

Ronald Wilson Reagan (1911-2004)

## Address to the Nation on the Federal Budget and Deficit Reduction

*given on April 24, 1985*

My fellow Americans:

I must speak to you tonight about a serious problem that demands your immediate attention. I need your help.

Today the United States Senate began a rendezvous with history. The threads of our past, present, and future as a nation will soon converge on the single overriding question before that body: Can we at last, after decades of drift, neglect, and excess, put our fiscal house in order? Can we assure a strong and prosperous future for ourselves, our children, and their children by adopting a plan that will compel the Federal Government to end the dangerous addiction to deficit spending and finally live within its means?

Throughout our history, we Americans have been willing to meet great challenges and do what is right when our destiny demanded it. Just 4 years ago this week, I asked your support for our bipartisan recovery program. That was the program the spenders said wouldn't work, and they called it Reaganomics. You might remember April 1981: a time when our defenses were weak, inflation still in double digits, and economic growth almost dead from a government that taxed too much and spent even more than it taxed.

We knew it would take a great effort to turn that around. We knew that letting you keep more of your earnings to get our economy moving again would be resisted by the old guard in Washington. But we also knew the answer to a government that's too fat is to stop feeding its growth. We wanted America to rediscover opportunity. We asked for your help then, and you gave it to

US.

You turned America around—turned around her confidence, turned around her economy, turned around over a decade of one national nightmare after another. We're into our 29th straight month of economic growth, with inflation staying down and more of us working than ever before—that's 8 million new jobs. Now that our program is working, you may have noticed they're not calling it Reaganomics anymore.

Once again, the United States is the flagship economy for the world. A new generation of entrepreneurs is coming up, pointing us toward a 21st century full of amazing change and vast new opportunities.

We must seize this historic moment to shape America's future—to completely overhaul our tax code, changing it from a source of confusion and contempt to a model of fairness and simplicity, with strong, new incentives for even greater growth.

So many good things lie ahead for America. And yet all our progress, all the good we've accomplished so far, and all our dreams for the future could be wrecked if we do not overcome our one giant obstacle.

The simple truth is: No matter how hard you work, no matter how strong this economy grows, no matter how much more tax money comes to Washington, it won't amount to a hill of beans if government won't curb its endless appetite to spend. Overspending is the subject we must now address—how budgets got so far out of balance and, yes, what together we can and must do to correct this.

You know, sometimes the big spenders in Congress talk as if all that money they spend just kind of magically appears on their doorstep, a gift from the Internal Revenue Service. They talk as if spending were all giving and no taking.

Well, there is no magic money machine. Every dollar the government spends comes out of your pockets. Every dollar the government gives to someone has to first be taken away from someone else. So, it's our moral duty to make sure that we can justify every one of your tax dollars, that we spend them wisely and carefully and, just as important, fairly.

Unfortunately, hardly anyone could honestly call Federal budgets wise, careful, or fair. Is it fair to ask one small business to help subsidize its competitors? Is it fair to ask workers in the private economy to pay for civil service pensions that are much more generous than the retirement benefits they receive? Is it fair to ask low-income families to help pay for the college education of children from families with incomes as high as \$100,000 a year? Is it fair to ask taxpayers to help pay billions for export subsidies to a handful of America's biggest corporations?

Well, it isn't fair, and you know it. But that's the law of the land right now, just part of the legacy of 50 years of trying to do good things for all by treating your earnings like government property.

45 The time has come to decide what benefits we can properly expect from the Federal Government for ourselves, our neighbors, and those in need; and what government can take from us in taxes without making everyone worse off, including those who need our help. The one thing we cannot do is stay on the immoral, dead-end course of deficit spending.

Today our national debt amounts to nearly \$8,000 for every man, woman, and child in America, and it's increasing by  
50 about \$1,000 per person each and every year. Just to cover the interest on that debt, the Federal Government will spend \$155 billion this year alone. That's more than its entire budget as recently as 1966.

