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Issues: Tax Credit, Air Controllers, Inflation, jobs, Interest
Rates, Lower Taxes, Reagonomics (Meaning of), Veto of
Congressional Bills, Student Loans, Gun Control

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Tax Credit
Air Controllers
Inflation
Jobs
Interest Rates
Lower Taxes
Reagonomics (meaning of
Veto of Cong'l Bills
Student Loans
Gun Control

THE WHITE HOUSE

WASHINGTON

8/26/82

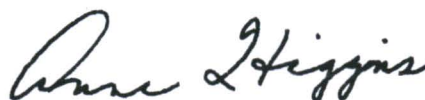
Dear Young American:

On behalf of President Reagan, I would like to thank you for your interest in writing to him.

In the past few weeks the President has received many letters from young people across the country asking about some of the important issues which face us all today. Because he has expressed concern that everyone receive a response as soon as possible, I have enclosed a transcript of a meeting he had with an eighth grade class in Illinois. The President hopes that reading this transcript will give you the answers to many of your own questions.

President Reagan has great faith in America's youth and he appreciates your sharing your thoughts and concerns with him. He sends you his best wishes for a summer filled with good fun and many rewarding experiences.

Sincerely,



Anne Higgins
Special Assistant to the President
and Director of Correspondence

Enclosure

OF-19 (Rev.) RE: Children's mail on following issues: Tax Credit
Air Controllers
Inflation
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Anne Higgins
Special Assistant to the President
and Director of Correspondence

(6/24/82)

Enclosure: 4/15/82 ROTP to Students of
St. Peter's Catholic School, Geneva, Illinois

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THE WHITE HOUSE
WASHINGTON

6/24/82 No date

Maureen Hudson
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per 6/24/82

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a summer

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Anne Higgins

Anne Higgins
Special Assistant to the President
and Director of Correspondence

(4/23/82)

Enclosure: 4/15/82 ROTP to Students of St. Peter's Catholic School Geneva, Illinois

OF-19 RE: Children's mail on following issues: Tax Credit
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THE WHITE HOUSE
WASHINGTON

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Revised

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Special Assistant to the President
and Director of Correspondence

(4/23/82)

Enclosure: 4/15/82 ROTP to Students of St. Peter's Catholic School,
Geneva, Illinois

4/23/82

DRAFT/Date _____

SPECIAL INSTRUCTIONS:

RR/ _____ / _____ / _____
(Drafter) (Rev. I) (Rev. II)

Enclosures:

AVH/ CGM / AW *pt*
(Drafter) (Rev. I)

Other: April 15 ROTP
St. Peter's Catholic
School

4/23

Dear _____

OF - #19

OFFSET TO ANSWER THE FOLLOWING ISSUES: TAX CREDIT, AIR CONTROLLERS,
INFLATION, JOBS, INTEREST RATES, LOWER TAXES, MEANING OF REAGONOMICS,
~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~ PRESIDENTIAL VETO ON CONGRESSIONAL BILLS,
STUDENT LOANS, AND GUN CONTROL.

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AWH

THE WHITE HOUSE

Office of the Press Secretary
(Chicago, Illinois)

For Immediate Release

April 15, 1982

REMARKS OF THE PRESIDENT
IN A VISIT WITH EIGHTH GRADE CIVIC
STUDENTS
AT ST. PETER'S CATHOLIC SCHOOL

Geneva, Illinois

11:44 A.M. CST

MR. SHEPPARD: Mr. President, I'd like to have you meet our -- (inaudible) -- our eighth grade -- (inaudible) -- eighth grade students at St. Peter's School, President Reagan. Very -- (inaudible) -- to have you with us.

THE PRESIDENT: And I'm pleased to see all of you -- (inaudible).

I'm very pleased. And I under -- someone once said that a civics class, that's where you study what you read in the paper the day before, but I know better than that having been in civics classes myself.

We don't have very much time here together.

So, I think better than me trying to make any kind of a speech to you, what we should do is get to a dialogue and back and forth. I just came from speaking to a great meeting of teachers and educators there in Chicago and told them about our proposal in Washington for tuition tax credit for parents of children going to schools like this. So, that's my civic contribution for the day. So, why don't you ask me any questions you might have.

