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“Mr. Congressman: I’ve been ‘Bracket Creep and I’m not going to take

This is the message more and more taxpayers are shouting out to Congress. Because inflation and Congressional inertia have pushed them into higher and higher tax brackets.

Look at what you had to earn, merely to keep up with inflation, since 1972 when Congressional appropriations began to escalate Federal spending and balloon Federal deficits:

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TO KEEP YOUR SALARY EVEN WITH INFLATION*		
If You Made In 1972	You Needed To Make In 1980	Increase
\$10,000	= \$19,860	+98.6%
20,000	= 39,720	+98.6
30,000	= 59,580	+98.6
40,000	= 79,440	+98.6

*9% Actual Inflation Rate, 1972-1980.

Your Pre Income
1972
\$10,000 \$
20,000
30,000
40,000

As you can see, over the last 8 years you had to almost double your income just to stand still even before you pay taxes. You may be earning more, but your family isn’t living better. You may have more dollars, but they don’t buy you more.

The increase in your dollar income, in step with inflation (if you were that lucky), put you into higher and higher tax brackets—the insidious tax Bracket Creep:

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Congress doesn't act now, you can look forward to tax rate increases of at least 21% through 1984. And that's on top of the 33%-43% increases over the last 8 years.

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The following chart shows how – after taxes and inflation – you were worse off in 1980 than in 1972 in terms of what you could buy with what was left of your paycheck:

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LOSS IN PURCHASING POWER				
Your Pretax Income In:		Your Purchasing Power After Taxes and Inflation In:		Your Purchasing Power Decreased By:
1972	1980	1972	1980	
\$10,000	\$19,860	\$ 9,247	\$ 8,998	-2.7%
20,000	39,720	17,640	16,862	-4.4
30,000	59,580	25,588	23,708	-7.4
40,000	79,440	32,972	29,948	-9.2

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You can see that, as a result of Bracket Creep, from 1972 to 1980, you suffered a 3% to 9% reduction in your after-tax purchasing power even if (and that's a big if) your income kept pace with the 9.0% average annual inflation rate for those 8 years. In simple terms, your hard work increased

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The increase in your dollar income, in step with inflation (if you were that lucky), put you into higher and higher tax brackets--the insidious tax Bracket Creep:

Your Income In:		Tax Bite In:		Percent Increase In Tax Rate Due To Bracket Creep
1972	1980 If You Kept Pace With Inflation	1972	1980	
\$10,000	\$19,860	7.5%	10.0%	+33.3%
20,000	39,720	11.8	15.7	+33.1
30,000	59,580	14.7	21.0	+42.9
40,000	79,440	17.6	25.1	+42.6

Let's say that in 1972 you earned somewhere between \$10,000 and \$40,000. By 1980, if your paycheck kept up with inflation, your Federal income tax rate was raised by 33% to 43%. And this is after the so-called "tax cuts" passed in 1976 and 1978 by Congress. They were not cuts at all.

At a 10% inflation rate, Federal Government revenues increase by 16% per year with our present tax system.

The mechanism through which you "creep" to higher tax brackets is called Bracket Creep. And if

You can see from 1972 to 1980, a reduction in... if (and that's the 9.0% a 8 years. In s your paych Bracket Cre and inflatio

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us tax

President Reagan is trying to help by offsetting Bracket Creep with a tax cut. He proposed to give back 121% of future Bracket Creep over the next 4 years - to give us back more than inflation will take away. But certain Congressmen, who place bigger government ahead of a productive private sector, have forced a compromise "tax cut" that will offset only 98% of the future Bracket Creep we will suffer between 1980 and 1984. No real tax cut at all, but better than nothing.

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So, Bracket Creepers are still at work. If they are to be stopped, they must be stopped now, when the law is being changed. Otherwise, we can look forward to another decade of Bracket Creeping for us and our children.

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Write to Dan Rostenkowski, Chairman of the House Ways and Means Committee. Write to your own Congressman. Tell them both you support the President's tax proposal. Tell them: "I've been 'Bracket Creeped' to death and I'm not going to take it anymore."

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The Capital Report

GOP Plans Media Blitz To Sell Reagan Tax Cut

By Mary Thornton
Washington Star Staff Writer

The Republican National Committee and the House Republican Campaign Committee announced plans this morning for a \$500,000 national media campaign to try to sell the president's tax cut package which is due to come up for a vote on the House floor next week.

Rep. Stan Parris of Virginia, who is helping to put together radio and television ads for the tax campaign, said the central theme would be that the Democratic package "is full of empty promises."

The central target of the Republican effort is House Speaker Thomas P. O'Neill Jr., D-Mass., who will be portrayed in the ads as a deceitful Santa Claus presenting an empty present to a little girl.

The speaker immediately charged that the Republican campaign is "a deliberate and direct lie."

Democratic leaders met late last night to discuss the issue, and aides said this morning they are considering suing the Republicans under the truth in advertising laws.

One of the ads played yesterday by the Republicans starts with O'Neill, as Santa Claus, saying "Ho, ho, ho, I've got this nice big package that looks like a tax cut."

Then a little girl in a tiny voice says, "But I want a real tax cut ... that's not good enough, Mr. Speaker."

The ad campaign will focus on differences in the individual portion of the Republican bill and the Democratic alternative. The Republicans are offering a three-year, 25 percent tax cut distributed evenly to rich and poor alike. The Democratic bill provides for a two-year 15 percent rate cut with a provisional additional 10 percent in the third year if the American economy performs up to Reagan's predictions.

The major difference is that the Democratic plan would target tax relief more heavily towards persons

earning less than \$50,000 a year. A majority of the American population - 54 percent - is in a family earning \$20,000-a-year or less.

Rep. Richard A. Gephardt, D-Mo., head of the House Democratic Economic Task Force, called the ads "deceptive, false and misleading. It's a continuation of efforts going on for a long time to convince the country that Democrats are against the tax cut and Republicans are for the tax cut."

Gephardt said the Democrats don't have the money to mount a counter-campaign, and that he is not sure he would want to anyway. "Do we really want to turn this country's legislative process into expensive, hyped-up ad campaigns?" he asked.

Rep. Dick Cheney, R-Wyo., defended Republicans using O'Neill as the target in the attack.

"Tip O'Neill is the speaker. He is a symbol of what is wrong with the way Congress has functioned over the last 30 years," he said.

Cheney denied that the ad campaign is an indication that Republicans are afraid they will lose. "I think the best way to portray it is that we don't want to leave any stone unturned in putting together a majority ... to put the final building blocks in the president's economic package."

Cheney said the campaign will begin on Monday with the entire country covered by radio ads. He said the major emphasis, however, will be in districts in the South and Southwest occupied by conservative Democrats who have helped give Reagan victories on two previous budget votes.

The Republican National Committee is providing \$250,000 for the ad campaign with another \$250,000 coming from the Congressional Republican Campaign Committee.

Parris has raised an additional \$30,000 which he plans to use for television advertising in the District area to be targeted specially at members of Congress and their families.

Jordan Attacks Administration For 'Jelly Bean' Answers on Cuts

By David Shribman
Washington Star Staff Writer

Vernon E. Jordan Jr. said yesterday that the National Urban League's efforts to establish a dialogue with the Reagan administration have failed, with delegates to the group's annual conference receiving only "jelly bean answers to this jelly bean budget."

Jordan, who opened the conference at the Sheraton Washington on Sunday with an assault on the Reagan budget and program cuts, said the administration has not responded to the concerns of blacks and the poor.

"We were trying to move beyond rhetoric and slogans to a true dialogue," said Jordan, president of the National Urban League. "That did not happen because the administration's spokesmen continued to blur the real issues and to repeat the tired slogans we have heard before."

Jordan said that he is "deeply dis-

satisfied that the administration has failed to provide for blacks and the poor during the period between the program cuts and the return of general economic prosperity.

"Instead," said Jordan, "we got defensive remarks about unfair criticism and bland assurances that the budget cuts will not hurt the poor too much," he said.

"We got the incredible assertion that the cuts hit all sectors of the population; that while the working poor lose their food stamps, big energy companies also lose their synfuels program," said Jordan. "But I think the big energy companies will survive the loss of the synfuels program. I wonder whether the working poor will survive their cuts."

Jordan's remarks came hours after former Vice President Walter F. Mondale, utilizing his campaign stump style, told the league that the Reagan administration is "tearing at the fabric of fairness in American life."

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All Washington Area Stores.

\$2

The Debate Over Taxes: The President Presents His Case

The Text of Reagan's Speech Comparing the

Special to The New York Times

WASHINGTON, July 27 — Following is the prepared text released by the White House of a speech by President Reagan tonight:

Good evening. I had intended to make some remarks about the problem of Social Security tonight — but the immediacy of Congressional action on the tax program, a key component of our economic package, has to take priority. Let me just say, however, I've been deeply disturbed by the way those of you who are dependent on Social Security have been needlessly frightened by some of the inaccuracies which have been given wide circulation.

It is true that the Social Security system has financial problems. It is also true that these financial problems have been building for more than 20 years — and nothing has been done.

I hope to address you on this entire subject in the near future. In the meantime, let me just say this: I stated during the campaign and I repeat now I will not stand by and see those of you who are dependent on Social Security deprived of your benefits. I make that pledge to you as your President. You have no reason to be frightened. You will continue to receive your checks in the full amount due you. In any plan to restore fiscal integrity of Social Security I personally will see that no part of the plan will be at the expense of you who are now dependent on your monthly Social Security checks.

Grim and Disturbing

Now, let us turn to the business at hand. It's been nearly six months since I first reported to you on the state of the nation's economy. I'm afraid my message that night was grim and disturbing. I remember telling you we were in the worst economic mess since the Great Depression. Prices were continuing to spiral upward and unemployment was reaching intolerable levels and all because Government was too big and spent too much of our money.

We're still not out of the woods, but we've made a start. And we've certainly surprised those long-time and somewhat cynical observers of the Washington scene who looked, listened and said, "It can never be done. Washington will never change its spending habits."

Well, something very exciting has been happening here in Washington and you are responsible. Your voices have been heard. Millions of you, Democrats, Republicans and Independents, from every profession, trade and line of work, and from every part of this land; you sent a message that you wanted a new beginning. You wanted to change one little two-letter word. It doesn't sound like much, but it sure can make a difference changing "control by Government" to "control of Government."

In that earlier broadcast you'll recall I proposed a program to drastically cut back Government spending in the 1982 budget which begins October 1st and to continue cutting in '83 and '84. Along with this I suggested an across-the-board tax cut spread over those same three years and the elimination of unnecessary regulations which were adding billions to the cost of things we buy.

Heard Loud and Clear

All the lobbying, the organized demonstrations and the cries of protest by those whose way of life depends on maintaining Government's wasteful ways were no match for your voices which were heard loud and clear in these marble halls of Government.

And you made history with your telegrams, your letters, your phone calls and, yes, personal visits to talk to your elected representatives. You reaffirmed the mandate you delivered

Federal budget. Right now members of the House and Senate are meeting in a conference committee to reconcile the differences between the two budget-cutting bills passed by the House and the Senate. When they finish, all Americans will benefit from savings of approximately \$140 billion in reduced Government costs over the next three years. And that doesn't include the additional savings from the hundreds of burdensome regulations already canceled or facing cancellation.

For 19 out of the last 20 years the Federal Government has spent more than it took in. There will be another large deficit in this present year which ends September 30th. But with our program in place it won't be quite as big as it might have been and starting next year the deficits will get smaller until in just a few years the budget can be balanced. And we hope we can begin whittling at that almost \$1 trillion debt that hangs over the future of our children.

Based on Anticipation

Now so far I've been talking about only one part of our program for economic recovery — the budget-cutting part. I don't minimize its importance. Just the fact that Democrats and Republicans could work together as they have, proving the strength of our system, has created an optimism in our land. The rate of inflation is no longer in double-digit figures, the dollar has regained strength in the international money markets and businessmen and investors are making decisions with regard to industrial development, modernization and expansion. All of this based on anticipation of our program being adopted and put into operation.

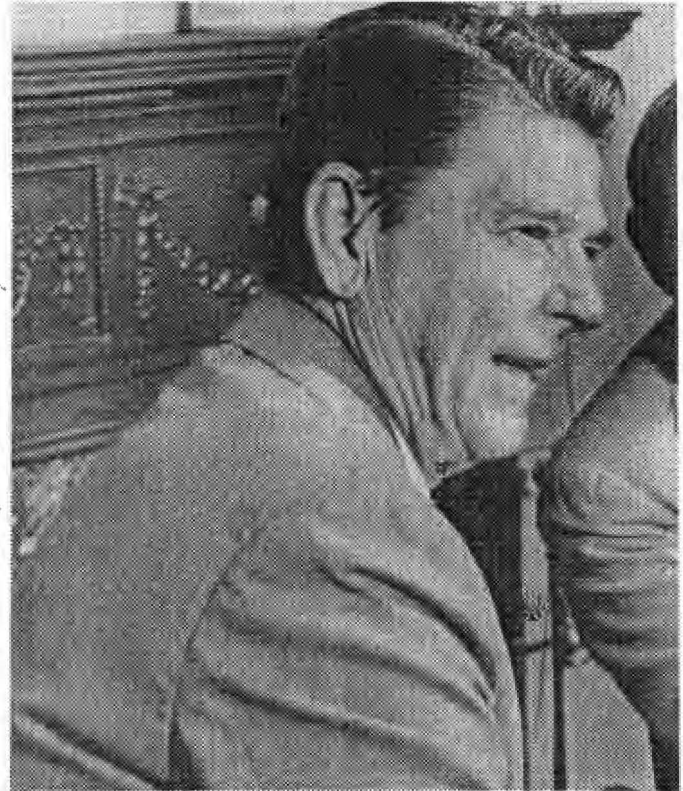
A recent poll shows that where a year and a half ago only 24 percent of our people believed things would get better, today 46 percent believe they will. To justify their faith we must deliver the other part of our program. Our economic package is a closely knit, carefully constructed plan to restore America's economic strength and put our nation back on the road to prosperity. Each part of this package is vital. It cannot be considered piecemeal. It was proposed as a package and it has been supported as such by the American people. Only if the Congress passes all of its major components does it have any real chance of success. This is absolutely essential if we are to provide incentives and make capital available for the increased productivity required to provide real, permanent jobs for our people.

And let us not forget that the rest of the world is watching America carefully to see how we will act at this critical moment. I have recently returned from a summit meeting with world leaders in Ottawa, Canada, and the message I heard from them was quite clear — our allies depend on a strong and economically sound America and they are watching events in this country, particularly those surrounding our program for economic recovery, with close attention and great hopes. In short, the best way to have a strong foreign policy abroad is to have a strong economy at home.

Great Deal Is at Stake

The day after tomorrow — Wednesday — the House of Representatives will begin debate on two tax bills and once again they need to hear from you. I know that doesn't give you much time, but a great deal is at stake.

A few days ago I was visited here in the office by a Democratic Congressman from one of our Southern states. He'd been back in his district and one



President Reagan with Gov. Forrest James Jr., Democrat of Alabama. James will be traveling through several Southern states on behalf of the President.

cut. Well, the Congressman, who happens to be a strong leader in support of our program, replied at some length with a discussion of the technical points involved, but also mentioning a few reservations he had on certain points. The constituent, a farmer, listened politely until he'd finished and then said, "Don't give me an essay. What I want to know is are you for 'em or agin 'em?"

I appreciate the gentleman's support and suggest his question is a message your own Representatives should hear. Let me add those Representatives honestly and sincerely want to know your feelings. They get plenty of input from the special interest groups, they'd like to hear from their homefolks.

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

Our bill calls for a 5 percent reduction in the income tax rates by October 1st, a 10 percent reduction beginning July 1, 1982, and another 10 percent cut a year later — a 25 percent total reduction over three years. But then to ensure the tax cut is permanent we call for indexing the tax rates in 1985, which means adjusting them for inflation. As it is now, if you get a cost-of-living raise intended to keep you even with inflation, you find that the increase in the number of dollars you get may very likely move you into a higher tax bracket and you wind up poorer than you were. This is called bracket creep.

An Insidious Tax

Bracket creep is an insidious tax. Let me give an example. If you earned \$10,000 a year in 1972, by 1980 you had to earn \$19,700 just to stay even with inflation. But that's before taxes. Come April 15th, you find your tax rates have increased 30 percent. If you've been wondering why you don't seem as well off as you were a few years back, it's because Government makes a profit on inflation. It gets an automatic tax increase without having to vote on it. We intend to stop that.

unfair tax that has a work and wife pay more tax were single. We increase tion on the inheritance (0 to \$600,000 so that farmers owned businesses don't have farm or store in the event to pay the taxes. Most in wipe out the tax entirely ing spouse. No longer, I will a widow have to sell source of income to pay husband's death.

There are deductions for investment and savings. I realistic depreciation or and machinery. And the breaks for small and independent businesses which create 80 p new jobs. This bill also provides credits to the research and development industry — these help spark the high technology breakthroughs that are so critical to our economic leadership. There are also added in small businesses including that will lift much of the costly paperwork that has imposed on small business.

In addition, there is substantial assistance for pressed thrift industry: reductions in oil taxes that new or independent oil producers move our nation a step closer to energy self-sufficiency.

Our bill is, in short, the best cut for everyone in almost

Now a Bipartisan Measure

Now when I first proposed and incidentally it has now become a bipartisan measure. Republican Barber Conable and Democrat Kent Hance — both of whom have been in the House since 1979 — said a lot out of the question. It was a bipartisan measure. That was before the bill was passed.