Despite your worries and all the warnings, the trend has continued year after year. We've had only one balanced budget in the last quarter century. As a nation, our debt has grown and grown and grown until now it totals \$1.7 trillion—a number so big that it's nearly unimaginable. A single billion is 1,000 millions. A trillion is a million  
55 millions.

Now, this is not just my problem. This is not just Congress' problem. This is our problem, and we must solve it together as Americans.

Tonight, I'm asking all of you—Democrats, Republicans, and independents—to give me your help to put our financial house in order so that our tax, spending, and monetary policies will not hinder growth, but encourage it; not send  
60 inflation and interest rates shooting back up, but keep them heading down; and not drown us under a tidal wave of debt, but protect us in the safe harbor of financial stability, with a sound and powerful economy.

Not surprisingly, some still want to raise your taxes. They say we cut your taxes too much in 1981, when we ended years of bracket creep and lowered rates for every American taxpayer. Well, this is simply untrue. And it implies government has a right to take from you all that it needs to satisfy the demands of special interest groups.

65 Surely, there's no faster way to see our prosperity vanish than to yoke the decent, hard-working, taxpaying citizens of this great nation to an automatic spending machine in Washington, DC. Government should tax to meet government's needs, not government's wants.

Nine days ago I received a very welcome gift—a letter with 146 signatures. One hundred and forty-six Members of Congress have pledged to uphold what I repeat tonight will be my certain veto of any tax increase Congress sends me,  
70 no matter how cleverly it's disguised.

Is it too much to ask the spoilers to give up their hidden agenda to increase taxes, which would only slow the economy, throw people out of work, and, yes, make the deficit worse? Do they still not understand how generous you've been, paying heavy taxes to defend freedom around the world, ease starvation in distant nations, and help the needy, the elderly, and the sick and handicapped here at home?

75 Well, as you can see [referring to televised graphics], the rising blue bar shows that the taxes you paid in the last 20 years increased by over \$620 billion. And if you think that's a staggering sum, well, you're right. But look at this rising red bar showing government spending. In that same 20-year period, the red bar went up even more. It went up by over \$840 billion. Government spending—that's the real Washington monument.

Taxes are too high, but spending is even higher. During the 20 years when inflation, steep Federal income tax rates,  
80 and rising State, county, and local taxes were pushing you into tax brackets once reserved for the wealthy, Congress was writing checks and spending your money even faster than you could spend it.

What went wrong? Where has all the money gone? Well, during the strong, prosperous Eisenhower years in the 1950's and through the Kennedy years, we kept spending in check. During those Kennedy years there was a tax cut proposed similar to our cut. It was enacted in 1964, and the economy grew then as it has grown now.

85 But others in government did not take the next logical step and say: Look, freedom and incentives are working. So, let's reduce tax rates further. Let's transform our ghettos into havens for enterprise, give families new incentives to save for their children's education—let's make every citizen a shareholder in America's future.

Government did the opposite. Government began to take over America. In the name of the Great Society, it began

doing things never before felt possible or desirable. Government took over passenger railroads. It began contributing  
90 billions to 39,000 local government budgets. Its spending on agriculture subsidies soared to a level higher than the  
total net income from every farm in America.

Let me interject something here, and I'll state it plainly and simply: The enormous weight of Federal spending and  
runaway deficits has gone far toward placing in jeopardy one of every seven family farms in the United States. This is  
not simply an economic statistic. It is a great social tragedy that should command the concern of every American.  
95 Control of this runaway engine of Federal spending has become crucial to the survival of the family farm in the  
United States.

The new programs started after 1964. They cost \$16 billion by 1966, \$78 billion by 1975, and \$148 billion per year by  
1981.

Today government puts a dime into the fare box every time somebody boards a local bus or transit line. Today  
100 government subsidizes loans for every imaginable purpose—from education to aircraft exporters to luxury waterfront  
developments and hotels—so that government's lending business is bigger than Chase Manhattan and the Bank of  
America's combined. And the spending line keeps going up.

