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Last Updated: 03/25/2025

THE WHITE HOUSE

WASHINGTON

February 17, 1981

MEMORANDUM FOR THE PRESIDENT

FROM: KEN KHACHIGIAN

SUBJECT: Remarks: Address to Joint Session

Herewith a clean copy of your speech. It is now going through final staff review. No changes will be made by the staff except for major policy corrections or factual adjustments.

Let me explain some changes you will note since the time of our meeting yesterday.

(1) Page 2. Stack of thousand dollar bills. The correction, to 67 miles, comes from Treasury. Obviously, we think this is still an extraordinarily graphic description. Incidentally, a billion dollars would stack up to 357 feet, in case you want to add that.

(2) Page 5. Bottom of page -- oil. Phrase, "independence from foreign oil," a strong reference per Wirthlin.

(3) Page 6. Ex-Im Bank. I've added the sentence from the original draft regarding most beneficiaries being profitable corporations -- Dick Wirthlin believes this is strong. It is a change from your draft.

(4) The reference to the REA loans has been cut out. First, it is an off-budget item. Second, there were actually nothing like the savings we had suggested. Third, the loans are really only being raised from 2 percent to 5 percent. Stockman, et al. agree it should be cut.

(5) Page 10. Bottom, note the new reference to waste and fraud. We're checking the numbers to make sure. But it was believed that we should take a strong position on this per the campaign.

(6) Page 13. Bottom, write-offs on various things. We've got the numbers, but dropped tools because I'm told that the time on them has actually been extended from 3 to 5 years with the auto industry not that pleased about it.

THE WHITE HOUSE
WASHINGTON

President's
copy

used in
speech preparation
meeting
2-16-81

(7) Page 17. Reference to Federal aid to education. At this point in your speech, you are coming on to the peroration, and Dick Wirthlin believes (and I agree) that this is a jarring reference which gets you back to the budget cuts. If you agree, this can be moved up to page 5 in between the first and second paragraphs -- it fits pretty well there.

After you have had an opportunity to review this, please return it to me with any additional changes you might have, and I'll begin putting it into reading copy.

I am attaching a separate memorandum from Dick Wirthlin in which he outlines some additional thoughts regarding the speech.

THE WHITE HOUSE
WASHINGTON

President's
copy
used in
speech preparation
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2-16-81

February 16, 1981

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

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

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

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

Almost 8 million Americans are out of work. These are people who want to be productive. But as the ~~weeks~~^{months} go by despair dominates their lives. The threat of layoff and unemployment hangs over other millions and all who work are frustrated by their inability to keep up with inflation.

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

History File

pay last year in those same 1972 dollars they only received \$105. And inflation isn't the only cause of this. In the last 4 years Federal personal taxes for the average family increased by 58%.

Can we who man the ship of state deny it is out of control? Our National debt is \$1 trillion. A few weeks ago I called such a figure -- a trillion dollars -- incomprehensible. I've been trying to think of a way to illustrate how big it really is. The best I could come up with is to say that a stack of \$1,000 bills in your hand only a few inches high would make you a million. A trillion dollars would be a stack of \$1,000 bills 60 miles high.

The interest on our debt this year will be \$86 billion. And unless we change the proposed spending for the fiscal year beginning October 1st we'll add another almost \$80 billion to the debt.

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

I have painted a grim picture but I believe I have painted it accurately. It is within our power to change this picture and we can act in hope. There is nothing wrong

with our internal strengths. There has been ^{NO}~~NO~~ breakdown in the human, technological, and natural resources upon which the economy is built.

Based on this confidence in a system which has never failed us -- but which we have failed through a lack of confidence and sometimes through a belief that we could finetune the economy and get a tune more to our liking, I am proposing a 4-part program. I will now outline and give in some detail the principal parts of this program but you will each be provided with a completely detailed copy of the program in its entirety.

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

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

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

Historical File

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

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

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

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

All in all, more than \$216 billion in some 20 programs ^{are being} are being maintained at the present growth level. But

5/1/74

File

government will not continue to subsidize individuals or particular business interests where real need cannot be demonstrated. And while we will reduce some subsidies to regional and local government, we will at the same time convert a number of categorical grant programs into block grants to reduce wasteful administrative overhead and to give local government entities and States more flexibility ^{and control}. We call for an end to duplication in Federal programs and reform of those which are not cost-effective.

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

Welfare will be tightened with more attention being given to outside sources of income when determining the amount of welfare an individual is allowed. This plus strong and effective work requirements will save \$671 million next year.

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

Historically the American people have supported by voluntary contributions more artistic and cultural activities

than all the other countries in the world put together. I ^{whole}heartedly support this and believe Americans will continue ^{their generosity} to do this. Therefore, I am proposing a cut of \$128 million in the subsidies now going to the arts and humanities.

There are a number of subsidies to business and industry I believe are unnecessary. Not because the activities being subsidized aren't of value but because the marketplace contains incentives enough to warrant continuing these activities without a government subsidy. One such is the synthetic fuels program. We will continue support of research leading to development of new technologies but we can save \$ _____ billion by leaving to private industry the building of plants to make liquid or gas fuels from coal.

We are asking that another major business subsidy, the Export-Import Bank loan authority be reduced by 33% in 1982. And this brings me to a number of other lending programs in which government makes low interest loans, some of them for an interest rate as low as 2% and not more than 5%. What has not been very well understood is that the Treasury Department ^{and the money set} has to go into the private capital market and borrow the money to provide those loans. In this time of excessive interest rates the government finds itself paying interest several times as high as it receives from the borrowing agency. The taxpayers, ^{YOUR CONSTITUENTS} of course, are paying that high interest rate. ~~Government doesn't have any money of its own.~~

Historical File

The Rural Electrification program came into being at a time when rural America was almost totally without electric power. A program of low interest loans to rectify this made sense then. I believe the recipients today of R.E.A. loans will understand the fairness of switching to the private capital market and borrowing at the commercial interest rate. Doing this will save the taxpayers \$2 billion in 1981 and '82 with ongoing savings of \$15 billion through 1985.

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

I mentioned the elimination of duplicating programs. This is true among the lending agencies. For example, the Farmers Home Administration is a duplicate of several other lending programs. By trimming its lending activities 25% we can remove the useless duplication in 1982 and save \$105 million.

Historical File

Let me just touch on a few other areas which are typical of the kind of reductions we have included in this economic package. The Trade Adjustment Assistance program provides benefits for workers who are unemployed when foreign imports reduce the market for various American products causing shutdown of plants and lay off of workers. But these benefits are paid in addition to regular unemployment insurance which anyone must agree is unfair. Incidentally the Trade Adjustment payments have a higher ceiling than Unemployment Insurance. By putting both kinds of unemployment on the same footing, savings will amount to \$1.15 billion.

Another \$204 million can be saved by ending or reducing neighborhood housing programs which simply duplicate other such programs in the Department of Housing and Urban Development.

Earlier I made mention of changing categorical grants to states and local governments into block grants. We know of course that categorical grants fund programs mandated on local and state governments by the Federal Government accompanied by strict rules and regulations as to how the programs are to be implemented and of course with vast amounts of paperwork to comply with reporting procedures.

Historical File

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

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

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

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

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

In the Department of Housing and Urban Development there is a loan guaranty program which encourages communities to, in effect, mortgage their block grants as security for repayment on loans to purchase and rehabilitate property. It also allows communities to exceed their own legal debt limits. We plan changes here that will save \$275 million in this coming year amounting to more than a billion through 1985.

Now I'm sure there is one department you've been waiting for me to mention. That is the Department of Defense. It is the only department in our entire program that will actually be increased over the present budgeted figure. But even here there was no exemption. ~~Secretary~~

Historical File

The Dept of Defense Weinberger came up with a number of cuts which reduced the amount of the addition we had to make in order to restore our military balance.

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

Notwithstanding our economic straits, making the financial sacrifice beginning now is far less costly than waiting and attempting a crash program several years from now. Nevertheless the Department of Defense will not be spared the obligation of making significant reductions over the coming years by finding and eliminating waste and inefficiency. The aim will be to provide the most effective defense for the lowest possible cost.

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

Historical File

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

I had hoped we could make this retroactive to January 1st but the ~~deterioration~~^{inflation} of the ~~economy in the months~~^{Recent Fed. deficit} since September has ruled that out. We also learned that making it retroactive would work a hardship on states where the state income tax is tied to the Federal tax. Their budgets already in place would be thrown out of balance.

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

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

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

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

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

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

vehicles and trucks; and a ____ year write-off for plant.

~~Rental property would be depreciated over ____ years instead of the present ____ years.~~

In calendar year 1982 under this plan business would acquire \$10 billion for investment and by 1985 the figure would be \$45 billion. If one accepts \$50,000 as the investment necessary to create 1 new job \$45 billion could create 4½ million jobs.

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

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

Historical File

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

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

I have asked Vice President Bush to head a cabinet-level Task Force on Regulatory Relief. Second, I asked each member of my Cabinet to postpone the effective dates of the hundreds of regulations which have not yet been implemented. Third, in coordination with the Task Force, many of the agency heads have taken prompt action to review and rescind existing burdensome regulations. My economic message will contain a list of over 100 additional regulations that we will be reviewing over the coming months. Finally, just yesterday, I signed an executive order that for the first time provides for effective and coordinated management of the regulatory process.

Historical File

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

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

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

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File

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

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

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

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

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

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

Already some have protested there must be no reduction of aid to schools. Let me point out that Federal aid to education amounts to only 10% of total educational funding.

For this the Federal government has insisted on a tremendously disproportionate share of control over our schools. Whatever reductions we've proposed in that 10% will amount to very little of the total cost of education. It will, however, restore more authority to States and local schools districts.

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

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

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

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

Historical File

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

Historical File

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

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

~~If we don't do this, inflation will put an end to everything we believe in and to our dreams for the future. We do not have an option of living with inflation and its attendant tragedy, of millions of productive people willing and able to work but unable to find buyers in the job market. We have an alternative to that, a program for economic recovery. Reducing inflation from 12% just to 10% will on the road to our ultimate objective of eliminating inflation. is equivalent to giving the average family of 4 \$_____ in cash. Cutting the present rate in half would be worth \$_____ to that average family. Wiping it out entirely should be our aim.~~

~~True~~ It will take time for the favorable effects of our proposal to be felt. ~~So~~ let us begin now.

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

Thank you and good night.

Feb 14, 1981

CAMP DAVID

Mr. Speaker, Mr. President, Distinguished Members
of Cong., Honored Guests & fellow citizens:

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

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

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

CAMP DAVID

Based on this confidence in a system which has never failed us - but which we have failed ~~sometimes~~ through lack of confidence & sometimes through a belief that we could fine tune the economy & get a tune more to our liking I am proposing a 4 part program. I will ^{now} outline and give ~~in~~ in some detail the principle parts of this program but you will ^{each} be provided with a ~~completely detailed~~ ^{COMPLETELY DETAILED} complete copy of the program in its entirety.

~~The~~ The plan is aimed at reducing the rate of increase in govt. spending and taxing, reforming & ~~eliminating~~ regulations which are unnecessary and counter productive. And encouraging a consistent monetary policy aimed at maintaining the value of our currency.

