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MASTER

FROM: BOB GARRICK

OUT AT: 9:00 a.m.

October 22

- ✓ Senator Paul Laxalt
- ✓ Ambassador Anne Armstrong
- ✓ Bill Casey
- ✓ Ed Meese
- ✓ Jim Baker
- ✓ Bill Brock
- ✓ Dean Burch
(For Ambassador Bush)

Peter Dailey

Mike Deaver

- ✓ Drew Lewis

Lyn Nofziger

- ✓ Verne Orr
- ✓ Bill Timmons
- ✓ Dick Wirthlin

Congressman Tom Evans

-
- ✓ Richard Allen
- Martin Anderson
- Jim Brady
- ✓ Ed Gray

Others

- Ray Bell
- ✓ Bob Gray
- Bill Morris

INFORMATION

Enclosed is the speech RR will give Fri. night, Oct. 24 on TV, ABC at 10:30 p.m. Please return comments by 10:00 a.m. Thurs., Oct. 23. Thank you.

Carruthers
Greenspan (via Meese)

CONFIDENTIAL

TO: M Anderson / Kevin Hopkins

FROM: Bill Gavin

A HUMANE ECONOMY:

JOBS, GROWTH, AND PROGRESS FOR AMERICANS

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During this campaign, as I bring a message of hope and progress and growth across America, I am reminded of what novelist Thomas Wolfe once wrote about our country.

He said there is "a mighty music" to "the proud, glittering names" of places in America.

I have visited places in America with such proud names, each name synonymous with the growth and progress that once made the American economy the envy of the world.

Steubenville and Detroit, Youngstown and Buffalo, Pittsburgh and Seattle, Dallas and Johnstown and Jersey City and Lima, metropolises like New York City and small towns like Greenville, Illinois--the very sound of these American names evokes a feeling of confidence and strength based upon what Americans have built through hard work.

But in many places the mighty music has been all but stilled. Where once there was the great, confident roar of American progress and growth and optimism, there is now the eerie, ghostly silence of economic stagnation, unemployment, inflation, and despair.

If you are like most Americans, you and your family know the sound of that silence.

You experience it around the dinner table when there is a discussion of how to pay for the children's education.

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You experience it in supermarkets when you pick up an item, look at the price, and--placing it back on the shelf--move on.

You or a loved one may have personally experienced that silence in the place where you once worked--before it had to shut down.

On street corners of our city neighborhoods it is a silence filled with anger and bitterness; on farms it is a puzzled silence, filled with questions of how things could go so wrong in a land as blessed as ours.

Yes, the mighty music of American economic progress has been all but stilled by four years of Mr. Carter's failures. This election will determine whether the nation and the world will ever again hear that great sound. This election will determine if the dinner table of your home, and the supermarkets of your neighborhood will ever again be places where plans can be made and necessities can be purchased without the gnawing doubt and, yes, fear, brought by Mr. Carter's inflation and unemployment.

Mr. Carter recently was asked by a young woman why our country could not work out a solution to unemployment and inflation.

His response was startling even by the rather extraordinary standards he has set in this campaign. He said:

"You know, people tend to dwell on temporary inconveniences and the transient problems that our nation faces."

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Unemployment a temporary inconvenience? Inflation a transient problem? We hear such words coming from an American President and we can scarcely believe them.

Recently, he told a group of labor officials his opinion of the coming election. He said:

"It's more important than your income. It's more important than the quality of the house that you have. It's more important than the neighborhood where you and your wife might ultimately retire." (Washington Star, October 16, 1980, page 1)

I happen to be convinced that Mr. Carter's chance of reelection is not as important as what his policies have done to your income, your home, your neighborhood, and your family.

Douglas Fraser, President of the United Auto Workers, in a recent interview, was asked about the support I have been getting from union members all across America. This is what Mr. Fraser, an avowed Carter supporter, said:

"There's an absolute correlation between unemployment and Reagan's support among blue-collar workers, including members of our union And we've been preaching for years that the workers vote their pocketbooks. Now, if they vote their pocketbook this time, we're in trouble. This is the kind of economics that the President told us in May of 1977 at our convention that he would never tolerate. . . . unless the people understand . . . this anguish, this feeling of hopelessness, I think our society is going to be in trouble."

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Let me remind you that those are the words of someone who publicly supports Mr. Carter. They are an extraordinary indictment of the Carter record and they accurately portray the feelings of many union members and their families, as well as many other Americans.