To be sure, much good has been done. In health, education, and food assistance, we're spending more than ever before  
in our history. But in many areas, we're spending where we should not be and spending what we can no longer afford.  
105 And so much of what we spend goes not to the individuals needing help, but to thousands upon thousands of  
bureaucrats, researchers, planners, managers, and professional advocates who earn their living from the great growth  
industry of government. It's no accident that some of the wealthiest communities in America are the communities  
surrounding the Federal Government in Washington, DC.

My fellow citizens, the time has come for government to make the same hard choices your families and businesses do.  
110 The time has come for your public servants to bring spending down into line with tax revenues.

Accomplishing this, bringing the spending line down to our incomes is the heart of our deficit reduction plan that we  
put together with Senator Dole and his colleagues. We call it the taxpayers' protection plan, and that's just what it is. It  
will reduce deficits by \$300 billion over 3 years, bringing us within reach of a balanced budget by 1990. And it will  
do this not by raising your taxes, but by reversing 20 years of overspending.

115 Our plan attacks excessive spending across the board. No part of the budget is spared, and a shared effort will be  
asked of all. But unlike a spending freeze, which would not reduce deficits nearly enough and which would make no  
distinction between worthy and wasteful programs, our plan recognizes that all spending is not created equal. Some  
programs are vital to our national security and domestic welfare and must be given first priority. Others are no longer  
affordable or were not proper Federal responsibilities to begin with.

120 Our plan establishes clear national priorities. It keeps what should be kept and cuts what should be cut. Our first  
priority must always be our national security. The Soviets are far more dangerous today than during the Fifties and  
sixties, periods in which we devoted far more to our defense. And they continue arming well beyond the defense  
needs of their country. Because of that threat, we must maintain modest but steady growth each year. Three percent is  
the rock-bottom level that we must maintain for effective deterrence to protect our security.

125 As I've said, even with this small increase, we'll spend a smaller share of our budget on defense than we did 20 years  
ago. Cuts we've proposed in projected defense spending will contribute a hundred billion dollars, a full one-third of  
our proposed budget savings for the next 3 years. Now, this will require canceling some programs; some nonessential  
military bases may be closed or cut back. But mainly, we will continue to identify and eliminate waste and crack  
down harder on excesses in contract costs.

130 Waste in the Department of Defense must and is being eliminated, as is fraud in defense contracts. The stories you've  
been reading and hearing about \$400 hammers and such are things that we've discovered were going on before and  
that we're correcting.

Padding of expense accounts, overcharging for weapons, profiteering at the expense of the public—these should be  
and will be prosecuted to the full extent of the law. Men who illegally line their pockets with dollars the American  
135 people have contributed to our defense are stealing from the arsenal of democracy the very weapons our young men  
need to defend freedom. And our tolerance of this selfish behavior was long ago exhausted.

The Senate will face demands to cut defense even more, but here we must draw the line. Federal overspending is not caused by meeting vital security needs, and even our critics know that further reductions would jeopardize our security. Our strategic programs, our 600-ship navy, our conventional weapons modernization, and our readiness  
140 programs must go forward.

Our plan will freeze the defense-spending share of our gross national product at 6.4 percent for the next 3 years. That is a share well below the 8 or 9 percent at the time of the Eisenhower and Kennedy. The remaining two-thirds of our deficit reduction can and must come from other parts of the budget—from domestic programs that are no longer necessary or in need of basic reform.

145 Let me give some examples of the sort of programs we intend to cut back. When Amtrak was begun in 1971 for a 2-year trial run, we were told it would soon turn a profit. Well, 14 years and nearly \$9 billion later, Amtrak is still running on taxpayers' subsidies. Every time a train leaves the station, it costs taxpayers \$35 for each passenger on board. In some cases, it would be cheaper just to hand them plane tickets. Eliminating Amtrak will save \$8 billion over the next decade.

