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(Elliott)

July 24, 1981

Misty

TELEVISED SPEECH: TAXES AND SOCIAL SECURITY

Good evening. It's been nearly 6 months since I first reported to you on the state of the Nation's economy. If you'll remember, that report didn't make very good listening. And believe me, I didn't enjoy giving it.

I had to tell you that we were in the worst economic mess since the Great Depression. And I warned that while we had managed for years to postpone our judgment day, we no longer had that luxury. We were out of time and Government was out of control.

Well, our situation remains very serious. We're still not out of the woods and back on the road toward permanent economic recovery. But we have made a start. And the good news is, something very exciting is happening in Washington.

Your Government is listening to you again. Your voices have finally gotten through. Millions of you, Democrats, Republicans and Independents, from every profession, every background, and every region of this land, are making Washington understand that you want a new beginning. That you want to bring common sense and plain dealing back into Government. And that the way you intend to do that is by changing just one little two-letter word: control "by" Government, to control "of" Government.

I think we're making progress. Some would even say historic progress. Because with the cooperation of Democrats and Republicans, we've done more in a shorter period of time to get our economy on a sound footing, than any Government

in the past 50 years. Right now, House and Senate Members are putting the final touches on a budget bill that includes more than \$140 billion in savings. These spending reductions will be shared by all Americans. And they will benefit all Americans too -- by helping us gain the upper-hand in the war against inflation. We are already seeing signs inflation has begun to decline.

What this proves, I think, is that our system can work and will work when we make it work. It proves that Democrats and Republicans can place principle over politics . . . and that we can all have a Government that lives within its means again, and that keeps its commitments to us.

All this sounds encouraging, I know. But in truth, it's just the first step of a long climb up a mountain of problems -- problems that result from years of Government mismanagement. The kind of mismanagement that left us with chronic inflation and punishing taxation, record-breaking interest rates and nearly 8 million people unemployed, 19 unbalanced budgets in the last 20 years, a national debt nearing \$1 trillion and regulation run wild.

Yes, we have begun to get spending under control. But we're still a long, long way from getting Government under control. So tonight I want to speak to you about two other serious challenges we face -- both important, and both in urgent need of our attention.

First, taxes, because passage of our bipartisan tax bill is the most crucial item left on our agenda for prosperity. Perhaps all the recent quarrelling over taxes has left you a

bit confused. You have my sympathy. But let me cut through the fog with one undeniable fact: Our bipartisan coalition offers a real tax reduction; the House Democratic leadership offers another big tax increase. It's that simple.

Now, a lot of people have missed this point because my good friend the Speaker has developed a strange habit: He likes to compare all of their bill with only part of ours. He boasts that their tax cut of 15 percent gives a bigger break to the worker than our bill. And if you are only planning on living 2 years, so it does. But then bracket creep takes over and taxes start going up again.

Frankly, I wonder how they look you in the eye and say "we're reducing your taxes." Because as you can see from this chart, we propose a full 25 percent reduction over 3 years -- enough to offset the built-in tax increase of nearly 22 percent -- but they offer only a 15 percent tax cut, and no tax cut at all for 1984. They claim it is too risky to cut taxes 3 years ahead for individuals, but they find it perfectly all right to offer business a tax cut every year for the next 7 years.

And here's something else: Our reductions of 25 percent in tax rates become permanent after 3 years because we index them. In other words, your tax rates will be tied to the cost-of-living index, so you will not continually be pushed into higher tax brackets just because your income is rising with inflation.

Bracket creep is an insidious tax. For example, if you

earned \$10,000 in 1972, you needed to make \$19,860 in 1980 just to stay even with inflation before paying your taxes. But even if you managed that, you would have lost purchasing power because bracket creep would have pushed up your tax rates by 33 percent. So while you get pinched by higher taxes and inflation, Government profits from both without having to pass a tax increase. We're determined to put an end to this sleight of hand.

Now just recently, the House majority suggested the possibility of triggering a third-year tax cut of their own, if economic conditions improve. But by holding the people's tax reduction 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 savings and investment is precisely what we need most to rebuild our economy. A trigger will do much more to preclude a third-year tax cut than to promote one.

And let's remember something else too: This trigger was designed by people who don't believe in cutting taxes. As a matter of fact, in the last 10 years, the Majority leadership in the House gave the people 5 "tax cuts." But in those 10 years taxes increased by more than \$400 billion. I'm afraid that's one talent we do not have.

If I could paraphrase Will Rogers' line about never having met a man he didn't like . . . it seems too many of the House leadership have never met a tax they didn't hike.

If we're sincere about reducing taxes, then we have to do better than the one-shot, here-today, gone-tomorrow rebates of old.

We must make the people a commitment. The kind of commitment that says if you work or save more tomorrow than you did today, then your reward will be higher. More of every added dollar you earn will be yours to keep. This is why it is so important that we reduce tax rates, and that we reduce them for 3 consecutive years.

And for all of you who work hard for your families, and who could succeed over time in raising your incomes, we must make another commitment. We must not allow your rewards and your spirit to be crushed by tax rates designed only to feed an already bloated Federal budget. So, in addition to reducing tax rates for 3 years, we must also reduce those rates across-the-board. Only then can we look you in the eye and say, "We are providing real incentives that will help all Americans create, build and share in a new prosperity." Only then can we truthfully say, "We are making a commitment to your future, and not just to the next election."

We make these commitments without qualifications. They offer half a loaf and less than a promise. Look closely at this chart which compares what the real tax payments will be for people earning \$15,000 under the 2 bills. The dotted line is theirs. Yes, it goes down, as they have boasted, a little more sharply in the first year than ours. But then look what happens. You quickly come to the point where

their tax cut stops and starts going up again. They simply give up and permit Social Security tax increases and bracket creep to take over. But notice how our line keeps descending, then levels off under the impact of indexing. This orange space is the tax money that will remain in your pocket if our bill passes, or leave your pocket if theirs does. And what holds true for people earning \$15,000 also applies to every other taxpayer, whether he or she earns \$20, 30, or \$40,000 or more.

By 1983, under their bill, your tax cut is a memory. Your taxes are rising again and they begin shooting higher and higher as time goes on. So despite all the propaganda you hear, working Americans do much better under our proposal because we will get your tax rates down, and we will keep them down.

As a matter of fact, 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 Democratic 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, indexing to

eliminate bracket creep, and estate tax relief that will keep family farms and family-owned businesses in the family.

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 has worked out between us a tax bill we believe will provide incentive and stimulate productivity, thus reducing inflation and providing jobs for the unemployed.

Our opponents have put together a tax bill simply to defeat us and provide a political victory for themselves. Think back to only a few months ago when they derided and denounced the very idea of a tax reduction as wildly inflationary. Then as we persisted and the voice of the people began to be heard, it seems that suddenly one day they too were for a tax cut -- they were just against ours. They wouldn't hear of a 3 year tax cut. But one day we learned they thought a 2 year cut was practical. Now it's 2 years and maybe 3 if some economic standard is met 2 years from now.

Well, no one has ever had to doubt where we stand. We hold no secrets from the people. We have promoted the idea of across-the-board tax rate reductions, along with reductions in Federal spending, monetary growth and excessive regulations as the cornerstones of our economic policy. We cannot sacrifice one without sacrificing our chances for economic recovery.

So I'm here to say tonight that we cannot go back on the policies of the past. Should there be a 2 year tax cut it would not be sufficient to do the job, and I could not support it.

Let us be unafraid. Let us do what we know to be right, and what the American people want, and what our economy and future generations need.

Now I'd like to speak to you briefly about our Social Security system - the precious lifeline for millions of our elderly, orphaned and disabled. Older Americans have always been considered a national treasure. They must never become a national problem. The 36 million Americans who depend on Social Security are entitled to prompt bipartisan action to resolve its financial problems.

I pledged during the campaign, and have repeated since, that the highest priority of my Administration will be to restore the integrity of the Social Security system. So tonight I want to announce the appointment of a bipartisan Task Force, which will operate under a strict deadline of 5 weeks and be charged with developing a comprehensive reform package.

I understand the Majority Leader of the Senate has also appointed a Task Force, and I would like to request that the Speaker of the House do the same. If we work together, I believe we can reach final decisions by this fall on how to secure our future with a Social Security system that will not shatter the hopes of generations to come.

Our elderly look to us for leadership. The last thing they need right now is the cynical political maneuvering being used by some in the Congress to play on their fears.

I must say I was very disturbed the other evening when I saw a woman in a wheelchair being interviewed by a reporter. The woman was in tears because she was afraid her benefits would be cut off and she has no place to go. I think it is absolutely disgraceful and unconscionable to scare innocent people for crass political gain. I said during the campaign, and I will repeat tonight: We will not stand by and allow anyone who is dependent on Social Security checks to be denied those checks. We have kept our pledge.

The Social Security problem is serious. It is here. It is now. And it must be faced before the American people lose all faith. A recent New York Times-CBS poll showed 54 percent of today's workers doubting they will ever collect Social Security when they retire.

If the Congress does nothing, then by the fall of 1982, there will not be enough money in the OASI Trust Fund to pay benefits to retirees, to widows and to orphan children and their mothers. And the longer the Congress waits, the worse the problem will get. Within the next 5 years, the Social Security deficit could increase to \$111 billion. Within 75 years, it could climb to \$1.5 trillion.

Some accuse us of being too pessimistic, of exaggerating the potential revenue shortfalls. They say we should simply dip into general revenues to bolster the fund.

There's only one problem with that: We don't have any general revenues to dip into. What we have is a nearly \$60 billion deficit. So, more borrowing is not the answer.

Nor is higher taxation. In 1977 the Congress passed a \$227 billion tax increase -- the single-biggest tax increase in peacetime history. And many of those who call us too pessimistic now were also busy reassuring us then. When people like myself said this tax increase was not the way to go, they answered that it would keep Social Security solvent til the year 2030. That was just 4 years ago. Today, we're right back in the same mess we were in. I did not create this mess. But as President, I must and will deal with its consequences.

We can no longer afford to take chances. We can no longer afford to play Russian Roulette with a system so important to so many people. We can begin by eliminating some of Social Security's most flagrant abuses. For example, today a person can be out of work for 5 years and still qualify for disability insurance. I know of no private insurance system in the world where you can collect disability insurance 5 years after you stopped paying your premiums. Government inspectors believe as many as one of every 5 people on the disability rolls today may be ineligible. And some 400,000 retired Government employees are getting pensions from their employers plus an unearned windfall from Social Security. These kinds of activities jeopardize the system at the expense of the truly needy.

