does nothing, then by the fall of 1982, there will not be enough money in the OASI Trust Fund to pay benefits to retirees, to widows and to orphan children and their mothers. And the longer the Congress waits, the worse the problem will get. Within the next 5 years, the Social Security deficit could increase to \$111 billion. Within 75 years, it could climb to \$1.5 trillion.

Some accuse us of being too pessimistic, of exaggerating the potential revenue shortfalls. They say we should simply dip into general revenues to bolster the fund.

There's only one problem with that: We don't have any general revenues to dip into. What we have is a nearly \$60 billion deficit. So, more borrowing is not the answer.

Nor is higher taxation. In 1977 the Congress passed a \$227 billion tax increase -- the single-biggest tax increase in peacetime history. And many of those who call us too pessimistic now were also busy reassuring us then. When people like myself said this tax increase was not the way to go, they answered that it would keep Social Security solvent til the year 2030. That was just 4 years ago. Today, we're right back in the same mess we were in. I did not create this mess. But as President, I must and will deal with its consequences.

We can no longer afford to take chances. We can no longer afford to play Russian Roulette with a system so important to so many people. We can begin by eliminating some of Social Security's most flagrant abuses. For example, today a person can be out of work for 5 years and still qualify for disability insurance. I know of no private insurance system in the world where you can collect disability insurance 5 years after you stopped paying your premiums. Government inspectors believe as many as one of every 5 people on the disability rolls today may be ineligible. And some 400,000 retired Government employees are getting pensions from their employers plus an unearned windfall from Social Security. These kinds of activities jeopardize the system at the expense of the truly needy.

Now, much has been made in the press of our attempts to reduce the grants for those who retire early. What the press never seemed to point out was that our plan called for reducing the percentage of total grant the early retiree could receive from 80 percent to 55 percent . . . but then by working only one year and eight months, the early retiree could at some point when he is still 63 take early retirement and get his 80 percent of the full retirement benefit. Think of it this way: That one year and 8 months difference could make all the difference in the survival of the system. We're also willing to consider a more phased-in approach for those nearing age 62 who have made retirement plans, and would be caught by our proposal.

Another point: Present law calls for the Social Security tax and the amount of income subject to that tax to increase several times between now and 1986. Our plan calls for eliminating those increases and even reducing, after a few years, the present Social Security tax. To the young person just starting in the labor force and working to retirement age, this tax reduction alone would mean \$33,000 of additional income which he could put to better use for himself and his family.

Ultimately, the best Social Security system -- the best guarantee for a good future -- is for us to rebuild our economy, to make it strong again and to fulfill the promise that our Nation holds out to all citizens. This brings me back to our tax bill.

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. After all, 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 all mankind.

One road is timid and fearful.

The other road is 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. 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 & disturbing. I remember telling you we were in the worst ec. mess since the great depression.

Inflation was continuing to spiral upward, unemployment was at a crippling level and all because Govt. 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 Wash. scene who looked, listened and said, "it can never be done, Wash. will never <sup>change its</sup> ~~change~~ spending habits."

Well something very exciting has been happening here in Wash. and you are responsible. Your voices have been heard. Millions of you, Democrats, Republicans and Independents, from every profession, trade & 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 ~~just~~ changing "control by govt." to "control of govt."

In that earlier broadcast you'll recall I proposed a program to drastically cut back govt. spending in the 1982 budget which begins Oct. 1<sup>st</sup> and to continue cutting in '83 & '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 costing <sup>\$</sup>100, ~~\$~~ <sup>bil.</sup> ~~per~~ <sup>ann.</sup> to 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 govt's. wasteful ways were no match for your voices which were heard loud and clear in ~~these~~ <sup>the</sup> Senate halls of govt.

And you made history with your programs, your letters, your phone calls & your personal visits ~~with~~ <sup>you</sup> to talk to your elected representatives. You reaffirmed the mandate you delivered in the election last Nov. A mandate that called for an end to govt. policies that ~~forced~~ <sup>put</sup> prices & mortgages into skyrocketing, while millions of Americans went jobless.

Because of what you did Republicans & Democrats in the Cong. came together and passed the most sweeping cut backs in the hist. 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 & the Senate. When they finish, all Americans will benefit by ~~the~~ <sup>the</sup> savings of more than <sup>\$</sup>140 bil. <sup>in reduced</sup> ~~over~~ <sup>costs</sup> govt. ~~spending~~ over the next 3 yrs. 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 Fed. govt. has spent more than it took in, there will be another large deficit in this present year which

such Sept. 30<sup>th</sup>. But with our program in place it won't be quite as big as it might have been and starting next year~~s~~ the deficits will get increasingly smaller until in ~~the~~ just a few years the budget will be balanced and <sup>HOPEFULLY</sup> we can begin settling at that almost 1% bal. That hangs over the future of our children.

Now as for I've been talking about only one part of our program for economic recovery - the largest cutting part. I don't minimize it's importance. Just the fact that Democrats & 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 regimes, the dollar has regained strength in the international money markets and businessmen & investors are making decisions with regard to industrial development, modernization & expansion. All of this based on anticipation of our program being adopted & put into operation.

A recent poll shows that where ~~only~~ 2 yrs. ago only 24% of our people believed things would get better, today 46% believe they will. 70% justify their faith we must deliver the other part of our program. It is absolutely essential if we are to provide ~~the~~ incentive and make capital available for <sup>the</sup> increased productivity ~~required~~ <sup>required</sup> for provide jobs for our people.

Day after tomorrow - Wed. The House of Representatives will begin debate on the Tax Bill and once again they need to hear from you. I know that student

give you much time but a great deal is at stake.

A few days ago I was visited ~~by~~ here in the office by a Dem. Congressman from one of our ~~southern~~ Southern states. He'd been back in his district and one day one of his constituents asked him where he stood on the ec. 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, mentioning a few reservations he had on certain points. The ~~man~~ constituent, a farmer listened politely until he'd finished and said; "Well yes that's all very interesting — but 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~~ Let me add those representatives honestly & sincerely want to know your feelings. They get plenty of input from the special interest groups, they'd like to hear from their home folks.

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

Our bill calls for a 5% reduction in the income tax rates by Oct. 1<sup>st</sup>, a 10% reduction in 1983 &

another 10% cut in 1984 - a 25% ~~total~~ reduction over 3 yrs. But then to ensure the tax cut is permanent we call for indexing the tax rates in 1985 which means adjusting them for inflation. But is now if you get a cut 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 more ~~or~~ you enter 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 <sup>\$</sup>10,000 a year in 1972 by 1980 you had to earn <sup>\$</sup>19,860 just to stay even with inflation. But that's before taxes. Come April 15<sup>th</sup> you find your tax rates ~~have~~ have increased 33%. If you've been wondering why you don't seem as well off as you were a few years back it's because of this. Unless a profit on inflation. It got's an automatic tax increase without having to vote on it. We intend to stop that.

Time went allow me to explain every detail but our bill includes just about every thing to keep the economy. We do away with the marriage penalty, that unfair tax that has a working husband & wife pay more tax than if they were single. We increase the exemption on the inheritance (or estate) tax to <sup>\$</sup>60,000 so that farmers & 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. There are deductions to encourage investment & savings. Business gets realistic depreciation on equipment & machinery. It is in short the 1<sup>st</sup> real tax cut for everyone in more than 20 years.

Now when we proposed this, — and incidentally ~~to~~ it is bi-partisan coauthored by Repub. Barber Conable and Dem. Kent Hance, the majority leadership declared a tax cut was out of the question. It would be wildly inflationary. That was in Jan.

Then your voices began to be heard and suddenly the leadership in Feb. said a one year tax cut was feasible. We kept on pushing our 3 yr. tax cut and by June they found that a 2 yr. 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.

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 & Means Committee and from now on I'll refer to it as the committee bill and ours as the bi-partisan bill. They will be the bills taken up Wed.

The majority leadership claims theirs gives a greater break to the worker than ours and that's true — if you're only planning to live 2 years.

The plain truth is our choice is not between 2 plans to reduce taxes. Our choice is between a

a tax cut or a tax increase. There is limit into our system tax increase now including payroll social security taxes and the bracket creep, I've mentioned a 22% tax increase over the next 3 yrs. The committee will afford a 15% cut over 2 yrs. The bi-partisan will 25% over 3 yrs. As you can see by this chart — here is the 22% increase line & here is their cut below that line & some surfing out the increase with a little to spare.

Incidentally their claim that cutting taxes <sup>FOR INDIVIDUALS</sup> 3 yrs ahead is risky rings a little hollow when you see that their bill gives business cuts each year for 7 years ahead.

Here is another chart which illustrates what I said about their giving a better break if you only lived for 2 more years. This is the dotted line, over the solid. As you can see, in each of the saving brackets from 5000 on up to 50,000 their <sup>tax</sup> cut is slightly more generous than ours — for 2 years — then taxes in each of these saving levels start going up. On the other hand <sup>in 5 yrs</sup> the bi-partisan will the tax keeps going down and then stays down permanently.

This orange space between the 2 lines is the tax money that will remain in your pockets if you live longer — or leave your pockets if their does.

I take no pleasure in saying this but there will seek to defeat the Canada — Kansas bi-partisan bill as debate begins Wed. as the ones who have given us 5 years — unguaranteed tax cuts in the last 10 yrs.



their tax cut stops and starts going up again. They simply give up and permit Social Security tax increases and bracket creep to take over. But notice how our line keeps descending, then levels off under the impact of indexing. This orange space is the tax money that will remain in your pocket if our bill passes, or leave your pocket if theirs does. And what holds true for people earning \$15,000 also applies to every other taxpayer, whether he or she earns \$20, 30, or \$40,000 or more.

