

Remarks to Citizens in Athens, Tennessee

September 24, 1985

The President. Thank you very much, and thank you, Congressman Duncan. Believe me, it is wonderful to be here. You know, I always wanted to speak on democracy and good government in Athens. Now, it is absolutely not true that I taught Plato all he knew. [Laughter] So, I thank you for this opportunity. It's good to see my friends, Senator Baker and Congressman Quillen and Congressman Ford and Mayor Brakebill. Governor Alexander wanted to be here, but he's off finding new business opportunities for Tennessee. And I suspect that he will have the same success on this trip as he did in recent dealings with a company in Detroit.

But I want to speak to you today about changing our tax system. I'm going to speak briefly so I don't hold you up too much from your day, but I'm going to -- you know, I learned once a very important lesson about the importance of brevity in a speech. I was making a speech, and in the audience was a minister from Oklahoma, Bill Alexander, who had been quite well known around the country. And Bill told me, after I had spoken, about his first sermon, and I've always thought there was a connection between my speech and his story.

He said that he had been ordained, and then he was invited to speak at a little church out in the country. And he worked for weeks on that first sermon, and then stood up in that little country church that was empty except for one lone little fellow sitting out there among all the empty pews. Well, he went down, and he said: "My friend, you seem to be the only member of the congregation that showed up. I'm just a young preacher getting started. Should I go through with it?" And the fellow said: "Well, I don't know about that sort of thing. I am just a little old cowpoke out here in Oklahoma. But I do know this -- if I loaded up a truckload of hay, take it out on the prairie, and only one cow showed up, I'd feed her." [Laughter] Well, Bill thought that was a cue. So, he got back up in the pulpit with his carefully prepared sermon, and an hour and a half later said, "Amen." And then he went down again and said: "My friend, you seem to have stuck with me. I'm a young preacher, like I told you, just getting started. What did you think?" And he said: "Well, like I told you, I don't know about that sort of thing, but I do know this -- if I loaded up a truckload of hay, took it out on the prairie, and only one cow showed up, I sure wouldn't give her the whole load." [Laughter]

Well, to start with, the whole struggle for tax reform in our country is a kind of drama, with good guys and bad guys and even a damsel in distress. But like all dramas, it occurs in a certain context, and here's ours: Our economy, the American economy, has never been stronger, never been bigger, and never been better. Since the economic recovery began, we've created over 8 million new jobs. Well over a million new businesses were incorporated in the last 2 years alone. The American standard of living has increased. Our tax cuts put more money back in the American wallet. Interest rates are down from 21½ percent to 9½ percent; so we can build houses and make big purchases again. And most important, in the past 5 years, we chased inflation. We caught it; we wrestled it to the ground and stopped it from robbing the American consumer. That's a long way of saying that inflation, when we got to Washington, was 12 percent, and so far this year, it has only been 3.3 percent, and for the last 4 months, it has only been 2½ percent. And we're not going to stop until we get it even lower and eliminate it entirely.

So, we're in good shape, and because of that we can afford, finally, to turn to one big area of American life that's been a mess for years now. I'm talking about our current tax system. Now, I sometimes do an informal poll about what the people think about taxes, and if you'll cooperate -- do you love our current tax system?

Audience. No-o-o!

The President. Well, do you like our current tax system?

Audience. No-o-o!

The President. Well, how about this? Do you find our present tax system utterly disgusting and demoralizing?

Audience. Yes!

The President. Well, I'm with you. [Laughter] A system that penalizes people for working overtime, a system that allows some to unfairly shelter their income from taxation -- well, that's a system that just doesn't deserve to survive. What we want to put in its place is a tax system that, to begin with, will reduce the 14 tax brackets we have now down to 3. We want to simplify the system and make it loophole-free. We want to see that everyone pays their fair share, but no one pays more than that.

Our tax plan is aimed at helping the family. We're raising the personal exemption for each dependent from about \$1,040 to \$2,000. We're going to raise the standard deduction to \$4,000 for a married couple filing jointly. And under our plan, a family of four won't pay one cent in Federal income tax on the first \$12,000 of earnings. Now, we're also giving nonwage-earning spouses an equal chance to have an IRA, the tax-deductible savings account. You'd have to be pretty brave or awfully foolish to suggest that a housewife, a homemaker, isn't working. You bet you are.

Well, one of the keys to our tax proposal is that we went in with the clear intent to try to lower the personal income taxes faced by the American people. So, we devised a system in which a full 79 percent of the taxpayers of our country would either get a tax cut or see their taxes for now remain unchanged. Barely 20 percent would face a tax increase, and they are mostly the folks who've been using shelters and loopholes and such to avoid paying their fair share. By the way, there's been a little inaccurate information provided by some of our opponents on this. They say that under our plan the rich will benefit the most; they have it exactly backward. Under our proposal, those who make \$20,000 a year or less will enjoy the biggest tax cut. It will average about 18 percent. The second biggest tax cut goes for those who earn from \$20,000 to \$50,000 a year, and they will get a cut that averages 7 percent. And the smallest cut, but still a cut, nonetheless, goes to those who make \$50,000 a year or more, and their tax cut averages a little less than 6 percent.