Now, much has been made in the press of our attempts to reduce the grants for those who retire early. What the press never seemed to point out was that our plan called for reducing the percentage of total grant the early retiree could receive from 80 percent to 55 percent . . . but then by working only one year and eight months, the early retiree could at some point when he is still 63 take early retirement and get his 80 percent of the full retirement benefit. Think of it this way: That one year and 8 months difference could make all the difference in the survival of the system. We're also willing to consider a more phased-in approach for those nearing age 62 who have made retirement plans, and would be caught by our proposal.

Another point: Present law calls for the Social Security tax and the amount of income subject to that tax to increase several times between now and 1986. Our plan calls for eliminating those increases and even reducing, after a few years, the present Social Security tax. To the young person just starting in the labor force and working to retirement age, this tax reduction alone would mean \$33,000 of additional income which he could put to better use for himself and his family.

Ultimately, the best Social Security system -- the best guarantee for a good future -- is for us to rebuild our economy, to make it strong again and to fulfill the promise that our Nation holds out to all citizens. This brings me back to our tax bill.

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. After all, 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 all mankind.

One road is timid and fearful.

The other road is 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.

TELEVISED SPEECH: SOCIAL SECURITY AND TAXES

Good evening. It's been nearly 6 months since I first reported to you on the state of the Nation's economy. If you'll remember, that report didn't make very good listening. And believe me, I didn't enjoy giving it.

I had to tell you that we were in the worst economic mess since the Great Depression. And I warned that while we had managed for years to postpone our judgment day, we no longer had that luxury. We were out of time.

Well, our situation remains very serious. And tonight I want to talk to you about two problems in particular that are standing between us and economic recovery. But first, let me give you some good news. Because something very exciting has begun to happen in Washington.

Your Government has begun listening to you again. The voice of the people is finally getting through. Millions of Democrats and Republicans, from every profession, every background, and every region of this land, have made Washington understand that it's time to clean up its act. That it's time to bring common sense and plain dealing back into government. And that the way to start doing that is by changing just one little two-letter word: control "by" government, to control "of" government.

Well, I think we're making progress. Some would even say historic progress. Because with the cooperation of Democrats and Republicans, we've done more in a shorter

period of time to set our economy on a sound footing than any government in the past 50 years. Right now, ^{members of the} House and Senate ~~members~~ are putting the final touches on a budget bill that includes more than \$140 billion in savings ^{over the next 3 years.} These spending reductions will be shared by all Americans. And they will also benefit all Americans, as they cause the rate of inflation to begin to decline. We are already seeing the first signs that low inflation is on the way.

What this proves, I think, is that our system can work and will work when we make it work. It proves that Democrats and Republicans can place principle over politics . . . and that we can all have a Government that lives within its means again and that keeps its commitments to us.

All this sounds encouraging, I know. But in truth, it's just the first step of a long climb up a mountain of problems -- problems that result from years of Government mismanagement. The kind of mismanagement that left us with chronic inflation, punishing taxation, record-breaking interest rates, ^{almost} ~~more than~~ 8 million people unemployed, 19 unbalanced budgets in the last 20 years, a national debt nearing \$1 trillion and regulation run wild.

Yes, we have begun to get spending under control . . . But we're still a long, long way from getting government back under control. So tonight I want to speak to you about two other challenges we face. Both important, both serious, and both in urgent need of our attention.

~~OMB
Fed Deficit
x 3080~~

~~Sec. Briden,
Buck, April 1981,
p. 2~~

~~budget
-200-200
p. 13~~

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The first, and it is the highest priority of my Administration, is restoring the integrity of the Social Security system -- that precious lifeline for millions of ^{the} elderly, ^{the} orphaned and ^{the} disabled. The 36 million Americans who depend on Social Security expect and are entitled to prompt bipartisan action to resolve its financial difficulties.

S News, Statement
Sec Schweiker,
1/21/81

Older Americans have always been a community asset.

They must never become a national problem. The last thing they need right now is the kind of cynical political maneuvering being used by some in ^{the} Congress to play on their fears.

of RR to
ward Baker
1/21 - released
1/21/81

Rather than exploit the Social Security problem, we should be working together to solve it; and I call on the Congress tonight to join me in doing just that.

Make no mistake: a problem does exist, it is serious, and the American people know it is serious. A recent New York Times-CBS poll showed 54 percent of today's workers doubting they will ever collect Social Security when they retire.

New York Times,
1/17/81

Changes in demographic patterns and the increasing trend toward early retirement are combining to make funding of Social Security more difficult. The problem is fewer and fewer workers trying to support more and more retirees. In 1950 there were 16 working people contributing to Social Security for every one retired beneficiary. By 1960 the ratio had dropped to 5 to 1. Today it is down to 3.2 to 1; and, within just 50 years, it will have dropped to 2 to 1.

Newsweek, 5/25/81
p 40
S News, Statement
Sec Schweiker,
1/21/81

Paul Simon,
party comm

No matter whose economic forecasts we use, we can't escape one harsh fact: Unless legislative action is taken -- and taken soon -- the Social Security program will be unable to meet its commitments to millions of Americans.

HHS News, Statement of Schweiker, 5/12/81

If the Congress does nothing, then by the fall of 1982, there will not be enough money in the OASI Trust Fund to pay benefits to retirees, to widows and to orphan children and their mothers. And if the Congress persists in shirking its obligations, the problem will only get worse, and worse, and worse. Within the next 5 years, the Social Security deficit could increase to \$111 billion. Within 75 years, it could climb to \$1.5 trillion -- half again as large as our national debt.

HHS News, Statement of the Sec, 5/12/81

Paul Simon?

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So what's the answer? Well, some in the Congress accuse us of being too pessimistic . . . of exaggerating Social Security's potential revenue shortfalls. They say we should simply dip into general revenues to bolster the fund when necessary. There's only one problem with that: We don't have any general revenues to dip into. What we do have is a nearly \$60 billion deficit. So, more borrowing is not the answer.

Pat Moynihan

Nor is higher taxation. In 1977 the Congress passed a \$227 billion tax increase -- the single-biggest, most monstrous tax increase in peacetime history. And many of those who are calling us too pessimistic now were also busy reassuring us back then. When many people, including myself, said this

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huge tax increase was the wrong way to go, they answered that it would keep Social Security solvent for more than 50 years -- til 2030. That was just 4 years ago. Today, we're right back in the same mess we were in,

We can't afford to keep taking chances. We can't afford to be wrong about a system so important to so many people. Now during the campaign, I made a pledge, and I will repeat it tonight: We must do nothing to hurt those presently dependent on Social Security checks. But for the sake of future recipients, we must also move immediately to restore the integrity of the program.

*Boyer-Bush Committee
Policy Statement on
Social Security, n.d.*

For starters, we want to eliminate some of Social Security's most flagrant abuses. For example, in today's system a person can be out of work for 5 years and still qualify for disability insurance. I know of no private insurance system in the world where you can collect disability insurance 5 years after you stopped paying your premiums. Government inspectors believe as many as one of every 5 people on the disability rolls today may be ineligible.

Now, much has been made in the press of our attempts to reduce the ~~grants~~ ^{benefit} for those who retire early. What the press never seemed to point out was that ^{even though} our plan called for reducing the percentage of total ~~grant~~ ^{benefit} the early retiree could receive from 80 percent to 55 percent ^{at age 62} . . . but ~~then~~ by working only one year and eight months ^{more} the early retiree could ~~at some point~~ when he is still 63 take early retirement

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and get ~~his~~ 80 percent of the full retirement benefit. Think of it this way: That one year and 8 months difference could make all the difference in the survival of the system. Now, certainly some people nearing age 62, and having made plans for early retirement, would be caught by our proposal. So in deference to them, we're perfectly willing to consider a ~~more~~ phased-in approach *over a period of years.*

Here's another point: Present law calls for the Social Security tax and the amount of income subject to that tax to increase ~~several~~ ^{three} times between now and ~~1985~~ ¹⁹⁹⁰. Our plan calls for ~~eliminating~~ ^{slowing the growth in} those increases which are now more burdensome for ~~most~~ ^{many} workers than the income tax, and even reducing, after a few years, the present Social Security tax. To the young person just starting in the labor force, and working to retirement age, this tax reduction alone would mean \$33,000 of additional income which he could put to better use for himself and his family.

Income taxed gets up every single year.

Let me add that our plan would solve both the short and long-range funding problems of Social Security, without pushing up the age of retirement to 68, which is what ~~one~~ ^{many} ~~program~~ in the Congress suggests.

I did not create the Social Security mess. But as President I must and will deal with its consequences. So, as I said earlier, it is unfortunate there are people who would rather exploit the issue than work together to solve it. But let me simply remind them of one thing: All the

political rhetoric and demagoguery in the world will not secure one additional dollar of Social Security benefits for ~~their~~ ^{your} constituents. So isn't it about time that the Congress lay aside partisan politics and join me in a constructive effort to put Social Security on a permanently sound financial basis? Nothing more is needed; nothing less will do.

Finally, I'd like to talk to you tonight about another problem that is close to my heart, and that is certainly close to everyone's pocketbook. And that's the problem of taxes. Now perhaps all the recent quarreling over taxes has got you a bit confused. I don't blame you. But let me cut through the fog with one indisputable fact: Our bipartisan coalition offers a real tax reduction; the House Democratic leadership offers only another make-believe tax cut that dissolves into huge tax increases.

A lot of people have not understood this point because the Democratic leadership keeps comparing all of their bill with only part of ours. Well, not tonight.

It amazes me that they can look you in the eye and say "we're reducing your taxes." Because as you can see from ~~this chart~~ ^{this chart prepared by the Treasury}, we propose a full 25 percent reduction -- enough to offset the built-in tax increase of nearly 22 percent -- but they offer only a 15 percent tax cut, and no tax cut at all for 1984.

And isn't it ironic that while the Democratic leadership says it's too dangerous to give individuals like you a 3-

year tax cut, they have already committed themselves to cut business taxes for ~~ten~~¹⁰ years?

President's Bipartisan Tax Program: Talking Points 7/22/81

Now, just recently they've begun talking about the possibility of triggering a third-year tax cut if economic conditions improve. But by holding the people's tax reduction hostage to future economic events, they will be removing the certainty people need to begin saving or investing more of their money -- precisely what is needed to get our economy back on track. So a trigger is not a way to promote a third-year tax cut: it's a way to preclude one.

President's Bipartisan Tax Program: Talking Points, 7/22/81

And remember something else too: This trigger was designed by people who don't believe in cutting taxes. As a matter of fact, the House Democratic leadership appointed the people to chair the committees which allowed the taxes you pay to double in just the last 5 years. Think of that!