MR. SHEPPARD: Don't be bashful now -- ask questions -- raise your hand.

Q How soon should we see the tax credits --

THE PRESIDENT: The benefit of the tax credits? We're going to phase it in. It would start if, of course, the Congress passes the legislation, we're presuming, it would start being phased in in '83. That's next year and be completed by '85. We have to try to take it easy to start with because of our budget deficits and the problem we're trying to solve on that.

Q Is the tax deduction as passed -- can it influence local government and the schools?

THE PRESIDENT: Well, this will not allow any government interference in any way in education because the aid is going directly to the parents of children who are going to the schools. So this will not lead to any government direction or interference in any way with education, if that was the meaning of your question.

Q Mr. President, do you think that the government will ever invent an --

THE PRESIDENT: All that clicking of cameras -- I am going to have to come a little closer to hear.

Q Do you think that the government will ever lift an entire freeze (inaudible)?

THE PRESIDENT: Did you say air traffic controllers?

Q Are you going to ever take them back?

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THE PRESIDENT: There are some who have been taken back and were hired back because they were able to establish that they were pressured into leaving. And all of the needs are being met very rapidly in the towers with applicants and trainees who are training to become air controllers and I don't think that there will be any further move in that direction. The law

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provides that anyone who is discharged from government service is ineligible. We gave a waiver that they could get jobs -- a waiver to that law so that they could get other jobs in government if they want to, but we had -- our loyalty had to go to those who stayed in and kept the airlines flying.

Q Mr. President, (inaudible). *Question - Inflation.*

THE PRESIDENT: Well, we have already begun doing it. Inflation was 12.4 percent when we began our administration and it is figured every month and then averaged over the year, so it ended the year 1981 with an average of 8.9 percent, down from 12 percent. In the last six months now inflation has been running at 4.5 percent or less. And so the answer to it is, of course, now resolving this recession and getting people back to work. I look for inflation to continue down and getting even less and of course the ultimate is to get it to zero. So it is very much under control.

Now you all understand really what inflation means to your families and to all of your purchasing power. I'll bet you do because you are in a civics class. But inflation -- really we think about it as high prices. Actually the high prices are just a reflection of the lowered value of the money. It means that when it was 12.4 percent that at the end of the year the dollar would buy 12.4 percent less than it would buy at the beginning of the year. Well, now the dollars are only shrinking by 4.5 percent of the dollar, which is better.

Q Mr. President, when do you think there will be more jobs for people?

THE PRESIDENT: More jobs for people? The answer to that has to be making it possible for the economy to expand and by that I mean with the great unemployment we are down to where many industries are only working at a fraction of their capacity to produce. And this has been, I think, because the government over the years has been taking an increasing amount out of the earnings of the people and the Gross National Product. It reduces the ability of the private sector to expand and produce the jobs that we need for our people. Now unemployment unfortunately is the last thing that gets resolved when you come out of a recession -- it is the last thing that catches up. But it does catch up. This is why we passed our tax program last year, to save three installments of taxes, 5 percent last October 1st, there will be a 10 percent cut in the income tax in July, and another 10 percent cut next year. And at the same time we have cut the taxes for business with regard to their ability

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to modernize their plant and equipment, to keep up with modern technology.

Today one of the reasons that we're not so competitive as we could be and used to be with other countries like West Germany and Japan is because they have invested and they are producing with much more modern equipment.

I have been in steel plants -- Taiwan and Japan and here in our own country and I have seen the difference. It isn't that their workers are any better. It's that they have better tools.

Now, I think that the program that we're embarked on -- reducing of government spending, reducing of taxes at the same time, is going to lead and is leading now to a recovery where there will be this modernization. And that's the only way to provide jobs for our people.

Incidentally, in spite of the fact that the reported -- that March unemployment went up -- the statisticians in Washington have funny ways of counting, there are -- there were in March actually 88,000 fewer people unemployed than there were in February. And there were 525,000 more people employed than there were in February.

Q Mr. President, what actions can you take in regards to the Federal Reserve Board about lowering the high interest rate?

