

Remarks at a Meeting With Republican Congressional Candidates

October 6, 1982

The President. Thank you very much. Thank you all very much. I know that you've been lectured at and spoken to and a lot of things are going on. And I feel sorry for you, but don't worry, I'm going to make a speech, too. [Laughter]

It's great to see all of you here. Before I forget, I want to remind you to keep a spot open on your calendars right after the November election. I'd like to have the pleasure of welcoming back the new superstars of 1982.

But I want to thank you, too, for everything you're doing to support our party and those values so crucial to a strong and a successful country. Hard work, personal initiative, opportunity, love of family, neighborhood, patriotism, and belief in God -- those were the values that we pledged to defend and restore in 1980, and they're every bit as important today.

Now, I know that there are some whom I've referred to as "Rip Van Winkles," who seem to have forgotten that America even existed before 1981. They subscribe to the Big Bang theory -- a whole universe suddenly came into being through a great explosion. The only difference is, in their version the Big Bang was on January 20th, 1981. And according to them, our economic crisis emerged full-blown by spontaneous generation just a few seconds after I took the oath of office. [Laughter] Up until then, we didn't have any troubles at all.

With all due respect, you and I have three very important truths to tell this election year. The first one is, the problems of overspending, big taxing, and runaway bureaucracy that have sapped our economic strength did not begin 20 months ago. They'd been building for 20 years, leading us to higher and higher levels of inflation and unemployment. And it was in the 4 years before we took office that those problems became so acute, they nearly brought America down.

Let me just interject a word here about partisanship, because I want to make something plain: When I speak out, I'm not attacking any one party or administration. As a matter of fact, for a good share of my life I was a Democrat. I was elected this time as a Republican, but with Republican and Democratic votes. And our programs couldn't pass in the Congress without support from responsible Democrats. But I do make one key distinction that's not always picked up. I'll say it very clearly now, again; some place maybe, they'll get it right.

It seems that a gulf has developed between the leaders of the Democratic Party and millions of the rank-and-file Democrats who do not share the big-government-is-best philosophy of that leadership. And I just wish everyone in Washington could understand what millions of Republicans and Democrats at the grassroots learned a long time ago: You can't drink yourself sober; you can't spend yourself rich; and you can't prime the pump without pumping the prime.

Now, when Gerald Ford left office in January of 1977, he left behind an economy recovering from one of those bouts of high inflation and recession, caused by government living beyond its means. Inflation had actually reached double digits in 1974, but by 1976 it was back down to 4.8 [percent]. The prime rate was under 7 percent. You could get a home mortgage for 9 percent, and consumers could afford auto loans.

Then we took a giant step backward. Spending like there was no tomorrow, opening the floodgates of printing-press money, government pushed inflation all the way back up to 18 percent in January of 1980. 1979 and 1980 witnessed back-to-back years of double-digit price increases, the first time that had happened in over 60 years. We saw the national debt climbing to \$1 trillion. Interest rates soared to an unbelievable level -- 21\1/2\ percent was the prime. That was the highest peak in more than a century. And for the first time in our history, productivity dropped -- 2 years in a row. The savings rate plunged, the rate of increase in industrial production dropped every year, and the rate of increase in the gross national product dropped 3 years in a row.

Taxes on the people actually doubled in the 5 years before we came to Washington. People were hit with the single highest peacetime tax increase in the history of the Republic. That was passed in 1977. The government sat back while inflation kicked taxpayers relentlessly into higher tax brackets.

The bottom line was an unacceptable decline in the real wages, earnings, and buying power of the working families and senior citizens of America -- the very people that our critics profess to care so much about. With government growing like toadstools after a rainstorm, spinning out of control like a washing machine out of cycle, it was Washington that grew fat and prosperous by making everyone else poorer. Federal spending increased by 17 percent in 1980 alone.

Ask the voters in your State this question. How many blue-collar workers, small businesses, working mothers, or pensioners could say their wages, profits, or pensions or savings grew by 17 percent in 1980?

