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(Elliott)

July 24, 1981

Dary

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 ^{members of the} House and Senate ~~Members~~ X
are putting the final touches on a budget bill that includes
more than \$140 billion in savings ^{over three years}. These spending reductions X
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

Wash. Star Advertisement
Bracket Creep, 7/23/81

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 ⁿto promote one. X

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 ^{five} ~~3~~ "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. X

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 ^{two} 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

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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 198⁴~~7~~, 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

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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 ^{e e c} New York Times-CBS ² 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 ^{more than} \$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.

NYT, 7/17/81

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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.

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MS News
5/12/81 - "Provisions
of the S.S. Proposal"

Now, much has been made in the press of our attempts to reduce the ~~grants~~^{benefits} 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~~^{benefit} the early retiree could receive from 80 percent to 55 percent . . . but then by working only one year and eight months^{at age 62}, the early retiree could ~~at some point~~^{more} 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~~^{three} times between now and ~~1986~~¹⁹⁹⁰. Our plan calls for ~~eliminating~~^{slowing the growth in} 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.

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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.

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

TO: BEN ELLIOTT

July 24, 1981

FROM: DARYL S. BORGQUIST



RE: INDEXING

1) I talked with Jerry Jordan, Council of Economic Advisors, Room 315, about this matter of indexing and the parlance by which we should express it.

2) Jerry recommends that we way that the tax rate to the cost-of-living index which refers generally to the various CPI index rather than to a particular CPI Index which matter is up for debate in Cabinet Council next week.

3) I have attached Jerry's memo distributed today regarding this matter of which CPI Index to which cost-of-living adjustments should be made in the tax schedule.

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

July 22, 1981

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: Jerry Jordan

SUBJECT: Choice of an Index for Federal Cost-of-Living
Adjustments

Most cost of living adjustments in Federal programs are linked to changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). The index has several disadvantages. With the Senate's recent action increasing the chances that Congress will vote to index personal income taxes, the choice of the best measure of inflation has become more urgent. For technical reasons, the CPI-W should not be adopted for indexing personal taxes (though the Senate Bill uses it), and it should be replaced for adjusting Federal programs. There are two alternatives:

- (1) The CPI for All Urban Consumers (CPI-U).
- (2) The "Experimental" CPI using rental equivalence (CPI-X1).

The CPI-U is conceptually identical to the CPI-W, but it rests on a more representative market basket: all urban consumers rather than wage and salary workers only. The difference in market baskets is not large, so that the index does not systematically differ from the CPI-W. This means there are no major changes in budget outlays implied by the switch. However, the CPI-U is preferable on technical grounds. The CPI-U is now widely recognized as the CPI for most users, but legislation still requires use of the older CPI-W for Federal outlays. This implies a continued duplication for the BLS, imposing additional costs of approximately \$1.5 million (FY 81) annually to support the extra work, out of total BLS spending on consumer price indexes of \$12 million.

The CPI-X1 repairs the now well-known flaws in the treatment of housing in the CPI-U and -W. It is vastly superior on technical grounds. In no meaningful sense is it "experimental". It is called that because only one type of index can be officially designated a CPI. It is possible that BLS will have to replace

the CPI-U with the X1 on its own accord as the result of mounting technical problems in the collection of housing price data by FHA and mortgage rates by FHLBB. OMB is reluctant to switch immediately to X1, since projections of declining interest rates appear to make the linkage of outlays to the CPI-U less expensive in the near term. (By 1984, using X1 could cost \$3.3 billion in higher annual outlays.) On the other side, BLS argues that such an outcome rests on other assumptions which may not be true. And the X1 series is regarded as more stable and accurate during oil shocks. Over the past 3 years, the CPI-X1 would have saved about \$20 billion in outlays.

X1 has much to recommend it over the CPI-U, but since projections under current economic assumptions show X1 rising faster, there is reason to delay changing indexes. However, there is good reason to decide now to switch in the future. One way to achieve this would be to change immediately to the U series, then use the lower of U or X1 as a measure of price inflation through FY 1984 or until U is phased out on other grounds. At that time the X1 series could become permanent. Transition in 1984 would avoid the budget costs that concern OMB.

Designation of the X1 series as the conceptual basis for measuring price inflation by 1984 would also avoid the possible perverse effects from linking tax rates to the current CPI since automatic adjustments of the tax system are to begin in 1985 according to the Senate action.

The foregoing assumes that taxes ought to be indexed by a consumer price index. This implies that the goal of tax-indexing is to preserve the after-tax purchasing power of a given pre-tax income. Other goals are possible and require the use of other indexes. For example, if the goal were to hold constant the share of taxes in national income, a national-product-based price index might need to be used.

memorandum

DATE: July 23, 1961

REPLY TO
ATTN OF: Indexing Working Group

SUBJECT: Cost-of-living Adjustments in Federal Programs

TO: CCEA

Main question

Should the procedures for making cost-of-living adjustments in Federal programs be changed? If so, how?

The Problem

Spending on programs that are automatically adjusted for inflation now accounts for over 30 percent of the Federal budget. Growth in the number of beneficiaries, and inflation itself, will cause that share to grow.

The basic objective of indexing is to protect the purchasing power of Federal benefits against erosion by inflation. One reason for automatic adjustment was to stop political pressure from producing rising real benefit levels, particularly in election years. Three problems have nevertheless emerged in the current procedures for making cost-of-living adjustments, problems which have become more serious as the indexed portion of the Federal budget has grown.

- o Indexing reduces budget flexibility.

- o In times such as the last few years when prices rise more rapidly than wages, indexing helps to protect the standard of living of beneficiaries while workers tend to suffer declines in theirs. Indexed groups therefore bear less of the burden of falling real national income.

- o Technical problems with the Consumer Price Index have led to benefit increases that were more generous than an accurate measure of inflation would have required. Just since 1978 these overpayments have added about \$20 billion to outlays.

Background

Indexing was first introduced into the Federal budget through civil service retirement in 1962. The practice spread slowly through the 1960s, but more rapidly in the 1970s. In 1970 only 3 percent of total spending was on indexed programs. Social security benefits, which now



Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

represent 21 percent of the budget, were first automatically adjusted for inflation in 1975. Of the fourteen programs that are now formally indexed for inflation, 11 are adjusted for changes in the Consumer Price Index (CPI-W), one for federal salaries and two for specialized food price indexes.

Internationally, more than thirty countries have adopted some form of indexing for their national pension and social insurance programs. Some countries are similar to the United States in adjusting benefits for changes in a price index, some use a wage index, and others use a combination of wage and price indexing. Current economic and budgetary conditions have led many countries to re-examine their commitment to indexing, however, and in some cases automatic adjustments have been curtailed. Also, some countries raise benefits by less than the calculated increase in prices.

As a result of the problems noted above, public interest has increased in changing indexing procedures. Even though any revisions are apt to result in lower benefits, congressional support for some change is growing. The Senate's First Budget Resolution assumes that indexed programs will be adjusted for the lower of wage and price increases, and outside groups such as the Business Roundtable are calling for such reform.

ISSUE 1

Should indexing involve Presidential discretion, or should the adjustment in benefits occur completely automatically?

Congress could grant the President discretion to adjust benefits for inflation within a limited range, for example between the percentage increase in wages and the percentage increase in prices, or between 75% and 100% of the percentage increase in prices.

Advantages of limited discretion

- o It would improve control over total spending.
- o Presidential discretion could help compensate for unpredictable technical problems that develop in indexes but that cannot be quickly corrected. For example, discretion would have allowed the President to take the recognized problems with the CPI-W into account in adjusting Federal benefits.
- o Discretion allows benefit increases to be tailored to specific macroeconomic conditions.