Then your voices began to be heard and suddenly in February your ship discovered a one-year tax cut and by June your ship found that a two-year tax cut was possible. Now it's July and we could go for a third-year tax cut. There was a trigger arrangement that would only allow it to go on if certain economic goals had

ington will never change its spending habits."

Well, something very exciting has been happening here in Washington and you are responsible. Your voices have been heard. Millions of you, Democrats, Republicans and Independents, from every profession, trade and line of work, and from every part of this land; you sent a message that you wanted a new beginning. You wanted to change one little two-letter word. It doesn't sound like much, but it sure can make a difference changing "control by Government" to "control of Government."

In that earlier broadcast you'll recall I proposed a program to drastically cut back Government spending in the 1982 budget which begins October 1st and to continue cutting in '83 and '84. Along with this I suggested an across-the-board tax cut spread over those same three years and the elimination of unnecessary regulations which were adding billions to the cost of things we buy.

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All the lobbying, the organized demonstrations and the cries of protest by those whose way of life depends on maintaining Government's wasteful ways were no match for your voices which were heard loud and clear in these marble halls of Government.

And you made history with your telegrams, your letters, your phone calls and, yes, personal visits to talk to your elected representatives. You reaffirmed the mandate you delivered in the election last November. A mandate that called for an end to Government policies that sent prices and mortgage rates skyrocketing, while millions of Americans went jobless.

Because of what you did, Republicans and Democrats in the Congress came together and passed the most sweeping cutbacks in the history of the

state America's economic strength and put our nation back on the road to prosperity. Each part of this package is vital. It cannot be considered piecemeal. It was proposed as a package and it has been supported as such by the American people. Only if the Congress passes all of its major components does it have any real chance of success. This is absolutely essential if we are to provide incentives and make capital available for the increased productivity required to provide real, permanent jobs for our people.

And let us not forget that the rest of the world is watching America carefully to see how we will act at this critical moment. I have recently returned from a summit meeting with world leaders in Ottawa, Canada, and the message I heard from them was quite clear — our allies depend on a strong and economically sound America and they are watching events in this country, particularly those surrounding our program for economic recovery, with close attention and great hopes. In short, the best way to have a strong foreign policy abroad is to have a strong economy at home.

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A few days ago I was visited here in the office by a Democratic Congressman from one of our Southern states. He'd been back in his district and one day one of his constituents asked him where he stood on the economic recovery program I'd outlined in that earlier broadcast, particularly the tax

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

Our bill calls for a 5 percent reduction in the income tax rates by October 1st, a 10 percent reduction beginning July 1, 1982, and another 10 percent cut a year later — a 25 percent total reduction over three years. But then to ensure the tax cut is permanent we call for indexing the tax rates in 1985, which means adjusting them for inflation. As it is now, if you get a cost-of-living raise intended to keep you even with inflation, you find that the increase in the number of dollars you get may very likely move you into a higher tax bracket and you wind up poorer than you were. This is called bracket creep.

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Time won't allow me to explain every detail, but our bill includes just about everything to help the economy. We reduce the marriage penalty, that

credits to the research and development industry — these help spark the high tech breakthroughs that are so critical to our economic leadership. There are also added in small businesses including that will lift much of the costly paperwork that has imposed on small business.

In addition, there is substantial assistance for the pressed thrift industry, reductions in oil taxes that new or independent oil producers, and move our nation a step closer to energy self-sufficiency.

Our bill is, in short, the cut for everyone in almost

Now a Bipartisan Measure

Now when I first proposed it and incidentally it has become a bipartisan measure. Republican Senator Republican Barber Conable and Democrat Kent Hance — their leadership said a lot out of the question. It was inflationary. That was before the legislation.

Then your voices began and suddenly in February we discovered a one-year tax cut and by June we found that a two-year tax cut could go for a third-year tax cut. There was a trigger error that would only allow it to go on until 1983.

But by holding the production hostage to future events, they will eliminate the ability to plan ahead. Farmers and individuals need the certainty they must have to save or invest money. And encouraging savings and investment is precisely what we need most to rebuild our economy.

And there is a little sleight of hand that trigger mechanism. The bill ensures that the trigger will be \$6.5 billion greater than what it requires. As the design of their own trigger they will never take.

If I could paraphrase a statement by Will Rogers:

Ruse Lets Nun Escape Intruder at a Convent

HARTSDALE, N.Y., July 27 (AP) — A nun persuaded a would-be robber to sit down and have a snack at her convent early today, then fled and summoned the police, who arrested the intruder, authorities said.

The suspect, 41-year-old James Kenney of Hartsdale, was charged with holding the nun captive at knifepoint for more than four hours.

Capt. John Hahn of the Greenburgh police said the nun, whose name was not released, scuffled with the man when he entered the Sacred Heart Church convent on Lawton Avenue from a fire escape at 10:30 last night.

Captain Hahn said that at 3 A.M., the nun persuaded the man, who had been carrying two knives, to sit down "and have a sandwich or something with her." She took that opportunity to flee the convent, flag down a passing truck and call the police.

The police seized Mr. Kenney two blocks away. He was charged with first-degree burglary and unlawful imprisonment, the police said.

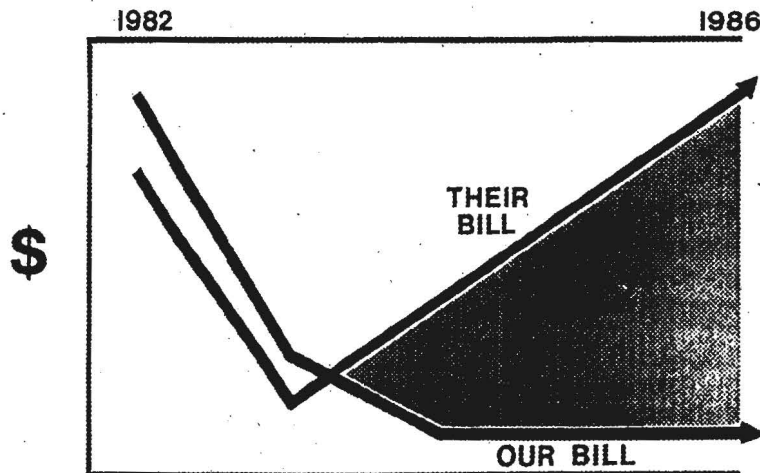
According to Captain Hahn, the nun suffered minor scratches on her face during the scuffle. The man was not hurt.

Mediator in Nurse Strike

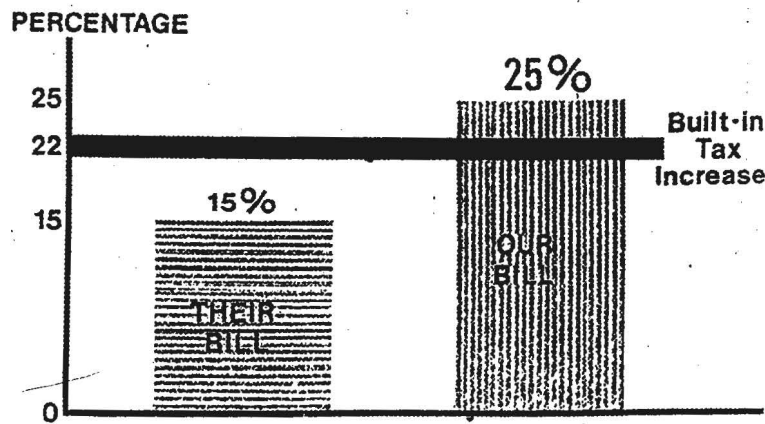
PITTSFIELD, Mass., July 27 (AP) — A Federal mediator called both sides back for bargaining today in an effort to end a three-day-old strike by registered nurses that has crippled the Berkshire Medical Center, the largest hospital in the Berkshires.

YOUR TAXES

AVERAGE FAMILY INCOME - \$20,000



TAX INCREASE VS TAX CUT



United Press International

Charts used by President Reagan during his address last night

His Case

Comparing the Details of Tax Cut Proposals



The New York Times / George James

gan with Gov. Forrest James Jr., Democrat of Alabama, yesterday at the White House. Governor traveling through several Southern states on behalf of the President's tax plan.

Congressman, who happened to be in support of the technical details but also mentioning a farmer, listening until he'd finished and then he'd give me an essay. Now is are you for 'em

the gentleman's support his question is a mess. Representatives should add those Representatives and sincerely want to. They get plenty of special interest groups, hear from their home-

what the situation is. With our budget and a complete program tax rates. Again, our provide incentive for production and hiring of and to free up money

for a 5 percent reduction tax rates by October and reduction beginning another 10 percent cut 25 percent total reduction years. But then to en-

unfair tax that has a working husband and wife pay more tax than if they were single. We increase the exemption on the inheritance (or estate) tax to \$600,000 so that farmers and family-owned businesses don't have to sell the farm or store in the event of death just to pay the taxes. Most important we wipe out the tax entirely for a surviving spouse. No longer, for example, will a widow have to sell the family source of income to pay a tax on her husband's death.

There are deductions to encourage investment and savings. Business gets realistic depreciation on equipment and machinery. And there are tax breaks for small and independent businesses which create 80 percent of all new jobs. This bill also provides major credits to the research and development industry — these credits will help spark the high technology breakthroughs that are so critical to America's economic leadership in the world. There are also added incentives for small businesses including a provision that will lift much of the burden of costly paperwork that Government has imposed on small business.

In addition, there is short-term but substantial assistance for the hard-pressed thrift industry as well as reductions in oil taxes that will benefit new or independent oil producers and

never met a man he didn't like — I'm afraid we have some people around who never met a tax they didn't hike.

Their tax proposal, similar in a number of ways to ours, but differing in some very vital parts, was passed out of the House Ways and Means Committee, and from now on I'll refer to it as the committee bill and ours as the bipartisan bill. They will be the bills taken up Wednesday.

The majority leadership claim theirs gives a greater break to the worker than ours and it does — that is, if you're only planning to live two more years. The plain truth is our choice is not between two plans to reduce taxes, it is between a tax cut or a tax increase. There is built into our present system, including payroll Social Security taxes and the bracket creep I've mentioned, a 22 percent tax increase over the next three years. The committee bill offers a 15 percent cut over two years; our bipartisan bill gives a 25 percent reduction over three years. As you can see by this chart — here is the 22 percent increase line and here is their cut below that line and ours wiping out the increase with a little to spare.

Incidentally, their claim that cutting taxes for individuals for as much as three years ahead is risky rings a little hollow when you realize that

ting people first has always been America's secret weapon. The House majority leadership seems less concerned with protecting your family budget than with spending more on the Federal budget.

Our bipartisan tax bill targets three-quarters of its tax relief to middle-income wage-earners, who presently pay almost three-quarters of the total income tax. It also then indexes the tax brackets to ensure that you can keep that tax reduction in the years ahead. There also is, as I said, estate tax relief that will keep family farms and family-owned businesses in the family. And there are provisions for personal retirement plans and individual savings accounts.

Because our bipartisan bill is so clearly drawn and broadly based it provides the kind of predictability and certainty that the financial segments of our society need to make investment decisions that stimulate productivity and make our economy grow.

Even more important — if the tax cut goes to you the American people in the third year — that money returned to you won't be available to the Congress to spend. And that in my view is what this whole controversy comes down to: Are you entitled to the fruits of your own labor or does Government have some presumptive right to spend and spend and spend?

Do a Much Better Job

I'm also convinced our business tax cut is superior to theirs, because it is more equitable, and it will do a much better job promoting the surge in investment we so badly need to rebuild our industrial base.

There is something else I want to tell you. Our bipartisan coalition worked out a tax bill we felt would provide incentive and stimulate productivity, thus reducing inflation and providing jobs for the unemployed. That was our goal.

Our opponents in the beginning didn't want a tax bill at all. What is the purpose behind their change of heart? They've put a tax program together for one reason only, to provide a political victory for themselves. Never mind that it won't solve the economic problems confronting our country. Never mind that it won't get the wheels of industry turning again or eliminate the inflation which is eating us alive. This is not the time for political fun and games. This is the time for a New Beginning.

I ask you now to put aside any feelings of frustration or helplessness about our political institutions and join me in this dramatic but responsible plan to reduce the enormous burden of Federal taxation on you and your family.

During recent months, many of you have asked what you can do to help make America strong again. I urge



The New York Times / George Tames

...gan with Gov. Forrest James Jr., Democrat of Alabama, yesterday at the White House. Governor ... traveling through several Southern states on behalf of the President's tax plan.

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Now a Bipartisan Measure

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and incidentally it has now become a
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cratic leadership said a tax cut was
out of the question. It would be wildly
inflationary. That was before my inau-
guration.

Then your voices began to be heard
and suddenly in February the leader-
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feasible. We kept on pushing our three-
year tax cut and by June the opposi-
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work. Now it's July and they find they
could go for a third-year cut provided
there was a trigger arrangement that
would only allow it to go into effect if
certain economic goals had been met
by 1983.

But by holding the people's tax re-
duction hostage to future economic
events, they will eliminate people's
ability to plan ahead. Shopkeepers,
farmers and individuals will be denied
the certainty they must have to begin
saving or investing more of their
money. And encouraging more sav-
ings and investment is precisely what
we need most to rebuild our economy.

And there is a little sleight of hand in
that trigger mechanism. The commit-
tee bill ensures that the 1983 deficit
will be \$6.5 billion greater than their
own trigger requires. As it stands now
the design of their own bill will not
meet the trigger they have put in.
Therefore, the third-year tax cut will
automatically never take place.

If I could paraphrase a well-known
statement by Will Rogers that he had

never met a man he didn't like — I'm
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It rings even more hollow when you
consider the fact the majority leader-
ship routinely endorses Federal spend-
ing bills that project years into the fu-
ture, but objects to a tax bill that will
return your money over a three-year
period.

Live for Two More Years

Here is another chart which illus-
trates what I said about their giving a
better break if you only intend to live
for two more years. Theirs is the dot-
ted line, ours the solid. As you can see,
in an earning bracket of \$20,000 their
tax cut is slightly more generous than
ours — for the first two years — then
taxes in that earning level start going
up. On the other hand, in our biparti-
san bill, the tax keeps going down and
then stays down permanently. This is
true of all earning brackets.

This red space between the two lines
is the tax money that will remain in
your pockets if our bill passes and it's
the amount that will leave your pock-
ets if their tax bill is passed.

I take no pleasure in saying this, but
those who will seek to defeat our Con-
able-Hance bipartisan bill as debate
begins Wednesday are the ones who
have given us five "tax cuts" in the
last 10 years, but our taxes went up
\$400 billion in those same 10 years.

Genuine and Lasting Commit- ment

The lines on these charts say a lot
about who's really fighting for whom.
On the one hand, you see a genuine and
lasting commitment to the future of
working Americans. On the other, just
another empty promise. Those of us in
the bipartisan coalition want to give
this economy and the future of this na-
tion back to the people, because put-

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family.

During recent months, many of you
have asked what you can do to help
make America strong again. I urge
you again to contact your Senators and
Congressmen, tell them of your sup-
port for this bipartisan proposal, tell
them you believe this is an unequalled
opportunity to help return America to
prosperity and make Government
again the servant of the people.

The Fork of Two Roads

In a few days, the Congress will
stand at the fork of two roads. One
road is all too familiar to us. It leads —
ultimately — to higher taxes. It
merely brings us full circle back to the
source of our economic problems —
where the Government decides that it
knows better than you what should be
done with your earnings, and, in fact,
how you should conduct your life.

The other road promises to renew
the American spirit. It's a road of hope
and opportunity. It places the direc-
tion of your life back in your hands —
where it belongs.

I have not taken your time this evening
merely to ask you to trust me. In-
stead, I ask you to trust yourselves.
That's what America is all about. Our
struggle for nationhood, our unrelent-
ing fight for freedom, our very exist-
ence — these have all rested on the as-
surance that you must be free to shape
your life as you are best able to — that
no one can stop you from reaching
higher or take from you the creativity
that has made America the envy of
mankind.

One road is timid and fearful. The
other bold and hopeful.

In these six months, we have done so
much and have come so far. It has
been the power of millions of people
like you who have determined that we
will make America great again. You
have made the difference up to now.
You will make the difference again.

Let us not stop now.

Thank you.

20,000

1986



(Tax Cut)

Democrats Hold Line On Taxes

Low-Key Lobbying By Reagan Fails To Gain Backers

By Jane Seaberry
Washington Post Staff Writer

A hamburger cookout and some low-key lobbying this weekend earned President Reagan admiring comments but no new commitments to his tax-cut package as his administration prepared for its toughest congressional battle over its economic recovery program.

Reagan returned yesterday from a day of courting 15 crucial Democratic members of Congress at Camp David, where he had hoped to persuade them to approve a bill calling for a 25 percent tax cut over three

The president's address will be televised live at 8 tonight by the major networks. Rebuttals by Democrats will be shown immediately after the speech by ABC, at 10:30 by NBC and tomorrow by CBS.

years. Many of his guests had defected to the president during the last budget vote.

But the Democrats who went up the mountain uncommitted yesterday said they came down the same way, and the president's supporter acknowledged it will be a close vote.

"We think we're going to win yes," said Treasury Secretary Donald T. Regan, who also attended the Camp David barbecue. But he added that the White House "was not counting on anything. We're still working."

The campaign climaxes at 8 p.m. tonight when Reagan will address the nation in a televised speech.

