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OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

REMARKS OF THE PRESIDENT
ON HIS RECOMMENDATIONS
FOR REDUCTIONS IN TAXES AND SPENDING

THE OVAL OFFICE

8:00 P.M. EDT

Good evening. I have asked for this opportunity to talk with you tonight because it is important that all of us begin facing up to a fundamental decision about our Nation's future.

For several years America has been approaching a crossroads in our history. Today we are there.

To put it simply, we must decide whether we shall continue in the direction of recent years the path toward bigger Government, higher taxes and higher inflation or whether we shall now take a new direction bringing to a halt the momentous growth of Government, restoring our prosperity and allowing each of you a greater voice in your own future.

Tonight I will set forth two proposals that, taken together, as they must be, represent the answer I believe we must choose.

First, I propose that we make a substantial and permanent reduction in our Federal taxes, and, second, I propose that we make a substantial reduction in the growth of Federal spending.

Let me emphasize at the outset that these proposals must be tied together in one package. It would be dangerous and irresponsible to adopt one without the other. I will not accept that as an answer for our future.

I want these proposals acted upon together by the Congress. Together they represent one central and fundamental decision that America belongs to you, the people, and not to the Government.

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Each of you knows from experience about your economic problems of recent months, you know what it means to pay more and more of your income just to feed and clothe your family, to get to work, and to maintain a decent home. You know the fear that strikes the human heart when a friend or a member of your family is laid off work and you know the anxiety that comes when these forces seem beyond your control.

None of us wants to repeat the experiences of the past year. We want steady prices, we want steady jobs and, above all, we want a chance to get ahead again, to know that our destiny lies in our own hands and not in Washington or some other far away place.

Fortunately, there are encouraging signs that we have weathered the worst of this economic storm. The recovery that began this spring is now gathering momentum. If we act wisely, it will continue on an upward path with more jobs and more stable prices.

Yet we should not be deceived. All of us must recognize that just beneath the surface there are still deep-seated problems in our economy -- problems that have been building up over the years and will not quickly or easily disappear.

We must attack the underlying causes of our economic problems. We must get at the roots of our difficulties. We must find answers that serve us not only this year but for the years to come.

The President and the Congress working together have the power to help. I know that because in Washington much of America's vitality and prosperity have been drained away. It is here that one big spending program after another has been piled on the Federal pyramid taking a larger share of your personal income and creating record budget deficits and inflation. Here a massive, often too zealous bureaucracy has been erected that has become too involved in trying to run too much of your daily life.

Over the years these excesses have played a major role in driving up prices, driving up interest rates and holding down jobs. We do not have to look far for our underlying problems.

Much of our inflation should bear a label "Made in Washington, D.C."

As we emerge from this recession, we face the basic choice: Shall we continue these patterns in Washington or shall we set off in a new direction? We cannot do both. We cannot go down both roads at the same time. We must choose.

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Tonight, I propose permanent tax reductions totaling \$28 billion-- the biggest single tax cut in our history. Earlier this year the Congress passed, and I signed, a temporary tax cut covering calendar year 1975. That temporary law will expire at the end of this year and, unless we act now, your taxes will go up again in January. I am proposing that we sweep away that temporary law and replace it, effective January 1, with a permanent Federal income tax cut that will be both larger and more equitable.

Three quarters of this permanent reduction will be for individual taxpayers and the chief benefits will be concentrated where they belong, among working people. The industrious working men and women of this country are the backbone of America. We cannot continuously ask them to bear an unfair tax burden. I propose that we lighten the tax load for them and for all other Americans in three ways: by raising everyone's personal tax exemption from \$750 to \$1000; by making the standard deduction for single taxpayers a flat \$1800 and for every married couple \$2500, and by lowering our basic personal income tax rates.

Together these measures will not only decrease everyone's taxes but they will also help to make up for the ravages of inflation. They will simplify the tax returns for millions of Americans. The total package represents a substantial reduction below the rates that will otherwise take effect this January. Under my proposal, a typical family of four earning a total of \$14,000 a year would get a permanent tax cut of \$412 a year, a 27 percent reduction.

The other quarter of the tax reduction will be directed at business in a way that creates more jobs. If companies and plants are to regain their footing and to hire more employees in the future, they must have greater incentives for investment. In order to create jobs, and good jobs, this country must build new plants and new equipment and we must have a growing economy. The tax cuts that I propose, including a permanent increase in the investment tax credit and a two percent reduction in the corporate tax rate, are specifically designed to increase employment. We must recognize that cutting taxes is only half the answer.

