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LYNN

- Add missing
under _____

DONE
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- Multi-Year
budgets

- (How had
costs estimate
have been)

SEP 5 REC'D

To: Martin Anderson

From: Jack Kemp

Re: Some suggestions regarding Governor Reagan's economic speech

My first impression is that the speech draft covers an awful lot of ground. It treats subjects--Carter's failure of leadership, a critique of his economic program, how to balance the budget while cutting taxes and spending more on defense, ways to cut spending--any one of which could almost be turned into a speech. Cramming this much detail into the speech makes it meaty, but also perhaps hard to deliver and to follow.

I am attaching a draft which reworks the first ten pages in accordance with the following suggestions, which I offer for what they're worth.

The critique of the Carter economic program could be a bit more effective. We haven't seen his depreciation plan yet, and indications are that it's not as good as 10-5-3 or the Finance Committee plan, so we don't want to give more credit than necessary.

The section comparing Japan to the United States seems to have taken on more than can be effectively treated within the limitations of this speech. It might be better to leave this argument for another time, and merely refer to the UK's troubles with bailing out Chryslers.

The Mark Twain anecdote doesn't quite come off. If anything, it's ^{Carter's} ~~his~~ policies that are obscene.

On p. 5, the ~~two~~ nature of the two phases--long and short term?--isn't all that clear. *Sounds like Nixon, too.*

On p. 6, I think it would be a good idea to introduce the idea of the role of monetary policy in fighting inflation, that it doesn't have to passively accommodate budget deficits under all circumstances.

Is it necessary to give year-by-year CBO figures, or can the same be accomplished in a fact sheet? (p. 8)

In general, the handling of spending is open to objection, because it doesn't at least sketch the size of the military spending increase the Governor would like to see. And have you worked out the percentage reduction in nondefense, noninterest spending which will be necessary to accommodate both higher defense spending and the 7% overall budget reduction?

Almost two months ago, in accepting the presidential nomination of my party, I described the crisis which faces the United States. I said:

Never before in our history have Americans been called upon to face three grave threats to our very existence, any one of which could destroy us. We face a disintegrating economy, a weakened defense and an energy policy based on the sharing of scarcity.

In these past two months, President Carter has taken no action to change this grave and unprecedented situation.

I emphasize the word "action." Jimmy Carter has shown that he is ready to adopt the rhetoric of action. But it is rhetoric only.

The same Commander-in-Chief who spent four years cutting programs of naval shipbuilding, strategic defense and military pay, now says he is concerned about the growing threat to our national security.

The same President who will have raised taxes 75 percent during one term in office now says he is concerned about the impact of taxes on economic growth and productivity.

The same President who now has more Americans out of work than when he took office now says he is concerned about rising unemployment.

The same President who will have added \$300 billion to the national debt--42 percent in four years--now says he is worried about inflationary deficits.

TWO

The same President whose Administration has increased the number of pages of Federal regulation 35.8 percent now says he is for ending counterproductive overregulation.

Why does Mr. Carter come to us now to tell us what he would do if he were President? He has been President of the United States for almost four years. He has headed a party which controls both houses of Congress. He has shown us what he would do in office, and it has been a disaster.

In short, Jimmy Carter finally admits that there is a three-way race for the Presidency. Both of us are running against the record of the incumbent.

Two weeks ago, Mr. Carter launched his fifth "New" Economic Program in less than four years. It resembles its predecessors in one respect: it is long on wind and short on effective policy.

Mr. Carter describes his \$32 billion package as one which will cure our problems of dropping productivity and lagging investment. Yet less than one quarter of his program has any connection with these problems. This is a schedule for accelerated depreciation; yet it is more complicated than and inferior to plans proposed by Republicans and the Senate Finance Committee. The rest is an assortment of credits, rebates, subsidies and spending programs which do not affect a single tax rate. In fact, under this plan, tax rates will continue to go up because of inflation.

Final

THREE

There is a proposed credit against 8 percent of payroll taxes. I can't even describe it as a half-way measure, because it offsets only one-quarter of next year's tax increases--the payroll tax increase which Mr. Carter enacted in 1977. And it does so only temporarily.

Many of the proposals are answers to problems caused by Mr. Carter's earlier economic policies. There is a refundable tax credit--a Federal payment to businesses which are not turning a profit. The reason businesses are not turning a profit is Mr. Carter's economic policy.

There is an extension of unemployment benefits. This is to help the workers put out of jobs by Mr. Carter's efforts to slow down the economy. There is also a proposal to train people for jobs that are not likely to exist if Mr. Carter's economic policies continue.

There are proposals for increased Federal spending, which Mr. Carter now calls "public investment."

He talks about an Economic Revitaliation Board. Among other things, he wants this board to invest the pension funds of workers in shaky businesses. Despite all of the good intentions not to allow an economic revitalization program to become a vehicle to bail out failing businesses, it is just not possible to be otherwise. Healthy businesses do not need government help. Only the failing ones, threatening large job losses, will show up at the door of the White

FOUR

House for help. But experience both here and in countries like the United Kingdom amply demonstrates that the jobs that are "saved" are temporary, and the damage to the economy--including far greater job loss--is permanent.

All that can be said for Mr. Carter's latest program is that even he believes it should not be adopted this year. It should not be adopted next year, either.

With his seemingly limitless capacity for new programs, Jimmy Carter knows all the words, but he just doesn't have the tune. He is a newcomer to the idea of economic growth, and he has gotten it wrong. Perhaps his tragedy as a leader is that he has never had a vision of where he wants to go. And because we have had to endure this nonleadership for four years, it is our tragedy as well.

Today I want to speak to you of a different concept of leadership, one based above all on faith in the American people. Mr. Carter seems to believe that this country was built by machines. Two-thirds of his plan which is supposed to improve productivity is devoted to business. That's where we differ. No machine ever had a good idea, took a risk on the future, invested wisely, saved prudently, or labored skillfully.

Unlike Mr. Carter, I don't believe that what this country needs is another program to increase the government's management of the economy. Half the problem today is that government is doing more than it ought to. There is too much regulation, too much spending, too much taxation, and too much printing-

FIVE

press money. The other half of the problem is that the government is not doing the things it ought to do--balancing its budget, maintaining a sound currency, providing a strong defense, and following a competent foreign policy.

