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ADDRESS TO THE NATION --- THURSDAY, FEBRUARY 5, 1981

GOOD EVENING:

Throughout the Presidential election campaign last fall, I came before you in the process of what I called a national conversation. It gave me an opportunity to speak plainly about the difficult problems facing our Nation.

Tonight, for the first time as your President, I am continuing this conversation to share with you my views on the profound economic crisis we face.

Shortly before I took the oath of office, I asked my advisers to prepare a comprehensive look at the American economy. Just as you review your personal finances and prepare your income taxes, I wanted to have a national audit of America's financial condition.

Their report was presented to me yesterday. Frankly, I found no surprises. You are going to find no surprises. The sum total of what we face is nothing less than an economic mess. Those are blunt words, but we have long since passed the time when we can hide behind lofty economic phrasing.

Two weeks from now, I will outline to the Congress of the United States the actions I feel must be taken to rescue our economy. Tonight, however, I am going to outline the dimensions of the crisis, discuss how we got here, and enlist you, the people, in the enormous effort it will take to regain our economic vitality.

Let us begin with the plain truth. We are not on the road to recovery. Instead, we stand on the brink of economic calamity.

The Federal budget is badly out of control, and we are faced with runaway deficits. Ten months ago, the previous Administration projected a surplus of some \$16 billion. Now, we face a deficit of around \$80 billion -- the largest ever in our history. The entire U.S. budget in 1957 was less than this year's deficit and less than the \$80 billion we are paying this year in interest alone on our staggering national debt.

This irresponsible spending goes hand in hand with the steady trend in the growth of government. In 1960, there were 10 Cabinet departments and now there are 13. In 1960 we had 2.2 million Federal employees being paid \$12.7 billion a year, and now there are 2 3/4 million employees making \$56.8 billion per year.

In 1960, government consumed 18 1/2 percent of our national production. Last year, it took 23 percent.

The inescapable result of government out of control is inflation out of control.

Inflation in 1979 ran at 13.3 percent. Last year it finished at 12.4 percent. In the entire eight years of the Eisenhower Administration the total cost of living rose only 11.6 percent. Today, that seems hard to believe.

Ten years ago, mortgage interest rates averaged about eight percent, and now they are at the absurd level of 13.5 percent.

Look at your income tax burden. Two decades ago, you ^{a family of four} paid less than 11¢ to the Federal Government on every dollar you earned. Today, you are paying nearly 18¢. The burden of Federal taxes per family has quadrupled since 1965.

Finally, too many Americans are painfully aware of the sluggish condition of our economy. Last year's recession pushed unemployment rates from about 6 percent to nearly 7 1/2 percent. Numbers do not adequately measure the human suffering this implies.

That is a brief summary of the national economic audit that has been presented to me -- a confusing jumble of numbers and charts.

But this report cannot begin to translate the deep worry each of you feel. No citizen can avoid the critical problem that faces all of us: how to cope with potential economic disaster.

That's why I have set aside what amounts to just one more government report. Instead, let's look at these alarming economic trends in personal terms.

The dollar you spent in 1960 will only buy 38¢ worth of goods or services today. While you spent a quarter of your income to buy a home in 1960, it now takes more than 40 percent.

Have you purchased a car lately? Just ten years ago, it took about 35 months to pay for it -- today, nearly 44 months.

How does the growth of government relate to you? Well, government was spending almost \$1,900 per family two decades ago. Today, though the average family is truly no better off, the government is spending an incredible \$7,800 per family. Every man, woman and child carries nearly \$4,500 of the national debt.

On the tax front, it used to be that the average family of four could pay its taxes with the income earned by February 8. Now, you must work a month longer -- into March -- to pay your Federal taxes.

There are also some hidden payments in your lives.

If you are lucky enough to buy that automobile which requires 44 months to pay off, you should also know that government regulations have added \$666 to its cost.

All of these problems are the legacy of a bankrupt idea: that the government is the source of our economic well-being.

And now, those who have promoted the notion that the government offers the cure for our economic ills have run out of medicine. We are not only running out of medicine; we are, more importantly, running out of time.

Left uncontrolled, here are some of the consequences that would be upon us before long:

*CPI
for year 1981
ERP 81*

--- If inflation continues at the same rates, an automobile that costs \$6500 in 1981 will cost more than \$12,000 in 1985. The utility bill which runs at \$110 per month today would jump to \$229 in 1985.

--- The average percentage of your family's income going to Federal income taxes will jump again from 18 percent today to more than 21 percent in 1985.

*CEA -
REF. 301
(TABLE)*

--- While our GNP will grow by \$1.2 trillion in the next three years, the Federal Government's share of the increase will be more than 26 percent. Historically, the government's share has rarely risen above 20 percent.

*'82 budget
used '84
estimate
GNP &
Federal Budget
Table in
the budget*

All of these trends are leading us directly toward a trillion dollar national debt.

When the Federal Government increases its debt it competes with you for money. That, in turn, helps keep interest rates at today's extraordinarily high levels. These high rates not only keep inflation high, they deter investments, and it isn't long before all America falls into economic decline. It isn't government that suffers from this vicious cycle; it is you.

And yet, we have continued to allow deficits to push up our debt as if there were no negative consequences. The record is frightening.

In 1960, our national debt stood at \$284 billion. By 1974, as I prepared to leave the Governorship of California, it had leaped to \$474 billion. When I took the oath of office 16 days ago, it stood at \$939 billion. And now we have been forced into asking the Congress to raise it to \$985 billion. ⁽⁹⁰⁹⁾
(THE DEBT CEILING)

The unbelievable magnitude of these numbers illustrates how we have engaged in a form of national self-deception. In 1971, the Congress of the United States last set what it called a "permanent" debt limit of \$400 billion. Since then, each time the debt limit has been raised, it has been soothingly called a "temporary" increase.

In other words, as our national debt approaches one trillion dollars, we are told it is only "temporary." Well, this is the kind of debasement of the English language that has gotten us into so much trouble. We've hidden behind fictions and budget hocus-pocus. We've deceived ourselves into thinking that the mere use of words would protect us from economic chaos.

I've done a little research on this. I found that the "temporary" debt limit has been raised ^{- SR EXTENDED} 21 times since 1971. If a bank told you you could borrow \$5,000, do you think it would let you go back 21 times to increase the loan without collateral? You know the answer to that question. Well, it's our job to convince this government of the answer to that question.

We are going to stop hiding behind trick phrases and smokescreens. We may have been looking at a "temporary" rise in our debt, but you and I know that the temporary rise has become a permanent burden.

Thus, my first goal in getting our economy back on track is to tell the truth and to quit manipulating definitions.

I wish that we could magically undo all this damage. We can't, and we won't. But we can start by being honest with ourselves.

I'm not asking you to be patient; I'm asking you to use your impatience to make sure this difficult process is seen through to the end. I won't ask you to do with less because when the times are most difficult, our people have always done the right thing.

Now, let me briefly describe to you the four basic elements of the plan I will be submitting to the Congress when it returns from its recess.

First, I am going to propose the largest reduction in Federal spending ever presented by an American President. I am determined to break the cycle of inflationary expectation and balance the budget at the earliest possible date.

No government in history has voluntarily cut its own size. That is why we must take this action on our own. As parents we know that we can repeatedly lecture our children on the evils of waste and extravagance, but nothing

is so effective as simply cutting back their allowance. The Federal government will cut its spending only when we take action to stop it from spending.

In this process, all essential needs of our society will be met. Our efforts will be as even-handed as possible. My cuts will affect everyone but the truly needy, and everyone will benefit from this program including the truly needy.

Only those who unfairly and unnecessarily feed at the Federal trough need fear what we do. For example:

- We will cut grants that benefit mostly the grantsmen. These professional middlemen and clever long-term budget manipulators will be a special target.
- We will not subsidize businesses at the expense of the American people. Our policy will be to encourage business to earn its profits in the marketplace and not in the Federal budget.
- We will not continue programs simply because "that is the way it's always been done." It's time to get away from business as usual.

To help cut the budget, without hurting the needy, I plan an assault against the fraud and waste that we have in government. I will be rigidly intolerant of wasteful activities, and I will seek tough criminal penalties against fraudulent ones.

I don't think, at this point, that I need to dwell on the obvious. From your personal experience, each of you knows that inflation is destroying our economy -- inflation fed by huge deficits and paid for by printing-press money.

I will, however, restate one of my most serious personal concerns, and that is the effect of inflation on the family unit. I approve of and support women who wish to enter the work force. Yet, there is no question that hundreds of thousands of wives and mothers are working today only because they have no other choice. They are simply trying to help their families stay even.