See TAXES, A8, Col. 1

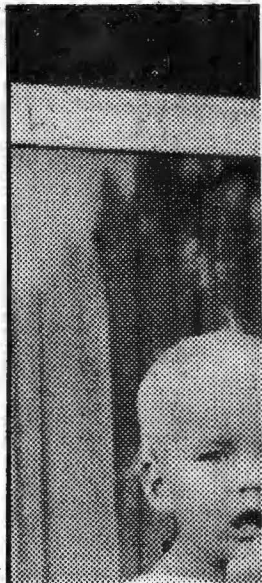
Tax cut
7/28/81

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"I sure don't like to be a part of that total. Like most people I not only want to work, but enjoy being useful and productive.

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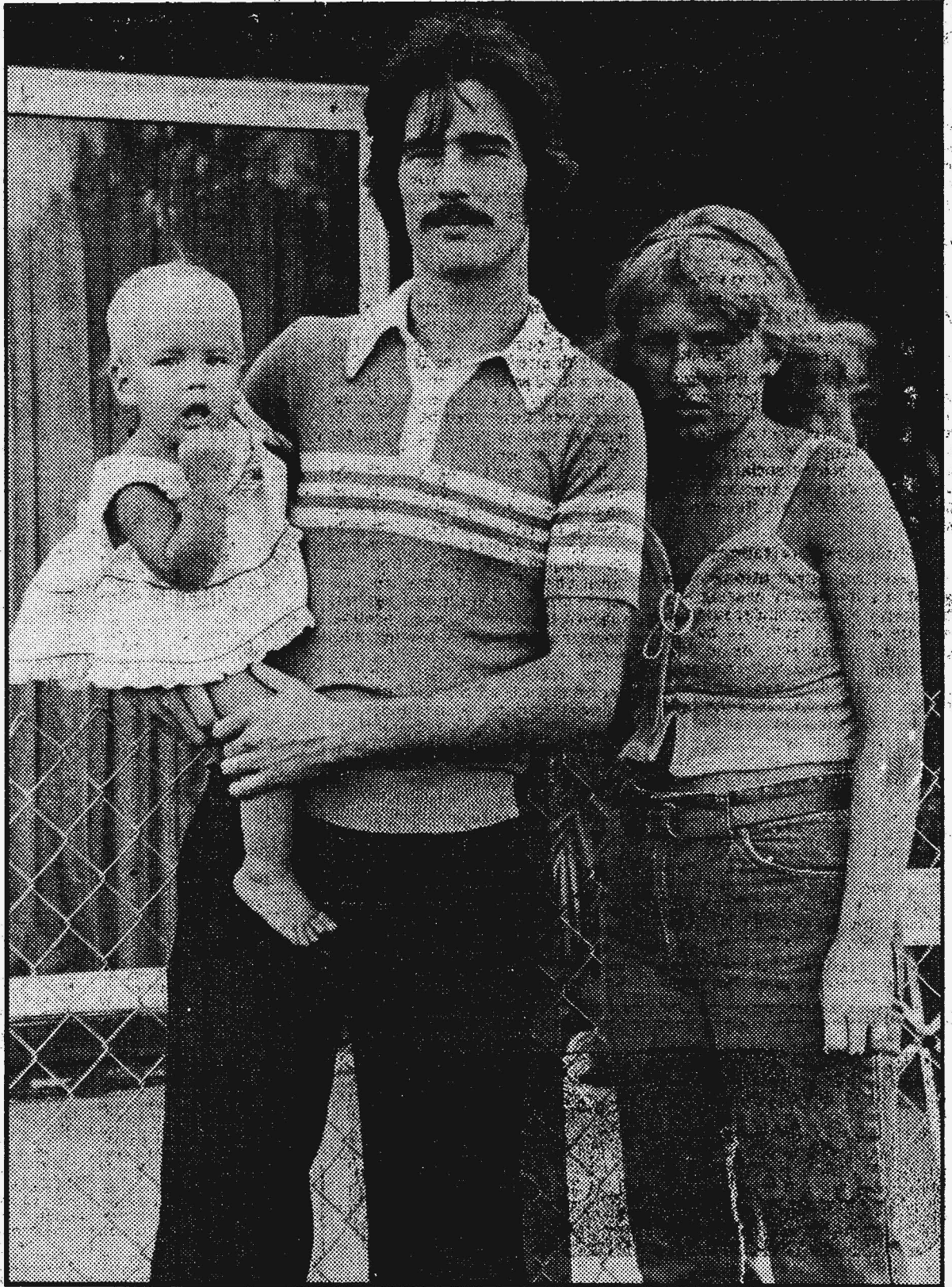
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Kenneth L. McCullough, Jr. and family. Indianapolis, Indiana.

America work. Act now.

IZENS UNITED FOR A REVITALIZED ECONOMY
l, Santa Monica, Ca. 90401. (213) 451-3339. Robert F. Hatch, Chairman.

I'm one o

"I sure don't like to be a part of that total. Like most people I not only want to work, but enjoy being useful and productive.

I did well for awhile, but then things began to come apart. Some said it was inflation. Others said it was obsolete tools and equipment. Many said it was too much government spending.

Whatever it was, it cost me my job.

I want back in. I turn to you who have jobs to help me. You can really help me if you'll ask our leaders for some sort of change in the way we're doing things.

God knows we need to try something different. Our national approach is worn

out—we definitely need a renewal.

I want to give President Ronald Reagan a chance to try something different. He wants to lower government costs and taxes. He believes it will curb inflation and get money for new business equipment. It's certainly going to cut government's size. I think it's worth a try.

But, please. Let's try it soon—I can't wait much longer.

I don't think the other 7,783,999 can wait much longer either. Please help us—NOW. Let those who can do something about it hear from you. We need your help!"

*Source—U.S. Bureau of Labor Statistics



Kenneth L. McCullou

People make America v

CITIZENS UNITED FOR A REVITALIZED ECONO
1253 7th Street, Suite 101, Santa Monica, Ca. 90401. (213) 451-3339. Robe

TELEVISED ADDRESS TO THE NATION -- JANUARY 27, 1981

Good evening. I had intended to make some remarks about the problem of Social Security tonight -- but the immediacy of Congressional action on the tax program, a key component of our economic package, has to take priority. Let me just say, however, I've been deeply disturbed by the way those of you who are dependent on Social Security have been needlessly frightened by some of the inaccuracies which have been given wide circulation.

It is true that the Social Security system has financial problems. It is also true that these financial problems have been building for more than 20 years -- and nothing has been done.

I hope to address you on this entire subject in the near future. In the meantime, let me just say this: I stated during the campaign and I repeat now I will not stand by and see those of you who are dependent on Social Security deprived of your benefits. I make that pledge to you as your President. You have no reason to be frightened. You will continue to receive your checks in the full amount due you. In any plan to restore fiscal integrity of Social Security I personally will see that no part of the plan will be at the expense of you who are now dependent on your monthly Social Security checks.

Now, let us turn to the business at hand. It's been nearly 6 months since I first reported to you on the state of the Nation's economy. I'm afraid my message that night was grim and disturbing. I remember telling you we were in

the worst economic mess since the Great Depression. Prices and unemployment were continuing to spiral upward and all because Government was too big and spent too much of our money.

We're still not out of the woods, but we've made a start. And we've certainly surprised those long-time and somewhat cynical observers of the Washington scene who looked, listened and said, "It can never be done. Washington will never change its spending habits."

Well, something very exciting has been happening here in Washington and you are responsible. Your voices have been heard. Millions of you, Democrats, Republicans and Independents, from every profession, trade and line of work, and from every part of this land; you sent a message that you wanted a new beginning. You wanted to change one little two-letter word. It doesn't sound like much, but it sure can make a difference changing "control by Government" to "control of Government."

In that earlier broadcast you'll recall I proposed a program to drastically cut back Government spending in the 1982 budget which begins October 1st and to continue cutting in '83 and '84. Along with this I suggested an across-the-board tax cut spread over those same 3 years and the elimination of unnecessary regulations which were adding billions to the cost of things we buy.

All the lobbying, the organized demonstrations and the cries of protest by those whose way of life depends on maintaining Government's wasteful ways were no match for your voices which were heard loud and clear in these marble halls of Government.

And you made history with your telegrams, your letters, your phone calls and, yes, personal visits to talk to your elected representatives. You reaffirmed the mandate you delivered in the election last November. A mandate that called for an end to Government policies that sent prices and mortgage rates skyrocketing, while millions of Americans went jobless.

Because of what you did, Republicans and Democrats in the Congress came together and passed the most sweeping cutbacks in the history of the Federal budget. Right now Members of the House and Senate are meeting in a conference committee to reconcile the differences between the two budget cutting bills passed by the House and the Senate. When they finish, all Americans will benefit by savings of approximately \$140 billion in reduced Government costs over the next 3 years. And that doesn't include the additional savings from the hundreds of burdensome regulations already cancelled or facing cancellation.

For 19 out of the last 20 years the Federal Government has spent more than it took in. There will be another large deficit in this present year which ends September 30th. But with our program in place it won't be quite as big as it

might have been and starting next year the deficits will get smaller until in just a few years the budget can be balanced. And we hope we can begin whittling at that almost \$1 trillion debt that hangs over the future of our children.

Now so far I've been talking about only one part of our program for economic recovery -- the budget cutting part. I don't minimize its importance. Just the fact that Democrats and Republicans could work together as they have, proving the strength of our system, has created an optimism in our land. The rate of inflation is no longer in double-digit figures, the dollar has regained strength in the international money markets and businessmen and investors are making decisions with regard to industrial development, modernization and expansion. All of this based on anticipation of our program being adopted and put into operation.

A recent poll shows that where a year-and-a-half ago only 24 percent of our people believed things would get better, today 46 percent believe they will. To justify their faith we must deliver the other part of our program. Our economic package is a closely knit, carefully constructed plan to restore America's economic strength and put our Nation back on the road to prosperity. Each part of this package is vital. It cannot be considered piecemeal. It was proposed as a package and it has been supported as such by the American people. Only if the Congress passes all of its major components does it have any real chance of success. This is absolutely essential if we are to provide incentives and

make capital available for the increased productivity required to provide jobs for our people.

And let us not forget that the rest of the world is watching America carefully to see how we will act at this critical moment. I have recently returned from a summit meeting with world leaders in Ottawa, Canada and the message I heard from them was quite clear -- our allies depend on a strong and economically sound America and they are watching events in this country, particularly those surrounding our program for economic recovery, with close attention and great hopes.

The day after tomorrow -- Wednesday -- the House of Representatives will begin debate on two tax bills and once again they need to hear from you. I know that doesn't give you much time, but a great deal is at stake.

A few days ago I was visited here in the Office by a Democratic Congressman from one of our Southern States. He'd been back in his district and one day one of his constituents asked him where he stood on the economic recovery program I'd outlined in that earlier broadcast. Well, the Congressman, who happens to be a strong leader in support of our program, replied at some length with a discussion of the technical points involved, but also mentioning a few reservations he had on certain points. The constituent, a farmer, listened politely until he'd finished and then said, "Don't give me an essay. What I want to know is are you for 'em or agin 'em?"

X

I appreciate the gentleman's support and suggest his question is a message your own Representatives should hear. Let me add those Representatives honestly and sincerely want to know your feelings. They get plenty of input from the special interest groups, they'd like to hear from their homefolks.

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

Our bill calls for a 5 percent reduction in the income tax rates by October 1st, a 10 percent reduction beginning July 1, 1982 and another 10 percent cut a year later -- a 25 percent total reduction over 3 years. But then to ensure the tax cut is permanent we call for indexing the tax rates in 1985, which means adjusting them for inflation. As it is now, if you get a cost of living raise intended to keep you even with inflation, you find that the increase in the number of dollars you get may very likely move you into a higher tax bracket and you wind up poorer than you were. This is called bracket creep.

Bracket creep is an insidious tax. Let me give an example. It has been estimated that if you earned \$10,000 a year in 1972, by 1980 you had to earn \$19,860 just to stay even with inflation. But that's before taxes. Come April 15th,

you find your tax rates have increased 33 percent. If you've been wondering why you don't seem as well off as you were a few years back, it's because Government makes a profit on inflation. It gets an automatic tax increase without having to vote on it. We intend to stop that.

Time won't allow me to explain every detail, but our bill includes just about everything to help the economy. We do away with the marriage penalty, that unfair tax that has a working husband and wife pay more tax than if they were single. We increase the exemption on the inheritance (or estate) tax to \$600,000 so that farmers and family-owned businesses don't have to sell the farm or store in the event of death just to pay the taxes. Most important we wipe out the tax entirely for a surviving spouse. No longer, for example, will a widow have to sell the family source of income to pay a tax on her husband's death. There are deductions to encourage investment and savings. Business gets realistic depreciation on equipment and machinery. And there are tax breaks for small and independent businesses which create 80 percent of all new jobs. This bill also provides major credits to the research and development industry -- these credits will help spark the high technology breakthroughs that are so critical to America's economic leadership in the world. There are also added incentives for small businesses including a provision that will lift much of the burden of costly paperwork that Government has imposed on small business.

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Our bill is, in short, the first real tax cut for everyone in almost 20 years.

Now when I first proposed this -- and incidentally it has now become a bipartisan measure co-authored by Republican Barber Conable and Democrat Kent Hance -- the Democratic leadership said a tax cut was out of the question. It would be wildly inflationary. That was before my inauguration.

Then your voices began to be heard and suddenly in February the leadership discovered a 1 year tax cut was feasible. We kept on pushing our 3 year tax cut and by June the opposition found that a 2 year cut might work. Now it's July and they find they could go for a third year cut provided there was a trigger arrangement that would only allow it to go into effect if certain economic goals had been met by 1983.

But there is a little sleight of hand in that trigger mechanism. The committee bill ensures that the 1983 deficit will be more than \$7 billion greater than under our plan. Therefore, the third year tax cut will automatically never take place.

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Incidentally, their claim that cutting taxes for individuals for as much as 3 years ahead is risky rings a little hollow when you realize that their bill calls for business tax cuts each year for 7 years ahead.

It rings even more hollow when you consider the fact the majority leadership routinely endorses Federal spending bills that project years into the future, but object to a tax bill that will return your money over a 3 year period.

Here is another chart which illustrates what I said about their giving a better break if you only intend to live for 2 more years. Theirs is the dotted line, ours the solid. As you can see, in an earning bracket of \$20,000 their tax cut is slightly more generous than ours -- for the first 2 years -- then taxes in that earning level start going up. On the other hand, in our bipartisan bill, the tax keeps going down and then stays down permanently. This is true of all earning brackets.

This ~~orange~~^{red} space between the 2 lines is the tax money that will remain in your pockets if our bill passes and it's the amount that will leave your pockets if their tax bill is passed.

I take no pleasure in saying this, but those who will seek to defeat our Conable-Hance bipartisan bill as debate begins Wednesday are the ones who have given us five "tax cuts" in the last 10 years, but our taxes went up \$400 billion in those same 10 years.

The lines on these charts say a lot about who's really fighting for whom. On the one hand, you see a genuine and ~~lasting~~^{lasting} commitment to the future of working Americans. On the other, just another empty promise. Those of us in the bipartisan coalition want to give this economy and the future of this Nation back to the people, because putting people first has always been America's secret weapon. The House majority leadership seems less concerned with protecting

your family budget, than with spending more on the Federal budget.

Our bipartisan tax bill targets three-quarters of its tax relief to middle-income wage earners, who presently pay almost three-quarters of the total income tax. It also then indexes the tax brackets to ensure that you can keep that tax reduction in the years ahead. There also is, as I said, estate tax relief that will keep family farms and family-owned businesses in the family. And there are provisions for personal retirement plans and individual savings accounts.

Because our bipartisan bill is so clearly drawn and broadly based it provides the kind of predictability and certainty that the financial segments of our society need to make investment decisions that stimulate productivity and make our economy grow.

Even more important -- if the tax cut goes to you the American people in the third year -- that money returned to you won't be available to the Congress to spend. And that in my view is what this whole controversy comes down to: Are you entitled to the fruits of your own labor or does Government have some presumptive right to spend and spend and spend.

I'm also convinced our business tax cut is superior to theirs, because it is more equitable, and it will do a much better job promoting the surge in investment we so badly need to rebuild our industrial base.

There is something else I want to tell you. Our bipartisan coalition worked out a tax bill we felt would provide incentive and stimulate productivity, thus reducing inflation and providing jobs for the unemployed. That was our goal.

Our opponents in the beginning didn't want a tax bill at all. What is the purpose behind their change of heart? They've put a tax program together for one reason only, to provide a political victory for themselves. Never mind that it won't solve the economic problems confronting our country. Never mind that it won't get the wheels of industry turning again or eliminate the inflation which is eating us alive. This is not the time for political fun and games. This is the time for a New Beginning.

I ask you now to put aside any feelings of frustration or helplessness about our political institutions and join me in this dramatic but responsible plan to reduce the enormous burden of Federal taxation on you and your family.

During recent months, many of you have asked what you can do to help make America strong again. I urge you again to contact your Senators and Congressmen, tell them of your support for this bipartisan proposal, tell them you believe this is an unequalled opportunity to help return America to prosperity and make Government again the servant of the people.

In a few days, the Congress will stand at the fork of two roads.

One road is all too familiar to us. It leads -- ultimately -- to higher taxes. It merely brings us full circle back to the source of our economic problems -- where the Government decides that it knows better than you what should be done with your earnings, and, in fact, how you should conduct your life.

The other road promises to renew the American spirit. It's a road of hope and opportunity. It places the direction of your life back in your hands - where it belongs.

I have not taken your time this evening merely to ask you to trust me. Instead, I ask you to trust yourselves. That's what America is all about. Our struggle for nationhood, our unrelenting fight for freedom, our very existence -- these have all rested on the assurance that you must be free to shape your life as you are best able to -- that no one can stop you from reaching higher or take from you the creativity that has made America the envy of mankind.