Any successful program to revitalize our economy must be a long-term plan to increase the real rate of economic growth. Without a faster rate of growth, our economy will continue to stagnate, unemployment will remain high, and Federal spending will take a larger and larger share of the economy because of automatic increases in social spending and necessary increases in defense spending.

It is a simple matter of arithmetic. The size of our economy today is about \$2.5 trillion. If it continues to grow as slowly as it has in recent years, the economy will barely stagger to \$3 trillion, in today's dollars, by the end of the decade. On the other hand, if the economy, aided by policies to restore incentives and a sound dollar, grows as quickly as it did from 1961 to 1969, it will reach almost \$4 trillion. With a larger economy, the same Federal budget would take less of our income. For example, a \$600 billion budget is 20% of a \$3 trillion economy, but only 15% of a \$4 trillion economy. By the same token the same share of our income can support a larger budget, if we so choose.

In addition to the task of long-term economic revitalization, a new Administration will also be immediately confronted by the frightening slide which has resulted from the policies of

SIX

the Carter Administration. This will require three fundamental policies, each of which is vital to our national interest.

1. First, we must stop the crippling rise of tax rates which will continue to occur under current tax law. President Carter's most recent budget projections predict that Federal taxes will double once again between now and 1985. Even accounting for Mr. Carter's tax cut program, Federal taxes will rise from 20.5% of GNP in the current fiscal year to almost 24% by 1985. Unless we stop this relentless rise in tax rates on work, investment and innovation, the economy will be unable to maintain even the slow growth rate of the past several years.

2. Second, we must end the inflationary policies of the Federal government. The ultimate cause of chronic inflation is the printing of money to finance Federal deficits. This means we must do two things. As long as a deficit persists, it must be financed by private saving, not by the Federal Reserve. And we must act to balance the Federal budget, permanently.

3. Third, we must restore our military capability to meet the threat of an unchallenged Soviet military expansion, especially during the five-year period of the 1980s which is known as the Soviet "window of opportunity."

I am asked, can we do it all at once? My answer is that we must. In fact, we are unlikely to accomplish any one of these goals without also achieving the other two. Witness

SEVEN

the failure of President Carter to balance the Federal budget as he promised, despite the largest tax increase during one Presidential term in all of American history. How can we pay to rebuild our defenses without a strong and prosperous economy? And how can our economy become strong and prosperous again, unless we remove the stultifying barriers of rising tax rates, a shrinking dollar, and a jungle of unnecessary regulation? We can and must cut tax rates, balance the budget, and rebuild our defenses, at the same time.

Mr. Carter says he can't meet this challenge. If this is the case, I say that he should step aside in favor of someone who can.

Let me outline why I believe we can cut tax rates, balance the budget and increase defense spending at the same time. According to the Congressional Budget Office, if current Federal services are maintained and adjusted for inflation, by 1985 there will be a budget surplus of about \$178 billion. The reason is almost entirely the huge tax increases which will take place if current tax law is not changed.

I have pledged to cut the income tax rates of all Americans by 10% a year for three years, and then to adjust the new tax rates every year for inflation. If this plan were enacted next January 1, its size would be about \$175 billion by FY 1985.

EIGHT

In dollar size, it does nothing more than offset expected increases in income and payroll tax rates.

I have also proposed a change in the depreciation rules for business investment. This plan would amount to about \$40 billion by FY 1985. Together, these two tax plans would merely keep Federal taxes from rising as a share of the economy. This \$215 billion tax cut would be phased in at a time in which Federal revenues would otherwise be doubling to almost \$1.1 trillion. If the American economy grew only 1 percent faster as the result of this tax cut, as well as my reforms of regulatory, budgetary and monetary policy, we could fund all current Federal services without a deficit. I believe we can do much better than that, both in increasing economic growth and in restraining Federal spending.

I mention these figures to demonstrate that official estimates show that my strategy can work. The figures being used by the Carter Administration are, typically, a lot of hot air. For example, President Carter and his advisers have variously claimed that a 30% cut in income tax rates would cost \$220 billion, \$285 billion, and \$1 trillion a year by 1985. Yet total income taxes this year will be only \$240 billion. If President Carter stands by even the lowest of the figures he has been using, it means he plans to triple income taxes by the end of a second term in office. Perhaps he does.

NINE

A strategy for growth must be based on facts--as mine is-- but it must also be based on something more than statistics and forecasts. It must be based on what we know the American people can do, given the chance. I believe the American people would respond enthusiastically to greater incentives to work, to save, to invest and to start new enterprises. I believe that we could quickly achieve a rate of growth in productivity, jobs, prosperity and excellence, equal to or greater than that of the early 1960s. President Carter may have lowered his expectations of what the American people can achieve, but I have not.

But tax-cutting alone is not all there is to a sound economic program. We need to control the growth of Federal spending and balance the budget. We must stabilize the value of the dollar, at home and abroad. My goal is to end inflation, not merely to reduce it a little. We must also remove those unnecessary regulations which are not in the public interest.

I believe we can and must reduce spending levels for fiscal year 1981--the year which starts next month--by 2 percent below current projections. After achieving this level of spending restraint for the part of the 1981 budget year which remains after I take office, I would continue in succeeding years. We can achieve a further 2 percent reduction in FY 1982, and an additional 1 percent each in fiscal years 1983, 1984, and 1985. The reductions would total 7% of current projections by the fifth annual budget.

TEN

I believe this plan is reasonable and achievable. It would not require altering or taking back any entitlements already granted to the American people. The integrity of the Social Security system would be maintained, and its benefits would be worth something again, because we would also be reducing inflation.

This strategy does mean restraining the Congressional desire to "add on" to every program and to create new, deficit-funded programs. That restraint would be provided by a Republican Congress.

There are several ways in which we can make these savings, and while increasing our spending for national defense.

First, we can save on social spending to the degree that the economy improves. We will not need to spend so much, for example, on welfare and unemployment benefits. For every million Americans we put back to work, we can save about \$6 billion in spending and gain about \$20 billion in revenue.

Second, we can save by pursuing a monetary policy which reduces inflation. Lower inflation means lower interest costs on the national debt. It also means less spending to index Federal benefits and programs for inflation, without reducing what those benefits can buy.