Will Rogers paraphrase here from Bartlett's, p. 266, 'I joked about every eminent man in my lifetime, but I never spoke of one I didn't like.'

If I could paraphrase Will Rogers' line about never having met a man he didn't like, it seems too many of them have never met a tax they didn't hike. You see, if we're sincere about reducing taxes, then we have to do better than the typical, one-shot, here-today, gone-tomorrow rebates of old.

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(Elliott) *Bygones*

July 24, 1981

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And well, I think we're making progress. Some would even say historic progress. Because with the cooperation of

Democrats and Republicans, we've done more in a shorter period of time to set our economy on a sound footing than any government in the past 50 years. Right now, ^{Members of the} House and Senate ~~Members~~ are putting the final touches on a budget bill that includes more than \$140 billion in savings. X

These spending reductions will be shared by all Americans. And they will also benefit all Americans, or ~~that~~ cause the rate of inflation to begin to decline. We are already seeing the first signs that low inflation is on the way. X

What this proves, I think, is that our system can work and will work when we make it work. It proves that Democrats and Republicans can place principle over politics . . . and that we can all have a government that lives within its means again and that keeps its commitments to us. X

All this sound encouraging to know. But in truth, it's just the first step of a long climb up a mountain of problems -- problems that result from years of government mismanagement. The kind of mismanagement that left us with chronic inflation, punishing taxation, record-breaking interest rates, more than 8 million people unemployed, 19 unbalanced budgets in the last 20 years, a national debt nearing \$1 trillion and regulation run wild. X

Yes, we have begun to get spending under control . . . But we're still a long, long way from getting government back under control. So tonight I want to speak to you about two other challenges we face. Both important, both serious, and both in ^{urgent} need of our attention. X

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HS Press Release, statement of Sec. Schweiker

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letter of Ronald Reagan to Sen. Howard Baker, Tip O'Neill, Robert Kennedy, Robert Michel 7/11/81 - released to press 7/20/81

X

Make no mistake: a problem does exist, it is serious, and the American people know it is serious. A recent New York Times-CBS poll showed 54 percent of today's workers doubting they will ever collect Social Security when they retire.

Changes in demographic patterns and the increasing trend toward early retirement are combining to make funding of Social Security more difficult. The problem is fewer and fewer workers trying to support more and more retirees. In 1950 there were 16 working people contributing to Social Security for every one retired beneficiary. By 1960 the ratio had dropped to 5 to 1. Today it is down to 3.2 to 1; and, within just 50 years, it will have dropped to 2 to 1.

No matter whose economic forecasts we use, we can't escape one harsh fact: Unless legislative action is taken -- and taken soon -- the Social Security program will be unable to meet its commitments to millions of Americans.

If Congress does nothing, then by the fall of 1982, there will not be enough money in the OASI Trust Fund to pay benefits to retirees, to widows and to orphan children and their mothers. And if Congress persists in shirking its obligations, the problem will only get worse, and worse, and worse. Within the next 5 years, the Social Security deficit could increase to \$111 billion. Within 75 years, it could climb to \$1.5 trillion -- half again as large as our national debt.

So what's the answer? Well, some in Congress accuse us of being too pessimistic . . . of exaggerating Social Security's potential revenue shortfalls. They say we should simply dip into general revenues to bolster the fund when necessary. There's only one problem with that: We don't have any general revenues to dip into. What we do have is a nearly \$60 billion deficit. So, more borrowing is not the answer.

Nor is higher taxation. In 1977 Congress passed a \$227 billion tax increase -- the single-biggest, most monstrous tax increase in peacetime history. And many of those are calling us too pessimistic now were also busy reassuring us back then. When many people, including myself, said this huge tax increase was the wrong way to go, they answered that it would keep Social Security solvent for more than 50 years --

til 2030. That was just 4 years ago. Today, we're right back in the same mess we were in.

We can't afford to keep taking chances. We can't afford to be wrong about a system so important to so many people. Now during the campaign, I made a pledge, and I will repeat it tonight: We must do nothing to hurt those presently dependent on Social Security checks. But for the sake of future recipients, we must also move immediately to restore the integrity of the program.

For starters, we want to eliminate some of Social Security's most flagrant abuses. For example, in today's system a person can be out of work for 5 years and still qualify for disability insurance. I know of no proviate insurance system in the world where you can collect disability insurance 5 years after you stopped paying your premiums. Government inspectors believe as many as one of every 5 people on the disability rolls today may be ineligible.

Now much has been made in the press of our attempts to reduce the grants for those who retire early. What the press never seemed to point out was that our plan called for reducing the percentage of total grant the early retiree could receive from 80 percent to 55 percent . . . but then by working only one year and eight months, the early retiree could at some point when he is still 63 take early retirement and get his 80 percent of the full retirement benefit. Think of it this way: That one year and 3 months difference could

make all the difference in the survival of the system. Now, certainly some people nearing age 62, and having made plans for early retirement, would be caught by our proposal. So in deference to them, we're perfectly willing to consider a more phased-in approach.

Here's another point: Present law calls for the Social Security tax and the amount of income subject to that tax to increase several times between now and 1986. Our plan calls for eliminating those increases which are now more burdensome for most workers than the income tax, and even reducing, after a few years, the present Social Security tax. To the young person just starting in the labor force, and working to retirement age, this tax reduction alone would mean \$33,000 of additional income which he could put to better use for himself and his family.

Let me add that our plan would solve both the short and long-range funding problems of Social Security, without pushing up the age of retirement to 68, which is what one program in the Congress suggests.

I did not create the Social Security mess. But as President I must and will deal with its consequences. So, as I said earlier, it is unfortunate there are people who would rather exploit the issue than work together to solve it. But let me simply remind them of one thing: All the political rhetoric and demogoguery in the world will not secure one additional dollar of Social Security benefits for your constituents. So isn't it about time that the Congress

lay aside partisan politics and join me in a constructive effort to put Social Security on a permanently sound financial basis? Nothing more is needed; nothing less will do.

Finally, I'd like to talk to you tonight about another problem that is close to my heart, and that is certainly close to everyone's pocketbook. And that's the problem of taxes. Now perhaps all the recent quarreling over taxes has got you a bit confused. I don't blame you. But let me cut through the fog with one indisputable fact: Our bipartisan coalition offers a real tax reduction; the House Democratic leadership offers only another make-believe tax cut that dissolves into huge tax increases.

A lot of people have not understood this point because the Democratic leadership keeps comparing all of their bill with only part of ours. Well, not tonight.

It amazes me that they can look you in the eye and say "we're reducing your taxes." Because as you can see from this chart, we propose a full 25 percent reduction -- enough to offset the built-in tax increase of nearly 22 percent -- but they offer only a 15 percent tax cut, and no tax cut at all for 1984.

And isn't it ironic that while the Democratic leadership says it's too dangerous to give individuals like you a 3-year tax cut, they have already committed themselves to cut business taxes for ten?

Now, just recently they've begun talking about the possibility of triggering a third-year tax cut if economic

conditions improve. But by holding the people's tax reduction hostage to future economic events, they will be removing the certainty people need to begin saving or investing more of their money -- precisely what is needed to get our economy back on track. So a trigger is not a way to promote and third-year tax cut: it's a way to preclude one.

And remember something else too: This trigger was designed by people who don't believe in cutting taxes. As a matter of fact, the House Democratic leadership appointed the people to chair the committees which allowed the taxes you pay to double in just the last 5 years. Think of that!

If I could paraphrase Will Rogers' line about never having met a man he didn't like, it seems too many of them have never met a tax they didn't hike. You see, if we're sincere about reducing taxes, then we have to do better than the typical, one-shot, here-today, gone-tomorrow rebates of old.

We must make the people a commitment. The kind of commitment that says if you work or save more tomorrow than you did today, then your reward will be higher. More of every added dollar you earn will be yours to keep. This is why it is so important that we reduce tax rates, and that we reduce them for 3 consecutive years.

And for all of you who work hard for your families, and who could succeed over time in raising your incomes, we must make another commitment. We must not allow your rewards and your spirit to be crushed by tax rates designed

only to feed an already bloated Federal budget. So, in addition to reducing tax rates for 3 years, we must also reduce them across-the-board. Only then can we look you in the eye and say, "We are providing real incentives that will help all Americans create, share and build in a new prosperity." Only then can we truthfully say, "We are making a commitment to your future, and not just to the next election."

We make these commitments without qualifications. They offer you half a loaf and less than a promise. Look closely at these charts which show what the real tax payments will be for income earners between \$15,000 and \$30,000 under the 2 bills. The dotted line is theirs. Yes, it goes down, as they have boasted, a little more sharply in the first year than ours. But then look what happens. You quickly come to the point where their tax cut stops and starts going up again. They simply give up and permit Social Security tax increases and bracket creep to take over. But notice how our line keeps descending, then levels off under the impact of indexing. This orange space is the last money that will remain in your pocket if our bill passes, or leave your pocket if theirs does.

Paul
Simmons 547-6577

Dep't of Pub. Affairs

Deputy Commissioner / SSA

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE PRESIDENT

FROM: Speechwriting Research Department
VIA: Anthony R. Dolan
DATE: July 27, 1981
SUBJECT: RECOMMENDED CHANGES ON TELEVISION ADDRESS DRAFT

Page 1 paragraph 3 Paragraph needs to be changed to avoid conflict with the elimination of Social Security benefits presently being handled by Conference Committee. More stress should be placed on fact that no "earned benefits" will be eliminated as opposed to "unearned benefits" which are being eliminated. (Source: Paul Simmons, Deputy Commissioner, Social Security Administration, 245-7654.)

Page 2 paragraph 3 Add "an estimated" to "\$100 billion to the cost of things we buy" for clarification.

Page 3 paragraph 3 Substitute "19 out of the last 20 years" for "10 out of the last 20 years."

Page 4 paragraph 2 Substitute "recent poll shows that a year and a half ago..." for "recent poll shows that a year ago...".

Page 6 paragraph 3 Insert "It has been estimated that..." before "If you earned \$10,000...". Substitute 1972 for 1971; substitute 19,860 for 19,850; change tenses to read "come April 15, 1981, you found your tax rates had increased 33 percent."

RE: RECOMMENDED CHANGES ON TELEVISION ADDRESS DRAFT

Page 2

- Page 8 paragraph 1 Substitute "almost 20 years" for "more than 20 years" to accomodate Kennedy tax cut in 1964.
- Page 8 paragraph 2 Cannot substantiate "democratic leadership declared a tax cut was out of the question." Suggest "there were those who declared..." and deletion of sentence "That was in January."
- Page 8 paragraph 3 Change "the leadership discovered..." to "the Democratic leadership discovered..."
- Page 8 paragraph 4 Economic model at Treasury Department is being rerun to substantiate the \$7 billion figure.
- Page 10 continuing paragraph, line 2 Suggest change in lines 2 through 5 to read "As you can see, for people earning \$15,000 a year the committee tax cut is slightly more generous than ours -- for the first 2 years -- then taxes start going up..." to accomodate chart Treasury prepared.
- Page 11 paragraph 5 Suggest change from "...in the beginning didn't want a tax bill..." to "...in the beginning didn't want a tax cut..."