It is important to note that ~~on~~ we are only reducing the rate of increase in taxing & spending. We are not attempting to cut either spending or taxing to a level below that which we presently have, ~~and~~ ^{this is a plan} designed to get our economy moving again; to increase productivity and thus create the jobs our people must have.

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CAMP DAVID

constituents afraid that Social Security checks for example might be taken from them. I regret the fear that these unfounded stories have caused and welcome this opportunity to set things straight.

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CAMP DAVID

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CAMP DAVID

There are a number of activities to be carried out in the industry ~~and~~ relative are unnecessary. Not because the activities being authorized are of value but because the market place contains incentives enough to prevent continuing these activities without a govt. Authority. One need is the Synthetic Fuels program. We will continue support of research leading to development of new technologies but we can save \$_____ bil. by leaving ^(TO PVT. INDUSTRY) financing of plants to make from liquid or gas fuels from coal ~~to private industry~~.

We are asking that another major business Authority the Export-Import Bank loan authority be reduced by 33% in 1982. And this brings me to a number of other lending programs in which govt. makes loan interest loans some of them for an interest rate as low as 2% a not more than 5%. What has not been very well understood is that the Treasury Dept. has to go into the private capital market and borrow the money to provide these loans. In this line of expansion interest rates the govt. funds itself paying interest several times as high as Treasury from the borrowing agency. The taxpayers of course are paying that high interest rate. ~~for~~ govt. ~~has~~ ^{not} loan any money of it's own.

The Rural Electrification Program came into being at a time when rural America was almost totally without electric power. A program of low interest loans to rectify this made sense - Then,

CAMP DAVID

I believe the recipients today of R.E.A. loans will understand the fairness ~~now~~ of switching to the private capital market and borrowing at the commercial interest rate. Doing this will save the tax payers \$2 bil. in 1981 & '82 with ongoing savings of \$15 bil. through 1985.

By terminating the E.A. Development Admin. we can save \$300 mil. in 1982 & \$2 bil. through 1985. There is a lack of consistent & convincing evidence that ~~the~~ E.D.A. & its Regional Commissions have been effective in creating new jobs. ~~They have~~ ^{They have} been effective in creating an army of planners, grantmen & professional middlemen. We believe we can do better first by the expansion of the economy & the job creation which will come from our ec. program.

I mentioned the elimination of duplicating programs. This is true among the lending agencies. For example the Farmers Home Admin. is a duplicate of several other lending programs. By trimming its lending activities 25% we can remove the needless duplication ~~and~~ save \$105 mil. ~~in 1982~~.
IN 1981

Let me just touch on a few other areas which are typical of the kind of reductions we have included in this ec. pkg. The Trade Adjustment Assistance program provides benefits for workers who are unemployed when foreign imports reduce the mkt. and for various American products causing shutdowns of plants & lay off of workers. But there

benefits are paid in addition to regular unemployment ^{insurance} ~~benefits~~ which anyone must agree is unfair.

Incidentally the Trade Adjustment payments have a higher ceiling than Unemp. Insurance. By putting both kinds of unemployment on the same footing the savings will amount to \$1.15 bil.

Another 204 mil. can be saved by ending or reducing neighborhood housing programs which simply duplicate other such programs in the Dept. of Housing & Urban development.

Earlier I made mention of changing categorical grants ^{to} ~~to~~ local govt. ~~into~~ into block grants. We know of course that categorical grants fund programs mandated on loc. & state govt. by the Fed. govt. and accompanied by strict rules & regulations as to how the programs are to be implemented and of course with vast amounts of paper work to comply with reporting procedures.

Ineffective targeting, wasteful administrative overhead - all can be eliminated by shifting the resources & decision making authority to local & state govt. This will also consolidate programs which are scattered throughout the Fed. ~~govt~~ bureaucracy. ~~That~~ It will bring govt. closer to the people and will save \$5 Bil. over the next 5 years.

Our program for economic renewal treats with a number of programs which at present are not cost-effective. An example is Medicaid. Right now Wash. provides the States with unlimited matching payments for their expenditures. At the

same time we here in Wash. pretty much dictate (9)
how the states will manage the program. We want
to put a cap on how much the Fed. govt. will
contribute but at the same time allow the states
much more flexibility in managing & structuring
their programs. I know from our experience in Calif.
that such flexibility could have led to a far more
cost effective reforms. This ^{will} ~~can~~ bring a savings
of \$1 bil. ~~next year~~ next year.

The space program has been & is important to
America & we plan to continue it. We believe
however that a re ordering of priorities to focus
on the most important & cost effective ~~parts of the~~
NASA programs can result in a savings of a quarter of a
bil. dollars.

Coming down from space to the mail box --
the Postal Service has been consistently unable to
live within it's operating budget. It is still
dependent on large Fed. subsidies. We propose
reducing those subsidies by \$32 mil. to press the
Postal Service into becoming more effective.

The Ec. Regulatory Admin. in the dept. of
energy has programs to force companies to convert
to specific fuels. It administers a gas rationing plan
and prior to decontrol it ran the oil price control
program. With these regulations gone we can
save several hundreds of mil's. of dollars over the
next few years.

In the Dept. of Housing & Urban Development
there is a loan guaranty program which is some

encourages communities to, in effect, mortgage their block grants as security for repayment on loans to purchase & rehabilitate property. It also allows communities to exceed their own legal debt limits. We plan changes here that will save \$275 mil. in this coming year amounting to more than a billion through 1995.

Now I'm sure there is one ~~agency~~^{dept} you've been waiting for me to mention. ~~That's the~~ That is the Dept. of Defense. It is the only dept. in our entire program that will actually be increased over the present budgeted figure. But even here there was no exemption. Sec. of Defense Weinberger came up with a number of cuts which reduced the amount of the addition we had to make in order to restore our mil. balance.

I believe my duty as Pres. requires that I ~~recommend~~ recommend increases in defense spending over the coming years. Since 1970 the Soviet U. has invested \$300 bil. more in it's mil. forces than we have. They now have a significant numerical advantage in strategic nuclear delivery systems, tactical aircraft, submarines, artillery & anti-aircraft defense. To allow this imbalance to continue is a threat to our nat. security.

Notwithstanding our economic straits, making the financial sacrifice beginning now is far less costly than waiting and attempting a crash program several years from now.

Nevertheless the Dept. of Defense will not be spared the obligation of making significant reductions over the coming years by finding & eliminating waste & inefficiency. The aim will be to provide the most effective defense for the lowest possible cost.

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

every year for 3 years

Our proposal is for a 10% across-the-board cut in the tax rates for all individuals ^{tax payers} ~~tax payers~~ ~~for each of the next 3 years~~, making a total tax cut of 30%. ^{UNEARNED INCOME LEADING TOWARD AN EVENTUAL ELIMINATION OF THE PRESENT DIFFERENTIAL BETWEEN} This 3 yr. reduction will also apply to the tax on

I had hoped we could make this retroactive to Jan. 1st but the deterioration of the economy in the months since Sept. has ruled that out. We also learned that making it retroactive would work a hardship on states where the state inc. tax ~~was~~ ^{is} tied to the Fed. tax. Their budgets already in place would be thrown out of balance.

Therefore the effective starting date for these 10% personal income ^{tax} reductions will be July 1st.

Again let me remind you this 30% reduction while it will leave you the taxpayers with \$500 bil. more in their pockets over the next 5 years is actually only a reduction in the tax increase already built into the system.

Unlike some past tax (quote, unquote) reforms this

THE 10% ON BRANES & UNEARNED INCOME.

(12)

is not merely a shift of wealth between different sets of taxpayers. This proposal for an equal reduction in every one's tax rates will ~~lead~~ expand our nat. prosperity, enlarge nat. incomes & increase opportunities for all Americans.

Some will argue, I know, that a reduced tax rate ^{will} be inflationary. A solid body of economic experts ^{don't agree} ~~think not~~. And certainly tax cuts adopted over the past $\frac{3}{4}$ of a century indicate ^{THESE EXPERTS} ~~they~~ are right. The advice I have had is that by 1985 our real production of goods & services will grow ^{TO} \$400 bil. ^{HIGHER} ~~more~~ than ^{IT IS TODAY} ~~today~~. The average workers wage will rise (in real purchasing power) by ~~7%~~ ^{THOSE ARE} ~~7%~~ after tax dollars. This of course is predicated on ^{OUR} ~~the~~ complete program of tax cuts & ~~costs~~ spending reductions being implemented.

The other part of the tax package is aimed directly at providing business & industry with the capital needed to modernize & engage in more research & development. This will involve an increase in depreciation allowances ^{THIS PART OF OUR TAX PROPOSAL} ~~to~~ ^{will} be retroactive to Jan. 1st.

X The present depreciation system is obsolete, needlessly complex & economically counterproductive. Very simply it bases the depreciation of plant, machinery, vehicles & tools on their original cost with no recognition of ~~how~~ ^{INCREASED} inflation has ~~increased~~ their replacement cost. We are proposing a much shorter write off time than is presently allowed. ~~In calendar year 1982 under~~

~~This plan business would already have \$10 bil. available for investment. By 1985, \$45 bil. such investment capital would amount to \$45 bil.~~

~~I am well aware that there are many other possible tax changes such as indexing the tax brackets to protect taxpayers against inflation. There is the~~

(12A)

We propose ~~to propose~~ a — yr. write off for tools; a — yr. write off for machinery; — yrs for vehicles & trucks & a — yr. write off for plant.

Rental property would be depreciated over — yrs instead of the present — YRS.

In calendar year 1982 under this plan business would acquire \$10 bil. for investment & by 1985 the figure would be \$45 bil. If one accepts \$50,000 as the investment necessary to create 1 new job \$45 Bil. could create $4\frac{1}{2}$ mil. jobs.

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(13)

unjust discrimination against married couples if both are working & earning, tuition tax credits, the unfairness of the inheritance tax and especially to the family owned farm & the family owned business & a number of others. But our program for economic recovery is so urgently needed to begin to bring down inflation that I would ask you ~~of the Congress~~ to act on this plan first & with great urgency. Then I pledge to you I will join with you in seeking these additional tax changes at an early date.

~~is to the~~ Completing this program for economic recovery is regulatory reform. V.P. Bush is chairman of the admin. task force to locate those unnecessary or unproductive regulations that should be cancelled or modified. Some can be done administratively others will require legislation.

~~I pledge to work with you to achieve some of these goals at an early date in the future.~~

~~The third component of our comprehensive plan is regulatory reform.~~

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

~~This torrent of regulation has caused higher prices, less employment, and lower productivity. Higher costs borne by business are passed on to consumers. Overregulation causes entrepreneurs to defer or terminate plans for expansion and since they are responsible for creating most of our new jobs those new jobs aren't created.~~

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

~~I have moved swiftly to deal with the problem. First,~~
 I have ^{asked} ~~asked~~ the Vice President ^{Bush} to head a cabinet-level Task Force on Regulatory Relief. Second, I asked each member of my Cabinet to postpone the effective dates of the

page 20

hundreds of ~~all conceived~~ "midnight" regulations ^{which have not yet} ~~been implemented~~ ~~during the last days of the previous administration~~ so that ~~they can be evaluated on a rational basis.~~ Third, in coordination with the Task Force, many of the agency heads have taken prompt action to review and rescind existing burdensome regulations. My economic message will contain a list of over 100 additional regulations that ~~my administration~~ ^{will} be reviewing over the coming months. Finally, just yesterday, I signed an executive order that for the first time provides for effective and coordinated management of the regulatory process.