By 1983, under their bill, your tax cut is a memory. Your taxes are rising again and they begin shooting higher and higher as time goes on. So despite all the propaganda you hear, working Americans do much better under our proposal because we will get your tax rates down, and ~~we will~~ keep them down.

*but our taxes went up 400 bil. in those same 10 yrs.*

~~As a matter of fact,~~ 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 Democratic~~ <sup>House Majority</sup> 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, indexing to

eliminate bracket creep, and estate tax relief that will keep family farms and family-owned businesses in the family.

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 ~~has~~ worked out ~~between us~~ a tax bill we ~~believe~~ *felt* ~~would~~ provide incentive and stimulate productivity, thus reducing inflation and providing jobs for the unemployed. *That was our goal* *(WHO IN THE BEGINNING DIDN'T WANT A TAX BILL AT ALL)* Our opponents ~~have put together a tax bill simply to~~ *Have some a different goal. They've put a tax program together just to* defeat us and provide a political victory for themselves.

~~Think back to only a few months ago when they derided and denounced the very idea of a tax reduction as wildly inflationary. Then as we persisted and the voice of the people began to be heard, it seems that suddenly one day they ~~too were for~~ *WEREN'T AGAINST* a tax cut ~~AT ALL~~ *AT ALL* - they were just against ~~ours~~ *OUR TAX CUT.* ~~But~~ *THEN* They wouldn't hear of a 3 year tax cut. ~~But~~ one day we learned they thought a 2 year cut was practical. Now it's 2 years and maybe 3 if some economic standard is met 2 years from now.~~

Well, no one has ever had to doubt where we stand. We hold no secrets from the people. We have promoted the idea of across-the-board tax rate reductions, along with reductions in Federal spending, monetary growth and excessive regulations as the cornerstones of our economic policy. We cannot sacrifice one without sacrificing our chances for economic recovery.

*If I could paraphrase Will Rogers line about never having met a man he didn't like - it seems too many of those opposing our bill never met a tax they didn't like.*

And so I want to conclude by addressing again a few words directly to those of you who are most affected by our bipartisan tax cut plan: the American taxpayer. For years now, you have heard politicians promise you again and again tax reform. And then you have found after the votes are counted and the election over that your taxes have gone up, not down. 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. ~~after all~~, 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 all mankind.

One road is timid and fearful.

The other ~~road is~~ 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.

## TELEVISED SPEECH: TAXES AND SOCIAL SECURITY

Good evening. Six months ago, from this office I reported to you on the state of our Nation's economy. For all of us, that report held grim and disturbing news. Inflation was continuing its upward spiral, unemployment remained at crippling levels, interest rates were high and going higher, and most disturbing of all -- a solution was nowhere in sight to the problem that had caused this economic calamity -- a Government that was too big and spent too much money.

At that time, I called for action and I placed before you a package of economic proposals. Among those proposals were deep cuts in the Federal Budget that were designed to put an end to the fiscal joy ride in Washington.

I took this action in order to redeem a pledge made to you -- the American people. A pledge to make Government live within its means, to stop the drain by the public sector on the economy, to put America back on the road to economic recovery and national prosperity.

When this economic package was first announced some of the political insiders predicted an immediate and decisive defeat by the Congress.

Intensive lobbying, organized demonstrations -- special interest politics -- were supposed to protect many of the wasteful and unnecessary programs in the Federal budget we wanted to eliminate.

Here in the Capitol little real change was expected -- there were serious doubts that we could ever reverse the

trend towards bloated budgets and bigger bureaucracies.

But then the most sweeping cutbacks in the history of the Federal budget -- cutbacks that stood for an historic reversal in the course of Government -- were passed by the Congress.

This development startled some, but the explanation for it was really simple enough -- an explanation as old as the idea of democracy itself and best summarized by a simple, four-word sentence: "The people have spoken."

Some of the Wise Men in Washington had been saying the American people had lost faith in their Government and were just too selfish to care anymore -- you, the people, proved them wrong. You did speak out.

You spoke out in telegrams, in letters, in interviews, in personal meetings with your Senators and Congressmen. You sent a message to Washington that was clear and plain:

"Give the Administration a chance; get us out of the economic mess we are in."

When you sent that message you were reaffirming the mandate you delivered last November. After listening for more than a year to an exhaustive political debate you made your choice: you voted against Government policies that sent prices and mortgage rates skyrocketing while throwing millions out of work. You voted against Government policies that consume wealth, confiscate reward, discourage initiative, and intrude unnecessarily in our daily lives. You said, "We, the American people, want change; and we want it now."



Your support for our economic package has led to our initial victories in cutting \$140 billion out of the Federal budget over the next three years. Your support allowed us to eliminate burdensome and unnecessary Federal regulations, to control inflation by helping to control the money supply, to win acceptance for the idea of a multi-year tax cut.

It is these four pillars of our economic program -- budget cuts, regulatory reform, monetary control and tax cuts -- that stand solid and strong today because of the support they received from you the people.

Tonight, I can report to you that the current state of the economy, while still a touch and go affair, shows some hopeful signs. There are indications that the rate of inflation is lessening and that mortgage rates may also begin to decline before the end of this year. Abroad, the dollar is spectacularly strong in the money markets; at home, there is evidence that businessmen and investors -- taking seriously our resolve to fight inflation -- are making decisions that will eventually lead to industrial development and capital expansion.

In addition, the spirit of bipartisanship that the Congress has shown in acting on our economic package has done much to lift the spirits of the American people -- to renew their faith in our political institutions and in Government's responsiveness to the people.

I think I can say tonight there is a new national confidence in our land. I'm sure many of you noticed, for

example, one recent opinion poll that showed the number of people who now believed in a better future for themselves and their families has risen suddenly from 24 to 46 percent.

People do feel a little more hopeful -- in part because our economic program is nearly in place, and we are about to take our first steps on the road to economic recovery.

But I am speaking to you tonight because of two deeply disturbing threats to our hopes for the immediate future. These threats are posed by those who seek to stir partisan passions and stoke political furnaces rather than cooperate in a bipartisan effort to restore America to economic greatness.

Let me begin with the most immediately pressing of these matters -- the vote this week in the House of Representatives on our bill for permanent tax reductions.

Last week, I was visited here in this Office by a southern Democratic Congressman who is one of the major leaders in the bipartisan effort to reduce taxes.

He told me about a talk he had several months ago with a farmer, one of his constituents, who asked him whether he supported the economic recovery plan I outlined in my first speech to you.

The Congressman gave a lengthy answer filled with technical details and mentioning some of the few, minor reservations he had.

After listening politely, the farmer finally looked at the Congressman suspiciously and asked: "Well, that's all very interesting. But tell me -- are you for 'em or agin 'em?"

Well, I was grateful for that farmer's support -- but I think the point of that story goes far beyond a pledge of personal support.

Our program for economic recovery really is a for 'em or agin 'em matter; it cannot be viewed in a piecemeal fashion. It was proposed as a package -- it must be discussed as a package and passed as a package -- only then can it have any real chance of succeeding.

Our budget cuts, for example, will administer strong medicine to an economy ailing from inflation.

But you and I know that at some point the effectiveness of that medicine will wear off. It must then be replaced by a kind of spontaneous health and vigor brought on by more traditional economic stimuli.

This is exactly the kind of stimuli our tax cut bill provides. It calls for a 25 percent reduction in personal income taxes over the next 3 years, additional billions in tax relief for business, elimination of the inheritance tax on estates worth up to \$600,000 and -- most important -- a mechanism that allows the Government to account for inflation in determining what your tax bracket you belong in. That means you can no longer be pushed into a higher tax bracket simply because of inflationary and artificial increases in your income.

This last provision -- called indexing the tax rate -- will go into effect in 1984 -- the final year of our 25 percent tax rate reduction.

That will mean that our 3 year, 25 percent tax cut will become a permanent tax cut. That will mean Government will no longer be entitled to a yearly, multi-billion dollar hidden dividend from bracket creep, the same bracket creep that pushes people into higher and higher income brackets, taking more and more of their money in real terms.

You can see then that our bipartisan tax cut is geared for results -- it will guarantee Americans more of what is justly theirs -- the fruits of their labor. It will also help break the psychology of inflation, renew business confidence and dramatically increase personal savings and investment.

It will, in short, release what some have called the "X factor" in our economy. Recently academicians have noted that a business, like an army or even a sports team, can often outperform a competitor even though both have roughly the same talents or material assets.

They have referred to this as the "X factor" in human affairs -- an intangible quality that makes individuals and institutions dare and dream -- take risks and achieve -- and win success beyond any rational expectation.

It is this factor -- this spirit of enterprise and initiative -- that has been too long missing from the American economy. Our tax cut plan can ignite that spirit again and set loose the energy and ingenuity of the American people.

In contrast, the tax proposal by the Democratic leadership in the House of Representatives is a pale, wilting imitation

of our own bipartisan measure. Although Federal taxes will increase by 22 percent in the next 3 years -- the tax cut proposed by the Democratic leadership provides for only a 15 percent reduction. This contrasts to our 25 percent reduction over the same number of years.

