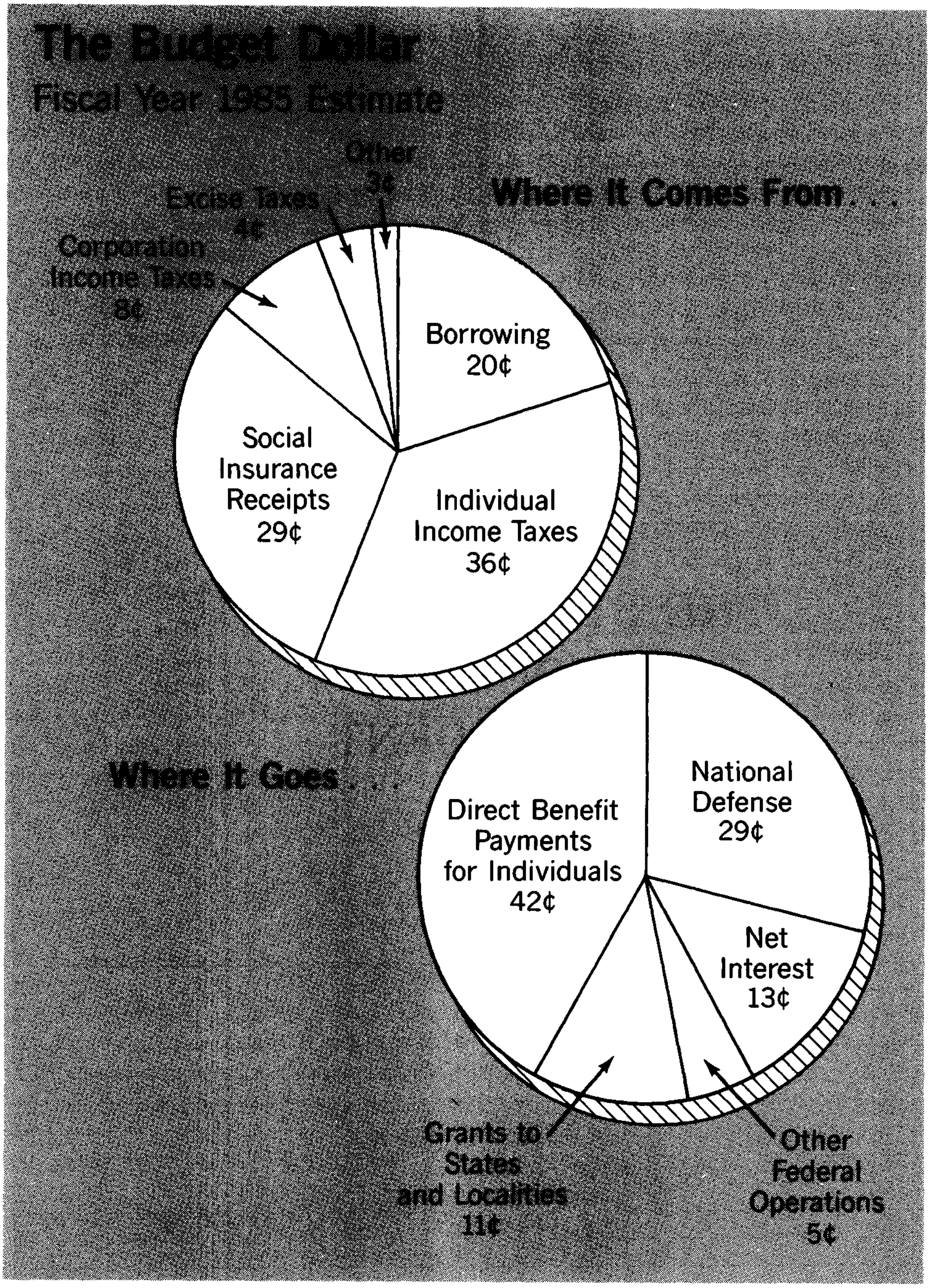
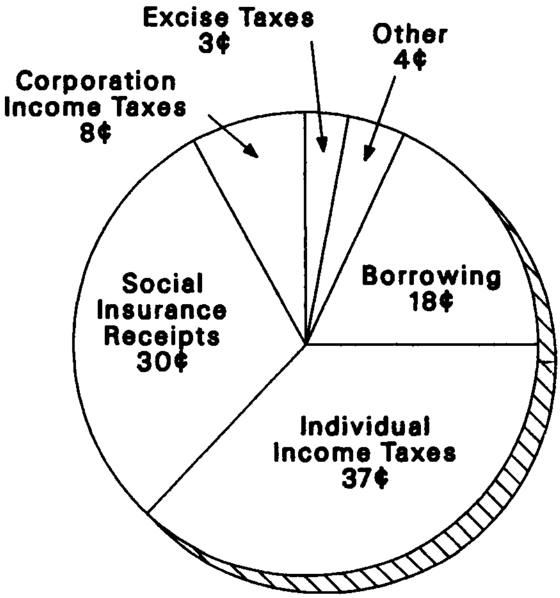

