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THE PRESIDENT'S COMMISSION ON EXECUTIVE EXCHANGE
THE WHITE HOUSE

January 5, 1984

MEMORANDUM FOR BARBARA HAYWARD
ADMINISTRATIVE ASSISTANT
TO THE CHIEF OF STAFF

FROM: JUNE G. WALKER *JGW*
EXECUTIVE DIRECTOR

SUBJECT: January 9th Meeting with the President

Attached are the lists of individuals attending the January 9th meeting with the President in the Indian Treaty Room. I have prepared a list with the necessary clearance information (Social Security numbers and Dates of Birth) and forwarded it to the Appointments Center. Sargeant Davis will take care of the details with regard to entrance to the Old Executive Office Building, upon hearing from you.

I would appreciate it if you would phone the appointments center, in order that they may proceed with putting the information into the computers.

I have requested the entry time to be 3:30, as the President is due to arrive at 5:00 p.m.

Your assistance in this regard is most appreciated. The attached lists can be kept in your office for Mr. Baker's use.

The Honorable Samuel H. Armacost
President & Chief Executive Officer
Bank of America
Bank of America Center
San Francisco, CA 94137

The Honorable Thornton F. Bradshaw
Chairman & Chief Executive Officer
RCA Corporation
30 Rockefeller Plaza
New York, NY 10020

The Honorable James A. Baker, III
Chief of Staff
The White House
Washington, DC 20500

The Honorable James E. Burke
Chairman & Chief Executive Officer
Johnson & Johnson
1 Johnson & Johnson Center
New Brunswick, NJ 08903

The Honorable Malcolm Baldrige
Secretary
Department of Commerce
14th & Constitution Avenue, NW
Washington, DC 20230

The Honorable Willard C. Butcher
Chairman and Chief Executive Officer
Chase Manhattan Bank N.A.
One Chase Manhattan Plaza
New York, NY 10081

The Honorable William M. Batten
Chairman
New York Stock Exchange
11 Wall Street
New York, NY 10005

The Honorable David W. Christopher
Partner in Charge
Price Waterhouse
600 Grant Street, Suite 4500
Pittsburgh, PA 15219

The Honorable A. George Battle
Managing Partner
Arthur Andersen & Co.
1 Kaiser Plaza, Suite 901
Oakland, CA 94612

The Honorable William P. Clark
Secretary
Department of the Interior
19th & C Streets, NW
Washington, DC 20240

The Honorable Roger E. Birk
Chairman, President
& Chief Executive Officer
Merrill Lynch & Co., Inc.
165 Broadway
New York, NY 10080

The Honorable Ralph P. Davidson
Chairman
Time Incorporated
Time and Life Building
Rockefeller Center
New York, NY 10020

12/16/83

The Honorable Willie D. Davis
President
Willie Davis Distributing Company
1710 E. 11th Street
Los Angeles, CA 90059

The Honorable Robert E. Kirby
Chairman & Chief Executive Officer (Retired)
Westinghouse Electric Corporation
Gateway Center
Pittsburgh, PA 15222

The Honorable Donald J. Devine
Director
Office of Personnel Management
1900 E Street NW
Washington, DC 20415

The Honorable Jewel S. Lafontant, Esq.
Full Partner
Vedder, Price, Kaufman & Kammholz
115 S. LaSalle Street
Room 3000
Chicago, IL 60611

The Honorable Coy G. Eklund
Chairman & Chief Executive Officer (Retired)
Equitable Life Assurance Society
1285 Avenue of the Americas
New York, NY 10019

The Honorable John F. McGillicuddy
Chairman & Chief Executive Officer
Manufacturers Hanover ~~Corporation~~ Corporation
270 Park Avenue
New York, NY 10017

The Honorable Max L. Friedersdorf
Vice President, Public Affairs
Pepsico, Inc.
Anderson Hill Road
Purchase, NY 10577

The Honorable John K. McKinley
Chairman & Chief Executive Officer
Texaco, Inc.
2000 Westchester Avenue
White Plains, NY 10650

The Honorable Harry J. Gray
Chairman & Chief Executive Officer
United Technologies Corporation
United Technologies Building
Hartford, CT 06101

The Honorable Ruben F. Mettler
Chairman & Chief Executive Officer
TRW Inc.
23555 Euclid Avenue
Cleveland, OH 44117

The Honorable David T. Kearns
President & Chief Executive Officer
Xerox Corporation
P.O. Box 1600
Stamford, CT 06904

The Honorable Betty Southard Murphy
Partner
Baker & Hostetler
818 Connecticut Avenue NW
Washington, DC 20006

The Honorable James L. Ketelsen
Chairman & Chief Executive Officer
Tenneco Incorporated
P.O. Box 2511
Houston, TX 77001

The Honorable Frederick W. O'Green
Chairman & Chief Executive Officer
Litton Industries, Inc.
360 N. Crescent Drive
Beverly Hills, CA 90210

The Honorable Spyros S. Skouras
Chairman, President &
Chief Executive Officer
Prudential Lines, Incorporated
One World Trade Center
New York, NY 10048

The Honorable John R. Opel
Chairman of the Board and
Chief Executive Officer
IBM Corporation
Old Orchard Road
Armonk, NY 10504

The Honorable Helene A. von Damm
United States Ambassador to Austria
United States Embassy
IX Boltzmanngasse 16 A-1091
Vienna, AUSTRIA

The Honorable Donald T. Regan
Secretary
Department of the Treasury
15th & Pennsylvania Avenue NW
Washington, DC 20220

The Honorable William B. Walsh, M.D.
President & Chief Executive Officer
Project HOPE
4801 Massachusetts Avenue NW
Washington, DC 20016

The Honorable David Rockefeller
Chairman, Chase International
Advisory Committee
Chase Manhattan Bank
30 Rockefeller Plaza
Room 5600
New York, NY 10112

The Honorable John C. Whitehead
Senior Partner
Goldman, Sachs & Company
85 Broad Street
New York, NY 10004