THE PRESIDENT: At this point, first of all, the Federal Reserve Board is totally autonomous. There is no administration and there's no government that can tell them, "Do this," or "Do that." They're absolutely independent under the law. And it's true that they have had a policy over recent years of treating a recession like this with variations of the money supply, releasing a lot of money into the market and then inflation went up as well as interest rates and so forth. I have to say right now, they're holding to a very sound policy of the normal increase in the money supply to keep pace with our own natural growth.

The interest rates are up now simply because of the fear on the part of the money markets that inflation won't stay down where it is that -- it's done in the past, it will go back up again. And we're trying to convince them that isn't so. And I think pretty soon when we announce -- when we can announce a bipartisan agreement on what we're going to do with regard to spending and taxes and so forth in '83, that maybe they will then get the confidence to come down.

This is why inflation pushes interest rates up. If you have money to lend, and when I told you a little while ago about the dollar losing its value, if you're going to lend money, say, on a mortgage over 20 years and every year your dollar is going to lose a little of its value where at the end of 20 years it's only worth about that much of what it was when you loaned it, you would have to get enough interest to compensate for that loss in the value of the dollar. And then on top of that get the normal rate of interest as a return on your lending the money.

So when interest rates were 12.4, they had to start with charging 12.4 in the interest just to meet inflation and then on top of

MORE

that, how much more they wanted to make or earn on their money.

Now, that's down to 4.5. By all rules, the interest rates should be down much lower than they are. But, as I say, they're just fearful and until we can convince them that we really mean it, to stick with our program, they won't come down.

Although, the other day, a banker in a little town in Indiana did something I recommend to a lot of bankers. To help the automobile dealer, he put \$2 million of the bank's up for loan and lowered the interest rates four percent below what the market rate is today provided they borrowed the money to buy automobiles and people are flocking there to get those loans at the lower interest rates and buy automobiles.

Q Mr. President, -- (inaudible) -- by Reaganomics -- (inaudible).
What is meant?

THE PRESIDENT: Reaganomics. I didn't give it that name. (Laughter.) I think some of the people around the room here have helped create that name.

No, it's basically a theory I -- my degree in college was in economics. And I remember studying how the classic economist back at the turn of the century always believed that these cycles of recession and hard times and so forth came when government took too much out of the private sector. Now, government has been doing that, as I said, before.

What we are doing is trying to reduce government spending to where we stop having the constant deficits that are just built into our system. When the federal government has to go into the money market and borrow a lot of money to pay the deficit that it's spending more than it takes in, then that helps push interest rates up just from supply and demand. There are more people out there wanting to borrow than there is money to borrow when the government is taking the biggest share of it.

So the other thing was to provide incentive again so that people would be willing to invest, to -- businesses get money to expand and to grow by selling stock or by borrowing in the market and so we have cut the individual tax rates to give the individual an incentive to work, to be willing to work overtime if he's asked to.

When the tax rates are too high, there's no incentive for people to do that. A person says, "I'd rather go fishing because if I work to earn that extra dollar I have to give so much of it to the government."

I saw an example of that very often in Hollywood in the old days when there were income tax breaks as high as 90 percent and you'd be offered a picture, to play a role in a picture and you'd -- already knew that your earnings had pushed you up in the 90 percent tax bracket so all you'd get was 10¢ on the dollar if you made the picture so you said, "I'm not going to make the picture."

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So, it is a combination of reducing government spending and reducing taxes on individuals and punitive taxes that were assessed against business so that business can afford to expand and modernize.

Q Mr. President, can the federal government support Catholic education of schools?

THE PRESIDENT: Can the federal government support --

Q Catholic education in our schools?

THE PRESIDENT: I didn't get the right -- the phrase there at the last. I heard, but I --

Q Can the federal government support Catholic education of schools?

THE PRESIDENT: Support Catholic education of schools? No, this is ruled to be the separation of church and state that they can't do that, but this is why we're proposing a program that we think will help by getting the aid through the tax credits directly to the parents and that this will help solve the problem..

I think both can benefit because in that regard there could be tax increases without penalizing the parent at all because this advantage, this is money that would otherwise have gone to taxes.

Q Mr. President, when Congress passed a bill have you ever wanted to add or subtract an amendment?