If this is what one of Mr. Carter's chief supporters thinks of his policies, what should the rest of us think? Mr. Fraser says that if workers vote their pocketbooks in this election, "we", meaning Mr. Carter and his allies, are in trouble. But the problem is that American workers are the ones who are in trouble now--and if they don't vote their pocketbook, who is going to do it for them?

By the very standards Mr. Carter himself uses to measure presidential failure, he has failed.

Mr. Carter promised to bring inflation down to 4 percent. It's now running at double-digit rates, and hit 18.2 percent earlier this year. The producer price index the past three months has averaged an annual rate of some 15 percent. In fact, between January 1977 and August 1980, consumer prices have risen 42.3 percent. Inflation continues to race ahead in double digits this year, eating up your incomes, ravaging you who have retired, and destabilizing our entire economy. The end of inflation is simply not in sight.

Right now, as I speak to you, nearly eight million American men and women are out of work. You or a loved one may be

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unfortunate enough to be one of them. Their distress is obvious--savings may be destroyed, houses may be lost, and families may go unfed.

Consider the misery index, which combines the inflation and unemployment rates. When Mr. Carter took office it was 12.2 and he was complaining about it. It is now nearly 20. That's an increase of two-thirds in the misery being felt by the American people.

Interest rates are again rising. The prime rate was only 6-1/4 percent in January 1977. It is 14 percent and rising today. The mortgage rate for new homes was 9 percent in January 1977. It is 13-1/2 percent today. It is now estimated that only one in twenty young families can now afford to purchase a home--something that used to be the hallmark of the American dream.

Indeed, of all the sectors of the American economy, few have been hit so hard as housing. In 1979 our housing industry produced 1.7 million units. This year we'll be lucky to end up with 1.2 million. To meet the real demand for housing, we should be building at least 840,000 more units this year.

When Jimmy Carter took office in 1977 a median priced new home sold for \$47,400. It cost \$306 a month to pay the mortgage on that home. Today that same home would cost \$556 a month--an increase of 81 percent in just over three years.

Even Jimmy Carter's Secretary of Housing and Urban Development admitted this last spring when he said that "for many

hardworking people, the American dream is denied because housing is growing beyond their reach."

Productivity has fallen six straight quarters, as America continues to fall further behind our industrial competitors around the world. American workers are ready to compete, but American companies don't have the new plant and equipment for them to do so. More and more American jobs are exported overseas, and new jobs are not being created here at home.

Consider your standard of living. The average gross weekly earnings of the American worker has fallen 8.5 percent since Mr. Carter took office.

Take industrial production. Total industrial production grew 10.8 percent in 1976. Total industrial production has fallen this year at an annual rate of 7.6 percent.

That's not just a record of economic failure. That is failure on a scale so vast, in dimensions so broad, with effects so devastating, that it is without parallel in American history.

As I heard somebody say the other day: "The Carter administration is giving failure a bad name." And they haven't just failed last month or last year. They've been failing for four long years.

On January 21, 1977, Mr. Carter launched his first "new" economic plan, which included the ill-fated \$50 rebate. He withdrew this under congressional pressure. This was Carter economic failure number one.

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On January 20, 1978, Mr. Carter announced his second "new" economic plan, which consisted of a variety of tax cuts. Congress approved a plan that bore little resemblance to his proposal. This was Carter economic failure number two.

On October 24, 1978, Mr. Carter announced his third "new" economic plan. Mr. Carter set wage and price standards and supported tightened credit. Many of the working men and women in America ignored these wage and price guidelines, which would have stopped them from keeping up with inflation. This was Carter economic failure number three.

Usually three strikes are out. But Mr. Carter kept on swinging--and missing.

On March 14, 1980, Mr. Carter announced his fourth "new" economic plan. He proposed a surcharge, or tax, on imported oil, credit controls, stronger wage/price guidelines, and a balanced budget. Congress and the courts knocked out his oil tax: the credit controls sent interest rates sky-rocketing and hurt consumers and businesses alike. His wage/price guidelines hurt workers even more than before. And the 1981 budget, instead of being balanced, will have an inflationary deficit of \$30 billion or more. This was Carter economic failure number four.