The Honorable David M. Roderick
Chairman & Chief Executive Officer
United States Steel Corporation
600 Grant Street
Pittsburgh, PA 15230

The Honorable Marina v.N. Whitman
Vice President
General Motors Corporation
767 Fifth Avenue
New York, NY 10153

The Honorable James Roosevelt
President
James Roosevelt & Company
120 Newport Center Drive
Newport Beach, CA 92660

EXCHANGE XIV
PRIVATE SECTOR EXECUTIVES

<u>EXECUTIVE</u>	<u>SPONSOR</u>	<u>EXCHANGE ASSIGNMENT</u>
PAUL AMEDICK	RCA	DEPARTMENT OF DEFENSE Assistant to the Assistant Secretary
GARY E. ANDERSON	DOW CORNING CORPORATION (BRUSSELS)	DEPARTMENT OF COMMERCE Special Assistant to the UnderSecretary for International Trade
EDWARD L. ANDRUS	XEROX CORPORATION	DEPARTMENT OF THE NAVY Special Assistant to the Assistant Secretary
GARY R. BALZHISER	UNION OIL COMPANY OF CALIFORNIA	OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE Assistant to the United States Trade Representative
JARED K. BRYAN	IBM CORPORATION	DEPARTMENT OF DEFENSE (OSD) Special Assistant to the Assistant Secretary
JOHN A. CALHOUN	INTEL CORPORATION	DEPARTMENT OF COMMERCE Special Assistant to the UnderSecretary for International Trade
BARRY J. CARROLL	INTERNATIONAL METALS and MACHINES	DEPARTMENT OF EDUCATION Special Assistant to the Secretary
FRANK R. COPE	TRW, INC.	DEPARTMENT OF HEALTH & HUMAN SERVICES Special Assistant to the Secretary
DANIEL J. DIONISIO	US STEEL CORPORATION	DEPARTMENT OF AGRICULTURE Special Assistant to the UnderSecretary

RUDOLPH V. DUTZMAN	SUN COMPANY	OFFICE OF MANAGEMENT & BUDGET Assistant to the Associate Director
JANIS S. ENGLAND	GOLDMAN, SACHS & COMPANY	DEPARTMENT OF THE TREASURY Special Assistant to the Assistant Secretary
THERESA R. HEBERT	EXXON CORPORATION	BOARD OF GOVERNORS FEDERAL RESERVE SYSTEM Special Assistant to the Chief Counsel
L. ALEX JOHANSON, JR.	US STEEL CORPORATION	DEPARTMENT OF COMMERCE Special Assistant to the Deputy Assistant Secretary
MICHAEL L. JACKSON	FLUOR ENGINEERS, INC.	DEPARTMENT OF THE ARMY Special Assistant to the Assistant Secretary
DINAH KEEFE	THE PRUDENTIAL INSURANCE COMPANY OF AMERICA	OVERSEAS PRIVATE INVESTMENT CORPORATION Director, Operations Business Development
RICHARD B. LAMBERT	TEXACO, INC.	DEPARTMENT OF DEFENSE (OSD) Special Assistant to the Director, Office of Economic Adjustment
WILLIAM H. LAWRENCE	PRICE WATERHOUSE	FEDERAL TRADE COMMISSION Assistant to the Chairman
DEAN A. MITCHELL	PROCTER & GAMBLE	DEPARTMENT OF THE TREASURY Director, Olympic Coin Program
JAMES R. NELSON	UNITED TECHNOLOGIES	EXPORT/IMPORT BANK Assistant to the Chairman
ERIC M. OGANESOFF	POTOMAC ELECTRIC POWER COMPANY	NATIONAL AERONAUTICS & SPACE ADMINISTRATION Special Assistant to the Associate Administrator

TYRAM H. PETTIT	BANK OF AMERICA	DEPARTMENT OF TRANSPORTATION Special Assistant to the Associate Administrator, FAA
DENNIS L. ROSS	WESTINGHOUSE ELECTRIC CORPORATION	GENERAL SERVICES ADMINISTRATION Assistant to the Commissioner
DAVID E. ROUSSE	W.R. GRACE & COMPANY	INTERNATIONAL TRADE COMMISSION Assistant to the Chairman
PHILIP L. SCHNEIDER	ARTHUR ANDERSEN & COMPANY	DEPARTMENT OF HEALTH & HUMAN SERVICES Special Assistant to the Administrator, Health Care Financing Administration
ALAN H. SPICER	FACET ENTERPRISES, INC.	DEPARTMENT OF THE ARMY Special Assistant to the Assistant Secretary
WILLIAM B. WALSH	PROJECT HOPE	DEPARTMENT OF DEFENSE (OSD) Special Assistant to the Assistant Secretary
PHILIP WEINTRAUB	DELOITTE HASKINS & SELLS	BOARD OF GOVERNORS FEDERAL RESERVE SYSTEM Special Assistant to the Vice Chairman
THOMAS G. WELSH	TENNECO, INC.	GENERAL SERVICES ADMINISTRATION Executive Assistant to the Comptroller
ELLAN K. WHARTON	DuPONT	DEPARTMENT OF STATE Special Assistant to the Assistant Secretary
GREGORY WIERZYNSKI	TIME, INC.	DEPARTMENT OF DEFENSE (OSD) Special Assistant to the Assistant Secretary for International Security Policy
EDWARD J. WORREL	COMBUSTION ENGINEERING, INC.	NATIONAL AERONAUTICS & SPACE ADMINISTRATION Manager, Productivity and Operations Support, Office of the Associate Administrator