This has resulted in incalculable social and cultural costs. It has cut down on the intimacy of family life by reducing leisure time for family activities. Among working people it has led to feelings of frustration and demoralization -- even rage and exhaustion. In my opinion, these developments are in great measure responsible for the serious rise in family instability and unhappiness. That price is unacceptable to me.

My second proposal will be to reduce personal income tax rates ten percent each year for the next three years. And I will call for an acceleration in the ability of all businesses, small as well as large, to write off capital investments against their taxes.

Personal cuts will restore your opportunities to work and save and invest. It will result in economic growth and the creation of more jobs.

Business cuts will encourage investment in new plants and equipment and provide the capital for badly-needed productivity growth. The result: more jobs, better products, and less inflation.

Just as our personal tax laws are structured to achieve certain goals, so must our business taxes. As an individual, you can deduct mortgage interest which encourages homeownership, and you can deduct charitable contributions which encourages works of benevolence. Business must also be able to improve its work, renew the quality of its equipment, and prepare for the future.

The sum of business expansion and growth is personal well-being and jobs. I know there are those who oppose business tax cuts, but the fact is that business doesn't pay taxes; you pay taxes. Every tax has to be passed on as a cost of doing business.

The third step in my plan will be to lessen government interference through the regulatory process. We must reform government regulation, eliminating needless and excessively costly rules and requirements. But while we act to reduce the burdens of government, we will never lose sight of the legitimate ends that they serve. Our food will remain safe to eat; our medicine will cure and not cause disease; our products will not threaten our lives.

However, we will review all old regulations and keep only those which are absolutely essential. We will look at

alternative ways of achieving regulatory objectives and screen all new regulations. We will make assessments of regulations based upon the costs they impose compared to the benefits they provide.

Fourth, we must act with a close understanding of how important the monetary element is. In plain language, I think we can work with the Federal Reserve system, and in connection with our elimination of Federal deficits, we can drive down inflation and restore the purchasing power of the dollar.

My proposals are based on very simple principles. If you want less of something, you tax it. If you want more of something, you reward it. If you want more productivity, you reward productivity. If you want to stop going into debt, you stop rewarding the accumulation of debt.

Since the early 1960s, the Federal Government has followed policies based on the hope that we could "fine tune" our way out of inflation and unemployment. The result has been "stop-and-go" policies -- fighting inflation one year and unemployment the next. Whenever inflation became too high, Washington would increase unemployment by raising taxes and interest rates. When unemployment then became too high, Washington would open the budget floodgates and print more money. And our problems only worsened. I think cutting spending and cutting taxes go together.

But as deep as our problems are and as long as they will take to resolve, I have faith that together we will get the job done. It is in the nature of the American people not to shrink from the tough decisions.

I am confident that in time we will return not only to prosperity but to a prosperity that preserves the value of our wealth. We can create the incentives which take advantage of the genius of our economic system -- a system, as Walter Lippman observed more than 40 years ago, which for the first time in history gave men "a way of producing wealth in which the good fortune of others multiplied their own."

Our aim is not to limit our wealth and merely allocate it differently. Nor is it to favor the few while ignoring the majority. Instead, we seek to increase our national wealth by rewarding hard work and risk-taking. We seek also to make our national wealth worth something by forcing this government to live within its means.

Over the years we have let negative economic forces run out of control. We have stalled the judgment day. We no longer have that luxury.

Tonight I have frequently made statistical comparisons to the year 1960. Of course, much has changed for the better since then. But in terms of our economy, how can we dispute that things have gotten worse?

Since 1960 our government has spent ^{\$5.1} \$5.2 trillion; our debt has grown by \$646 billion. Inflation has exploded by

(?)

178 percent. Now, let us ask ourselves: how much better off are we for it all? And, how much worse off are we for it all?

When we measure how harshly these years of inflation, lower productivity, and uncontrolled government growth have affected our lives, we know we must act quickly.

We must not be timid. We will not be timid.

We will restore the freedom of all men and women to excel and to create. We will unleash the energy and genius of the American people -- traits which have never failed us.

To the Congress of the United States, I extend my hand in cooperation.

To my colleagues in the Executive Branch of government and to all Federal employees I ask that we work in the spirit of service. We have no powers except those that we derive from the people.

To those great institutions in America -- business and labor -- I urge you to be guided by the national interest. The only special interest we will serve is the interest of the people.

To my fellow citizens, I propose that we join to do no less than shake the very foundations of our economic system. We will work together and act responsibly. We will do so with the most profound respect for that which we must preserve and with sensitive understanding for those who must be protected. Please give me your help.

Thank you and good night.



Daily Treasury Statement

Cash and debt operations of the United States Treasury

January 20, 1981

(Detail, rounded in millions, may not add to totals)

3365

TABLE I Operating Cash Balance

Type of account	Closing balance today	Opening balance		
		Today	This month	This fiscal year
Federal Reserve account.....	\$2,622	\$2,845	\$3,062	\$4,102
Tax and loan note accounts (Table V).....	6,568	5,755	9,243	16,888
Total operating balance.....	9,190	8,600	12,305	20,990

TABLE II Deposits and Withdrawals of Operating Cash

Deposits	Today	This month to date	Fiscal year to date	Withdrawals	Today	This month to date	Fiscal year to date
Public debt receipts (Table III-B)	\$14	\$38,423	\$201,853	Public debt redemptions (Table III-B).....	\$102	\$33,347	\$178,380
Federal Reserve Earnings.....	-	480	3,523	Medicare.....	117	1,972	11,425
Taxes received through Federal tax deposit system (Table IV).....	471	6,842	37,553	HEW grants (selected).....	84	2,607	12,324
Individual income and employment taxes, not withheld.....	1,028	4,802	8,166	Unemployment insurance benefits...	-	1,045	5,098
Estate and gift taxes.....	21	292	1,826	Interest on public debt.....	7	281	9,186
Customs and certain excise taxes..	25	358	2,236	Commodity Credit Corporation (net).	73	1,195	3,449
Deposit by States:				Export-Import Bank (net).....	-	-17	408
Social Security.....	*	124	3,504	Federal Highway Administration....	-	361	3,049
Unemployment.....	12	151	2,342	Other withdrawals:			
Supplemental security income....	-	115	551	Unclassified.....	1,441	30,595	160,288
Foreign deposits, military sales...	6	586	2,356	Total, other withdrawals.....	1,441	33,926	168,224
Postal Service receipts.....	113	1,253	7,349	Transfers to other depositories...	-	2,033	6,752
Farmers Home Loan repayments.....	34	781	2,608				
Other deposits:				Total Federal Reserve account.....	1,824	76,750	398,295
Total other deposits.....	-	-	4,303	Tax and loan note accounts:			
Change in balance of uncollected funds (closing balance \$ 807)	-212	-368	+544	Transfers to Federal Reserve Banks (Table V).....	89	22,471	118,101
Transfers from other depositories..	89	22,471	118,101	Total, withdrawals (net of transfers)	1,824	74,717	391,543
Total Federal Reserve account.....	1,601	76,310	396,815	Net change in operating cash balance	+590	-3,115	-11,800
Tax and loan note accounts:							
Public debt receipts (Table III-B)	4	61	292				
Taxes received through Federal tax deposit system (Table IV).....	898	17,702	100,737				
Transfers from Federal Reserve Banks.....	-	2,033	6,752				
Total tax and loan note accounts (Table V).....	902	19,796	107,781				
Total deposits (net of transfers)..	2,414	71,602	379,743				

*\$500,000 or less.

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D. C. 20402. Subscription price: \$62.20 per year (domestic), \$77.75 per year (foreign). Includes all issues of the Daily Treasury Statement, the Monthly Statement of the Public Debt of the United States and the Monthly Treasury Statement of Receipts and Outlays of the U. S. Government. No single copies sold.