Mr. Arnold. Mr. President? Mr. President, you have given us the largest tax increase -- [inaudible]. Mr. President, you are giving -- us candidates were given the largest tax increase in the United States history. So the incumbent Republican Congressmen were told if they did not support that tax increase that their campaign funds would be cut off. I was against the tax increase and -- [inaudible] -- the Republican platform of 1980, which I support 90 percent. I have not received one cent, and I understand from other candidates across here the same thing has happened. We do not have the President supporting the Presidential programs. He reversed himself on Taiwan, the Soviets have a higher increase in trade, the Soviets get the wheat and the Americans get the shaft. We have a Tylenol taxation situation here, and we have "Reagan-mortis" setting in to the Nation's body politic.

[At this point, another member of the audience applauded the remarks of Gary Richard Arnold, the Republican candidate for Congress from the 16th district of California.]

The President. Okay. I don't know who the two of you are, but you haven't said a word that's true yet. The tax increase that we reluctantly supported, in order to get continued reductions in spending, was not the largest tax increase in history. A third of it was our promise to start trying to collect money that is owed by taxpayers who are ducking their taxes and that we're trying to get. [Applause]

And maybe I'm glad that you brought this up -- [laughter] -- because another large chunk of that tax increase had to do with Christmas tree ornaments that were hung on our tax program by opponents in Congress, who then saw a chance to get a little gravy for their own district or whatever faction they wanted to support. And in order to get the tax cut that we wanted, we had to take those Christmas tree ornaments, and a lot of those are what we cut.

Mr. Arnold. You have criticized Carter for having 19 members of the Council on Foreign Relations and Trilateral Commission. You now have 83 of those. Don Regan has Merrill Lynch setting up real estate offices throughout the country. You have Citibank merging with savings and loans. You have Armand Hammer taking over Citicorp. You have a small, elite, rich -- the Council on Foreign Relations and the Trilateral Commission that totally runs your organizations and your -- [inaudible].

The President. All right.

Mr. Arnold. -- -- has a part for anybody that wants to come -- --

The President. I thought this was for Republican candidates. [Laughter]

Mr. Arnold. -- -- more important here than the Republicans and -- --

The President. Just a minute.

Mr. Arnold. -- -- and what -- --

The President. Just a minute.

Mr. Arnold. -- -- wait -- --

The President. I don't know what you've been reading, but you don't know what you're talking about, because we passed in 1981 the largest, single tax cut in the history of this nation. [Applause] And, in spite of the tax -- --

Mr. Arnold. We have had more crises than -- --

The President. -- -- in spite of the tax increase -- shut up.

Mr. Arnold. -- -- money went to -- --

The President. Look, in spite of the tax increase that we had to accept, we still have the largest tax cut in history -- \$335 billion over the next 3 years, at the same time of the tax increase that was put into effect.

Now, you've touched a nerve with the crack on Taiwan, and I know where you get that kind of stuff. There has been no reversal on our Taiwan policy. And our Taiwan friends are going to continue to get everything they need for their own self-defense at the same time that we're going to sincerely and honestly do our best to improve the relations with the People's Republic of China on the mainland. But they know, and, as a matter of fact, they know that they made concessions, because we told them the law of this land is the Taiwan Relations Act, and we're going to carry out that law.

And if the People's Republic keeps their word that they, for the first time, said that they would try to resolve their differences peacefully and arrive at a peaceful reunification, yes, then there would be no longer any need for us to provide defense weapons, and there would be a decline and an end at that time, but only linked to that promise of a peaceful reunification. Without that, and until that, we are going to continue to meet our responsibilities to our friends and allies on Taiwan. That has been badly distorted I regret to say, in even a publication that professes to be on our side. But that is the truth of the matter about Taiwan. [Applause] Thank you. [Applause] Thank you. [Applause] Thank you very much.

Now, if you don't mind, I'll try to find my place and go on here. [Laughter]

But let me make one thing plain in this election year: There's no morality in the misery caused by the failed policies that I've been talking about, of our opponents. Inflation is the greatest enemy of all the people and of our hopes for economic growth. It is at the bottom of the problems that we're trying to solve. Those who helped tax and spend this nation to the brink of bankruptcy should be the last ones delivering lectures on the most fair, effective way to end the crisis.

Who can remember any other time in this country when we faced double-digit inflation, a trillion-dollar debt, 21 1/2-percent interest rates, and the highest peacetime tax burden in our history, all at the same time? Yet, that's exactly the situation that we inherited 20 months ago.