Third, we can change the way in which some Federal programs are administered, by restoring administrative authority to the states where it is advisable to do so. The federal programs

ELEVEN

that I believe should be carefully considered for transfer to the states--along with the tax resources to finance them--are those which are essentially local in nature. The broad areas that include the most likely prospects for transfer are welfare and education.

(pick up page 11)

5 Sept. 1980

TO: Bill Ga vin

FROM: BOB Ga rrick

RMG

Herewith, a response from Bill Brock that might be of interest.



Republican National Committee

September 5, 1980

Bill Brock
Chairman

Mr. Robert Garrick, Director
Policy Development & Research
Reagan-Bush Committee
901 South Highland Avenue
Arlington, Virginia 22204

Dear Bob:

Thank you for the preliminary draft on the Governor's 9 September speech before the Business Council in Chicago. Permit me some suggestions.

The first five pages of the speech are devoted to comments on President Carter and his conduct of office. I think you know how strongly I feel about the necessity for attack on the abysmal performance of this administration. Thus, I found those five pages excellent. However, perhaps it could be tightened up and given a little more punch by some specific citations.

For example, in the past four years, food prices are 39%, health care costs up 44%, new housing costs have risen 49%.

As a consequence of deliberate government policy, housing starts are off 49%, individual savings are down 42%, and our real growth in gross national product is down 81% from four years ago.

The genesis of the problem can be found in these facts: federal spending has risen \$231 billion, federal taxes have increased \$246 billion, and the federal debt has risen \$301 billion.

Thus, in these four years, interest rates have doubled, inflation has doubled, and the maximum tax on Social Security has doubled.

The result of these four years of mismanagement can be seen in specific areas. For example, farm production costs have risen in the last year 10 1/2% while farm prices received were down 8.1%, and net farm income declined 22% from a year ago.

Today only 5% of American families can afford to buy a new home at today's price and today's interest rate.

In the period between October and May of this year, small business bankruptcies were up by 48%. The projection is that 666,000 small businesses will fail in 1980 alone. For the first time in our history the Highway Trust Fund is in deficit.

In the last year 2 million additional people lost their jobs. Teenage unemployment is 19%, black youth unemployment is 40%.

A simple summary litany of such statistics would begin to dramatize concretely the incredible incompetence of the administration.

In a second area, on page nine, there is a statement made in the first full paragraph "and I think we can do even better. My goal is to ultimately reduce spending by 10%."

One of the difficulties we've had in our promise to cut taxes, increase defense spending, and balance the budget stems from the confusion relating to the term "cut in spending". I'm not sure what the speech means in this regard even now. Are you talking about reducing spending 10% from today's level in real dollars? Are you talking about reducing spending 10% below what it would be without such cuts over the five year period? Or are you simply talking about cutting the increase in spending by 10%? Unless this is clarified, I think you might leave your audience mulling these questions while the rest of the speech is going on, and they wouldn't even hear it. My suggestion would be either to do a clarification or preferably to eliminate that last sentence with the specific number (10%).

On page 13, the first paragraph deals with the federal inheritance and estate tax. It is a paragraph with which I fully agree, as would most Republicans and a great many others. However, in the context of this speech, it will be treated with perhaps too much emphasis by the press. The standard attack line would be 'Reagan proposes to eliminate tax on the rich'. Most people view estate tax problems as affecting only those with a great deal of money. Obviously the average voter does not see himself or herself in that category. Thus, while I agree with the validity of this approach, I strongly question its inclusion in this campaign.

In sum, this issue is extraneous and will divert attention from the central issues of the campaign. Carter is the issue in 1980. His conduct of office on the questions of inflation, unemployment, and national defense is the issue. Any specific which misdirects attention from those basics is not only unnecessary, but clearly counterproductive.

I am enclosing a letter I wrote to Paul Laxalt outlining my objection to excessive specificity in our campaign approach. If you will take just a moment to read it, I think you will gather the gist of my concern.

Lastly, I think you've heard me say that as far as I am concerned, our commitment must cover three promises - jobs, jobs, and jobs. I know you're talking to a business group, but I strongly urge that additional reference be made to the employment opportunities for men, women and young people in this overall economic approach.

Sorry to be so long. Hope it might prove constructive, at least in some areas.

Very truly yours,

BILL BROCK

BB:cb

STAGE 2 ^{Robbery}

Can only be a beginning
our new

~~Tell us it's just a beginning.~~

~~After~~ question ~~out~~ of the

economy will be a

~~defence:~~



CASEY
703-668-6224

Continuation

Ed Gray
Comments

And because we will have endured this nonleadership for four years, it is our tragedy as well.

Today I want to speak to you of a different concept of leadership, one based on faith in the American people, confidence in the American economy, and a firm commitment to see to it that the federal government is once more responsive to the needs of the people. That view is rooted in a strategy for growth, a program that sees the American economic system as it is -- a huge, complex, dynamic system which demands not piecemeal federal packages of solutions, or pious hopes wrapped in soothing words, but the hard work and concerted programs necessary for real growth.

We must first recognize that the problem with the U.S. economy is ^{weighted down by} too much inefficient government, too much needless regulation, ~~too much taxation, too much printing press money.~~

We don't need any more eight or ten point programs of government actions to "fix" the economy. It is the overdose of such ^{"remedies"} ~~initiatives~~ which has been gradually sapping the vitality of the most productive economic system the world has ever known. I see a true revitalization of the American economy as a two-stage process:

First, we must stop the frightening erosion that now ^{plagues} ~~confronts~~ our economy. Then we must ^{step up} ~~increase~~ our economic growth ^{substantially.} ~~markedly.~~

The second stage will ^{come} ~~be~~ relatively easy if the first stage work ~~is~~ done of the first stage. This

strategy are three fundamental policies, each of which is vital, each of which is dependent on the other two for success and all three of which, working in concert under effective leadership, can take us from the Carter economics of despair and stagnation to an economics of hope and of growth based on what we know the American people are capable of:

*of what to what
Needs explanation*

1. First, we must ~~stop~~ ^{put an end to the} inflationary policies of the federal government. ~~This means~~ The necessary precondition of such action ^{is} a balanced budget.

2. Second, we must ~~prevent rises~~ ^{halt increases} in the tax burden now crippling the economy and savaging family earnings.