If we cut only taxes but do not cut the growth of Government spending, budget deficits will continue to climb, the Federal Government will continue to borrow too much money from the private sector. We will have more inflation, and ultimately we will have more unemployment.

Substantial cuts in your taxes must be tied to substantial cuts in the growth of Government spending. Anyone who has followed the upward leap in Federal spending can only shake his head in astonishment.

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Back in 1962, the Federal budget for the first time in our history ran over \$100 billion. In only eight years the budget doubled in size. In the coming fiscal year unless we act it will double again to over \$400 billion.

One of the reasons for this horrendous spending growth is that much of the increase in each year's budget is required by programs already on the statute books. Many of these increased programs were first enacted years ago, and while individually they might have appeared manageable then, today -- taken together -- they are out of control. They are like a freight train whose lights were first seen far off in the night. That train has been coming closer and closer and now it is roaring down upon us. If we don't slow it down, Federal spending next year could easily jump to more than \$420 billion without a single new Federal program.

Therefore, I propose that we halt this alarming growth by holding spending in the coming year to \$395 billion. That means a cut of \$28 billion below what we will spend if we just stand still and let the train run over us.

More importantly, it means almost a dollar-for-dollar cut in taxes and spending. For every dollar that we return to the American taxpayer, we must also cut our projected spending by the same amount. If we allow politics as usual to prevail in the Congress, there will be a temptation to overwhelmingly approve the tax cuts and do nothing on the spending cuts. That must not happen.

I will go forward with the tax cuts that I am proposing only if there is a clear, affirmative decision by your representatives in the House and the Senate that they will hold spending next year to \$395 billion. I will not hesitate to veto any legislation passed by the Congress which violates the spirit of that understanding.

I want these actions to be a first step, and they are a crucial step, toward balancing the Federal budget within three years.

In January, I will propose to the Congress that many of our current spending programs be revised, consolidated and held below their projected levels. When I do, you will hear loud protests from one group after another contending that Washington should keep up an endless flow of subsidies. But we have to face hard reality: our financial resources are limited. We must learn to live within our means.

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Spending discipline by the Federal Government must be applied across the board. It cannot be isolated to one area such as social programs nor can we completely insulate any area such as defense. All must be restrained. I believe that your Congressmen should stop trying so hard to find new programs that spend your money and get to work figuring out how to make the Government work better for you. They should get rid of the programs that don't work in order to make room for those that do. And, in the process, we can begin cutting back the swollen Federal bureaucracy.

I want to work with the Congress and with you, the people, to insure that those who deserve the help of our Nation continue receiving that help. The elderly, the poor and the men and women who have borne our Nation's arms. Also, I will not permit reductions in our military budget that would jeopardize our national security. We must maintain a strong economy and a strong national defense.

Sometimes when fancy new spending programs reach this desk, promising something for almost nothing and carrying appealing labels, I wonder who the supporters think they're kidding. From my visits with the American people, I find many of them believe that what the Government puts in your front pocket, it slips out of your back pocket through taxes and inflation. They are figuring out that they are not getting their money's worth from their taxes. They believe that the politics of Federal spending has become too much of a shell game. And I must say that I agree with them.

America's greatness was not built by taxing people to their limits but by letting our people exercise their freedom and their ingenuity to their limits. Freedom and prosperity go hand in hand. The proof is there to see around the world. Only by releasing the full energies of our people -- only by getting the Government off your back and out of your pocket -- will we achieve our goals of stable prices and more jobs.

I deeply believe that our Nation must not continue down the road we have been traveling. Down that road lies the wreckage of many great nations of the past. Let us choose instead the other road, the road that we know to be tested, the road that will work.

As your President, I cannot take this journey alone. I need the help of you, the American people, to persuade your Congressmen and your Senators that you want the growth in Government spending cut so that your taxes can be cut now. I need the help of the farmer in Iowa, the housewife in California, the retired couple in Florida, the small businessman in New Jersey, the student in Texas -- all of you. This must be a national effort. America should not belong to the Government, but to the people. You can serve the Nation by helping us make the right choice for the future.

Thank you, and good evening.

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(AT 8:20 P.M. EDT)