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR ANTHONY R. DOLAN

FROM: Daryl S. Borgquist *DSB*
Julie A. Cave *JAC*
Misty L. Church *MJC*

DATE: July 26, 1981

SUBJECT: SUBSTITUTE PARAGRAPH ON SOCIAL SECURITY

Some suggested remarks for the third paragraph on page 1 from Paul Simmons, Deputy Commissioner of the Social Security Administration (245-7654):

Our next priority after the tax bill has got to be to make sure that our Social Security system is alive and well and here to serve you and your children and their children for generations to come. I pledged to you in my campaign, and I pledge to you now as your President, that I will work with the Congress in the months to come to make that happen. We will have a bipartisan plan to rescue the system. We will do it without taking away your hard-earned benefits. We will do it in a way that preserves the basic benefit structure of the system. Those who have paid into Social Security all of their working lives must be confident that their hard-earned dollars will come back to them. *J*



Associated Press

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DEMOCRATS TO SEEK SIGNIFICANT CHANGES IN TAX-CUT PROPOSAL

FORMAL RESPONSE TO REAGAN

Congressmen Back Rise in Military Funds but Say Tax Reduction Would Worsen Inflation

By MARTIN TOLCHIN

Special to The New York Times

WASHINGTON, Feb. 20 — In a formal response to President Reagan's economic package, Congressional Democrats said today that they would propose major revisions in the President's tax plan and lesser changes in his proposal for \$41.4 billion in budget cuts.

The Democrats said in televised remarks that their party regarded the President's proposal, which would provide a 10-percent-a-year tax cut over three years, as inflationary and inequitable and preferred a cut that they said would more effectively increase productivity and jobs. They also expressed concern that the budget cuts were tilted toward the rich at the expense of the poor.

But the Democrats praised President Reagan's "initiative," acknowledged that he had presented a bold new plan, and welcomed his offer of a partnership with Democrats and Republicans in Congress. "There is much in the President's program that most of us can enthusiastically embrace," said Representative Jim Wright, Democrat of Texas, the House majority leader.

Cut in Regulations Favored

The Democrats' remarks, which offered few specifics, came in response to the President's proposal for a \$695.5 billion budget for the fiscal year 1982, which begins Oct. 1. This would be higher than the estimated budget of \$654.7 billion for the current fiscal year, but \$41.4 billion below what the Reagan Administration said current programs would cost if no changes were made in the Carter Administration's budget for fiscal 1982.

Pushing ahead with its public relations campaign to persuade Congress to accept Mr. Reagan's proposals, the Administration announced that Cabinet secretaries would hold a series of news conferences from Monday through Friday of next week. [Page 9.]

Representative Wright said that the enthusiasm for the budget package at the Capitol extended to the President's proposals for "refurbishing the nation's defenses, encouraging private investment to modernize America's industrial machinery, lifting the burden of unnecessary Government regulation, cutting expenses and restoring more local control over the schools."

'Better Off Than 20 Years Ago'

But he termed "hardly warranted" the President's assertion that the nation

OPEC REPORTED PLAN OUTPUT CUT

at Secret Meeting, Said to to Lift Price \$2 a Barrel

By DOUGLAS MARTIN

Oil ministers of the Organization of Petroleum Exporting Countries met in secret in Geneva yesterday and before and, oil industry sources said, toward cutting back oil production to keep prices up in the face of supplies and weak demand.

Result of the meeting, which lasted a half, Saudi Arabia indicated it intended to cut production by 2 million barrels a day, to about 8.3 million, according to Harry Neustein, a crude oil analyst who said he had talked by telephone with OPEC officials yesterday.

OPEC nations are said to have a willingness to cut production of about 500,000 barrels daily.

Oil Prices May Raise Price

Oil sources in the United States are said that in a move to the oil markets believed to have occurred at the Geneva meeting,

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Associated Press

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DOUGLAS MARTIN

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Other OPEC nations are said to have
agreed to cut production
by about 500,000 barrels daily,

Oil May Raise Price

Oil sources in the United States
said that in addition to the
output cuts believed to have
been agreed at the Vienna meeting,
Saudi Arabia appeared ready to raise the
basic grade of crude oil to \$34
a barrel, which could add an
average of a penny a gallon to gasoline
prices in the United States.

The United States now imports more
than 6 million barrels a day from Saudi
Arabia, the largest single contributor to
the country's 8 million barrels in total
oil imports.

Oil analysts and company offi-
cials said production cutbacks of about
1 million barrels a day would raise
oil prices by about 50 cents a barrel.

Continued on Page 37, Column 5

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'Better Off Than 20 Years Ago'

But he termed "hardly warranted" the
President's assertion that the nation
faced its biggest economic crisis since the
Depression. "The average person is far
better off today than 20 years ago," Mr.
Wright said, contradicting a statement
by Mr. Reagan in a Feb. 6 speech that
"we are very much worse off" than in
1960.

Mr. Wright's remarks, and those of
Senators Lawton Chiles of Florida and
Gary Hart of Colorado, were made in
separate 30-minute question-and-answer
presentations produced by ABC News

Continued on Page 9, Column 1

Hester County Airport Closed In Dispute With F.A.A. Over Safety

By RICHARD WITKIN

Hester County Airport was closed
yesterday by County Executive
DelBello. He acted after a
crash at the edge of an ice-
covered runway closed the airport and after an
agreement with Federal offi-
cials to deal with safety issues
in the wake of the accident.

DelBello said he closed the airport
after receiving word from the Federal Aviation Adminis-

It was because the Texasgulf plane had
been following the same I.L.S. and be-
cause the cause of that crash was still a
mystery that the incident Thursday ini-
tially caused so much concern. It raised

Continued on Page 26, Column 1

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Democrats to Seek Changes in Reagan Plan

Continued From Page 1

NBC News and broadcast this evening. CBS declined the Democrats' request for time to respond this evening, instead broadcasting its popular series "Dallas." Network officials said that the Democrats, including leaders in and out of Congress, would be invited to respond next week.

Republican strategists meanwhile, said they expected the Republican-controlled Senate to move swiftly to approve the bulk of the President's budget cuts, perhaps within four weeks. But they expected the Democratic-controlled House to balk at many of the proposals, and delay final action until July. The leadership-controlled Committees on Rules and on Ways and Means in the House were expected to be particular stumbling blocks, they said. The Republicans were nonetheless hopeful that 75 percent of the President's program would be enacted, a singular victory for any Administration.

The Congressional Democrats took special aim at the President's tax-cut plan. The legislation has been opposed by Republican leaders of Congress, including Senator Bob Dole of Kansas, chairman of the Finance Committee, and Representative Barber Conable of upstate New York, ranking Republican on the Ways and Means Committee.

One-Year Trial Proposed

Senator Chiles said, "I think it would not be a crime to the people to send them a tax relief written in red ink, that is, only to add to their income taxes, not add to inflation." The senator asked that the bill be written in red ink, and that he be allowed to add to the consumer demand, and that he be allowed to add to inflation.

Senator Hart suggested some way to deal with "the very same."

The most critical question is whether

President's package is the tax cut," he said on the ABC News program. "This is a gamble. It is based upon an economic theory, and that's all."

Mr. Hart questioned the wisdom of linking the budget cuts, which he considered anti-inflationary, with the tax cuts, which he considered inflationary.

"The American people are very smart," the Senator said. "They don't understand going down two tracks at the same time. That's where the problem in this program lies."

Alterations in Tax Plan

Mr. Wright pledged that "we will alter the tax package so that it won't be so inflationary, and in fact we'll have a tax package that will be deflationary," adding, "It won't be so inequitable."

Mr. Wright said that middle-class taxpayers would receive less than the rich if the tax cuts were carried out.

The Democrats also expressed concern over the budget cuts.

"We will want to look at the spending cut list very closely, to see that it doesn't discriminate against people who are least

able to help themselves," Senator Hart said.

"I think it's clear to all of us that there's a solid majority on both sides of the aisle to control Federal spending," Mr. Hart continued. "We want a program that is not partisan. If the President helps us build a consensus that is fair and balanced to our society, then I think we can control that spending."

Stockman Questioned Closely

In the same vein, David A. Stockman, director of the Office of Management and Budget, was closely questioned at a hearing by Representative Henry S. Reuss, Democrat of Wisconsin, chairman of the Joint Economic Committee.

"The largest budget cuts fall very heavily on those on the margin of poverty," Mr. Reuss told Mr. Stockman at a committee meeting this morning. "By contrast, the largest tax cuts are those being given to the very affluent. The question is whether our social fabric can stand such a redistribution from the have-nots to the haves. The rich oxes could stand a little more going."

Mr. Stockman replied, "We made a strenuous effort to find rich oxes to gore, but we did not find many." He added, "Congress has not been passing welfare programs for the rich."

The Democrats served notice that they intended to have a major impact on the President's economic package. "I believe that Democrats in both Houses of Congress will hold this program out," Senator Hart said. "We must include energy, and we must include the problem of the wage and price spiral."

But the Democrats, guided in part by their own polls, which indicate that the voters overwhelmingly want budget cuts, repeatedly pledged their cooperation.

"We're not going to try to obstruct the President," Mr. Wright said. "We're going to be constructive, and help him achieve what we all want for this country—peace."

Energy Chief Asks Reagan to Bar Cuts in Nuclear Industry Budget

WASHINGTON, Feb. 21 (UPI)—Energy Secretary James H. Edwards has asked President Reagan to override sharp budget cuts proposed for the nuclear power industry, it was reported today.

The 21-Column First Dispatch reported that Mr. Edwards had sent a letter to Mr. Reuss asking that he reverse the proposal by David A. Stockman, director of the Office of Management and Budget.

The proposed cuts are not part of the package Mr. Reagan presented to Congress on Wednesday. Mr. Stockman said he had proposed the nuclear program cuts in a separate bill on March 10.



Senator Lawton Chiles of Florida, left, Senator Gary Hart of Colorado, yesterday in Washington before taping the Democratic Party's...

FEB 21, 1981

and the airline, trucking, rail and com-
ported by tough action.

Ensuring Economic Strength

During the last decade our nation has withstood a series of economic shocks unprecedented in peacetime.