Carter's tax cut program still leaves the ratio of total Federal revenues rising from 20 1/2% of GNP in the current fiscal year, to 23-3/4% by fiscal year 1985.

Under Carter's program, Uncle Sam will be taking 30% of additions to taxable incomes over the next 5 years.

There is no way ~~we can stop~~ ^{simple to} ~~the economy~~ ^{erosion of the} ~~from~~ ^{confiscatory} with that level of taxation.

3. Third, we must restore our military capability in order to meet the challenges we face now and will face in the near future, during that five-year period in the '80's called the Soviet window of opportunity.

how
 I am asked, ~~can~~ we do it all at once? My answer is:
 we must.

I am asked, can we do it immediately? My answer is: *No.*

~~It~~ It took Mr. Carter 4 years of hard work to get us into
 the economic mess we are in. It will take years to get
 us out *of that mess.*

I am asked, ~~is it~~ *will it be* easy? My answer is: No. It is
 going to require perhaps the most dedicated and concerted
 action ever taken on the part of the American people for
 their government.

But we can do it *because* we must do it *if the nation is to survive.* And we must do all three *things*
 together: balance the budget, cut tax rates, and build
 our defenses. That is the challenge *that must be met.* Mr. Carter says he
 can't meet that challenge. He says he can't do it.

I believe him. He can't. I *utterly reject* ~~refuse to accept~~ his defeatist,
 pessimistic, unrealistic view of America. I know we can
 do these things, and I know we must.

Let us then examine *how* we can meet this challenge.

A fundamental priority of the strategy for growth is
 a reduction in the projected spending levels for FY 1981
 by some 2 percent. This level of spending restraint, once
 achieved for the last half of FY 1981, would continue on
 through the succeeding years. Continued attempts to control
 government spending would result in a further 2 percent

reduction in FY 1982, an additional 1 percent in FY 1983, and 1 percent more in both FY 1984 and FY 1985. Even these relatively modest reductions in the rate of increase of federal spending ^{will} produce substantial increases in available funds that can be used for either increased spending or for reducing tax rates to stimulate economic growth. Beginning with an additional \$13 billion in FY 1981, the number grows steadily to \$63 billion by FY 1985.

am convinced
 And I ~~think~~ we can do even better. My goal is to ultimately reduce spending by 10%.

Crucial to my strategy of spending control will be the appointment to top government positions of men and women who share the same economic philosophy that is at the heart of my policies. We will have an administration in which the word from the top ~~is~~ ^{doesn't get} lost as it ~~goes~~ ^{on the way} to the various departments. That voice will be heard because it is, in this vital area, the voice that has for too long been absent from Washington -- the voice of the people.

I will also establish a national citizen's task force, as I did in California, to rigorously examine every department and agency. There is nothing better for

effective government than to have its operations scrutinized ^{by} ~~whom~~ ^{whose attitudes, interests} ~~by individuals whose savings on their minds~~
are conditioned to save.

I already have as part of my advisory staff a Spending Control Task Force, headed by my good friend and former Director of the Office of Management and Budget, Casper Weinberger, that will report on additional ways and techniques to search out and eliminate waste, extravagance, fraud and abuse in federal programs.

I thought it was 7

If I may digress for one moment: the subject of waste, fraud and abuse in government programs is one so important that I will not even try to discuss its full implications in these remarks because it deserves a special speech all of its own. I intend to make such a speech soon. For the present, just let me say that when HEW alone reported over \$6 billion lost, strayed or stolen, surely there is more reason than ever to see to it that tax dollars are used more effectively. The Office of Management and Budget estimates that the annual waste in federal government programs could reach as high as \$25 billion. ~~And~~ ^{And} Jimmy Carter tells us we can't ~~afford~~ a tax cut.

This strategy for growth does not require altering or taking back entitlements already granted to the American people. ~~My administration will defend~~ ^{My administration will defend} the integrity of the Social Security system ~~will~~

~~be defended by my administration and its benefits made~~ ^{The impact of this commitment will be felt even more} ~~once again meaningful~~ because we will also be fighting ^{economic} inflation ~~with~~ ^{with} tools that work.

This strategy does require restraining the Congressional desire to "add-on" to every program and to create new programs ~~fund~~ ^{them with} deficits.

and

This strategy does require that the way federal programs are administered will be changed, so that we can benefit from the savings that will come about when, in many instances, administrative authority is moved back to the states.

The federal programs that I believe should be carefully considered for transfer to the states (along with the federal tax resources to finance them) are those which are essentially local in nature--welfare and education.

This brings me to my ~~tax rate reduction~~ plan ^{to reduce tax rates.}

This plan calls for an across-the-board 30% reduction in personal income tax rates -- 10% in 1981; 10% in 1982; and 10% in 1983. My goal is to implement these reductions in a systematic, planned manner -- 10% a year each year for three years. We must ~~to~~ move as rapidly as we can to reduce the dangerous growth in our tax burden.

High rates of taxation destroy incentives to earn, to save, to invest. ^{High tax rates} cripple productivity, lead to deficit financing and inflation, and create unemployment. We can go a long way toward restoring the economic health of this country by establishing reasonable, fair levels of taxation.

Jimmy Carter says it can't be done. In fact, he says it should be done. ^{actually} ~~to~~ favor the current ~~tax~~ ^{tax}

9/4/80

~~DRAFT~~
The significance, the magnitude of that figure is that it's so great, it cannot truly be grasped by any of us. It's so big it boggles the human mind.

burden because it fits into his philosophy of government as the dominating force in American economic life.

But official projections of the Congressional Budget Office show that by FY 1985, if current rates of taxation are in effect, with no additional Congressional programs, tax revenues should approach more than one trillion dollars.

Surely Jimmy Carter isn't telling us that the American people ~~couldn't~~ ^{can't} find better things to do with all that money than see it spent by the government.

Assuming a continuation of current policies in government, the CBO projections show a substantial surplus of \$175 billion in FY 1985. These large and growing surpluses can be used in two basic ways: (1) the funding of additional government programs, or (2) the reduction of tax rates.

The choice is up to the American people. At least it should be.

It should be noted here that all economic forecasts -- including, most especially, those Mr. Carter has been making for four years -- do not have the degree of precision we would want. But the CBO figures do give us a reasonable look at what is feasible.