This graph shows what will happen to an average \$15,000 a year wage earner under the Ways and Means plan of the Democratic leaders. The dotted line shows the Ways and Means proposal. You can see that taxes go down for 2 years -- and then climb right back up again.

The solid line, however, shows our bipartisan measure. You can see it shows taxes go down for 3 years and then stay down.

This is what I meant a few minutes ago when I said our indexing feature would make our 3-year tax cuts permanent after 1984.

Now some of you may be asking -- if the Ways and Means proposal permits a tax increase over a 3-year period, why is the Democratic leadership calling it a tax cut in the first place? And if this proposal doesn't permanently reduce taxes, why is the Democratic leadership trying to make it sound like a major economic initiative?

Well, the Democratic leadership has always had some trouble with truth in labeling in this area. In fact, during the last 10 years, they have passed 5 separate measures referred to as tax cut bills -- bills that actually disguised more than \$400 billion in tax increases.

But the real answer to the question about the posture of the Democratic leadership on tax cuts is: I don't know where they stand and I'm not sure they do either.

You may remember that last January the Democratic leadership ruled out a tax cut all together -- said we couldn't afford it. In February, they changed their mind and said a one-year tax cut was feasible. In June, that one-year tax cut became a 2-year tax cut. And now in July, they've okayed a 2-year tax cut with a trigger mechanism for a 3-year tax cut.

As you can see -- between January and June of this year -- philosophical consistency was not a major item on the Democratic leadership's agenda.

But let me make it clear I want to welcome these gentlemen every step of the way on their journey towards the Damascus of tax relief. I'm delighted by their desire for greater and greater participation in the mandate issued last November by the people.

But I can't help but wonder whether the Democratic leadership sees in this current controversy one last chance to block at least a part, any part, of the Administration's economic program -- one last try for a headline that reads: "Administration's Economic Proposal Defeated."

The American people are not interested in opposition for the sake of political opposition, they are not keeping a scorecard or running a lighted tote board -- they are not chalking up one for the President, one for the Speaker, one for the Congress or the Administration.



But they are interested in seeing the taxpayers win one for a change. They are interested in deep-going and permanent tax reductions. And only our bipartisan tax bill can provide this kind of relief.

During this last week -- momentum has been clearly moving in favor of our tax bill. That's because it isn't the President's or the Speaker's tax bill, it's the people's tax bill.

But, my fellow Americans, you are needed now more than ever to keep this momentum headed in the right direction.

Many Congressmen who have visited me during this last week have said: Mr. President, the American people back this economic package and if they can just make that support known to our colleagues in the Congress we will clear this last hurdle on the road to economic recovery.

And so, my fellow Americans, I am addressing you tonight to thank you for bringing us this far along the road to success and to ask you to help us take this one final step in our journey. I am asking you to let your Senators and Congressmen know that you support and favor the permanent tax relief contained in our bipartisan tax bill.

Now let me move on the the second recent attempt to use partisan politics to cloud our prospects for economic progress. If some have recently used smoke and fire to needlessly obscure the tax issue -- equally disturbing is the demagogic and even cruel political advantage others have sought from the current crisis in the Social Security system.

A recent study by our Administration concluded that the Social Security system is now on the verge of bankruptcy, that in another year it will be flat, busted broke.

Recently some politicians -- posing as friends of the elderly -- have tried to obscure the reality of this crisis by accusing the Administration of seeking to take benefits away from those who need these payments to subsist.

Well, first, let's be clear, I intend to keep and will stand by my pledge to maintain all benefits for those currently on Social Security.

Second, there are inequities in the Social Security system -- loopholes that can be closed and the system strengthened -- without penalizing those who are entitled to benefits. For example, one loophole allows some people to pay as little as \$68 into the system and then receive the same benefit checks received by those who have contributed to Social Security for a lifetime.

Third, long-range reform of loopholes like this and the Social Security system itself can only be achieved in a straightforward, bipartisan manner. That is why I will be appointing a bipartisan commission to study this problem. This commission will cooperate with the special Congressional Commissions already working on this problem and make recommendations to my office by this fall.

Our goal in all of this is clear - to strengthen the Social Security system, to keep up the level of benefits to those already on Social Security and to allow other Americans

to plan intelligently for their retirement.

Indeed, returning a degree of control and freedom to the average American - whether it be in planning for his retirement or anticipating his future tax burden -- is one of the critical goals of this Administration.

That is why we are attempting to confront our economic problems head-on -- that is what lies behind our package of proposals for economic recovery.

That is also why some of these proposals -- like tax reduction have encountered opposition that are rigidly doctrinaire and strictly political.

For what really lies behind this opposition is an outdated belief that the wages of the laborer and the wealth of our Nation belong first to Government; that it is Government that must decide how to control and redistribute income and earnings.

This is a discredited concept - the American people know the real source of our economic and social progress is the millions of spontaneous transactions that take place every day between private individuals and institutions in the free marketplace.

Dictums by Government planners can never imitate the creativity of free men and women.

That is why we must together seek a different, more creative future - a future of expanded opportunity, material prosperity and increased personal freedom.

And so I want to conclude by addressing again a few words directly to those of you who are most affected by our bipartisan tax cut plan: the American taxpayer. For years now, you have heard politicians promise you again and again tax reform. And then you have found after the votes are counted and the election over that your taxes have gone up, not down. 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.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

March 30, 1981

TO: KEN KHACHIGIAN

FROM: DAVE GERGEN 

SUBJECT: Tax speech

Here is a draft of the tax speech for the President, as drafted by Treasury. In my view, some of the arguments are better presented here than almost anywhere else I've seen them -- so I think it provides the basis for a first rate speech.

As we have discussed, the next step is for someone in your shop to massage this and then put it into general circulation.

cc: Martin Anderson  
Jim Baker  
Dick Darman  
Craig Fuller  
Ed Meese  
Dave Stockman  
Murray Weidenbaum

GOOD EVENING:

I WOULD LIKE TO TALK WITH YOU TONIGHT ABOUT TAXES. WITH APRIL 15TH LESS THAN FOUR WEEKS AWAY, THIS IS AN APPROPRIATE TIME TO DO SO. THE PROPOSALS FOR TAX CHANGES WHICH I PRESENTED TO YOU AND TO THE CONGRESS ON FEBRUARY 18 ARE AN ESSENTIAL ELEMENT IN MY FOUR-PART PROGRAM FOR RENEWAL OF THE NATION'S ECONOMIC PROGRESS. THAT PROGRAM, YOU MAY RECALL, CONSISTS OF REDUCING THE HEAVY TAX BURDEN ON AMERICA'S WORKERS, SAVERS AND BUSINESSES; REDUCING THE EXCESSIVE RATE OF GROWTH OF FEDERAL SPENDING, REFORMING OUR OPPRESSIVE REGULATORY SYSTEM AND ACHIEVING A MODERATE, STABLE NONINFLATIONARY MONETARY POLICY. EACH PART OF THIS FOUR-PART PROGRAM IS IMPORTANT TO THE OVERALL ECONOMIC POLICY TO WHICH THIS ADMINISTRATION IS COMMITTED. EACH OF THEM PLAYS AN IMPORTANT AND NECESSARY ROLE IN PURSUIT OF OUR OBJECTIVE---TO TURN THE ECONOMY OF THIS COUNTRY BACK TO THE PEOPLE.



IT IS, IN FACT, THIS CENTRAL PURPOSE OF THE ECONOMIC PROGRAM--TO TURN THE ECONOMY BACK TO THE PEOPLE--WHICH EXPLAINS WHY THE TAX PROPOSALS HAVE TAKEN THE PARTICULAR FORM THEY HAVE.

ALL OF US ARE AWARE OF THE UNSATISFACTORY RECORD OF THE ECONOMY'S PERFORMANCE IN THE LAST SEVERAL YEARS. THE LAST SEVERAL YEARS ARE MARKED BY DECLINES IN THE RATE OF GROWTH OF PRODUCTION AND INCOME AFTER INFLATION, UNNECESSARILY HIGH RATES OF UNEMPLOYMENT, AND A SOARING PRICE LEVEL. THE SAME PERIOD HAS BEEN CHARACTERIZED BY A DISTRESSING DETERIORATION OF PRODUCTIVITY. IN THE PAST FOUR YEARS, WE HAVE SEEN THE MOST UNSETTLED CONDITIONS IN OUR FINANCIAL MARKETS SINCE THE GREAT DEPRESSION. WE FIND OUR ONCE VITAL AND VIGOROUSLY GROWING BASIC INDUSTRIES AND OUR MAJOR MANUFACTURING SECTORS IN SERIOUS TROUBLE. AND, PERHAPS MORE DISTRESSING THAN THESE DISTURBING MEASURES OF TOTAL ECONOMIC PERFORMANCE IS THE GROWING AND WIDENING EVIDENCE OF THE ECONOMIC DIFFICULTIES THAT PEOPLE OF ALL AGES AND BUSINESSES OF ALL SIZES ARE HAVING AS THEY TRY TO ADJUST TO CHANGING CIRCUMSTANCES.