Although much has been accomplished, this is only a beginning. ^{We will eliminate those regulations that are unproductive & unnecessary} ~~I made regulatory reform a major commitment in the recent campaign, and I assure you I mean to keep that promise.~~

^{by exec. order where possible & cooperate fully with you on those that require legislation.} ~~The fourth and final aspect of this comprehensive plan is that it requires a national monetary policy which does not allow the rates of money growth to increase consistently faster than the growth of goods and services. In order to curb inflation, we need to slow the growth in our monetary base.~~

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

page ~~23~~ 48

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

This, then, is our proposal ^{"American New Beginning: A Program for 1980"} ~~for restoring the American~~
~~Recovery~~ ^{Recovery} ~~economy~~. I do not want it to be simply the plan of my Administration -- I am here tonight to ask you to join me in making it our plan. Together, we can embark on this road to ~~national economic revival~~. ~~Our task is~~ not to make things easy; ^{BUT} ~~our task is~~ to make things better.

Can we do the job? The answer is yes. ~~But there will be no waiting, because~~ ^{BUT} we must begin. Our social, political, and cultural, as well as our economic institutions, can no longer absorb the repeated shocks that have been dealt them over the past decades, ~~and especially in the past few years.~~

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

~~Over the next few weeks, these proposals will be presented to Congress, and under our Constitution a great national debate will begin. I encourage people across America to participate in this debate, and I hope they will be able to support these essential steps.~~

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

~~I hope I've made it plain that~~

I hope I've made it plain that our approach has been even handed; that only the programs for the truly deserving needy remain entrusted. Already some have protested there must be no reduction of aid to schools. Let me point out that Fed. aid to ed. amounts to only 10% of ~~total~~ educational funding. For this the Fed. govt. has insisted on a tremendously disproportionate share of control over our schools. Whatever reductions we've proposed ~~will~~ in that 10% will amount to very little of the total ^{cost} ~~expense~~ of ed. It will however restore more ^{AUTHORITY} ~~authority~~ to states & local school districts.

However, I've already seen indications that narrow interests have already determined that they will oppose many of the measures we are instituting to gain control of wild government spending.

The question is whether or not we are ^{we} simply going to go down the same path ~~that we have gone down~~ before -- carving out one special program here and another special program there. I don't think that is what the American people expect of us. More importantly, I don't think that is what they want of us. ~~I think, instead, that the American people~~ ^{they} are ready to return to the source of our strength.

~~In our economy we should remember the most fundamental principle of them all. The government does not create wealth. Government is merely a servant and a steward.~~

The substance and prosperity of our Nation is built by wages brought home from the factories ^(THE FARM & THE SHOP) and mills. ~~They are the income produced by farmers who feed us and the world.~~ They are the services provided in ten thousand corners of America; ~~They are~~ the interest on the thrift of our people and the returns from their risk-taking. The production of America is the possession of those who build, serve, create, and produce.

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

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

Spending by govt. must be limited to those ~~key~~ functions which are the proper province of govt. We can no longer afford things simply because we ~~think~~ ^{THINK} of them.

In the months ~~at~~ left in this fiscal year we can reduce the budget by ~~5~~ — bill & in

1982, ~~the program I've presented can be reduced~~ by — bill without harm to govt's legitimate purposes ~~and~~ and to our responsibility to all who need our benevolence. This plus the reduction in tax rates will ~~give~~ put an end to inflation.

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

Reducing inflation from 12% just to 10 is equivalent to giving the average family of ~~4~~ ^{PRESENT} in cash. Cutting the ~~rate~~ ^{PRESENT} in ~~half~~ ^{HALF} would be worth — \$0 THAT AVERAGE FAMILY. WIPING IT OUT ENTIRELY SHOULD BE OUR AIM.

It will take time for the favorable (20)
effects of our proposal to be felt. ~~so let~~ ^{so let} ~~action~~
~~we must~~ ^{we} begin now.

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

I have you a good night.

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

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

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

All of us are aware of the punishing inflation which has, for the first time in some 60 years, held to double-digit figures for two years in a row. Interest rates have reached absurd levels of more than 20 $\frac{1}{2}$ and over 15 $\frac{1}{2}$ for those who would borrow to buy a home. All across this land one can see newly-built homes standing vacant, unsold because of mortgage interest rates.

Almost 8 million Americans are out of work. These are people who want to be productive. But as the ^{more} weeks go by, despair dominates their lives. The threat of layoff and unemployment hangs over other millions, and all who work are frustrated by their inability to keep up with inflation.

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

pay last year in those same 1972 dollars, ^{he} ~~they~~ only received \$105. And inflation isn't the only cause of this. In the last 4 years Federal personal taxes for the average family increased by 58%.

Can we who man the ship of state deny it is out of control? Our National debt is ~~about~~ ^(approaching) \$1 trillion. A few weeks ago I called such a figure -- a trillion dollars -- incomprehensible. I've been trying to think of a way to illustrate how big it really is. The best I could come up with is to say that a stack of \$1,000 bills in your hand only ^{three} ~~a few~~ inches high would make you a million^{aire}. A trillion dollars would be a stack of \$1,000 bills ⁴⁵ ~~60~~ miles high.

The interest on our debt this year will be \$86 billion. And unless we change the proposed spending for the fiscal year beginning October 1st we'll add another almost \$80 billion to the debt.

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

I have painted a grim picture but I believe I have painted it accurately. It is within our power to change this picture and we can act in hope. There is nothing wrong

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

with our internal strengths. There has been no breakdown in the human, technological, and natural resources upon which the economy is built.

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

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

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

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

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

1-2 million new jobs (3 million more)
 6/4 now + 1986 - cut in 1/2 inflation
 + now less than 1/2 by 1986.

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✓ comprehensive
 up front
 1 x - jobs
 - inflation

? real reason

curriculum
 re
 DRB
 draft

I know that exaggerated and inaccurate stories about ~~the proposed~~ ^{these} cuts have disturbed many people, particularly

those dependent on grant and benefit programs for their

^{basic needs} ~~livelihood~~. Some of you have heard from constituents afraid that Social Security checks, for example, might be taken from them. I regret the fear these unfounded stories have caused and welcome this opportunity to set things straight.

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

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

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

All in all, more than \$216 billion in some 20 programs -- ~~are being~~ maintained at the present growth level. But

~~Social Security~~
~~net~~

providing help for ^{some} millions of Americans -- will be

government will not continue to subsidize individuals or particular business interests where real need cannot be demonstrated. And while we will reduce some subsidies to regional and local government, we will at the same time convert a number of categorical grant programs into block grants to reduce wasteful administrative overhead and to give local government entities and States more flexibility and control. We call for an end to duplication in Federal programs and reform of those which are not cost-effective.

(X) for P. 7

The Food Stamp program will be restored to its original purpose, to assist those without resources to purchase sufficient nutritional food. We will, however, save \$2.6 billion by removing from eligibility those who are not in real need ^{or} ~~and~~ who are abusing the program. Despite this reduction, the program will be budgeted for more than \$10 billion. ^{We will tighten} ~~Welfare will be tightened with~~ ^{and give} more attention ~~being~~ ^{given} to outside sources of income when determining the amount of welfare an individual is allowed. This plus strong and effective work requirements will save \$671 million next year.

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

Historically the American people have supported by voluntary contributions more artistic and cultural activities

over 2004
The purpose to eliminate zero interest loans to colleges should when all American people are to pay for interest rates of 20% - Be fair to the business industry

than all the other countries in the world put together. I ^{whole}heartedly support this ^{approach} and believe Americans will continue ^{the} to do this. Therefore, I am proposing a cut of \$128 million in the ^{Federal} subsidies now going to the arts and humanities.

There are a number of subsidies to business and industry I believe are unnecessary. Not because the activities being subsidized aren't of value but because the marketplace contains incentives enough to warrant continuing these activities without a government ^{subsidy} subsidy. One such is the synthetic fuels program. We will continue support of research leading to development of new technologies ^{and more independent from foreign oil} but we can save \$_____ billion by leaving to private industry the building of plants to make liquid or gas.

We are doing this because the primary beneficiaries of taxpayer funds in this case are the exporting companies themselves -- most of them ~~subsidized~~ profitable corporations.

What has not been very well understood is that the Treasury Department has to go into the private capital market and borrow the money to provide those loans. In this time of excessive interest rates the government finds itself paying interest several times as high as it receives from the borrowing agency. The taxpayers, of course, are paying that high interest rate, ^{and then government borrowing} Government doesn't have any money of its own.

Insert

✓
Stoddard
Reynolds

Student loans

and it just makes all the interest rates go higher.

Not counted in \$40 + billion / included as memorandum as off-budget etc

Referring (and not eliminating) subsidies granted etc

The Rural Electrification program came into being at a time when rural America was almost totally without electric power. ~~A program of low interest loans to rectify this made sense then.~~ I believe the recipients today of R.E.A. loans ~~will understand the fairness of switching to the private capital market and borrowing at the commercial interest rate.~~ Doing this will save the taxpayers \$2 billion in 1981 and '82 with ongoing savings of \$15 billion through 1982.

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

From p. 5

cut?

I mentioned the elimination of duplicating programs. This is true among the lending agencies. For example, the Farmers Home Administration is a duplicate of several other lending programs. By trimming its lending activities 25% we can remove the useless duplication in 1982 and save \$105 million.

Let me just touch on a few other areas which are typical of the kind of reductions we have included in this economic package. The Trade Adjustment Assistance program provides benefits for workers who are unemployed when foreign imports reduce the market for various American

(X)
must
not pay
The purpose is to help these workers to find jobs in growing sectors of our economy. And yet, because these benefits are paid out on top of normal unemployment benefits, we wind up paying greater benefits to those who lose their jobs because of foreign competition than we do to their friends and neighbors who are layed off due to domestic competition. Anyone must agree that this is unfair. Putting these two programs on the same footing will save \$1.15 billion.

regulations housing programs
such programs in the Department of Housing and Urban Development.

Earlier I made mention of changing categorical grants to states and local governments into block grants. We know of course that categorical grants ~~and~~ programs ^{with a mass of Federal} ~~mandated on~~ local and state governments by the Federal ^{regulations and Federal paperwork.} Government accompanied by strict rules and regulations as to how the programs are to be implemented and of course with vast amounts of paperwork to comply with reporting procedures.

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

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

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

Stechman says drop

In the Department of Housing and Urban Development there is a loan guaranty program which encourages communities to, in effect, mortgage their block grants as security for repayment on loans to purchase and rehabilitate property. It also allows communities to exceed their own legal debt limits. We plan changes here that will save \$275 million in this coming year amounting to more than a billion through 1985.

Now I'm sure there is one department you've been waiting for me to mention. That is the Department of Defense. It is the only department in our entire program that will actually be increased over the present budgeted figure. But even here there was no exemption.

The Department of
Secretary

of Defense ~~Weinberger~~ came up with a number of cuts which ^{subject increase noted} reduced the amount of ~~the addition~~ we had to make in order to restore our military balance.