January 20, 1981

John Schmalk
566-5806

TABLE III-A Public Debt Transactions

(Stated at face value except for savings and retirement plan securities which are stated at current redemption value)

Issues	Today	This month to date	Fiscal year to date	Redemptions	Today	This month to date	Fiscal year to date
Marketable:				Marketable:			
Bills:				Bills.....	\$1	\$28,052	\$140,602
Regular series.....	*	\$30,221	\$148,038	Notes.....	3	201	18,006
Cash management.....	-	2,500	13,502	Bonds.....	*	26	2,023
Notes.....	\$2	2,679	31,236	Nonmarketable:			
Bonds.....	-	1,501	5,144	Savings and retirement plan series	88	1,295	3,789
Nonmarketable:				Government account series.....	9	55,590	290,734
Savings and retirement plan series				Foreign series.....	-	705	3,040
Cash issue price.....	16	257	1,219	State and local series.....	1	195	937
Interest increment.....	-	-87	931	Other.....	*	*	30
Government account series.....	-	49,663	280,051				
Foreign series.....	-	374	1,585	Total redemptions.....	102	86,064	459,161
State and local series.....	*	33	989	Net change in public debt outstanding	-84	+1,078	+23,587
Other.....	-	3	55				
Total issues.....	18	87,143	482,748				

TABLE III-B Adjustment of Public Debt Transactions to Cash Basis

Transactions	Today	This month to date	Fiscal year to date
Public debt cash receipts:			
Public debt issues (Table III-A)...	\$18	\$87,143	\$482,748
Premium on new issues.....	-	-	-
Discount on new issues:			
Bills (-).....	-	1,931	9,247
Bonds and notes (-).....	-	15	91
Government account transactions(-)	-	46,800	270,334
Interest increment on savings and retirement plan series (-).....	-	-87	931
Total public debt cash receipts...	18	38,484	202,145
These receipts were deposited in:			
Federal Reserve account.....	14	38,423	201,853
Tax and loan note accounts.....	4	61	292
Public debt cash redemptions:			
Public debt redemptions (Table III-A).....	102	86,064	459,161
Government account transactions(-)	-	52,718	280,782
Total public debt cash redemptions	102	33,347	178,380

TABLE III-C Debt Subject to Limit

Classifications	Closing balance today	Opening balance		
		Today	This month	This fiscal year
Total public debt outstanding.	931,288	931,372	930,210	907,707
Less public debt not subject to limit.....	607	607	607	608
Plus other obligations subject to limit:				
Guaranteed debt of Federal agencies.....	472	472	475	494
Specified participation certificates.....	1,135	1,135	1,135	1,135
Total subject to limit.....	932,288	932,372	931,212	908,723
Statutory limit.....	935,100	935,100	935,100	925,000

Act of December 19, 1980 temporarily increased the statutory debt limit to \$935.1 billion through September 30, 1981.

March 11 946,504

3pm Joga

TABLE V Tax and Loan Note Accounts by Depository Category

	Classification			Total
	A	B	C	
Opening balance today.....	\$163	\$831	\$4,761	\$5,755
Investments.....	28	187	687	902
Withdrawals:				
Treasury initiated.....	-	-	-	-
Depository initiated.....	*	32	57	89
Closing balance today.....	191	986	5,391	6,568

Send new pg.

TABLE IV Federal Tax Deposit System Activities

Classification	Today	Month to date	Fiscal year to date
Withheld income and employment taxes	\$785	\$22,015	\$110,655
Railroad retirement taxes.....	1	12	643
Excise taxes.....	99	1,639	8,724
Corporation income taxes.....	93	788	15,127
Federal unemployment taxes.....	8	106	746
Change in balance of unclassified taxes (closing balance \$7,926).....	+383	-16	+2,395
Total.....	1,369	24,544	138,290
These receipts were deposited in:			
Federal Reserve account:			
Directly.....	220	2,884	15,599
Remittance option tax and loan depositories.....	251	3,958	21,954
Tax and loan note accounts.....	898	17,702	100,737

TABLE VI Memorandum Information Income Tax Refunds Issued

	Today	This month to date	Fiscal year to date
Individual.....	\$1	\$16	\$983
Business.....	36	418	3,822

Individual refund checks include refunds of overpaid FICA taxes and repayments of earned income credits in excess of liabilities.

GOOD EVENING:

Throughout the presidential election campaign last fall, I came before you, the American people, in the process of what I called a national conversation. It gave me an opportunity to speak plainly about the ~~fix~~ difficult problems facing our nation.

Tonight, for the first time as ~~Rx~~ your President, I am continuing this conversation. I have asked for this time to talk with you about the profound economic crisis that lies before us.

Shortly before I took the oath of office, I asked my staff and prospective Cabinet officers to begin preparing a comprehensive look at the American economy. Just as many of you are now reviewing your personal finances and doing your income taxes, I believed it was essential that we undertake what was in effect a national audit of the American economy.

~~That audit has been conducted by~~

That ~~audit~~ audit ~~has~~ has been conducted ~~by~~ by ~~my~~ ~~staff~~ the Secretary of the Treasury, ~~the~~ the Chairman of the Council of Economic Advisers, the Director of the Office of Management and Budget and my ~~staff~~ personal staff. In addition, I have been consulting with key members of Congress, trying to obtain from them a complete and true picture of ~~the~~ our national condition.

That report was presented to me two days ago. Frankly,

I found no surprises. You are ~~going~~ going to find no surprises. The sum total of what we face is no less than an economic mess. Those are harsh words, but we have long since passed the time where we can hide behind lofty economic phrasing.

Two weeks from now, I will outline to the Congress of the United States the steps I feel must be taken to put the economy ~~off~~ of our country back on track. Tonight, however, I ~~will~~ am going to outline the dimensions of the crisis, discuss how we got here and to enlist you, the people, in the enormous effort it will take to regain our economic strength.

Let us begin with the plain truth. We are not on the road to economic recovery. Instead, I must report to you that the Federal budget is badly out of control. ~~xxxxxxx~~ In both ~~xxxxxxx~~ (fiscal) 1981 and 1982 we are faced with runaway almost deficits. Estimates of this have grown by ~~xxxxx/xxxx~~ \$100 billion just in the last year. Ten months ago, the former administration projected a surplus of some \$16 billion. Instead, we ~~now~~ have learned that we face a deficit of ~~xxx~~ around \$80 billion -- the largest ever in our history. The entire U.S. budget in 1957 was less than this year's deficit.

These exploding deficits have ~~xxxxxxxxxxxxxxx~~ piled a national debt of staggering proportions on the backs of the American people. This ~~xxxx~~ year, we will pay \$80 billion in interest alone on that debt -- again, by itself greater than the entire federal budget at the start of President Eisenhower's second term.

This irresponsible spending goes hand in hand with the steady trend in the ~~g~~ growth of government. In 1960, there ~~w~~ were 10 ¹ Cabinet departments and now there are 13.2 I 1960 we had 2,216,207 ³ federal employees ~~w~~ being paid \$12,692,000,000 ³ a year, and now there are 2,773,843 ⁴ employees making \$56,848,160,000 ⁴ per year. 5726.90
20494.37

In 1960, government consumed 18½ percent of our national production. Last year, it took 23%.

But the upward curve applies to other economic measuring tools as well.

^{in 1979} Inflation/~~i~~ ran at 13.35%. Last year, it finished out at 12.4%. ~~...~~ In eight years under President Eisenhower, the ~~entire~~ inflation ^{averaged} was only 1.4%. 11.6⁷ Even in the ~~y~~ early 1960s, inflation averaged only a little more than one percent per year.

Only ten years ago, mortgage interest rates averaged about 8.11 ⁸ percent, and now they are at the absurd level of 13.5%.⁸

Look also at the burden of your income taxes. In 1960 you were paying less than 11¢ ~~...~~ to the Federal Government on every dollar you earned. Today, you are paying nearly 18¢. In 1965, the burden of federal taxes ~~...~~ per family was ~~...~~ just under \$1500. ~~...~~ Today, that burden is nearly \$6000.

Finally, too many Americans are painfully aware of the sluggish condition of our economy. Last year's recession pushed unemployment rates from about 6 percent to nearly 7½ percent. The human suffering ~~...~~ this implies ~~...~~ cannot be adequately measured in numbers.

This then, is the ~~mess~~ national economic audit that has been presented to me -- a confusing jumble of numbers and charts that merely confirm ~~the~~ the good reasons for our deep alarm.

~~But this report on my desk cannot begin to translate the worry and that each of you feel. For each of you, the problem is a little different, but we know one thing that is the same for everyone: we are all affected; we are all faced -- one way or the other -- by a potential economic disaster.~~

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That's why I think it's important to set aside what you may think of as just one more government report and to share with you in more distinctly personal terms the affliction that crosses this nation. How have the alarming economic trends affected your lives?

The dollar you spent in 1960 today will only buy 38 cents worth of goods or services. If you spent a quarter of your income to buy a home in 1960, today it takes more than 40 percent.

Have you purchased a car lately? Just 10 years ago, it took about 35 months to pay for it. Today it takes nearly 44 months.

And how about the growth of government? In terms of your family, government was spending almost \$1900 per family two decades ago. Today, though the average family is truly no better off, the government is spending an incredible \$7800 per family.