Finally, on August 28, 1980, Mr. Carter announced his fifth "new" economic plan. His proposals included a Social Security tax credit that barely offsets the tax increase that Mr. Carter signed into law in 1977; a refundable tax credit to help bail-out

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companies that the Carter recession had damaged; increased federal spending for programs that have failed before; job restraining for workers who had been thrown out of work by the Carter recession; and an Economic Revitalization Board, which could be the beginning of industrial bail-outs that have failed in other countries.

Mr. Carter doesn't care enough to send this plan to Congress until next year. Not that I'm surprised; it will be Carter economic failure number five.

Now with a record like this someone has to take responsibility. Mr. Carter agrees with this in theory. But let's see who he says is responsible.

He has blamed OPEC for inflation. He's blamed the American people for inflation. He's blamed the Federal Reserve Board for inflation. The symbol of this administration is a finger pointing the other way.

And on October 14, after spending most of the first part of the campaign running away from his economic record, he finally made a speech on the economy. And he came up with a new list of who, or what, to blame.

The number one item on his list was, and I quote, "The failure to raise adequate revenues at a time of greatly increased public spending." What he means in plain English is that he didn't raise your taxes enough.

Now, Mr. Carter has already imposed the two largest tax increases in our nation's history. And by 1981, he will have

succeeded in doubling the tax load on the American people--the equivalent of a tax increase on a family of four of more than \$5,000. Now, I'd like to ask him: isn't that enough? Apparently not--according to his economic plan, taxes will go up \$86 billion next year alone, and \$500 billion over the next five years.

I'd also like to ask him why government spending isn't to blame. He's increased government spending by nearly 60 percent in four years. It is this incredible increase in spending that has caused inflationary deficits not low taxes.

Second, Mr. Carter blamed natural events, such as grain shortages. I'd like to ask him why natural events have not caused such persistently high inflation under other presidents.

Third, he cites "overstimulation of the economy." I have to ask, who is responsible for this "overstimulation"? Mr. Carter is acting as if he hadn't been in charge for the past three and a half years. He's acting as if someone else had run up nearly \$200 billion in federal red ink. As if someone else was responsible for the largest deficit, including off-budget items, in American history. And as if someone else was predicting a budget deficit next year of \$30 billion or more.

Fourth, he blames oil price increases. Yet why don't Japan and West Germany face such consistently high inflation rates? Why aren't their economies in such a state of crisis?

Finally, he blames "the long decline in our productivity growth." I'd like to ask him: which President has presided over

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six straight quarters of falling productivity? Which President by 1981 will have increased the punitive tax burden on our economy by some \$300 billion? Which President has created two new cabinet departments and has increased the burden of federal regulations?

But Mr. Carter's speech didn't stop there. He went on to misrepresent my economic program. Unfortunately, this is nothing new. Mr. Carter seems to find it difficult to discuss the issues without distorting what I've said or done. You know, it's one thing when the Carter administration jimmies its own economic figures to make its record look good, but when Mr. Carter starts jimmying my figures, it's going too far.

What our nation needs--what the American people want--is a humane economy, one that sees them not as interchangeable parts to whom unemployment is a "temporary inconvenience" but as individual human beings and members of families with feelings, hopes, and dreams. Earlier this year, Vice President Mondale summed up unforgettably the approach of the Carter administration toward the economic suffering of millions. He said, speaking of inflationary problems, "We think what we're doing now will be using unemployment for a while. We know that."

I don't think the American people want an administration that talks about unemployment as something to be "used" against Americans. You don't "use" the suffering of human beings--you alleviate that suffering.

Tonight I want to share with you my vision of a humane economy, one that works with the people and doesn't seek to "use" them for policies made in Washington.

My plan, as I outlined in a speech in Chicago last month, is rooted in a strategy for growth, a program that sees the American economic system as it is--a huge, complex, dynamic system. That system can work if the American people get a chance to work.

Tonight I am not going to go into the same detail I did in Chicago because my time is limited. I want you to know, however, that I stand by the specific points I made in that speech, because they are as true tonight as they were when I first spoke them.

At the heart of that strategy for growth are eight major steps:

1. We must keep the rate of growth of government spending at reasonable and prudent levels.

2. We must reduce personal income tax rates and accelerate and simplify depreciation schedules in an orderly, systematic way to remove disincentives to work, savings, investment, and productivity.