And just think of it, because of that trillion-dollar debt, as some of you who have been dealing with the problem know, the government must now spend \$110 billion this year just to cover the interest. There's great talk about \$100-billion deficits. Well, there wouldn't be any deficits if there wasn't a trillion-dollar debt.

Today, nearly 11 million people are out of work, and I share their frustration. Every American should be shocked at the economic chaos which created today's needless results. It's agonizing to me that there isn't a quicker, easier cure for this terrible economic illness that was so long in the making.

But here's the second important truth that must be told. From our very first day in office, we've been working hard to undo the wreckage that was left behind, and we're beginning to succeed.

We've pulled America back from the edge of disaster. We're not as far along as I'd hoped we would be, but we're better off than we were 20 months ago.

The same neglected problems that were dragging us down into the recession in 1980 are being confronted today and paving the way for recovery. You know, the great Western leader, Winston Churchill, once said that ``When a train is running on the wrong track downhill, you can't try to stop it by building a brick wall across the track. You have to slow it down, then go in reverse back to the junction so you can switch it over to the right track." And that's what we're doing.

Our first urgent priority was to beat down double-digit inflation. Until people are convinced inflation is coming down and will stay down, they'll demand higher and higher rates of interest to keep the dollars that they lend from losing value while they're out on loan.

It was the expectation that double-digit inflation was here to stay that caused the interest rates to zoom up to 21 $\frac{1}{2}$ percent. And that's what made it impossible for families to get home mortgages, for consumers to carry auto loans, for firms to modernize machines to keep product prices competitive. It was double-digit inflation and high interest rates that crippled the economy's ability to provide jobs, even as they squeezed the earnings and buying power of more and more families, forcing them to seek a second income in the job market.

Now, I know that lately there's been a nice game of saying, ``Well, the tack today is to blame those over the last 20 years that caused these things, and we don't take any blame for anything." No, I want to be fair. Unemployment is 9.8 percent. When we took office it was 7.4 percent. Okay, I'll take blame for 2.4 percent of the unemployment. And if, as everybody is worried about, that it goes to 10 percent, well, then I'll take blame for 2.6 percent.

But we seem to be the only ones that are really on track in government today. When I say ``we," I mean the Republicans in the Congress, in both Houses, and ourselves, plus some responsible Democrats who are not following the leadership of their party. We seem to be the only ones that are trying to solve not just the 2.4 percent that's come along in the last 20 months but the whole 9.8 percent, until we get everyone who wants a job back working.

Our program's been on the books now for just a year, and already that inflation rate which averaged 12.4 percent in '80, 1980 -- which the experts said would double -- remain, I should say, in double digits for the next decade -- has been beaten down to where for the first 8 months of this year, it's averaged 5.1 percent, and for the ninth month of this year it was down to what on an annual basis would be a 3.3 percent rate. And I've got news for those experts. We're going to do better. We've reduced inflation by 59 percent since 1980. Interest rates are down 40 percent from their highs. That's still not enough, but we're headed in the right direction, and we'll make progress.

This progress against inflation and the first real tax cut for everyone in nearly 20 years has led to more savings, higher real earnings, and more purchasing power for families. Their paychecks buy more. We hear so much breast-beating about fairness and compassion, particularly from the other side of the aisle. But let me give you a statistic that shows we're providing the kind of compassion that never existed under the policies of the past. A family of four on a fixed income

of \$20,000 is about \$1,500 better off today than if inflation and taxes had continued at the 1980 rates. Let me repeat that, because it's an important number. A family of four, \$20,000, has had the equivalent of a \$1,500-raise because of what we've done about taxes and inflation. The family at a poverty level, where they don't pay taxes, their income is more than \$500 better off simply because of the decrease in inflation.

Now, I'm proud that we've made the decisions to curb runaway spending, and I'm proud that we went to bat for taxpayers when others before us refused. Incidentally, I was astonished to see a poll the other day that found the American people -- we haven't done a good enough job in talking -- the American people believe that the Democrats are better at cutting taxes than we are. [Laughter] Well, the income tax came into being in 1914, and since then the Democrats have cut that tax only once. This cut that we made is the 14th time that Republicans have cut the income tax since 1914. That might be a good thing to remember out on the campaign trail.

