

# **Radio Address to the Nation on Free and Fair Trade and the Budget Deficit**

**May 16, 1987**

My fellow Americans:

There's been a great deal of talk lately about trade, some of it suggesting we should protect American companies from foreign competition. I don't believe the American people are afraid of competition. That was made clear to me when I visited a Harley-Davidson plant recently. It's a great story; let me tell you about it.

Not that long ago, it was being said that Harley-Davidson, America's preeminent manufacturer of motorcycles, couldn't keep up, that the company was running out of gas and sputtering to a stop. Well, one of the worst mistakes anybody can make is to bet against Americans. At Harley-Davidson the workers and management got together and decided not only to compete but to win. With unity of purpose and a commitment to excellence, they cut the hours of work needed to make a motorcycle by one-third. Their inventory was reduced by two-thirds. And they tripled the number of defect-free machines they shipped. Productivity was improved. Prices were kept under control; on some bikes, they even lowered prices. While doing all this, they expanded their product line from 3 models 10 years ago to 24 this year.

Today, Harley-Davidson is once again a leader in developing new motorcycle technology. They're now selling more and more bikes on virtually every continent of the Earth. In fact, they are the only major motorcycle manufacturer in the world to have increased production last year. And, yes, they have also increased exports. These Americans, confident in themselves and their product, have asked that their special tariff be removed so that they can meet their competition head on. Current law provides companies like Harley-Davidson breathing room by applying temporary tariffs. Unlike some of the broad, sweeping protectionist legislation being bandied about in Washington, the idea is, ultimately, to increase trade between nations, not impede it.

When you hear talk about a tough trade bill, remember that being tough on trade and commerce, the lifeblood of the economy, will have the worst possible consequences for the consumer and the American worker. First, it will drive up the price of much of what we buy. But worse than that, it could drag us into an economy-destroying trade war. I'm old enough to remember the last time a so-called tough trade bill passed Congress. It was called Smoot-Hawley, and it helped give us, or at least deepened, the Great Depression of the 1930's. Well, the way up and out of the trade deficit is not protectionism, not bringing down the competition, but instead the answer lies in improving our products and increasing our exports. The Government should work to create the conditions in which fair trade will flourish. We should be trying to foster the growth of two-way trade, not trying to put up roadblocks, to open foreign markets, not close our own. As I told them at the Harley-Davidson plant, it's time to gun the engines, not put on the brakes.

Well, after visiting the Harley-Davidson people, it's hard not to have confidence that, in the years ahead, America is going to be even more competitive, more aggressive, and more productive.

We can meet the challenge and bring the trade deficit down. And the same is true of that other deficit we face. Each year our government has been spending more than it receives in tax revenues, pushing up the Federal debt. Some elected officials would solve the deficit spending problem simply by taking money out of your pockets via tax increases. Well, that would be unfair to you and could well knock the legs out from under our economy. I believe the more responsible course, the fairest approach, is to get Federal spending under control.

This year total Federal spending is projected to increase only 2\1/2\ percent over 1986, well below the rate of inflation. The U.S. Government will command less of the overall economy than it has since 1981, nearly a full percent of gross national product less than last year. But the budget and other legislation now being considered by the Democratic Congress threatens to undo the progress that we've made over the last 6 years. They would increase spending for a wide array of programs and raise taxes to reduce the deficit.

Well, that's not my idea of deficit reduction, and I don't think it's yours, either. This is not just an issue for Washington powerbrokers. It is something all of us should be concerned about, and I hope you will let your representatives know where you stand. Until next week, thanks for listening, and God bless you.

Note: The President spoke at 12:06 p.m. from the Oval Office at the White House.