The economy has proved to be remarkably resilient. Real output has grown at an average rate of 3 percent per year since I took office, and employment has grown by 10 percent. We have added about 8 million productive private sector jobs to the economy. However, unacceptably high inflation — the most difficult economic problem I have faced — persists

This inflation, which threatens the growth, productivity and stability of our economy, requires that we restrain the growth of the budget to the maximum extent consistent with national security and human compassion. I have done so in my earlier budgets, and in my fiscal year 1982 budget. However, while restraint is essential to any appropriate economic policy, high inflation cannot be attributed solely to government spending. The growth in budget outlays has been more the result of economic factors than the cause of them.

We are now in the early stages of economic recovery following a short recession. Typically, a post-recessionary period has been marked by vigorous economic growth aided by antirecessionary policy measures such as large tax cuts or big, stimulation spending.

programs. I have declined to recommend such actions to stimulate economic activity, because the persistent inflationary pressures that beset our economy today dictate a restrained fiscal policy.

Accordingly, I am asking the Congress to postpone until January 1, 1982, the personal tax reductions I had earlier proposed to take effect on January 1 of this year.

However, my 1982 budget proposes significant tax changes to increase the sources of financing for business investment. While emphasizing the need for continued fiscal restraint, this budget takes the first major step in a long-term tax reduction program designed to increase capital formation.

The failure of our nation's capital stock to grow at a rate that keeps pace with its labor force has clearly been one cause of our productivity slowdown. Higher investment rates are also critically needed to meet our nation's energy needs, and to replace energy-inefficient plants and equipment with new energy-saving physical plants. The level of investment that is called for will not occur in the absence of policies to encourage it.

Therefore, my budget proposes a major liberalization of tax allowances for depreciation, as well as simplified depreciation accounting, increasing the allowable rates by about 40 percent.

invasion of Afghanistan and the imposition of a puppet government have highlighted in the starkest terms the darker side of their policies — going well beyond competition and the legitimate pursuit of national interest, and violating all norms of international law and practice.

Bilateral Communication

U.S.-Soviet relations remain strained by the continued Soviet presence in Afghanistan, by growing Soviet military capabilities and by the Soviets' apparent willingness to use those capabilities without respect for the most basic norms of international behavior.

But the U.S.-Soviet relationship remains the single most important element in determining whether there will be war or peace.

Poland

Now, as was the case a year ago, the prospect of Soviet use of force threatens the international order. The Soviet Union has completed preparations for a possible military intervention

*NCT
1-17-81
AIO*

*Excerpts from Carter
State of Union
The 1982 Budget*

The fiscal year 1982 budget I have sent to the Congress continues our four-year policy of prudence and restraint

In 1976, before I took office, the budget deficit equaled 4 percent of gross national product. It had been cut to 2.3 percent in the 1980 fiscal year just ended. My 1982 budget contains a deficit estimated to be less than 1 percent

Defense Budget

The Soviet Union has built a war machine far beyond any reasonable requirements for their own defense and security. In contrast, our own defense spending declined in real terms every year from 1968 through 1976.

We have reversed this decline in our own effort. Every year since 1976 there has been a real increase in our defense spending, and our lead has encouraged increases by our allies. With the support of the Congress, we must and will make an even greater effort in the years ahead.

The fiscal year 1982 budget would increase funding authority for defense to more than \$196 billion. This amount, together with a supplemental request for fiscal year 1981 of about \$6 billion, will more than meet my Administration's pledge for a sustained growth of 3 percent in real expenditures and provides for 5 percent in program growth in fiscal year 1982 and beyond.

The trends we mean to correct cannot be remedied overnight; we must be willing to see this program through. To ensure that we do so I am setting a growth rate for defense that we can sustain over the long haul.

in the Federal budget is the rising cost of retirement programs, particularly Social Security. We face other important domestic needs: to continue responsibility for the disadvantaged; to provide the capital needed by our cities and our transportation systems; to protect our environment; to revitalize American industry, and to increase the



Enjoy an instant holiday from the agony of lower back pain with Add Ease™ Back Cushion. Medical studies prove that misalignment of your spine's lower lumbar region can cause abnormal pressure and resulting painful backache. Add Ease™ gives you just the right amount of firm support to take pressure off your back and on the Cushion so you can relax. You get immediate relief and comfort as you sit while driving, dining, reading, watching TV, etc. Lightweight, compact and portable for easy take-along and use anywhere. Made of durable stitched vinyl 5 years of service. Great for extended sitting situations such as car trips, air travel, office desk, or for invalids and the elderly. Add Ease™ Back Cushion must give you instant relief or your purchase price instantly refunded. Order NOW for fast delivery.

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Signature _____
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ADDRESS _____
CITY _____

Carter Warns of Unemployment,

Comparison of Tax Rate Schedules under Present Law, the Ways and Means Committee Proposal
and the Senate Finance Committee Proposal

Joint Returns

Taxable income brackets	Present Law	Ways and Means Committee proposal 1/			Senate Finance Committee proposal		
		1982	1983	1984	1982	1983	1984
Below \$3,400	0	0	0	0	0	0	0
3,400 - 5,500	14%	13%	11%	11%	12%	11%	11%
5,500 - 7,600	16	14	13	13	14	13	12
7,600 - 11,900	18	15	14	14	16	15	14
11,900 - 16,000	21	19	18	18	19	17	16
16,000 - 20,200	24	21	19	19	22	19	18
20,200 - 24,600	28	23	22	22	25	23	22
24,600 - 29,900	32	28	25	25	29	26	25
29,900 - 35,200	37	34	34	34	33	30	28
35,200 - 45,800	43	41	41	41	39	35	33
45,800 - 60,000	49	49	48	48	44	40	38
60,000 - 85,600	54	53	50	50	49	44	42
85,600 - 109,400	59	58	50	50	50	48	45
109,400 - 162,400	64	60	50	50	50	50	49
162,400 - 215,400	68	60	50	50	50	50	50
215,400 and over	70	60	50	50	50	50	50

Handwritten notes on the right side of the table:
 -2 (next to 17)
 11% (next to 16)
 17.1 (next to 28)
 23% (next to 33)
 19.5 (next to 38)

Office of the Secretary of the Treasury
Office of Tax Analysis

July 15, 1981

1/ Taxable income bracket amounts shown must be increased by \$400 under the Ways and Means Committee Proposal to conform to their proposed increase in the zero bracket amount from \$3,400 to \$3,800 beginning in 1982.



THE LIBRARY OF CONGRESS

July 8, 1981

Ms. Brown:

With reference to our telephone conversation yesterday, I enclose a copy of Carl Schurz' speech of May 30, 1860. The quotation in question begins at the bottom of the first page and following...

Vty,

Donald A. Baskerville
Donald A. Baskerville

287-5516

THE
CAMPAIGN OF 1860

COMPRISING THE

SPEECHES

OF

ABRAHAM LINCOLN, WILLIAM H. SEWARD
HENRY WILSON, BENJAMIN F. WADE,
CARL SCHURZ, CHARLES SUMNER,
WILLIAM M. EVARTS, &c.



ALBANY:
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REPUBLICAN NOMINATIONS.

S P E E C H

OF

C A R L S C H U R Z,

AT THE

MILWAUKEE RATIFICATION MEETING,

ON WEDNESDAY EVENING, MAY 30, 1860.

MR. PRESIDENT AND GENTLEMEN :

As one of the delegates who had the honor to represent the Republicans of Wisconsin in the National Convention, I feel called upon to give you a brief account of our doings and of the views which guided us in our course. We have faithfully endeavored to do our duty, as we understood it, and I am bold enough to assume that our understanding of it did not differ from yours.

We went there not only for the purpose of subserving the interests of the party, but above all of promoting the interests of our *cause*.

The question to be solved at Chicago, as we understood it, was not only how we could beat the Democracy, but whether a defeat of the Democracy would be a victory of Republicanism. We do not forget that there are triumphs which are no victories, and that such triumphs, dangerous and treacherous as they always will be, may become even worse than defeats; for, being the triumphs of politicians instead of the cause, they will loosen the moral bonds which hold a party together, and substitute in their place the mere cohesive power of public plunder.

We are well aware, that for some time previous to the meeting of the National Convention, in some Republican newspapers, in speeches and private circulars, an extreme tenderness was shown for the prejudices and susceptibilities of those, who had never acted with us, while much less regard was paid to the feelings and preferences of the Republican masses. We expected to see this policy urged upon the National Convention, and we were determined to present to it a bold and unflinching opposition. For, we thought we appreciated the true element of our strength. We knew that mere drill and discipline, and party dictation would never drive the Republican masses into silent obedience to the mandates of that convention, if those mandates run contrary to the popular conscience. We kept in mind that the Republican party had sprung from the indignation of the people

name as high as possible. Nor did we follow the example of those who changed their votes after the decisive ballot, before the final result was announced; not as though we had been opposed to Mr. Lincoln, than whom there is no truer man in the nation, but because we thought we owed it to our old chieftain, that, if fail we must, he should withdraw with the honors of war, surrounded by an unbroken column of true and devoted friends. So New York, Wisconsin, Michigan and some delegates from other States, stood together to the last. Thus was this debt of honor discharged; we considered it honestly due, and it was honestly paid.

I need hardly, say, sir, that when the motion was made to make Mr. Lincoln's nomination unanimous, we seconded it without any sacrifice of feeling, and when it was carried, we heartily joined in the general enthusiasm. We had not gone there, to have our candidate nominated or none; but with the royal intention to subordinate our individual judgment to the judgment of the majority, provided the convention asked of us nothing inconsistent with our consciences as anti-Slavery men, and the dignity of the Republican cause. And I do not hesitate to say, that if Gov. Seward had not been in the field, Mr. Lincoln would, unless I mistake the temper of our people, in all probability, have been the first choice of Wisconsin. Although Gov. Seward failed, Mr. Lincoln's nomination nailed the good old Republican banner to the mast as boldly and defiantly as ever.