One road is timid and fearful.

The other bold and hopeful.

In these 6 months, we have done so much and have come so far. It has been the power of millions of people like you who have determined that we will make America great again. You have made the difference up to now. You will make the difference again.

Let us not stop now.

Thank you. God bless you and good night.

Final copy --
made on this at meeting of Baker, Meese, Gregory, Dylan Speakes & office approx 10:00 am

OK

<P.>

GOOD EVENING. I HAD INTENDED TO MAKE SOME REMARKS ABOUT THE PROBLEM OF SOCIAL SECURITY TONIGHT -- BUT THE IMMEDIACY OF ^{Congressional} HOUSE ACTION ON THE TAX PROGRAM, A KEY COMPONENT OF OUR ECONOMIC PACKAGE, HAS TO TAKE PRIORITY. LET ME JUST SAY, HOWEVER, I'VE BEEN DEEPLY DISTURBED BY THE WAY ^{THOSE OF} YOU WHO ARE DEPENDENT ON SOCIAL SECURITY HAVE BEEN NEEDLESSLY FRIGHTENED, BY ~~SOME OF THE INACCURACYS WHICH HAVE BEEN GIVEN WIDE CIRCULATION AND IN SOME INSTANCES BY THOSE WHO PLACE POLITICS ABOVE~~ TRUTH.

IT IS TRUE THAT THE SOCIAL SECURITY SYSTEM HAS FINANCIAL PROBLEMS. IT IS ALSO TRUE THAT ~~SOME WHO HAVE CAUSED CONFUSION AND FEAR BY THEIR IRRESPONSIBLE CHARGES HAVE BEEN IN A POSITION TO DO SOMETHING CONSTRUCTIVE ABOUT THESE FINANCIAL~~ ^{HAVE BEEN BUILDING} PROBLEMS FOR MORE THAN 20 YEARS -- AND ~~THEY HAVE DONE NOTHING.~~ ^{NOTHING HAS BEEN DONE.}

I HOPE TO ADDRESS YOU ON THIS ENTIRE SUBJECT IN THE NEAR FUTURE. IN THE MEANTIME, LET ME JUST SAY THIS: I STATED DURING THE CAMPAIGN AND I REPEAT NOW I WILL NOT STAND BY AND SEE THOSE OF YOU WHO ARE DEPENDENT ON SOCIAL SECURITY DEPRIVED OF YOUR BENEFITS. I MAKE THAT PLEDGE TO YOU AS YOUR PRESIDENT. YOU HAVE NO REASON TO BE FRIGHTENED. YOU WILL CONTINUE TO RECEIVE YOUR CHECKS IN THE FULL AMOUNT DUE YOU. IN ANY PLAN TO RESTORE FISCAL INTEGRITY OF SOCIAL SECURITY I PERSONALLY WILL SEE THAT NO PART OF THE PLAN WILL BE AT THE EXPENSE OF YOU WHO ARE NOW DEPENDENT ON YOUR MONTHLY SOCIAL SECURITY CHECKS.)

NOW, LET US TURN TO THE BUSINESS AT HAND. IT'S BEEN NEARLY 6 MONTHS SINCE I FIRST REPORTED TO YOU ON THE STATE OF THE NATION'S ECONOMY. I'M AFRAID MY MESSAGE THAT NIGHT WAS GRIM AND DISTURBING. I REMEMBER TELLING YOU WE WERE IN

THE WORST ECONOMIC MESS SINCE THE GREAT DEPRESSION. ^{Primer} INFLATION WAS CONTINUING TO SPIRAL UPWARD, UNEMPLOYMENT WAS AT ~~A~~ CRIPPLING LEVEL AND ALL BECAUSE GOVERNMENT WAS TOO BIG AND SPENT TOO MUCH OF OUR MONEY.

WE'RE STILL NOT OUT OF THE WOODS, BUT WE'VE MADE A START. AND WE'VE CERTAINLY SURPRISED THOSE LONG-TIME AND SOMEWHAT CYNICAL OBSERVERS OF THE WASHINGTON SCENE WHO LOOKED, LISTENED AND SAID, "IT CAN NEVER BE DONE. WASHINGTON WILL NEVER CHANGE ITS SPENDING HABITS."

WELL, SOMETHING VERY EXCITING HAS BEEN HAPPENING HERE IN WASHINGTON AND YOU ARE RESPONSIBLE. YOUR VOICES HAVE BEEN HEARD. MILLIONS OF YOU, DEMOCRATS, REPUBLICANS AND INDEPENDENTS, FROM EVERY PROFESSION, TRADE AND LINE OF WORK, AND FROM EVERY PART OF THIS LAND; YOU SENT A MESSAGE THAT YOU WANTED A NEW BEGINNING. YOU WANTED TO CHANGE ONE LITTLE TWO-LETTER WORD. IT DOESN'T SOUND LIKE MUCH, BUT IT SURE CAN MAKE A DIFFERENCE CHANGING "CONTROL BY GOVERNMENT" TO "CONTROL OF GOVERNMENT."

IN THAT EARLIER BROADCAST YOU'LL RECALL I PROPOSED A PROGRAM TO DRASTICALLY CUT BACK GOVERNMENT SPENDING IN THE 1982 BUDGET WHICH BEGINS OCTOBER 1ST AND TO CONTINUE CUTTING IN '83 AND '84. ALONG WITH THIS I SUGGESTED AN ACROSS-THE-BOARD TAX CUT SPREAD OVER THOSE SAME 3 YEARS AND THE ELIMINATION OF UNNECESSARY REGULATIONS WHICH WERE ADDING \$100 BILLION TO THE COST OF THINGS WE BUY.

ALL THE LOBBYING, THE ORGANIZED DEMONSTRATIONS AND THE CRIES OF PROTEST BY THOSE WHOSE WAY OF LIFE DEPENDS ON MAINTAINING

GOVERNMENT'S WASTEFUL WAYS WERE NO MATCH FOR YOUR VOICES WHICH WERE HEARD LOUD AND CLEAR IN THESE MARBLE HALLS OF GOVERNMENT.

AND YOU MADE HISTORY WITH YOUR TELEGRAMS, YOUR LETTERS, YOUR PHONE CALLS AND, YES, PERSONAL VISITS TO TALK TO YOUR ELECTED REPRESENTATIVES. YOU REAFFIRMED THE MANDATE YOU DELIVERED IN THE ELECTION LAST NOVEMBER. A MANDATE THAT CALLED FOR AN END TO GOVERNMENT POLICIES THAT SENT PRICES AND MORTGAGE RATES SKYROCKETING, WHILE MILLIONS OF AMERICANS WENT JOBLESS.

BECAUSE OF WHAT YOU DID, REPUBLICANS AND DEMOCRATS IN THE CONGRESS CAME TOGETHER AND PASSED THE MOST SWEEPING CUTBACKS IN THE HISTORY OF THE FEDERAL BUDGET. RIGHT NOW MEMBERS OF THE HOUSE AND SENATE ARE MEETING IN A CONFERENCE COMMITTEE TO RECONCILE THE DIFFERENCES BETWEEN THE TWO BUDGET CUTTING BILLS PASSED BY THE HOUSE AND THE SENATE. WHEN THEY FINISH, ALL AMERICANS WILL BENEFIT BY SAVINGS OF MORE THAN \$140 BILLION IN REDUCED GOVERNMENT COSTS OVER THE NEXT 3 YEARS. AND THAT DOESN'T INCLUDE THE ADDITIONAL SAVINGS FROM THE HUNDREDS OF BURDENSOME REGULATIONS ALREADY CANCELLED OR FACING CANCELLATION.

*19 FOR *10 OUT OF THE LAST 20 YEARS THE FEDERAL GOVERNMENT HAS SPENT MORE THAN IT TOOK IN. THERE WILL BE ANOTHER LARGE DEFICIT IN THIS PRESENT YEAR WHICH ENDS SEPTEMBER 30TH. BUT WITH OUR PROGRAM IN PLACE IT WON'T BE QUITE AS BIG AS IT MIGHT HAVE BEEN AND STARTING NEXT YEAR THE DEFICITS WILL GET INCREASINGLY SMALLER UNTIL IN JUST A FEW YEARS THE BUDGET

WILL BE BALANCED AND, HOPEFULLY, WE CAN BEGIN WHITTILING AT THAT ALMOST \$1 TRILLION DEBT THAT HANGS OVER THE FUTURE OF OUR CHILDREN.

NOW SO FAR I'VE BEEN TALKING ABOUT ONLY ONE PART OF OUR PROGRAM FOR ECONOMIC RECOVERY -- THE BUDGET CUTTING PART. I DON'T MINIMIZE ITS IMPORTANCE. JUST THE FACT THAT DEMOCRATS AND REPUBLICANS COULD WORK TOGETHER AS THEY HAVE, PROVING THE STRENGTH OF OUR SYSTEM, HAS CREATED AN OPTIMISM IN OUR LAND. THE RATE OF INFLATION IS NO LONGER IN DOUBLE DIGIT FIGURES, THE DOLLAR HAS REGAINED STRENGTH IN THE INTERNATIONAL MONEY MARKETS AND BUSINESSMEN AND INVESTORS ARE MAKING DECISIONS WITH REGARD TO INDUSTRIAL DEVELOPMENT, MODERNIZATION AND EXPANSION. ALL OF THIS BASED ON ANTICIPATION OF OUR PROGRAM BEING ADOPTED AND PUT INTO OPERATION.

A RECENT POLL SHOWS THAT WHERE A YEAR AGO ONLY 24 PERCENT OF OUR PEOPLE BELIEVED THINGS WOULD GET BETTER, TODAY 46 PERCENT BELIEVE THEY WILL. TO JUSTIFY THEIR FAITH WE MUST DELIVER THE OTHER PART OF OUR PROGRAM. OUR ECONOMIC PACKAGE IS A CLOSELY KNIT, CAREFULLY CONSTRUCTED PLAN TO RESTORE AMERICA'S ECONOMIC STRENGTH AND PUT OUR NATION BACK ON THE ROAD TO PROSPERITY. EACH PART OF THIS PACKAGE IS VITAL. IT CANNOT BE CONSIDERED PIECEMEAL. IT WAS PROPOSED AS A PACKAGE AND IT HAS BEEN SUPPORTED AS SUCH BY THE AMERICAN PEOPLE. ONLY IF THE CONGRESS PASSES ALL OF ITS MAJOR COMPONENTS DOES IT HAVE ANY REAL CHANCE OF SUCCESS. THIS IS ABSOLUTELY ESSENTIAL IF WE ARE TO PROVIDE INCENTIVES AND MAKE CAPITAL AVAILABLE FOR THE INCREASED PRODUCTIVITY REQUIRED TO PROVIDE JOBS FOR OUR PEOPLE.

AND LET US NOT FORGET THAT THE REST OF THE WORLD IS WATCHING AMERICA CAREFULLY TO SEE HOW WE WILL ACT AT THIS CRITICAL MOMENT. I HAVE RECENTLY RETURNED FROM A SUMMITT MEETING WITH WORLD LEADERS IN OTTAWA, CANADA AND THE MESSAGE I HEARD FROM THEM WAS QUITE CLEAR -- OUR ALLIES DEPEND ON A STRONG AND ECONOMICALLY SOUND AMERICA AND THEY ARE WATCHING EVENTS IN THIS COUNTRY, PARTICULARLY THOSE SURROUNDING OUR PROGRAM FOR ECONOMIC RECOVERY, WITH CLOSE ATTENTION AND GREAT HOPES.

DAY AFTER TOMORROW -- WEDNESDAY -- THE HOUSE OF REPRESENTATIVES WILL BEGIN DEBATE ON TWO TAX BILLS AND ONCE AGAIN THEY NEED TO HEAR FROM YOU. I KNOW THAT DOESN'T GIVE YOU MUCH TIME, BUT A GREAT DEAL IS AT STAKE.

A FEW DAYS AGO I WAS VISITED HERE IN THE OFFICE BY A DEMOCRATIC CONGRESSMAN FROM ONE OF OUR SOUTHERN STATES. HE'D BEEN BACK IN HIS DISTRICT AND ONE DAY ONE OF HIS CONSTITUENTS ASKED HIM WHERE HE STOOD ON THE ECONOMIC RECOVERY PROGRAM I'D OUTLINED IN THAT EARLIER BROADCAST. WELL, THE CONGRESSMAN, WHO HAPPENS TO BE A STRONG LEADER IN SUPPORT OF OUR PROGRAM, REPLIED AT SOME LENGTH WITH A DISCUSSION OF THE TECHNICAL POINTS INVOLVED, BUT ALSO MENTIONING A FEW RESERVATIONS HE HAD ON CERTAIN POINTS. THE CONSTITUENT, A FARMER, LISTENED POLITELY UNTIL HE'D FINISHED AND THEN SAID, "WELL, YES, THAT'S ALL VERY INTERESTING -- BUT WHAT I WANT TO KNOW IS -- ARE YOU FOR UM OR AGIN UM?"

I APPRECIATE THE GENTLEMAN'S SUPPORT AND SUGGEST HIS QUESTION IS A MESSAGE YOUR OWN REPRESENTATIVES SHOULD HEAR.

LET ME ADD THOSE REPRESENTATIVES HONESTLY AND SINCERELY WANT TO KNOW YOUR FEELINGS. THEY GET PLENTY OF INPUT FROM THE SPECIAL INTEREST GROUPS, THEY'D LIKE TO HEAR FROM THEIR HOMEFOLKS.

LET ME EXPLAIN WHAT THE SITUATION IS AND WHAT IS AT ISSUE. WITH OUR BUDGET CUTS WE PRESENTED A COMPLETE PROGRAM OF REDUCTION IN TAX RATES. AGAIN, OUR PURPOSE WAS TO PROVIDE INCENTIVE FOR THE INDIVIDUAL, INCENTIVES FOR BUSINESS TO ENCOURAGE PRODUCTION AND HIRING OF THE UNEMPLOYED AND TO FREE UP MONEY FOR INVESTMENT.

OUR BILL CALLS FOR A 5 PERCENT REDUCTION IN THE INCOME TAX RATES BY OCTOBER 1ST, A 10 PERCENT REDUCTION BEGINNING JULY 1, 1982 AND ANOTHER 10 PERCENT CUT A YEAR LATER -- A 25 PERCENT TOTAL REDUCTION OVER 3 YEARS. BUT THEN TO ENSURE THE TAX CUT IS PERMANENT WE CALL FOR INDEXING THE TAX RATES IN 1985, WHICH MEANS ADJUSTING THEM FOR INFLATION. AS IT IS NOW, IF YOU GET A COST OF LIVING RAISE INTENDED TO KEEP YOU EVEN WITH INFLATION, YOU FIND THAT THE INCREASE IN THE NUMBER OF DOLLARS YOU GET MAY VERY LIKELY MOVE YOU INTO A HIGHER TAX BRACKET AND YOU WIND UP POORER THAN YOU WERE. THIS IS CALLED BRACKET CREEP.

BRACKET CREEP IS AN INSIDIOUS TAX. LET ME GIVE AN EXAMPLE. IF YOU EARNED \$10,000 A YEAR IN 1971, BY 1980 YOU HAD TO EARN \$19,850 JUST TO STAY EVEN WITH INFLATION. BUT THAT'S BEFORE TAXES. COME APRIL 15TH, YOU FIND YOUR TAX RATES HAVE INCREASED 33 PERCENT. IF YOU'VE BEEN WONDERING WHY YOU DON'T SEEM AS WELL OFF AS YOU WERE A FEW YEARS BACK,

REDUCTIONS IN OIL TAXES THAT WILL BENEFIT NEW OR INDEPENDENT OIL PRODUCERS AND MOVE OUR NATION A STEP CLOSER TO ENERGY SELF-SUFFICIENCY.

OUR BILL IS, IN SHORT, THE FIRST REAL TAX CUT FOR EVERYONE IN MORE THAN 20 YEARS.

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

THEN YOUR VOICES BEGAN TO BE HEARD AND SUDDENLY IN FEBRUARY THE LEADERSHIP DISCOVERED A ONE YEAR TAX CUT WAS FEASIBLE. WE KEPT ON PUSHING OUR 3 YEAR TAX CUT AND BY JUNE THE OPPOSITION FOUND THAT A 2 YEAR CUT MIGHT WORK. NOW IT'S JULY AND THEY FIND THEY COULD GO FOR A THIRD YEAR CUT PROVIDED THERE WAS A TRIGGER ARRANGEMENT THAT WOULD ONLY ALLOW IT TO GO INTO EFFECT IF CERTAIN ECONOMIC GOALS HAD BEEN MET BY 1983.

BUT THERE IS A LITTLE SLEIGHT OF HAND IN THAT TRIGGER MECHANISM. THE COMMITTEE BILL INSURES THAT THE 1983 DEFICIT WILL BE MORE THAN 7 BILLION GREATER THAN UNDER OUR PLAN. THEREFORE, THE THIRD YEAR ^{TAX} CUT WILL AUTOMATICALLY NEVER TAKE PLACE.

IF I COULD PARAPHRASE A WELL-KNOWN STATEMENT BY WILL ROGERS THAT HE HAD NEVER MET A MAN HE DIDN'T LIKE -- I'M AFRAID WE HAVE SOME PEOPLE AROUND WHO NEVER MET A TAX THEY DIDN'T HIKE.