Disadvantages of limited discretion

- o The President is subjected to annual political pressure.
- o Benefit changes become less predictable for beneficiaries and for budget planners.
- o Congress would probably want a mechanism for congressional review of Presidential discretion. It is likely that would involve a legislative veto, which the Administration opposes.

Option 1: Include limited Presidential discretion in an indexing procedure. If this option is selected, further exploration of the approach will be required

Option 2: Adjust benefits automatically for inflation

ISSUE 2

Should a single index of price increases or a pair of measures reflecting wages and prices be used?

This choice is relevant whether cost-of-living adjustments are fully automatic or partly discretionary. For a single index, the CPI-W could continue to be used, or a different, more technically sound measure of price increases could be adopted. With a pair of measures, it is frequently suggested that adjustments be based on the lower of increases in wages or prices.

Advantages of a single price index

- o It is simple to understand.
- o An index of prices emphasizes that cost-of-living (as opposed to standard-of-living) changes are the only standard for adjusting benefits.
- o Benefit increases would be more predictable.
- o Changing to the lower of wages and prices would not provide any budget savings under the Administration's official forecast.
- o Appears to be more equitable than a "lower of the two" method.

Advantages of a pair of wage and price indexes

- o A pair of indexes allows changes in the "standard of living", as well as the cost-of-living, to affect benefit increases. For instance, indexing according to the lower of wage and price increases could be seen as more equitable in times of falling real wages since the purchasing power of benefits would fall along with that of wages.
- o In times of stagflation, the lower of wage and price increases provides insurance against social security expenditures rising faster than the tax revenues which are based on earnings.
- o In normal times, when wages rise faster than prices, benefit increases will still be based on cost-of-living changes.
- o Congress has expressed a willingness to consider this approach.

Option 1: Continue to base cost-of-living adjustments solely on price increases

Option 2: Use of a pair of wage and price indexes as the basis for cost-of-living adjustments

ISSUE 3

"Catch-up": If real benefits are allowed to fall, should the original level of real benefits be restored automatically or not?

With indexing according to the lower of wage and price increases, catch-up could be accomplished by continuing to increase benefits according to the wage index until the original level of real benefits was restored. Adjustments would then be based on the lower of wage and price increases again.

Advantages of catch-up

- o It maintains the principal purpose of indexing: preserving the purchasing power of benefits in spite of temporary lapses to achieve other goals.

- o It guarantees beneficiaries that any reductions in real benefits would only be temporary, thus possibly making the reductions more politically palatable.

Disadvantages of catch-up

- o It reduces the future budget savings from any change in indexing procedures.

- o With catch-up, indexing may actually produce rising real benefits for a few years. Social security recipients who first became eligible during this period might benefit disproportionately.

- o Catch-up complicates the adjustment procedure.

Option 1: Include a catch-up provision when real benefits fall

Option 2 Do not include a catch-up provision

ISSUE 4

Should benefits rise by the full amount of increases in wage or price indexes, or only from some fraction -- such as 75 or 80 percent -- of the increase?

Less than full adjustment could be used either with a single price index or with a pair of wage and price measures. With a single price index, partial adjustment would be the only way to achieve budget savings automatically. Other nations are more frequently adopting this approach.

Advantage of 100 percent adjustment

o The rationale for the benefit increase is clear: to maintain the purchasing power of benefits or to keep benefits in line with the standard of living of workers. Picking any figure less than 100 percent would be viewed as arbitrary.

Advantage of partial adjustment

o It restrains spending on indexed programs automatically and regardless of the behavior of real wages.

Option 1: Adjust benefits for the full increase in the relevant price or wage measure

Option 2: Raise benefits by some fraction of the increase in wages or prices

ISSUE 5

Strategy: Should the Administration take the initiative in proposing indexing revisions, or should it let Congress take the lead?

In the debate on social security this fall, Congress is certain to consider seriously the lower-of-wages-and-prices approach to indexing. The Administration can either support the congressional effort or propose an alternative. On the other hand, the Administration could take the initiative and offer a proposal in advance of the fall debate.

Advantages of taking the initiative on indexing

- o The Administration might have more influence on the indexing procedures ultimately adopted.
- o The Administration might gain political credit for tackling a difficult budgetary problem head-on.

Advantages of waiting until the fall social security debate

- o The Administration would share the political pressure against changing the indexing procedure with Congress, whether the Administration supported a congressional proposal or offered its own version.
- o The Administration could appear to be reluctantly responding to congressional pressure, rather than making an initiative contrary to the President's stated opposition to restraining cost-of-living adjustments in Federal benefits.
- o Bipartisan support of revising indexing procedures would increase the chances for success.
- o Congress will probably suggest an indexing proposal that the Administration could support.

Option 1: Advance an Administration proposal for revising indexing before the fall social security debate

Option 2: Wait until the fall to take a position on indexing.

ISSUE 6

Should indexing procedures be revised only in social security or in all Federal programs?

Changes in indexing procedures for programs other than social security could be proposed at the same time as for social security, postponed until the FY 83 budget, or not proposed at all.

Advantages of revising all indexing procedures at once

o This would represent a consistent view of how Federal benefits should be adjusted for inflation.

Advantages of postponing changes in indexing other Federal programs until the FY 83 budget

o The principle of a new approach to indexing could be debated and established more clearly in the context of a single program (social security), with the result then serving as a model for revisions in other programs.

o If under the Administration's economic assumptions, the revised indexing procedure were to raise budget outlays in the short-run (as switching price indexes might), deferring the implementation of the new practice for programs other than social security would moderate the budget costs.

Option 1: Propose revisions in the indexing procedures for all Federal programs at once

Option 2: Tackle indexing first in social security

Issues for Future Discussion

o The CPI-W overstates the impact of changes in interest rates and housing prices on inflation. Should a more technically-sound index such as the CPI-X1 be substituted for the CPI-W? The Administration's economic scenario indicates lower outlays from staying with CPI-W over the next few fiscal years, compared to the CPI-X1. At times when lower budget outlays could be achieved by switching indexes, beneficiaries would oppose such a change, while they would be more willing to support it now. BLS may soon be forced by technical factors to change to X1 on its own, since some housing data for U and W may no longer be available.

o What wage index should be used? Should earnings of government employees be included or excluded in the index? Should a broad measure of compensation which includes fringe benefits be used or a narrower measure of only wages? The broader one would be preferred on technical grounds, but it could be expected to rise more rapidly than wages alone.

o Should price indexes that reflect consumption patterns of specific populations (such as the elderly) be used to adjust benefits of particular programs? Some view this as more equitable than using one index for all programs, but it is uncertain whether specialized price indexes would actually provide more generous increases. Furthermore, reliable indexes would be costly to generate and maintain for separate subpopulations. If an index for the elderly were used, other groups would seek their own index if they thought it would increase their benefits.

USEFUL TELEPHONE NUMBERS

Through the years of operating our legislative service, Washington Monitor staff members have developed a list of telephone numbers commonly used in tracking bills and resolutions through the legislative process. This list is printed below, along with what kind of information you can expect to obtain from each source.

