Remarks to Business Leaders in Cincinnati, Ohio

October 3, 1985

Thank you, Dr. Barrett, and thank you all. This is quite a wonderful reception. You know, for a minute there, I thought maybe you thought I was Pete Rose. [Laughter] Well, it's great to be back in Cincinnati and a genuine honor to share the platform with your Congressman, Bill Gradison, and his Ohio colleagues, Tom Kindness and Bob McEwen. Del Latta would have been with us but, as things happen in Washington, something happened that interfered with his getting here. And I know that someplace out there with you is a companion of mine of years back when we were Governors together -- Jim Rhodes. There you are, Jim. I remember a story back from my Jim Rhodes days, my Governor days in California. I was on the way to the office one morning, had the car radio on. And there was a disc jockey on playing songs and so forth and suddenly, I heard him saying -- now, we were having some problems at the time -- I heard him saying something that endeared him to me. He said, ``Every man should take unto himself a wife, because sooner or later, something is bound to happen that you can't blame on the Governor." [Laughter]

Well, the last time I visited here it was August 1984, the middle of the Presidential campaign. And I spoke to you that day about my dreams for America and my plans for this second term. And I told you: ``We're going to simplify the tax system, actually make it understandable and clear and fair. And when we do that, your tax rates are going to come down, not go up." Well, my friends, today I've come back to Cincinnati to help make good on that promise. We now have before the Congress a sweeping proposal to reform our entire Federal system of taxation. It has its roots deep in the American tradition of limited government, individual achievement, and economic growth.

During the 1920's for example, Presidents Harding and Coolidge instituted a series of tax cuts that reduced the top rate on individuals from 73 percent to just 25 percent. Today we remember the boom that followed as the Roaring Twenties. In the 1960's John F. Kennedy cut taxes again, and again the economy responded with great vigor and great growth. In 1981 our own first-term tax cuts were enacted, and in 1983, when those installments -- because it was an installment plan of tax cuts -- went into effect and began to take full effect, America took off on this recovery. I understand that here in Cincinnati, in 1984 alone some 20,000 new jobs were created. And during the last 18 months, greater Cincinnati has seen the creation of more than 1,400 businesses. No wonder the press has coined the term ``Cincynomics." I knew the program was succeeding when they stopped calling it Reaganomics. [Laughter] Today the American expansion is in its 34th consecutive month, and across the country, we've seen the creation of more than 8 million new jobs.

My friends, history is clear: Lower tax rates mean greater freedom, and whenever we lower the tax rates, our entire nation is better off. Freedom for people to grow is as American as apple pie and the Cincinnati Reds. America's fair share tax plan will give us a new burst of economic achievement. Now, many already understand that our plan will mean lower Federal income taxes for most individuals, but there's been some confusion about just what it would mean for business. Well, permit me to set the record straight. For business, America's tax plan will mean growth.

Those of you here with the Cincinnati Institute for Small Enterprise Division of the Greater Cincinnati Chamber should be aware that for small businesses our plan will represent a substantial tax break. Unincorporated small businesses, taxed according to the personal incomes of their owners, will benefit as we reduce and simplify personal income tax rates. The top personal rate alone will come down from 50 percent to just 35 percent. Incorporated small businesses will receive graduated rates of 15, 18, 25, and 33 percent, a measure especially helpful to businesses just getting started. As you know, small businesses create most of our new jobs. From late 1982 to late 1984, industries dominated by small businesses created new jobs at the remarkable rate of more than 11 percent. Under our progrowth plan, I'm convinced that small businesses will form, grow, and create new jobs even more quickly.

Those of you here with the Cincinnati Business Committee represent larger concerns, such giants as Procter & Gamble and Kroger Company and Federated Department Stores. Well, it's no mistake that this wonderful town is called the ``Blue Chip City.'' For corporations like your own, America's fair share tax plan will mean a lower top corporate rate, down from 46 to just 33 percent. In addition, the system will dramatically be simplified as countless provisions for special treatment are reduced or eliminated. Take a moment to compare this simplified, low-tax rate future to the present arrangement. The corporate tax structure today represents a jungle of deductions, credits, and allowances. The only ones who can hack their way through it with ease are those with friendly guides on Capitol Hill. The whole weed-ridden, overgrown arrangement encourages competition of the worst kind -- not to produce better products at lower prices, but to hire bigger and bigger teams of lobbyists and lawyers evermore skilled in taking advantage of the tax code. My friends, great American corporations should not be strapped by a system that is tied to the stake of tax shelters. It should be set free to make better products than any other industry, in any country of the world. And that's what America's tax plan, we think, is going to do.

For capital formation, our plan envisions a cut in the top rate on capital gains to just 17\1/2\ percent. Now, here again, history is our guide. Back in 1977 the number of dollars committed to venture capital, the funding so important to business start-ups, was just $39 million. And then, in 1978 taxes on capital gains were cut, and in 1981 we cut them again. And last year, venture capital commitments were over $4 billion. Even early opponents of tax cuts on capital gains can now see how the new availability of venture capital has spurred our economic growth. Indeed, former Massachusetts Representative and then Senator, Paul Tsongas, said of the 1978 tax cut: ``That bill, which I did not support, did more for the economy of my State than anything I ever did as a Congressman.'' When we cut the tax on capital gains again this year, we can expect capital formation and new business starts to hit new highs.