The most insidious tax increase is the one we must pay when inflation pushes us into higher tax brackets. While inflation goes with us, taxes should be based on real incomes, not government inflated ones. Real tax rate brackets, as well as the amount of exemptions, deductions, and credits, should be indexed to compensate for inflation.

If inflation were to continue at present levels, without cuts in tax rates, Americans who today already find themselves in tax brackets they could not have imagined just a few years ago, would they

utterly unworkable
experience tax confiscation of \$175 billion by the end of this decade.
This is not a theoretical danger without changes in the direction of our economic policies, it will be a reality sooner than you or I think.

and without indexing

???
 The federal inheritance and estate tax often forces the breakup of family estates when someone dies. I have long felt that this is an unfair tax. Today it accounts for less than one percent of ^{all} federal tax receipts. The federal tax collector should not profit by death, *It is wrong!* and I will seek the elimination of the entire federal inheritance and estate tax. This will strengthen the incentive of our citizens to work and save to build an estate to pass on to their loved ones.

This strategy for growth is based on something more than forecasts. It is based on what we already know the American people can do. Economic policies must be based on facts -- as mine are -- but those facts must be seen in a context of realistic optimism. When I am told that my view of the future is optimistic, I answer: it should be. We do not have to lower our expectations. I know the American people have always been a people of great expectations and I would not ask them to elect me as President if I did not share this historic view.

If we succeed in the first stage of my strategy for growth, the second stage is a natural extension, parts of which should be put into place before Stage I is fully effective.

It's important that we recognize that presidential power, no matter how judiciously and courageously used, can hope to meet the challenge to our economic survival. We have developed over the years a built-in ^{mentally} tendency to

overspend our tax receipts. The Budget Act of 1974, which for the first time created a procedure for the Congress to limit total spending, has been only partially successful. More is needed.

I will seek a presidential ^{prerogative} ~~right~~ to have a line-item ^{of spending legislation} veto so that the President can reflect the people's will in a manner that is effective and responsible.

I will also seek a constitutional amendment requiring that all money bills require a 60% majority of both houses of the Congress rather than the current ~~two-thirds~~ ^{simple majority}.

I will immediately ask for a study to be made in order to find the most appropriate language for a necessary constitutional amendment for a balanced budget. Pending such an amendment's passage, I would expect and would seek appropriate statutory authority for a balanced budget from the Congress. These measures should once and for all put an end to the irresponsible printing of money.

Moreover, even the extended tax rate cuts which I am recommending still leave an increasing tax burden. In the second half of the decade ahead, additional tax rate reductions are needed.

A fundamental part of my strategy for economic growth is the restoration of business confidence. If our business community is going to invest and build and create new,

well-paying jobs, they must have a future free from arbitrary government action. They must have confidence that the economic "rules-of-the-game" won't be changed suddenly.

In my administration, a national economic policy would be established and we will begin to implement it within the first 90 days. And I will stick with it.

Thus, I envision a strategy encompassing many elements; each of which cannot do the job alone, but all of which, working together, can get it done. Such a strategy depends for its success on the will of the people to regain control of their government.

And, most importantly, it depends on the capacity of the American people for work, their willingness to do the job, their energy and their imagination. For this strategy of growth includes the growth that will come from the cooperation of business and labor resulting from the knowledge that government policy is directed towards jobs, towards opportunity, towards growth. That is why I fully expect revenues to the government to increase, not decrease, under such programs as I have outlined. We are not talking here about some static, lifeless model of econometrics -- we are talking about the greatest productive economy in

human history, one historically revitalized not by government but by people freed of government interference, needless regulations, crippling inflation, high taxes and unemployment.

Does Mr. Carter really believe that the American people are not capable of rebuilding our economy? If he does, that is even one more reason -- aside from his record -- that he should not be President.

When such a strategy is put into practice, our national defense needs will be capable of being met because the productive capacity of the American people, free of government restraint, and the ability of the new administration to make government less wasteful and more efficient, will provide the revenues needed to do what must be done in defense.

All of this demands a vision. It demands looking at government and looking at the economy as they exist, not as words on paper, but as institutions guided by our will and knowledge, capable of growth, capable of restraint, capable of effective action.

When Mr. Carter first took office, he had sufficient budget flexibility to achieve these goals without too much difficulty. He not only threw away the security of restoring economic vitality and international security by a series of policies, but he also made the achievement of these national objectives more difficult.

Nevertheless, this nation cannot afford to back away from any of these goals. We cannot allow tax burdens to rise inordinately, inflation to take hold, or allow our defenses to deteriorate -- without severe consequences.

This task is going to be difficult and our goals are optimistic -- as they should be. It's going to take time as well as work -- but it will be time worth the effort.

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SUGGESTED INSERT FOR P. 1

~~12.5~~ --1976 20.3 today.

~~z~~ ~~12.5~~ ~~1976~~ ~~candidate~~ ~~Carter~~ ~~z~~

When you add the rate of unemployment and the rate of inflation you get a figure referred to by economists as the "misery index". In 1976 candidate Carter often quoted the figures for that index.

~~When~~ ~~Mr.~~ ~~Carter~~ ~~took~~ ~~office~~ ~~the~~ ~~misery~~ ~~index~~ ~~was~~
in 1976

~~12.5~~ ~~1976~~ ~~Today~~ ~~it~~ ~~is~~ ~~20.3~~. As a candidate he complained that the misery index was then the highest in fifty years. ~~When~~ he took office that index was 12.5. Today it is 20.3. By the very standard he used in 1976, he ~~is~~ ~~the~~ ~~single~~ ~~most~~ ~~blatant~~ ~~example~~ ~~of~~ ~~economic~~ ~~misery~~ ~~and~~ ~~has~~ ~~failed~~ ~~--~~ ~~miserably~~ ~~--~~ ~~to~~ ~~meet~~ ~~the~~ ~~needs~~ ~~of~~ ~~the~~ ~~American~~ ~~people~~ ~~.~~

Comments
Ed Gray

A Strategy for Growth:

The American Economy in the 1980s

Almost two months ago, in my speech accepting the nomination of my party as its ~~its~~ ^{for president} presidential candidate, I spoke of the historically unique crisis facing the United States. At that time I said:

"Never before in our history have Americans been called upon to face three grave threats to our very existence, any one of which could destroy us. We face a disintegrating economy, a weakened defense and an energy policy based on the sharing of scarcity."