IF YOU EXAMINE THIS RECORD YOU WILL FIND THAT OUR PRIVATE MARKET SYSTEM IS FUNDAMENTALLY SOUND. OUR WORKERS, SAVERS, AND BUSINESS MANAGERS ARE NOT AT FAULT. INSTEAD, THE RECORD SHOWS ONE INDICATION AFTER ANOTHER OF THE UNHAPPY CONSEQUENCES OF GROWING GOVERNMENT INTRUSION IN THE NATION'S ECONOMIC LIFE. FOR EXAMPLE, REPEATED ATTEMPTS TO USE TAX AND SPENDING POLICY TO REDISTRIBUTE INCOME AND WEALTH FROM ONE GROUP OF PEOPLE TO ANOTHER, TO SHIFT AROUND THE SLICES OF THE ECONOMIC PIE, HAVE FAILED. BUT IN THE PROCESS OF TRYING THEY HAVE PENALIZED PERSONAL EFFORT, SAVING, CAPITAL FORMATION, AND PRODUCTIVITY. THE RESULT IS A FAR SMALLER ECONOMIC PIE THAN WE COULD HAVE HAD, HURTING EVERYONE.

SURELY THERE IS NO NEED TO BELABOR THE POINT THAT OUR CURRENT ECONOMIC TROUBLES ARE NOT THE FAULT OF THE PEOPLE OF THIS COUNTRY OR OF THE PRIVATE SECTOR. THE BLAME MUST FALL ON INEPT, HOWEVER WELL-INTENTIONED, GOVERNMENT POLICIES. NOW WE MUST REVERSE THE TREND OF EVER-INCREASING GOVERNMENT CONTROL

OF OUR ECONOMIC LIFE. IT IS TIME TO RELY MORE AND MORE ON THE INITIATIVE, THE VITALITY, THE INNOVATIVENESS, THE PRODUCTIVE ENERGY OF THE AMERICAN WORKER AND BUSINESSMAN IN A ROBUST PRIVATE SECTOR. IT IS TIME TO GIVE THE ECONOMY BACK TO THE PEOPLE--BECAUSE THE PEOPLE ARE THE ULTIMATE AND MOST VALUABLE RESOURCE OF OUR NATION.

THE TAX PROGRAM WHICH I HAVE PROPOSED IS WHOLLY IN THAT SPIRIT. IT IS A FIRST MAJOR STEP IN A CONTINUING EFFORT TO MOVE OUR TAX SYSTEM TOWARD GREATER ENCOURAGEMENT OF GREATER PRODUCTION, BY ALL OF US--WORKERS, SAVERS, AND INVESTORS ALL ACROSS THE COUNTRY, IN ALL OCCUPATIONS AT ALL INCOME LEVELS.

- ° WE MUST EMPLOY OUR TALENTS AND OUR FUNDS TO THE FULLEST.
- ° WE MUST REMOVE THE TAX BARRIERS THAT HAVE CRIPPLED PRODUCTION.
- ° WE MUST MAKE CERTAIN THAT PEOPLE ARE FREE TO CONCENTRATE ON THE BEST WAYS TO USE THE ECONOMIC RESOURCES AT THEIR DISPOSAL.

MY TAX PROGRAM WILL DO JUST THAT. IT INCLUDES INCENTIVES FOR BOTH INDIVIDUALS AND BUSINESSES TO USE THEIR POTENTIAL TO THE FULLEST. NEITHER THE PERSONAL NOR THE BUSINESS TAX CHANGES ARE ATTEMPTS TO PUMP UP THE ECONOMY BY POURING IN MONEY. INSTEAD, BOTH ARE DESIGNED TO INCREASE THE REWARDS TO THE ACTIVITIES WHICH MAKE THE COUNTRY GROW--THE PURCHASE OF PLANT AND EQUIPMENT BY BUSINESS, AND THE DESIRE TO WORK AND SAVE BY INDIVIDUALS.

IN DEVELOPING OUR BUSINESS TAX REDUCTION PROPOSALS, WE HAVE BEEN MINDFUL THAT PRESENT TAX LAWS IMPOSE A WIDE RANGE OF BARRIERS TO BUSINESS GROWTH AND PROGRESS. THERE ARE MANY WORTHWHILE CHANGES THAT COULD BE MADE AND THAT SHOULD BE MADE AS SOON AS THE BUDGET PERMITS. THESE WILL BE THE SUBJECT OF A CONTINUING PROGRAM OF CONSTRUCTIVE TAX CHANGES STARTING WITH A SECOND TAX BILL WHICH I WILL SUBMIT TO CONGRESS JUST AS SOON AS IT HAS FINISHED WORK ON MY PRESENT PROPOSALS.

PUBLIC POLICY, HOWEVER, MUST ALWAYS BE CONCERNED WITH PRIORITIES. IN OUR CURRENT CIRCUMSTANCES, THE BUSINESS TAX

PROBLEM MOST URGENTLY CALLING FOR CORRECTION CONCERNS REPAIRING THE TERRIBLE DAMAGE THAT INFLATION HAS DONE TO INVESTMENT IN MODERN PLANT AND EQUIPMENT.

IT IS EASY TO SEE WHY THIS PROBLEM IS PARTICULARLY URGENT. IN THE 11 YEARS SINCE 1969, THE NUMBER OF FULL- AND PART-TIME WAGE AND SALARY WORKERS OUTSIDE OF AGRICULTURE INCREASED BY MORE THAN 20 MILLION. ONLY 200,000 OF THESE ADDITIONAL JOBS WERE IN MANUFACTURING!!

THE FUNDAMENTAL FACT IS THAT THERE HAS BEEN A SHARP DECLINE IN OUR BASIC INDUSTRIES COMPARED WITH THE REST OF THE ECONOMY. PRODUCTIVITY AND JOB CREATION ARE LAGGING, PARTICULARLY IN OUR OLDER MANUFACTURING CITIES AND REGIONS. PRODUCTIVITY IS LAGGING BECAUSE THERE IS NOT ENOUGH MODERN EQUIPMENT AVAILABLE FOR LABOR TO USE. THIS IS THE HEART OF THE PROBLEM. AND WHATEVER OTHER FACTORS MAY HAVE CONTRIBUTED TO THE INADEQUATE INVESTMENT IN MANUFACTURING, THE INTERACTION OF INFLATION WITH EXISTING TAX PROVISIONS, PARTICULARLY THOSE PERTAINING TO DEPRECIATION, MUST HAVE BEEN OF MAJOR IMPORTANCE.

WHEN A BUSINESS HIRES LABOR, THE WAGES IT PAYS ARE A BUSINESS EXPENSE DEDUCTED FROM ITS INCOME. BUT WHEN A FIRM BUYS A FACTORY OR A MACHINE, IT ONLY DEDUCTS A PART OF THE COST EACH YEAR FOR MANY YEARS. THESE DEDUCTIONS ARE NOT INCREASED TO TAKE ACCOUNT OF INFLATION. OVER THAT TIME, IF PRICES ARE RISING, COMPANIES ARE UNABLE TO DEDUCT THE FULL REAL COST OF REPLACING THE MACHINES AND THE PLANTS WHEN THEY HAVE EXHAUSTED THEIR ECONOMIC USEFULNESS. INFLATION IS LIKE A BUSINESS TAX THAT FALLS PARTICULARLY HARD ON INVESTMENT IN PLANT AND EQUIPMENT.

TENS OF BILLIONS OF DOLLARS OF INVESTMENTS HAVE NOT BEEN MADE IN RECENT YEARS BECAUSE INFLATION AND THE TAX SYSTEM HAVE TURNED THEM INTO SURE-FIRE MONEY LOSERS. THE PEOPLE WHO COULD HAVE HAD JOBS CREATING THOSE MACHINES AND BUILDING THOSE FACTORIES AND OFFICES, OR WHO COULD HAVE WORKED WITH THE ADDITIONAL FACILITIES WHEN THEY WERE FINISHED, AND WHOSE PRODUCTIVITY AND REAL WAGE RATES WOULD HAVE BEEN HIGHER, WERE OUT OF LUCK AND OUT OF WORK.



THE ACCELERATED COST RECOVERY SYSTEM I HAVE PROPOSED WILL ALLOW BUSINESSES TO RECOVER THE COST OF INVESTMENT MORE QUICKLY AND MORE CERTAINLY. IT WILL ENCOURAGE THE INVESTMENT WE NEED TO MAKE AMERICAN PRODUCTS AND AMERICAN WORKERS COMPETITIVE HERE AT HOME AND AROUND THE WORLD. IT WILL RESTORE PRODUCTIVITY GROWTH, WHICH IS THE BASIS FOR ALL REAL GAINS IN WAGES AND LIVING STANDARDS. BY ADDING SUBSTANTIALLY TO WAGES AND EMPLOYMENT, THE ACCELERATED COST RECOVERY SYSTEM WILL HELP TO BRING THE FEDERAL BUDGET INTO BALANCE, AND WILL GREATLY STRENGTHEN THE SOCIAL SECURITY TRUST FUNDS WITH NEW REVENUES.

ON THE MATTERS WHICH MOST IMMEDIATELY AFFECT YOU AND ME, THE PERSONAL INCOME TAX RATE REDUCTIONS WHICH I HAVE PROPOSED ARE CAREFULLY DESIGNED TO REDUCE THE TAX DISINCENTIVES TO WORK, SAVE, AND INVEST THAT HAVE HELD BACK THIS ECONOMY AND THE PEOPLE OF THIS COUNTRY FOR FAR TOO LONG. THE PERSONAL TAX REDUCTIONS I PROPOSE INCLUDE A 10 PERCENT REDUCTION IN THE MARGINAL TAX RATES IN EACH TAX BRACKET IN EACH OF THE NEXT THREE YEARS.