SENATE

NUMBER	OFFICE	KIND OF INFORMATION
224-8541	Cloakroom Tapes (Democratic)	Tape recordings of floor action and scheduling information
224-8601	Cloakroom Tapes (Republican)	
224-5556	Senate Majority Leader	Scheduling information, procedure
224-2158	Senate Majority Whip	Scheduling information
224-3135	Senate Minority Leader	Scheduling information, procedure
224-2708	Senate Minority Whip	Scheduling information
224-2115	Secretary of the Senate (S-221 Capitol)	Calendars, membership rosters, committee and subcommittee membership lists
224-4691	Senate Democratic Cloakroom	Scheduling information, floor action
224-6191	Senate Republican Cloakroom	Scheduling information, floor action
224-5551	Democratic Policy Committee	Scheduling information
224-2946	Republican Policy Committee	Scheduling information
224-4321	*Senate Document Room (S-325 Capitol)	Availability of bills, reports, public laws
224-6128	Senate Parliamentarian	Procedural matters
224-4341	*Executive Clerk	Treaties and nominations
224-6250	Enrolling Clerk	Whether bill has been signed and sent to White House
224-7106	*Senate Librarian	Legislative reference
224-2971	*Senate Librarian	Current Legislative Status
224-2658	*Daily Digest	Questions re Congressional Record, Senate Section "Summary at Back"
224-6461	Office of Legislative Counsel	Draft legislation for Senators, committees
224-0241	Senate Press Gallery	The Press galleries
224-0265	Periodical Press Gallery	serve as headquarters
224-6421	Radio-Television Gallery	for journalists covering
224-6548	Press Photographers Gallery	the Senate, and their
224-2897	Associated Press	officials issue press
224-3098	United Press International	passes.
224-3207	Senate telephone information	Telephone numbers for individuals (located in Senate Disbursing Office)

*These offices are under the Auspices of the Secretary of the Senate.

HOUSE

NUMBER	OFFICE	KIND OF INFORMATION
225-7400	Democratic Cloakroom Tapes	Tape recordings of floor action updated as it occurs
225-7430	Republican Cloakroom Tapes	Tape recordings of floor action updated as it occurs
225-1600	Cloakroom Tapes	Democratic Legislative Program, tape recording of future legislative schedule
225-2020	Cloakroom Tapes	Republican Legislative Program, tape recording of future legislative schedule
225-5604	House Majority Whip	Scheduling information
225-8040	House Majority Leader	Scheduling information
225-0600	House Minority Leader	Republican positions
225-6201	House Minority Whip	Scheduling information
225-2204	Office of the Speaker	Information on scheduling, procedure
225-7330	Democratic Cloakroom	Scheduling information, floor action
225-7350	Republican Cloakroom	Scheduling information, floor action
225-9141	Democratic Caucus	Scheduling information, positions, legislative prospects
225-5107	Republican Conference	Scheduling information, positions, legislative prospects
225-7373	House Parliamentarian	Procedural matters
225-2868	Daily Digest	Questions re Congressional Record, House section
225-7000	Clerk of the House	Membership rosters, committee and subcommittee membership lists
225-4470	†Bill Clerk	Locating status of a bill (when other sources fail)

Telephone Numbers (Con't)

225-5848	†Enrolling Clerk	Whether bill has been signed and sent to the White House
225-3456	House Document Room (H-226 Capitol)	Availability of bills, reports, public laws, and calendars
225-6060	Office of Legislative Counsel	Draft legislation for Congressmen, committees
225-3928	Office of Law Revision Counsel	U.S. Code Revision enactment of codes into positive law
225-0462	†House Librarian	Legislative history
225-3945	House Press Gallery	The press galleries serve as headquarter for
225-2941	Periodical Press Gallery	journalists covering the House, and
225-5214	Radio-Television Gallery	their officials issue
		press passes.
225-6515	House Telephone Information	Telephone numbers for individuals (located in House Finance
		Office)
225-7187	Democratic Steering and Policy Committee	Committee assignments, party legislative program
225-5858	Democratic Study Group	Scheduling information
225-6168	Republican Policy Committee	Scheduling information
225-0871	Republican Research Committee	Background on legislation

†These offices are under the Auspices of the Clerk of the House.

GENERAL

NUMBER	OFFICE	KIND OF INFORMATION
224-3121	Capitol Switchboard	Telephone numbers for offices in Capitol, House, and Senate
225-1772	Bill Status Office	Legislative status information for both House and Senate bills
224-1385	Congressional Record Index Clerk	Legislative history
456-2226	White House Records	Whether a bill has become law or been vetoed
275-6241	General Accounting Office, Reports Department	Availability and ordering of GAO reports
523-5282	Office of Federal Register, Statutes Branch	Public law numbers, statutory references
523-5022	Federal Register	Tape of highlights of items to be published in next day's issue
783-3238	Government Printing Office	Order desk for general materials, including back issues of Congressional Record
872-1313	Chamber of Commerce	Tape of legislative positions and alerts by the Chamber of Commerce
426-5640	Photoduplication Service, Library of Congress	Information on having materials unavailable from document rooms, committees, etc., duplicated
331-3900	National Association of Manufacturers	Tape of legislative action
457-7069	American Petroleum Institute	Tape of current legislation
426-5522	Library of Congress	Reference Section
426-5079	Library of Congress	Law Library
426-5083	Library of Congress	Law Library Legislative Documents

We also suggest contacting individual groups listed in Section VI (Environmental Study Conference, Members of Congress for Peace through Law, etc.) for position papers and legislative prospects.

TREASURY NEWS



Department of the Treasury • Washington, D.C. • Telephone 566-204

FOR IMMEDIATE RELEASE
Thursday, July 23, 1981

Contact: Marlin Fitzwater
(202) 566-5252

STATEMENT BY SECRETARY OF THE TREASURY DONALD T. REGAN

The tax bill approved by the House Ways and Means Committee today can be described in one word -- misleading.

Rather than helping working people, as Speaker O'Neill claims, his bill has a shock in store for working people.

Just as they have done so often in the past, the Democratic leadership is trying to give the American people a temporary tax cut which will evaporate into higher taxes for working people.

Throughout the 1970's, the Democratic leadership promised working people tax cuts which they never saw. They are promising the same again.

In the last ten years, the Democratic leadership gave the American people five "tax cuts." Over the same ten year period, taxes increased by more than \$400 billion.

Tip O'Neill's tax bill promises more of the same -- higher taxes for the working people of this country.

The President's Tax Bill is the only one to give the American people a real and dependable tax cut.