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

Notwithstanding our economic straits, making the financial ^{changes} ~~sacrifice~~ beginning now is far less costly than waiting and attempting a crash program several years from now. Nevertheless the Department of Defense will not be spared the obligation

^{insert} ^{AVA} ^(X) 9 We remain committed to the goal of arms limitation through negotiation. ^{It is our fervent hope that we shall eventually} ~~be successful in persuading~~ our adversaries to come to realistic balanced and verifiable agreements. But as we negotiate, ~~we~~ ^{must be} ~~must be certain~~ that our security ^{must be} ~~remains~~ fully protected by a balanced and realistic defense program.

It is time to create new jobs, build and rebuild industry and give the American people room to do what they do best. And that can only be done with a tax program which provides incentive to increase productivity for both workers and industry.

^{insert} ^{attached} ^{will &} ^{Grand}
^{the way says} ^{to make} ^{rebuild} ^{3.4 billion} ^{in '80} ^{enough to} ^{8.2 billion}

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(Dolan)

February 2, 1981

SPEECH TO CONGRESS -- WASTE AND FRAUD

Let me say a word here about the general problem of waste and fraud in the federal government. The Department of Justice has estimated that fraud alone ^{may} account ^{for} anywhere from one to ten per cent -- as much as \$25 billion -- of federal expenditures for social programs.

→ If the tax dollars that are wasted or mismanaged are added to this fraud total, the staggering dimensions of this problem begin to emerge.

The Office of Management and Budget is now putting together an interagency task force to attack waste and fraud, and ~~as you know~~ we are planning to appoint as inspector generals highly-trained professionals who ^{will spare no effort to do this job.} ~~share a passion for uncovering public corruption.~~

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

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

I had hoped we could make this retroactive to January 1st but the ~~deterioration of the economy in the months since~~ ^{explosion of the Federal deficit} ~~East~~ September has ruled that out. We also learned that making it retroactive would work a hardship on states where the state income tax is tied to the Federal tax. Their budgets, already in place, would be thrown out of balance.

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

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

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

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

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

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

Stockman
Tax
Shelter
not
just

vehicles and trucks; and a few year write-off for plant.

Rental property would be depreciated over years instead of the present years.

In calendar year 1982 under this plan business would acquire \$10 billion for investment and by 1985 the figure would be \$45 billion. ^ If one accepts \$50,000 as the investment necessary to create 1 new job \$45 billion could create 4½ million jobs.

real,
permanent
jobs, not
makework

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

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

These changes are essential to provide the new investment which is needed to create three million new jobs by 1984 and 1986 + to make America competitive once again in world markets. These are not makework jobs, they are jobs for the future.

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

business are and women as well as large business

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

I have asked Vice President Bush to head a cabinet-level Task Force on Regulatory Relief. Second, I asked each member of my Cabinet to postpone the effective dates of the hundreds of regulations which have not yet been implemented. Third, in coordination with the Task Force, many of the agency heads have taken prompt action to review and rescind existing burdensome regulations. ~~My economic message will contain a list of over 100 additional regulations that we will be reviewing over the coming months.~~ Finally, just yesterday, I signed an executive order that for the first time provides for effective and coordinated management of the regulatory process.

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

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

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

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

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

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

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

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

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

Already some have protested there must be no reduction of aid to schools. Let me point out that Federal aid to education amounts to only 10% of total educational funding.

For this the Federal government has insisted on a tremendously disproportionate share of control over our schools. Whatever reductions we've proposed in that 10% will amount to very little of the total cost of education. It will, however, restore more authority to States and local schools districts.

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

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

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

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

Bullets at end
creating new jobs
reducing interest rates
reducing tax and
and
for trade

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

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

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

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

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

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

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

Thank you and good night.

Point

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

note: 1.12 Trillion

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

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

*PS initial**→X*

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market. We have an alternative to that, a program for economic recovery, *a program that will balance the budget, that* ~~Reducing inflation from 12% just to 10~~

~~is equivalent to giving the average family of 4 \$_____ in~~

~~cash. Cutting the present rate in half would be worth~~

~~\$_____ to that average family. Wiping it out entirely should be our aim.~~ *will put us well on the road to our ultimate objective of eliminating inflation entirely.*

It will take time for the favorable effects of our proposal to be felt. So ~~let us~~ *we must* begin now.

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

Thank you and good night.

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Project goal: We've set things in motion that we have n/a to support

SPEECH MATERIALS: ADDRESS TO JOINT SESSION OF CONGRESS
February 18, 1981

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

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

I return tonight in that same spirit.

I have come not to lecture you on your responsibilities, but to reach out my hand and to share with you the great promise that is within our reach if we continue to work together.

But let us first begin with the truth. I must repeat to you the situation that I regretfully outlined to the American people two weeks ago: We are, at this moment, in the worst economic mess since the Great Depression.

Our people are suffering from a dangerously troubled economic system in need of urgent repair. Here are the tragic dimensions of this crisis:

-- The Federal budget is out of control, and we face a total deficit of nearly \$80 billion in the budget year ending this September 30th.

-- We have suffered two years of back-to-back, double-digit inflation -- the first time this has happened

in more than six decades. Its ruinous effects eat at the very heart of our economy.

-- Seven million people are out of work. Despair dominates their lives. They yearn to be productive again.

-- Interest rates have reached absurd levels of more than 20 percent. Mortgages today are over 15 percent. New homes sit empty.

-- Our national debt is pushing against a level of one trillion dollars. This year alone our citizens will pay \$86 billion in interest on that debt.

-- The average weekly take-home pay of American workers has fallen from a high of \$122 in 1972 to \$105 in 1980 (as measured in 1972 dollars). In the last four years, Federal personal taxes for the average family of four have increased by 58 percent.

-- Excessive regulation has acted as a drag on the productive capacity of American industry, and piled on some \$100 billion in costs to our consumers.

-- American productivity, once the envy of the entire world, is now among the lowest of all industrial nations.

-- Government at every level has expanded in leaps, and not often enough with corresponding benefits to the people.

It is no longer a time to talk. It is, without question, a time to act.

Tonight, I will outline for you and the American people a new framework for national economic policy -- a

comprehensive package of proposals to restore the economic strength and vitality of the United States. I shall be submitting these proposals to the Congress over the next few weeks.

Though our current situation is grim, I assure you that we can act in hope. We can do so because there is nothing wrong with our internal strengths. There has been no breakdown in the human, technological, and natural resources upon which the economy is built. Instead, the cause of our failures is a series of false national economic policies:

- That government in Washington could indefinitely satisfy our major social needs from the public treasury; that social problems could be solved by programs and regulations; and that all local and regional needs could be remedied in a distant capital.

- That tax and transfer payments, designed to redistribute national income, would improve the lot of the less fortunate at no cost to the economic well-being of all Americans.

- That more government spending and borrowing would stimulate demand, economic growth, jobs, and living standards without extracting a corresponding distortion within an essential private economy.

- That the Federal Reserve System was obligated to "accommodate" excessive Federal spending and deficits

by simply printing money to cover the massive borrowing demands of the U.S. Treasury.

-- That our rush toward a new agenda of environmental, safety, and health protection could be pursued full-throttle by the issuance of new regulatory mandates without reference to economic costs or the need to balance competing national goals.

These are the economic principles that have proven to be tragically erroneous. The new direction I present tonight represents a clean departure from these errors but still rests on a reaffirmation of our basic strengths. We seek to restore the sound principles of fiscal management, monetary policy, Federal-State relations, private sector incentive and efficiency, wealth creation for all, and limited government.

There are four components to our program, working together to raise us from our troubles.

First is strong, new spending controls aimed at reducing the rate of increase of Federal expenditures so that we can aim at a balanced budget by 1984.

Second is an incentive tax policy to lessen the tax burdens of every working American and to encourage new investments in plant and equipment for industrial expansion.

The third component is a regulatory reform program which will be designed to reduce the cost of unnecessary government regulations both to the Federal Government and State and local governments as well as to private business.

Finally, we will encourage a consistent monetary policy designed to provide a steady and responsible decline in the growth of our money supply over time.

Let us begin with spending controls.

My Budget Savings Plan calls on the government to do precisely what the American family must do -- live within its means. Because excessive government spending, with its massive deficits, is the principal cause of inflation, then gaining control of spending is the first step to slowing inflation.

The dangerous condition of our economy and the years and years of budget-breaking demand that we act boldly. This time our measures must be effective and not merely temporary.

Therefore, I will ask the Congress to join with me in cutting _____ billion out of the increase in the fiscal 1982 budget. So that we are not misunderstood: next year's budget will not be less than this year's budget. In fact, it will still be _____ percent larger than it is this year. We will spend \$ _____ billion more next year than this year. And it will continue to grow each year of my program. But instead of growing at a rate which feeds inflation, the budget will grow reasonably and sensibly -- expanding to meet the real needs of our society while cutting back to accomplish our goals.

Before I outline some of the major cuts, it is important for the Congress and the American people to know the programs that we will not cut. I have seen exaggerated accounts of how these budget cuts will fall most heavily on those with the greatest need. That is not true. To suggest that would be irresponsible.

Ours is a humane and compassionate society. We will continue to fulfill the obligations that spring from our national conscience. We will not remove the essential social safety net necessary for the existence of the elderly, our veterans, disadvantaged young people, and those who are poor for reasons they cannot control. Therefore, I have ordered a number of important programs exempted from cutbacks.

-- We will guarantee the full retirement benefits of the more than 31 million recipients of social security. We will also continue their annual cost of living adjustments. Eliminating this cost of living adjustment would have saved \$30 billion a year by 1983, but it would also have meant a 25 percent reduction in the standard of living for our elderly, many of whom already live on the edge of poverty and suffer disproportionately from government-caused inflation.

-- Medicare will not be cut.

-- Supplemental income for the blind, aged, and disabled will not be cut.

-- Funding for disabled veterans and for veterans' pensions will not be cut.

-- School breakfasts and lunches for the low income and low middle income children will not be cut.

-- Project Head Start and Summer Youth Jobs will not be cut.

-- Nutrition for the aging and other special services to the aging will not be cut.

-- Job training programs under CETA, about \$3.5 billion of funding, will not be cut.

-- We will keep nearly a million college work-study jobs as well as more than 900,000 loans to college students.

In total, more than \$216 billion in safety net benefits provided in some 20 programs have been maintained at present growth levels in the budget I am proposing. As we debate these great issues in the weeks ahead, let us remember that the most deserving in our society will continue to receive the full and complete benefits they now enjoy.

At the same time, my fiscal reform plan asks that the more fortunate in our society and especially the more affluent accept their end of a bargain: In return for lower taxes, lower inflation, higher living standards, and expanded economic opportunities, it will be necessary to reduce or eliminate nonessential benefits provided to many better-off Americans.

Therefore, in making these essential cuts in the growth of spending levels, I have established eight general principles to guide us.

(1) Government support should go only to those in need; those who are not deserving should be removed from the programs.

(2) Government should not subsidize middle and upper income groups.

(3) Subsidies should not be given to particular business interests.

(4) Subsidies to regional and local government -- paid by national tax revenues -- should be reduced and limited to those cases of greatest need.