As businesspeople, you'll understand that by far the most significant aspect of our plan is that it will be good for your employees and customers, the American people. As I've said, rates for most individuals will come down. To benefit the family, we'll increase to $4,000 the standard deduction for married couples filing jointly and nearly double the personal exemption from just over $1,000 all the way to $2,000. The American people will have new incentives -- more money in their pockets, more with which to purchase your goods, to save, and to invest.

Just last month, the Council of Economic Advisers completed a study of what our long-term impact would be. Using conservative estimates -- that's the only kind I approve of -- [laughter] -- the Council found that America's fair share tax plan would increase our gross national product by about 2\1/2\ to 3.2 percent over the next 10 years. Now, that's the same as providing 11 years worth of growth in just 10 years, in a decade. That translates into the equivalent of almost 4 million additional new jobs over the next 10 years and from $600 to $900 a year in additional income for every American household. Needless to say, these growth estimates are based on our own proposal. And I've said it before and I'll say it again: I intend to fight for our plan -- a top corporate rate of 33 percent; a top capital gains rate of 17\1/2\ percent; 15, 25, and 35 percent rates for individuals, in exchange for the 14 tax brackets we have today; a standard deduction of $4,000; and a nearly doubled personal exemption of $2,000.

Now, of course, there are those who say that getting tax reform through Congress this year will be impossible. Well, if everybody on Capitol Hill worked as hard for tax reform as your own outstanding Congressman, Bill Gradison, we wouldn't have to worry. But for those who are predicting the defeat of America's fair share tax plan, I have a few other choice predictions I'd like them to consider. In 1899 Charles H. Duell, Commissioner of the U.S. Patent Office, said this: ``Everything that can be invented has been invented." And he suggested we should do away with the Office. [Laughter] And with the advent of sound tracks for motion pictures in the twenties, Harry Warner, one of my old bosses at Warner Brothers, said this: ``Who the hell wants to hear actors talk." [Laughter] Do you know that Fulton tried to sell the steamboat for warships to Napoleon. And do you know what Napoleon said about it? ``You're telling me that you can make a ship go against the tide and the wind and the current by building a bonfire under the deck? I won't listen to such foolishness." [Laughter]

Well, here's one for a great baseball town like Cincinnati. In 1921 Tris Speaker of the Cleveland Indians said this: ``Babe Ruth made a big mistake when he gave up pitching." [Laughter] My friends, today, naysayers will soon take their place beside Tris Speaker in the Great Mistakes Hall of Fame. Just as sure as Ruth could hit home runs and Rose can break records, during this session of the Congress, America's tax plan will become law; but it's going to take all of us and all of you letting the folks in Washington know that you want this change made.

I'm going to inject something here because lately I've seen some remarks or some -- no, philosophy attributed to me that somehow I am concerned only with this and that I'm not paying any attention to the national deficit, the deficit spending that the Government is doing. Thirty years ago, out on the mashed-potato circuit, I was saying we had to interrupt this 50-year span that we've had of deficit spending and which over the years we were told was necessary to prosperity. And I kept saying it would blow up and get out of control. And it has, but I'd like to just tell you something about that.

That's a top priority with us, and in our wing over there, at the West Wing of the White House, we have been talking about not just each year trying to get further cuts in the budget with the hope that someday we can get down to a balanced budget; we have been discussing a plan -- over a period of years, to start a plan of spending cuts that will bring the percentage of gross national product that the deficit is today down 4, then 3 percent, then 2 percent, and on down to zero in a several-year period -- not too many years -- and then our dream is, at the end of that, that year you implement a constitutional amendment that denies the Federal Government the right to borrow money.

Well, just recently we discovered that two of our Senators up on the Hill, and in fact one of your Congressmen, Del Latta, were engaged in discussions of exactly the same thing. Now, we hadn't said a word about what we were talking about; they hadn't told us either what they were talking about. But we found out that we were sure thinking alike. I don't know whether the ESP was going from them to us or us to them or whether it crossed on the way, but we have gotten together, and we are now in discussions with the people up on the Hill about that kind of a plan, to exert the discipline that is needed in Washington so that for someone to stage a big fight for his particular spending and overspending that he wanted to do or she wanted to do -- instead they would be breaking the pattern of a plan, over extended years, to bring about a balanced budget. So, we're in agreement on that, and we're going to be talking about that.

And I just want to say to you my gratitude for what so many of you have done. You know, I've talked about the things that have happened there -- for the last 4 months inflation has only been 2\1/2\ percent. I'd spoke about the capital money, the venture capital that is available. We know that interest rates are coming down. We know about the 8 million jobs that I mentioned. And we didn't do all of that; America did all of that, and I think the greatest contribution we made was, we tried to get government out of your way. And we're going to keep on trying to do that.

Thank you all very much. God bless all of you, and God bless Cincinnati.

Note: The President spoke at 1:35 p.m. at the Cincinnati Clarion Hotel. In his opening remarks, the President referred to James M. Barrett, chairman and chief executive officer of the Western-Southern Life Insurance Co., and Cincinnati Reds baseball player Pete Rose. The event was sponsored by the Cincinnati Business Committee and the Cincinnati Institute for Small Enterprise, the small business division of the Greater Cincinnati Chamber of Commerce. Following his remarks, the President returned to Washington, DC.