o o o

Bill

Bipartisan Benefits All

1980
Wage Level

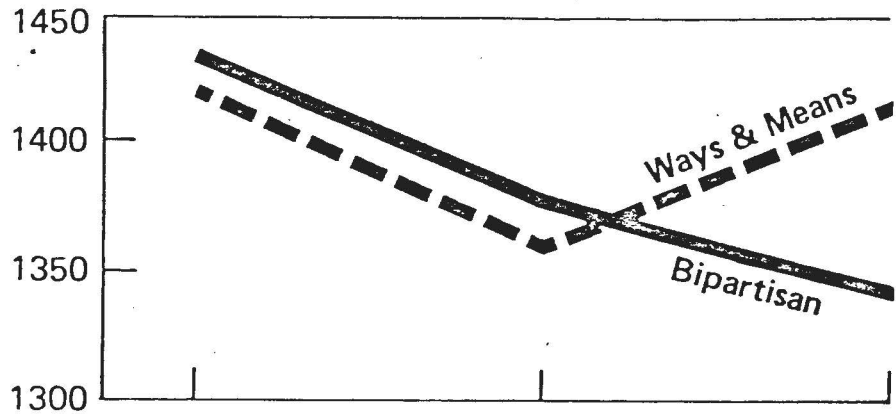
REAL TAX
PAYMENTS

1982

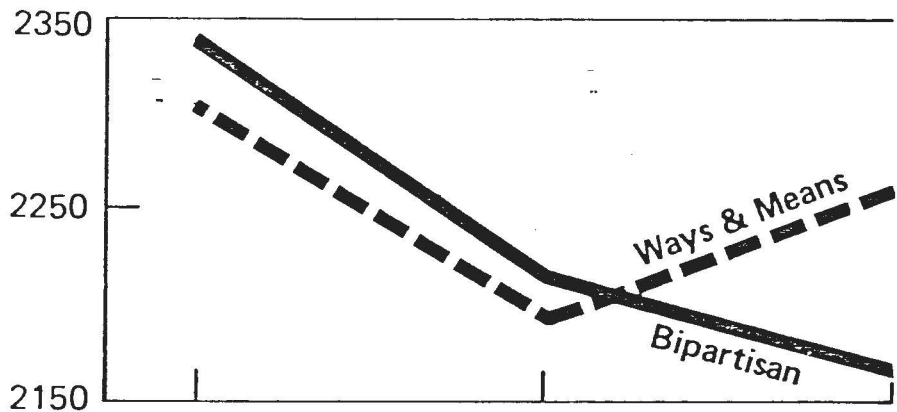
1983

1984

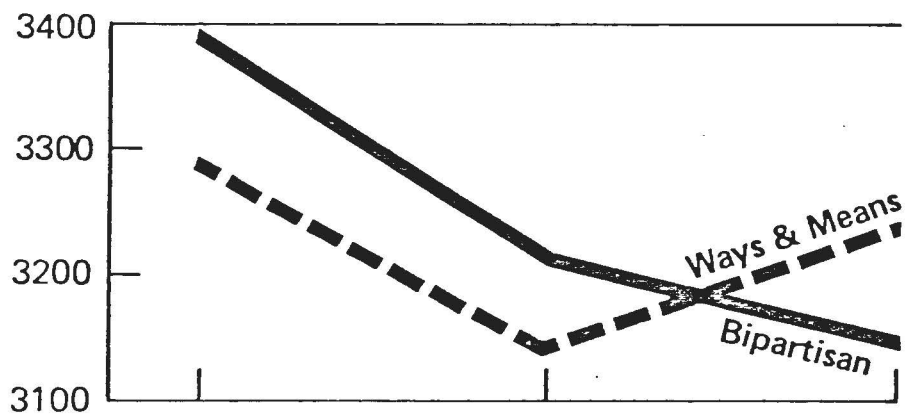
15,000



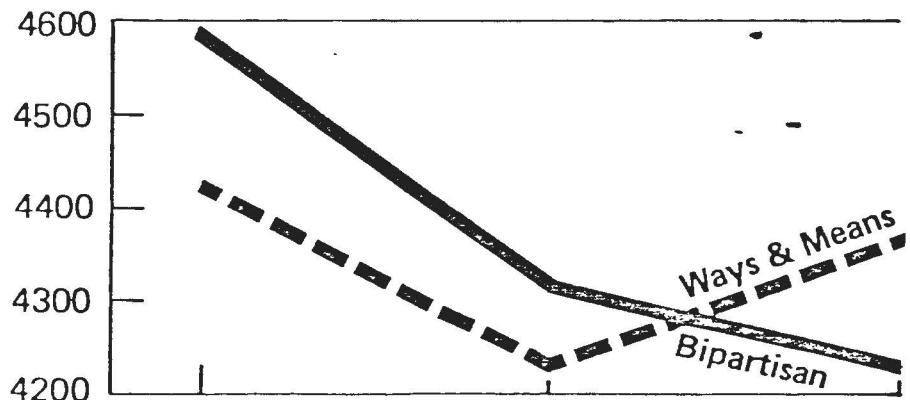
20,000



25,000



30,000



For: B
From: NJR

7/22/81

THE PRESIDENT'S BIPARTISAN TAX PROGRAM
TALKING POINTS

Tax Cut vs. Tax Increase

- * The fundamental difference between the two proposals is that the President's plan is a real tax cut while the Rostenkowski-O'Neill plan would allow taxes to continue to increase on working people.
- * The full 25 percent tax cut is essential to provide a real tax cut to working people. Tax rate reductions of more than 22 percent are needed merely to offset the tax increases facing the American people. A two-year tax cut of 15 percent is no tax cut at all. We need at least a 25 percent tax cut to provide relief to working people.

Tax Relief for Working People

- * The Democratic leadership's claims that their bill provides more relief to working people is false. While their proposal does provide a few dollars more in the short run (\$22 for a family now earning \$15,000), this temporary tax relief will be wiped out as the higher tax rates called for under their bill siphon off off more and more of working peoples' wages.
- * The President's tax program is the only plan which will provide real long-term tax relief for the American people.
- * By 1984, under the Rostenkowski-O'Neill plan, working people in almost every tax bracket will be paying higher taxes than they did in 1980. At virtually every income level, working people will get greater tax relief under the President's program.

Higher Tax Rates Under Rostenkowski-O'Neill Plan

- * According to a Treasury Department analysis, families at virtually every income level will be faced with higher tax rates under the Rostenkowski-O'Neill alternative.
- * In fact, the alternative proposal will actually result in an increase in marginal tax rates for substantial numbers of families.
- * Rather than helping working people, the Rostenkowski-O'Neill plan will result in less savings, fewer jobs, and continued economic stagnation for the working people of this country.

Business-As-Usual Under Rostenkowski-O'Neill Plan

- * The Rostenkowski-O'Neill bill is a business-as-usual tax bill, designed to give the economy a one-shot boost without any regard to its impact on work, savings, and investment.
- * It is merely more of the same type of policies which has produced inflation, unemployment, and a declining economy.
- * Throughout the 1970's , the Democratic leadership promised working people tax cuts which they never saw. They are promising the same again.
- * In the last ten years, the Democratic leadership gave the American people five "tax cuts." Yet over the same ten years, taxes increased by more than \$400 billion.
- * The Rostenkowski-O'Neill bill promises more of the same--higher taxes for working Americans.

The President's Tax Cut is Fair to All

- * The President's tax plan reduces tax rates across-the-board for all taxpayers, giving all Americans the opportunity and incentive to save and invest more.
- * Three-fourths of the tax cut will go to middle-income taxpayers--the ones who now pay most of the taxes. Taxpayers earning between \$10,000 and \$60,000 now pay 72 percent of all taxes and will receive 74 percent of the President's tax cut.
- * The Rostenkowski-O'Neill bill claims to be "skewed" toward the working people. Yet it provides billions of dollars in special tax breaks to a few hundred commodity traders, to selected big industries, and to married couples earning more than \$60,000.

Only the President's Plan Will Restore Economic Growth

- * The President's tax bill has been designed to create a growing economy for all Americans by increasing incentives to work, save, invest, and produce.
- * The higher tax rates called for under the Rostenkowski-O'Neill plan will have a devastating impact on the economy, resulting in less savings and investments, fewer jobs, and lower economic growth.