(5) Duplication should be eliminated from Federal programs.

(6) Categorical grant programs should be converted into block grants to cut overhead and eliminate waste.

(7) Programs whose benefits are not cost-effective should be reformed.

(8) We should terminate ineffective and counterproductive policies.

These are the basic principles which have guided us in reforming an out-of-control budget. Each principle in turn serves one overriding principle: we should help those who are deserving, and should not help those who are not deserving.

In the context of these principles, here are some of the major spending controls I will be submitting to the Congress:

First, because government support should go only to those in need, several changes will be made in the food stamp program. The food stamp program will be reformed to do what was originally intended -- and that is to assist those Americans without resources to purchase sufficient nutritious food for a minimal standard of living. No one truly depending on food stamps will be cut. Only those who have abused this program or who are less in need will be cut out. We will save \$2.6 billion in this effort. But remember, we will still be spending more than \$10 billion on this next year -- more than adequate for essential needs.

We will tighten up the welfare program so as to take into consideration all sources of support and income for the recipients. We will impose strong and effective work requirements. This will save us \$671 million next year.

Another example of serving only those in need is to cut school meals out for those students whose families can fully afford to pay for them, saving \$1.2 billion.

Our second guiding principle is to get the government out of the business of subsidizing middle and upper income groups. The Corporation for Public Broadcasting, the National Endowment for the Arts, and the National Endowment for the Humanities are examples of programs which fill useful cultural roles in American society. And when the economy is returned to strength and stability we can restore some of their program funding for worthy projects.

In the meantime, it is clear that these programs are not designed to help those in great need, and large subsidies to them are really substitutes for private and philanthropic support which I strongly encourage. We will save \$128 million in cutting back these subsidies.

The third principle I have set down is to cut back subsidies to particular business interests. The synthetic fuels program is the perfect example of an unnecessary subsidy to large businesses. Our free marketplace has already developed incentives for businesses to build plants which make fuel from our abundant coal resources. It makes no sense for the taxpayers to give them billions of dollars to support those projects. My goal is to get energy decisions out of the political arena and into the free marketplace where they belong. This will save the taxpayer _____ billion dollars. Yet, we will continue support of the development of synthetic fuel processes and research into new technologies.

Another major business subsidy is the Export-Import Bank. I will ask you to reduce the direct loan authority of the Bank by 33 percent in 1982. The primary beneficiaries of taxpayer funds in this case are the exporting companies themselves -- most of them substantial, profitable corporations. It will be cut back.

Another principle is to reduce regional and local subsidies and limit them to areas of real need. We will try to cut back on these continuing regional special interests.

There was a time when Rural Electrification programs were essential to rural development, but now we can reduce the loans to this program and increase the interest rates for the loans which are still made. I think the recipients of REA loans will understand the fairness of this action because it simply puts them into the same position as all other Americans. These changes will save us more than \$2 billion in 1981 and 1982 and some \$15 billion through 1985.

Perhaps one of the greatest examples of how we cannot make the people better off by taxing everyone and creating massive subsidy programs is the Economic Development Administration. I am proposing that we terminate funding for it which would save nearly \$300 billion in 1982 and more than \$2 billion through 1985.

Today there is a lack of consistent and convincing evidence that the EDA and its Regional Commissions have been effective in creating new jobs. We will do better through the economic expansion and job creation which will come with my other economic measures. In addition, this is one program which also hugely benefits an army of planners, grantsmen, and other professional middlemen. I think we can do a better job while saving hundreds of millions of dollars.

Our next principle is to eliminate duplication. For example, the Farmers Home Administration duplicates several other Federal lending programs. I am asking that we trim 25 percent from the direct lending activities of this agency in order to remove this needless duplication. We can save \$105 million in 1982.

We have also found even greater waste and duplication in the Trade Adjustment Assistance program. These benefits, intended to help our unemployed when increases in imports have taken their jobs, can now be received concurrently with unemployment benefits, and that's not fair. It also has a higher benefit ceiling than for unemployment insurance. These beneficiaries will simply be asked to be on the same footing as all other recipients of unemployment benefits, and we will save \$1.15 billion this way.

We will save another \$204 million by ending or reducing neighborhood housing programs which duplicate other such programs in the Department of Housing and Urban Development.

The sixth principle which we followed is to convert categorical grant programs into block grants which shift resources and decision-making authority to State and local governments. We can reduce spending by cutting administrative overhead and eliminate waste caused by ineffective targeting. We can consolidate programs which are now strewn throughout the Federal bureaucracy. States will be better able to plan and coordinate their own service programs and establish

their own priorities. This brings government closer to the American people -- right where it belongs. We will save over \$5 billion over the next five years by taking these steps.

Any program which is not cost-effective should be reformed. This is the next principle which guided our actions. This is especially necessary when we are faced with such difficult economic dislocations as we are today.

One such program is Medicaid. Right now, the Federal Government provides States with unlimited matching payments for their expenditures. This eliminates most incentives for the States to reduce the cost of the low-income insurance programs. We will place a cap on Federal contributions to gain more efficiency at the State level. And we will allow States more flexibility in managing and structuring their programs to promote more cost-effective reforms. We can save \$1 billion in 1982 with these reforms.

While the space program has been important to America, we will ask for a reordering of NASA's priorities to focus on the most important and cost-effective parts of its programs. We can save a quarter of a billion dollars in this fashion.

The U.S. Postal Service has been consistently unable to live within its operating budget and still depends on large Federal subsidies. I propose to reduce these subsidies to force the Postal Service to become more effective. These changes will save \$632 billion next year.

Finally, our eighth principle is that we should simply terminate ineffective and counterproductive policies.

The Economic Regulatory Administration in the Department of Energy has programs to force companies to convert to specific fuels. It administers a gas rationing plan and used to run the oil price control program, until I ordered the decontrol of oil. With these regulations gone, we can save several hundreds of millions of dollars in the coming years.

In the Department of Housing and Urban Development there is a loan guarantee program which encourages communities to, in effect, mortgage their block grants as security for repayment on loans to purchase and rehabilitate property. It also allows communities to exceed their own legal debt limits. We will save \$275 million next year and more than a billion dollars through 1985.

These are only examples of _____ programs which can be cut, reformed, streamlined, and eliminated in order to save the American economy. We will work to return to standards of genuine need and ensure that original program intentions are met. Excesses and abuses must be stopped. We can no longer tolerate the squandering of billions and billions of taxpayer dollars in misdirected programs, many of whose existence depends simply on habit.

Well, one thing we can do is to break our bad habits. We want to keep the programs which work. We'll fix the ones

that need fixing. And the ones that don't work and we don't need -- let's just get rid of them.

Before I leave this discussion of spending controls, I want to mention briefly the one budget we will not be able to cut. National defense is the only area where I am obligated by my duties as President to recommend increases in spending in the coming years. The need for this effort is driven by the marked deterioration in the international climate and our failure in recent years to come to grips with our defense requirements.

Since 1970, the Soviet Union has invested \$300 billion more in its military forces than we have. This prolonged period of Soviet investment has left them with a militarily significant numerical advantage in strategic nuclear delivery systems, tactical aircraft, submarines, artillery, and anti-aircraft defense. To allow this dangerous situation to persist will endanger the security of our Nation.

To restore the military balance after several years of neglect will require a major national effort. By making the financial sacrifice in the early years of this decade, we will avoid a far more costly "crash" program that will inevitably be necessary during the latter half of this decade. I have determined that the defense program I have proposed is the effort we must make if our security and the security of our allies as well as smaller nations is to be preserved.

Yet, the Department of Defense is not free of waste and inefficiency, either, and it will not be spared the obligation to make significant reductions over the coming years. I have directed that _____ billion dollars be cut from the five-year defense program I inherited when I took office. I expect to identify and terminate additional defense programs and operating practices which are inefficient or poorly managed, or contribute little to our defense posture. I intend to provide a defense program that provides the greatest effectiveness at the least possible cost.

The second integral component of this comprehensive economic plan is reform of our tax structure to make America productive again. It's time to create new jobs, build our industry, and give the American people room to do what they do best.

I am proposing a 10 percent across-the-board cut in the tax rates for all individual income taxpayers beginning July 1 with additional 10 percent installments in each of the next two years for a total of 30 percent in cuts.

This program is a departure from the past because it restores private incentives and awakens new resources of growth in our national economy. It rewards work effort, savings, entrepreneurial activity and technological and managerial innovation.

Due to these tax rate reductions during the next five years, \$500 billion will be kept rather than paid over to the Treasury by tens of millions of American producers.

Unlike past programs, this does not merely shift wealth between classes of taxpayers, making some better off and some worse off. My proposal for equal reduction in everyone's tax rates will expand our national prosperity, enlarge national incomes, and increase opportunities for all Americans.

My advisers forecast that with full implementation of this tax program and other elements of our plan, by 1985 our real production of goods and services will grow by \$400 billion higher than today's level. The average worker's wages will rise by _____ percent in after-inflation dollars, and the average American family will enjoy _____ more in after-tax purchasing power.

By lowering tax rates by one-third and cutting inflation by one-half over the next four years, we can draw our national savings out of tax shelters and into productive investment in new factories, better technologies and more jobs. From a higher base of economic activity and with less need for shelters from punitive rates, the essential revenue needs of government can be met.

We are also proposing to reform business tax depreciation, retroactive to January 1, so that American industry will have the incentives to retool, expand, and create eight million new jobs between now and 1985.

The present depreciation system is obsolete, needlessly complex, and economically counterproductive. It forces

business to replace worn-out plants and machinery at today's high prices from capital recovery allowances based on yesterday's low costs. My proposals will stop the liquidation of industry capital and start the flow of after-tax profits needed for revitalization. In calendar year 1982, additional funds available for investment would exceed \$10 billion, growing to \$45 billion in 1985.

Let's quit thinking that "profits" is a dirty word. This past year some of our best companies had no profits, and hundreds of thousands of people had no jobs. I think it's time we saw the relationship between the two.

Without my tax proposals, Federal taxes would just keep eating more and more of the people's income -- rising to a full 24 percent after 1985. By contrast, my plan would reduce the Federal tax rate on workers to 20 percent in 1982 and 19 percent by 1985. Yet, because the economy would be rapidly growing, Federal revenues in that period would still expand by nearly \$200 billion in that period, allowing us to take care of the programs that government needs to do.

I recognize that there are many other desirable changes in the tax laws such as indexing fixed dollar amounts, expanding Individual Retirement Accounts, correcting the marriage penalty and tuition tax credits, among others. But our revitalization plan is so urgently needed, that I am asking Congress to act on today's proposals first, and then

I pledge to work with you to achieve some of these goals at an early date in the future.

The third component of our comprehensive plan is regulatory reform.

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

This torrent of regulation has caused higher prices, less employment, and lower productivity. Higher costs borne by business are passed on to consumers. Overregulation causes entrepreneurs to defer or terminate plans for expansion.

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

I have moved swiftly to deal with the problem. First, I asked the Vice President to head a cabinet-level Task Force on Regulatory Relief. Second, I asked each member of my Cabinet to postpone the effective dates of the

hundreds of ill-conceived "midnight" regulations issued during the last days of the previous Administration so that they can be evaluated on a more rational basis. Third, in coordination with the Task Force, many of the agency heads have taken prompt action to review and rescind existing burdensome regulations. My economic message will contain a list of over 100 additional regulations that my Administration will be reviewing over the coming months. Finally, just yesterday, I signed an executive order that for the first time provides for effective and coordinated management of the regulatory process.