EXCHANGE XIV
FEDERAL SECTOR EXECUTIVES

<u>EXECUTIVE</u>	<u>SPONSOR</u>	<u>EXCHANGE ASSIGNMENT</u>
NORMAN L. ACHILLES	DEPARTMENT OF STATE	IBM CORPORATION Advisor to Senior Management, American/Far East Corporation
CAROLYN M. ALLEN	DEPARTMENT OF STATE	MANUFACTURERS HANOVER TRUST Assistant to the Vice President
M. BRUCE DOWNEY	UNITED STATES POSTAL SERVICE	XEROX CORPORATION Special Assistant to the Vice President
C. HOWARD ROBINS, JR.	NATIONAL AERONAUTICS & SPACE ADMINISTRATION	TENNECO, INC. Director of Technology Forecasting, Newport News Shipyard
BENJAMIN C. SANCHEZ	DEPARTMENT OF THE TREASURY	GOLDMAN, SACHS & COMPANY Assistant to the Vice President
BARRY E. SHAPIRO	OFFICE OF PERSONNEL MANAGEMENT	EQUITABLE LIFE ASSURANCE SOCIETY Consultant to Group Operations Management
WAYNE W. SHARP	DEPARTMENT OF AGRICULTURE (BRUSSELS)	REPUBLICBANK OF DALLAS Special Assistant to the Chairman
EDWARD M. SHUMSKY	FEDERAL TRADE COMMISSION	MERRILL LYNCH & CO., INC. Executive Strategic Planner
GEORGE J. WEISE	INTERNATIONAL TRADE COMMISSION	IBM CORPORATION Staff Attorney
R. THOMAS WILLIAMS, JR.	VETERANS ADMINISTRATION	JOHNSON & JOHNSON Assistant to the Vice President

EXCHANGE XIV
OVERSEAS EXECUTIVES

EXECUTIVE

LEON B. GIBBS

JACK L. OSBORN

SPONSOR

JOHNSON & JOHNSON
(PUERTO RICO)

TRW, INC.

EXCHANGE ASSIGNMENT

DEPARTMENT OF STATE
Assistant to the
Ambassador (JAMAICA)

DEPARTMENT OF STATE
Assistant to the
Ambassador (JAPAN)



THE PRESIDENT'S COMMISSION ON EXECUTIVE EXCHANGE
THE WHITE HOUSE

PRIVATE SECTOR EXECUTIVES
Exchange XIII

<u>EXECUTIVE</u>	<u>SPONSOR</u>	<u>HOST</u>
David R. Allison	Tenneco Inc.	US Postal Service
Kris P. Ananth	Midwest Research	Defense (NAVY)
Thomas C. Ballou	US Steel Corp.	Overseas Private Investment Corp.
Donald D. Dea	Xerox Corp.	Justice
John R. Benda	US Steel Corp.	Treasury (IRS)
Richard P. Caliri	John Hancock	Labor
Fred W. DeBussey	Merrill-Lynch	Treasury (Comptlr of the Currency)
William Epke	Equitable Life	Commerce
Ronald Freedman	General Electric	Federal Emergency Mgmt.
A. Leon Fox, Jr.	Sandoz Inc.	Defense (OSD)
Ronald W. Jeitz	Texaco	Treasury
Clayton M. Jones	Rockwell	Environmental Protection
William D. Klay	Manufacturers Hanover	State
Maureen D. Lane	Westinghouse Electric	US Information Agency
William R. LaRue	Bank of America	US Trade Representative
Francis X. Livingston	Westinghouse Electric	Defense (ARMY)
Joseph F. Lockwood	Johnson & Johnson	Defense (OSD)
John T. McCullough	Westinghouse Electric	Justice (INS)
W. Dayle Nattress	Chase Manhattan	Treasury
Jack Osborn	TRW	US Embassy, Tokyo, Japan
Bill Osborne	Union Oil of Ca.	US Int'l Trade Commissio
Jerry Santeiro	Florida Power & Light	General Service Admn.



EXECUTIVE

SPONSOR

HOST

John Spano

Monsanto

Justice

George E. Strother

Metropolitan Life

General Service Admn.

Mark L. Swanson

United Banks of CO

Interior

John P. Surma, Jr.

Price Waterhouse

Federal Reserve System

Stephen F. Tanaka

IBM

Veterans Administration

George J. Trapp

New York Life

Agriculture

Paul A. Willner

Raymond International

Agriculture

Richard W. Wroten

Arthur Andersen

Treasury (Comptlr. of the
Currency)

Chrystal L. Veazey

Prudential Insurance

Transportation



THE PRESIDENT'S COMMISSION ON EXECUTIVE EXCHANGE
THE WHITE HOUSE

EXECUTIVES FROM THE FEDERAL SECTOR
EXCHANGE XIII

<u>EXECUTIVE</u>	<u>SPONSOR</u>	<u>HOST</u>
Thomas J. Barchi	General Accounting Office	Xerox Corp.
Kathleen W. Conway	Environmental Protection Agency	IBM
John R. Cook	Nuclear Regulatory Commission	Union Oil
Donald G. Coonley	Treasury	IBM
Don C. Eller	State	US Steel Corp.
Avram E. Guroff	Agriculture	Tenneco Inc.
William C. Haight	Commerce	Martin Marietta Aerospace
John W. Hisle, Jr.	Health & Human Services	IBM
James F. Kerrigan	Treasury	Northrop Corp.
Joseph L. Mancusi	Veterans Admn.	Equitable Life
Paul B. Mentz	Transportation	Maryland National Bank
Philip A. Selwyn	Navy	Honeywell, Inc.
Gerald D. Solomon	Export-Import Bank	Combustion Engineering
Edward J. Steptoe	Transportation	TRW
Paul D. Tisdale	Defense	Chase Manhattan Bank
Arline E. Vogel	Central Intelligence Agency	City Investing Co.
Joseph J. Voytek	Labor	Teledyne, Inc. (Argonaut Insurance Co.)