3. We must review regulations that affect the economy, and change them to encourage economic growth.

4. We must establish a stable, sound, and predictable monetary policy.

5. We must promote the export of American products abroad.

6. We must revitalize American industry.

7. We must adopt an energy policy that will allow our economy to grow, and our standard of living to rise.

8. And we must restore confidence by following a consistent national economic policy that does not change from month to month.

There is an old American saying about candidates who share similar views. We say about them: "There's not a dime's worth of difference between them."

There's more than a dime's worth of difference between Mr. Carter's economic policies and my own. There's his record of eight million unemployed, double-digit inflation, the highest interest rates since the Civil War, and a generally deteriorating economy. That's the difference between us and Mr. Carter knows it.

He says my economic program won't work. I will admit he is an expert on economic programs that won't work. But I know my strategy for growth can work--but only with the help of the American people.

Let's look at how we can meet these challenges.

One of the most critical elements of my economic program is the control of government spending. Billions of dollars of waste, extravagance, fraud, and abuse in federal agencies simply are being ignored, for all practical purposes, by the Carter administration. Let me give you one example--and there are,

sadly, many--to show you what happens to the dollars you send to Washington.

A couple of years ago one of the worst scandals in the history of the federal government broke out in the General Services Administration, the agency that buys government supplies and manages federal property.

There were more than 130 indictments and GSA auditors estimated they were looking for 100 million lost to fraud and another 130 million lost to mismanagement every year.

Mr. Carter's answer to all of this was politics-as-usual. The GSA mess is still not cleaned up.

Let me make a pledge to you tonight: A Reagan administration is going to put the corruption fighters back in charge at GSA and they will be allowed to finish the job that they started. And that same spirit is going to be seen in every department and agency and bureau in the executive branch.

I am confident that we can squeeze at least 2 percent out of what otherwise would be spent in fiscal year 1981, and increasing amounts up to 7 percent by fiscal year 1985.

Actually, I believe we can do even better. My goal will be more spending reductions of 10 percent by fiscal year 1984.

To do so, I'll appoint men and women in key positions who share my belief that it is the government and not the people that must cut back in spending. And I'll work with citizens' task forces that will examine every department and agency.

This strategy for growth does not require slashing necessary programs. To the contrary, I will defend the integrity of the Social Security system and other programs which provide for the disadvantaged and those in need.

The second major element of my economic program is a tax rate reduction plan. This plan calls for an across-the-board 10 percent reduction in personal income tax rates phased in over three years in a systematic, planned manner.

Jimmy Carter says this can't be done. In fact, he says it shouldn't be done. He favors the current crushing tax burden because it fits into his philosophy of government as the dominating force in American economic life.

Official projections of the Congressional Budget Office show that by fiscal year 1985, if the current rates of taxation are still in effect, federal tax revenues will rise to over one trillion dollars a year. That will be a tax increase of 500 billion dollars--\$2,500 for every man, woman, and child in America.

Apparently, Jimmy Carter believes that the American people can't find better things to do with all that money than see it spent by the federal government. As I pointed out, he just told us that the reason we have inflation is that the government hasn't taxed us enough.

These large tax increases will create a growing surplus by 1985. These surpluses can be used either to fund additional government programs or to reduce tax rates.

That choice should be up to you.

We also need faster, less complex depreciation schedules for business. Outdated depreciation schedules now prevent many industries, especially steel and auto, from modernizing their plants. Faster depreciation would allow these companies to generate more capital internally, permitting them to make the investment necessary to create new jobs, to help workers become more productive, and to become more competitive in world markets.

Another vital part of this strategy concerns government regulation--but too often regulations work against rather than for the interests of the people, even though no one can argue with the intent of much of the regulation dealing with health, safety, and clean air and water. We must carefully re-examine our regulatory structure to assess to what degree regulations have cost jobs and economic growth. In my administration there should and will be a thorough and systematic review of the thousands of federal regulations that affect the economy.

Along with spending control, tax reform, and deregulation, a sound, stable, and predictable monetary policy is essential to restoring economic health. The Federal Reserve Board is, and should remain, independent of the Executive Branch of government. But the President must nominate those who serve on the Federal

Reserve Board. My appointees will share my commitment to restoring the value and stability of the American dollar.

Other necessary ingredients of any truly comprehensive economic plan include action to promote international trade. The most important action the government can take is to help make American industries competitive with foreign companies. The economic plan that I have just proposed will do that, by reducing the burdens of regulation and burdensome taxes, and reducing the burden of inflation.