Although much has been accomplished, this is only a beginning. I made regulatory reform a major commitment in the recent campaign, and I assure you I mean to keep that promise.

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

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

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

This, then, is our proposal for rescuing the American economy. I do not want it to be simply the plan of my Administration -- I am here tonight to ask you to join me in making it our plan. Together, we can embark on this road to national economic renewal. Our task is not to make things easy; our task is to make things better.

Can we do the job? The answer is yes. But there will be no waiting, because we must begin. Our social, political, and cultural, as well as our economic institutions, can no longer absorb the repeated shocks that have been dealt them over the past decades, and especially in the past few years.

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

Over the next few weeks, these proposals will be presented to Congress, and under our Constitution a great national debate will begin. I encourage people across America to participate in this debate, and I hope they will be able to support these essential steps.

However, I've already seen indications that narrow interests have already determined that they will oppose many of the measures we are instituting to gain control of wild government spending.

The question is whether or not we are simply going to go down the same path that has been done before -- carving out one special program here and another special program there. I don't think that is what the American people expect of us. More importantly, I don't think that is what they want of us. I think, instead, that the American people are ready to return to the source of our strength.

In our economy we should remember the most fundamental principle of them all. The government does not create wealth. Government is merely a servant and a steward.

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

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

We need to return to first principles. The taxing power of the government should not be used to destroy, only to build. The spending powers of government should be used only when necessary and not merely when convenient. And growth in revenues in America should come about not because the government of the United States is taking more, but because the people of the United States are producing more.

As we move toward adopting this new course for America, let us remember that these steps will hardly lessen the efforts of government throughout the United States. Next year, without our cuts, all State, local and Federal Government would be spending \$1.17 trillion to service the public needs of our citizens.

Even with our reductions of \$53 billion, all levels of government would still be spending some \$1.12 trillion. That is only about a 4 percent cut in total government spending. Four percent is a small price to pay to bring our economic nightmare to an end. And, it shows that by any rationale measure, we will continue to be a generous people, spending handsomely to do the things truly required of our government.

Moreover, getting inflation under control will give to every man, woman, and child in America the equivalent of a cash bonus. For example, reducing the rate of inflation from 12 percent to 10 percent would give a family of four with a median income of \$19,400 the equivalent of _____ dollars in extra wages annually. Reducing it to 8 percent would result in extra cash income worth _____ dollars. And

reducing it to 5.5 percent would result in _____ extra dollars.

Much will be determined by the way we act in the weeks ahead. The people of America will be waiting -- and they will be watching. So, let us make this a time of unity and great purpose.

I will not fail to work with you as you reach your decisions. Nor will I fail to support you as the pressures grow to do things the old way.

I don't think the people expect miracles of us -- but I do think they expect action from us. Let us act together.

Thank you and good night.

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

One month ago, I was your ~~guest~~ guest in this historic
Capitol Building, and I ~~pledged~~ pledged to you my cooperation
in doing what is right for this ~~country~~ nation we all love
so much.

I return tonight in that same spirit.

I have come not to lecture you on your responsibilities,
but to reach out my hand and to share with you the great
promise that is within our reach if we continue to work
together.

But let us first begin with the ~~truth~~ truth. I must
repeat to you the situation that I regretfully outlined to
the American people two weeks ago: We are, at this moment,
in the worst economic mess since the Great Depression.

Our people are suffering from a dangerously troubled
economic system in need of ~~urgent~~ urgent repair. ~~It is no~~
~~longer a time to talk. It is, without question, a time to act.~~

Let me briefly review ~~the~~ the ~~dimensions~~
~~of the problems~~ of the problems that have already caused
tragedy for millions and promise to ~~cause~~ cause still more

this crisis:
Here are the tragic dimensions of ~~the challenge we~~
~~confront:~~

-- The Federal budget is out of control, and we face
a total deficit of nearly \$80 billion in the budget year
ending this September 30.

-- We have suffered two years of back-to-back , double
digit inflation -- the first time this has happened in more than

six decades. Its ruinous effects eat at the very heart of our economy.

-- Seven million people are out of work. Despair ~~xxxx~~ dominates their lives. They yearn to be productive again.

-- Interest rates have reached absurd levels of more than 20 percent. Mortgages today are over 15 percent. New homes sit empty. ~~Taxxxxxxxxnewxxxxxxxkaxkax~~

-- Our national debt is pushing against ~~the~~ a level of one trillion dollars. ~~EachxxxxxxxthexxxxxxxAmericanxxxx~~ This ~~xxxxxxxthexxxxxxxAmericanxxxx~~ year alone our citizens ~~xxxxxxx~~ ~~xxxxxxx~~ will pay \$86 billion in interest on that debt.

-- The average weekly take-home pay of American workers has fallen from a high of \$122 in 1972 to \$105 in 1980 (as measured in 1972 dollars). In the last four years, Federal personal taxes for the average family of ~~xxx~~ four have increased by 58 percent.

-- Excessive regulation has acted as a drag on the productive ~~xxx~~ capacity of American industry, and piled on some \$100 billion in costs to ~~the~~ our consumers.

-- ~~American~~ American productivity, once the envy of the entire world, is now among the lowest of all industrial nations.

-- Government at every level ~~xxxxxxx~~ has expanded in leaps, and ~~xxxxxxx~~ not often enough with corresponding benefits to ~~xxxxxxx~~ the people.

It is no longer a time to talk. It is, without question, a time to act.

~~xxxxxxx~~ ~~xxxxxxx~~ ~~before~~ ~~you~~

Tonight, I will outline for you and the American people a new framework for national economic policy -- a comprehensive package of proposals to restore the economic strength and ~~vitality~~ vitality of the United States. I shall be submitting these proposals to the Congress over the next few weeks.

Though our current situation is grim, I assure you that we can act in hope. We can do so because there is nothing wrong with our internal strengths. There has been no breakdown in the human, technological, and natural resources upon which the economy is built. ^{Instead,} /the cause of our failures ~~has been~~ is a series of false national economic policies:

-- That government in Washington could ~~satisfy~~ indefinitely satisfy our major social needs from the public treasury; ~~and~~ ^{and} that social problems could be solved by programs and regulations; /that that all local and regional needs could be remedied in a distant capital. ~~and that the government could not~~

-- That tax and transfer pay-ments designed to redistribute national income would improve the lot of the less fortunate at no cost to the economic wellbeing of all Americans.

-- That more government spending and borrowing would stimulate demand, economic growth, jobs and living standards without extracting a corresponding distortion within ~~the~~ an essential private economy.

-- That the Federal Reserve system was obligated to "accommodate" excessive Federal spending and deficits by simply printing money to cover the massive borrowing demands of the U.S. Treasury.

-- That our rush toward a new agenda of envrionmental, safety, and health protection could be pursued full-throttle by the issuance of new regulatory mandates without reference to economic costs or the need to balance competing national goals.

These are the economic principles that have ~~failed~~ proven to be tragically erroneous. The new direction I present tonight represents a clean departure from these errors. ~~It is not~~ but ~~it~~ still rests on a reaffirmation of our basic strengths. We seek to restore the sound principles of fiscal management, monetary policy, Federal-State ~~relations~~ relations, private sector incentive and efficiency, ~~and~~ wealth creation for all, and limited government.

There are four components to our program, ~~each~~ working ~~to~~ together to raise us from our troubles.

First, is ~~a~~ strong new spending controls aimed at reducing of increase the rate/of Federal expenditures so that we can ~~have~~ aim at a balanced budget by 1984.

Second is an incentive tax policy to lessen the tax burdens of every ~~American~~ working American and to ~~encourage~~ encourage new investments in plant and equipment for industrial expansion.

~~This~~ The third component is a regulatory reform program which will be designed to reduce the cost of unnecessary government regulations both to the Federal Government and State and local governments as well as to private business.

Finally, we ~~will~~ must encourage a consistent monetary policy ^{growth of our} designed to provide a steady and responsible decline in the/money supply over time.

Let us begin with spending controls.

My Budget Savings Plan calls on ~~the~~ the government to ~~do~~ do precisely what the American family must do.-- live within its means. Because ~~government~~ excessive government spending, with its massive deficits, is the principal cause of inflation, then gaining control of spending is the first step to slowing inflation.

The ~~critical~~^{dangerous} condition of our economy and the years and years of budget-breaking demand that we act ~~as~~ boldly ~~as we ever have~~. This time our measures must be effective and not merely stopgap ~~temporary~~. ~~They're not just going to keep putting our fingers in the dikes;~~ ~~we're going to build better dikes.~~

Therefore, I will ask the Congress to join with me in cutting _____ billion out of the increase in the fiscal 1982 budget. So that we ~~Let's make~~ are not misunderstood: it ~~clearly~~ next year's budget will not be less than this year's budget. In fact, it will ~~be~~ still be _____ percent larger than it is this year. We will spend \$_____ billion more next year than this year. And it will continue to grow each year of my program. But ~~the point is that~~ instead of growing at a rate which feeds inflation, the budget ~~it~~ will grow reasonably and sensibly -- expanding to meet the real needs of our society and while cutting back to ~~be~~ accomplish our goals.

Before I outline some of the major cuts, ~~xxxxxxxxxxxxxxx~~
~~xxxxxxxxxx~~ ~~xxxxxxxxxxxxx~~ and I want the Congress to know

Before I outline some of the major cuts, it is important for the Congress and the American people to know the programs that we will not cut. ~~Already~~ ~~Already~~ I have seen exaggerated accounts of how these budget cuts will fall most heavily on those with the greatest need. That is not true. To suggest that ~~would~~ be irresponsible.

Our is a humane and compassionate society. ~~That is our hallmark.~~
We will continue to fulfill ~~the important and essential role~~ ^{the} obli-

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gations that spring from our national conscience. We will not remove the essential social safety net necessary for the existence of the elderly, our veterans, disadvantaged young people, and ~~those~~ those who are poor for reasons they cannot control. Therefore, I have ordered a number of important programs exempted from cutbacks.

-- We will guarantee the full retirement benefits of the more than 31 million recipients of social security. We will also continue their annual cost of living adjustments. Eliminating this cost of living adjustment would have saved \$30 billion a year by 1983, but it would also ^{have} meant a 25 percent reduction in the standard of living for our ~~senior~~ elderly, many of whom already live on the edge of poverty and suffer disproportionately from government-caused inflation.

-- Medicare will not be cut.

-- Supplemental income for the blind, aged and disabled will not be cut.

-- Funding for disabled veterans and for veterans' pensions will not be cut.

-- School breakfasts and lunches for the low income and low middle income children will not be cut.

-- Project Head Start ^{(and} Summer Youth Jobs will ~~remain intact~~ not be cut.

-- Nutrition for the aging and other special services to the aging will not be cut.

-- Job Training programs under CETA, about \$3.5 billion of funding, will not be cut.

-- We will keep nearly a million college work study jobs ~~and~~ as well as more than 900,000 loans to college students.