150 We'll also save billions by eliminating taxpayer subsidies to some of America's biggest corporations through Export-Import Bank loans and by abolishing the Small Business Administration's lending programs, which are not only costly and unfair but unneeded in an economy creating over 600,000 new businesses and corporations a year.

Supporters of programs like these always ignore the big hidden costs all of us eventually have to pay. If programs like these can't be cut, we might as well give up hope of ever getting government spending under control. If Congress can't  
155 bring itself to do what's right, well, they should at least give me what 43 Governors already have—a line-item veto. Then I'll make the cuts; I'll take the responsibility and the heat, and I'll enjoy it.

One area we will not touch, however, is the safety net for needy Americans. Programs that provide income, food, housing, and medical aid for the neediest Americans were reformed in 1981 and are now targeted to genuine need. But these programs only make up 8 percent of the budget, so we need everyone's help to get spending under control.

160 The burden will not be great if all of us help carry the load. We're asking the 46 million Americans who receive a retirement, veterans, or Social Security check to accept a guaranteed 2-percent increase over the next 3 years in place of the existing cost-of-living adjustment. If, however, inflation should rise above 4 percent, the amount above 4 percent would be added to the 2 percent.

Now, these programs now total nearly \$250 billion per year—25 percent of our entire budget. They cost 30 times  
165 more than they did just three decades ago. Our veterans, disabled workers, and retired citizens have earned their benefits. They deserve an adequate and dignified standard of living, and we will never renege on that pledge.

All of us together have a shared interest in a healthy, expanding economy. It means jobs, opportunities, and rising incomes for our younger citizens and a steady flow of tax payments into the funds that support our retired citizens.

A small effort now will mean big gains for all Americans later. If we can keep our economy on track, 16 million more  
170 Americans will be working in 1988 than were employed at the end of 1982. With that much growth, with that many new jobs, there will never be any doubt: The retirement checks that 46 million Americans depend on will be secure; the economic base that supports them will be strong; and the tax payments that fund them will be abundant.

If we want to continue trying to make these the best years of our lives, if we want to protect our retired and disabled, boost small business, create jobs, strengthen our farm economy, our exports, improve our cities, and help your  
175 families send your children to college, there is one sure-fire way to do it: We're all going to have to pitch in together. But if we refuse, if we go back to the old pattern of business as usual, then let there be no mistake: Business as usual will eventually destroy our prosperity and all the blessings it has given us.

My fellow citizens, you remember the words of young John Kennedy, words of challenge to America in 1961: "Ask not what your country can do for you—ask what you can do for your country." In those days Federal spending was  
180 only a fraction of what it is today. Since then government programs have grown to the point where they touch almost half the families in America.

Today his question is more relevant than before. All of us are being challenged again to ask what we can do for our country, challenged to work together—237 million strong—to build a secure and lasting foundation for the American dream.

185 Even with all our cuts and reforms, our plan still provides \$560 billion for nondefense programs next year—the  
highest level in history. Congress has before it a budget that doesn't mortgage our future to higher taxes and expanding  
debt. It is a fair program; it is a balanced program; it will protect the neediest among us; it will stop the worst abuses  
of overspending; and it not only deserves your support, it must have your support to pass.

So, let me stress as strongly as I can, this shared effort we're asking you to make now will be our best assurance of  
190 avoiding painful hardship down the road.

We stand at a crossroads. The hour is late, the task is large, and the stakes are momentous. I ask you to join us in  
making your voices heard in the Senate this week and later in the House. Please tell your Senators and Representatives  
by phone, wire, or mailgram that our future hangs in the balance, that this is no time for partisanship, and that our  
future is too precious to permit this crucial effort to be picked apart piece by piece by the special interest groups.  
195 We've got to put the public interest first.

My fellow Americans, I hope history says of us that we were worthy of our past, worthy of our heritage. We can seize  
the moment; we can do our best for America to keep our future strong, secure, and free. Our children will thank us,  
and that's all the thanks we'll ever need.

Thank you, God bless you, and good night.  
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