We believe the money people earn belongs to them, not to government, and it's about time they were allowed to keep a bigger share, and they will. A 25-percent tax-cut rate; indexing of tax brackets to end bracket creep; a reduction of the marriage penalty; an increase in the child care credit -- the working mothers; our new incentives for retirement savings; and raising the estate tax exemption to \$600,000 for farmers and family businesses who very often were put out of business -- the surviving family, in the event of death, put out of business by the estate tax; and of even greater help, no estate tax for a surviving spouse -- all of this have we brought about.

We have a comprehensive plan and it's working. It's bringing inflation and interest rates down. It's increasing purchasing power, and it's promoting new savings. It's beginning to do all the things needed to move the economy from recession to recovery and, yes, it does require patience. Just saying you've got a lower tax rate -- and it's just beginning -- does not bring the effect instantly that you're going to have. But as that continues, the added money then going into savings to add to the investment capital pool and going into improved spending -- those are the things that are going to aid our economic recovery.

Tragically, unemployment is always one of the last to turn around. That money has to be felt; that increased spending that has to result then in more orders, increased productivity, resulting in the call-back of the people that had been laid off. And until all of that happens, we're going to provide assistance for extended unemployment benefits. And soon, I'll sign legislation for a program that's intended to train up to a million unemployed people or more, per year, for permanent, real, private sector jobs.

We still have a long way to go. The House leadership left without taking action on tuition tax credits, enterprise zones, or legislation designed to crack down on crime and make our streets safe. The House leadership left to campaign without passing appropriations bills that hold the line on spending. They stonewalled for months and then voted down a constitutional amendment to balance the Federal budget. Those who voted against that balanced budget amendment voted to weaken the financial security of every American family. What people want and certainly deserve is less political delay and demagoguery and more action to reduce the burden of that terrible trillion-dollar debt on their children and grandchildren.

Now, you and I can fight that battle for them. We must fight it, and we will.

And that's why you have a third truth to tell in the months ahead. The choice of American voters this year is just as important as the one they had 2 years ago. It's a clear choice about the kind of nation we'll be -- whether we'll stick to our sure and steady course to put America back on track, or whether we'll slide backward into another economic binge.

Let our message be clear: We are asking the American people to stand with us, steady and unwavering. We can turn the hopes of our people into the renewal of all the dreams and opportunities that our nation was placed on this Earth to provide.

You know, I've seen a good deal of speculation lately about our prospects this November. Some people seem too optimistic, and some seem too discouraged. Well frankly, I've never put much faith in all this pre-election quarterbacking. At this point in the 1980 campaign a number of Republican challenges were written off by the experts. I was, as a matter of fact, pretty close to that myself. [Laughter] And eight of those same challengers are now voting week in, week out, in the United States Senate.

As far as I'm concerned, looking ahead to this November, we concede no losses, and we take no victories for granted.

And let me tell you one other thing I know for sure. We go into this final stretch of the campaign season with four great assets: good candidates, good organization, good funds and, unlike our opponents, we keep even with an historic tradition that is typical of the Republican Party -- those funds come from a broad base of small givers across the Nation, contrary to the misconception that is so widely voiced about us. We're not the party of the fat cats. For more than 25 years, we have topped the other party in the number and the amount that we get from small contributors. And finally, we have good issues on our side.

I believe with all my heart that today America is stronger than it was 2 years ago -- stronger economically, militarily and, yes, even morally. We can stand tall and proud on our record and on the hopes that we offer for the future.

So, let's go out there in this last few weeks of this campaign with optimism and determination. We know that tradition runs against us. For half a century, the party that holds the White House has lost ground in the Congress in off-year elections. I had a bad moment here today when I thought I was losing ground -- [laughter]. But we also know that our party, as a party, our numbers are smaller than those of the opposition. But as Dwight Eisenhower once told us some years ago, what counts is not necessarily the size of the dog in the fight; it's the size of the fight in the dog. [Laughter]

So, I can promise you today that if we go into this election with a fighting spirit, we'll emerge on November 2d with just what we all want -- a stunning surprise.

Good luck. God bless you. And, as I said, I'll see you soon back here in Washington.

Thank you very much.

Note: The President spoke at 12:14 p.m. in the East Room at the White House.