The Federal debt that I referred to was about \$4000 per

household in 1960, and now each family carries \$9000 of ~~xxxxxxx~~ national debt.

On the tax front, it used to be that the average family of ~~xxx~~ four could pay its taxes with the income earned by February 8. Now, you must work a month longer -- into March -- to pay your ~~xxxxxx~~ Fedral Taxes.

And in case you forgot, there are some hidden payments in your lives. If you are lucky enough to buy that automobile which requres 44 ~~xxxx~~ months to pay off, you should also kjonw that ~~xxxx~~ government regulations ~~xxx~~ has added \$666 to its cost.

And all of this, of course, is simply going to lead to a bigger and bigger national debt. Let's talk for a moment about our debt. It is so ~~xxxxxx~~ symptomatic of all of our problems.

As you know, last week ~~wkix~~ with great reluctance, my ~~adminx~~ administration asked the Congress to raise our national debt ceiling by another \$50 billion. This would bring it to a staggering \$985 billion. We took this action because otherwise the Federal Government would simply run out of money. We were forced to take this action because of the growing deficit in the budget.

I have found, since I've been in office, that problems which I thought were bad have turned out to be far worse than I could imagine. Indeed, we are headed directly toward a trillion dollar national debt structure.

When the Federal government increases its debt, that means that the government goes out into the same markets as you do to compete for loans. And it is that competition that helps keep interest rates at the ~~xxxxxx~~ extraordinarily high levels they are now. In turn, these high rates not only keep inflation high, they ~~xxxxxx~~ deter investments, and it isn't long before all America suffers from ~~xxxxxx~~ economic decline.

And yet, we have continued to allow deficits to push up our debt as if nothing was happening and, quite frankly, as if we were not in charge and able to do something about it.

This is the kind of concern about the direction of America that ~~xxxxxx~~ made me decide to enter politics. From that time to now, however, the situation has only worsened.

In 1960, our national debt stood at 284.1⁹ billion dollars. By 1966, wehn I first ran for public office, it had grown to 316.1¹⁰ billion dolars. By 1974, as I prepared to leave office, it had jumped to 474.2¹¹ billion dollars. When I took the oath of office 16 days ago, it stood at 930 billion dollars. And now it is going up to \$985 billion.

This brings up one of the cnetral problems we face. ~~We~~ Those ~~xxxxxx~~ who have presided over these increases have watched as we have engaged in a form of national self-deception. In 19~~55~~⁷¹¹², the Congress of the United States ^{last} set what they called a "permanent" debt limite of \$ ~~275~~⁴⁰⁰¹² billion. Each time the debt limit is raised, it is called an increase in the "temporary" debt limit.

Just in case you miss the point, our ~~xxxxxx~~ ~~xxxx~~ national debt stands at nearly \$ one trillion dollars, but we shouldn't worry because that is ~~xxx~~ is actually only a "temporary" figure. Well, this is the kind of debasement of the English language that has gotten us into so much trouble. We've hidden ~~xxxxxx~~ behind fictions and ~~we~~ budget hocus-pocus. We've deceived ~~xxxxxx~~ ourselves into thinking that the piper would never be paid ~~xxxxxx~~ and that the technical finery of labels would preserve us from economic chaos.

I've done a little research on this, and in case you are interested the "temporary" debt limit has been raised ~~21~~^{extended}²¹¹² times since 19⁷¹¹². If a bank told you you could borrow \$5,000, do you think ~~xxxxxx~~ it would let you go back ²¹¹² times to increase the loan without collateral? You know the answer to that question. It's my job to convince this government of the answer to that question.

Of course, the government can do something you can't -- it can simply print more money to cover its debts. Why would it be so wrong to expect of our government the very same kind of fiscal standards that we expect of our citizens?

We are going to stop hiding behind trick phrases and smokescreens. We may have been looking at a "temporary" rise in our debt, but you and I know that the temporary rise has become a permanent burden.

Thus, my first goal in getting our economy back on track is to tell the truth and to quit manipulating definitions.

I wish that we could undo the damage of past years with some miraculous activity. We can't, and we won't. But we can all help each other this time by avoiding false starts.

I'm not asking the American people to be patient; I'm asking each of you to use your impatience to make sure this difficult process is seen through to the end. I'm not going to ask you to do with less; I'm asking you merely to do what has to be done so that we can all see a day when there is more for everyone.

Now, let me briefly describe to you the basic plan I will be submitting to the Congress when they return from their recess. There are four basic elements to it:

One, I will ask that personal income tax rates be reduced ten percent each year for the next three years. And I will call for an acceleration in the ability of all businesses, small as well as large, to write off capital investments against their taxes.

Personal cuts will restore your opportunities to work and save and invest. It will result in economic growth and the creation of more jobs.

Business cuts will encourage investment in new plant and equipment and provide the capital for badly-needed productivity growth. The result: more jobs, better products, and less inflation.

Just as our personal tax laws are structured to achieve certain goals, so must be our business taxes. As an individual, you can deduct mortgage interest from your taxes and this encourages homeownership. You can deduct charitable contributions and this encourages works of benevolence and goodwill. So, too, must business be able to improve its work, renew the quality of its equipment, and prepare for the future.

The sum of business expansion and growth is personal well-being and jobs. I know there are those who oppose business tax cuts, and yet I wonder if they realize that business doesn't pay taxes; you pay taxes. Every tax has to

be passed on as a cost of doing business. You and I pay for their taxes in their products and services. This is one more item of economic reality which will help us out of this mess.

My second proposal will be to cut spending. I am going to propose the largest reduction in Federal spending ever proposed by a U.S. President. I am determined to break the cycle of inflationary expectation. And I don't think I stand alone; I believe every American fully demands that the idea that we should just "expect" double-digit rises in prices is unacceptable.

My observation has been that no government in history has voluntarily cut down its own size. That is why we must take this action on our own. After all, most of you know that you can lecture your children time and time again on the evils of waste and extravagance, but nothing is so helpful as simply cutting back their allowance. The Federal government will cut its spending only when we all act to stop it from spending.

I will do everything within my power to stop the growth of the Federal debt and to balance the budget at the earliest possible date.

In this process, all essential needs of our society will be met and deserving beneficiaries will continue to have support. My cuts will affect everyone but the truly needy, and everyone will benefit from this program including the truly needy.

Our efforts will be as even-handed as possible. Only those who unfairly and unnecessarily feed at the Federal trough need fear what we do. For example:

-- We will cut grants that benefit the grantsmen while the real beneficiaries get less. These professional middlemen and clever long-term budget manipulators will be a special target. Why should we allow the overhead of the program to exceed the actual benefits of it?

-- We will no longer subsidize big business or any business for that matter at the expense of the American people. We have an excellent marketplace, and our policy will be to encourage business to earn its profits there and not in the Federal budget.

-- We will not continue to support programs simply because "that is the way it's always been done." It's time to shake things up, not just conduct business as usual.

To assist in cutting the budget, I am also going all out against the fraud and waste that we have in this government. This is one way that we can cut costs without

hurting the needy. I will be rigidly intolerant of wasteful activities, and I will seek tough criminal penalties against fraudulent ones.

Government has caused our inflation. And when we get control of the government, we will get control of inflation.

I don't think at this point, I need to state the obvious. Inflation is destroying our economy. It hurts everyone. There is no need to repeat the countless ways it is harming your personal lives.

But there is one thing that causes me great personal concern, and that is its effect on the family unit. I approve and support any woman who enters the work force. Yet, can there be any question that today hundreds of thousands of wives and mothers are in the work force for one reason only: economic survival? We simply cannot tolerate economic conditions which destroy the ability of one wage-earner, male or female, to support a family. This is the incalculable social and political price we are paying for this terrible phenomenon.

The third step in my plan will be to lessen government interference through the regulatory process. We must reform government regulation, eliminating needless and excessively costly rules and requirements. But while we

act to reduce the burdens of government, we will never lose sight of the legitimate ends that they serve. Our food will remain safe to eat; our medicine will cure and not cause disease; our products will not threaten our lives.

But this will be my guide: we will review all old regulations. Only those that are absolutely essential will be kept. We will look at alternative ways of achieving regulatory objectives and screen all new regulations. We will make assessments of regulations based upon the costs they impose versus the benefits they provide.

Fourth, we must take these actions with a close understanding of how important the monetary element is. In plain language, I think we can work with the Federal Reserve system, and in connection with our elimination of Federal deficits, we can drive down inflation and restore the purchasing power of the dollar.