THE PRESIDENT: Oh, yes. And I'll tell you, when I was governor in California, the governor had the right of what's known as line item veto. And so, you could veto parts of a bill or even part of spending in a bill. The President can't do that. The President must take the bill as it comes to him and either veto the entire bill. So, there's grown up in the federal government a little device whereby they hang an amendment of something that you really wouldn't want, someone particularly wants, but they want it. They hang it on a bill that you just cannot veto, some very necessary bill and thus, they get it passed.

I think, frankly, -- of course, I'm prejudiced -- I think government would be far better off if the President had the right of line item veto.

Q Mr. President, I think maybe one more question according to your time schedule. Who has the best question?

THE PRESIDENT: Well, it sounded good, but there were two hands went up almost identical at the time. Could I take those two if I make it short?

Q Of course.

THE PRESIDENT: All right.

Q Mr. President, what can be done to bring the cost of education down so that the children in the middle income group can attend college?

THE PRESIDENT: Well, the cost of education has, again, been a result of inflation and, if we cure inflation, that is partly resolved. But our program has been quite misunderstood of loans and grants to college students of demonstrated need who could not otherwise go. And that program has in it something in the neighborhood of \$12 billion. The federal government is providing some 7 million loans and grants for the, roughly, 11 million college students that there are in the country. And all a student has to do is prove that they have -- that otherwise they couldn't go. And, in proving that need, it will not only depend on the family's income,

but also the number of children in the family to be educated whether there are any unusual medical problems and so forth. So there is that kind of aid. But in addition there are all kinds of other scholarship programs and even independent loan programs. There was no such thing as a federal program when I went to school but I had to work my way through school -- in fact I washed dishes in a girls' dormitory. (Laughter.) And I also had to borrow before I got out but I borrowed from a private foundation that was set up where people contribute the money to a foundation just to lend and then you pay the money back after you get out of school.

So I think that there are sizable and good aid programs and even work study programs to help. Now, the young boy in the rear of the room. In fact, this does it then, I'm sorry.

Q Mr. President, do you have any future plans on gun control?

THE PRESIDENT: Future plans on --

Q -- gun control.

THE PRESIDENT: Gun control?

Q Yes.

THE PRESIDENT: This basically belongs back at the state level. Most of our -- you must remember, the Constitution in the Tenth Amendment says the federal government shall do only those things proscribed in the Constitution.

But I believe in California that we took the path of gun control that was best. I don't believe there's any way you can keep the criminal from getting the gun just as you can't keep them from trying to steal anything they want. Now, the law that we passed in California, I heartily recommend to any society. We passed a law that said if a criminal is convicted of a crime and had in his possession a gun at the time he committed the crime whether he used it or not, add five to 15 years to the prison sentence. And on top of that then passed another law that said no judge can find a prisoner guilty who had a gun in the commission of a crime and then give him probation. He must go to prison. And I think making it so costly to carry a gun is far more enforceable than trying to keep them from getting it.

Washington, D.C. has probably the strictest gun laws in the United States and there are some 20,000 gun laws now in the United States. And yet March 30th a year ago a young man that disabled me, he was in Washington, D.C. in broad daylight out on the public streets standing -- made his way into -- among the press corps as I came out of the building and all those laws did not keep him from having a gun and not only shooting me but shooting three other people.

So, as I say I think the penalty -- and one last thing I'll add to that. Years ago in England -- England was always very proud of the fact that the English police did not have to carry guns. And the reason they didn't have to carry guns and the reason they didn't have to carry guns and this sounds very cruel and I'm not recommending this but I just point out what that kind of a threat can do. In England, if a criminal carried a gun, even though he didn't use it, he was not tried for burglary or theft or whatever he was doing, he was tried for first-degree murder and hung if he was found guilty. They said that the fact that he'd carried the gun meant that he had premeditated using the gun to kill someone if necessary. And so the criminal stopped carrying guns and the police didn't have to carry guns. It all worked out very well until they eliminated capital punishment and changed things.

They've told me I've used up all the time.

Q Mr. President, is it possible for the class to come up and get their civic books autographed by you?

THE PRESIDENT: Yes, I don't care if it does take a few minutes. I'll write fast.

END

12:06 P.M. CST