Since I first spoke those words, ~~no action has been~~ ^{Jimmy Carter has taken} ~~no action to~~ ~~change the grave, unprecedented~~ ~~situation.~~ ^{and this is worsening economic nightmare.}

~~I emphasize the word "action."~~ ^{Mr} Jimmy Carter has shown ~~that he is ready to adopt the rhetoric of action.~~ ~~But it is~~ ~~rhetoric only.~~ ^{as he has done so often -- that he} ^{But words, promises, rhetoric are not action.}

It is in the field of economics that he has promised ~~the most~~ ^{action} and delivered the least. This is part of a pattern going back to 1976.

In an interview with Fortune magazine in May 1976, he said: "I don't see any reason why the permanent level of inflation can't be as low as 2 or 3 percent."

~~Today we all know the reason the inflation rate can't~~

~~Now, four years later, it's not that~~ ~~at all.~~ ~~The~~ ~~rhetoric of 1976 is~~ ~~just the opposite of the reality today. Inflation~~ ~~is not at 2% today because of Jimmy Carter.~~

for our reason: Jimmy Carter.

Same kind of casual, but dangerous rhetoric.

In his latest version of the oldest established permanent floating crap game in government -- the Carter economy -- he tells us that if we give him four more years he just might be able to bring inflation down to 6%.

The experience of these four years accentuates the sour taste of that

~~Only~~ Under Carter economics, it is considered a triumph

just that
to aim for an inflation rate at the end of 8 years that is nearly twice as high as ~~high~~ than it was at the beginning of those 8 years.

In an interview with Business Week Magazine, May 3, 1976, he said, "We can have a balanced budget if I'm President. There is no way not to estimate benefits to be derived from top competent management of government."

After four years of Carter economics, there still is no way we can estimate benefits from competent management because

there hasn't been any competent management. There haven't been any
~~offices named for him or his incompetent incompetent management~~

At the end of that same interview he was asked: "How do you categorize your brand of economics...?"

His answer is one I cherish. He said:

"How would you describe me? I don't know."

Ladies and gentlemen: We know know, we know now, don't we?

Two ~~years~~ *weeks* ago he ~~gave us~~ *presented us* his latest in a series of fatally

~~flawed~~ economic programs. This one ~~is the~~ *was this* fifth "New" Economic

Program ~~he bequeathed to us~~ *Give him credit for* ~~the last 3 1/2 years.~~ *Consistency. It bears a striking resemblance to its predecessors. It is long on rhetoric and short on effective action.* ~~It is long on rhetoric and short on action.~~

But, what action? It is a promise that he'll send it to Congress next year after the election. Mr. Carter has such a long string of broken promises on how he will solve the problems of the economy that we find it harder than ever to believe he'll keep

Just have been life in the federal government for those nearly four years.

--DRAFT--

his usual flip time.

But, let's at least pretend he will finally -- this time. What will that promise bring us?

There is a proposal for a \$28 billion tax cut.

Twenty

eight billion dollars

He says he will give us a

upon examination, half of that tax cut is an illusion,

master illusionist, made up of federal paper-shuffling,

since it is a scheduled rebate on the new Carter social a part of the very social security tax increase Mr. Carter pushed for and signed in the first place.

There is a "new" depreciation schedule. But upon examination, it isn't new at all -- it is similar to those recently proposed by Republicans and by the Senate Finance Committee.

What is so hypocritical about Mr. Carter's new depreciation schedule is that for 3 1/2 years now -- years when he could have the kind of accelerated depreciation necessary to increase productivity, he didn't lift a finger to make

Mr. Carter's "new" refundable investment tax credit is obviously simply a balm, a massage, or meant as a gesture to those industries which have suffered the most from his previous "new" plans.

The so-called "new" program is job-training to train people for jobs that don't exist and are not likely to exist under his economic policies. Given his policies, the best training Jimmy Carter can offer American workers is advice on how to stand in unemployment line -- because that's where he's been putting them. I repeat, he's not put them in jobs, but in unemployment lines -- a tragic legacy of failure of economic policy.

Mr. Carter promises to send it up to Congress now? Why wait until next year? Because these are not economic programs, political programs.

He knows his program doesn't have a chance of becoming legislation. Who would take it seriously. No one.

So he wait send it to the hill.

political

of millions of Americans families.

-- which he has converted to political Code words-

managed to

Jimmy Carter has mastered some of the language of a free economy. He knows certain phrases that suggest to the casual listener that he is in favor of a free, growing economy.

~~History of examples of inaction~~

But his actions show the real Jimmy Carter -- no matter how many "new" Jimmy Carters we are offered.

~~This president has presided over a~~
~~has overseen a rise in government regulation~~

during his first three years has seen a 35.8 percent increase in the number of pages devoted to regulation of the federal government.

~~tells us he is~~

He is going to establish an Economic Revitalization Board and suggests that "a new partnership between government and industry and labor" can meet our needs. But when you become partners with the government, who becomes the senior partner?

The federal government!

His words suggest that he would like our nation to follow the example offered by the relationship between government and industry in Japan.

Whatever else may be said about that model, and I for one do not believe it would or could work in the United States, the fact is that Jimmy Carter is not only wrong economically, he is wrong geographically. His views, if followed, would lead us not to the Japanese experience but to the British disaster, an endless series of bailouts, shoring up with tax dollars those big enterprises that have failed and in general stifling real growth by regulation and the inevitable inflation that would accompany this bailout philosophy. It is a philosophy recently used by the current British Government and -- in its 1970s -- by the previous government as well.

Bringing on

In our country, the Federal Government is an adversary of business -- not a friend. Here, the government acts like a hostile.

Despite all of the good intentions not to allow an economic revitalization program to become a vehicle to bail out failing business, it is just not possible to be otherwise.

~~For~~ new vital-growing businesses do not need government help. It is only the failing ones,

which will show up at the door of the White House for help. But experience, both here and abroad, amply demonstrates that the jobs that are "saved" are temporary, and the damage to the economy overall leads to far greater job loss -- or, more exactly, to failure to create jobs for a growing labor force.