My entire program is based on very simple principles. If you want less of something, you tax it. If you want more of something, you reward it. If you want more work and saving, you reward work and saving. If you want more productivity, you reward productivity. If you want to stop going into debt, you stop rewarding the accumulation of debt. Unfortunately, it appears that in the past few years our tax and budget policies have not followed these simple guidelines.

Since the early 1960's, the Federal Government has followed policies based on the hope that we could "fine tune" our way out of inflation and unemployment. The result has been "stop-and-go" policies -- fighting inflation one year and unemployment the next. Whenever inflation became too high, Washington would increase unemployment by raising taxes and interest rates. When unemployment then became too high, Washington would open the budget floodgates and print more money. The quick economic cure only caused the economy to become mired more deeply in its own problems.

ADDRESS TO THE NATION --- THURSDAY, FEBRUARY 5, 1981

GOOD EVENING:

Throughout the Presidential election campaign last fall, I came before you in the process of what I called a national conversation. It gave me an opportunity to speak plainly about the difficult problems facing our Nation.

Tonight, for the first time as your President, I am continuing this conversation to share with you my views on the profound economic crisis we face.

Shortly before I took the oath of office, I asked my advisers to prepare a comprehensive look at the American economy. Just as you review your personal finances and prepare your income taxes, I wanted to have a national audit of America's financial condition.

Their report was presented to me yesterday. Frankly, I found no surprises. You are going to find no surprises. The sum total of what we face is nothing less than an economic mess. Those are blunt words, but we have long since passed the time when we can hide behind lofty economic phrasing.

Two weeks from now, I will outline to the Congress of the United States the actions I feel must be taken to rescue our economy. Tonight, however, I am going to outline the dimensions of the crisis, discuss how we got here, and enlist you, the people, in the enormous effort it will take to regain our economic vitality.

Let us begin with the plain truth. We are not on the road to recovery. Instead, we stand on the brink of economic calamity.

The Federal budget is badly out of control, and we are faced with runaway deficits. Ten months ago, the previous Administration projected a surplus of some \$16 billion. Now, we face a deficit of around \$80 billion -- the largest ever in our history. The entire U.S. budget in 1957 was less than this year's deficit and less than the \$80 billion we are paying this year in interest alone on our staggering national debt.

This irresponsible spending goes hand in hand with the steady trend in the growth of government. In 1960, there were 10 Cabinet departments and now there are 13. In 1960 we had 2.2 million Federal employees being paid \$12.7 billion a year, and now there are 2 3/4 million employees making \$56.8 billion per year.

In 1960, government consumed 18 1/2 percent of our national production. Last year, it took 23 percent.

The inescapable result of government out of control is inflation out of control.

Inflation in 1979 ran at 13.3 percent. Last year it finished at 12.4 percent. In the entire eight years of the Eisenhower Administration the total cost of living rose only 11.6 percent. Today, that seems hard to believe.

Ten years ago, mortgage interest rates averaged about eight percent, and now they are at the absurd level of 13.5 percent.

Look at your income tax burden. Two decades ago, you paid less than 13¢ to the Federal Government on every dollar you earned. Today, you are paying nearly 18¢. The burden of Federal taxes per family has quadrupled since 1965.

Finally, too many Americans are painfully aware of the sluggish condition of our economy. Last year's recession pushed unemployment rates from about 6 percent to nearly 7 1/2 percent. Numbers do not adequately measure the human suffering this implies.

That is a brief summary of the national economic audit that has been presented to me -- a confusing jumble of numbers and charts.

But this report cannot begin to translate the deep worry each of you feel. No citizen can avoid the critical problem that faces all of us: how to cope with potential economic disaster.

That's why I have set aside what amounts to just one more government report. Instead, let's look at these alarming economic trends in personal terms.

The dollar you spent in 1960 will only buy 38¢ worth of goods or services today. While you spent a quarter of your income to buy a home in 1960, it now takes more than 40 percent.

Have you purchased a car lately? Just ten years ago, it took about 35 months to pay for it -- today, nearly 44 months.

How does the growth of government relate to you? Well, government was spending almost \$1,900 per family two decades ago. Today, though the average family is truly no better off, the government is spending an incredible \$7,800 per family. Every man, woman and child carries nearly \$4,500 of the national debt.

On the tax front, it used to be that the average family of four could pay its taxes with the income earned by February 8. Now, you must work a month longer -- into March -- to pay your Federal taxes.

There are also some hidden payments in your lives. If you are lucky enough to buy that automobile which requires 44 months to pay off, you should also know that government regulations have added \$666 to its cost.

All of these problems are the legacy of a bankrupt idea: that the government is the source of our economic well-being.

And now, those who have promoted the notion that the government offers the cure for our economic ills have run out of medicine. We are not only running out of medicine; we are, more importantly, running out of time.

Left uncontrolled, here are some of the consequences that would be upon us before long:

- If inflation continues at the same rates, an automobile that costs \$6500 in 1981 will cost more than \$12,000 in 1985. The utility bill which runs at \$110 per month today would jump to \$229 in 1985.
- The average percentage of your family's income going to Federal income taxes will jump again from 18 percent today to more than 21 percent in 1985.
- While our GNP will grow by \$1.2 trillion in the next three years, the Federal Government's share of the increase will be more than 26 percent. Historically, the government's share has rarely risen above 20 percent.

All of these trends are leading us directly toward a trillion dollar national debt.

When the Federal Government increases its debt it competes with you for money. That, in turn, helps keep interest rates at today's extraordinarily high levels. These high rates not only keep inflation high, they deter investments, and it isn't long before all America falls into economic decline. It isn't government that suffers from this vicious cycle; it is you.

And yet, we have continued to allow deficits to push up our debt as if there were no negative consequences. The record is frightening.

In 1960, our national debt stood at \$284 billion. By 1974, as I prepared to leave the Governorship of California, it had leaped to \$474 billion. When I took the oath of office 16 days ago, it stood at \$930 billion. And now we have been forced into asking the Congress to raise it to \$935 billion.

The unbelievable magnitude of these numbers illustrates how we have engaged in a form of national self-deception. In 1971, the Congress of the United States last set what it called a "permanent" debt limit of \$400 billion. Since then, each time the debt limit has been raised, it has been soothingly called a "temporary" increase.

In other words, as our national debt approaches one trillion dollars, we are told it is only "temporary." Well, this is the kind of debasement of the English language that has gotten us into so much trouble. We've hidden behind fictions and budget hocus-pocus. We've deceived ourselves into thinking that the mere use of words would protect us from economic chaos.

I've done a little research on this. I found that the "temporary" debt limit has been raised 21 times since 1971. If a bank told you you could borrow \$5,000, do you think it would let you go back 21 times to increase the loan without collateral? You know the answer to that question. Well, it's our job to convince this government of the answer to that question.

We are going to stop hiding behind trick phrases and smokescreens. We may have been looking at a "temporary" rise in our debt, but you and I know that the temporary rise has become a permanent burden.

Thus, my first goal in getting our economy back on track is to tell the truth and to quit manipulating definitions.

I wish that we could magically undo all this damage. We can't, and we won't. But we can start by being honest with ourselves.

I'm not asking you to be patient; I'm asking you to use your impatience to make sure this difficult process is seen through to the end. I won't ask you to do with less because when the times are most difficult, our people have always done the right thing.

Now, let me briefly describe to you the four basic elements of the plan I will be submitting to the Congress when it returns from its recess.

First, I am going to propose the largest reduction in Federal spending ever presented by an American President. I am determined to break the cycle of inflationary expectation and balance the budget at the earliest possible date.

No government in history has voluntarily cut its own size. That is why we must take this action on our own. As parents we know that we can repeatedly lecture our children on the evils of waste and extravagance, but nothing



is so effective as simply cutting back their allowance. The Federal government will cut its spending only when we take action to stop it from spending.

In this process, all essential needs of our society will be met. Our efforts will be as even-handed as possible. My cuts will affect everyone but the truly needy, and everyone will benefit from this program including the truly needy.

Only those who unfairly and unnecessarily feed at the Federal trough need fear what we do. For example:

- We will cut grants that benefit mostly the grantsmen. These professional middlemen and clever long-term budget manipulators will be a special target.
- We will not subsidize businesses at the expense of the American people. Our policy will be to encourage business to earn its profits in the marketplace and not in the Federal budget.
- We will not continue programs simply because "that is the way it's always been done." It's time to get away from business as usual.

To help cut the budget, without hurting the needy, I plan an assault against the fraud and waste that we have in government. I will be rigidly intolerant of wasteful activities, and I will seek tough criminal penalties against fraudulent ones.

