

**Mr. Reagan:** If you will forgive me, someone has once likened the government to a baby: it is an alimentary canal with an appetite at one end and no sense of responsibility at the other!

**Some hon. Members:** Oh, oh!

**Some hon. Members:** Hear, hear!

**Mr. Reagan:** Our citizens were being thrown into higher tax brackets for simply trying to keep pace with inflation. In just the last five years, federal personal taxes for the average American household have increased 58 per cent. The results: crippling inflation, interest rates which went above 20 per cent, a national debt approaching a trillion dollars, nearly eight million people out of work, and a steady three-year decline in productivity.

We decided not just to complain but to act. In a series of messages and actions, we have begun the slow process of stopping the assault on the American economy and returning to the strong and steady prosperity that we once enjoyed.

It is very important for us to have our friends and partners know and understand what we are doing. Let me be blunt and honest. The United States in the last few years has not been as solid and stable an ally and trading partner as it should be. How can we expect certain things of our friends if we don't have our own House in order?

Americans are uniting now as they always have in times of adversity. I have found there is a wellspring of spirit and faith in my country which will drive us forward to gain control of our lives and restore strength and vitality to our economic system. But we act not just for ourselves, but to enhance our relationships with those we respect.

First, we are taking near revolutionary steps to cut back the growth in federal spending in the United States. We are proposing that instead of having our national budget grow at the unacceptable rate of 14 per cent per year, it should rise at a more sensible 6 per cent.

**Some hon. Members:** Hear, hear!

**Mr. Reagan:** This enables us to maintain the kind of growth we need to protect those in our society who are truly dependent on government services.

Just yesterday, I submitted our proposed budget for the coming year, and then immediately crossed the border.

**Some hon. Members:** Oh, oh!

**Mr. Reagan:** With extraordinary effort we have isolated some 83 items for major savings and hundreds more for smaller savings, which together amount to \$48.6 billion in the coming fiscal year.

Our second proposal is a 10 per cent cut across the board every year for three years in the tax rates for all individual income taxpayers, making a total cut in tax rates of 30 per cent. This will leave our taxpayers with \$500 billion more in their pockets over the next five years and create dramatic new incentives to boost productivity and fight inflation. When these

personal cuts are combined with tax cuts to provide our business and industry with new capital for innovation and growth, we will be creating millions of new jobs many of them, ultimately, on your side of the border.

Our third proposal is to eliminate those unproductive and unnecessary regulations which have slowed down our growth and added to our inflationary burdens.

**Some hon. Members:** Hear, hear!

**Mr. Reagan:** We shall do this with care, while still safeguarding the health and safety of the American people—and, I might add, while mindful of our responsibility to have equal regard for the health and safety of our neighbours.

Finally, we will be working closely with our federal reserve system to achieve stable and moderate growth patterns in our money supply.

As I said, America's program for economic recovery is designed not merely to solve an internal problem. It is viewed by my administration as part of an essential effort to restore the confidence of our friends and allies in what we are doing.

When we gain control of our inflation, we can once again contribute more helpfully to the health of the world economy. We believe that confidence will rise, interest rates will decline, and investment will increase. As our inflation is reduced, your citizens and other world citizens will have to import less inflation from us.

As we begin to expand our economy once again and as our people begin to keep more control of their own money, we will be better trading partners. Our growth will help fuel the steady prosperity of our friends.

The control we regain over our tax and regulatory structures will have the effect of restoring steady growth in U.S. productivity. Our goods will go into markets not laden down with the drag of regulatory baggage or punitive levies, but with a competitive edge that helps us and those who trade with us.

Such new sustained prosperity, in an era of reduced inflation, will also serve world-wide to help all of us resist protectionist impulses. We want open markets. We want to promote lower costs globally. We want to increase living standards throughout the world. That is why we are working so hard to bring about this economic renewal.

There are, of course, other very important reasons for us to restore our economic vitality. Beyond our shores and across this troubled globe the good word of the United States, and its ability to remain stable and dependable, rely in good part on our having a stable and dependable economy.

Projecting solid internal strengths is essential to the west's ability to maintain peace and security in the world. Thus, our national interests, our bilateral interests and our hemispheric interests are profoundly involved in truly international questions.

That's why we must act now, why we can no longer be complacent about the consequences of economic deterioration. We have entered an era which commands the alliance to restore its