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

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

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

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

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

Economic conditions and trends (US) (cont)

commentary suggests that even economists are not sure how inflation is caused, how solutions to economic problems will work (m) Fe 20, C12a
 Herblock cartoon on rise in oil cos' profits at same time auto industry is going downhill (s) Fe 22, C6c
Forecasting
 Reagan admin scales back prediction of benefits to economy from proposed tax and spending cuts (m) Fe 12, A1a
 Rowen commentary on Reagan admin "scenario" calling for greatly improved economy by 1983 (m) Fe 12, A19a
 predictions for upcoming decade (chart) (m) Fe 15, PM22a
 Commerce Dept industrial outlook report predicts slow but steady growth for next few yrs (s) Fe 18, D11b

Economic Development Admin

commentary on questionable uses of \$5.5 million of \$8 million grant to DC agencies and businesses (photo) (m) Fe 11, E1b
 defends itself against proposed dissolution with letter of praise written in 1978 by Stockman himself (m) Fe 14, A1c
 Anderson commentary on questionable contract awards (s) Fe 27, E8f

Economic indicators

see also Construction—Contracts (economic indicator)
 Consumer Price Index
 Durable goods—Orders for
 Housing—Starts
 Inventories
 Leading Economic Indicators (index)
 Producer prices (index)

Economic policy

Reagan economic plan
 commentary on Pres Reagan's supply-side theories as a bold departure from philosophy of last 25 yrs (m) Fe 23, A15a

Economic policy (US)

see also Economic conditions and trends (US)
 Regan, Donald T. (Treasury Sec)

Reagan economic plan

see also Agriculture—Federal aid
 Alcohol, Tobacco and Firearms Bureau (US)
 Amtrak—Finances
 Black lung disease—Disability benefits
 Blacks—Economic and social conditions
 Budget (US)
 Corporate taxes—Depreciation allowances
 Corporation for Public Broadcasting—Finances
 Credit—Federally financed
 Defense Dept (US)—Budget
 Economic Development Admin
 Economics—Supply-side theories
 Education—Federal aid
 Energy Dept (US)
 Energy Dept (US)—Grants
 Export-Import Bank of the US
 Federal aid—State and local
 Federal impact aid
 Federal Trade Comm—Budget
 Food stamps
 Foreign aid—From US
 Gasoline—Taxes—Federal
 Government contracts (US)
 Government employees and officials (US)—Hiring and promotion—Reagan hiring freeze
 Government employees and officials (US)—Salaries and benefits
 Government employees and officials—Termination
 Hospitals—Costs—Limitation
 Housing—Depreciation
 Housing—Federal programs
 Income taxes (federal)—Cuts
 Interest—Rates
 Interior Dept (US)—Budget
 International trade
 Legal Services Corp—Budget
 Medicaid
 Medicare
 Milk and milk products—Price supports
 National Endowment for the Arts—Budget

Economic policy (US)

Reagan economic plan (cont)

National Endowment for the Humanities—Budget
 Postal Service (US)—Subsidy
 Poverty—Govt programs
 PBS—Finances
 Railroads—Federal aid
 Regulations—Federal
 Rural Electrification Admin
 Science and technology—Research—Federal aid
 Secret Service (US)—Budget
 Social Security (US)—Benefits
 Space exploration
 Stockman, David A.
 Taxes—Federal—Cuts
 Television—Public
 Transportation—Policy (US)
 Unemployment compensation
 Urban Development Action Grant program
 Welfare
 Williamson, Richard B.
 commentary argues Reagan economic plan may be subject to the same shortcomings as the Thatcher plan in Great Britain (photo, cartoon) (l) Fe 1, C1a
 Reps and Reagan officials discuss possible tax and spending cuts on TV news shows (m) Fe 2, A1b
 Herblock cartoon suggests Reagan may have trouble tackling inflation (s) Fe 3, A18c
 popular programs likely to face deep cuts (photo) (m) Fe 4, A1e
 Reagan tries to reassure blacks, mayors (photo) (m) Fe 4, A2a
 Treasury Undersec-designate for Monetary Affairs Beryl Sprinkel says the admin will advise the Fed Reserve Bd on appropriate policies (m) Fe 4, E1d
 ed on need for Reagan admin to address issue of budget cuts along with tax cuts (m) Fe 5, A18a
 Herblock cartoon portrays OMB Director Stockman as the Grim Reaper (s) Fe 5, A18c
 Council of Econ Advisers head Weidenbaum (photo) explains need for tax and spending cuts, discusses other issues (m) Fe 6, D1b
 Pres Reagan (photo) tells TV audience that he will propose cuts in nearly all fed programs (m) Fe 6, A1a
 Reagan admin said to be considering major cuts in social services (m) Fe 6, A1c
 cartoon on Pres Reagan's difficulty in keeping ahead of inflation (s) Fe 7, A21b
 cartoon suggests contradictions in Reagan proposals (s) Fe 7, A21c
 cartoon suggests Pres Reagan will have tough fight against inflation (s) Fe 7, A21b
 cartoon suggests Reagan may discover encouragement of OMB Director Stockman will lead him to excess (s) Fe 7, A21c
 ltr responds to Jan 25 Anderson commentary (cartoon) (s) Fe 7, A20c
 analysis of Stockman program (m) Fe 8, A1a
 commentary on importance of Reagan's being clearly impartial in the application of his austerity program (m) Fe 8, A3a
 commentary on need for general public to know more about supply-side economics since we will be affected by an admin using its theories (photo) (m) Fe 8, C5a
 commentary suggests that Pres Reagan's plan to cut taxes and spending and restrain the money supply could lead to an economic boom (m) Fe 8, C7b
 excerpts from the Stockman report on proposed budget cuts (l) Fe 8, A15a
 implementation of Reagan-Stockman plan will require long battle (m) Fe 8, A1d
 cuts of 10% in entitlement programs would put an additional 1.9 million citizens below the poverty line (m) Fe 9, A4a
 ed offers suggestions (m) Fe 9, A12a
 Reagan admin plan to dismantle Appalachian Regional Comm and Economic Development Admin expected to be controversial (photo) (m) Fe 9, A1d

Economic policy (US)

Reagan economic plan (cont)

ed advises Reagan admin seriously to consider social benefits of programs targeted for cuts (m) Fe 10, A14a
 Kraft commentary argues proposed cuts in fed programs may in fact have very little effect on inflation (m) Fe 10, A15a
 Reagan admin lists programs which will be exempt from cuts (photo) (m) Fe 11, A1a
 ed argues restricting scope of cuts will make individual reductions more burdensome (m) Fe 12, A18a
 Herblock cartoon argues Reagan-Stockman plan fails to discriminate between necessary and wasteful programs (s) Fe 12, A18c
 Reagan reportedly ready to call for spending cuts of \$45 billion (m) Fe 13, A1e
 cartoon on seriousness of Reagan admin's commitment (s) Fe 14, A23b
 cartoon shows US economy waiting for creative solutions to its problems to come from Pres Reagan (s) Fe 14, A23d
 cartoon suggests Stockman cuts may be too enthusiastic (s) Fe 14, A23b
 ltrs suggest programs to cut and not to cut (cartoon) (m) Fe 14, A22c
 commentary argues proposed spending cuts are insufficient, offers more extensive program (cartoon) (m) Fe 15, C1a
 commentary on economist Pierre Rinfret's predictions that Pres Reagan will be unable to cut \$50 billion from the budget (m) Fe 15, F4a
 ed on need to maintain appropriate priorities in determining program reductions (m) Fe 15, C6a
 Cohen commentary argues Reagan sacrifice of programs is largely symbolic, will have little actual effect on inflation (m) Fe 15, B1a
 Herblock cartoon argues Reagan's budget reductions will be superficial (s) Fe 15, C6c
 ed argues budget cuts must not be made at expense of poor (m) Fe 16, A14a
 impact of proposed Stockman cuts on different people in DC area discussed (photo) (l) Fe 16, C1a
 Evans and Novak commentary on need for Reagan admin to redistribute wealth by redesigning tax system (m) Fe 16, A15f
 Fritchey commentary warns Reagan about advisers' misinformation (m) Fe 16, A15a
 Reagan econ plan is favorite topic during Amer Enterprise Institute cocktail party at Hay-Adams hotel (photo) (m) Fe 16, B1a
 Young commentary advises Pres Reagan to consider foreign econ situations while formulating US policy (cartoon) (m) Fe 16, A15a
 Buchwald commentary on David Stockman's enthusiastic chopping of budget (m) Fe 17, B1a
 the reality behind the rhetoric analyzed (m) Fe 18, A4a
 commentary on difficulty of achieving more production and lower inflation at the same time (m) Fe 19, A13a
 commentary on effects of budget cuts on nation's poor and the black community (photo) (m) Fe 19, A17b
 Herblock cartoon suggests Reagan plan will produce a battle between competing interests for more limited resources (s) Fe 19, A16c
 Kraft commentary on its shortcomings (m) Fe 19, A17a
 Rowen commentary on weakness of Reagan's supply-side approach (m) Fe 19, A17d
 admin expects plan to boost business investment to unprecedented levels (photo) (m) Fe 20, D1a
 Evans and Novak commentary on removal of supply-side doctrine from Gilder's introduction to Pres Reagan's econ report (m) Fe 20, A15a
 7 members of Community for Creative Non-violence arrested following protest of proposed budget cuts (s) Fe 20, B3a