The federal government can also take a greater role in promoting American exports. For example, I have suggested that we revise Export-Import Bank rules to assist in the export of automobiles. The government should also work to break down foreign barriers to our exports.

We must also revitalize American industry. My economic plan is a necessary first step. However, we must not stop there. For example, we must explore areas of patent law reform which would encourage increased innovation and inventing.

Finally, we must adopt an energy policy which will enhance our economic growth. We must implement a balanced energy program that will encourage prudent energy conservation, along with increased domestic energy production.

To increase domestic energy production, we must repeal federal price, production, and allocation controls, which have discouraged energy production, and accelerate the leasing of

federal lands. When fiscally possible, we must remedy the disincentive effects of the windfall profits tax. Finally, we should streamline and reform regulations which block the use of coal, and safe nuclear power, and encourage the development of alternative fuels, such as solar and biomass.

To encourage energy conservation, our economic program will help industry accumulate the capital necessary to build more fuel efficient plants and cars. We should continue tax credits which encourage, and eliminate federal regulations which unnecessarily inhibit, conservation, such as home insulation.

Finally, let me say something about the one part of the American economic life that represents what I mean by a "humane economy"--the American home. Your home transcends mere economics. It is part of your life, not just a part of the economy.

The people--especially the young people--of this country have to suffer a continued housing crisis. An administration committed to a housing policy that puts workers back to work, bankers back to making home loans, and young couples and all the people of this country into better housing--that kind of administration can turn the housing picture around.

My administration will put an end to regulations which unnecessarily drive up the cost of housing, or impede the adequate flow of mortgage credit to the housing industry.

As soon as fiscally possible, I'll ask Congress to increase the amount of savings account income exempt from taxation, to

encourage Americans to increase their savings and generate new capital for home and apartment loans.

And we'll explore some new ways of financing housing, and of stimulating housing rehabilitation in the neighborhoods of our large cities.

Thus, I envision a strategy encompassing many elements--none of which can do the job alone, but all of which together can get it done. This strategy depends for its success more than anything else on the will of the people to regain control of their government.

It depends on the capacity of the American people for work, their willingness to do the job, their energy and their imagination.

Throughout this campaign, I've been saying that the economy concerns more than mere statistics--it concerns people, families, human hopes, and human suffering.

The Consumer Price Index gives us a statistical understanding of complex economic facts--but it doesn't tell us about anguish and pain and anxiety and human suffering.

Each American family has its own story about what the Carter economy has done. But the other day I came across a story that sums up what the American people have been through. The story is all the more poignant because it doesn't concern an adult's tragedy but a child's disappointment.

The story appeared in the Fort Wayne, Indiana, News-Sentinel. It told of a Fort Wayne fifth grader named Andrea Baden.

Andrea wanted to buy a pair of roller skates. So, in the great American tradition, she saved her allowance until she had the money to buy them.

Andrea put it this way: "When I went back to the store the price had gone up. I saved more money but when I got back again, the price had gone up again. It's just not fair."

That's right, Andrea: What Mr. Carter has done to this country's economy just isn't fair. It just isn't right.

But Andrea has learned something as a fifth grader that Mr. Carter seems to have forgotten or not to have learned at all: inflation hurts people. It hurts when you want to buy a pair of roller skates--and it hurts when adults have to buy food and pay for heating and other necessities. It hurts older Americans who suffer unimaginably from what inflation does to the fixed incomes. And unemployment hurts even more. It hurts the human spirit--and sometimes it crushes that spirit.

This election is going to determine what kind of country Andrea Baden and millions of other American children are going to grow up in. Will it be a country in which everything keeps on going up in price, where savings are mocked by inflation and jobs are harder to find and keep? Or will it be a country where, because of our efforts, beginning in January of 1981, savings will mean something, where prices are stable, where the dollar is worth

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something once again, and where there are jobs for people who want to work?

With the help of the American people I am going to do something about that lack of fairness to hard-working Americans and, Andrea, to thrifty Americans like you.

But I can't do it alone. I need your help. I need your support. I need your prayers. But first of all, I need your commitment, your hope, and your belief in our great nation's ability to begin again.

It just hasn't been fair or easy for any of us for the past four years.

I think the time has come for fair play for Americans. If you agree, together we can have a new beginning, for ourselves and for our children.

Thank you and good night.