I don't think, at this point, that I need to dwell on the obvious. From your personal experience, each of you knows that inflation is destroying our economy -- inflation fed by huge deficits and paid for by printing-press money.

I will, however, restate one of my most serious personal concerns, and that is the effect of inflation on the family unit. I approve of and support women who wish to enter the work force. Yet, there is no question that hundreds of thousands of wives and mothers are working today only because they have no other choice. They are simply trying to help their families stay even.

This has resulted in incalculable social and cultural costs. It has cut down on the intimacy of family life by reducing leisure time for family activities. Among working people it has led to feelings of frustration and demoralization -- even rage and exhaustion. In my opinion, these developments are in great measure responsible for the serious rise in family instability and unhappiness. That price is unacceptable to me.

My second proposal will be to reduce personal income tax rates ten percent each year for the next three years. And I will call for an acceleration in the ability of all businesses, small as well as large, to write off capital investments against their taxes.

Personal cuts will restore your opportunities to work and save and invest. It will result in economic growth and the creation of more jobs.

Business cuts will encourage investment in new plants and equipment and provide the capital for badly-needed productivity growth. The result: more jobs, better products, and less inflation.

Just as our personal tax laws are structured to achieve certain goals, so must our business taxes. As an individual, you can deduct mortgage interest which encourages homeownership, and you can deduct charitable contributions which encourages works of benevolence. Business must also be able to improve its work, renew the quality of its equipment, and prepare for the future.

The sum of business expansion and growth is personal well-being and jobs. I know there are those who oppose business tax cuts, but the fact is that business doesn't pay taxes; you pay taxes. Every tax has to be passed on as a cost of doing business.

The third step in my plan will be to lessen government interference through the regulatory process. We must reform government regulation, eliminating needless and excessively costly rules and requirements. But while we act to reduce the burdens of government, we will never lose sight of the legitimate ends that they serve. Our food will remain safe to eat; our medicine will cure and not cause disease; our products will not threaten our lives.

However, we will review all old regulations and keep only those which are absolutely essential. We will look at

alternative ways of achieving regulatory objectives and screen all new regulations. We will make assessments of regulations based upon the costs they impose compared to the benefits they provide.

Fourth, we must act with a close understanding of how important the monetary element is. In plain language, I think we can work with the Federal Reserve system, and in connection with our elimination of Federal deficits, we can drive down inflation and restore the purchasing power of the dollar.

My proposals are based on very simple principles. If you want less of something, you tax it. If you want more of something, you reward it. If you want more productivity, you reward productivity. If you want to stop going into debt, you stop rewarding the accumulation of debt.

Since the early 1960s, the Federal Government has followed policies based on the hope that we could "fine tune" our way out of inflation and unemployment. The result has been "stop-and-go" policies -- fighting inflation one year and unemployment the next. Whenever inflation became too high, Washington would increase unemployment by raising taxes and interest rates. When unemployment then became too high, Washington would open the budget floodgates and print more money. And our problems only worsened. I think cutting spending and cutting taxes go together.

But as deep as our problems are and as long as they will take to resolve, I have faith that together we will get the job done. It is in the nature of the American people not to shrink from the tough decisions.

I am confident that in time we will return not only to prosperity but to a prosperity that preserves the value of our wealth. We can create the incentives which take advantage of the genius of our economic system -- a system, as Walter Lippman observed more than 40 years ago, which for the first time in history gave men "a way of producing wealth in which the good fortune of others multiplied their own."

Our aim is not to limit our wealth and merely allocate it differently. Nor is it to favor the few while ignoring the majority. Instead, we seek to increase our national wealth by rewarding hard work and risk-taking. We seek also to make our national wealth worth something by forcing this government to live within its means.

Over the years we have let negative economic forces run out of control. We have stalled the judgment day. We no longer have that luxury.

Tonight I have frequently made statistical comparisons to the year 1960. Of course, much has changed for the better since then. But in terms of our economy, how can we dispute that things have gotten worse?

Since 1960 our government has spent \$5.2 trillion; our debt has grown by \$646 billion. Inflation has exploded by

178 percent. Now, let us ask ourselves: how much better off are we for it all? And, how much worse off are we for it all?

When we measure how harshly these years of inflation, lower productivity, and uncontrolled government growth have affected our lives, we know we must act quickly.

We must not be timid. We will not be timid.

We will restore the freedom of all men and women to excel and to create. We will unleash the energy and genius of the American people -- traits which have never failed us.

To the Congress of the United States, I extend my hand in cooperation.

To my colleagues in the Executive Branch of government and to all Federal employees I ask that we work in the spirit of service. We have no powers except those that we derive from the people.

To those great institutions in America -- business and labor -- I urge you to be guided by the national interest. The only special interest we will serve is the interest of the people.

To my fellow citizens, I propose that we join to do no less than shake the very foundations of our economic system. We will work together and act responsibly. We will do so with the most profound respect for that which we must preserve and with sensitive understanding for those who must be protected. Please give me your help.

Thank you and good night.



THE WHITE HOUSE
WASHINGTON

Since 1960 our government
has spent \$5.2¹³ trillion \$.
our debt has grown by
\$431¹⁴ billion

Inflation has exploded
by ~~##~~%. ~~##~~

~~46.8~~ 178%¹⁵
~~278~~
~~##~~%

ADDRESS TO THE NATION -- THURSDAY, FEBRUARY 5, 1981

CEA Change
+
Comments

2/4

GOOD EVENING:

Throughout the Presidential election campaign last fall, I came before you in the process of what I called a national conversation. It gave me an opportunity to speak plainly about the difficult problems facing our Nation.

Tonight, for the first time as your President, I am continuing this conversation to share with you my views on the profound economic crisis we face.

Shortly before I took the oath of office, I asked my advisers to prepare a comprehensive look at the American economy. Just as you review your personal finances and prepare your income taxes, I wanted to have a national audit of America's economic condition.

Their report was presented to me yesterday. Frankly, I found no surprises. You are going to find no surprises. The sum total of what we face is nothing less than an economic mess. Those are blunt words, but we have long since passed the time when we can hide behind obscure economic phrasing.

Two weeks from now, I will outline to the Congress of the United States the actions I feel must be taken to rescue our economy. Tonight, however, I am going to outline the dimensions of the crisis, discuss how we got here, and enlist you, the people, in the enormous effort it will take to regain our economic vitality.

Let us begin with the plain truth. We are not on the road to recovery. Instead, we stand on the brink of economic calamity.

The Federal budget is badly out of control, and we are faced with runaway deficits. Ten months ago, the previous Administration projected a budget almost at balance. ^(But, in fact,) ~~But~~ ^{unless we take} ~~measures~~ ^{this year} today, we face a total deficit of nearly \$80 billion -- the largest ever in our history. The entire U.S. budget in 1957 was less than this year's ^{estimated} deficit and less than the ~~\$78~~ ^{#78} billion we are paying this year in interest alone on our staggering national debt.

(Pg 116 Sp. Analyses of Budget)

This irresponsible spending goes hand in hand with the steady trend in the growth of government. In 1960 we had 2.4 million Federal employees being paid \$12.7 billion a year, and now there are 2.8 million employees making \$75 billion per year.

Since 1960, the population of America has grown by 23.2 percent while the Federal budget has jumped by 528 percent. ~~The~~ ^{The} government is spending an incredible \$7,500 per household. ~~OK~~ ^{OK}

ask for 27

The inescapable result of government out of control is inflation out of control.

Inflation in 1979 ran at 13.3 percent. Last year it finished at 12.4 percent. In the entire eight years of the Eisenhower Administration the inflation rate ran at an average of only 1.4 percent a year. Today, that seems hard to believe.

In 1960, mortgage interest rates averaged about 6 percent, and now they are at ~~the standard level~~ of 15 percent.

15.37
data not released
"loans committed"

Look at your income tax burden. Two decades ago, a family of four paid about a dime to the Federal Government on every dollar it earned. Today, it pays nearly 18¢.

Finally, too many Americans are painfully aware of the sluggish condition of our economy. Last year's recession pushed unemployment rates from about 6 percent to nearly 7½ percent. Numbers cannot adequately measure the human suffering this implies.

That is a brief summary of the national economic audit that has been presented to me -- a confusing jumble of numbers and charts.

But ^{these statistics} ~~this report~~ cannot begin to translate the deep worry each of you feels. No citizen can avoid the critical problem that faces all of us: how to cope with potential economic disaster.

~~That's why I have set aside this disturbing government report.~~ Instead, let's look at these alarming economic trends in personal terms.

The dollar you spent in 1960 will only buy 36¢ worth of goods or services today.