THEIR TAX PROPOSAL, SIMILAR IN A NUMBER OF WAYS TO OURS, BUT DIFFERING IN SOME VERY VITAL PARTS, WAS PASSED OUT OF THE HOUSE WAYS AND MEANS COMMITTEE, AND FROM NOW ON I'LL REFER TO IT AS THE COMMITTEE BILL AND OURS AS THE BIPARTISAN BILL. THEY WILL BE THE BILLS TAKEN UP WEDNESDAY.

THE MAJORITY LEADERSHIP CLAIMS THEIRS GIVES A GREATER BREAK TO THE WORKER THAN OURS AND IT DOES -- THAT IS, IF YOU'RE ONLY PLANNING TO LIVE 2 MORE YEARS. THE PLAIN TRUTH IS OUR CHOICE IS NOT BETWEEN 2 PLANS TO REDUCE TAXES, IT IS BETWEEN A TAX CUT OR A TAX INCREASE. THERE IS BUILT INTO OUR PRESENT SYSTEM, INCLUDING PAYROLL SOCIAL SECURITY TAXES AND THE BRACKET CREEP I'VE MENTIONED, A 22 PERCENT TAX INCREASE OVER THE NEXT 3 YEARS. THE COMMITTEE BILL OFFERS A 15 PERCENT CUT OVER 2 YEARS; OUR BIPARTISAN BILL GIVES A 25 PERCENT REDUCTION OVER 3 YEARS. AS YOU CAN SEE BY THIS CHART -- HERE IS THE 22 PERCENT INCREASE LINE AND HERE IS THEIR CUT BELOW THAT LINE AND OURS WIPING OUT THE INCREASE WITH A LITTLE TO SPARE.

INCIDENTALLY, THEIR CLAIM THAT CUTTING TAXES FOR INDIVIDUALS FOR AS MUCH AS 3 YEARS AHEAD IS RISKY RINGS A LITTLE HOLLOW WHEN YOU REALIZE THAT THEIR BILL CALLS FOR BUSINESS TAX CUTS EACH YEAR FOR 7 YEARS AHEAD.

IT RINGS EVEN MORE HOLLOW WHEN YOU CONSIDER THE FACT THE MAJORITY LEADERSHIP ROUTINELY ENDORSES FEDERAL SPENDING BILLS THAT PROJECT YEARS INTO THE FUTURE, BUT OBJECT TO A TAX BILL THAT WILL RETURN YOUR MONEY OVER A 3 YEAR PERIOD.

HERE IS ANOTHER CHART WHICH ILLUSTRATES WHAT I SAID ABOUT THEIR GIVING A BETTER BREAK IF YOU ONLY INTEND TO LIVE

FOR 2 MORE YEARS. THEIRS IS THE DOTTED LINE, OURS THE SOLID. AS YOU CAN SEE, IN EACH OF THE EARNING BRACKETS FROM \$5,000 ON UP TO \$50,000 THEIR TAX CUT IS SLIGHTLY MORE GENEROUS THAN OURS -- FOR THE FIRST 2 YEARS -- THEN TAXES IN EVERY ONE OF THESE EARNING LEVELS START GOING UP. ON THE OTHER HAND, AS YOU CAN SEE IN OUR BIPARTISAN BILL, THE TAX KEEPS GOING DOWN AND THEN STAYS DOWN PERMANENTLY.

THIS ORANGE SPACE BETWEEN THE 2 LINES IS THE TAX MONEY THAT WILL REMAIN IN YOUR POCKETS IF OUR BILL PASSES AND IT'S THE AMOUNT THAT WILL LEAVE YOUR POCKETS IF THEIR TAX BILL IS PASSED.

I TAKE NO PLEASURE IN SAYING THIS, BUT THOSE WHO WILL SEEK TO DEFEAT OUR CONABLE-HANCE BIPARTISAN BILL AS DEBATE BEGINS WEDNESDAY ARE THE ONES WHO HAVE GIVEN US 5 QUOTE- UNQUOTE "TAX CUTS" IN THE LAST 10 YEARS, BUT OUR TAXES WENT UP \$400 BILLION IN THOSE SAME 10 YEARS.

THE LINES ON THESE CHARTS SAY A LOT ABOUT WHO'S REALLY FIGHTING FOR WHOM. ON THE ONE HAND, YOU SEE A GENUINE AND LASING COMMITMENT TO THE FUTURE OF WORKING AMERICANS. ON THE OTHER, JUST ANOTHER EMPTY PROMISE. THOSE OF US IN THE BIPARTISAN COALITION WANT TO GIVE THIS ECONOMY AND THE FUTURE OF THIS NATION BACK TO THE PEOPLE, BECAUSE PUTTING PEOPLE FIRST HAS ALWAYS BEEN AMERICA'S SECRET WEAPON. THE HOUSE MAJORITY LEADERSHIP SEEMS LESS CONCERNED WITH PROTECTING YOUR FAMILY BUDGET, THAN WITH SPENDING MORE ^{ON} ~~OF~~ THE FEDERAL BUDGET.

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

ALMOST THREE-QUARTERS OF THE TOTAL INCOME TAX. IT ALSO THEN
INDEXES THE TAX BRACKETS TO ENSURE THAT YOU CAN KEEP THAT
TAX REDUCTION IN THE YEARS AHEAD. THERE ALSO IS, AS I SAID,
ESTATE TAX RELIEF THAT WILL KEEP FAMILY FARMS AND FAMILY-
OWNED BUSINESSES IN THE FAMILY. AND THERE ARE PROVISIONS
FOR PERSONAL RETIREMENT PLANS AND INDIVIDUAL SAVINGS ACCOUNTS.

BECAUSE OUR BIPARTISAN BILL IS SO CLEARLY DRAWN AND
BROADLY BASED IT PROVIDES THE KIND OF PREDICTABILITY AND
CERTAINTY THAT THE FINANCIAL SEGMENTS OF OUR SOCIETY NEED TO
MAKE INVESTMENT DECISIONS THAT STIMULATE PRODUCTIVITY AND
MAKE OUR ECONOMY GROW.

EVEN MORE IMPORTANT -- IF THE TAX CUT GOES TO YOU THE
AMERICAN PEOPLE IN THE THIRD YEAR -- THAT MONEY RETURNED TO
YOU WON'T BE AVAILABLE TO THE CONGRESS TO SPEND. AND THAT
IN MY VIEW IS WHAT THIS WHOLE CONTROVERSY COMES DOWN TO:
ARE YOU ENTITLED TO THE FRUITS OF YOUR OWN LABOR OR DOES
GOVERNMENT HAVE SOME PRESUMPTIVE RIGHT TO SPEND AND SPEND AND
SPEND.

I'M ALSO CONVINCED OUR BUSINESS TAX CUT IS SUPERIOR TO
THEIRS, BECAUSE IT IS MORE EQUITABLE, AND IT WILL DO A MUCH
BETTER JOB PROMOTING THE SURGE IN INVESTMENT WE SO BADLY
NEED TO REBUILD OUR INDUSTRIAL BASE.

THERE IS SOMETHING ELSE I WANT TO TELL YOU. OUR BIPARTISAN
COALITION WORKED OUT A TAX BILL WE FELT WOULD PROVIDE INCENTIVE
AND STIMULATE PRODUCTIVITY, THUS REDUCING INFLATION AND
PROVIDING JOBS FOR THE UNEMPLOYED. THAT WAS OUR GOAL.

OUR OPPONENTS IN THE BEGINNING DIDN'T WANT A TAX BILL
AT ALL. WHAT IS THE PURPOSE BEHIND THEIR CHANGE OF HEART?

THEY'VE PUT A TAX PROGRAM TOGETHER FOR ONE REASON ONLY, TO PROVIDE A POLITICAL VICTORY FOR THEMSELVES. NEVER MIND THAT IT WON'T SOLVE THE ECONOMIC PROBLEMS CONFRONTING OUR COUNTRY. NEVER MIND THAT IT WON'T GET THE WHEELS OF INDUSTRY TURNING AGAIN OR ELIMINATE THE INFLATION WHICH IS EATING US ALIVE. THIS IS NOT THE TIME FOR POLITICAL FUN AND GAMES. THIS IS THE TIME FOR A NEW BEGINNING.

I ASK YOU NOW TO PUT ASIDE ANY FEELINGS OF FRUSTRATION OR HELPLESSNESS ABOUT OUR POLITICAL INSTITUTIONS AND JOIN ME IN THIS DRAMATIC BUT RESPONSIBLE PLAN TO REDUCE THE ENORMOUS BURDEN OF FEDERAL TAXATION ON YOU AND YOUR FAMILY.

DURING RECENT MONTHS, MANY OF YOU HAVE ASKED WHAT YOU CAN DO TO HELP MAKE AMERICA STRONG AGAIN. I URGE YOU AGAIN TO CONTACT YOUR SENATORS AND CONGRESSMEN, TELL THEM OF YOUR SUPPORT FOR THIS BIPARTISAN PROPOSAL, TELL THEM YOU BELIEVE THIS IS AN UNEQUALLED OPPORTUNITY TO HELP RETURN AMERICA TO PROSPERITY AND MAKE GOVERNMENT AGAIN THE SERVANT OF THE PEOPLE.

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

ONE ROAD IS ALL TOO FAMILIAR TO US. IT LEADS -- ULTIMATELY -- TO HIGHER TAXES. IT MERELY BRINGS US FULL CIRCLE BACK TO THE SOURCE OF OUR ECONOMIC PROBLEMS - WHERE THE GOVERNMENT DECIDES THAT IT KNOWS BETTER THAN YOU WHAT SHOULD BE DONE WITH YOUR EARNINGS, AND, IN FACT, HOW YOU SHOULD CONDUCT YOUR LIFE.

THE OTHER ROAD PROMISES TO RENEW THE AMERICAN SPIRIT.
IT'S A ROAD OF HOPE AND OPPORTUNITY. IT PLACES THE DIRECTION
OF YOUR LIFE BACK IN YOUR HANDS - WHERE IT BELONGS.

I HAVE NOT TAKEN YOUR TIME THIS EVENING MERELY TO ASK
YOU TO TRUST ME. INSTEAD, I ASK YOU TO TRUST YOURSELVES.
THAT'S WHAT AMERICA IS ALL ABOUT. OUR STRUGGLE FOR NATIONHOOD,
OUR UNRELENTING FIGHT FOR FREEDOM, OUR VERY EXISTENCE --
THESE HAVE ALL RESTED ON THE ASSURANCE THAT YOU MUST BE FREE
TO SHAPE YOUR LIFE AS YOU ARE BEST ABLE TO - THAT NO ONE CAN
STOP YOU FROM REACHING HIGHER OR TAKE FROM YOU THE CREATIVITY
THAT HAS MADE AMERICA THE ENVY OF MANKIND.

ONE ROAD IS TIMID AND FEARFUL.

THE OTHER BOLD AND HOPEFUL.

IN THESE 6 MONTHS, WE HAVE DONE SO MUCH AND HAVE COME
SO FAR. IT HAS BEEN THE POWER OF MILLIONS OF PEOPLE LIKE
YOU WHO HAVE DETERMINED THAT WE WILL MAKE AMERICA GREAT
AGAIN. YOU HAVE MADE THE DIFFERENCE UP TO NOW. YOU WILL
MAKE THE DIFFERENCE AGAIN.

LET US NOT STOP NOW.

THANK YOU. GOD BLESS YOU AND GOOD NIGHT.

GOOD EVENING. I HAD INTENDED TO MAKE SOME REMARKS ABOUT THE PROBLEM OF SOCIAL SECURITY TONIGHT -- BUT THE IMMEDIACY OF HOUSE ACTION ON THE TAX PROGRAM, A KEY COMPONENT OF OUR ECONOMIC PACKAGE, HAS TO TAKE PRIORITY. LET ME JUST SAY, HOWEVER, I'VE BEEN DEEPLY DISTURBED BY THE WAY YOU WHO ARE DEPENDENT ON SOCIAL SECURITY HAVE BEEN NEEDLESSLY FRIGHTENED, AND IN SOME INSTANCES BY THOSE WHO PLACE POLITICS ABOVE TRUTH.

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I HOPE TO ADDRESS YOU ON THIS ENTIRE SUBJECT IN THE NEAR FUTURE. IN THE MEANTIME, LET ME JUST SAY THIS: I STATED DURING THE CAMPAIGN AND I REPEAT NOW I WILL NOT STAND BY AND SEE THOSE OF YOU WHO ARE DEPENDENT ON SOCIAL SECURITY DEPRIVED OF YOUR BENEFITS. I MAKE THAT PLEDGE TO YOU AS YOUR PRESIDENT. YOU HAVE NO REASON TO BE FRIGHTENED. YOU WILL CONTINUE TO RECEIVE YOUR CHECKS IN THE FULL AMOUNT DUE YOU. IN ANY PLAN TO RESTORE FISCAL INTEGRITY OF SOCIAL SECURITY I PERSONALLY WILL SEE THAT NO PART OF THE PLAN WILL BE AT THE EXPENSE OF YOU WHO ARE NOW DEPENDENT ON YOUR MONTHLY SOCIAL SECURITY CHECKS.)

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THE WORST ECONOMIC MESS SINCE THE GREAT DEPRESSION. INFLATION WAS CONTINUING TO SPIRAL UPWARD, UNEMPLOYMENT WAS AT A CRIPPLING LEVEL AND ALL BECAUSE GOVERNMENT WAS TOO BIG AND SPENT TOO MUCH OF OUR MONEY.

WE'RE STILL NOT OUT OF THE WOODS, BUT WE'VE MADE A START. AND WE'VE CERTAINLY SURPRISED THOSE LONG-TIME AND SOMEWHAT CYNICAL OBSERVERS OF THE WASHINGTON SCENE WHO LOOKED, LISTENED AND SAID, "IT CAN NEVER BE DONE. WASHINGTON WILL NEVER CHANGE ITS SPENDING HABITS."

WELL, SOMETHING VERY EXCITING HAS BEEN HAPPENING HERE IN WASHINGTON AND YOU ARE RESPONSIBLE. YOUR VOICES HAVE BEEN HEARD. MILLIONS OF YOU, DEMOCRATS, REPUBLICANS AND INDEPENDENTS, FROM EVERY PROFESSION, TRADE AND LINE OF WORK, AND FROM EVERY PART OF THIS LAND; YOU SENT A MESSAGE THAT YOU WANTED A NEW BEGINNING. YOU WANTED TO CHANGE ONE LITTLE TWO-LETTER WORD. IT DOESN'T SOUND LIKE MUCH, BUT IT SURE CAN MAKE A DIFFERENCE CHANGING "CONTROL BY GOVERNMENT" TO "CONTROL OF GOVERNMENT." X

IN THAT EARLIER BROADCAST YOU'LL RECALL I PROPOSED A PROGRAM TO DRASTICALLY CUT BACK GOVERNMENT SPENDING IN THE 1982 BUDGET WHICH BEGINS OCTOBER 1ST AND TO CONTINUE CUTTING IN '83 AND '84. ALONG WITH THIS I SUGGESTED AN ACROSS-THE-BOARD TAX CUT SPREAD OVER THOSE SAME 3 YEARS AND THE ELIMINATION OF UNNECESSARY REGULATIONS WHICH WERE ADDING \$100 BILLION TO THE COST OF THINGS WE BUY. ✓

ALL THE LOBBYING, THE ORGANIZED DEMONSTRATIONS AND THE CRIES OF PROTEST BY THOSE WHOSE WAY OF LIFE DEPENDS ON MAINTAINING

GOVERNMENT'S WASTEFUL WAYS WERE NO MATCH FOR YOUR VOICES WHICH WERE HEARD LOUD AND CLEAR IN THESE MARBLE HALLS OF GOVERNMENT.

AND YOU MADE HISTORY WITH YOUR TELEGRAMS, YOUR LETTERS, YOUR PHONE CALLS AND, YES, PERSONAL VISITS TO TALK TO YOUR ELECTED REPRESENTATIVES. YOU REAFFIRMED THE MANDATE YOU DELIVERED IN THE ELECTION LAST NOVEMBER. A MANDATE THAT CALLED FOR AN END TO GOVERNMENT POLICIES THAT SENT PRICES AND MORTGAGE RATES SKYROCKETING, WHILE MILLIONS OF AMERICANS WENT JOBLESS.

BECAUSE OF WHAT YOU DID, REPUBLICANS AND DEMOCRATS IN THE CONGRESS CAME TOGETHER AND PASSED THE MOST SWEEPING CUTBACKS IN THE HISTORY OF THE FEDERAL BUDGET. RIGHT NOW MEMBERS OF THE HOUSE AND SENATE ARE MEETING IN A CONFERENCE COMMITTEE TO RECONCILE THE DIFFERENCES BETWEEN THE TWO BUDGET CUTTING BILLS PASSED BY THE HOUSE AND THE SENATE. WHEN THEY FINISH, ALL AMERICANS WILL BENEFIT BY SAVINGS OF MORE THAN \$140 BILLION IN REDUCED GOVERNMENT COSTS OVER THE NEXT 3 YEARS. AND THAT DOESN'T INCLUDE THE ADDITIONAL SAVINGS FROM THE HUNDREDS OF BURDENSOME REGULATIONS ALREADY CANCELLED OR FACING CANCELLATION.

FOR 19 OUT OF THE LAST 20 YEARS THE FEDERAL GOVERNMENT HAS SPENT MORE THAN IT TOOK IN. THERE WILL BE ANOTHER LARGE DEFICIT IN THIS PRESENT YEAR WHICH ENDS SEPTEMBER 30TH. BUT WITH OUR PROGRAM IN PLACE IT WON'T BE QUITE AS BIG AS IT MIGHT HAVE BEEN AND STARTING NEXT YEAR THE DEFICITS WILL GET INCREASINGLY SMALLER UNTIL IN JUST A FEW YEARS THE BUDGET

WILL BE BALANCED AND, HOPEFULLY, WE CAN BEGIN WHITTILING AT THAT ALMOST \$1 TRILLION DEBT THAT HANGS OVER THE FUTURE OF OUR CHILDREN.