Mr. President, I had the honor to be a member of that committee who were to carry to Mr. Lincoln the official announcement of his nomination. The enthusiasm with which we were received at Springfield was boundless. There we saw Mr. Lincoln's neighbors, and it became at once apparent that those who knew him best, loved and esteemed him most. And then I saw Mr. Lincoln again, for I had met him before in that memorable senatorial campaign in Illinois, when he, as a man of true and profound convictions, although discountenanced and discouraged by many leading Republicans, who thought it good policy to let Mr. Douglas return to the Senate without opposition, threw himself forward for the imperiled purity of our principles, grasped with a bold hand the Republican banner, which was in danger of sinking into the mire of compromise and unnatural combinations, and held it up proudly aloft in one of the fiercest struggles the country ever witnessed. I met him then, in the thick of the fight, when he bearded the lion of demagogism in his den, when the brilliant sallies of his wit and sarcasm drew shouts of delight from the multitude, when the thunderbolts of his invective rattled triumphantly against the brazen front of Stephen A. Douglas, when the lucid, unanswerable logic of his arguments inspired every patriotic heart with new confidence in the justice of our cause, and when under his powerful blows the large Democratic majority of Illinois dwindled down to nothing. There I saw him do what perhaps no other man in the nation would have done. There I learned to confide in the patriot and the defender of profound convictions, to esteem the statesman and to love the man.

And, now, I saw him again, surrounded by the committee of the national convention who had come to lay in his hands the highest honor and the greatest trust which a political party has to bestow—an honor which he had not thought of in his hard fought battles, which he had not craved and had hardly been sanguine enough to expect. There he stood silently listening to the address of our chairman; his eyes downcast; in his soul, perhaps, a feeling of just pride struggling with the overawing consciousness of respon-

sibility. Then he answered, thanking them for the honors bestowed upon him and accepting the leadership in the great struggle, not with the exulting tone of one who has achieved a personal triumph; not with the pompous airs and artificial dignity of one who is conscious of standing upon the great stage of the world, but with that unaffected modest simplicity of a man who is strong in the consciousness of his ability and his honest intention to do right.

Many of those who now surrounded him had voted for other candidates in the convention, and some, still laboring under a feeling of personal disappointment, had come there not without some prejudice unfavorable to Mr. Lincoln. But when they saw a man who had worked his way from the humblest station in life to his present eminence, not by fast speculations or adventurous efforts, not on the wing of good luck, but by quiet, steady labor, unswerving fidelity to principle and his private and public duties, by the vigor of his genius and the energy of his character—the man who had won the confidence of the people and was now lifted upon the shield of a great national party, not by ingenious combinations and adroit management, but by the popular instinct—unfettered by promises, unpledged to anybody and anything but the people and the welfare of our country, his hands free to carry out the honest dictates of his pure conscience, a life behind him, not only above reproach, but above suspicion, a problem before him, for the solution of which he was eminently fitted by the native virtues of his character, the high abilities of his mind, and a strong honest purpose, then they all felt, with this pure and patriotic statesman, all those great qualities would return to the white house, which makes republican government what it ought to be—a government founded upon virtue. And an Eastern delegate, who had voted against him in the convention, whispered to me in a tone of the highest satisfaction: "Sir, we might have done a more daring thing, but we certainly could not have done a better thing."

I cannot find words strong enough to designate the silliness of those who sneeringly affected to see in Mr. Lincoln but a second or third rate man, who, like Polk and Pierce, had been taken up merely for the purpose of expediency. Let them ask Mr. Douglas, from whose hands he wrested the popular majority in Illinois; let them ask those, who once felt the magic touch of his lucid mind and honest heart; let his detractors ask their own secret misgivings, and in their own fears they will read the cause of the joy and assurance of his friends. They whistle in order to keep up their courage; but, methinks it is a doleful sound. So, then, we stand before the people, with the platform of free labor, and upon it a true representative of free labor, as a candidate for the presidency. On this attitude we challenge our enemies to the battle.

On our flank we are threatened by the Constitutional Union—non-descript; by that party of dry hearts and dead weights, who recently assembled at Baltimore, and, conscious of their inability to make a platform, adopted a sentence from a fourth of July oration as their common creed, and will in all probability circulate Mr. Everett's Mount Vernon papers as their principal campaign documents. They know no north, no south, no east, no west, no anything, and least of all they know themselves. See them march on, ready to charge, gently and with forbearance, lest they step upon somebody's toes, and slowly and noiselessly, lest their own soldiers, frightened by their own impetuosity, suspect themselves of sinister designs—for theirs is an army which by the accidental explosion of a percussion cap might be thrown into the most frightful disorder. It is said that one of

their candidates contemplates declining the nomination. Let him well ponder what he is doing. Let him not, with his accustomed rashness in political matters, skip over so awful a responsibility; upon his resolution so or so may depend a difference of five or ten votes at the next national election.

In front we face the Democracy. Thanks to the restless impatience of Mr. Douglas's ambition; and to his unscrupulous duplicity, the Democratic party is fast falling to pieces. Indeed we are greatly indebted to that man. When, by the Nebraska bill, and the invention of the popular sovereignty dodge, he tried to gain the favor of the south, he helped build up the Republican party in the north; and when by refusing to acknowledge the logical consequences of his own position, he tried to retrieve his fortunes at the north, he disorganized the Democratic party at the south. And even lately he demonstrated the existence of the irrepressible conflict more clearly and forcibly, with due deference to Gov. Seward be it said, than ten Rochester speeches could have done. He is like the fellow who, in order to get at the apples that hung rather high, cut down the tree. Yes, that man has done much of our work, and he did it voluntarily, gratis, for nothing. Let us be honest enough to confess it; for, sir, I really do not see why the church should refuse to acknowledge its obligations to the devil.

It is not owing to his laudable exertions that the Democracy have opened the campaign with two platforms and *nary* candidate? In fact, when taking all his kind services into consideration, I am almost sorry of ever having said anything against that man. But the thing is done, and Mr. Douglas must be satisfied with as humble an apology as I am able to offer.

The first attempt of the Democracy to unite upon a platform and to nominate a candidate failed. It could not but fail so long as some of them insisted on laying down a party creed that meant something. A Democratic platform, in order to be satisfactory, must mean nothing and everything, as the Cincinnati platform did. But they will try again to repress the irrepressible conflict which rages in their own ranks, and as the day for doing so they have with great propriety chosen the 18th of June, the anniversary of the battle of Waterloo. What the result of that Convention will be, whether one of the contesting factions will carry the day, or whether they will succeed in uniting them, by conceding to one the platform, and to the other the candidates, thus cheating each other in attempting to cheat the people, is to me a matter of supreme indifference. The Democrats undoubtedly thought they had done a very smart thing in adjourning their Convention without nominating a candidate, so as to deprive us of the supposed advantage of knowing what antagonist we had to deal with. Without being aware of it, they have indeed done a great thing for us; for they have obliged us to rely for success upon the positive strength of our cause, instead of the accidental weakness of an opposite candidate. And in this noble and manly attitude we stand before them the only united National party in the land.

While the Union-savers did not dare to lay down a common party creed — while the Democrats, with unscrupulous duplicity, attempt to commit a new fraud upon the people — the Republican party has, with manly fearlessness, proclaimed its principles and nominated a candidate who fairly and honestly represents them. We have undertaken to defeat our opponents, not by concession and subterfuge, but by boldly and unequivocally reasserting the principles in which we believe. We have undertaken to disarm the prejudices that are against us, not by pandering to them, but by

opposing to them the language of truth. No greediness of a speedy party triumph has betrayed us into the abandonment of a single position; no desire to conclude advantageous alliances has betrayed us into a single compromise. I am proud to say we have disdained to purchase, at the price of a single article of our creed, the support of that small set of amphibious politicians who claim to hold the balance of power, and whose office it seems to have been, for years, to demoralize parties with their treacherous promises of support; of those heartless men who, when a whole continent is on fire, calculate with bloodless coolness from what side they can draw the greatest advantage.

They may feel big with the vain boast that they will be strong enough to defeat us — we have shown them unequivocally enough, that they will never be strong enough to corrupt us. We have, indeed, invited the support of all citizens, whatever their party affiliations may have been. But we will not gain it by false pretences. We will speak to them the language of great principles, we will appeal to their sense of right and justice, we will assault their understandings with irrefutable arguments, we will storm their hearts with solemn invocations, but we have disdained to descend to ambiguous tricks, which would make us unworthy of being supported by others.

Such is the Republican party of to-day. It is strong, for it seeks and finds its strength in the greatness of the cause it defends. It will be victorious, for it deserves success. Its success will be a decisive triumph of our cause, and if the worst should come, even a defeat would be a mere delay of certain victory. And so we are ready to give battle, armed with that scrupulous jealousy of principle, that will make us rather perish than compromise the right; with that honest pride of conviction which springs from a deep consciousness of good faith and a true devotion to a just cause. And the signs of the times show that even in politics honesty is the best policy, for all honest men who mean to do right, although they formerly stood against us, are fast flocking around our banner. Listen to me a single moment. Standing as we do on the threshold of great decisions, I cannot suffer my mind to be engaged in the walls of this house, or in the narrow lines of party interest and party policy, not even in the boundaries of this country. There is the wide world around us with its manifold races of nations and men, all of them for thousands of years engaged in the arduous struggle for happiness and freedom, now advancing with spasmodic force and rapidity, now falling back again exhausted and discouraged; always struggling to disentangle their feet from the treacherous coils of despotic rule, and always baffled in their efforts; so much noble blood spilled, so many noble hearts broken, so many noble aspirations turned into despair!

And in this world of strife and anguish there arose this Republic, a world of promise. It was the gospel of liberty translated into fact. It was to be the beacon of humanity. But alas! the oblivion of despotic rule did not work the abolition of the baser passions of human nature. But half a century elapsed and this free government is ruled by a despotic interest, the Republic sinks into the mire of Slavery and corruption, sinks deeper and deeper, and the hope of humanity sinks with it. The advocates of despotism predict its downfall from day to day, and proclaim with exultation that the great experiment of human self-government has failed. It is in vain that the best men of the nation, like the prophets of old, rise up against the growing demoralization. They are sneered at and persecuted, or, at best, their efforts remain isolated and apparently fruitless.

Suddenly a great startling outrage is perpetrated; the slave power, with its train of corruption and demoralization, shows itself in its naked deformity, and threatens to swallow down the whole future of the country in one gulp.

Now the popular conscience wakes up. The people of the North rise to a last great effort. The first attempt to rescue the development of the Republic from the grasp of that despotic power fails, but the movement grows in dimensions and intensity. We press on and on, and the day of deliverance is at hand. Oh, it comes at last! How we have longed to see it! How we counted every minute by the impatient throbbings of our hearts! We rally in formidable array; every fiber of our being trembles with eagerness for the greatest of struggles; every pulsation of our blood beats the charge! We place one of the purest, noblest and ablest men of the nation at the head of our army—victory is within our grasp!

No man in whose soul glows a spark of sympathy with struggling humanity, can now stand idle. No heart that was ever fired by the divine breath of liberty, can now remain cold.

Let Wisconsin stretch her hand across the great lakes and grasp that of New York. Let it be known that New York and Wisconsin, who stood together to the last for Seward in the Convention, will be the first and foremost in the battle for Lincoln and Liberty!

