

in it, to make the effort. We must speak out. We must try to lead, to preach perhaps, and to see ever more converts.

“And we must do so without apology, for we know by now that it is the only way to benefit the country as a whole and all of its people, young and old, affluent and poor, urban and suburban, great and small. Inflation has so distorted our tax base that it should embarrass no one to urge a general reduction of almost all direct and indirect taxes. Tax relief is not a selfish luxury, it is a national economic necessity. Ordinary and capital gains rates must be reduced, depreciation schedules shortened and investment credits liberalized.

“The message is clear however: the hour is now at hand when we can begin to think that American’s spirit of enterprise may really green again.”

U.S. Representative Dan Rostenkowski: Fiscal Responsibility and the New Administration

U.S. Representative Dan Rostenkowski was chairman of the Ways and Means Committee of the U.S. House of Representatives when he addressed The Economic Club of Chicago on February 17, 1981, the eve of President Ronald Reagan’s first State of the Union address. His topic, in anticipation of President Reagan’s proposed tax package, was the promotion of long-term economic strength through tax cuts balanced by spending cuts.



“Someone once told me the only way people will believe that you’re as tough as you say, is to go out and break someone’s leg. That’s a lesson I learned a long time ago. Platitudes don’t make the trains run on time, or give a city a triple A bond rating, or give reason to raise a Sears Tower. That comes only when one promise

after another is kept.

“Tomorrow, President Reagan faces the unenviable task of telling America which leg he intends to break. And overnight, idealism will give way to realism in Washington.

“That’s where I come in.

“Raising all Federal revenue and controlling almost half the Federal budget falls within the jurisdiction of the Ways and Means Committee. Just about all the matches are stuck in my shoe. That fact, along with having worked 22 years in Congress under seven presidents, makes Dan Rostenkowski the hardest realist of them all. And the most apprehensive.

“As committee chairman, I want to believe that Congress can rise above special interests. But I only have to walk on to the House floor for confirmation that Congress is a mirror of the nation’s diversity, that the same people who are calling for an end to ‘business-as-usual’ have just quietly tried to tap another spigot into the Federal Treasury...

“I don’t fault members of Congress for defending special interests. I have special interests of my own, like Chicago. That’s what representative democracy is all about: a Congress divided by party, region, ideology, culture.

“That’s the field that President Reagan and I are set to play on. The difference is that he gets to kick off and I get to lead the suicide squad down field.

“Where everyone does agree is that the long-term strength of the economy depends on Congress’ willingness to cut taxes—and to cut spending. The first we can do with ease and speed. The second promises neither ease nor speed. Reality dictates, however, that both be done together.

“Let me say up front, that the Ways and Means Committee will pass a bill to cut taxes for both business and individuals. The outline of a tax cut package has been gradually emerging in Congress

over the last two years. It was my predecessor, Al Ullman, who correctly saw the danger in writing a tax cut bill during a presidential battle over who would be more generous to the taxpayer. Our reluctance had nothing to do with whether we needed a tax cut, but when. That time has now arrived.

“I don’t know the precise numbers the President will shoot for. I have chosen to face the details of his plan tomorrow night, along with the rest of Congress and the nation...

“Before we consider the details of the package, we will invite a cross-section of labor, business and other experts to help us examine the state of the economy and the legitimacy of the Administration’s economic assumptions. We must establish just how such massive tax cuts would change economic behavior. How much productive economic growth we can really expect?

“Only then can we determine the proper size of a tax cut, and set the balance between business and individuals. Only then can we weigh individual cuts for low and middle-income earners, so hard hit by inflation, against tax cuts for those in higher brackets who are considered to be the vanguard of economic recovery...

“Lawmakers are confronted with much the same choices presented environmentalists. Do we keep everyone out of the forest? Do we let the forest be clear-cut in the name of progress? Obviously, reality lies somewhere in between...

“So it is with the tax code. To my way of thinking, proponents of additions to or deletions from the tax code must carry the highest burden of proof.

“In general, I think the business community will find the Ways and Means Committee to be a skeptical, although often sympathetic, tribunal.