THIS PROPOSAL WILL LOWER TAX RATES FROM THEIR CURRENT RANGE OF

14 PERCENT AT THE BOTTOM AND 70 PERCENT AT THE TOP, TO 10 PERCENT AT THE BOTTOM AND 50 PERCENT AT THE TOP. THIS WILL PRODUCE A 30 PERCENT ACROSS-THE-BOARD TAX RATE REDUCTION THAT TREATS TAXPAYERS AT ALL INCOME LEVELS EVENLY AND FAIRLY.

THREE-FOURTHS OF THE TAX CUTS WILL GO TO MIDDLE-INCOME TAXPAYERS--THE ONES WHO NOW PAY MOST OF THE TAXES. UNDER PRESENT LAW, TAXPAYERS EARNING BETWEEN \$10,000-\$60,000 PAY 72 PERCENT OF ALL INCOME TAXES AND WILL RECEIVE 73 PERCENT OF THE TAX CUT BENEFITS. THE BALANCE IS JUST AS CLOSE FOR LOWER-INCOME AND UPPER-INCOME TAXPAYERS AS WELL. THAT IS ABOUT AS BALANCED AS YOU CAN GET.

THESE TAX PROPOSALS ARE ESSENTIAL TO MY ECONOMIC PROGRAM. THEY HAVE ONE URGENT PURPOSE: RESTORING ECONOMIC INCENTIVES AND ECONOMIC GROWTH AS QUICKLY AS POSSIBLE. A HEALTHY, RAPIDLY GROWING ECONOMY IS ESSENTIAL IF WE ARE TO HAVE THE JOBS AND RESOURCES TO MEET OUR SOCIAL NEEDS AND OUR GOALS FOR NATIONAL DEFENSE. THAT IS WHY I HAVE ASKED THE CONGRESS FOR PERSONAL

TAX CUTS THAT ARE AIMED AT GROWTH AND INCENTIVES JUST AS STRONGLY AS THE REST OF THE TAX PROGRAM.

JUST AS IN THE CASE OF BUSINESS TAXES, THERE ARE MANY OTHER DESIRABLE CHANGES TO BE MADE IN THE PERSONAL TAX CODE. THESE ADDITIONAL CHANGES WILL BE MADE, AS PART OF A CONTINUING EFFORT TO IMPROVE THE TAX SYSTEM. BUT OUR FIRST PRIORITY MUST BE TO RESTORE PROSPERITY AND EMPLOYMENT. TO DO THAT, WE MUST OFFSET THE DAMAGE THAT INFLATION AND RISING PERSONAL TAX RATES HAVE DONE TO WORKERS, SAVERS, AND INVESTORS.

THE URGENCY OF THE SITUATION IS OBVIOUS. EVERY YEAR WITHOUT A CUT IN TAX RATES, INFLATION HAS DRIVEN TAXPAYERS INTO HIGHER AND HIGHER TAX BRACKETS. FOR EVERY 10 PERCENT COST-OF-LIVING INCREASE, A TAXPAYER FINDS THAT HIS TAX BILL HAS GONE UP 17 PERCENT. THE FEDERAL GOVERNMENT GETS AN EXTRA 7 PERCENT TAX WINDFALL FROM INFLATION, WITHOUT PASSING ANY LAW, WITHOUT TAKING ANY VOTES.

THE DOLLAR AMOUNTS IN THIS INFLATION WINDFALL TO WASHINGTON ARE HUGE--OVER \$30 BILLION IN 1982, AND OVER \$100 BILLION IN 1985.

PERSONAL INCOME TAX REDUCTIONS WILL HAVE TO BE AT LEAST THIS LARGE, JUST TO KEEP THE SHARE OF YOUR INCOME GOING TO WASHINGTON FROM RISING.

SUBSTANTIAL TAX CUTS ARE NEEDED TO OFFSET THESE SUBSTANTIAL TAX INCREASES. UNLESS TAX RATES ARE REDUCED SUBSTANTIALLY, INDIVIDUAL TAXES AS A PERCENT OF PERSONAL INCOME WILL INCREASE FROM 11.6 IN 1980 TO 14.7 PERCENT IN 1984. MY PROPOSAL WILL REDUCE TAXES TO 10.8 PERCENT OF PERSONAL INCOME BY 1984. THIS DOES NOT MEAN WE ARE GOING TO DEPRIVE THE FEDERAL GOVERNMENT OF NEEDED REVENUE. EVEN AFTER THESE TAX RATE REDUCTIONS, FEDERAL REVENUES WILL STILL INCREASE BY 28 PERCENT THROUGH 1984 AND BY 57 PERCENT BY 1986--AN INCREASE OF \$340 BILLION. THIS IS SURELY MORE THAN ENOUGH, IF GOVERNMENT MAKES AN HONEST EFFORT TO LIVE WITHIN ITS MEANS.

BUT JUST CUTTING TAXES IS NOT ENOUGH. WE HAVE TO DO IT IN A WAY THAT RESTORES THE INCENTIVES THAT THE INFLATION AND THE TAX INCREASES OF THE LAST FEW YEARS HAVE TAKEN AWAY.

WE OFTEN HEAR THAT WE WORK THE FIRST FIVE MONTHS OF THE YEAR FOR THE GOVERNMENT, AND THEN WE START TO WORK FOR OURSELVES. BUT THAT IS NOT THE WAY IT GOES. THE FIRST PART OF THE YEAR WE WORK FOR OURSELVES. WE BEGIN WORKING FOR THE GOVERNMENT ONLY WHEN OUR INCOME REACHES TAXABLE LEVELS. THE MORE WE EARN, THE MORE WE WORK FOR THE GOVERNMENT, UNTIL THE RISING MARGINAL TAX RATES ON EXTRA INCOME DISCOURAGE US FROM FURTHER WORK, OR FURTHER SAVING AND INVESTING.

IF WE HAD A TAX SYSTEM WHICH TOOK 10 PERCENT OF OUR WAGES ON THE FIRST WORKING DAY OF THE WEEK, 20 PERCENT ON THE SECOND DAY, 30 PERCENT ON THE THIRD DAY, 40 PERCENT ON THE FOURTH DAY, 50 PERCENT ON THE FIFTH DAY, AND 60 PERCENT ON THE SIXTH DAY, HOW MANY DAYS OF THE WEEK WOULD YOU WORK?

AS INFLATION HAS PUSHED TAXPAYERS INTO HIGHER TAX BRACKETS, TAXPAYERS HAVE FOUND THAT IT PAYS LESS AND LESS TO EARN AN EXTRA DOLLAR. TAX RATES ON EXTRA EARNINGS HAVE RISEN VERY SHARPLY FOR MOST TAXPAYERS IN THE LAST FEW YEARS. FOR EXAMPLE, THE PERCENTAGE OF TAX RETURNS IN OR ABOVE THE 25 PERCENT TAX

BRACKET, THE 30 PERCENT TAX BRACKET, AND MOST OF THE OTHER TAX BRACKETS THAT USED TO BE RESERVED FOR THE RICH, HAVE MORE THAN TRIPLED IN THE LAST TEN YEARS. IF NOTHING IS DONE, MOST TAX-PAYERS WILL BE IN THE TOP 50 PERCENT TAX BRACKET ON THEIR EARNED INCOMES BY THE YEAR 2000, LESS THAN TWENTY YEARS FROM NOW. THAT IS NOT A VERY PLEASANT WAY TO START THE NEW CENTURY.

ALREADY, THESE HIGH TAX RATES, AND THE INFLATION THAT HAS CAUSED THEM, ARE DISCOURAGING SAVING. IN THE LATE 1960s AND EARLY 1970s, AMERICANS GENERALLY SAVED BETWEEN 7 AND 9 PERCENT OF THEIR AFTER-TAX INCOME. IN THE LAST TWO YEARS, THAT SAVINGS RATE HAS FALLEN TO ONLY 5-1/2 PERCENT. IN JANUARY, IT FELL TO 4.5 PERCENT AND IN FEBRUARY IT FELL TO 3.9 PERCENT! THAT IS THE SMALLEST FRACTION OF DISPOSABLE INCOME WE HAVE SAVED SINCE 1949. AMERICAN FAMILIES ARE HAVING INCREASING TROUBLE SETTING ASIDE MONEY FOR A HOME, RETIREMENT, OR THEIR CHILDRENS' EDUCATION. AND THAT MEANS LESS SAVINGS AVAILABLE FOR AMERICAN BUSINESSES TO USE TO BUILD MORE HOMES OR FACTORIES OR TO BUY NEW EQUIPMENT.



INFLATION AND HIGH TAX RATES ARE AFFECTING THE WORKPLACE TOO. AS INFLATION RAISES TAX RATES, WAGE DEMANDS HAVE TO RISE FASTER THAN PRICES TO PAY FOR THE EXTRA TAX BURDEN. AN AVERAGE FAMILY REQUIRING A \$1,500 COST-OF-LIVING INCREASE TO KEEP UP WITH INFLATION NOW MUST HAVE \$1,850 IN WAGE INCREASES TO BREAK EVEN AFTER TAXES. IF THE BUSINESS CANNOT RAISE WAGES FASTER THAN PRICES, AND MOST CANNOT, THERE ARE STRIKES, OR LAYOFFS, OR A REDUCED STANDARD OF LIVING FOR WORKERS AND FEWER GOODS AT HIGHER PRICES FOR CONSUMERS.