Economic policy (US)**Reagan economic plan (cont)**

- MacNelly cartoon suggests OMB Director Stockman is playing the role of Pres Reagan's program executioner (s) Fe 21, A11c
commentary on positive conflict which may result from Reagan proposals (m) Fe 22, A3a
Rowen commentary on David Stockman's thorough budget revision as a major accomplishment; on his economic theories as more conservative than those of Treasury Sec Regan (m) Fe 22, G1a
Reagan program appears to favor West over East (m) Fe 23, A2a
Geyelin commentary on similarities between Reagan economic plan and British Prime Min Thatcher's theories (m) Fe 24, A13c
Herblock cartoon suggests the needy will in fact suffer under the Reagan plan (s) Fe 24, A12c
Samuelson commentary on what can reasonably be expected from plan (m) Fe 24, E1a
commentary on similarities between Prime Min Thatcher's policies and those of Pres Reagan; on danger of govt promising a miracle cure (cartoon) (m) Fe 25, A17a
Broder commentary on Pres Reagan's plan as shock therapy for the country (m) Fe 25, A17a
Kraft commentary on enormous differences between the economic experiences of Great Britain and of the US (m) Fe 26, A19a
Reagan package based on \$3-6 billion underestimate of fiscal 82 spending (m) Fe 26, A12a
commentary on Pres Reagan's exaggerations (cartoon) (m) Fe 27, A15b
Herblock cartoon on massive cuts in fed programs (s) Fe 27, A14c
Reagan admin reportedly plans to cut programs of Labor, Agriculture, Education Depts (photo) (m) Fe 27, A1d
Rowen commentary on spending-cut proposals as more convincing than tax-cut proposals (m) Fe 27, A15b

Reactions

- Congressional and private opponents of possible Reagan cuts prepare strategies (m) Fe 6, A2a
admin to launch large-scale campaign to elicit support for its program (m) Fe 15, A4d
Broder commentary on the real battle which faces Reagan admin (m) Fe 18, A19f
Greenfield commentary on entrenched opposition Reagan faces (m) Fe 18, A19a
critic charge Reagan plan will raise the price of the poor (photo) (m) Fe 19, A1d
commentary argues those economic conservatives who have supported Reagan will be tested now as their own favorite programs are cut (cartoon) (m) Fe 22, C1d
Kraft commentary on possibly illusory nature of much of Reagan's support (m) Fe 22, C7a
comments from the world press (s) Fe 26, A18c

Official

see also Reagan, Ronald (Pres, US)—Relations with Congress

- 14 govs give Reagan program bipartisan support (photo) (m) Fe 11, A2a
Democrats likely to resist GOP efforts to push Reagan plan through Congress quickly (m) Fe 19, A18a
Democratic Congressional leaders prepare strategy for selective resistance to Reagan cuts (photo) (m) Fe 20, A1c
House Democratic chairs unsure how much support they will offer Reagan program (m) Fe 20, A4a
cartoon suggests liberal Congressional opposition to Reagan program is too muted (s) Fe 21, A11b
Democrats in Congress call Pres Reagan's tax cut proposals inflationary; many favor 1-yr tax cut (m) Fe 21, A1f

Economic policy (US)**Reagan economic plan****Reactions****Official (cont)**

- commentary by Democratic Sen Tsongas agrees with Pres Reagan's plans to cut spending and taxes; Sen urges caution in choosing which programs and taxes to cut (cartoon) (m) Fe 22, C7b
ltr advises Democrats to present specific alternatives to Reagan proposals (cartoon) (s) Fe 23, A14c
govs oppose many Reagan proposals, particularly Medicaid and welfare cuts (m) Fe 24, A1c
White House dinner concludes Reagan admin attempt to convert govs to his economic program (photo) (m) Fe 25, B1b
House Democrats complain that Pres Reagan's tax and spending proposals are vague and lack backup data (m) Fe 26, B1a

Media coverage

- ABC and NBC will carry Democratic Congressional response Feb 20, CBS will broadcast reply on Feb 21 (s) Fe 19, D15a
Democratic response to Reagan speech will be broadcast on ABC opposite "Dallas" (s) Fe 19, A21e

Unofficial

- see also* AFL-CIO—Political activities
Knox Co (Ill)
Gallup poll shows Americans pessimistic about plan (s) Fe 2, A3d
NY Fed Reserve Bank economist says cuts of more than \$15 billion by 1982 unlikely, regardless of admin hopes to cut up to \$50 billion by then (m) Fe 3, E1a
feminists meet in DC to support social programs threatened with cuts (s) Fe 5, A13a
ltrs respond to Pres Reagan's first speech on the economy (s) Fe 11, A18c
cartoon on special interest resistance to specific cuts (s) Fe 14, A23c
Harris Poll shows public wants spending cuts before tax cuts, is highly selective about what should be cut (m) Fe 19, A2e
Wall Street execs generally pleased with Pres Reagan's proposals (m) Fe 19, B1d
many question equity of proposed Reagan cuts (m) Fe 20, A1b
AFL-CIO proposes alternatives to Reagan program (m) Fe 20, A5a
US financial leaders approve of plan (m) Fe 20, D1e
ltrs critical of Reagan-Stockman program (cartoon) (m) Fe 21, A10c
Post-ABC poll shows strong general support for Reagan plan (graph) (m) Fe 24, A1c
ltrs pro and con (m) Fe 26, A18c
commentary on public optimism about Reagan admin's ability to effect change (m) Fe 27, A1e

AFL-CIO, UMW organize opposition to Reagan cuts (photo) (m) Fe 28, A1d

Reagan speeches

- ed on Pres Reagan's Feb 5 address (s) Fe 7, A20a
MacNelly cartoon on Pres Reagan's gloomy portrait of economy (s) Fe 14, A23c
Feb 18 speech to be plea for quick Congressional action (photo) (s) Fe 15, A23b
economic plan discussed among guests at pre-speech reception for new Senators hosted by Amer Newspaper Women's Club (photo) (m) Fe 19, D9a
ed on daring nature of Feb 18 proposals (m) Fe 19, A16a
in Feb 18 speech Reagan calls for \$41.4 billion in budget cuts; analysis of speech (photo) (m) Fe 19, A19a
reaction to speech breaks along party lines (photo) (m) Fe 19, A21a
text of speech (photo) (l) Fe 19, A12a

Economic policy (US)**Reagan economic plan****Reagan speeches (cont)**

- Reagan grim in discussion of economy, optimistic about his proposals (chart) (m) Fe 19, A1a
descriptive vignettes of Amer Newspaper Women's Club's reception preceding Pres Reagan's Feb 18 speech (s) Fe 20, C2a
Media coverage
NBC relieved over White House decision to move air time of Feb 5 speech to 9 pm (s) Fe 5, D15b
Pres Reagan shows his professional style during Feb 5 TV speech; telecast reviewed (m) Fe 7, C1a
delivery of Pres Reagan's Feb 18 TV speech reviewed (m) Fe 19, D1a