PROPERTY IN THE TERRITORIES.

SPEECH

OF

HON. BENJAMIN F. WADE,

OF OHIO,

Delivered in the Senate of the United States, March 7, 1860.

The Senate resumed the consideration of the following resolutions, submitted by Mr. Brown on the 18th of January:

Resolved, That the Territories are the common property of all the States, and that it is the privilege of the citizens of all the States to go into the Territories with every kind or description of property recognized by the Constitution of the United States, and held under the laws of any of the States; and that it is the constitutional duty of the law-making power, wherever lodged, or by whomsoever exercised, whether by the Congress or the Territorial Legislature, to enact such laws as may be found necessary for the adequate and sufficient protection of such property.

Resolved, That the Committee on Territories be instructed to insert, in any bill they may report for the organization of new Territories, a clause declaring it to be the duty of the Territorial Legislature to enact adequate and sufficient laws for the protection of all kinds of property, as above described, within the limits of the Territory; and that, upon its failure or refusal to do so, it is the admitted duty of Congress to interpose and pass such laws."

The pending question was on the amendment offered by Mr. WILKINSON, to strike out all after the word "resolved," where it first occurs, and insert:

"That the Territories are the common property of the people of the United States; that Congress has full power and authority to pass all laws necessary and proper for the government of such Territories; and that, in the exercise of such power, it is the duty of Congress so to legislate in relation to slavery therein that the interests of free labor may be encouraged and protected in such Territories.

Resolved, That the Committee on Territories be instructed to insert, in any bill they may report for the organization of new Territories, a clause declaring that there shall be neither slavery nor involuntary servitude in such Territories, except in punishment for crime whereof the party has been duly convicted."

Mr. WADE. Mr. President, these resolutions bring up at once before the Senate two distinct and opposite systems of labor and civilization. The resolutions which are proposed

by the Democratic portion of the Senate declare in favor of that one of those two systems which, in my judgment, is subversive of the melioration and progress of human society on this continent. The public mind, North, South, East and West, is intensely engaged in making its choice between that system and the scheme of civilization which is asserted by the resolutions submitted by the Republican side of the Chamber. I cannot, therefore, exaggerate the importance of this debate. It is a very extraordinary thing, Mr. President, that the loudest complaints of maladministration of this Government, and the noisiest alarms of imminent danger to the country, come from those who, for a very considerable period, have had possession of its vast revenues, control of its mighty power, influence of its agents and clients, equally at the capital and in every nook and corner of the land, and so have formed and directed its policy, without encountering any effective resistance or opposition. The Republican party has been always, as it is now, absolutely powerless to impress its principles on the administration of the Government. It stands by and looks on, wondering at the progress of Democratic administration; and wondering, most of all, at hearing those who have conducted it entirely in their own way now threatening to pull down the pillars of the Union, and involve them all, with themselves,

SUMMARY

July 24, 1981

ECONOMIC RECOVERY TAX ACT OF 1981 HOUSE BIPARTISAN SUBSTITUTE PROPOSAL

Description of the Act

Individual Tax Relief

- Across-the-board marginal tax rate reductions of 5 percent on October 1, 1981, with additional reductions of 10 percent on July 1, 1982, and 10 percent on July 1, 1983.
- The top marginal rate on investment income will be lowered from 70 percent to 50 percent, effective January 1, 1982.
- The maximum rate of tax on capital gains will drop to 20 percent for transactions occurring after June 9, 1981. The capital gains holding period will be reduced from 12 to 6 months after December 31, 1981.
- Indexing of individual rate brackets, the personal exemption and the zero bracket amount will begin in 1985. These items will be adjusted to reflect the change in the CPI.
- Marriage tax penalty relief in the form of a 5 percent exclusion up to \$1,500 in 1982 and a 10 percent exclusion up to \$3,000 in 1983 and thereafter.
- Americans working abroad will be entitled to an exclusion of \$75,000 as well as a housing allowance, effective January 1, 1982. The exclusion increases \$5,000 per year for 4 years, to \$95,000 in 1986.
- Taxpayers who do not itemize will be able to take a deduction for charitable contributions. The deduction is limited to 25 percent of eligible contributions in 1982, 1983, and 1984, 50 percent in 1985, and 100 percent in 1986 and thereafter. Eligible contributions cannot exceed \$100 in any year.

- Individuals will be able to defer gain on the sale of a principal residence if a new principal residence is purchased within 2 years. The one-time exclusion of gain for taxpayers age 55 or over will increase from \$100,000 to \$125,000.

Business Incentive Provisions

- Effective January 1, 1981, under the accelerated cost recovery system (ACRS), 10-year, 5-year, and 3-year classes of property will be written off using rates that approximate the 150 percent declining balance method through 1984. Certain long-lived utility property will be in a 15-year class. For property placed in service in 1985 and 1986 and thereafter, recovery rates will be increased to 175 percent and 200 percent, respectively. Assets in the 3-year class will get a 6 percent investment credit and those in the 5-, 10-, and 15-year classes a 10 percent credit. Taxpayers can elect in 1982 to expense \$5,000 annually, increasing in stages to \$10,000 in 1986.
- All real estate will receive a 15-year audit-proof cost recovery period and will be written off using rates that approximate the 200 percent declining balance method.
- A liberalized leasing rule will be provided to facilitate the transfer of the ACRS tax benefits to companies which can utilize these tax benefits.
- For small business additional benefits are provided:
 - Corporate rates are reduced to 16 percent on the first \$25,000 of income and 19 percent on the next \$25,000 in 1982, and to 15 percent and 18 percent, respectively, in 1983.
 - The investment credit limitation on used equipment will increase from \$100,000 to \$125,000 for 1981-84 and to \$150,000 thereafter.
 - The maximum number of permitted Subchapter S shareholders will increase to 25, and under certain circumstances trusts will be permitted to be shareholders.

- The minimum accumulated earnings credit will increase from \$150,000 to \$250,000.
- Changes are made in the LIFO inventory accounting rules to remove impediments to the use of LIFO by small businesses. In addition, the bill provides that Treasury shall prescribe certain simplifying changes in the use of LIFO and prepare a study on LIFO inventory and cash accounting.
- o To encourage research and development, a new tax credit will be introduced, equal to 25 percent of incremental R&D expenses (except overhead, indirect expenses, and depreciation), effective July 1, 1981. Basic research contracted to universities will also be creditable, as will contributions to certain tax-exempt research organizations and research funds. The charitable deduction will be increased for the donation of certain research equipment to universities. For all taxable years following date of enactment, all R&D performed within the United States will be allocated to U.S.-source income.
- o The 10 percent investment tax credit for rehabilitation expenditures will be replaced by a credit that is 15 percent for buildings that are at least 30 years old, 20 percent for buildings that are at least 40 years old, and 25 percent for certified historic structures, effective January 1, 1982. Cost basis will be reduced by the amount of the credit, except for historic structures.
- o The requirement that construction period interest and taxes be amortized will be deferred until 1983 for low-income housing.
- o Employees will be entitled to favorable tax treatment on stock options qualifying as incentive stock options (ISO's). ISO's must be exercised in the order granted. The maximum amount of options eligible for ISO treatment will be \$75,000 a year except that options granted after May 21, 1976 and before the date of enactment will be limited to an aggregate \$150,000.

Savings Provisions

- o Individuals will have a lifetime exclusion of \$1,000 (\$2,000 on joint returns) of interest paid on depository institution tax-exempt savings

certificates issued after September 30, 1981 and before January 1, 1983. Seventy-five percent of the proceeds from these certificates must be invested by the issuing institutions in financing for housing or in agricultural loans.

- Beginning in 1985, individuals can exclude annually 15 percent of the difference between interest income and interest deductions (ignoring deductions for interest paid on home mortgages and business loans).
- The present \$200/\$400 dividend and interest exclusion will be repealed January 1, 1982; a \$100/\$200 dividend exclusion will be effective January 1, 1982.
- The maximum contribution to an individual retirement account (IRA) will be increased from \$1,500 to \$2,000, up to 100 percent of an individual's earnings for the year. The maximum contribution to a spousal IRA will be increased from \$1,750 to \$2,250. Both of these changes will be effective January 1, 1982.
- Individuals who are active participants in an employer-sponsored retirement plan will be able to deduct up to \$2,000 per year of contributions to individual retirement accounts. Voluntary contributions to employer sponsored plans will also qualify. Active participants will be able to establish spousal IRAs with contributions up to \$2,250. These changes will be effective January 1, 1982.
- The maximum deductible contribution to a Keogh plan will be increased from \$7,500 to \$15,000, effective January 1, 1982.

Energy

- The windfall profit tax credit for royalty owners will be raised from \$1,000 to \$2,500 for 1981. For 1982, 1983, and 1984, royalty owners will be exempt from the windfall profit tax on up to 2 barrels per day, increasing to 4 barrels per day in 1985 and thereafter.

- The windfall profit tax on newly discovered oil will be reduced from 30 to 15 percent, beginning January 1, 1982. The rate will be 27-1/2 percent for 1982, 25 percent for 1983, 22-1/2 percent for 1984, 20 percent for 1985, and 15 percent for 1986. Stripper oil of independent producers will be exempt from the windfall profit tax beginning in 1983. Percentage depletion for independent producers will be retained at the 22 percent rate for years beginning after December 31, 1980.
- Interests of nonprofit child care agencies will be exempt from the windfall profit tax.
- A 15 percent residential energy credit will apply for efficient woodburning stoves purchased after July 24, 1981.

Estate and Gift Tax Relief

- An increase in the credit against the unified estate and gift tax to \$192,800 will be phased in over 6 years, exempting 99.7 percent of all estates from the estate tax. This corresponds to an exclusion of \$600,000 in 1987.
- The maximum estate tax rate will be reduced from 70 to 50 percent over 4 years.
- The marital deduction will be unlimited, effective January 1, 1982, as contrasted with present law, which limits the marital deduction to one-half of the adjusted gross estate or \$250,000, whichever is greater. The terminable interest rule will be repealed.
- The annual gift tax exclusion will be increased from \$3,000 to \$10,000 per donee, effective January 1, 1982. Certain gifts for medical care and tuition will receive an unlimited exclusion.
- Among the changes to current use valuation will be an increase in the limit to \$1 million over 3 years. The provisions dealing with woodlands will be liberalized.

Other Provisions

- A series of provisions will substantially limit the use of transactions such as tax straddles to defer gains from noncommodity-related income or to convert such income into long-term capital gains.