“I learned well from Dick Daley the potential power gained from a partnership between government and the private sector. Some of you are

charter members of that alliance. It was an arrangement bound by a rough trust that assured business a fair give and take. That alliance was forged by leaders who had a lifetime stake in the city’s good health.

“I carry that experience into the chairmanship of the committee.

“I realize that, more and more, the private sector is guided by managers whose performance is measured by earnings per share — not by their vision for the future. They are sprinters, dashing from annual report to annual report, taking little notice of broader national goals.

“My job is to make the tax code perform over the long haul. As a realist, I well know that philosophy is often overtaken by events, many beyond our control, and some genuinely requiring near-term, or emergency measures.

“But as a rule, we must avoid the simplistic, short-term ‘fixes’ which, while politically popular, do not do us justice over time...

“The nation will judge the 97th Congress and the new Administration by how decisively we can contain inflation. Not how generously we cut taxes, but by how wisely we cut spending...

“Unless we are ready to exact real sacrifice right now, we should give up talking about the fight against inflation. That means giving spending cuts prominence over tax cuts...

“By far the largest, and certainly the most emotional, single issue the Ways and Means Committee must confront this year is the financing of the Social Security System.

“Benefit payments are running steadily ahead of tax receipts, causing a serious drain on trust fund reserves. To bring back balance to the system, we must either increase trust fund revenues, or moderate the continued growth in benefits, or work out a combination of the two...

“Settling the Social Security financing shortfall and dealing with the President’s tax and spending package certainly cannot be isolated.

“Those are the political and economic relationships we will be assessing as we listen to the President’s State of the Union message tomorrow. I can’t remember when a Congress has ever faced a more dreadful, or more potent challenge.”

**Lee A. Iacocca:
If that’s not a depression...**

Lee A. Iacocca was Chairman of the Board of Chrysler Corporation when he addressed The Economic Club of Chicago on October 21, 1982, on unfair trade and American determination.



“When I came to Chrysler in 1979, all the sins of labor, all the sins of management and all the sins of a profligate government had pushed Chrysler right to the wall. I saw the Michigan state fairground jammed with thousands of unsold

Chryslers, Dodges and Plymouths. I saw decrepit plants literally falling apart. And worst of all, I saw cars coming off the assembly line with loose doors, chipped paint and crooked moldings.

“We had a choice at Chrysler. We could hang it up and let the company go under, or we could try to save the company, and with it, 600,000 jobs, and just maybe the American way of doing business, with honesty, pride and good old-fashioned hard work. It wasn’t easy.

“First we cut our white collar work force in half. Where we had 40,000 people working, we now have 21,000 producing a broader range of cars and trucks than ever before, and about an equal number. Now that’s productivity!

“Second, we closed or consolidated 20 obsolete and outmoded plants. And we modernized the remaining plants to make them among the most efficient and productive in the industry.

“Third, both union and non-union workers made salary and benefit sacrifices that saved us \$1.2 billion in wages and benefits.

“Fourth, we reduced fixed costs by \$2 billion on an annual basis.

“Finally, we completed an arrangement to retire our U.S. bank debt, which amounted to \$1.3 billion.

“The results of those changes are now a matter of record. As of today, we have no bank debt in the United States. Zero. We cut our break-even point to half the level of three years ago. We’ve accumulated a lot of cash, the most we have had on hand in the history of the company. But we did that by selling off our tank business and tightening up our inventories and receivables. Not a dime of that came from any profit, yet! That cash cushion is enough to pay bills for only three and a half weeks. And we need every bit of it to ride out this depression that doesn’t seem to want to stop. It’s also an insurance policy for the workers’ pensions and for their health care programs.

“Against all odds, against the highest unemployment since the Depression, against the highest interest rates in over a hundred years, against a falling gross national product, against the lowest rates of new car sales in a quarter of a century, we have delivered on our commitment to restore Chrysler as a strong competitor in the automotive marketplace. We have rebuilt the company and we are ready to go.

“Unfortunately, the economy is not.

“And it hasn’t been since that ‘day of infamy,’ October 6, 1979, the day Paul Volcker decided to let the interest rate float. Interest rates, which hadn’t been over 12 percent in 100 years, shot up