IT IS FOR THESE REASONS, TO STIMULATE SAVINGS, AND RESTORE THE REWARD TO WORKING MEN AND WOMEN, THAT THESE PERSONAL TAX RATE REDUCTIONS ARE SO IMPORTANT. THEY ARE NOT ORDINARY TAX CUTS. THEY ARE NOT TAX REBATES. THEY ARE NOT TAX CREDITS OR TAX EXEMPTIONS OR TAX DEDUCTIONS DESIGNED TO PUMP MONEY INTO THE ECONOMY. INSTEAD, THEY ARE ACTUAL CUTS IN THE TAX RATES IN EACH BRACKET THAT DICTATE HOW MUCH OF ANY RAISE YOU EARN THAT WASHINGTON TAKES AWAY FROM YOU; HOW MUCH OF ANY EXTRA

INTEREST ON HARD-WON MONEY YOU ADD TO A SAVINGS ACCOUNT YOU HAVE TO GIVE TO THE GOVERNMENT.

THESE MARGINAL TAX RATE REDUCTIONS ARE VERY SPECIAL.

WITH OTHER TYPES OF TAX CUTS, GOVERNMENT GIVES BACK MONEY TO SPEND WITH ONE HAND, AND THEN BORROWS IT RIGHT BACK WITH THE OTHER, WITH NOT A SINGLE BENEFIT TO SHOW FOR IT. BUT WITH MARGINAL TAX RATE REDUCTIONS, GOVERNMENT IS MAKING A COMMITMENT-- A PLEDGE TO THE TAXPAYER. GOVERNMENT IS SAYING TO EACH AND EVERY CITIZEN--WE HAVE BEEN IN YOUR WAY; WE HAVE TAKEN MORE AND MORE FROM YOU THE HARDER YOU HAVE TRIED; BUT NO MORE. IF YOU WORK OR SAVE MORE TOMORROW THAN YOU DID TODAY, YOUR REWARD WILL BE HIGHER THAN IT WAS. MORE OF WHAT YOU EARN WILL BE YOURS TO KEEP, MORE OF YOUR ADDED WAGES, YOUR ADDED INTEREST, YOUR ADDED EARNINGS FROM YOUR OFFICE, YOUR SHOP, YOUR STOCK. THAT IS WHAT WE MEAN BY INCENTIVES. THAT IS WHAT WILL UNLOCK THE DRIVE AND ENERGY OF THE PEOPLE OF THIS GREAT LAND. THEN AND ONLY THEN WILL THERE BE AN INCREASE IN GOODS ON THE SHELVES, MORE JOBS, AND A GROWING ECONOMY.

THE MARGINAL TAX RATE REDUCTIONS I HAVE PROPOSED ARE THE TYPE OF TAX REDUCTIONS THAT RESTORE INCENTIVES. THEY HAVE BUILT INTO THEM A POWERFUL INCENTIVE TO PROMOTE SAVING, A POWERFUL INCENTIVE TO PROMOTE WORK EFFORT AND THE LEARNING OF NEW SKILLS, AND A POWERFUL INCENTIVE TO REDUCE THE USE OF TAX SHELTERS. EACH TIME THIS TYPE OF TAX CUT HAS BEEN TRIED IN THE PAST, IT HAS WORKED TO ENCOURAGE SAVING, EMPLOYMENT, AND GROWTH. EACH TIME OTHER TYPES OF TAX CUTS HAVE BEEN TRIED IN THE PAST, THEY HAVE FIZZLED OUT.

THE PERSONAL TAX RATE REDUCTIONS I HAVE PROPOSED ARE URGENTLY NEEDED. THE PEOPLE NEED THEM TO HELP MAKE ENDS MEET. THE ECONOMY NEEDS THEM TO PRODUCE THE SAVINGS AND EMPLOYMENT THAT ARE ESSENTIAL FOR ECONOMIC GROWTH. FAIRNESS AND ECONOMIC EFFICIENCY BOTH REQUIRE THAT WE HAVE PERSONAL TAX CUTS OF THE SIZE AND FORM I HAVE PROPOSED. THESE PERSONAL TAX CUTS ARE AS MUCH A PART OF THE ECONOMIC RECOVERY PROGRAM AS THE BUSINESS TAX CUTS I DESCRIBED EARLIER.

EVEN SO, THERE ARE MANY PEOPLE IN GOVERNMENT WHO WANT TO STOP THESE PERSONAL TAX CUTS. THEY WANT TO KEEP YOU FROM GETTING THE TAX RELIEF YOU URGENTLY NEED, AND WHICH THE ECONOMY NEEDS YOU TO HAVE. THESE PEOPLE SOMETIMES MAKE THE CLAIM THAT A TAX CUT FOR INDIVIDUALS WOULD BE INFLATIONARY BECAUSE IT WOULD WIDEN THE FEDERAL DEFICIT. BUT A DEFICIT ALONE DOES NOT CAUSE INFLATION. ONLY IF THAT DEFICIT IS FINANCED WITH NEW MONEY CREATION--TOO MUCH MONEY CHASING TOO FEW GOODS--WOULD INFLATION OCCUR.

THERE WILL BE NO EXCUSE FOR ADDITIONAL MONEY CREATION TO PAY FOR THIS TAX PROGRAM.

AS I HAVE ALREADY MENTIONED, MUCH OF THIS TAX CUT IS NEEDED JUST TO KEEP TAX RATES FROM RISING AS INFLATION BRINGS MORE MONEY INTO WASHINGTON; THE REST OF THE TAX REDUCTION WILL BE MUCH MORE THAN PAID FOR BY THE ECONOMIC PROGRAM ITSELF. FIRST, THE FEDERAL SPENDING RESTRAINTS WHICH I HAVE PROPOSED WILL SHARPLY REDUCE THE DEFICIT. SECOND, THE EXPANDING ECONOMY WILL PRODUCE MILLIONS OF ADDITIONAL JOBS, HIGHER INCOMES, AND A MAJOR BUSINESS

EXPANSION. THIS WILL BRING IN ADDITIONAL PERSONAL AND CORPORATE TAX REVENUE AND REDUCE THE NEED FOR SPENDING ON WELFARE AND UNEMPLOYMENT PROGRAMS. FINALLY, THERE WILL BE A MAJOR EXPANSION IN SAVING BY BUSINESSES AND INDIVIDUALS. THIS SAVING INCREASE WILL BE MORE THAN ENOUGH TO PAY FOR ANY TEMPORARY ADDITIONAL DEFICIT REMAINING AFTER THE BUDGET CUTS AND FASTER GROWTH, WITH ENOUGH LEFT OVER TO FINANCE A SUBSTANTIAL INCREASE IN THE INVESTMENT WE NEED SO MUCH.

THIS BRINGS ME TO ONE POINT I HEAR TALKED ABOUT ALL THE TIME BY THOSE WHO DO NOT WANT YOU TO HAVE YOUR SHARE OF THE TAX CUT. WE STILL HEAR THE OLD CLICHES THAT TAX CUTS FOR BUSINESS ARE GOOD BECAUSE THEY HELP PAY FOR INVESTMENT AND GROWTH, BUT TAX CUTS FOR PEOPLE ARE BAD BECAUSE THEY ARE JUST SPENT ON CONSUMPTION. THAT GETS TURNED IMMEDIATELY INTO AN EXCUSE FOR NOT CUTTING INDIVIDUAL TAXES--THAT PERSONAL TAX CUT WILL JUST BE SPENT AND WILL ADD TO INFLATION. NOTHING COULD BE FURTHER FROM THE TRUTH.

THE TRUTH OF THE MATTER IS THIS. SOME PEOPLE WILL SAY ALMOST ANYTHING TO KEEP YOUR MONEY FLOWING INTO WASHINGTON.

WHY IS IT INFLATIONARY IF YOU KEEP YOUR MONEY AND SPEND IT,  
BUT IT ISN'T INFLATIONARY IF WASHINGTON TAKES YOUR MONEY AND  
SPENDS IT? THE ANSWER IS--IT ISN'T.

IN FACT, THOUGH, THE PEOPLE OF THIS COUNTRY ARE NOT A CROWD  
OF GREEDY CONSUMERS JUST WAITING TO SPEND EVERY DIME OF THE NEXT  
TAX CUT. THEY ARE SENSIBLE PEOPLE WHO LIVE ON A BUDGET AND COM-  
PARE PRICES WHEN THEY SHOP. THEY NEGOTIATE FOR THEIR WAGES AND  
SALARIES; THEY RUN THE COUNTRY'S BUSINESSES; THEY PLAN FOR THEIR  
RETIREMENT; AND EVERY YEAR THEY SOMEHOW MANAGE TO GET THROUGH  
THEIR TAX FORMS. IT SHOULD BE OBVIOUS TO ANYONE THAT PEOPLE DO  
RESPOND TO ECONOMIC CONDITIONS IN A RATIONAL AND INTELLIGENT  
MANNER.

THE UNITED STATES HAS THE LOWEST SAVINGS RATE OF ANY  
MAJOR INDUSTRIAL COUNTRY. BUT THIS DOES NOT MEAN THAT  
AMERICANS DO NOT WANT TO SAVE, OR THAT THEY WILL NOT RESPOND  
TO INCENTIVES. ON THE CONTRARY, IT SIMPLY MEANS THAT ALL THE  
INCENTIVES TODAY ARE AGAINST SAVING AND IN FAVOR OF CONSUMPTION.  
AMERICANS ARE RESPONDING IN A PERFECTLY LOGICAL WAY TO THE HIGH  
INFLATION AND HIGH MARGINAL TAX RATES OF THE LAST FEW YEARS.