- Administrative changes include several increased interest and penalty provisions, increased exemption from individual estimated tax penalty, and safeguards from disclosure of certain IRS audit data.
- Corporate estimated tax payments will increase from 60 percent to 80 percent of the current year's liability where a corporation had income over \$1 million in any of 3 preceding taxable years.
- Tier-II railroad retirement taxes will be adjusted and borrowing authority will be provided for the railroad retirement account against amounts to be transferred under the social security financial interchange. Existing law will be clarified as to the basis on which railroad retirement tax liability is determined.
- Taxpayers will be able to write off over a 60-month period the adjusted basis of motor carrier operating authorities held on July 1, 1980 which have decreased in value due to deregulation.
- The expiring provision of current law with respect to the tax treatment of state legislators will be made permanent, with several substantial modifications.
- Through 1984, tax-exempt industrial development bonds may be issued to finance buses, subway cars, and similar equipment leased to mass transit systems.
- The targeted jobs credit will be available through 1983, and extended to youths involuntarily terminated from CETA jobs and to WIN registrants. The credit will terminate after 1981 for cooperative education students.
- Provision will permit taxpayers to defer including in income the fair market value of restricted property received for services until governmentally imposed restrictions terminate.
- The moratorium on the issuance of regulations on fringe benefits and commuting expenses will be extended through May 31, 1983.
- Interest on certain obligations issued by volunteer fire departments after date of enactment will be tax exempt.

Example of Individual Tax Relief

The Economic Recovery Tax Act will provide substantial relief to all taxpayers. The Act does this by sharply reducing personal tax rates in 1982, 1983, and 1984. Further, these tax cuts are protected against inflation by indexing personal taxes in 1985. The following table shows the effect of the tax cuts on a family of four earning \$25,000 in 1980 and receiving cost-of-living increases for four years to earn \$32,672 in 1984.

Family of Four Earning \$25,000 for 1980

<u>Tax Under Current Law</u>		<u>Tax Reduction in 1984</u>			
<u>1980</u>	<u>1984</u>	<u>One Earner Couple:</u>		<u>Two Earner Couple</u>	
		<u>Tax</u>	<u>Tax Cut</u>	<u>Tax</u>	<u>Tax Cut</u>
\$2,901	\$4,493	\$3,455	\$-1,038	\$3,096	\$-1,397
11.6% of income	13.8% of income	10.6% of income		9.5% of income	

After 1984 personal taxes will not be subject to bracket creep. Thus, families whose income rises equally with the cost of living (as in the one and two earner examples given above) will find that the share of their income taken in income taxes will not rise.

Summary of the Change in Fiscal Year Receipts Resulting From
the House Bipartisan Substitute Tax Program

(\$billions)

	Fiscal Year					
	: 1981	: 1982	: 1983	: 1984	: 1985	: 1986
Personal tax provisions	0.1	-27.2	-76.4	-119.5	-146.9	-183.3
Business tax provisions	<u>-2.1</u>	<u>-8.6</u>	<u>-20.8</u>	<u>-33.4</u>	<u>-47.0</u>	<u>-67.7</u>
Total	-2.0	-35.8	-97.2	-152.9	-193.9	-251.0

Office of the Secretary of the Treasury
Office of Tax Analysis

July 23, 1981

* Less than \$50 million.

Note: Details may not add to totals due to rounding.

Change in Fiscal Year Receipts Resulting From the Personal Tax Provisions
of the House Bipartisan Substitute Tax Program

(\$billions)

	Fiscal Year					
	: 1981	: 1982	: 1983	: 1984	: 1985	: 1986
Across-the-board tax rate reduction of 5% on Oct. 1, 1981 with additional reductions of 10% on July 1, 1982 and 10% on July 1, 1983.....	-	-25.0	-64.5	-103.6	-119.7	-137.4
Lower top rate to 50% on January 1, 1982.....	-	-1.1	-2.3	-1.2	-1.0	-1.3
Indexing of the individual income tax starting January 1, 1985.....	-	-	-	-	-8.6	-22.7
Marriage penalty relief (5% exclusion up to \$1,500 in 1982, 10% exclusion up to \$3,000 in 1983 and thereafter)	-	-0.4	-3.8	-7.0	-7.8	-8.7
Estate and gift tax provisions: phased-in increase in the unified credit to \$192,800 by 1987, with a 6-year phased-in reduction in the top rate to 50% by 1985, unlimited marital deduction, \$10,000 annual gift tax exclusion, special use liberalization and other miscellaneous.....	-	-0.2	-2.2	-3.3	-4.3	-5.6
Increase IRA limit to \$2,000 (\$2,250 spousal) and increase the percentage limitation to 100% (January 1, 1982).....	-	-0.1	-0.2	-0.2	-0.2	-0.3
Extend IRA eligibility to covered persons with a \$2,000 (\$2,250 spousal) limit (January 1, 1982).....	-	-0.1	-1.1	-1.8	-2.4	-2.6
Increase Keogh plan limit to \$15,000 (January 1, 1982).....	-	*	-0.1	-0.2	-0.2	-0.2
Moratorium on fringe benefit regulations.....	-	-	-	-	-	-
Capital gain provisions: 20% top rate on June 9, 1981 and reduce the holding period for long-term capital gains to 6 months (January 1, 1982)	-	-0.2	-0.2	-0.2	-0.2	-0.2

Change in Fiscal Year Receipts Resulting From the Personal Tax Provisions
of the House Bipartisan Substitute Tax Program

(\$billions)

	Fiscal Year					
	: 1981	: 1982	: 1983	: 1984	: 1985	: 1986
15% investment tax credit for woodburning stoves and furnaces	-	-0.1	-0.1	-0.1	-0.1	-0.1
\$2,500 windfall profit tax credit for royalty owners for 1981, replaced by exemptions of 2 barrels per day in 1982-1984 and 4 barrels per day in 1985 and thereafter.....	-	-1.2	-0.8	-0.9	-1.2	-1.2
Exemption of child care agencies from the windfall profit tax.....	*	*	*	*	*	*
Repeal \$200/\$400 interest and dividend exclusion (January 1, 1982).....	-	0.8	1.6	-	-	-
\$1,000/\$2,000 interest exclusion for savings certificates issued through 1982	-	-0.5	-2.8	-1.4	-	-
Permanent 15% exclusion applicable to the first \$3,000 (\$6,000 joint) of net interest income starting January 1, 1985..	-	-	-	-	-1.6	-3.4
Allow charitable contributions above the line: 25% in 1982, 1983, and 1984, 50% in 1985 and 100% in 1986. (Percents applicable to the first \$100 of contributions).....	-	*	-0.2	-0.2	-0.3	-0.4
Capital gains exclusion for sale of personal residence increased to \$125,000; 24 month rollover period	-	*	-0.1	-0.1	-0.1	-0.1
Interest and penalty provisions..	-	*	-0.1	0.1	*	*
Phased-in increase in the de minimis rule for estimated taxes (\$200 in 1982 increasing \$100 per year to \$500 in 1985 and thereafter).....	-	*	*	*	*	*
Commodity tax straddles (June 23, 1981).....	<u>0.1</u>	<u>0.9</u>	<u>0.5</u>	<u>0.6</u>	<u>0.8</u>	<u>0.9</u>
Total, personal tax provisions..	0.1	-27.2	-76.4	-119.5	-146.9	-183.3

Change in Fiscal Year Receipts Resulting From the Business Tax Provisions
of the House Bipartisan Substitute Tax Program

(\$billions)

	Fiscal Year					
	: 1981	: 1982	: 1983	: 1984	: 1985	: 1986
Accelerated cost recovery system	-2.1	-8.8	-17.0	-27.9	-41.3	-62.0
Phased-in expensing of assets: \$5,000 in 1982 increasing to \$10,000 by 1986	-	-0.5	-1.0	-0.9	-0.8	-0.3
Small business corporate tax rate reduction (January 1, 1982)	-	-0.1	-0.3	-0.4	-0.5	-0.5
Increase used property limit for the investment tax credit to \$125,000 for 1981-1984 and \$150,000 thereafter	*	-0.1	-0.1	-0.1	-0.1	-0.2
Increase accumulated earnings test to \$250,000 (January 1, 1982)	-	*	-0.1	-0.1	-0.1	-0.1
Phased-in reduction on "newly discovered" oil: 27.5% in 1982, 25% in 1983, 22.5% in 1984, 20% in 1985 and 15% in 1986 and thereafter	-	*	-0.1	-0.3	-0.5	-1.0
Freeze percentage depletion rate at 22% for 1981 and thereafter.	*	-0.5	-0.6	-0.9	-1.1	-1.3
Exempt stripper oil production by independent producers (January 1, 1983).....	-	-	-0.3	-0.4	-0.4	-0.4
Phased-in exclusion of foreign earned income with a housing allowance (\$75,000 in 1982 increasing to \$95,000 by 1986) .	-	-0.3	-0.6	-0.6	-0.7	-0.8
Write-off of motor carrier operating rights.....	*	-0.1	-0.1	-0.1	-0.1	*
IDB's for volunteer fire departments.....	*	*	*	*	*	*
Stock options.....	*	*	*	*	*	*
One-year extension of the exemption from Sec. 189 for low-income housing.....	*	*	*	*	*	*

Change in Fiscal Year Receipts Resulting From the Business Tax Provisions
of the House Bipartisan Substitute Tax Program

(\$billions)

	Fiscal Year					
	: 1981	: 1982	: 1983	: 1984	: 1985	: 1986
Railroad retirement tax changes.	-	0.4	0.6	0.6	0.6	0.7
Investment tax credit for rehabilitation expenditure with a basis adjustment (15% for 30 years, 20% percent for 40 years, and 25% for historic structures) (January 1, 1982).....	-	-0.1	-0.2	-0.2	-0.3	-0.4
25% tax credit for incremental research and development (June 1, 1981).....	*	-0.3	-0.6	-0.8	-0.8	-0.4
Increased charitable deduction for donation of research and development equipment to universities.....	-	*	*	*	*	*
State legislator amendment....	*	*	*	*	*	*
Susan Long amendment.....	*	*	*	*	*	*
Speedup of corporate tax payments by large corporations	-	2.3	0.7	-0.1	*	-0.1
Targeted jobs credit; extension and modification.....	-	-0.1	-0.2	-0.2	*	0.1
IDB's for mass transit rolling stock.....	-	*	*	*	*	*
LIFO inventory simplification..	-	-0.1	-0.2	-0.2	-0.1	-0.1
Dividend reinvestment for public utilities.....	-	<u>-0.2</u>	<u>-0.6</u>	<u>-0.7</u>	<u>-0.7</u>	<u>-0.8</u>
Total, business tax provisions	-2.1	-8.6	-20.8	-33.4	-47.0	-67.7