In total, more than \$216 billion in safety net benefits provided in some 20 programs have been maintained at present ~~existing~~ growth levels in the budget I am proposing. As we debate these great issues in the weeks ahead, let us remember that the most deserving in our society will continue to ~~be supported at a level far below the full level~~ ~~receive the full and complete benefits they now enjoy~~ receive the full and complete benefits they now ~~enjoy~~ enjoy.

At the same time, my fiscal reform plan asks that the more fortunate in our society and especially the more affluent accept ^a ~~this~~ ^{their end} bargain: In return for lower taxes, ~~higher living~~ lower inflation, higher living standards, and expanded economic opportunities, it will be ~~more~~ necessary to ~~reduce~~ reduce or eliminate nonessential benefits ~~that Federal programs provide~~ ^d to many better off Americans.

Therefore, in making these essential cuts in the growth of spending levels, I have established eight general principles to ~~us~~ guide us.

(1) Government support should go only to those in need; those who are not deserving should be removed from the programs.

(2) Government should not subsidize middle and upper income groups.

(3) ~~Subsidies~~ Subsidies should not be given to particular business interests.

(4) Subsidies to regional and local government -- paid from by national tax revenues -- should be reduced and limited to those cases of greatest need.

(5) Duplication should be eliminated from Federal programs.

(6) Categorical grant programs should be converted into block grants to cut overhead ~~costs~~ and eliminate waste.

(7) Programs whose benefits are ~~marginal~~ ^{not cost-effective} are marginal should be eliminated ^{reformed} ~~when we face national economic straits.~~

(8) We should terminate ineffective and counterproductive policies.

These are the basic principles which have guided us in ~~this~~ ~~difficult process of reforming~~ reforming an out-of-control budget. ^{should} Each principle in turn serves one overriding principle: we ~~will~~ ^{should} help those who are deserving, and/not help those who are not deserving.

~~With~~ In the context of these principles, here are some of the major spending controls I will be submitting to the Congress:

^(because) First, Government support should go only to those in need, several changes will be made in the food stamp program. The food stamp program will be reformed to do what was originally intended -- and that is to assist those Americans ~~who do not possess the~~ ^{nutritious} ~~resources~~ without resources to purchase sufficient food for a minimal standard of living. No one truly depending on food stamps will be cut. Only those who have abused this program ~~who~~ ^{be cut out.} or who are less in need will ~~suffer~~. We will save \$2.6 billion in this effort. ^{But} Remember, ~~that will~~ ^{on this} ~~still leaves us~~ ^{we will} ~~be~~ spending more than \$10 billion next year -- more than adequate for essential needs.

We ~~will~~ will tighten up the welfare program so as to take in consideration all sources of support and income for the ^{recipients} ~~poor~~. We will impose strong and effective work requirements. This ~~will~~ will save us \$671 million next year.

Another example of serving only those in need is to cut ^{fully} school meals out for those students whose families can/afford to pay for them, saving \$1.2 billion.

The Corporation for Public Broadcasting, the National Endowment for the Arts and the National Endowment for the Humanities all fill

Our second ^{guiding} principle ^{is} ~~was~~ to get the Government out of the business of subsidizing middle and upper income groups. The Corporation for Public Broadcasting, the National Endowment ~~xxxxxx~~ for the Arts, and the National Endowment for the Humanities are examples of programs which fill useful cultural roles in American society. And when the economy is returned to strength and stability we can restore some of their program funding for worthy projects.

9 But ~~I~~ In the meantime, it is clear that these programs are not designed to help those in greatest ~~need~~, and large subsidies to them are really substitutes for private and philanthropic ~~support~~ support which I strongly encourage. We will save \$128 million in cutting back these subsidies.

The third principle I have set down is to cut back subsidies to particular business interests. The synthetic fuels program is the perfect example of an unnecessary subsidy to ^{large} ~~great~~ businesses. Our free marketplace has already developed incentives for businesses to build ~~new~~ plants which make fuel from our ~~and~~ abundant coal resources. It makes no sense for the taxpayers to give them billions of dollars to support those projects. ~~but~~ My goal is to get energy decisions out of the ~~public~~ political arena and into the free marketplace where they belong. This will save the taxpayer billion dollars. Yet, we will continue support the development of synthetic fuel processes and research into new technologies.

Another major ~~subsidy~~ business subsidy is the Export-Import Bank. I will ask you to reduce the direct loan authority of the Bank by 33 percent in 1982. The primary beneficiary of taxpayer funds in this case are the exporting companies themselves -- most of them substantial, profitable corporations. It will be cut back.

Another principle is to reduce ~~major~~ regional and local subsidies and limit them to areas of real need. We will try to cut back on these continuing regional special interests.

There was a time ~~when~~ when Rural Electrification programs were essential to rural development, but now we can reduce the loans to ~~this~~ this program and increase the interest rates for the loans which are still made. I think the ~~beneficiaries~~ ^{recipients} of REA ~~loans~~ loans will understand the fairness ~~of~~ ^{of} this action because it ~~will~~ ^{simply} put them into the same position as all other Americans. These changes will save us more than \$2 billion in 1981 and 1982 and some \$15 billion through 1985.

Perhaps one of the greatest examples of how we cannot make the people better off by taxing everyone and ~~and~~ creating massive subsidy programs is the Economic Development Administration. I am proposing that we terminate funding for it which would save nearly \$300 million in 1982 and more than two billion dollars through 1985.

Today there is a lack of consistent and convincing evidence that the EDA and its Regional Commissions have been effective in creating new jobs. ~~The job will be done better by~~ ^{We will do better through} the economic expansion and job creation which ~~comes~~ ^{will} ~~through~~ ^{with} my other economic measures. ~~Moreover,~~ ^{In addition,} this is one program which also hugely benefits an army of planners, ~~grantmakers~~ grantsmen and other professional middlemen. I think we can do a better job while saving hundreds of millions of dollars.

Our next principle is to eliminate duplication. For example, the Farmers Home Administration ~~duplication~~ ² duplicates several other ~~Federal~~ Federal lending ~~institutions~~ programs. ~~I plan to trim~~

I am asking that we trim 25% from the direct lending activities of this agency in order to ~~cut out the original purpose of~~ ~~removing~~ remove this needless duplication. We can save \$105 million in 1982.

We ~~also~~ have also found even greater waste ~~in the~~ and duplication in the Trade Adjustment Assistance program. These benefits, intended to help our unemployed when increases ~~in~~ in imports have taken their jobs, can now be received concurrently with unemployment benefits, and that's not fair. It ~~has~~, also has ~~a much~~ a higher benefit ceiling than for unemployment ~~in~~ insurance. These beneficiaries will simply be asked to be on the same footing as all other ~~unemployed~~ recipients of unemployment benefits, and we ~~can~~ will save \$1.15 billion this way.

We will save another \$204 million by ending or reducing neighborhood housing programs which duplicate other such programs in the Department of Housing and Urban Development.

The sixth principle which we followed is to convert categorical grant programs in ~~to~~ to ~~block~~ block grants which shift resources and decision-making ~~authority~~ authority to State and local governments. We can reduce spending ~~on~~ by cutting administrative overhead and eliminate waste caused by ineffective targeting. We can consolidate programs which are now strewn throughout the Federal bureaucracy. States will be better able to plan and coordinate their own service programs and establish their own priorities. This brings government closer to the American people -- right where it belongs. We will save over five billion over the next five years by ~~doing~~ taking these steps.

~~When our nation is struggling with massive economic~~
dislocation, programs whose

Any ~~unsuccessful~~ program which is not cost-effective should be ~~reformed~~ reformed. This is the next principle which guided our actions. This is especially necessary when we are faced with such difficult economic dislocations as we are today.

One such program is Medicaid. Right now the Federal Government provides ~~States~~ States with ~~open ended~~ unlimited ~~matching~~ matching payments for their expenditures. This eliminates most incentives for the States to reduce the cost of the low-income insurance programs. We will place a cap on Federal contributions to gain more efficiency at the State level. And we will allow States more flexibility in managing and structuring their programs to promote more cost-effective reforms. We can save \$1 billion in 1982 with these reforms.

While the ~~space~~ space program has been important to America, we will ask ~~the government~~ ^{NASA's} for a reordering of ~~its~~ priorities to focus on the most important and cost-effective parts of the programs. ~~its/programs~~. We can save ~~more~~ a quarter of ~~that~~ a billion dollars in this fashion.

The U.S. Postal Service has been consistently ~~unable~~ unable to live within its operating budget and still depends on large ~~Federal~~ ^{those} Federal subsidies. I propose to reduce ~~these~~ ~~these~~ subsidies to force the Postal Service to ~~become~~ become more effective. These changes will save ~~more~~ \$632 billion next year.

Finally, ^{our eighth principle is that} we should simply terminate ineffective and counterproductive policies.

The Economic Regulatory Administration in the Department of Energy has programs to force ~~companies~~ companies to convert to specific fuels. ~~It~~ It administers a gas rationing plan and

used to run the oil price control program, until I order ^d the decontrol of oil. With these regulations gone, we can save several hundreds of millions of dollars in the ~~coming~~ ^{coming} years.

~~Thurston~~ In the Department of Housing and Urban Development there is a loan guarantee program which encourages communities to, in effect, mortgage their block grants as security for repayment on loans to purchase and rehabilitate ~~for~~ property. It also allows communities to exceed their own ~~debt limits~~ legal debt ~~limits~~ limits. We will save \$275 million next year and more than a billion dollars ~~in~~ through 1985.

These are only examples of _____ programs which can be cut, reformed, streamlined, and eliminated in order to save the American economy. ~~and~~ We will work to ~~stop~~ return to ~~setting~~ standards of ~~genuine~~ genuine need and ~~seeing~~ ^{ensure} that original program intents are met. Excesses and abuses must be stopped. We can no longer tolerate the squandering of billions ~~and~~ ^{and} billions of taxpayer dollars in misdirected ~~programs~~ programs, many of whose existence depends simply on habit.

Well, one thing we can ~~start~~ do is to break ~~the habits~~ our bad habits. We want to keep ~~the programs which~~ ^{the programs which} work. We'll fix the ones that need fixing. ~~And, let's agree that we can all benefit by getting rid of the ones that we don't need.~~ And the ones that don't work and we don't need -- let's just get rid of them.

Before I leave this discussion of spending controls, I want to mention briefly the ~~the~~ one budget we will not be able to cut. National defense is the only area where I am obligated by my duties as President to recommend increases in spending in the coming years. The need for this effort is driven by the marked

deterioration in the international climate ~~in the past several~~
~~years~~ and ~~the~~ our failure in recent years to come to grips with our
defense requirements.

Since 1970, the Soviet Union has invested \$300 billion more
in its military forces than we have. This prolonged period of
Soviet investment has left them with a militarily significant
numerical advantage in strategic nuclear delivery systems, tactical
aircraft, submarines, artillery, and anti-aircraft defense. To
allow this dangerous situation to persist ~~indefinitely~~ will ~~bring~~
~~our Nation's security~~ endanger the security of our Nation.

To restore the military balance after several years of neglect
will require a major national effort. By making the financial
sacrifice in the early years of this decade, we will avoid a far
more costly ~~program~~ "crash" program that will inevitably be
~~we~~ necessary during the latter half of this decade. I have
determined that the defense program I have proposed is the
effort we must make if ~~if~~ our security ~~and the~~ and the
security of our allies as well as smaller nations is to be preserved.