Economics**Supply-side theories**

- see also* Economic policy (US)—Reagan economic plan
commentary on the conservative economic theories of Wall Street Journal editorial writers Robert L. Bartley (photo) and Jude Wanniski (m) Fe 15, C1a
Evans and Novak commentary on removal of supply-side doctrine from Gilder's introduction to Pres Reagan's econ report (m) Fe 20, A15a
ed on Golden Egg theory of taxation, that treatment of rich is of utmost significance (m) Fe 22, C6a

Ecuador**Border conflicts****Peru**

- US and 3 Latin Amer nations call for end to conflict (s) Fe 1, A26d
Peru announces cease fire (s) Fe 2, A16e
both countries agree to ceasefire (s) Fe 3, A27a
Peru warns of retaliation if Ecuador renews attacks (s) Fe 23, A20d

Ecumenism

- Pope calls for ecumenical dialog with Asian religions in Radio Veritas message during trip to Philippines (photo) (m) Fe 22, A30a

Eddie Vinson Allstars (musical group)

- performance at Blues Alley reviewed (s) Fe 18, B3d

Edelman, Meyer

- obit (Jan 31 81, photo) (s) Fe 1, B3c

Eden, Bracha

- 2 piano performance of Bracha Eden and Alexander Tamir at Library of Congress reviewed (s) Fe 21, C2c

Eden, Emily

- "The Semi-Attached Couple" (book) reviewed (illus) (m) Fe 15, BW5a

Edmunds, Thomas O.

- obit (Feb 14 81, photo) (s) Fe 15, B8c

Education

- see also* names of countries other than US with subhead Education and schools
Bilingual education
Schools
Sex education
Vocational training

Federal aid

- see also* Student loans and aid—Federal
education and civil rights groups vow to resist budget proposal to meld and slash 57 fed school aid programs (m) Fe 9, A1e
Reagan admin budget makers overrule Educ Sec Bell on block grant use (photo) (m) Fe 21, A1c
Md

Montgomery Co

- Competency requirements**
high school students' low scores on state-mandated test fuel debate over exam's merits (photo) (m) Fe 5, MD1a
State Supt Hornbeck answers questions on state funding and competency testing during Montgomery Co public forum (photo) (m) Fe 5, MD3c

JULY 26, 1981

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

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

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

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

WAS CONTINUING TO SPIRAL UPWARD, UNEMPLOYMENT WAS AT A CRIPPLING LEVEL AND ALL BECAUSE GOVERNMENT WAS TOO BIG AND SPENT TOO MUCH OF OUR MONEY.

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

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

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

ALL THE LOBBYING, THE ORGANIZED DEMONSTRATIONS AND THE CRIES OF PROTEST BY THOSE WHOSE WAY OF LIFE DEPEND ON MAINTAINING GOVERNMENT'S WASTEFUL WAYS WERE NO MATCH FOR YOUR VOICES WHICH WERE HEARD LOUD AND CLEAR IN THESE MARBLE HALLS OF GOVERNMENT.

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

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

FOR ~~40~~¹⁹ OUT OF THE LAST 20 YEARS THE FEDERAL GOVERNMENT HAS SPENT MORE THAN IT TOOK IN. THERE WILL BE ANOTHER LARGE DEFICIT IN THIS PRESENT YEAR WHICH ENDS SEPTEMBER 30TH. BUT WITH OUR PROGRAM IN PLACE IT WON'T BE QUITE AS BIG AS IT MIGHT HAVE BEEN AND STARTING NEXT YEAR THE DEFICITS WILL GET INCREASINGLY SMALLER UNTIL IN JUST A FEW YEARS THE BUDGET WILL BE BALANCED AND, HOPEFULLY, WE CAN BEGIN WHITTILING AT THAT ALMOST 1 TRILLION DOLLAR DEBT THAT HANGS OVER THE FUTURE OF OUR CHILDREN. X

NOW SO FAR I'VE BEEN TALKING ABOUT ONLY ONE PART OF OUR PROGRAM FOR ECONOMIC RECOVERY -- THE BUDGET CUTTING PART.

I DON'T MINIMIZE IT'S IMPORTANCE. JUST THE FACT THAT DEMOCRATS AND REPUBLICANS COULD WORK TOGETHER AS THEY HAVE, PROVING THE STRENGTH OF OUR SYSTEM HAS CREATED AN OPTIMISM IN OUR LAND. THE RATE OF INFLATION IS NO LONGER IN DOUBLE DIGIT FIGURES, THE DOLLAR HAS REGAINED STRENGTH IN THE INTERNATIONAL MONEY MARKETS AND BUSINESSMEN AND INVESTORS ARE MAKING DECISIONS WITH REGARD TO INDUSTRIAL DEVELOPMENT, MODERNIZATION AND EXPANSION. ALL OF THIS BASED ON ANTICIPATION OF OUR PROGRAM BEING ADOPTED AND PUT INTO OPERATION.

A RECENT POLL SHOWS THAT WHERE A YEAR AGO ONLY 24 PERCENT OF OUR PEOPLE BELIEVED THINGS WOULD GET BETTER, TODAY 46 PERCENT BELIEVE THEY WILL. TO JUSTIFY THEIR FAITH WE MUST DELIVER THE OTHER PART OF OUR PROGRAM. IT IS ABSOLUTELY ESSENTIAL IF WE ARE TO PROVIDE INCENTIVE AND MAKE CAPITAL AVAILABLE FOR THE INCREASED PRODUCTIVITY REQUIRED TO PROVIDE JOBS FOR OUR PEOPLE.

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

A FEW DAYS AGO I WAS VISITED HERE IN THE OFFICE BY A DEMOCRATIC CONGRESSMAN FROM ONE OF OUR SOUTHERN STATES. HE'D BEEN BACK IN HIS DISTRICT AND ONE DAY ONE OF HIS CONSTITUENTS ASKED HIM WHERE HE STOOD ON THE ECONOMIC RECOVERY PROGRAM I'D OUTLINED IN THAT EARLIER BROADCAST. WELL, THE CONGRESSMAN, WHO HAPPENS TO BE A STRONG LEADER IN SUPPORT OF OUR PROGRAM, REPLIED AT SOME LENGTH WITH A DISCUSSION OF THE TECHNICAL POINTS

INVOLVED, BUT ALSO MENTIONING A FEW RESERVATIONS HE HAD ON CERTAIN POINTS. THE CONSTITUENT, A FARMER, LISTENED POLITELY UNTIL HE'D FINISHED AND THEN SAID, "WELL, YES, THAT'S ALL VERY INTERESTING -- BUT WHAT I WANT TO KNOW IS -- ARE YOU FOR UM OR AGIN UM?"

I APPRECIATE THE GENTLEMAN'S SUPPORT AND SUGGEST HIS QUESTION IS A MESSAGE YOUR OWN REPRESENTATIVES SHOULD HEAR. LET ME ADD THOSE REPRESENTATIVES HONESTLY AND SINCERELY WANT TO KNOW YOUR FEELINGS. THEY GET PLENTY OF INPUT FROM THE SPECIAL INTEREST GROUPS, THEY'D LIKE TO HEAR FROM THEIR HOMEFOLKS.