NOW SO FAR I'VE BEEN TALKING ABOUT ONLY ONE PART OF OUR PROGRAM FOR ECONOMIC RECOVERY -- THE BUDGET CUTTING PART. I DON'T MINIMIZE ITS IMPORTANCE. JUST THE FACT THAT DEMOCRATS AND REPUBLICANS COULD WORK TOGETHER AS THEY HAVE, PROVING THE STRENGTH OF OUR SYSTEM, HAS CREATED AN OPTIMISM IN OUR LAND. THE RATE OF INFLATION IS NO LONGER IN DOUBLE DIGIT FIGURES, THE DOLLAR HAS REGAINED STRENGTH IN THE INTERNATIONAL MONEY MARKETS AND BUSINESSMEN AND INVESTORS ARE MAKING DECISIONS WITH REGARD TO INDUSTRIAL DEVELOPMENT, MODERNIZATION AND EXPANSION. ALL OF THIS BASED ON ANTICIPATION OF OUR PROGRAM BEING ADOPTED AND PUT INTO OPERATION.

A RECENT POLL SHOWS THAT WHERE A YEAR ^(and a half) AGO ONLY 24 PERCENT OF OUR PEOPLE BELIEVED THINGS WOULD GET BETTER, TODAY 46 PERCENT BELIEVE THEY WILL. TO JUSTIFY THEIR FAITH WE MUST DELIVER THE OTHER PART OF OUR PROGRAM. OUR ECONOMIC PACKAGE IS A CLOSELY KNIT, CAREFULLY CONSTRUCTED PLAN TO RESTORE AMERICA'S ECONOMIC STRENGTH AND PUT OUR NATION BACK ON THE ROAD TO PROSPERITY. EACH PART OF THIS PACKAGE IS VITAL. IT CANNOT BE CONSIDERED PIECEMEAL. IT WAS PROPOSED AS A PACKAGE AND IT HAS BEEN SUPPORTED AS SUCH BY THE AMERICAN PEOPLE. ONLY IF THE CONGRESS PASSES ALL OF ITS MAJOR COMPONENTS DOES IT HAVE ANY REAL CHANCE OF SUCCESS. [THIS] IS ABSOLUTELY ESSENTIAL IF WE ARE TO PROVIDE INCENTIVES AND MAKE CAPITAL AVAILABLE FOR THE INCREASE^D PRODUCTIVITY REQUIRED TO PROVIDE JOBS FOR OUR PEOPLE.

CON RECY Program
2-18-81, p. 1-04
style p. 50-59
p. p. 130, 2-8-81
address to congress

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Shkup 60
country not in the
economy program
-18-81
7-22-81 p. 81 D18
Dealers and
economic mtg
1981, p. 22

[AND LET US NOT FORGET THAT THE REST OF THE WORLD IS WATCHING AMERICA CAREFULLY TO SEE HOW WE WILL ACT AT THIS CRITICAL MOMENT. I HAVE RECENTLY RETURNED FROM A SUMMIT MEETING WITH WORLD LEADERS IN OTTAWA, CANADA AND THE MESSAGE I HEARD FROM THEM WAS QUITE CLEAR -- OUR ALLIES DEPEND ON A STRONG AND ECONOMICALLY SOUND AMERICA AND THEY ARE WATCHING EVENTS IN THIS COUNTRY, PARTICULARLY THOSE SURROUNDING OUR PROGRAM FOR ECONOMIC RECOVERY, WITH CLOSE ATTENTION AND GREAT HOPES.]

~~THE~~ DAY AFTER TOMORROW -- WEDNESDAY -- THE HOUSE OF REPRESENTATIVES WILL BEGIN DEBATE ON TWO TAX BILLS AND ONCE AGAIN THEY NEED TO HEAR FROM YOU. I KNOW THAT DOESN'T GIVE YOU MUCH TIME, BUT A GREAT DEAL IS AT STAKE.

A FEW DAYS AGO I WAS VISITED HERE IN THE OFFICE BY A DEMOCRATIC CONGRESSMAN FROM ONE OF OUR SOUTHERN STATES. HE'D BEEN BACK IN HIS DISTRICT AND ONE DAY ONE OF HIS CONSTITUENTS ASKED HIM WHERE HE STOOD ON THE ECONOMIC RECOVERY PROGRAM I'D OUTLINED IN THAT EARLIER BROADCAST. WELL, THE CONGRESSMAN, WHO HAPPENS TO BE A STRONG LEADER IN SUPPORT OF OUR PROGRAM, REPLIED AT SOME LENGTH WITH A DISCUSSION OF THE TECHNICAL POINTS INVOLVED, BUT ALSO MENTIONING A FEW RESERVATIONS HE HAD ON CERTAIN POINTS. THE CONSTITUENT, A FARMER, LISTENED POLITELY UNTIL HE'D FINISHED AND THEN SAID, "WELL, YES, THAT'S ALL VERY INTERESTING -- BUT WHAT I WANT TO KNOW IS -- ARE YOU FOR 'EM OR AGIN 'EM?"

I APPRECIATE THE GENTLEMAN'S SUPPORT AND SUGGEST HIS QUESTION IS A MESSAGE YOUR OWN REPRESENTATIVES SHOULD HEAR.

LET ME ADD THOSE REPRESENTATIVES HONESTLY AND SINCERELY WANT TO KNOW YOUR FEELINGS. THEY GET PLENTY OF INPUT FROM THE SPECIAL INTEREST GROUPS, THEY'D LIKE TO HEAR FROM THEIR HOMEFOLKS.

LET ME EXPLAIN WHAT THE SITUATION IS AND WHAT IS AT ISSUE. WITH OUR BUDGET CUTS WE PRESENTED A COMPLETE PROGRAM OF REDUCTION IN TAX RATES. AGAIN, OUR PURPOSE WAS TO PROVIDE INCENTIVE FOR THE INDIVIDUAL, INCENTIVES FOR BUSINESS TO ENCOURAGE PRODUCTION AND HIRING OF THE UNEMPLOYED AND TO FREE UP MONEY FOR INVESTMENT.

OUR BILL CALLS FOR A 5 PERCENT REDUCTION IN THE INCOME TAX RATES BY OCTOBER 1ST, A 10 PERCENT REDUCTION BEGINNING JULY 1, 1982 AND ANOTHER 10 PERCENT CUT A YEAR LATER -- A 25 PERCENT TOTAL REDUCTION OVER 3 YEARS. BUT THEN TO ENSURE THE TAX CUT IS PERMANENT WE CALL FOR INDEXING THE TAX RATES IN 1985, WHICH MEANS ADJUSTING THEM FOR INFLATION. AS IT IS NOW, IF YOU GET A COST OF LIVING RAISE INTENDED TO KEEP YOU EVEN WITH INFLATION, YOU FIND THAT THE INCREASE IN THE NUMBER OF DOLLARS YOU GET MAY VERY LIKELY MOVE YOU INTO A HIGHER TAX BRACKET AND YOU WIND UP POORER THAN YOU WERE. THIS IS CALLED BRACKET CREEP.

BRACKET CREEP IS AN INSIDIOUS TAX. LET ME GIVE AN EXAMPLE. ^(it has been estimated that) IF YOU EARNED \$10,000 A YEAR IN 197⁷, BY 1980 YOU HAD TO EARN \$19,8⁶90 JUST TO STAY EVEN WITH INFLATION. BUT THAT'S BEFORE TAXES. COME APRIL 15th, 1981, YOU ~~FIND~~ ^{FOUND} YOUR TAX RATES ~~HAVE~~ ^{had} INCREASED 33 PERCENT. IF YOU'VE BEEN WONDERING WHY YOU DON'T SEEM AS WELL OFF AS YOU WERE A FEW YEARS BACK,

XX
X
X

IT'S BECAUSE GOVERNMENT MAKES A PROFIT ON INFLATION. IT GETS AN AUTOMATIC TAX INCREASE WITHOUT HAVING TO VOTE ON IT. WE INTEND TO STOP THAT.

TIME WON'T ALLOW ME TO EXPLAIN EVERY DETAIL, BUT OUR BILL INCLUDES JUST ABOUT EVERYTHING TO HELP THE ECONOMY. WE DO AWAY WITH THE MARRIAGE PENALTY, THAT UNFAIR TAX THAT HAS A WORKING HUSBAND AND WIFE PAY MORE TAX THAN IF THEY WERE SINGLE. WE INCREASE THE EXEMPTION ON THE INHERITANCE (OR ESTATE) TAX TO \$600,000 SO THAT FARMERS AND FAMILY-OWNED BUSINESSES DON'T HAVE TO SELL THE FARM OR STORE IN THE EVENT OF DEATH JUST TO PAY THE TAXES. MOST IMPORTANT WE WIPE OUT THE TAX ENTIRELY FOR A SURVIVING SPOUSE. NO LONGER, FOR

EXAMPLE, WILL A WIDOW HAVE TO SELL THE FAMILY SOURCE OF INCOME TO PAY A TAX ON HER HUSBAND'S DEATH. THERE ARE DEDUCTIONS TO ENCOURAGE INVESTMENT AND SAVINGS. BUSINESS GETS REALISTIC DEPRECIATION ON EQUIPMENT AND MACHINERY. AND THERE ARE TAX BREAKS FOR SMALL AND INDEPENDENT BUSINESSES WHICH CREATE 80 PERCENT OF ALL NEW JOBS.

THIS BILL ALSO PROVIDES MAJOR CREDITS TO THE RESEARCH AND DEVELOPMENT INDUSTRY -- THESE CREDITS WILL HELP SPARK THE HIGH TECHNOLOGY BREAKTHROUGHS THAT ARE SO CRITICAL TO AMERICA'S ECONOMIC LEADERSHIP IN THE WORLD. THERE ARE ALSO ADDED INCENTIVES FOR SMALL BUSINESSES INCLUDING A PROVISION THAT WILL LIFT MUCH OF THE BURDEN OF COSTLY PAPERWORK THAT GOVERNMENT HAS IMPOSED ON SMALL BUSINESS.

IN ADDITION, THERE IS ~~SUBSTANTIAL~~ SHORT-TERM BUT SUBSTANTIAL ASSISTANCE FOR THE HARD-PRESSED THRIFT INDUSTRY AS WELL AS

201/801 PACT OF 817-24-81, UPDATE
1-3
4/2/81

201/801 PACT OF 817-24-81, UPDATE
1-34
4/2/81

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ON RECY IMPACT OF
81 7-24-81 UPDATE
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REDUCTIONS IN OIL TAXES THAT WILL BENEFIT NEW OR INDEPENDENT OIL PRODUCERS AND MOVE OUR NATION A STEP CLOSER TO ENERGY SELF-SUFFICIENCY.]

OUR BILL IS, IN SHORT, THE FIRST REAL TAX CUT FOR EVERYONE IN ~~MORE THAN~~ ^{almost} 20 YEARS.

K

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

X

THEN YOUR VOICES BEGAN TO BE HEARD AND SUDDENLY (IN) FEBRUARY ^{Democratic} THE LEADERSHIP DISCOVERED A ¹ ONE YEAR TAX CUT WAS FEASIBLE. WE KEPT ON PUSHING OUR 3 YEAR TAX CUT AND BY JUNE THE OPPOSITION FOUND THAT A 2 YEAR CUT MIGHT WORK. NOW IT'S JULY AND THEY FIND THEY COULD GO FOR A THIRD YEAR CUT PROVIDED THERE WAS A TRIGGER ARRANGEMENT THAT WOULD ONLY ALLOW IT TO GO INTO EFFECT IF CERTAIN ECONOMIC GOALS HAD BEEN MET BY 1983.

X

BUT THERE IS A LITTLE SLEIGHT OF HAND IN THAT TRIGGER MECHANISM. THE COMMITTEE BILL ENSURES THAT THE 1983 DEFICIT WILL BE MORE THAN \$7 BILLION GREATER THAN UNDER OUR PLAN. THEREFORE, THE THIRD YEAR CUT WILL AUTOMATICALLY NEVER TAKE PLACE.

X
X

on letter p 765
5/24/81

[IF I COULD PARAPHRASE A WELL-KNOWN STATEMENT BY WILL ROGERS THAT HE HAD NEVER MET A MAN HE DIDN'T LIKE -- I'M AFRAID WE HAVE SOME PEOPLE AROUND WHO NEVER MET A TAX THEY DIDN'T HIKE.]

keycees

THEIR TAX PROPOSAL, SIMILAR IN A NUMBER OF WAYS TO OURS, BUT DIFFERING IN SOME VERY VITAL PARTS, WAS PASSED OUT OF THE HOUSE WAYS AND MEANS COMMITTEE, AND FROM NOW ON I'LL REFER TO IT AS THE COMMITTEE BILL AND OURS AS THE BIPARTISAN BILL. THEY WILL BE THE BILLS TAKEN UP WEDNESDAY.

THE MAJORITY LEADERSHIP CLAIMS THEIRS GIVES A GREATER BREAK TO THE WORKER THAN OURS AND IT DOES -- THAT IS, IF YOU'RE ONLY PLANNING TO LIVE 2 MORE YEARS. THE PLAIN TRUTH IS OUR CHOICE IS NOT BETWEEN ~~X~~ ^{Two} PLANS TO REDUCE TAXES, IT IS BETWEEN A TAX CUT OR A TAX INCREASE. THERE IS BUILT INTO OUR PRESENT SYSTEM, INCLUDING PAYROLL SOCIAL SECURITY TAXES AND THE BRACKET CREEP I'VE MENTIONED, A 22 PERCENT TAX INCREASE OVER THE NEXT 3 YEARS. THE COMMITTEE BILL OFFERS A 15 PERCENT CUT OVER 2 YEARS; OUR BIPARTISAN BILL GIVES A 25 PERCENT REDUCTION OVER 3 YEARS. AS YOU CAN SEE BY THIS CHART -- HERE IS THE 22 PERCENT INCREASE LINE AND HERE IS THEIR CUT BELOW THAT LINE AND OURS WIPING OUT THE INCREASE WITH A LITTLE TO SPARE.

INCIDENTALLY, THEIR CLAIM THAT CUTTING TAXES FOR INDIVIDUALS FOR AS MUCH AS 3 YEARS AHEAD IS RISKY RINGS A LITTLE HOLLOW WHEN YOU REALIZE THAT THEIR BILL CALLS FOR BUSINESS TAX CUTS EACH YEAR FOR 7 YEARS AHEAD.

IT RINGS EVEN MORE HOLLOW WHEN YOU CONSIDER THE FACT THE MAJORITY LEADERSHIP ROUTINELY ENDORSES FEDERAL SPENDING BILLS THAT PROJECT YEARS INTO THE FUTURE, BUT OBJECT TO A TAX BILL THAT WILL RETURN YOUR MONEY OVER A 3 YEAR PERIOD.

HERE IS ANOTHER CHART WHICH ILLUSTRATES WHAT I SAID ABOUT THEIR GIVING A BETTER BREAK IF YOU ONLY INTEND TO LIVE

FOR 2 MORE YEARS. THEIRS IS THE DOTTED LINE, OURS THE SOLID. AS YOU CAN SEE, ^{for people earning \$15,000 a year} ~~IN EACH OF THE EARNING BRACKETS FROM \$5,000 ON UP TO \$50,000~~ ^{committee} ~~THE~~ TAX CUT IS SLIGHTLY MORE GENEROUS THAN OURS -- FOR THE FIRST 2 YEARS -- THEN TAXES ~~IN EVERY ONE OF THESE EARNING LEVELS~~ START GOING UP. ON THE OTHER HAND, AS YOU CAN SEE IN OUR BIPARTISAN BILL, THE TAX ^{It is the same for all other brackets, too.} ~~KEEPS GOING DOWN AND THEN STAYS DOWN PERMANENTLY.~~

THIS ORANGE SPACE BETWEEN THE ^{two} ~~X~~ LINES IS THE TAX MONEY THAT WILL REMAIN IN YOUR POCKETS IF OUR BILL PASSES AND IT'S THE AMOUNT THAT WILL LEAVE YOUR POCKETS IF THEIR TAX BILL IS PASSED.

I TAKE NO PLEASURE IN SAYING THIS, BUT THOSE WHO WILL SEEK TO DEFEAT OUR CONABLE-HANCE BIPARTISAN BILL AS DEBATE BEGINS WEDNESDAY ARE THE ONES WHO HAVE GIVEN US ^{five} ~~X~~ QUOTE-UNQUOTE "TAX CUTS" IN THE LAST 10 YEARS, BUT OUR TAXES WENT UP \$400 BILLION IN THOSE SAME 10 YEARS.

THE LINES ON THESE CHARTS SAY A LOT ABOUT WHO'S REALLY FIGHTING FOR WHOM. ON THE ONE HAND, YOU SEE A GENUINE AND LASTING COMMITMENT TO THE FUTURE OF WORKING AMERICANS. ON THE OTHER, JUST ANOTHER EMPTY PROMISE. THOSE OF US IN THE BIPARTISAN COALITION WANT TO GIVE THIS ECONOMY AND THE FUTURE OF THIS NATION BACK TO THE PEOPLE, BECAUSE PUTTING PEOPLE FIRST HAS ALWAYS BEEN AMERICA'S SECRET WEAPON. THE HOUSE MAJORITY LEADERSHIP SEEMS LESS CONCERNED WITH PROTECTING YOUR FAMILY BUDGET, THAN WITH SPENDING MORE OF THE FEDERAL BUDGET.