THE PRESIDENT'S COMMISSION ON EXECUTIVE EXCHANGE
THE WHITE HOUSE

Attendees for January 9, 1984 Reception

Gerald P. Carmen
Administrator
General Services Administration

Harry N. Walters
Administrator
Veterans Administration

James E. Yonge
Director
Export-Import Bank

J.J. Hudiburg
Chief Executive Officer
Florida Power & Light Company

Charles G. Steele
Partner
Deloitte Haskins & Sells

John S. Ludington
President and Chief Executive Officer
Dow Corning Corporation

John O. Marsh
Secretary
Department of the Army

Todd C. Conover
Comptroller of the Currency

James C. Miller
Chairman
Federal Trade Commission

James M. Beggs
Administrator
National Aeronautics and Space Administration

William F. Bolger
Postmaster General
United States Postal Service

Attendees, January 9 - continued

Alfred E. Eckes, Jr.
Chairman
U.S. International Trade Commission

Roscoe L. Egger, Jr.
Commissioner
Internal Revenue Service

Thomas G. Pownall
Chairman and Chief Executive Officer
Martin Marietta Corporation

Henry F. LeMieux
Chairman and Chief Executive Officer
Raymond International, Inc.

J. Peter Grace
Chairman and Chief Executive Officer
W.R. Grace and Company, Inc.

Donald P. Hodel
Secretary
Department of Energy

NOTE ON STATE OF THE UNION DRAFT

The President has made it clear that he will strike in his State of the Union speech bipartisan and uplifting notes -- all keyed to National unity. That is why the opening of the speech is so critical. It must draw strong reactions from both the audience in the chamber and at home.

Because of the enormous amount of material that must be included, State of the Union messages tend to become incoherent laundry lists. This draft attempts to avoid this by adopting the structure of the classic Reagan speech. While obviously much of the subject matter is changed, the basic framework is the same; all the subjects are tied together with the classic Ronald Reagan themes ("land between two great oceans" "beacon of hope") as well as his own familiar and famous formulations and the powerful anecdotes. Some key phrases that trigger strong reaction in the voters minds such as "tax and tax, spend and spend" are included -- the speech also dwells on education, family, waste and fraud, crime, etc. because the President has always insisted these are more on the mind of the average voter than the Washington mentality knows.

While this first draft is chock full of statistics (all of which need to be researched and checked) and success stories (We must emphasize how far we have come), its basic message is the Reagan message: hope.

(Dolan)
January 6, 1984
4:30 p.m.

PRESIDENTIAL ADDRESS: STATE OF THE UNION

Mr. Speaker, Mr. President, distinguished Members of Congress, honored guests, my fellow citizens:

Only a few short months ago, when we solemnly remembered the tragic death of a young president, some spoke of a more innocent era when it was dreamed that a new generation of Americans would hold high the torch of freedom and truly light the world.

In the two decades after that period, our Nation knew severe inflation and recession, assassination and civil disorder, faraway conflict and constitutional crisis . . . and through it all some wondered whether it wasn't too much to bear even for a country as young and vital as our own.

Tonight, as all of us rejoice in the recovery of America's economic strength and in the success of our mutual efforts to make her again the champion of human freedom, surely one verdict has been returned on the American people and their way of life. At moments of national tragedy and heartbreak, through calamity and crisis, we have not been not found wanting. We have come through the worst; we have kept our heads; but most of all we have kept in our hearts the dream of a young Nation 200 years ago, a dream that saw in this land between the two great oceans a beacon of hope to the helpless and oppressed of the world.

It is that dream that unites us and brings us here tonight; and it is that dream that makes me want to share with you one strong impression I carry with me now after three full years in office: the things that unite us -- our past of which we are so

proud, our hopes and aspirations for this much loved country -- these things far outweigh what little divides us.

Thomas Jefferson once reminded those of us in Government that whatever our political differences we are all "brethren of the same principle," all of us dedicated to the same end. And as we open this new session of Congress, as we work together throughout the decade of the 80's, let us reaffirm in the spirit of that great and good president: we are all Democrats, we are all Republicans -- because we are all Americans.

Reflect for just a moment on how far this spirit of national unity has brought us; how dramatically we have lifted ourselves out of the dilemmas and quagmires of only a few years ago.

At that time, the cause of freedom seemed everywhere on the retreat. The tragedy of the Iranian hostages was fresh in our minds; around the world, most notably in Afghanistan and Central America, Soviet expansionism proceeded unchecked; our defenses had declined dramatically; and some nations thought they could threaten or harm the United States with impunity. All of this added up to physical and moral weakness, weakness that was an invitation to world crisis, and to the armed conflict that all of us dread and must work everyday to prevent.

I will not dwell on our economic difficulties at that time. None of us here and surely none of our fellow Americans who are watching or listening need to be reminded of the elderly who watched helplessly as the work and savings of a lifetime were eroded; the wage earners and housewives who found the weekly trip to the supermarket an inflation-ridden ordeal; young couples who discovered that dream of a first home had become a virtual impossibility, the poor and disadvantaged, especially the young

who, as they reached for that first rung on the economic ladder, saw it move farther and farther from their grasp.

As Government became the worst fiscal offender, Federal spending tripled in the decade of the 70's, while taxes doubled in the last 5 years of that decade. And we all know about the growth of the problem on many of our minds tonight: The Federal debt ballooned by more than 260 percent, from 382 billion in 1970 to more than a trillion dollars in early 1981.

Along with these problem and others like rising crime, declining educational standards, and threats to the Social Security System, the confidence of the American people in their political institutions and government sharply declined; some even said political institutions like the Presidency or the Congress were no longer even capable of functioning.

Yet this Administration and this Congress have done more than just function, we have accomplished what the doomsayers said was impossible: we cut spending growth, we slashed taxes, we trimmed the thicket of Federal regulations, we supported and sustained limits on monetary growth, we rescued the social security system from insolvency, and we brought economic recovery to America.

With regard to the economy, we have dealt -- one by one -- with the critical problems that faced us. First it was inflation, once at 12.5 percent, now down to 3.5 percent -- the lowest rate in over a decade. Then Federal spending growth, cut by nearly 40 percent. Then high interest rates -- 21.5 percent, the highest since the Civil War -- also cut in half to 11 percent. And then unemployment -- and this really startled the professional pessimists -- down a full two percentage points

in only the last 6 months, the fastest drop during any recovery in the last 30 years.

