ON THE PROGRAM FOR ECONOMIC RECOVERY 1981

------------------------ Ronald Reagan ------------------------

By promising to cut taxes, balance the budget, and bolster the national defense, Republican candidate Ronald Reagan (born 1911) defeated incumbent Jimmy Carter to win the presidency in 1980. Less than a month after his inauguration, Reagan delivered this speech to Congress outlining his program for economic recovery.

THINK THROUGH HISTORY: Comparing and Contrasting
In what ways were the conditions facing Franklin Delano Roosevelt in 1932 and Reagan in 1980 similar? In what ways were their responses different? What might account for these differences?

Mr. Speaker, Mr. President, distinguished Members of Congress, honored guests, and fellow citizens:

Only a month ago I was your guest in this historic building, and I pledged to you my cooperation in doing what is right for this Nation that we all love so much. I’m here tonight to reaffirm that pledge and to ask that we share in restoring the promise that is offered to every citizen by this, the last, best hope of man on Earth.

All of us are aware of the punishing inflation which has for the first time in 60 years held to double-digit figures for 2 years in a row. Interest rates have reached absurd levels of more than 20 percent and over 15 percent for those who would borrow to buy a home. All across this land one can see newly built homes standing vacant, unsold because of mortgage interest rates.

Almost 8 million Americans are out of work. These are people who want to be productive. But as the months go by, despair dominates their lives. The threats of layoff and unemployment hang over other millions, and all who work are frustrated by their inability to keep up with inflation.

One worker in a Midwest city put it to me this way: He said, “I’m bringing home more dollars than I ever believed I could possibly earn, but I seem to be getting worse off.” And he is. Not only have hourly earnings of the American worker, after adjusting for inflation, declined 5 percent over the past 5 years, but in these 5 years, Federal personal taxes for the average family have increased 67 percent. We can no longer procrastinate and hope that things will get better. They will not. Unless we act forcefully—and now—the economy
O N T H E  P R O G R A M  F O R  E C O N O M I C  R E C O V E R Y

will get worse.

Can we, who man the ship of state, deny it is somewhat out of control? Our national debt is approaching $1 trillion. A few weeks ago I called such a figure, a trillion dollars, incomprehensible, and I’ve been trying ever since to think of a way to illustrate how big a trillion really is. And the best I could come up with is that if you had a stack of thousand-dollar bills in your hand only 4 inches high, you’d be a millionaire. A trillion dollars would be a stack of thousand-dollar bills 67 miles high. The interest on the public debt this year we know will be over $90 billion, and unless we change the proposed spending for the fiscal year beginning October 1st, we’ll add another almost $80 billion to the debt.

Adding to our troubles is a mass of regulations imposed on the shopkeeper, the farmer, the craftsman, professionals, and major industry that is estimated to add $100 billion to the price of the things we buy, and it reduces our ability to produce. The rate of increase in American productivity, once one of the highest in the world, is among the lowest of all major industrial nations. Indeed, it has actually declined in the last 3 years.

Now, I’ve painted a pretty grim picture, but I think I’ve painted it accurately. It is within our power to change this picture, and we can act with hope. There’s nothing wrong with our internal strengths. There has been no breakdown of the human, technological, and natural resources upon which the economy is built.

Based on this confidence in a system which has never failed us, but which we have failed through a lack of confidence and sometimes through a belief that we could fine-tune the economy and get it tuned to our liking, I am proposing a comprehensive four-point program. Now, let me outline in detail some of the principal parts of this program....

This plan is aimed at reducing the growth in government spending and taxing, reforming and eliminating regulations which are unnecessary and unproductive or counterproductive, and encouraging a consistent monetary policy aimed at maintaining the value of the currency. If enacted in full, this program can help America create 13 million new jobs, nearly 3 million more than we would have without these measures. It will also help us to gain control of inflation.

It’s important to note that we’re only reducing the rate of increase in taxing and spending. We’re not attempting to cut either spending or taxing levels below that which we presently have. This plan will get our economy moving again, [create] productivity growth, and thus create the jobs that our people must have.

And I’m asking that you join me in reducing direct Federal spending by $41.4 billion in fiscal year 1982, and this goes along with another $7.7 billion in user fees and off-budget savings for a total of $49.1 billion. And this will still allow an increase of $40.8 billion over 1981 spending.

Now, I know that exaggerated and inaccurate stories about these cuts have disturbed many people, particularly those dependent on grant and benefit programs for their basic needs. Some of you have heard from constituents, I
know, afraid that social security checks, for example, were going to be taken away from them. Well, I regret the fear that these unfounded stories have caused, and I welcome this opportunity to set things straight.

We will continue to fulfill the obligations that spring from our national conscience. Those who, through no fault of their own, must depend on the rest of us—the poverty stricken, the disabled, the elderly, all those with true need—can rest assured that the social safety net of programs they depend on are exempt from any cuts.

The full retirement benefits of the more than 31 million social security recipients will be continued, along with an annual cost-of-living increase. Medicare will not be cut, nor will supplemental income for the blind, the aged, and the disabled. And funding will continue for veterans pensions. School breakfasts and lunches for the children of low-income families will continue, as will nutrition and other special services for the aging. There will be no cut in Project Head Start or summer youth jobs.

All in all, nearly $216 billion worth of programs providing help for tens of millions of Americans will be fully funded. But government will not continue to subsidize individuals or particular business interests where real need cannot be demonstrated....

I’m here tonight to ask you to join me in making it our plan...

Together we can embark on this road, not to make things easy, but to make things better. Our social, political, and cultural, as well as our economic institutions, can no longer absorb the repeated shocks that have been dealt them over the past decades. Can we do the job? The answer is yes. But we must begin now.

We’re in control here. There’s nothing wrong with America that together we can’t fix. I’m sure there’ll be some who raise the old familiar cry, “Don’t touch my program; cut somewhere else.”... The question is, are we simply going to go down the same path we’ve gone down before, carving out one special program here, another special program there? I don’t think that’s what the American people expect of us....

We don’t have an option of living with inflation and its attendant tragedy, millions of productive people willing and able to work but unable to find a buyer for their work in the job market. We have an alternative, and that is the program for economic recovery.

True, it’ll take time for the favorable effects of our proposal to be felt. So, we must begin now. The people are watching and waiting. They don’t demand miracles. They do expect us to act. Let us act together.

Thank you, and good night.

THINK THROUGH HISTORY: ANSWER
Students may answer that the conditions facing Franklin Delano Roosevelt in 1932 and those facing Ronald Reagan in 1980 were similar in nature but vastly different in degree. For example, a far greater percentage of people were unemployed when Roosevelt took office, and confidence in the nation’s economy was far lower than when Reagan took office. The two presidents responded in very different ways. Roosevelt initiated a plan of new legislation which became known as the New Deal. The New Deal raised government spending to create jobs for millions of Americans through a variety of public works programs. Reagan chose instead to cut government domestic spending, reduce government regulations, and lower taxes in order to try to stimulate the economy and thus create jobs in private companies. Students may explain the differences in the two approaches by citing the different magnitude of problems facing each president. They may also note certain events of the intervening years (between the 1930s and the 1980s) that could explain different political and public attitudes toward the role of the federal government in solving economic problems.