JUST THINK FOR A MOMENT ABOUT WHAT INFLATION AND RISING TAX RATES HAVE DONE TO PEOPLE WHO TRY TO SAVE.

AS YOUR INCOMES RISE, THE TAX YOU PAY ON THE LAST FEW DOLLARS OF YOUR EARNINGS INCREASES AT A FASTER RATE. INCENTIVES TO WORK, SAVE, AND INVEST ARE REDUCED SINCE YOU GET TO KEEP LESS OUT OF ANY ADDED INCOME. MARGINAL TAX RATES HAVE RISEN SHARPLY ON MOST TAXPAYERS SINCE 1965, REDUCING THEIR INCENTIVES TO WORK AND SAVE. THUS LOSS OF INCENTIVES IS SEEN IN THE FALLING SAVINGS RATE PARTICULARLY IN THE LAST SEVERAL YEARS.

LOOK AT HOW AMERICANS HAVE RESPONDED IN THE PAST WHEN THE INCENTIVES MOVED IN THE OTHER DIRECTION. THE LAST TIME WE HAD THE SORT OF TAX RATE REDUCTIONS THAT I HAVE PROPOSED WAS IN THE KENNEDY-JOHNSON TAX RATE CUTS OF 1964 AND 1965. THOSE CUTS GAVE A VERY LARGE BOOST TO PERSONAL SAVING. IN THE FIVE YEARS PRECEDING THE TAX CUTS, THE PERSONAL SAVINGS RATE RANGED BETWEEN 5.4 PERCENT AND 6.3 PERCENT. THE RATE WENT UP TO 6.7 PERCENT IN 1964, AND TO 7.1 PERCENT IN 1965.



IT STAYED ABOVE 7 PERCENT FOR NINE OF THE NEXT 11 YEARS, AND WAS ABOVE 8 PERCENT FOR SIX OF THOSE YEARS.

SOME HAVE SAID THAT THE JOHNSON YEARS WERE DIFFERENT, THAT INFLATION IS MUCH HIGHER TODAY AND PEOPLE WILL NOT RESPOND AS THEY DID THEN. THAT IS EXACTLY BACKWARDS. WE ARE GIVING A LARGER TAX INCENTIVE TO SAVE THAN IN THE KENNEDY-JOHNSON TAX CUTS. IN ADDITION, WE ARE GOING TO CUT INFLATION IN HALF IN JUST FOUR YEARS, GIVING A DOUBLE INCENTIVE TO INCREASE SAVINGS. WE EXPECT A SHARP INCREASE IN THE PERSONAL SAVINGS RATE. IF YOU, THE PUBLIC, RESPOND EVEN HALF AS WELL AS YOU DID AFTER THE TAX CUTS OF 1964/1965, YOU WILL PROVIDE MORE THAN ENOUGH FUNDS TO COVER ANY TEMPORARY FEDERAL DEFICIT AND MAKE THIS THE FASTEST GROWING, LEAST INFLATIONARY DECADE IN AMERICA'S MODERN HISTORY.

WE HAVE BEFORE US THE OPPORTUNITY TO TURN THE COURSE OF OUR ECONOMY AROUND. WE CAN STRIDE AHEAD FIRMLY AND VIGOROUSLY TOWARD AN ECONOMY WITH A FAR GREATER CAPACITY THAN WE NOW HAVE TO SATISFY OUR GROWING DEMANDS, PRIVATE AND PUBLIC. WE CAN HAVE

AN ECONOMY WHICH IS MUCH MORE RESPONSIVE THAN IT NOW IS TO THE INITIATIVES AND DECISIONS OF PEOPLE IN THE PRIVATE SECTOR--HEADS OF HOUSEHOLDS AS WELL AS HEADS OF BUSINESSES. WE CAN HAVE AN ECONOMY THAT IS MUCH LESS SUBJECT THAN IT NOW IS TO INTRUSIONS BY GOVERNMENT WITH THE DISTORTIONS IN OUR PRODUCTION THAT INTRUSION CAUSES. WE CAN HAVE AN ECONOMY MUCH LESS BURDENED AND WARPED THAN IT NOW IS BY INFLATION.

THESE ACHIEVEMENTS ARE WELL WITHIN OUR REACH. THE ECONOMIC PROGRAM I HAVE OFFERED IS THE KEY TO SUCCESS, AND THE TAX CHANGES--THE MARGINAL RATE CUTS FOR INDIVIDUALS AND THE ACRS FOR BUSINESSES--ARE A CRITICAL ELEMENT OF THAT PROGRAM.

I AM ASKING EACH OF YOU FOR YOUR ENERGETIC SUPPORT OF THE TAX BILL. DON'T ACCEPT SUBSTITUTES THAT ARE MORE OF THE OLD FAULTY AND UNSUCCESSFUL EFFORTS TO FINE-TUNE THE ECONOMY AND REDISTRIBUTE YOUR INCOME. DON'T BE PUT OFF BY SCARE TALK. THE TAX PROGRAM IS BOLD, BUT IT IS TRIED AND TESTED. SO AFTER YOU FILE YOUR INCOME TAX RETURN THIS YEAR, WHILE YOUR TAX BILL IS STILL FRESH IN YOUR MIND, TAKE A FEW EXTRA MINUTES TO WRITE

A LETTER TO YOUR CONGRESSMAN AND YOUR SENATORS, AND LET THEM KNOW  
HOW YOU FEEL. WITH YOUR HELP AND SUPPORT, WE CAN COUNT ON A NEW  
AND BETTER ECONOMIC ENVIRONMENT FOR ALL OF US.

THANK YOU AND GOOD NIGHT.

to: Mr. Kenneth Khachigian

room: 100, OEOB date: 4/9/81

April 9, 1981

Department  
of the Treasury

Office of the  
Secretary

This material would help the President  
dramatize the importance of the marginal  
tax cuts in his speech.

*ch*

Dr. Paul Craig Roberts

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4/7/84  
p.m.

## The Old Economic Policy and the New

Paul Craig Roberts

For the past 15 years Washington has followed a policy of spending our way to prosperity. And it was prosperous times for many politicians who every year had more spending programs to distribute to various constituencies and special interests. But prosperity has not been the lot of the taxpayer.

In 1965 the highest tax bracket encountered by a median income family of four was 17 percent. That means the family got to keep 83 cents of an additional dollar earned. A family with twice the median income encountered a top bracket of 22 percent.

Under current tax law, this year the same median income family will encounter the 28 percent bracket--a 65 percent increase in the tax rate applied to additional earnings. The family with twice the median income has been pushed from the 22 percent bracket into the 43 percent bracket--a near doubling of the marginal tax rate.

Unless President Reagan's tax proposals become law, by 1984 the median income family will be in the 32 percent bracket--the highest bracket encountered by a family with twice the median income as recently as 1975. A family with twice the median income will be in the 49 percent bracket.

When social security and state income taxes are added, the tax bite on an increase in family income is even larger. This year a median income family that resides in Maryland will be in the 40 percent marginal tax bracket, and one that resides in New York will be in the 44 percent bracket. The spending policy

that was good for politicians was bad for taxpayers. After 15 years of inflationary spending, ordinary people are now in tax brackets that once applied only to the rich.

Under President Reagan's proposals, the median income family will be pushed down to the 23 percent federal bracket by 1984. That doesn't turn the tax clock all the way back to 1965, but it is a big step in the right direction.

Taxpayers didn't find themselves in higher tax brackets every year because the Congress was legislating higher taxes. The spending policy itself worked automatically to levy higher tax rates on family income. As the government spent more, its budget deficits grew, and more money was printed to cover some of the red ink.

As the money grew, so did the inflation. The thing about inflation is it pushes up wages and prices and, thereby, incomes. As incomes go up, people move higher in the tax brackets, so the spending policy helped to raise more revenues to pay for more spending. But when tax rates go up, the incentive to produce more income lessens. As the chart shows, the longer this policy continued the more it pushed up the inflation rate and the less it pulled up production. Indeed, the unemployment rate rose in spite of all the spending.

President Reagan wants to substitute a production policy for the spending policy. His Administration believes that a person who gets to keep 83 cents of an additional dollar earned has more incentive to produce additional income and to save more than if he gets to keep 60 cents of an additional dollar earned. His Administration believes that business will invest

more if inflation and bad tax law don't combine to erode the value of depreciation allowances.

The purpose of the President's tax reduction proposals is to provide incentives to create more income and more jobs. This is different from past tax cuts which had as their purpose to create more spending. The different focus explains why supply-side economics emphasizes reducing the marginal tax rates.

9 Over the last decade when policymakers cut taxes, they cut the average tax rate on existing earnings by such steps as enlarging the personal exemption and standard deduction. However, they allowed the marginal tax rate on new or additional income to rise. As a consequence, today for the majority of the population the incentive to produce additional income is the lowest in our history. And since income from saving and investment is added on top of other income and taxed at the highest bracket, the personal saving rate is the lowest in anyone's memory. Without saving the economy can't invest and grow.

If the economy can't invest and grow, the government can't balance the budget. The way Congress has written the law, the budget automatically pays out more in unemployment compensation and income support programs when the unemployment rate rises. It also pays out automatically more when the inflation rate rises and the recipients of social security, pension, and other benefits are due their inflation adjustments. When inflation and unemployment both go up together, as the chart shows has been the case for the



past 15 years, the budget has to pay out even more.