Tonight those who are pessimistic about America's future and unimpressed with the capacity of the American people for self-government should contemplate the record of these last 3 years. You know, if you'll forgive one of my little stories here, some of these professional doomsayers remind me of a tale told about an agent in the entertainment business who agreed one day to audition a young actor. The actor walked up on the stage of the old Roxy Theatre and then took off, flew up in the air and all around the balcony landed back on the stage and looked down expectantly at the agent. The agent just sat there for a moment, looked up at him and then said, "Well, ok kid, can you do anything besides bird imitations?"

We have come a long way. We have succeeded. The Administration and the Congress have shown that America's leadership can put aside partisan differences and work together to do what is right for country -- not just for party. Because this Administration and the Congress fostered hope in the future of America and placed its faith in the resourcefulness of the American people; our economy is recovering, our national security is being restored and our democratic institutions are safe, sound and working. So I can report to you tonight that the State of our Union is far better, far sounder, far stronger than it was during those days of frustration and pessimism of only a few years ago.

Yes, America is on the upward road again. But everyone in this chamber tonight is acutely aware of the unfinished agenda before us. And so as we work together on our agenda for the 80's let us do so in the spirit of hope and uplift that began this

Nation and has seen us through the hard years. America is still, as Franklin Roosevelt once reminded us, "the land of unending challenge;" and, as his friend Winston Churchill, added to his words: "the tenacity, the will power and self-devotion of her people are boundless."

Bearing in mind the strength of our people, of their traditional way of life and values, let us now turn to the first question before us: taxes, spending, and federal deficits.

We are now undergoing the strongest economic recovery in the post-war era. Since 1980, the United States has moved from a disappointing 10th place in per capita income to a much improved third place. A record 600,000 new businesses have been started and venture capital has now reached an all time high of 2.5 billion.

All of this has been translated into direct economic assistance for every American family -- food bills are between \$600 and \$1000 less for the average family, real income is up \$___ for the average family, savings from inflation and tax cuts amount to \$___ and the average family will have saved a total of \$3,500 on its tax bill when tax indexing takes effect next year.

All of this is good news; but to those who are impatient about how long it's taken to bring about these changes and begin shrinking Government down to size -- and I share their sense of urgency -- I want to address a few important words. Sitting in the Oval Office for a few years is a good way to fully realize the enormous momentum towards spending growth, tax increases and higher deficits built up over many decades. The fact we have been able to deal with the momentum of Big Government -- slow it down significantly in the case of spending growth and reverse it

in the case of taxes -- is a cause for great satisfaction. Had we permitted this momentum to remain unchecked, interest rates and inflation, according to several projections worked out by economists, would have hit the incredible range of 25 percent. Think what that or anything close to that would have done to us. It would have meant the collapse of our economic strength and posed a grave threat to the very social and political integrity of our Nation.

So yes, thank heaven we do not have to deal now with what might have been. Yet in order to get on with the business of ensuring economic growth and prosperity for the rest of this decade we must fully understand the forces behind the bitter harvest left us by the years of "tax and tax, spend and spend."

When in the 1970's domestic spending escalated by \$317 billion or 281 percent -- and one program like food stamps could increase by 16,000 percent -- Government had to find a way to finance all of this. There were two alternatives. Either higher taxes or higher deficits.

And guess what? Government did both. The percentage of family taxable income went up 56 percent because Government was not only legislating new taxes but it was also reaping a windfall of \$ billion through the hidden tax of bracket creep. And, in addition to collecting more in taxes, Government was running up deficits so high that that we were soon paying more in a single year's interest on the national debt than it took to run the entire Government less than 20 years before.

So you see that terrible formulation of liberal Government had a forgotten third part; it wasn't just "tax and tax, spend and spend;" it was "tax and tax, spend and spend, borrow and

borrow." And whether it was raising taxes or borrowing to finance deficits, the result was the same: Government was "crowding out" the private sector and consuming the precious capital resources needed by our economy to grow and expand and provide jobs for all Americans.

High deficits and high taxes have always been two sides of the same problem, two symptoms of the same dread disease: uncontrolled Federal spending. Yes, we've brought down the painful high fever brought on by punitive tax increases; but now that the patient is feeling better some people have noticed for the first time that other symptom that was there all the time: deficit spending. The solution now is not to again hide the symptom of big deficits with another high fever induced by more tax increases but to use our new knowledge to conquer the source of the disease. And the source of what ails us is exactly what I said it was in my first State of the Union message to you: Government is too big and it spends too much money.

So frankly I'm a bit surprised when some ask whether I'm concerned about all the talk about the deficit problem. Along with many of you here tonight, I've been warning about deficit spending for 25 years. We're not concerned, we're delighted that we are finally facing up to the deficit problem; we're delighted because it means this Congress and this Administration now have an exciting opportunity -- we can take the final steps necessary for the complete rehabilitation of the American economy.

And so tonight I propose to you a package of four economic reforms, reforms that if the Congress acts quickly will get a handle on Federal spending and deficits, completely revamp an

inequitable and burdensome tax system and insure a balanced budget in our time and in the future.

First, I am asking the Congress to pass a joint resolution supporting our 2-year budget plan that will give to the American people the \$___ billion in spending cuts that we asked for last year. The American people believe Government can lower deficits without imposing new taxes. They think its time for Government to do some belt-tightening and so do I. Believe me, we can do it.

Second, it is time for the Federal Government, in the best Federalist tradition, to learn something from successful experiments in the State and local laboratories of governments. The evidence from 43 States and many municipalities is overwhelming: the Executive Branch needs a powerful weapon to cut out the porkbarreling and special interest expenditures buried in those large, catch-all appropriation bills. I am asking the Congress to give the President the authority to veto single-line items in the Federal budget.

Third, politicians at the national level must no longer be permitted to destabilize the future of the American family and mortgage our children's future by running up higher and higher deficits. The time has come to force Government to live within its means; I repeat my call for making a balanced budget a constitutional requirement.