The Budget Dollar
Fiscal Year 1985 Estimate
Where It Comes From . . .
Other 3¢
Excise Taxes 4¢
Corporation Income Taxes 8¢
Borrowing 20¢
Social Insurance Receipts 29¢
Individual Income Taxes 36¢
Where It Goes . . .
National Defense 29¢
Direct Benefit Payments for Individuals 42¢
Net Interest 13¢
Grants to States and Localities 11¢
Other Federal Operations 5¢

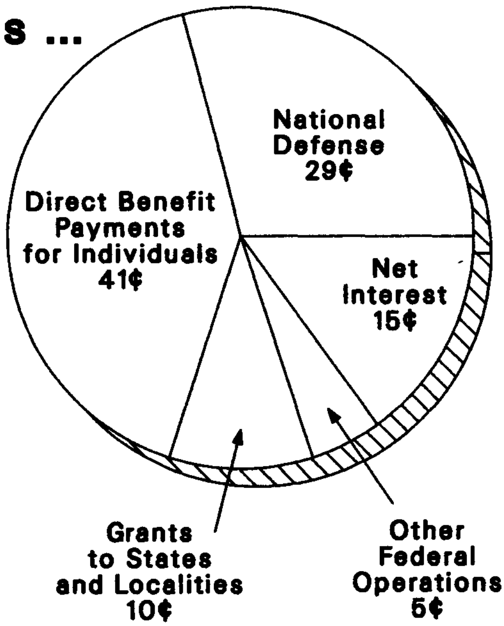
The Budget Dollar

Fiscal Year 1986 Estimate

Where It Comes From ...