And I want to be very clear on why we think it's important to keep trying, to keep striving to get your tax bills lower. I want you to think about the cash that you've got in your pocket right now, in your wallet or your purse. The money that is in there you earned. The less of it the Government takes from you, the more freedom you will have. You can take that money and spend it and give a boost to retail sales and encourage Miller's and Proffitt's to hire more workers. [Laughter] You can take it and save it and add to the capital available for all kinds of investment. Or you can take it and ultimately invest it in a business or a new firm or a new idea of your own. But whatever you do --

spend, save, or invest -- you'll be making a wonderful contribution to the quality of life of your fellow citizens; you'll be creating jobs.

You may have heard that our Council of Economic Advisers has just done a study of the expected economic impact of our tax plan. They said the economic growth it will inspire should create the equivalent of almost 4 million new full-time jobs. They found that the personal economic gain for each household will be about \$600 a year for every household in America. And they came up with something else that was pretty interesting. There are some people who go around saying the American people are undertaxed and we can't give them a break now because it will lower the amount of revenues coming into the Government. And I know that people are concerned about the deficit, and we are. And we are going to do something about it. But what we are going to do something about is -- or the something we are going to do is reduce government spending, not increasing taxes.

Now, the funny thing is that our tax plan, by reducing individuals and businesses -- their taxes -- will ultimately bring a lot more money into the Government. With the rates lower, the revenues become greater because of economic growth and increased prosperity. One reason is that every time we cut tax rates in one area, say on capital gains, we bring in more capital gains revenues because the cut in rates stimulates economic activity. When we cut, in 1981, the top tax rate of 70 percent down to 50 percent, actually the people paying in that bracket ended up paying more money to government at 50 percent than they had been at 70, because there was an incentive now for them to go out and do better and earn more and not try to find ways just to evade their taxes, but to pay them because they got to keep more of the share of the dollar. There's another element that figures in here. Our plan closes unproductive loopholes and eliminates the welter of shelters, and that will cut down on legal tax avoidance.

A few minutes ago I said that tax reform is a drama with heroes and villains and a damsel in distress. Well, the heroes are the citizens across this country who are asking for tax justice. The villains are the special interests, ``the I-got-mine gang," and the damsel in distress, well, that's a lass named endless economic growth, and she's tied to the tracks and struggling to break free. What do you say? Will you help us untie her? [Applause] Thanks, I needed that.

I want to mention something that is kind of funny, and I hope you can help me with it. I've been going all over the country talking about tax reform, and wherever I go the people tell me they are frustrated by the current system, and they back our plan, and then they ask me what can they do to help? Well, it's up to us together. Now, maybe you can help me and Congressmen Duncan and Quillen and Ford. Maybe we can make Washington listen. Do you want a fairer tax system?

Audience. Yes!

The President. Washington is kind of far away. I'm not sure they can hear you, and our friends there in the press, they want to know if you really want a fairer tax system?

Audience. Yes!

The President. I think I've just fallen in love with Tennessee. Well, I'm not surprised; Andrew Jackson started here -- that couldn't have been me [referring to a noise on the public address system]. Andrew Jackson started here, and he was a President who cared about the average American. He knew you weren't so average. And this great town, Athens, the friendly city, you

have a history of standing up to special interests. I guess you just can't stop Athens and McMinn County from backing justice and fairness.

I'll tell you what you've done here today -- and with these Congressmen here to carry the message back to Washington in person, even if some of them didn't hear you way back there, I'm sure they tried. I've heard from so many up on the Hill that said: ``Well, we just haven't heard anything from the people yet about tax reform. We don't know whether they're very interested or not." Well, everyplace I've gone it's been just like this: You are interested, and you want what tax reform means -- a reduction of the rates, making it simpler so that you don't have to hire an expert to tell you how to pay your tax, making it simpler and making it fairer -- all of this. And we can go back to Washington now and tell them that out here, in the real America, we found out the people do want something done about this hodgepodge tax system that's been growing like a jerry-built something or other for the last several decades.

Well, your support means a lot to me; I know it means a lot to them. And we're going to do everything we can to see if we can't get this passed this year so you'll know in a hurry that Aprils from here on are going to be a little happier around the 15th than they've been.

Audience member. Thank you, Mr. President!

The President. Well, just saw a sign -- I love you, too. Somebody had a sign up. Yes. Thank you for letting me come here, and thank you for listening to me. God bless you all, and God bless Tennessee. Thank you very much.

Note: The President spoke at 1:37 p.m. at the McMinn County Courthouse.