Fourth and finally, our current tax system burdens some too heavily while permitting others to avoid paying their fair share; it makes honest people feel like cheats and lets cheats pose as honest citizens. It encourages the underground economy and wastes millions of manhours on forms and regulations. It drives money needed for growth and investment and jobs into unproductive

tax shelters; it acts as the single biggest obstacle to the entrepreneurial spirit and economic expansion. To put it simply: Our tax system is unfair, inequitable, counterproductive and all but incomprehensible -- even Albert Einstein once wrote to the I.R.S. for help with his 1040. So let's end the trauma of April 15th, let's stop the nightmare of tangled regulations and twisted requirements that every American faces at income tax time. We can simplify the tax code and we can do it by passing a flat tax rate allowing deductions for only dependents, housing, and _____ .

In taking these steps we will not only ensure our own economic well-being, we will enact historic measures that will insure prosperity for many generations to come. We will improve our budget process and provide constitutional safeguards against what has throughout history brought so many other nations to their ruin -- the very tendency that our forefathers repeatedly warned against: the inevitable desire of government to spend too much of it's citizen's money and then tax them into servitude when the bills come due.

Now, in addition to proposing these reforms, this Administration will continue to further a cost-cutting revolution that we began the day we took office. Unheralded, almost unreported, it is a quiet revolution that is reaching into every part of the government -- pruning, shearing, cutting back bureaucracy, making it more efficient and less wasteful and more responsive to people.

Two years ago, I called waste, fraud and mismanagement in the Federal Government an unrelenting national scandal. Well,

today, although we are still a long way from home, that scandal is starting to relent and let me tell you why.

From discovering social security checks still being sent to dead people to finding a screwdriver the Pentagon was paying \$ ___ for, our inspectors general, auditors, and administrators are putting the squeeze on billions in waste and mismanagement. Through the President's Council on Integrity and Efficiency, we've used the Inspectors General as a strike force to save an estimated \$23 billion on waste and fraud, collect \$3.5 billion of a targeted of \$40 billion in delinquent debt collections, reduce paperwork by 29 percent, cut Federal travel costs by 16 percent and stop publication of an estimated 73 million copies of marginally useful Federal publications.

Many of you in the Congress are also aware of the maze that is the Federal bureaucracy; 325 different financial systems, 350 personnel systems, 2,300 payment centers, all of them poorly coordinated and many of them incompatible, along with no effective cash or debt management. Under a carefully designed 5-year program called Reform 88 we are now bringing about the management reforms and cost reductions that will clear out this jungle and make some sense of Federal procedures and organization.

We also established Private Sector Survey on Cost Control that brought in 1500 private sector executives from outside the Washington power structure, they were organized into 36 task forces and after surveying the Federal bureaucracy have now made more than 5,000 recommendations including the discovery it takes the Federal Government millions more in employees and billions more in dollars than it takes private industry to process

insurance or disability claims. The commission's recommendations add up to savings of tens of billions of dollars; the Administration is now reviewing these recommendations and we look forward to working with the Congress in implementing them.

And finally one of the most important changes has been that of personnel. We've brought to Washington administrators who are willing to stop business as usual, make a few waves in the bureaucracy and start treating the money spent in Washington as if it really did belong to the taxpayers.

That's why the General Services Administration, a scandal ridden agency only a few years ago, was transformed into an efficient organization that reduced its work-in-time from 30 days to 7 days while sustaining budget cuts of 20 percent, office space reductions of 20 percent and the attrition of 7,000 employees. It's why the Government Printing Office which was running a 3-year \$20 million loss on its publication program registered a 4.6 million profit in 1982. It's why the Office of Personnel Management is reducing Federal manpower through attrition, pushing performance based promotions, saving Federal employees 700 million and the taxpayers 1.2 billion on health benefits costs and getting a handle for the first time on the Federal retirement program, our fourth largest entitlement program, by cutting dramatically, for example, the abuse of disability retirements -- they are down 40 percent for a savings of \$1 billion.

But there's another side to making Government more responsive to people that I haven't mentioned -- because in addition to cutting back on Government intrusions into areas where it is neither competent nor needed, a new political

consensus in America is demanding that Government get back to carrying out its traditional and constitutional duties, duties like preserving the domestic peace and providing for the common defense.

I will talk in a few moments about progress made in these areas, especially the war on crime and the steps we need to take to continue that progress as well as about our vital defense and national security interests.

First though, let me say a few words on one area that is primarily the responsibility of families and local and State governments. It should be talked about here tonight at the national level not for the sake of calling for more Federal dollars or regulations but for the sake of restoring excellence to what was once the pride of America: our students, our teachers, our schools.

Millions of parents and teachers listening tonight are deeply concerned that even as Government expenditures on education have risen by an amazing ____ percent, standards of achievement and excellence for our children have sharply declined in the last two decades.

I've said repeatedly during the last 2 years we need to strengthen parental involvement in the educational process; we need to liberate dedicated teachers and educators from bureaucratic, Government-imposed regulations; we need to encourage educational diversity while emphasizing basic skills; we need to restore discipline, respect for authority and rewards for excellence in our schools.

Let us move forward now with three important initiatives that will increase parental control and involvement, encourage

diversity and directly assist many American families including millions of poor families. I am calling on the Congress, first, to pass our proposals for tuition tax credits for non-public school children. Second, to approve voucher plans that will place \$500 in the hands of millions of parents of poor and educationally underprivileged children. And I am calling on the Congress to give millions of American parents a strong incentive and an easier way to save for their children's higher education; we need I.R.A.'s for college, Independent Education Accounts.

And finally we need to take a giant step towards restoring basic values to our school system through recognizing and dealing with a chronic and shameful problem. Each month in our secondary schools, 282,000 students, more than 3 million a year, are physically attacked; each month in our secondary schools 125,000 teachers, more than 2.5 million a year, are threatened with physical violence. The number of teachers reporting attacks on their person during the last 6 years has risen by 53 percent.