While you spent a quarter of your income on payments for a ^{new} home in 1960, it now takes more than 40 percent. ^{Rising home} ~~only~~ ^{only} ~~one in eleven first-time homebuyers can even afford to buy~~ ^{buy a new home.} ~~a new home.~~ What has happened to that traditional American dream?

On the tax front, it used to be that the average family of four could pay its taxes with the income earned by February 8. Now, you must work a month longer -- into March -- to pay your Federal taxes.

There are also some hidden costs in your lives. If you are lucky enough to be able to afford a new automobile and able to meet the payments, you should also know that government regulations have added \$666 to its price.

~~ask~~??
CEA
~~check~~ -

All of these problems are the legacy of a bankrupt idea: that the government is the source of our economic well-being.

And now, those who have promoted the notion that the government offers the cure for our economic ills have run out of medicine. We are not only running out of medicine; we are, more importantly, running out of time.

Left uncontrolled, here are some of the consequences that would be upon us before long:

-- If inflation continues at the same rates, an automobile that costs \$6,500 in 1981 ^{would} cost more than \$9,000 in 1985. A utility bill which runs at \$110 per month today would jump to ~~\$165~~ ^{\$160} in 1985.

CEA
check:
about
\$200

^{Under the current tax structure}
-- ¹² The average percentage of your family's income going to Federal income taxes ^{would} jump again from 18 percent today to more than ~~22~~ ²² percent in 1985.

-- While our GNP ^{would} grow by \$1.2 trillion in the next three years, the Federal Government's share of the increase ^{would} be more than 26 percent.

100 - 1,000
we had our
income

Historically, the government's share ^{of the Gross National Product} has rarely risen above 20 percent.

All of these trends are leading us directly toward a trillion dollar national debt.

When the Federal Government ^{runs a deficit -- as it has for all but one of the last} ~~increases its debt~~ ^{credit.} it competes with you for ~~resources~~. That, in turn, helps keep interest rates at today's extremely high levels. These high rates not only keep inflation high, they deter investments, and it isn't long before all America falls into economic decline. It isn't government that suffers from this vicious cycle; it is you.

And yet, we have continued to allow deficits to push up our debt as if there were no negative consequences. The record is frightening.

In 1960, our national debt stood at ~~\$291~~ ²⁸⁴ billion. By 1974, as I prepared to leave the Governorship of California, it ^{had jumped} ~~had leaped~~ to ~~\$485~~ ⁴⁷⁵ billion. When I took the oath of office 16 days ago, it stood at \$937 billion. Because of what we have inherited, our national debt will unavoidably ^{ok raise} break the trillion dollar barrier within the next 12 months despite all our best efforts. If you break that down, it means the Federal Government will have borrowed the equivalent of \$4,400 for every man, woman and child in the United States.

The unbelievable magnitude of these numbers illustrates how we have engaged in a form of national self-deception. In 1971, the Congress of the United States last set what it

called a "permanent" debt limit of \$400 billion. Since then, each time the debt limit has been raised, it has been soothingly called a "temporary" increase.

In other words, as our national debt approaches one trillion dollars, we are told it is only "temporary." Well, this is the kind of debasement of the English language that has gotten us into so much trouble. We've hidden behind fictions and budget hocus-pocus. We've deceived ourselves into thinking that the mere use of words would protect us from economic chaos.

I've done a little research on this. I found that the "temporary" debt limit has been raised or extended 21 times since 1971. If a bank told you you could borrow \$5,000, do you think it would let you go back 21 times to increase the loan without collateral? You know the answer to that question. Well, I think that the government should live by the same rules you do.

We are going to stop hiding behind trick phrases and smokescreens. We may have been looking at a "temporary" rise in our debt, but you and I know that the temporary rise has become a permanent burden.

Thus, my first goal in getting our economy back on track is to tell the truth and to quit manipulating definitions.

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inflation
billions
1945
1946

To slow
the
growth

[No government in history has voluntarily cut its own size.] That is why we must take this action on our own.

Not
true

As parents we know that we can repeatedly lecture our children on the evils of waste and extravagance, but nothing is so effective as simply cutting back their allowance. The Federal Government will cut its spending only when we take action to stop it from spending.

see
[same from RR]
and
bring
war
for it

In this process, all essential needs of our society will be met, and our efforts will be as even-handed as possible. My cuts will affect everyone but the truly

needy, and ultimately everyone will benefit from this program including the truly needy.

Only those who unfairly and unnecessarily feed at the Federal trough need fear what we do. For example:

- We will not subsidize businesses at the expense of the American people. Our policy will be to encourage business to earn its profits in the marketplace and not in the Federal budget.
- We will cut ^{those} grants that benefit mostly the grantsmen. These professional middlemen and clever long-term budget manipulators will be a special target.
- We will not continue programs simply because "that is the way it's always been done." It's time to get away from business as usual.

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To help cut the budget, without hurting the needy, I plan an assault against the fraud and waste that we have in government. I will be rigidly intolerant of wasteful activities, and I will seek tough criminal enforcement against fraudulent ones.

Since taking office, I have already taken several actions to begin the trimming process. I've placed a freeze on the hiring of civilian Federal employees. I've ordered cuts in government travel, ^{reduction in} reduced the number of consultants to the ~~the~~ government, and ^{a freeze on} ~~stopped~~ the procurement of certain items. ~~Other~~ Other decisions to cut the size of the government include a

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I will, however, restate one of my most serious personal concerns, and that is the effect of inflation on the family unit. I approve of and support women who wish to enter the work force. Yet, there is no question that hundreds of thousands of wives and mothers are working today only because they have no other choice. They are simply trying to help their families stay even.

This has resulted in incalculable social and cultural costs. It has cut down on the intimacy of family life by reducing leisure time for family activities. Among working people it has led to feelings of frustration and demoralization -- even rage and exhaustion. In my opinion, these developments are in great measure responsible for the serious rise in family instability and unhappiness. That price is unacceptable to me.

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businesses, small as well as large, to write off capital investments against their taxes.

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Just as our personal tax laws are structured to achieve certain goals, so must our business taxes. As an individual, you can deduct mortgage interest which encourages homeownership, and you can deduct charitable contributions which encourages works of benevolence. ^{Similarly,} Business must ~~also~~ be ^{encouraged} ~~able~~ to improve its work, renew the quality of its equipment, and prepare for the future.

The sum of business expansion and growth is personal well-being and jobs. I know there are those who oppose business tax cuts, but the fact is that business doesn't pay taxes; people pay taxes. Every tax ^{is} ~~has to be passed on~~ ~~as~~ a cost of doing business, ^{which ultimately must be paid} ~~by all of us.~~

The third step in my plan will be to lessen government interference through the regulatory process. We must reform government regulation, eliminating needless and excessively costly rules and requirements. But while we act to reduce the burdens of government, we will never lose sight of the

legitimate ends that they serve. Our food will remain safe to eat; our medicine will cure and not cripple or cause disease; our products will not threaten our lives.

However, we will review all old regulations and keep only those which are absolutely essential. We will look at alternative ways of achieving regulatory objectives and screen all new regulations. We will make assessments of regulations based upon the costs they impose compared to the benefits they provide.

Fourth, we must act with a close understanding of how important ~~the~~ monetary ^{policy} ~~element~~ is. In plain language, I am confident we can work with the Federal Reserve system towards the objective of a stable monetary policy. When we combine this with our control of Federal spending, we can drive down inflation and restore the purchasing power of the dollar.

My proposals are based on very simple principles. If you want less of something, you tax it. If you want more of something, you reward it. If you want more productivity, you reward productivity. If you want to stop going into debt, you stop rewarding the accumulation of debt.

Since the early 1960s, the Federal Government has followed policies based on the hope that we could "fine tune" our way out of inflation and unemployment. The result has been "stop-and-go" policies -- fighting inflation one year and unemployment the next. Whenever inflation became

too high, Washington would increase unemployment by raising taxes and interest rates. When unemployment then became too high, Washington would open the budget flood gates and print more money. And our problems only worsened. I think cutting spending and cutting taxes go together.

But as deep as our problems are and as long as they will take to resolve, I have faith that together we will get the job done. It is in the nature of the American people not to shrink from the tough decisions.

I am confident that in time we will return not only to prosperity but to a prosperity that preserves the value of our wealth. We can create the incentives which take advantage of the genius of our economic system -- a system, as Walter Lippman observed more than 40 years ago, which for the first time in history gave men "a way of producing wealth in which the good fortune of others multiplied their own."