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

ALMOST THREE-QUARTERS OF THE TOTAL INCOME TAX. IT ALSO THEN
INDEXES THE TAX BRACKETS TO ENSURE THAT YOU CAN KEEP THAT
TAX REDUCTION IN THE YEARS AHEAD. THERE ALSO IS, AS I SAID,
ESTATE TAX RELIEF THAT WILL KEEP FAMILY FARMS AND FAMILY-
OWNED BUSINESSES IN THE FAMILY. AND THERE ARE PROVISIONS
FOR PERSONAL RETIREMENT PLANS AND INDIVIDUAL SAVINGS ACCOUNTS.

BECAUSE OUR BIPARTISAN BILL IS SO CLEARLY DRAWN AND
BROADLY BASED IT PROVIDES THE KIND OF PREDICTABILITY AND
CERTAINTY THAT THE FINANCIAL [SEGMENTS OF OUR SOCIETY] NEED TO
MAKE INVESTMENT DECISIONS THAT STIMULATE PRODUCTIVITY AND
MAKE OUR ECONOMY GROW.

EVEN MORE IMPORTANT -- IF THE TAX CUT GOES TO YOU THE
AMERICAN PEOPLE IN THE THIRD YEAR -- THAT MONEY RETURNED TO
YOU WON'T BE AVAILABLE TO THE CONGRESS TO SPEND. AND THAT
IN MY VIEW IS WHAT THIS WHOLE CONTROVERSY COMES DOWN TO:
ARE YOU ENTITLED TO THE FRUITS OF YOUR OWN LABOR OR DOES
GOVERNMENT HAVE SOME PRESUMPTIVE RIGHT TO SPEND AND SPEND AND
SPEND.

I'M ALSO CONVINCED OUR BUSINESS TAX CUT IS SUPERIOR TO
THEIRS, BECAUSE IT IS MORE EQUITABLE, AND IT WILL DO A MUCH
BETTER JOB PROMOTING THE SURGE IN INVESTMENT WE SO BADLY
NEED TO REBUILD OUR INDUSTRIAL BASE.

THERE IS SOMETHING ELSE I WANT TO TELL YOU. OUR BIPARTISAN
COALITION WORKED OUT A TAX BILL WE FELT WOULD PROVIDE INCENTIVE
AND STIMULATE PRODUCTIVITY, THUS REDUCING INFLATION AND
PROVIDING JOBS FOR THE UNEMPLOYED. THAT WAS OUR GOAL.

OUR OPPONENTS IN THE BEGINNING DIDN'T WANT A TAX ~~BILL~~
AT ALL. WHAT IS THE PURPOSE BEHIND THEIR CHANGE OF HEART?

THEY'VE PUT A TAX PROGRAM TOGETHER FOR ONE REASON ONLY, TO PROVIDE A POLITICAL VICTORY FOR THEMSELVES. NEVER MIND THAT IT WON'T SOLVE THE ECONOMIC PROBLEMS CONFRONTING OUR COUNTRY. NEVER MIND THAT IT WON'T GET THE WHEELS OF INDUSTRY TURNING AGAIN OR ELIMINATE THE INFLATION WHICH IS EATING US ALIVE. THIS IS NOT THE TIME FOR POLITICAL FUN AND GAMES. THIS IS THE TIME FOR A NEW BEGINNING.

I ASK YOU NOW TO PUT ASIDE ANY FEELINGS OF FRUSTRATION OR HELPLESSNESS ABOUT OUR POLITICAL INSTITUTIONS AND JOIN ME IN THIS DRAMATIC BUT RESPONSIBLE PLAN TO REDUCE THE ENORMOUS BURDEN OF FEDERAL TAXATION ON YOU AND YOUR FAMILY.

DURING RECENT MONTHS, MANY OF YOU HAVE ASKED WHAT YOU CAN DO TO HELP MAKE AMERICA STRONG AGAIN. I URGE YOU AGAIN TO CONTACT YOUR SENATORS AND CONGRESSMEN, TELL THEM OF YOUR SUPPORT FOR THIS BIPARTISAN PROPOSAL, TELL THEM YOU BELIEVE THIS IS AN UNEQUALLED OPPORTUNITY TO HELP RETURN AMERICA TO PROSPERITY AND MAKE GOVERNMENT AGAIN THE SERVANT OF THE PEOPLE.

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

ONE ROAD IS ALL TOO FAMILIAR TO US. IT LEADS -- ULTIMATELY -- TO HIGHER TAXES. IT MERELY BRINGS US FULL CIRCLE BACK TO THE SOURCE OF OUR ECONOMIC PROBLEMS - WHERE THE GOVERNMENT DECIDES THAT IT KNOWS BETTER THAN YOU WHAT SHOULD BE DONE WITH YOUR EARNINGS, AND, IN FACT, HOW YOU SHOULD CONDUCT YOUR LIFE.

THE OTHER ROAD PROMISES TO RENEW THE AMERICAN SPIRIT.
IT'S A ROAD OF HOPE AND OPPORTUNITY. IT PLACES THE DIRECTION
OF YOUR LIFE BACK IN YOUR HANDS - WHERE IT BELONGS.

I HAVE NOT TAKEN YOUR TIME THIS EVENING MERELY TO ASK
YOU TO TRUST ME. INSTEAD, I ASK YOU TO TRUST YOURSELVES.
THAT'S WHAT AMERICA IS ALL ABOUT. OUR STRUGGLE FOR NATIONHOOD,
OUR UNRELENTING FIGHT FOR FREEDOM, OUR VERY EXISTENCE --
THESE HAVE ALL RESTED ON THE ASSURANCE THAT YOU MUST BE FREE
TO SHAPE YOUR LIFE AS YOU ARE BEST ABLE TO - THAT NO ONE CAN
STOP YOU FROM REACHING HIGHER OR TAKE FROM YOU THE CREATIVITY
THAT HAS MADE AMERICA THE ENVY OF MANKIND.

ONE ROAD IS TIMID AND FEARFUL.

THE OTHER BOLD AND HOPEFUL.

IN THESE 6 MONTHS, WE HAVE DONE SO MUCH AND HAVE COME
SO FAR. IT HAS BEEN THE POWER OF MILLIONS OF PEOPLE LIKE
YOU WHO HAVE DETERMINED THAT WE WILL MAKE AMERICA GREAT
AGAIN. YOU HAVE MADE THE DIFFERENCE UP TO NOW. YOU WILL
MAKE THE DIFFERENCE AGAIN.

LET US NOT STOP NOW.

THANK YOU. GOD BLESS YOU AND GOOD NIGHT.

GOOD EVENING. I HAD INTENDED TO MAKE SOME REMARKS ABOUT THE PROBLEM OF SOCIAL SECURITY TONIGHT -- BUT THE IMMEDIACY OF HOUSE ACTION ON THE TAX PROGRAM, A KEY COMPONENT OF OUR ECONOMIC PACKAGE, HAS TO TAKE PRIORITY. LET ME JUST SAY, HOWEVER, I'VE BEEN DEEPLY DISTURBED BY THE WAY YOU WHO ARE DEPENDENT ON SOCIAL SECURITY HAVE BEEN NEEDLESSLY FRIGHTENED, AND IN SOME INSTANCES BY THOSE WHO PLACE POLITICS ABOVE TRUTH.

IT IS TRUE THAT THE SOCIAL SECURITY SYSTEM HAS FINANCIAL PROBLEMS. IT IS ALSO TRUE THAT SOME WHO HAVE CAUSED CONFUSION AND FEAR BY THEIR IRRESPONSIBLE CHARGES HAVE BEEN IN A POSITION TO DO SOMETHING CONSTRUCTIVE ABOUT THESE FINANCIAL PROBLEMS FOR MORE THAN 20 YEARS -- AND THEY HAVE DONE NOTHING.

I HOPE TO ADDRESS YOU ON THIS ENTIRE SUBJECT IN THE NEAR FUTURE. IN THE MEANTIME, LET ME JUST SAY THIS: I STATED DURING THE CAMPAIGN AND I REPEAT NOW I WILL NOT STAND BY AND SEE THOSE OF YOU WHO ARE DEPENDENT ON SOCIAL SECURITY DEPRIVED OF YOUR BENEFITS. I MAKE THAT PLEDGE TO YOU AS YOUR PRESIDENT. YOU HAVE NO REASON TO BE FRIGHTENED. YOU WILL CONTINUE TO RECEIVE YOUR CHECKS IN THE FULL AMOUNT DUE YOU. IN ANY PLAN TO RESTORE FISCAL INTEGRITY OF SOCIAL SECURITY I PERSONALLY WILL SEE THAT NO PART OF THE PLAN WILL BE AT THE EXPENSE OF YOU WHO ARE NOW DEPENDENT ON YOUR MONTHLY SOCIAL SECURITY CHECKS.

NOW, LET US TURN TO THE BUSINESS AT HAND. IT'S BEEN NEARLY 6 MONTHS SINCE I FIRST REPORTED TO YOU ON THE STATE OF THE NATION'S ECONOMY. I'M AFRAID MY MESSAGE THAT NIGHT WAS GRIM AND DISTURBING. I REMEMBER TELLING YOU WE WERE IN

THE WORST ECONOMIC MESS SINCE THE GREAT DEPRESSION. INFLATION WAS CONTINUING TO SPIRAL UPWARD, UNEMPLOYMENT WAS AT A CRIPPLING LEVEL AND ALL BECAUSE GOVERNMENT WAS TOO BIG AND SPENT TOO MUCH OF OUR MONEY.

WE'RE STILL NOT OUT OF THE WOODS, BUT WE'VE MADE A START. AND WE'VE CERTAINLY SURPRISED THOSE LONG-TIME AND SOMEWHAT CYNICAL OBSERVERS OF THE WASHINGTON SCENE WHO LOOKED, LISTENED AND SAID, "IT CAN NEVER BE DONE. WASHINGTON WILL NEVER CHANGE ITS SPENDING HABITS."

WELL, SOMETHING VERY EXCITING HAS BEEN HAPPENING HERE IN WASHINGTON AND YOU ARE RESPONSIBLE. YOUR VOICES HAVE BEEN HEARD. MILLIONS OF YOU, DEMOCRATS, REPUBLICANS AND INDEPENDENTS, FROM EVERY PROFESSION, TRADE AND LINE OF WORK, AND FROM EVERY PART OF THIS LAND; YOU SENT A MESSAGE THAT YOU WANTED A NEW BEGINNING. YOU WANTED TO CHANGE ONE LITTLE TWO-LETTER WORD. IT DOESN'T SOUND LIKE MUCH, BUT IT SURE CAN MAKE A DIFFERENCE CHANGING "CONTROL BY GOVERNMENT" TO "CONTROL OF GOVERNMENT."

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BECAUSE OF WHAT YOU DID, REPUBLICANS AND DEMOCRATS IN THE CONGRESS CAME TOGETHER AND PASSED THE MOST SWEEPING CUTBACKS IN THE HISTORY OF THE FEDERAL BUDGET. RIGHT NOW MEMBERS OF THE HOUSE AND SENATE ARE MEETING IN A CONFERENCE COMMITTEE TO RECONCILE THE DIFFERENCES BETWEEN THE TWO BUDGET CUTTING BILLS PASSED BY THE HOUSE AND THE SENATE. WHEN THEY FINISH, ALL AMERICANS WILL BENEFIT BY SAVINGS OF MORE THAN \$140 BILLION IN REDUCED GOVERNMENT COSTS OVER THE NEXT 3 YEARS. AND THAT DOESN'T INCLUDE THE ADDITIONAL SAVINGS FROM THE HUNDREDS OF BURDENSOME REGULATIONS ALREADY CANCELLED OR FACING CANCELLATION.

FOR 10 OUT OF THE LAST 20 YEARS THE FEDERAL GOVERNMENT HAS SPENT MORE THAN IT TOOK IN. THERE WILL BE ANOTHER LARGE DEFICIT IN THIS PRESENT YEAR WHICH ENDS SEPTEMBER 30TH. BUT WITH OUR PROGRAM IN PLACE IT WON'T BE QUITE AS BIG AS IT MIGHT HAVE BEEN AND STARTING NEXT YEAR THE DEFICITS WILL GET INCREASINGLY SMALLER UNTIL IN JUST A FEW YEARS THE BUDGET

WILL BE BALANCED AND, HOPEFULLY, WE CAN BEGIN WHITTILING AT THAT ALMOST \$1 TRILLION DEBT THAT HANGS OVER THE FUTURE OF OUR CHILDREN.

NOW SO FAR I'VE BEEN TALKING ABOUT ONLY ONE PART OF OUR PROGRAM FOR ECONOMIC RECOVERY -- THE BUDGET CUTTING PART. I DON'T MINIMIZE ITS IMPORTANCE. JUST THE FACT THAT DEMOCRATS AND REPUBLICANS COULD WORK TOGETHER AS THEY HAVE, PROVING THE STRENGTH OF OUR SYSTEM, HAS CREATED AN OPTIMISM IN OUR LAND. THE RATE OF INFLATION IS NO LONGER IN DOUBLE DIGIT FIGURES, THE DOLLAR HAS REGAINED STRENGTH IN THE INTERNATIONAL MONEY MARKETS AND BUSINESSMEN AND INVESTORS ARE MAKING DECISIONS WITH REGARD TO INDUSTRIAL DEVELOPMENT, MODERNIZATION AND EXPANSION. ALL OF THIS BASED ON ANTICIPATION OF OUR PROGRAM BEING ADOPTED AND PUT INTO OPERATION.

A RECENT POLL SHOWS THAT WHERE A YEAR AGO ONLY 24 PERCENT OF OUR PEOPLE BELIEVED THINGS WOULD GET BETTER, TODAY 46 PERCENT BELIEVE THEY WILL. TO JUSTIFY THEIR FAITH WE MUST DELIVER THE OTHER PART OF OUR PROGRAM. OUR ECONOMIC PACKAGE IS A CLOSELY KNIT, CAREFULLY CONSTRUCTED PLAN TO RESTORE AMERICA'S ECONOMIC STRENGTH AND PUT OUR NATION BACK ON THE ROAD TO PROSPERITY. EACH PART OF THIS PACKAGE IS VITAL. IT CANNOT BE CONSIDERED PIECEMEAL. IT WAS PROPOSED AS A PACKAGE AND IT HAS BEEN SUPPORTED AS SUCH BY THE AMERICAN PEOPLE. ONLY IF THE CONGRESS PASSES ALL OF ITS MAJOR COMPONENTS DOES IT HAVE ANY REAL CHANCE OF SUCCESS. THIS IS ABSOLUTELY ESSENTIAL IF WE ARE TO PROVIDE INCENTIVES AND MAKE CAPITAL AVAILABLE FOR THE INCREASE PRODUCTIVITY REQUIRED TO PROVIDE JOBS FOR OUR PEOPLE.

AND LET US NOT FORGET THAT THE REST OF THE WORLD IS WATCHING AMERICA CAREFULLY TO SEE HOW WE WILL ACT AT THIS CRITICAL MOMENT. I HAVE RECENTLY RETURNED FROM A SUMMIT MEETING WITH WORLD LEADERS IN OTTAWA, CANADA AND THE MESSAGE I HEARD FROM THEM WAS QUITE CLEAR -- OUR ALLIES DEPEND ON A STRONG AND ECONOMICALLY SOUND AMERICA AND THEY ARE WATCHING EVENTS IN THIS COUNTRY, PARTICULARLY THOSE SURROUNDING OUR PROGRAM FOR ECONOMIC RECOVERY, WITH CLOSE ATTENTION AND GREAT HOPES.

DAY AFTER TOMORROW -- WEDNESDAY -- THE HOUSE OF REPRESENTATIVES WILL BEGIN DEBATE ON TWO TAX BILLS AND ONCE AGAIN THEY NEED TO HEAR FROM YOU. I KNOW THAT DOESN'T GIVE YOU MUCH TIME, BUT A GREAT DEAL IS AT STAKE.

A FEW DAYS AGO I WAS VISITED HERE IN THE OFFICE BY A DEMOCRATIC CONGRESSMAN FROM ONE OF OUR SOUTHERN STATES. HE'D BEEN BACK IN HIS DISTRICT AND ONE DAY ONE OF HIS CONSTITUENTS ASKED HIM WHERE HE STOOD ON THE ECONOMIC RECOVERY PROGRAM I'D OUTLINED IN THAT EARLIER BROADCAST. WELL, THE CONGRESSMAN, WHO HAPPENS TO BE A STRONG LEADER IN SUPPORT OF OUR PROGRAM, REPLIED AT SOME LENGTH WITH A DISCUSSION OF THE TECHNICAL POINTS INVOLVED, BUT ALSO MENTIONING A FEW RESERVATIONS HE HAD ON CERTAIN POINTS. THE CONSTITUENT, A FARMER, LISTENED POLITELY UNTIL HE'D FINISHED AND THEN SAID, "WELL, YES, THAT'S ALL VERY INTERESTING -- BUT WHAT I WANT TO KNOW IS -- ARE YOU FOR UM OR AGIN UM?"

I APPRECIATE THE GENTLEMAN'S SUPPORT AND SUGGEST HIS QUESTION IS A MESSAGE YOUR OWN REPRESENTATIVES SHOULD HEAR.

LET ME ADD THOSE REPRESENTATIVES HONESTLY AND SINCERELY WANT TO KNOW YOUR FEELINGS. THEY GET PLENTY OF INPUT FROM THE SPECIAL INTEREST GROUPS, THEY'D LIKE TO HEAR FROM THEIR HOMEFOLKS.