Characteristic of Japan's economic climate

Japan "works" because the government is not anti-business. We ~~would~~ ^{could} have ~~the~~ ^{that} same ^{economic} vitality if government stopped its harrassment of business. We don't need a new partnership, we need only to have an Uncle Sam who will help, not hinder, the American economy.

When I hear Jimmy Carter use the rhetoric of free enterprise, I am reminded of the story told about Mark Twain. It seems Mark had a habit of using foul language. To shock him out of it, his wife came up to him one day and repeated every bit of the salty language she had every heard him say. Mark listened patiently and when she was finished he said, "My dear, you have the words, but you don't have the tune."

The same can be said about Jimmy Carter and his seemingly limitless capacity for new programs. He knows all the words, but he lacks something vital. Jimmy Carter's tragedy as a leader is that he does not know what he wants to go

Policeman, more get to harass and stifle business vitally than

Give it the right from it needs to prosper.



③ I would work with Congress to tighten the provisions of proposed legislation to limit the latitude with which bureaucrats would be allowed to regulate.

---DRAFT---

Anderson
9/6/80

This growing tax burden will add even more disincentives to earning, saving and investing. Ronald Reagan's tax program is designed to remove these disincentives, to stimulate the kind of economic growth that will result in the steady increase in the real take-home pay of the American worker and the removal of uncertainty about job security.

The major changes that will be proposed are:

1. An across-the-board reduction in personal income tax rates: 10 percent in FY1981, 10 percent in FY 1982 and another 10 percent in FY1983.
2. Indexation for inflation of the personal income tax brackets after the full 30 percent rate reduction is phased in. This will prevent the automatic tax increase that is caused by inflation from moving taxpayers into higher and higher tax brackets.
3. Accelerated depreciation for business to stimulate job-creating investments.

Deregulation

The subeject of governmenr ~~reguv~~ deregulation is so important and so complex that ~~it~~

At this point let me ~~sayzomex~~ make a brief comment on the subject of deregulation. The subject is so important and so complex that it would need a speech in itself to do it justic

The subject of governmnet regulation is so important and so

~~Partvofthecost~~

Another vital part of theis economic strategy will

--DRAFT-- -1-

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The American Economy in the 1980s.

Almost two months ago, in my speech accepting the nomination of my party as its presidential candidate, I spoke of the historically unique crisis facing the United States. At that time I said:

"Never before in our history have Americans been called upon to face three grave threats to our very existence, any one of which could destroy us. We face a disintegrating economy, a weakened defense and an energy policy based on the sharing of scarcity."

Since I first spoke those words, no action has been taken by the President to change the grave, unprecedented situation.

I emphasize the word "action." Jimmy Carter has shown that he is ready to adopt the rhetoric of action. But it is rhetoric only.

It is in the field of economics that he has promised the most and delivered the least. This is part of a pattern going back to 1976.

In an interview with Fortune magazine in May 1976, he said: "I don't see any reason why the permanent level of inflation can't be as low as 2 or 3 percent."

Today we all know the reason the inflation rate isn't at 2%: Jimmy Carter.

Paraphrasing a popular song of a few years back, his latest economic plan can be described as the oldest established permanent floating crap game in government. He tells us that if we give him four more years he just might be able to bring inflation down to 6%.

Can we call an economic policy a triumph that aims for an inflation rate that at the end of 8 years will be higher than it was at the beginning of those 8 years?

During the last few months the overall economic situation in the U.S. has deteriorated markedly. The cumulative effect of the Carter Administration's economic policies followed over the last 3½ years has damaged the economy much worse than virtually anyone forecast. The underlying rates of inflation and unemployment remain unconscionably high. Almost two million Americans have lost their jobs this year alone. And the tax burden continues to steadily increase.

Two weeks ago he gave us his latest in a series of economic programs. This one is the fifth "New" Economic Program in the last 3½ years. It contains rhetoric that might lead some to believe Mr. Carter has finally discovered free enterprise.

Hearing Jimmy Carter and members of his administration use the language of free enterprise reminds me of one of the stories of Mark Twain. He had a habit of using foul language, which distressed his wife no end. She decided on a form of shock

treatment to cure him of his habit. She came up to him one day and recited every word of the salty language she had ever heard him use. He listened patiently and when she was finished, said: "My dear, you have the words all right, you just don't have the tune."

I'd like to speak to you today about a new concept of leadership, one that has both the words and the music, one based on faith in the American people, confidence in the American economy, and a firm commitment to see to it that the federal government is once more responsive to the needs of the people.

That view is rooted in a strategy for growth, a program that sees the American economic system as it is -- a huge, complex, dynamic system which demands not piecemeal federal packages of solutions, or pious hopes wrapped in soothing words, but the hard work and concerted programs necessary for real growth.

We must first recognize that the problem with the U.S. economy is ~~too much~~ inefficient government, ~~too much~~ needless regulation, too much taxation, ^{and} too much printing press money. We don't need any more of Carter's eight or ten point programs of government actions to "fix" or fine tune the economy. The overdose of such initiatives has been gradually sapping the vitality of the most productive economic system the world has ever~~y~~ known.

We are in a state of progressive economic deterioration, a downward cycle that must be broken if the economy is to recover

and move forward through vigorous economic growth in the 1980s. We must move boldly and decisively to control the runaway growth of federal spending, to remove the tax disincentives that are throttling the economy, and to reform the regulatory web that is smothering it.

We need a new strategy for the 1980s.

Only a series of well-planned economic actions, taken so that they complement and reinforce one another, can succeed in moving our economy forward once again.

We must:

1. Control the rate of growth of government spending to reasonable, prudent levels.
2. Reduce ^{returning to} personal income tax rates and accelerate and simplify depreciation schedules in an orderly, systematic way to remove the increasing disincentives to work, saving, investment and productivity.
3. Review regulations that affect the economy, and act to modify and change them to encourage economic growth.
4. Establish a stable and sound monetary policy.
5. Restore confidence by following a consistent national policy that does not change from month to month.

I am asked, can we do it all at once? My answer is: we must.

I am asked, can we do it immediately? My answer is: No, it took Mr. Carter 4 years of hard work to get us into the economic mess we are in. It will take more than a year to get us out.