Our aim is not to limit our wealth and merely allocate it differently. Nor is it to favor the few while ignoring the majority. Instead, we seek to increase our national wealth by rewarding hard work and risk-taking. We seek also to make our national wealth worth something by forcing this government to live within its means.

Over the years we have let negative economic forces run out of control. We have stalled the judgment day. We no longer have that luxury.

Tonight I have frequently made statistical comparisons to the year 1960. Of course, much has changed for the better since then. But in terms of our economy, how can we dispute that ^{many} things have gotten worse?

Since 1960 our government has spent \$5.1 trillion; our debt has grown by \$64³ billion. Prices have exploded by 173 percent. Now, let us ask ourselves: how much better off are we for it all? And, how much worse off are we for it all?

When we measure how harshly ^{the recent} ~~these~~ years of inflation, ^{growth} lower productivity and uncontrolled government ^{expansion} ~~growth~~ have affected our lives, we know we must act quickly.

We will not be timid. We must not be timid.

We will restore the freedom of all men and women to excel and to create. We will unleash the energy and genius of the American people -- traits which have never failed us.

To the Congress of the United States, I extend my hand in cooperation.

To my colleagues in the Executive Branch of government and to all Federal employees I ask that we work in the spirit of service. We have no powers except those that we derive from the people.

To those great institutions in America -- business and labor -- I urge you to be guided by the national interest. The only special interest we will serve is the interest of the people.

To my fellow citizens, I propose that we join to do no less than shake -- and then rebuild -- the very foundations of our economic system. We will work together and act responsibly. We will do so with the most profound respect for that which we must preserve and with sensitive understanding for those who must be protected.

Please give me your help.

Thank you and good night.

ADDRESS TO THE NATION -- THURSDAY, FEBRUARY 5, 1981

GOOD EVENING:

Throughout the Presidential election campaign last fall, I came before you in the process of what I called a national conversation. It gave me an opportunity to speak plainly about the difficult problems facing our Nation.

Tonight, for the first time as your President, I am continuing this conversation to share with you my views on the profound economic crisis we face.

Shortly before I took the oath of office, I asked my advisers to prepare a comprehensive look at the American economy. Just as you review your personal finances and prepare your income taxes, I wanted to have a national audit of America's economic condition.

Their report was presented to me yesterday. Frankly, I found no surprises. You are going to find no surprises. The sum total of what we face is nothing less than an economic mess. Those are blunt words, but we have long since passed the time when we can hide behind obscure economic phrasing.

Two weeks from now, I will outline to the Congress of the United States the actions I feel must be taken to rescue our economy. Tonight, however, I am going to outline the dimensions of the crisis, discuss how we got here, and enlist you, the people, in the enormous effort it will take to regain our economic vitality.

Let us begin with the plain truth. We are not on the road to recovery. Instead, we stand on the brink of economic calamity.

The Federal budget is badly out of control, and we are faced with runaway deficits. Ten months ago, the previous Administration projected a budget almost at balance. ^{unless we take bold} ~~But~~ ^{measures} ~~today~~, we face a total deficit ^{this year} of nearly \$80 billion -- the largest ever in our history. The entire U.S. budget in 1957 was less than this year's ^{estimated} deficit and less than the ~~\$84~~ billion we are paying this year in interest alone on our staggering national debt.

almost

(Pg 116 Sp. Analyses of Budget)

This irresponsible spending goes hand in hand with the steady trend in the growth of government. In 1960 we had 2.4 million Federal employees being paid \$12.7 billion a year, and now there are 2.8 million employees making \$75 billion per year.

Since 1960, the population of America has grown by only ~~26.3~~ ^{23.3} percent while the Federal budget has jumped by 528 percent. [The government is spending an incredible \$7,500 per household.]? etc

ask CEA OK??

The inescapable result of government out of control is inflation out of control.

Inflation in 1979 ran at 13.3 percent. Last year it finished at 12.4 percent. In the entire eight years of the Eisenhower Administration the inflation rate ran at an average of only 1.5 percent a year. Today, that seems hard to believe.

In 1960, mortgage interest rates averaged about 6 percent, and now they are at the absurd level of 15.4 percent.

Look at your income tax burden. Two decades ago, a family of four paid about a dime to the Federal Government on every dollar it earned. Today, it pays nearly 18¢.

Finally, too many Americans are painfully aware of the sluggish condition of our economy. Last year's recession pushed unemployment rates from about 6 percent to nearly 7½ percent. Numbers cannot adequately measure the human suffering this implies. Oh

That is a brief summary of the national economic audit that has been presented to me -- a ~~confusing~~ ^{perplexing} jumble of numbers and charts.

But this report cannot begin to translate the deep worry each of you feels. No citizen can avoid the critical problem that faces all of us: how to cope with potential economic disaster.

That's why I have set aside this disturbing government report. Instead, let's look at these alarming economic trends in personal terms.

The dollar you spent in 1960 will only buy 36¢ worth of goods or services today.

While you spent a quarter of your income on payments for a ^{new} home in 1960, it now takes more than 40 percent. Only one in eleven ^{potential} first-time homebuyers can even afford to buy a new home. What has happened to that traditional American dream?

On the tax front, it used to be that the average family of four could pay its taxes with the income earned by February 8. Now, you must work a month longer -- into March -- to pay your Federal taxes.

There are also some hidden costs in your lives. If you are lucky enough to be able to afford a new automobile and able to meet the payments, you should also know that government regulations have added \$666 to its price.

ask ??
CEA
- check -

All of these problems are the legacy of a bankrupt idea: that the government is the source of our economic well-being.

And now, those who have promoted the notion that the government offers the cure for our economic ills have run out of medicine. We are not only running out of medicine; we are, more importantly, running out of time.

Left uncontrolled, here are some of the consequences that would be upon us before long:

-- If inflation continues at the same rates, an automobile that costs \$6,500 in 1981 ~~will~~ ^{would} cost more ~~than~~ ^{about} \$9,500 in 1985. A utility bill which runs at \$110 per month today would jump to ~~\$185~~ ¹⁶⁰ in 1985.

CEA
check:
about
\$200

^{Under current tax structure,}
-- The average percentage of your family's income going to Federal income taxes ~~will~~ ^{would} jump again from 18 percent today to more than 21 percent in 1985.

-- While our GNP will grow by \$1.2 trillion in the next three years, the Federal Government's share of the increase will be more than 26 percent.

Historically, the government's share ^{of GNP} has rarely risen above 20 percent.

All of these trends are leading us directly toward a trillion dollar national debt.

When the Federal Government increases its debt it competes with you for ~~money~~ ^{credit}. That, in turn, helps keep interest rates at today's extremely high levels. These high rates not only keep inflation high, they deter investments, and it isn't long before all America falls into economic decline. It isn't government that suffers from this vicious cycle; it is you.

credit

And yet, we have continued to allow deficits to push up our debt as if there were no negative consequences. The record is frightening.

In 1960, our national debt stood at ~~\$291~~ ²⁸⁴ billion. By 1974, as I prepared to leave the Governorship of California, it ~~had~~ ^{jumped} leaped to ~~\$486~~ ⁴⁷⁵ billion. When I took the oath of office 16 days ago, it stood at \$932 billion. Because of what we have inherited, our national debt will unavoidably ~~?~~ [?] break the trillion dollar barrier within the next 12 months despite all our best efforts. If you break that down, it means the Federal Government will have borrowed the equivalent of \$4,400 for every man, woman and child in the United States.

ok as in
max

The unbelievable magnitude of these numbers illustrates how we have engaged in a form of national self-deception. In 1971, the Congress of the United States last set what it

called a "permanent" debt limit of \$400 billion. Since then, each time the debt limit has been raised, it has been soothingly called a "temporary" increase.

In other words, as our national debt approaches one trillion dollars, we are told it is only "temporary." Well, this is the kind of debasement of the English language that has gotten us into so much trouble. We've hidden behind fictions and budget hocus-pocus. We've deceived ourselves into thinking that the mere use of words would protect us from economic chaos.

I've done a little research on this. I found that the "temporary" debt limit has been raised or extended 21 times since 1971. If a bank told you you could borrow \$5,000, do you think it would let you go back 21 times to increase the loan without collateral? You know the answer to that question. Well, I think that the government should live by the same rules you do.

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*Yes
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Please give me your help.

Thank you and good night.

Ken:

The average percentage of a family's income going to federal taxes will increase from 18.8% in 1981 to 21.3% in 1985.

(it has gone from 15.7 in 1976 to 17.6 in 1980, and will go to 22.5 in 1985, if these numbers interest you).

Assumes a family of four, and covers federal personal income and FICA taxes.

DB