LET ME EXPLAIN WHAT THE SITUATION IS AND WHAT IS AT ISSUE. WITH OUR BUDGET CUTS WE PRESENTED A COMPLETE PROGRAM OF REDUCTION IN TAX RATES. AGAIN, OUR PURPOSE WAS TO PROVIDE INCENTIVE FOR THE INDIVIDUAL, INCENTIVES FOR BUSINESS TO ENCOURAGE PRODUCTION AND HIRING OF THE UNEMPLOYED AND TO FREE UP MONEY FOR INVESTMENT.

OUR BILL CALLS FOR A 5 PERCENT REDUCTION IN THE INCOME TAX RATES BY OCTOBER 1ST, A 10 PERCENT REDUCTION BEGINNING JULY 1, 1982 AND ANOTHER 10 PERCENT CUT A YEAR LATER -- A 25 PERCENT TOTAL REDUCTION OVER 3 YEARS. BUT THEN TO ENSURE THE TAX CUT IS PERMANENT WE CALL FOR INDEXING THE TAX RATES IN 1985, WHICH MEANS ADJUSTING THEM FOR INFLATION. AS IT IS NOW, IF YOU GET A COST OF LIVING RAISE INTENDED TO KEEP YOU EVEN WITH INFLATION, YOU FIND THAT THE INCREASE IN THE NUMBER OF DOLLARS YOU GET MAY VERY LIKELY MOVE YOU INTO A HIGHER TAX BRACKET AND YOU WIND UP POORER THAN YOU WERE. THIS IS CALLED BRACKET CREEP.

BRACKET CREEP IS AN INSIDIOUS TAX. LET ME GIVE AN EXAMPLE. IF YOU EARNED \$10,000 A YEAR IN 1971, BY 1980 YOU HAD TO EARN \$19,850 JUST TO STAY EVEN WITH INFLATION. BUT THAT'S BEFORE TAXES. COME APRIL 15TH, YOU FIND YOUR TAX RATES HAVE INCREASED 33 PERCENT. IF YOU'VE BEEN WONDERING WHY YOU DON'T SEEM AS WELL OFF AS YOU WERE A FEW YEARS BACK,

IT'S BECAUSE GOVERNMENT MAKES A PROFIT ON INFLATION. IT GETS AN AUTOMATIC TAX INCREASE WITHOUT HAVING TO VOTE ON IT. WE INTEND TO STOP THAT.

TIME WON'T ALLOW ME TO EXPLAIN EVERY DETAIL, BUT OUR BILL INCLUDES JUST ABOUT EVERYTHING TO HELP THE ECONOMY. WE DO AWAY WITH THE MARRIAGE PENALTY, THAT UNFAIR TAX THAT HAS A WORKING HUSBAND AND WIFE PAY MORE TAX THAN IF THEY WERE SINGLE. WE INCREASE THE EXEMPTION ON THE INHERITANCE (OR ESTATE) TAX TO \$600,000 SO THAT FARMERS AND FAMILY-OWNED BUSINESSES DON'T HAVE TO SELL THE FARM OR STORE IN THE EVENT OF DEATH JUST TO PAY THE TAXES. MOST IMPORTANT WE WIPE OUT THE TAX ENTIRELY FOR A SURVIVING SPOUSE. NO LONGER, FOR EXAMPLE, WILL A WIDOW HAVE TO SELL THE FAMILY SOURCE OF INCOME TO PAY A TAX ON HER HUSBAND'S DEATH. THERE ARE DEDUCTIONS TO ENCOURAGE INVESTMENT AND SAVINGS. BUSINESS GETS REALISTIC DEPRECIATION ON EQUIPMENT AND MACHINERY. AND THERE ARE TAX BREAKS FOR SMALL AND INDEPENDENT BUSINESSES WHICH CREATE 80 PERCENT OF ALL NEW JOBS. THIS BILL ALSO PROVIDES MAJOR CREDITS TO THE RESEARCH AND DEVELOPMENT INDUSTRY -- THESE CREDITS WILL HELP SPARK THE HIGH TECHNOLOGY BREAKTHROUGHS THAT ARE SO CRITICAL TO AMERICA'S ECONOMIC LEADERSHIP IN THE WORLD. THERE ARE ALSO ADDED INCENTIVES FOR SMALL BUSINESSES INCLUDING A PROVISION THAT WILL LIFT MUCH OF THE BURDEN OF COSTLY PAPERWORK THAT GOVERNMENT HAS IMPOSED ON SMALL BUSINESS.

IN ADDITION, THERE IS SUBSTANTIAL SHORT-TERM BUT SUBSTANTIAL ASSISTANCE FOR THE HARD-PRESSED THRIFT INDUSTRY AS WELL AS

REDUCTIONS IN OIL TAXES THAT WILL BENEFIT NEW OR INDEPENDENT OIL PRODUCERS AND MOVE OUR NATION A STEP CLOSER TO ENERGY SELF-SUFFICIENCY.

OUR BILL IS, IN SHORT, THE FIRST REAL TAX CUT FOR EVERYONE IN MORE THAN 20 YEARS.

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

THEN YOUR VOICES BEGAN TO BE HEARD AND SUDDENLY IN FEBRUARY THE LEADERSHIP DISCOVERED A ONE YEAR TAX CUT WAS FEASIBLE. WE KEPT ON PUSHING OUR 3 YEAR TAX CUT AND BY JUNE THE OPPOSITION FOUND THAT A 2 YEAR CUT MIGHT WORK. NOW IT'S JULY AND THEY FIND THEY COULD GO FOR A THIRD YEAR CUT PROVIDED THERE WAS A TRIGGER ARRANGEMENT THAT WOULD ONLY ALLOW IT TO GO INTO EFFECT IF CERTAIN ECONOMIC GOALS HAD BEEN MET BY 1983.

BUT THERE IS A LITTLE SLEIGHT OF HAND IN THAT TRIGGER MECHANISM. THE COMMITTEE BILL INSURES THAT THE 1983 DEFICIT WILL BE MORE THAN 7 BILLION GREATER THAN UNDER OUR PLAN. THEREFORE, THE THIRD YEAR CUT WILL AUTOMATICALLY NEVER TAKE PLACE.

IF I COULD PARAPHRASE A WELL-KNOWN STATEMENT BY WILL ROGERS THAT HE HAD NEVER MET A MAN HE DIDN'T LIKE -- I'M AFRAID WE HAVE SOME PEOPLE AROUND WHO NEVER MET A TAX THEY DIDN'T HIKE.

THEIR TAX PROPOSAL, SIMILAR IN A NUMBER OF WAYS TO OURS, BUT DIFFERING IN SOME VERY VITAL PARTS, WAS PASSED OUT OF THE HOUSE WAYS AND MEANS COMMITTEE, AND FROM NOW ON I'LL REFER TO IT AS THE COMMITTEE BILL AND OURS AS THE BIPARTISAN BILL. THEY WILL BE THE BILLS TAKEN UP WEDNESDAY.

THE MAJORITY LEADERSHIP CLAIMS THEIRS GIVES A GREATER BREAK TO THE WORKER THAN OURS AND IT DOES -- THAT IS, IF YOU'RE ONLY PLANNING TO LIVE 2 MORE YEARS. THE PLAIN TRUTH IS OUR CHOICE IS NOT BETWEEN 2 PLANS TO REDUCE TAXES, IT IS BETWEEN A TAX CUT OR A TAX INCREASE. THERE IS BUILT INTO OUR PRESENT SYSTEM, INCLUDING PAYROLL SOCIAL SECURITY TAXES AND THE BRACKET CREEP I'VE MENTIONED, A 22 PERCENT TAX INCREASE OVER THE NEXT 3 YEARS. THE COMMITTEE BILL OFFERS A 15 PERCENT CUT OVER 2 YEARS; OUR BIPARTISAN BILL GIVES A 25 PERCENT REDUCTION OVER 3 YEARS. AS YOU CAN SEE BY THIS CHART -- HERE IS THE 22 PERCENT INCREASE LINE AND HERE IS THEIR CUT BELOW THAT LINE AND OURS WIPING OUT THE INCREASE WITH A LITTLE TO SPARE.

INCIDENTALLY, THEIR CLAIM THAT CUTTING TAXES FOR INDIVIDUALS FOR AS MUCH AS 3 YEARS AHEAD IS RISKY RINGS A LITTLE HOLLOW WHEN YOU REALIZE THAT THEIR BILL CALLS FOR BUSINESS TAX CUTS EACH YEAR FOR 7 YEARS AHEAD.

IT RINGS EVEN MORE HOLLOW WHEN YOU CONSIDER THE FACT THE MAJORITY LEADERSHIP ROUTINELY ENDORSES FEDERAL SPENDING BILLS THAT PROJECT YEARS INTO THE FUTURE, BUT OBJECT TO A TAX BILL THAT WILL RETURN YOUR MONEY OVER A 3 YEAR PERIOD.

HERE IS ANOTHER CHART WHICH ILLUSTRATES WHAT I SAID ABOUT THEIR GIVING A BETTER BREAK IF YOU ONLY INTEND TO LIVE

FOR 2 MORE YEARS. THEIRS IS THE DOTTED LINE, OURS THE SOLID. AS YOU CAN SEE, IN EACH OF THE EARNING BRACKETS FROM \$5,000 ON UP TO \$50,000 THEIR TAX CUT IS SLIGHTLY MORE GENEROUS THAN OURS -- FOR THE FIRST 2 YEARS -- THEN TAXES IN EVERY ONE OF THESE EARNING LEVELS START GOING UP. ON THE OTHER HAND, AS YOU CAN SEE IN OUR BIPARTISAN BILL, THE TAX KEEPS GOING DOWN AND THEN STAYS DOWN PERMANENTLY.

THIS ORANGE SPACE BETWEEN THE 2 LINES IS THE TAX MONEY THAT WILL REMAIN IN YOUR POCKETS IF OUR BILL PASSES AND IT'S THE AMOUNT THAT WILL LEAVE YOUR POCKETS IF THEIR TAX BILL IS PASSED.

I TAKE NO PLEASURE IN SAYING THIS, BUT THOSE WHO WILL SEEK TO DEFEAT OUR CONABLE-HANCE BIPARTISAN BILL AS DEBATE BEGINS WEDNESDAY ARE THE ONES WHO HAVE GIVEN US 5 QUOTE-UNQUOTE "TAX CUTS" IN THE LAST 10 YEARS, BUT OUR TAXES WENT UP \$400 BILLION IN THOSE SAME 10 YEARS.

THE LINES ON THESE CHARTS SAY A LOT ABOUT WHO'S REALLY FIGHTING FOR WHOM. ON THE ONE HAND, YOU SEE A GENUINE AND LASING COMMITMENT TO THE FUTURE OF WORKING AMERICANS. ON THE OTHER, JUST ANOTHER EMPTY PROMISE. THOSE OF US IN THE BIPARTISAN COALITION WANT TO GIVE THIS ECONOMY AND THE FUTURE OF THIS NATION BACK TO THE PEOPLE, BECAUSE PUTTING PEOPLE FIRST HAS ALWAYS BEEN AMERICA'S SECRET WEAPON. THE HOUSE MAJORITY LEADERSHIP SEEMS LESS CONCERNED WITH PROTECTING YOUR FAMILY BUDGET, THAN WITH SPENDING MORE OF THE FEDERAL BUDGET.

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

ALMOST THREE-QUARTERS OF THE TOTAL INCOME TAX. IT ALSO THEN INDEXES THE TAX BRACKETS TO ENSURE THAT YOU CAN KEEP THAT TAX REDUCTION IN THE YEARS AHEAD. THERE ALSO IS, AS I SAID, ESTATE TAX RELIEF THAT WILL KEEP FAMILY FARMS AND FAMILY-OWNED BUSINESSES IN THE FAMILY. AND THERE ARE PROVISIONS FOR PERSONAL RETIREMENT PLANS AND INDIVIDUAL SAVINGS ACCOUNTS.

BECAUSE THE BIPARTISAN BILL IS SO CLEARLY DRAWN AND BROADLY BASED IT PROVIDES THE KIND OF PREDICTABILITY AND CERTAINTY THAT FINANCIAL MANAGERS NEED TO MAKE THE INVESTMENT DECISIONS THAT STIMULATE PRODUCTIVITY AND MAKE THE ECONOMY GROW.

EVEN MORE IMPORTANT -- IF THE TAX CUT GOES TO YOU THE AMERICAN PEOPLE IN THE THIRD YEAR -- THAT MONEY RETURNED TO YOU WON'T BE AVAILABLE TO THE CONGRESS TO SPEND. AND THAT IN MY VIEW IS WHAT THIS WHOLE CONTROVERSY COMES DOWN TO: ARE YOU ENTITLED TO THE FRUITS OF YOUR OWN LABOR OR DOES GOVERNMENT HAVE SOME PRESUMPTIVE RIGHT TO IT.

I'M ALSO CONVINCED OUR BUSINESS TAX CUT IS SUPERIOR TO THIERS, BECAUSE IT IS MORE EQUITABLE, AND IT WILL DO A MUCH BETTER JOB PROMOTING THE SURGE IN INVESTMENT WE SO BADLY NEED TO REBUILD OUR INDUSTRIAL BASE.

THERE IS SOMETHING ELSE I WANT TO TELL YOU. OUR BIPARTISAN COALITION WORKED OUT A TAX BILL WE FELT WOULD PROVIDE INCENTIVE AND STIMULATE PRODUCTIVITY, THUS REDUCING INFLATION AND PROVIDING JOBS FOR THE UNEMPLOYED. THAT WAS OUR GOAL.

OUR OPPONENTS IN THE BEGINNING DIDN'T WANT A TAX BILL AT ALL. WHAT IS THE PURPOSE BEHIND THEIR CHANGE OF HEART?

THEY'VE PUT A TAX PROGRAM TOGETHER FOR ONE REASON ONLY, TO PROVIDE A POLITICAL VICTORY FOR THEMSELVES. NEVER MIND THAT IT WON'T SOLVE THE ECONOMIC PROBLEMS CONFRONTING OUR COUNTRY. NEVER MIND THAT IT WON'T GET THE WHEELS OF INDUSTRY TURNING AGAIN OR ELIMINATE THE TAXES WHICH ARE EATING US ALIVE. THIS IS NOT THE TIME FOR POLITICAL FUN AND GAMES. THIS IS THE TIME FOR A NEW BEGINNING.

I ASK YOU NOW TO PUT ASIDE ANY FEELINGS OF FRUSTRATION OR HELPLESSNESS ABOUT OUR POLITICAL INSTITUTIONS AND JOIN ME IN THIS DRAMATIC BUT RESPONSIBLE PLAN TO REDUCE THE ENORMOUS BURDEN OF FEDERAL TAXATION ON YOU AND YOUR FAMILY.

DURING RECENT MONTHS, MANY OF YOU HAVE ASKED WHAT YOU CAN DO TO HELP MAKE AMERICA STRONG AGAIN. I URGE YOU AGAIN TO CONTACT YOUR SENATORS AND CONGRESSMEN, TELL THEM OF YOUR SUPPORT FOR THIS BIPARTISAN PROPOSAL, TELL THEM YOU BELIEVE THIS IS AN UNEQUALLED OPPORTUNITY TO HELP RETURN AMERICA TO PROSPERITY AND MAKE GOVERNMENT AGAIN THE SERVANT OF THE PEOPLE.

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

ONE ROAD IS ALL TOO FAMILIAR TO US. IT LEADS -- ULTIMATELY -- TO HIGHER TAXES. IT MERELY BRINGS US FULL CIRCLE BACK TO THE SOURCE OF OUR ECONOMIC PROBLEMS - WHERE THE GOVERNMENT DECIDES THAT IT KNOWS BETTER THAN YOU WHAT SHOULD BE DONE WITH YOUR EARNINGS, AND, IN FACT, HOW YOU SHOULD CONDUCT YOUR LIFE.

THE OTHER ROAD PROMISES TO RENEW THE AMERICAN SPIRIT. IT'S A ROAD OF HOPE AND OPPORTUNITY. IT PLACES THE DIRECTION OF YOUR LIFE BACK IN YOUR HANDS - WHERE IT BELONGS.

I HAVE NOT TAKEN YOUR TIME THIS EVENING MERELY TO ASK YOU TO TRUST ME. INSTEAD, I ASK YOU TO TRUST YOURSELVES. THAT'S WHAT AMERICA IS ALL ABOUT. OUR STRUGGLE FOR NATIONHOOD, OUR UNRELENTING FIGHT FOR FREEDOM, OUR VERY EXISTENCE -- THESE HAVE ALL RESTED ON THE ASSURANCE THAT YOU MUST BE FREE TO SHAPE YOUR LIFE AS YOU ARE BEST ABLE TO - THAT NO ONE CAN STOP YOU FROM REACHING HIGHER OR TAKE FROM YOU THE CREATIVITY THAT HAS MADE AMERICA THE ENVY OF MANKIND.

ONE ROAD IS TIMID AND FEARFUL.

THE OTHER BOLD AND HOPEFUL.

IN THESE 6 MONTHS, WE HAVE DONE SO MUCH AND HAVE COME SO FAR. IT HAS BEEN THE POWER OF MILLIONS OF PEOPLE LIKE YOU WHO HAVE DETERMINED THAT WE WILL MAKE AMERICA GREAT AGAIN. YOU HAVE MADE THE DIFFERENCE UP TO NOW. YOU WILL MAKE THE DIFFERENCE AGAIN.

LET US NOT STOP NOW.

THANK YOU. GOD BLESS YOU AND GOOD NIGHT.