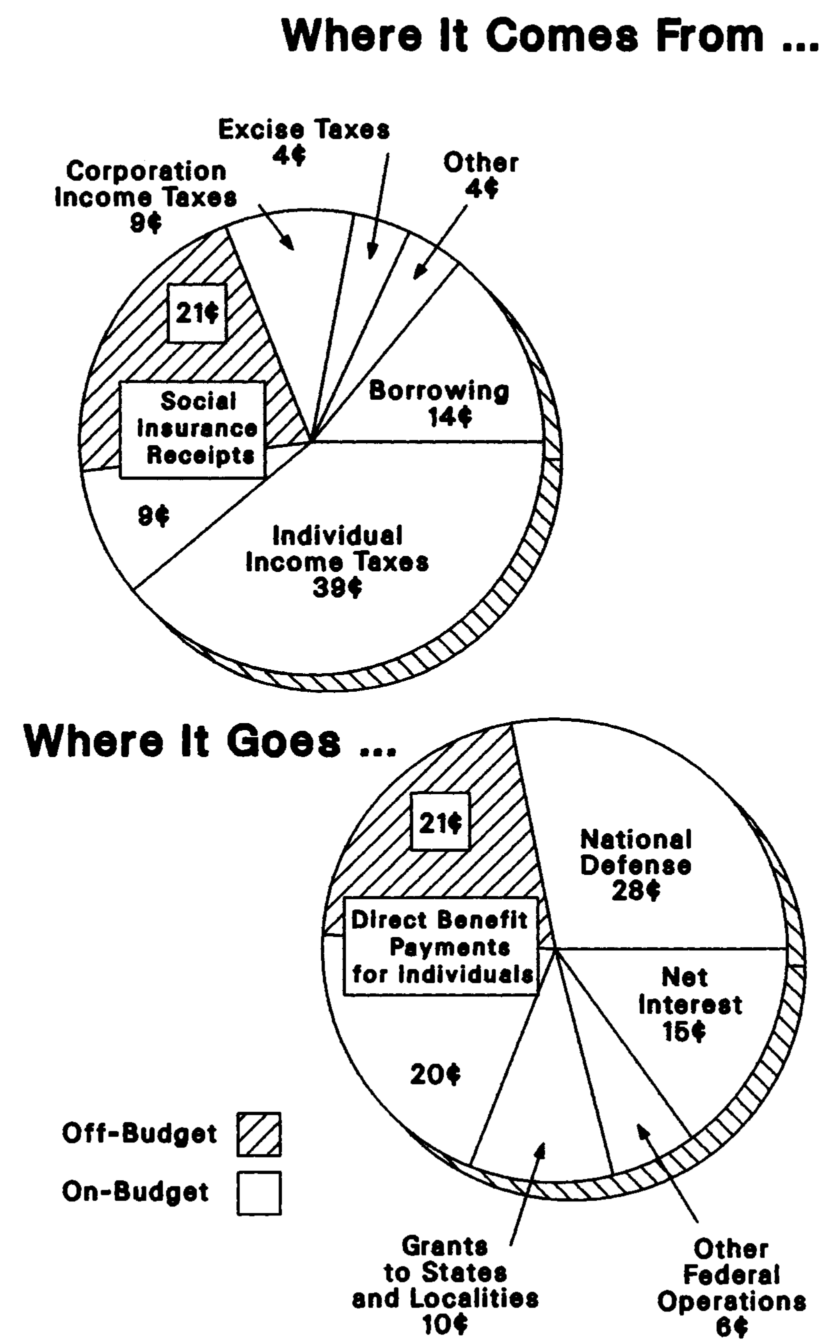


Where It Goes ...



The Federal Government Dollar

Fiscal Year 1987 Estimate



THE BUDGET MESSAGE OF THE PRESIDENT

To the Speaker of the House of Representatives and the President of the Senate:

The current economic expansion, now in its 50th month, is already one of the longest of the postwar era and shows promise of continuing to record length. This has not been due simply to chance—it is the result of successful policies adopted during the past 6 years. Disposable personal income is at an all-time high and is still rising; total production and living standards are both increasing; employment gains have been excellent. Inflation, which raged at double-digit rates in 1980, has been reduced dramatically. Defense capabilities, which had been dangerously weakened during the 1970's, have been substantially rebuilt, restoring a more adequate level of national security. An insupportable growth in tax burdens and Federal regulations has been halted, an intolerably complex and inequitable income tax structure has been radically reformed, and the largest management improvement program ever attempted is in full swing in all major Federal agencies. It has been a good 6 years.

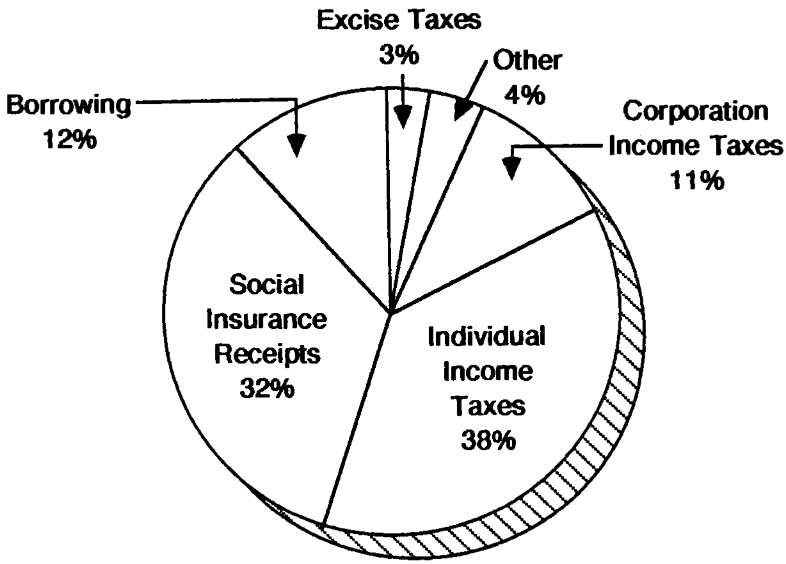
Now in its 5th year, the current expansion already has exceeded 5 of the 7 previous postwar expansions in duration, and leading economic indicators point to continued growth ahead. Our policies have worked. Let me mention a few highlights of the current economic expansion:

- In the past 4 years 12.4 million new jobs have been created, while the total unemployment rate has fallen by 3.7 percentage points. By comparison, jobs in other developed countries have not grown significantly, and unemployment rates have remained high.
- Inflation, which averaged 10.3 percent a year during the 4 years before I came to office, has averaged less than a third of that during the last 4 years—3.0 percent; inflation in 1986, at about 1 percent, was at its lowest rate in over two decades.
- The prime rate of interest, and other key interest rates, are less than half what they were in 1981.
- Between 1981 and 1986, numerous change in the tax code, including a complete overhaul last year, have simplified reporting, made the tax law more equitable, and significantly lowered tax rates for individuals and corporations. Six million low-income taxpayers are being removed from the income tax

The Federal Government Dollar

Fiscal Year 1989 Estimate

Where It Comes From ...



Where It Goes ...