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

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

BRACKET CREEP IS AN INSIDIOUS TAX. LET ME GIVE AN EXAMPLE. IF YOU EARNED \$10,000 A YEAR IN ¹⁹⁷¹~~1971~~, BY 1980 YOU HAD TO EARN ~~\$19,850~~ ^{\$19,860} JUST TO STAY EVEN WITH INFLATION. BUT THAT'S BEFORE TAXES. COME APRIL 15TH, ¹⁹⁸⁰ YOU ~~FIND~~ ^{FOUND} YOUR TAX RATES ~~HAVE~~ ^{HAD} INCREASED ^{at least} 33 PERCENT ^{since 1972}. IF YOU'VE BEEN WONDERING WHY YOU DON'T SEEM AS WELL OFF AS YOU WERE A FEW YEARS BACK, IT'S BECAUSE GOVERNMENT MAKES A PROFIT ON INFLATION. IT GETS AN AUTOMATIC TAX INCREASE WITHOUT HAVING TO VOTE ON IT. WE INTEND TO STOP THAT.

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Wash Star, Advertisement, 2/27/81, p. A-14

style, p. 46

Summary, 7/24/81
Ec. Rec. Tax Act of
1981, House
Bipartisan Substitute
Proposal

style, p. 81

SBA,
Facts about Small
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Joint Economic
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p 11
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Ec. Rec. Tax Act of 1981,
House Bipartisan Substitute Bill
Wash Post, 7/25/81,
pp A-1, A-10.

TIME WON'T ALLOW ME TO EXPLAIN EVERY DETAIL, BUT OUR BILL INCLUDES JUST ABOUT EVERYTHING TO HELP THE ECONOMY. WE DO AWAY WITH THE MARRIAGE PENALTY, THAT UNFAIR TAX THAT HAS A WORKING HUSBAND AND WIFE PAY MORE TAX THAN IF THEY WERE SINGLE. WE INCREASE THE EXEMPTION ON THE INHERITANCE (OR ESTATE) TAX TO \$600,000 ^{by 1987} SO THAT FARMERS AND FAMILY-OWNED BUSINESSES DON'T HAVE TO SELL THE FARM OR STORE IN THE EVENT OF DEATH JUST TO PAY THE TAXES. MOST IMPORTANT WE WIPE OUT THE TAX ENTIRELY FOR A SURVIVING SPOUSE. NO LONGER, FOR EXAMPLE, WILL A WIDOW HAVE TO SELL THE FAMILY SOURCE OF INCOME TO PAY A TAX ON HER HUSBAND'S DEATH. THERE ARE DEDUCTIONS TO ENCOURAGE INVESTMENT AND SAVINGS. BUSINESS GETS REALISTIC DEPRECIATION ON EQUIPMENT AND MACHINERY. AND THERE ARE TAX BREAKS FOR SMALL AND INDEPENDENT BUSINESSES WHICH CREATE 80 PERCENT OF ALL NEW JOBS. IT IS, IN SHORT, THE FIRST REAL TAX CUT FOR EVERYONE IN ~~MORE THAN~~ ^{almost} 20 YEARS.

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NOW WHEN WE PROPOSED THIS -- AND INCIDENTALLY IT HAS NOW BECOME A BIPARTISAN MEASURE CO-AUTHORED BY REPUBLICAN BARBER

CONABLE AND DEMOCRAT KENT HANCE -- THE DEMOCRATIC LEADERSHIP DECLARED A TAX CUT WAS OUT OF THE QUESTION. IT WOULD BE WILDLY INFLATIONARY. THAT WAS IN JANUARY.

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

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

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

THE MAJORITY LEADERSHIP CLAIMS THEIRS GIVES A GREATER BREAK TO THE WORKER THAN OURS AND IT DOES -- THAT IS, IF YOU'RE ONLY PLANNING TO LIVE 2 MORE YEARS. THE PLAIN TRUTH IS OUR CHOICE IS NOT BETWEEN 2 PLANS TO REDUCE TAXES, IT IS BETWEEN A TAX CUT OR A TAX INCREASE. THERE IS BUILT INTO OUR PRESENT SYSTEM, INCLUDING PAYROLL SOCIAL SECURITY TAXES AND THE BRACKET CREEP I'VE MENTIONED, A 22 PERCENT TAX INCREASE

OVER THE NEXT 3 YEARS. THE COMMITTEE BILL OFFERS A 15 PERCENT CUT OVER 2 YEARS; OUR BIPARTISAN BILL GIVES A 25 PERCENT REDUCTION OVER 3 YEARS. AS YOU CAN SEE BY THIS CHART -- HERE IS THE 22 PERCENT INCREASE LINE AND HERE IS THEIR CUT BELOW THAT LINE AND OURS WIPING OUT THE INCREASE WITH A LITTLE TO SPARE.

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

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

HERE IS ANOTHER CHART WHICH ILLUSTRATES WHAT I SAID ABOUT THEIR GIVING A BETTER BREAK IF YOU ONLY INTEND TO LIVE FOR 2 MORE YEARS. THEIRS IS THE DOTTED LINE, OURS THE SOLID. AS YOU CAN SEE, IN EACH OF THE EARNING BRACKETS FROM \$5,000 ON UP TO \$50,000 THEIR TAX CUT IS SLIGHTLY MORE GENEROUS THAN OURS -- FOR THE FIRST 2 YEARS -- ^E THAN TAXES IN EVERY ONE OF THESE EARNING LEVELS START GOING UP. ON THE OTHER HAND, AS YOU CAN SEE IN OUR BIPARTISAN BILL, THE TAX KEEPS GOING DOWN AND THEN STAYS DOWN PERMANENTLY.

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

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

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

OUR BIPARTISAN TAX BILL TARGETS THREE-QUARTERS OF ITS TAX RELIEF TO MIDDLE-INCOME WAGE EARNERS, WHO PRESENTLY PAY ALMOST THREE-^aQUARTERS OF THE TOTAL INCOME TAX. IT ALSO THEN INDEXES THE TAX BRACKETS TO ^eINSURE THAT YOU CAN KEEP THAT TAX REDUCTION IN THE YEARS AHEAD. THERE ALSO IS, AS I SAID, ESTATE TAX RELIEF THAT WILL KEEP FAMILY FARMS AND FAMILY-OWNED BUSINESSES IN THE FAMILY. AND THERE ARE PROVISIONS FOR PERSONAL RETIREMENT PLANS AND INDIVIDUAL SAVINGS ACCOUNTS.

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

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

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

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

OUR OPPONENTS IN THE BEGINNING DIDN'T WANT A TAX BILL AT ALL. WHAT IS THE PURPOSE BEHIND THEIR CHANGE OF HEAR^T? THEY'VE PUT A TAX PROGRAM TOGETHER FOR ONE REASON ONLY, TO PROVIDE A POLITICAL VICTORY FOR THEMSELVES. NEVER MIND THAT IT WON'T SOLVE THE ECONOMIC PROBLEMS CONFRONTING OUR COUNTRY. NEVER MIND THAT IT WON'T GET THE WHEELS OF INDUSTRY TURNING AGAIN OR ELIMINATE THE TAXES WHICH ARE EATING US ALIVE. THIS IS NOT THE TIME FOR POLITICAL FUN AND GAMES. THIS IS THE TIME FOR A NEW BEGINNING.

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

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

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

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

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

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

ONE ROAD IS TIMID AND FEARFUL.

THE OTHER BOLD AND HOPEFUL.

IN THESE 6 MONTHS, WE HAVE DONE SO MUCH AND HAVE COME SO FAR. IT HAS BEEN THE POWER OF MILLIONS OF PEOPLE LIKE YOU WHO

HAVE DETERMINED THAT WE WILL MAKE AMERICA GREAT AGAIN. YOU HAVE MADE THE DIFFERENCE UP TO NOW. YOU WILL MAKE THE DIFFERENCE AGAIN.

LET US NOT STOP NOW.

THANK YOU. GOD BLESS YOU AND GOOD NIGHT.