Yet, the Department of Defense is not free of waste and
inefficiency, either, And it ~~will~~ will not be spared the obligation
to make significant reductions over the coming years. I have
directed that ____ billion dollars be cut from the five-year
defense program I inherited ~~from the previous administration~~ when I took office.
I expect to identify and terminate additional defense programs
and operating practices which are inefficient or poorly managed,
or contribute little to our defense posture. I intend to ~~we~~ provide
a defense program that provides the ~~we~~ greatest effectiveness at
the least possible cost.

The second integral component of ~~the~~ this comprehensive economic plan is reform of our tax structure to make America productive again. It's time to create new jobs, build our industry, and give the American people room to do what they do best.

I am proposing a 10 percent across the board cut in the tax rates for all individual ~~income~~ income taxpayers beginning July 1 with additional 10 percent installments in each of the next two years for a total of 30 percent in cuts.

This program is a departure from the past because it restores private incentives and awakens new resources of growth in our ~~capitalist~~ national economy. It rewards ~~risk~~ work effort, savings, entrepreneurial activity and technological and managerial innovation.

Due to these tax rate reductions during the next five ~~years~~ years, \$500 billion will be kept rather than paid over to the Treasury by ~~the~~ tens of millions of American producers.

Unlike ~~the~~ past programs, this does not merely shift wealth between classes of taxpayers, making some better off and some worse off. My ^{goal} proposal for equal reduction in everyone's tax rates will expand ^{our} national prosperity, enlarge national incomes and increase opportunities for all Americans.

My advisers forecast that with full ~~and~~ implementation of this tax program and other elements of our plan, by 1985 ~~the~~ ^{my} real production of goods and services will grow by \$400 billion. ~~the~~ ^{my} higher than today's level. The average ~~no~~ worker's wages will rise by _____ percent in after inflation dollars, and the average American family will enjoy _____ more in after-tax purchasing power.

By lowering tax rates by one third and cutting inflation by one half over the next four years, we can draw our national savings out of tax shelters and into productive investment in new factories, better ~~knowledge~~ technologies and more jobs. From a higher base of ~~activity~~ economic activity and with less need for shelters from punitive rates, the essential revenue needs of government can be met.

to January 1, We are also proposing to reform business tax depreciation, *retroactive* so that American industry will have the incentives to retool, expand and create eight million new jobs between now and 1985.

The present depreciation system is obsolete, needlessly complex and ~~expensive~~ economically counter-productive. It forces business to replace worn-out plants and machinery at today's high prices from capital recovery allowances based on yesterday's low costs. My proposals will stop the liquidation of industry capital and start the flow of after-tax profits needed for revitalization. In ~~the~~ calendar year 1982, additional funds available for investment would exceed \$10 billion, growing to \$45 billion in 1985.

Let's quit thinking that profits is a dirty word. This past year some of our *best companies had* ~~most stable industries have had~~ no profits, and hundreds of thousands of people had no jobs. I think it's time we saw the relationship between the two.

Without my tax proposals Federal taxes would just keep eating more and more of the people's income -- rising to a full 24% after 1985. By contrast, my plan would reduce the Federal tax ~~rate~~ rate on workers to 20 percent ~~in~~ in 1982 and 19 percent by 1985. Yet, because the economy would be rapidly growing, Federal revenues in that period would still expand by nearly \$200 billion in that period, allowing us to take care of the ~~other~~ programs that

government needs to do.

~~Finally~~ I recognize that there are many other desirable ~~changes~~ changes in the tax laws such as indexing fixed dollar amounts, expanding Individual Retirement Accounts, correcting the marriage penalty and tuition ⁽tax credits, among others. But our revitalization plan is so ~~important~~ urgently needed, that I am asking Congress to act on ~~my~~ today's proposals first, and then I pledge to work ~~with~~ with you to achieve some of these goals at an early date in the future.

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*The third component of our comprehensive plan is
Regulatory reform.*

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

This torrent of regulation has ^{caused} ~~had many adverse effects.~~ ~~They include~~ higher prices, less employment and lower productivity. Higher costs borne by business are passed on to consumers. ~~A there's no such thing as a free lunch.~~ Moreover, ~~by creating substantial uncertainty and interfering with private decisionmaking,~~ ^{over} regulation causes entrepreneurs to defer or terminate plans for expansion. ~~In a time when our society's economic health is tenuous at best, the additional burdens imposed by regulation should be of substantial concern.~~

~~I want to assure you that~~ ⁹ we have no intention of dismantling the regulatory agencies - especially those necessary to protect the environment and to assure the public health and safety. However, we must come to grips with inefficient and burdensome regulations - eliminate those we can and reform those we must keep.

I have moved swiftly to deal with the problem. First, I asked the Vice President to head a cabinet-level Task Force on Regulatory Relief. Second, I asked each member of my cabinet to postpone the effective dates of the hundreds of ill-conceived "midnight" regulations issued during the last days of the previous administration so that they can be evaluated on a more rational basis. Third, in coordination with the Task Force, many of the agency heads have taken prompt action to review and rescind existing burdensome regulations. My economic message will contain a list of over 100 additional regulations that my Administration will be reviewing over the coming months. Finally, just yesterday I signed an executive order that for the first time provides for effective and coordinated management of the regulatory process.

Although much has been accomplished, this is only a beginning. I made regulatory reform a major commitment in the recent campaign, and I assure you I mean to keep that promise.

The fourth and final aspect of this comprehensive plan is that it requires a national monetary ~~policy~~ policy which ~~keeps the~~ ~~growth in the money supply~~ does not allow the rates of money growth to ~~xxx~~ increase consistently faster than the growth of goods and services. In order to curb inflation, we need to slow the growth in our monetary base.

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

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

This, then, is our proposal for rescuing the American economy. I do not ~~simply~~ want it to be ^{simply} the ^{plan} ~~proposal~~ of my administration -- I am here tonight to ask you to join me in making it our plan. Together, we can embark on this road to ~~economic~~ national economic task renewal. Our ~~job~~ is not to make things easy; our task is to make things better.

Can we do the job? The answer is yes. ~~But there will be no waiting, because we must begin.~~ But there will be no waiting, because we must begin. ~~Our social, political, cultural as well as our economic institutions can no longer absorb the repeated shocks that have been dealt them over the past decades, and especially in the past few years.~~

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

Over the next few weeks, these proposals will be presented to Congress, and under our Constitution a great national debate will begin. I ~~hope~~ ^{encourage} ~~that~~ people across America ~~will~~ ^{to} participate in this debate, and ~~I hope they will be able to support these essential steps.~~

However, I've already seen indications that ~~many~~ narrow interests have already determined that they will oppose many of the measures we are instituting to gain ~~control~~ control of wild government spending.

The question is whether or not we are simply going to go down the same path ~~we~~ that has been done before -- carving out ^{one} ~~some~~ special program here and ^{another} ~~one~~ special program there. I don't think that is

what the American people expect of us. More importantly, I don't think that is what they want of us. I think, instead, that the American people are ready to return to the source of our strength.

In our economy we should remember the most fundamental principle of them all. The ~~Federal~~ government does not create wealth. Government is merely a servant and a steward.

The substance and prosperity of our nation is built by wages brought home from the factories and mills. They are the income produced by farmers who feed us and the world. They are the services provided in ten thousand corners of America. They are the interest on the thrift of our people and the returns from their risk-taking. The production of America is the possession of those who build, ~~we~~ serve, create and produce.

We know that for many good reasons ~~we~~ ^{we} want to share the fruits of our production through the government. And yet we've only always done best when this was in answer to real needs.

For too long now we've removed from the people the decisions on how to dispose of ~~things~~ what they created. We have strayed from first principles, and now we must alter our course. ~~we~~ ~~must return to the people~~ ~~people more control over what they have produced.~~ ~~things~~

Many say that the government does not create inflation. Well, if government does not create inflation, then the only other source could be the people ~~or our institutions.~~ Therefore, I ask as I have so many times before: why isn't it inflationary when the government takes ~~the~~ money from the people and spends it ~~there~~ ^{its} ~~their~~ way, ~~and~~ ^{but} it is inflationary when the ~~government~~ ^{people} takes ~~their money and~~ spends it the way they want to.

What we do here is a way of saying ~~xx~~ yes to America, and yes to every fundamental strength within our nation.

It's the positive thing -- a way to build on foundations which served us well. At last, I hope, we will move toward ~~xx~~ breaking the bonds of dependency -- the ~~xxxxx~~ vicious cycle of excessive government growth with the corresponding diminution of the right of the individual.

Just 29 days ago, I stood outside this historic building and said: "future if we do nothing etc." Gavin quote.

* * * *

And Growth in revenues in America should come about not because the government of the United States is taking more, but because the people of the ~~xxxx~~ United States are producing more.

We give it the fancy nickname of "bracket creep." But what it really means is like being on a treadmill. While we walk faster on the treadmill, the treadmill speeds up faster than we pick up our pace. The result: ~~xxx~~ one step forward; two steps backward.

"We are too great a nation to limit ourselves to small dreams. We're not, as some would have us believe, doomed to an inevitable decline. I do not believe in a fate that will fall on us no matter what we do. I do believe in a fate that will fall on us if we do nothing."

we say
"no" to
simply
accepting
external
control of
our lives

We need to return to first principles. The taxing power of the government should not be used to destroy, only to build. The spending powers ~~function~~ of government should be used only when necessary and not merely when convenient. (X)

As we move toward adopting this new course for America, let us remember that these steps will hardly lessen the efforts of government throughout the United States. Next year, without our cuts, all State, local and Federal Government would be spending \$1.17 trillion to service the public needs of our citizens.

9 Even with our reductions of \$53 billion, ~~the~~ all levels of government would ~~be~~ still be spending ~~about four and a half~~ some ~~pe~~ 1.12 trillion dollars. That is ~~less than~~ only about a four percent cut in total government spending. Four percent is a small price to pay bring ~~the~~ our economic nightmare to an end.

And
It shows that ~~by~~ by any rationale measure, we will ~~still~~ continue to be a generous people, spending handsomely to do the things truly required of our government.

Moreover, getting inflation under control will give to every man, woman and child in America the equivalent of a cash bonus. For example, reducing the rate of inflation from 12 percent to 10 percent would given ~~the~~ a family of four with a median income of \$19,400 the equivalent of ____ dollars in ~~wages~~ extra wages annually. Reducing it to 8 percent would result in extra cash ~~and~~ income worth ____ dollars. And reducing it to 5.5 ~~percent~~ percent would result in ____ extra dollars.

Our actions will serve as a way of saying ~~yes~~ "yes"
~~to~~ to America. We can show that

One day soon, much will ^{have} be determined by the way we acted
in these critical times.

Much will be determined by the way we act in the weeks ahead.
The people of America will waiting -- and they will be watching. S,
Let us make this a time of unity and great purpose. I will not
fail to work with you as you reach your decisions. Nor will I
fail to support you as ~~y~~ the pressures grow to do things the
old way.

I don't think the people expect miracles of us -- but I
do think they expect action from us. Let us act together.

Thank you and good night.