By restructuring the tax system to improve incentives, the Reagan Administration plans to achieve a higher rate of real economic growth. Better economic performance will reduce the inflation rate and the unemployment rate and will allow President Reagan to balance the budget.

Under the economic policy of the past 15 years, government budget deficits were consciously sought after as a means to increase total spending, thereby stimulating the economy with higher demand. With the Reagan policy deficits will no longer be the instrument for stimulating the economy. President Reagan inherited an economy whose poor performance produces budget deficits, but once the tax system is restructured to improve incentives, the deficits will disappear.

The expansion of the economy that the Reagan Administration foresees results from better incentives, not from higher demand. It is the importance of incentives that makes the tax cut the centerpiece of the President's program.

The President's critics claim that the U.S. economy can't do any better, regardless of incentives. America, they say, is at the end of its frontier. Inflation has become the way of life, and we are running out of energy and raw materials.

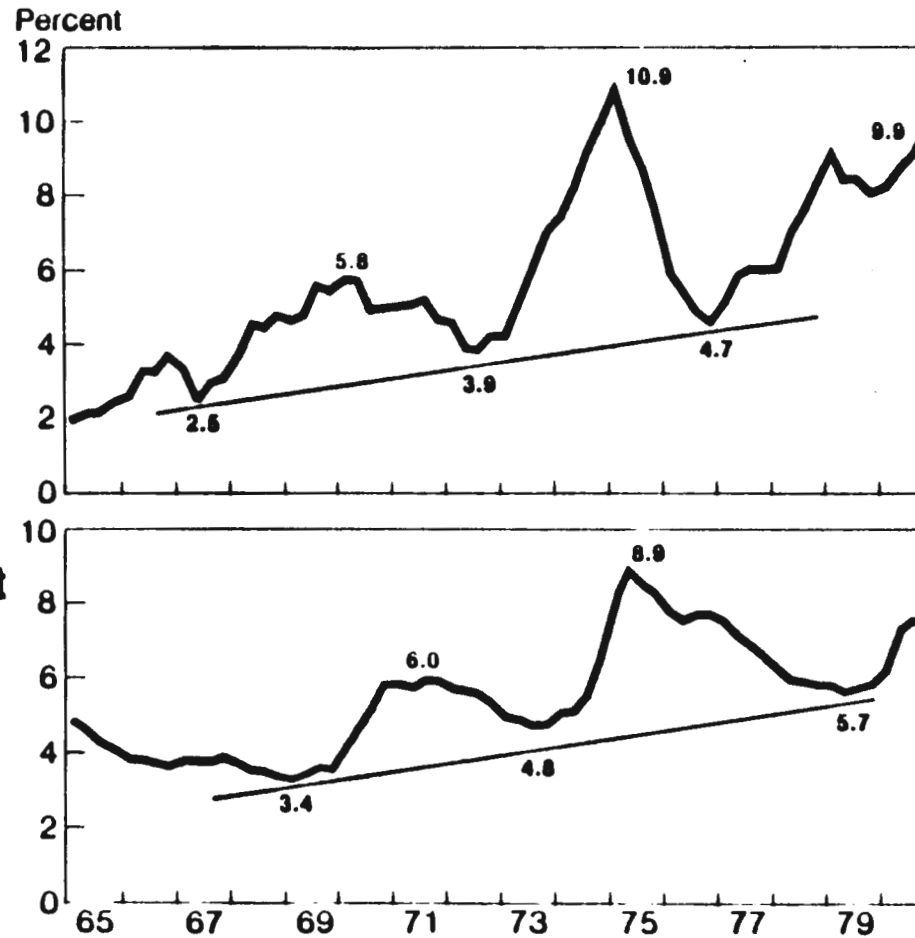
The problem with this pessimistic view is that other countries with much less energy and raw materials--for example, the Japanese--are prospering. The Reagan Administration sees nothing to be gained from writing off America at the start.

Dr. Roberts is Assistant Secretary of the Treasury for Economic Policy

## INFLATION AND UNEMPLOYMENT RATES

### GNP Price Deflator

(Percent Change from previous Year, by Quarter)



FOR PRESIDENT REAGAN'S TAX SPEECH

This time of year--tax time--people point out that you work until May 10 just to pay your taxes. Then you go to work for yourself. That makes a good point, but that's not the way our tax system actually works.

If you are a median income family, in 1980 you worked until May 23 for yourself. Then your income hit the taxable level and you went to work for the government at the 14 percent rate until June 24. You worked more for the government as each month passed and you moved higher into the tax brackets. By November 27--you were working for the government 24 percent of your time.

That doesn't include social security taxes, state income tax, sales taxes or property tax.

If Congress doesn't pass the tax cut that we have proposed, by the time the end of this year rolls around the median income family will be working for the federal government 28 percent of its time, and that will rise to 32 percent in 1984.

If my tax cuts are passed, then by the time the end of 1984 rolls around you will be working for the government only 23 percent of your time. Now that's a lot better than 32 percent of your time.

If you are a better educated family, or one with higher skills or more members in the work force or simply a luckier family,

and you have twice the median income, you went to work for the government sooner. By April 25 you were working for the government 14 percent of your time, and by the time December 17--the week before Christmas--arrived you were working for the government 43 percent of your time. By the end of 1984, if we don't do something about these tax rates, this family will be working for the government 49 percent of its time.

Now I don't believe families should have to work this hard for the government. People have their own needs, and the tax system has just got to be changed to take that fact into account. This country also needs more saving, and we are not going to have enough if the government is taking 32 cents, 49 cents, and in some cases even 70 cents, out of a dollar of interest income.

What my tax proposal does is to take every family and push them back down the tax brackets so that they get to keep for their own purposes more of additional dollars of income earned--whether from work effort, saving, or learning new and better skills. I believe that if people have better incentives, more income will be produced, and the whole country will be better off.

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asked. K.

# The Voice of Business

Richard L. Leshner, President  
Chamber of Commerce of the United States

Ken - See p. 2, starting w/ 2nd paragraph

Ben 4/16

## LET'S PASS THAT SMALL BUSINESS TAX CUT

WASHINGTON--I've often stated in this column that one of the U.S. Chamber's top priorities is to strengthen small business. Obviously, we have a personal stake in assisting small business, because the overwhelming majority of our members fall into this category. More fundamentally, however, people who have studied our economy understand that small business is the most important source of new jobs, technology and more dynamic growth. Unfortunately, it is also clear that small business is more vulnerable and is being hurt the most by high inflation, taxation, interest rates and regulation.

So what's the answer? Aside from reducing the growth of spending and eliminating unnecessary regulation, which virtually everyone but Ted Kennedy and a few of his friends agree must be done, what specific changes in tax policy would be most beneficial to small business? This very question was put to me recently when I testified for the Chamber before the House Small Business Committee. My answer could not have been more direct. Pass the administration's total tax package, which consists of two major proposals: The first, the Accelerated Cost Recovery System (ACRS), would enable businesses to accelerate their depreciation of plant and equipment, and the second would reduce all marginal individual income tax rates by 30 percent over the next three years.

Whenever I make this statement, people seem surprised. Indeed, I've come to the conclusion that although the administration has put together a tax package that seems tailor-made for small business, this fact remains one of the best kept secrets in America. Nevertheless, the evidence is clear for all to see. Let's take a look.

The whole purpose of accelerating the depreciation of plant and equipment is to promote new capital investment, and thereby increase productivity and create new jobs. Still, whenever people talk about accelerated depreciation we are led to believe it will primarily benefit big business.

Wrong! We recently took the time to go back and study just who depreciates what. We discovered that in the latest year for which full records are available, 1975, small businesses claimed 40 percent of the total depreciation. In many industries--including agriculture, construction, wholesaling, retailing, real estate, and services--small businesses claimed over 60 percent. Clearly, then, small business will get a substantial share of the benefits from the Administration's ACRS proposal.

But ACRS will help small business in another very important way. The proposal will sweep away the agonizing complexities of the present tax code and replace them with a simple, uniform system understandable to all. This will put small business on a more equal footing with large firms, and it will free them from having to worry about hiring more staff to handle disputes with IRS.

Now consider the small business case for the administration's proposal to reduce marginal tax rates across the board by 30 percent. According to the 1977 IRS Statistics of Income, over 14,700,000 business tax returns were filed by corporations, including Subchapter S corporations filing as individuals, as well as partnerships and sole proprietorships. Of this total only 1,800,000, or less than 12.5 percent, were taxable as corporations. Thus, nearly 90 percent of U.S. businesses taxable in 1977 paid taxes at the steeply graduated personal rates. This represents a tremendous universe of small firms that stand to benefit directly from the proposed personal rate reductions.

And across the board rate reductions would assist small business in at least three other ways. By automatically reducing the maximum tax on capital gains from the present 28 percent, and by eliminating the distinction between earned and unearned income, they would reverse the trend toward tax shelters by promoting new investment and venture capital. Second, past experience and our own recent surveys strongly suggest they would improve personal savings, our most vital but depleted source of capital.

Finally, they would do wonders for worker productivity. Today, working people are being taxed at unprecedented rates on extra earned income. The inevitable results of penalizing additional effort are high absenteeism, a refusal to work overtime and a surging underground economy.

Small business has everything to gain from passage of the Reagan tax proposal and a lot to lose if it does not. It's time to make your voices heard in Congress.

\* - and, of course, larger firms as well.