Civil rights are being violated: the civil rights of every student to get his or her education in a climate of peace and reason, free of violence. Tonight, let us reaffirm our support for local school administrators and teachers who must face up to this problem everyday; let us pledge to them our help as they attempt to discipline or expel or prosecute the troublemakers who are disrupting our school system.

This last issue, of course, raises again the wider question of crime and violence in our society as a whole. What's been happening in our schools reflects the epidemic of crime that has swept our Nation during the past two decades.

A new privileged class seemed to emerge in America: a class of repeat offenders and career criminals openly contemptuous of our way of justice; criminals who did not believe they could be caught and if they were caught were convinced that once their cases entered our legal system the charges would be dropped, postponed, plea-bargained away, or lost in a maze of legal technicalities that made a mockery of our legitimate concern with civil liberties.

Even as this Administration has dealt with the pressing problems of our economy and national security, the problem of crime and the career criminal has remained among our top priorities. The eight point program I announced last year and which the Congress has approved is just now beginning to show gratifying results. In fiscal 1983, drug related arrests are up ___ percent and Federal law enforcement has taken out of circulation 2-3/4 million pounds of illicit drugs and 20 million doses of prescription drugs. Organized crime convictions are up from 515 in fiscal 1981 to 1,331 in 1983. After years of decline in our investigative forces, more than 1,000 new investigators and 200 new prosecutors are joining the fight this year against crime. We've improved State and local cooperation through local law enforcement coordinating committees and the Justice Department's Governor's Project. We've added prison space and improved training opportunities for local and State police. With your help and leadership, our 12 new regional drug task forces are beginning to bring in the big cases against drug traffickers.

And, as I am sure many of you know, our organized crime commission held widely publicized hearings last December here in Washington. The commission will be the first in-depth look at

this problem since the Kefauver hearings and will put the menace of organized crime where it belongs: front and center on the American agenda.

Our goal is a frontal assault on criminal syndicates in America. Make no mistake: We're in this thing to win; there will be no negotiated settlements, no detente with the mob. We mean to cripple their organization, dry up their profits, and put their members behind bars where they belong.

Because more and more career criminals are being locked up for longer and longer periods of time, crime rates are starting to come down throughout the Nation. But a 4 percent decline in the crime rate is no cause for rejoicing, particularly since the crime rate has increased by more than 252 percent since 1962. At that rate of decline, it would take more than 30 years to get back to where we were.

So we must push ahead at all levels of government. Here at the Federal level I am asking the Congress to act soon on the anti-crime proposals the Administration has placed before you. Reform of our parole and bail system and the revision of the exclusionary rule are long overdue. Only last year a major organized crime chief was released on parole despite the fact he had flagrantly abused an earlier release. Drug pusher after drug pusher has escaped justice by taking advantage of our bail system. And criminals who have committed atrocious acts have cynically utilized the technicalities of the exclusionary rule, a miscarriage of justice unique to our legal system, to avoid punishment. Indeed, while too many children are being seduced into drug addiction and families decimated by grief, one recent National Institute of Justice study showed that of all the drug

felons arrested in 1981 nearly 30 percent were returned to the streets because of perceived problems with the exclusionary rule.

As most of you know, these reforms along with changes in criminal forfeiture and sentencing laws that would strengthen our hand against the professional criminals were passed by a vote of 95 to 1 by the Senate during the last Congress. Unfortunately virtually none of this legislation was acted upon by the House. I believe the American people demand that we do all that we legitimately can do to make life tougher on professional criminals. These reforms will do just that. I hope you will act on them soon.

From combatting drug addiction and organized crime to cutting taxes and spending, from fighting for a balanced budget to bringing basics back to our educational system, I think you can see a pattern emerging in all the measures we are asking the Congress to pass. We mean to speak for the political consensus in America that became visible at the start of this decade when Government intrusion brought on so many of our economic woes. It is a consensus that sees Government as the cause not the solution of many of our social problems and views the spirit and the energy of our free people as the real source of social, political and moral progress.

We sometimes speak of a matrix -- a formula that can provide the key to solving many of our problems. That matrix lies in this new consensus -- in this reaffirmation of the traditional American belief in the wisdom of limited Government and in values like family, work, neighborhood, and religious faith.

That is why we must do more to strengthen American families -- that basic unit of society -- so battered by

Government fiscal and regulatory policies in the last decades. Our income tax cuts, the passage of tax indexing, the removal of the marriage penalty and the improvement of the economy will, I believe, remove much of this financial pressure on American families. But we must go farther -- we are asking the Congress to act affirmatively on our proposals for spousal I.R.A.'s, enforcement of child support payments, protection of pension benefits as well as the educational tax credits I previously mentioned. Let us make the strengthening of the American family a priority in the coming years.

In much the same spirit, we hope to return initiative and energy to State and local communities by continuing to decentralize Government functions so that government can be brought closer to the people. On this score, I urge the Congress to act quickly on our proposals for Enterprise Zones that will do much to revitalize our inner cities.

But there is a moral element to all of this as well -- and, my fellow Americans, we must face up to one such critical issue. The destruction of _____ million fetuses a year is a great moral evil. Tonight, I renew my call for a constitutional amendment protecting the lives of unborn children.

In much the same way, our forefathers intended that a wall of separation be established between the State and organized religion but never between the State and religious belief itself. We are a Nation under God: in the Declaration of Independence there are no fewer than four mentions of a Supreme Being; "In God We Trust" is engraved on our coinage; the Supreme Court opens its proceedings with a religious invocation; and the Congress opens each day with prayer from its chaplains. I just happen to think

the schoolchildren of the United States are entitled to the same privileges as Supreme Court Justices and Congressmen. I am calling on the Congress tonight to accede to the overwhelming desire of the American people for a constitutional amendment permitting prayer in our schools.

In what we seek on the issues of school prayer or reducing the size of Government, on strengthening families, local communities and private institutions, we are getting Government out of the way of our people and their boundless capacity for change, innovation, and progress while at the same time reaffirming America's traditional moral values.

This moral vision applies fully with regard to issues of defense and national security.