I am asked, is it easy? My answer is: No. It is going to require perhaps the most dedicated and concerted action ever taken on the part of the American people for their country.

But we can do it, we must do it, and we must do all three together: balance the budget, reduce tax rates, and restore our defenses. That is the challenge. Mr. Carter says he can't meet that challenge. He says he can't do it. I believe him. He can't. But, I refuse to accept his defeatist, pessimistic, unrealistic view of America. I know we can do these things, and I know we must.

Let us examine how we can meet this challenge.

One of the most critical elements of my economic program is the control of government spending. Waste, extravagance, abuse and outright fraud in federal government programs must be stopped. Tens of billions of the taxpayers' dollars are wasted every year. This waste is widespread through hundreds of federal programs, and it will take a major, sustained effort over time to effectively counter it.

Federal spending is now projected to increase to over \$900 billion a year by fiscal year 1985. Through a comprehensive assault on waste and inefficiency, I ^{am} confidently ~~expect~~ that we can squeeze and trim 2 percent out of the budget in FY1981, and that we will be able to increase this to 7 percent by FY1985.

And I hope we can do even better. My goal would be to increase these spending reductions to 10 percent by fiscal year 1984.

Crucial to my strategy of spending control will be the appointment to top government positions of men and women who share the same economic philosophy that is at the heart of my policies. We will have an administration in which the word from the top isn't lost as it gets to the various departments. That voice will be heard because it is, in this vital area, the voice that has for too long been absent from Washington -- the voice of the people.

I will also establish a national citizen's task force, as I did in California, to rigorously examine every department and agency. There is nothing better for effective government than to have its operations scrutinized by citizens with savings on their minds.

I already have as part of my advisory staff a Spending Control Task Force, headed by my good friend and former Director of the Office of Management and Budget, Caspar Weinberger, that will report on additional ways and techniques to search out and eliminate waste, extravagance, fraud and abuse in federal programs.

This strategy for growth does not require altering or taking back necessary entitlements already granted to the American people. ^{For example,} The integrity of the Social Security system will be defended by my administration and its benefits made once again meaningful because we will also be fighting inflation.

This strategy does require restraining the Congressional desire to "add-on" to every program and to create new programs funded by deficits.

✓ This strategy does require that the way federal programs are administered ~~will~~ be changed, so that we can benefit from the savings that will come about when, in some instances, administrative authority can be moved back to the states.

This brings me to my tax rate reduction plan. This plan calls for an across-the-board ~~3%~~ reduction in personal income tax rates -- 10% in 1981; 10% in 1982; and 10% in 1983. My goal is to implement these reductions in a systematic, planned manner -- 10% a year each year for three years. *expand*

The most insidious tax increase is the one we must pay when inflation pushes us into higher tax brackets. While inflation is with us, taxes should be based on real incomes, not government inflated ones. Federal tax rate brackets, as well as the amount of exemptions, deductions, and credits, should be indexed to compensate for inflation.

We also need to accelerate depreciation allowed for investment. At present, our out-dated depreciation schedules prevent many industries, especially steel and autos, from modernizing their plants. Faster depreciation would allow these companies to generate more capital internally, permitting them to make investments necessary to create new jobs, and to become more competitive in world markets.

High rates of taxation destroy incentives to earn, to save, to invest. They cripple productivity, lead^{ing} to deficit financing and inflation, and create unemployment.

We can go a long way toward restoring the economic health of this country by establishing reasonable, fair levels of taxation.

Moreover, even the extended tax rate cuts which I am recommending still leave an increasing tax burden. In the second half of the decade ahead, additional tax rate reductions are needed.

Jimmy Carter says it can't be done. In fact, he says it shouldn't be done. He favors the current crushing tax burden because it fits into his philosophy of government as the dominating force in American economic life.

Official projections of the Congressional Budget Office (CBO) show that by FY 1985, if the current rates of taxation are still in effect with no new government programs, federal tax revenues will be over one trillion dollars a year.

Surely Jimmy Carter isn't telling us that the American people couldn't find better things to do with all that money than see it spent by the federal government.

Assuming a continuation of current policies in government, the CBO projections show a huge potential surplus by FY 1985. These large and growing surpluses can be used in two basic ways: (1) the funding of additional government programs, or (2) the reduction of tax rates.

The choice is up to the American people. At least it should be.

Another vital part of this strategy concerns government regulation. The subject is so important and so complex that it deserves a speech in itself--a speech I plan to make at a future date. For the moment, however, let me say this:

Government regulation, like fire, makes a good servant but a bad master. No one will argue with the intent of much of this regulation--to improve health and safety and to give us cleaner air and water--but in many cases, regulations work against rather than for the interests of the American people. When the real take-home pay of the average American worker is declining steadily, and 8 million Americans are out of work, we must carefully re-examine our regulatory structure to assess to what degree regulations have contributed to our deteriorating economy. There should and will be a thorough and systematic review of the thousands of federal regulations that affect the economy.

Along with spending control, tax reform, and deregulation, a sound, stable, and predictable monetary policy is essential to restoring economic health. The Federal Reserve Board is, and should remain, independent of the Executive Branch of government.

But the President must nominate those who serve on the Federal Reserve Board.

My appointees will be men and women who share my commitment to restoring the value of the American dollar.

A fundamental part of my strategy for economic growth is the restoration of confidence. If our business community is going to invest and build and create new, well-paying jobs, they must have

a future free from arbitrary government action. They must have confidence that the economic "rules-of-the-game" won't be changed suddenly.

In my administration, a national economic policy would be established, and we will begin to implement it within the first 90 days. And I will stick with it.

Thus, I envision a strategy encompassing many elements; each of which cannot do the job alone, but all of which, working together, can get it done. Such a strategy depends for its success on the will of the people to regain control of their government.

And, most importantly, it depends on the capacity of the American people for work, their willingness to do the job, their energy and their imagination. For this strategy of growth includes the growth that will come from the cooperation of business and labor resulting from the knowledge that government policy is directed towards jobs, towards opportunity, towards growth. That is why I fully expect revenues to the government to increase, not decrease, under such programs as I have outlined. We are not talking here about some static, lifeless model of econometrics -- we are talking about the greatest productive economy in human history, one historically revitalized not by government but by people freed of government interference, needless regulations, crippling inflation, high taxes and unemployment.

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