We have in the past few years completely revamped American foreign policy, imbuing it with a new energy, and moral purposefulness. We have opened a wide series of diplomatic initiatives even as we have successfully resisted Soviet expansionism.

Yes, all of us were disappointed when the Soviets recently walked out of negotiations on two separate arms control agreements. But at this latest example of Soviet intransigence none of us can be surprised, nor should we be disheartened about the ultimate prospects for peace and freedom.

The truth is there is great cause for hope. I believe our alliances, the strength of our democratic system, the resolve of free peoples are beginning to hold sway even as the new assertiveness of our foreign policy has demonstrated our willingness to acknowledge the lessons of history. Two world wars in this century have taught us the danger of giving into the

demands of militarism or engaging in self-deceit in pursuing the illusion of peace, not peace; itself. The peace we seek today is the same we have sought for the last four decades: a peace that is just, a peace that endures, a peace that insures and enshrines human freedom.

The world must understand that in the face of militaristic threats, the American people cannot and will not simply throw away these principles and convictions. In our foreign policy we will hold to a moral center, a center that views human freedom as a first principle, not a bargaining chip.

And let me add here that the reemergence of America's international prestige and power has relied in great measure on the reconstruction of our military might, left in such a woeful state only a few years ago. In this area, the Congress and the Administration have achieved much; it would be utter folly to turn back now just as our goal of a militarily strong America is within sight. The defense bill before the Congress is the minimum we need to protect our freedom; no stronger message of American unity and purposefulness could be sent to the rest of the world than its immediate passage.

This renewal of our military strength but most of all our new sense of purpose and initiative in foreign policy has had its expected repercussions. For our adversaries and even some of our friends -- who had come to expect weakness not strong leadership from America -- it has caused a period of readjustment and reassessment. But I believe it has also given new hope to the world especially to oppressed peoples who long for freedom. The people of Grenada will support me on this point; it is nice isn't

it to see graffiti on foreign walls that was not, "Yankee Go Home" but "God Bless America"?

Yet in explaining why I am hopeful, I want to point to even more than the new direction in our foreign policy. Some of you may recall that when I spoke to members of the British parliament a little while ago, I noted the deep decay in the Soviet empire and the increasing enthusiasm of people throughout the world for representative and democratic forms of government.

That enthusiasm grows with every day. The people of the world are turning to freedom. And it is only a matter of time, if we remain strong in our convictions, before that love of freedom builds constituencies for peace even within the borders of the most repressive states. The long range hope of a world living in freedom, as well as peace, is a vision we will always hold before us. To be sure, that vision is a nightmare to tyrants. This is why we have seen our adversaries grow bolder in their threats and more disruptive in their actions. They know that not only the intellectuals but the masses of the world now understand the "workers paradise" to be a bitter illusion. Perhaps for the first time, they can sense the tide is turning, they can even visualize a day when communism will be just another sad, bizarre chapter in human history, a chapter whose last pages are even now being written.

Yes, this struggle in the world is a long and difficult one and do not think for a moment that I underestimate the dangers all of us face in keeping the peace. But I do believe that our strength and resolve -- though it is being tested now -- will eventually bear the rich fruit of a just peace. History has shown that when the Soviets are convinced that the time for

posturing and blustering is over and the moment for the serious, hard work of negotiating arms reductions agreements has arrived, that they act realistically. That is why I am convinced that if we remain true to our principles, if we hold onto our love of freedom and individual liberty, if we negotiate wisely and in good faith -- we cannot only reach sound and verifiable agreements on arms reductions but we can pass on to our children and the children of all nations the gifts of human freedom and a world at peace.

This is the world we can look forward to. In speaking tonight of America's traditional values and philosophy of Government we must remember the most distinctive mark of all of the American experience: To a tired and disillusioned world we have always been a symbol of hope, a new world where all things are possible.

In all the areas I have mentioned the economy, waste and fraud in Government, education, crime, national security -- we are not just solving problems, we are laying the groundwork for a prosperous, stable and exciting future. That is why we must not stop now in our quest for economic recovery or in the solution to the rest of our domestic and social ills. That is why we must as a Nation stand for freedom and use our leadership in areas like space exploration and technology to protect freedom and expand the frontiers of knowledge. I am asking the Congress to move ahead with [SPACE INITIATIVE] not only for its immediate benefits but because it is a symbol that we as a Nation welcome the future, its challenge, its opportunities, its chance for greatness. Technology is not to be feared, but shaped and used for the advancement of humankind. Fate has made an appointment

for mankind to explore and settle outer space. It is America that must keep that appointment.

One scholar at the Hudson Institute recently reminded us that we live "in the most dramatic and important period in human history" -- a time when many of the worst material problems afflicting the human race are within sight of solution. He noted we should be grateful for this -- for if we are wise and brave, we can see the culmination of mankind's oldest dreams not just for material comforts but for an era of peace and freedom.

During his acceptance speech of the Nobel Prize in the early 1950's, William Faulkner told a world that was just beginning to fully understand the dangers but also the great opportunities of the modern era that the future holds promise and greatness. He said that "Man will not merely endure, he will prevail" because he will return to the "old verities and truths of the heart."

"He is immortal," Faulkner said, "because he alone among creatures . . . has a soul, a spirit capable of compassion and sacrifice and endurance."

In these 3 years I have had the privilege of being your president, of working with those of you in the Congress and with citizens all across this country, I have seen many extraordinary examples of this compassion, sacrifice, and endurance.

[Examples] I have never been so convinced that America is still "a willingness of the heart" -- and that great days lie ahead for this much loved country.

The Administration, the Congress and the American people have shown this willingness, this greatness in what we have already accomplished together. It is no exaggeration to say that that young president of two decades ago was not wrong; the torch

of freedom is still held high, that scared fire of liberty burns brightly tonight in this chamber, in the homes and hearts of millions of Americans watching or listening; in the eyes of the oppressed and helpless of the world who can still see a beacon of hope and a dream of freedom shining out from this "kindly, pleasant, greening land" called America.

Let us work now and pray that it will always and ever be so.