

Radio Address to the Nation on the Program for Economic Recovery

April 3, 1982

My fellow Americans:

I'd like to take a few minutes of your time to talk about some of the problems we face in this blessed land of ours and what I feel we should do about them. I can't cover all that territory in 5 minutes, so I'll be back every Saturday at this same time, same station, live. I hope you'll tune in.

These aren't easy times for a great many of you. Yesterday we were told that unemployment has gone up another two-tenths of 1 percent -- equal to the unemployment rate we had in 1975 as we began to come out of that recession.

We can, however, take some comfort from the fact that 99½ million of our people are employed. Now, I know that's no comfort to those who want to work and can't find a job. And it's no comfort to farmers, independent business people, auto dealers, realtors, and building contractors who see themselves going out of business. These people want answers -- and so do you -- about what we can do to get our economy back on track.

The last recession before this one came in 1980. And by the time our administration took office, unemployment had almost reached 8 million, the prime rate had reached 21½ percent -- the highest in more than a century -- and inflation was at 12.4 percent. According to the polls, inflation was the number one problem in everyone's mind. All of us associated it with the high interest rates and rightly so. A lender must charge an interest rate high enough to cover inflation as well as give a return on his or her money.

We proposed a program of economic recovery based on the belief that high taxes had deprived people and business of incentive to the point that we'd lost much of our ability to produce. Those high taxes had fueled a rate of increase in government spending that reached 17 percent in 1980 alone. Even high taxes couldn't keep up with that. In the few years between 1976 and 1981, Federal tax revenues increased by \$300 billion -- but we had \$318 billion in deficits.

So, our program also aimed at reducing the rate of increase in government spending. Unfortunately, the interest rate stayed up even though we began to reduce inflation. People couldn't afford to buy automobiles on time. Few could or would take a mortgage to buy or build a home at those rates. Lay-offs in the automobile and construction industries increased, and farmers who borrowed to plant and repay at harvest lost money even on bumper crops. By mid-July, we were back in, if we were ever out of, a recession. But for the first time in the many recessions that have taken place over the recent years, we had a plan ready to go.

The Congress had agreed to a budget that cut the rate of increase in spending nearly in half. And it passed a tax cut program which increased depreciation allowances for business and began a 25-percent cut in income tax rates for individuals, to be phased in over 3 years.

All of this only began last October 1st. Even so, interest rates have been reduced by 20 percent, but that's not nearly enough. They have to come down more, and they should, because our greatest success has been in conquering inflation. It's no longer double digit. For the last 5 months, it's been running at 4½ percent.

By all the rules of the game, interest rates should be down around 9 or 10 percent. Unfortunately, the increase in unemployment increased government costs and reduced revenues. More money had to be spent on unemployment insurance and other benefits. Fewer people working meant fewer people paying taxes. Up went the projected deficit for 1983, and up went the concern in the money market that this would lead to an increase in inflation, as it has in all those past recessions.

The answer to the recession lies in bringing interest rates down. To do that, a signal must be sent that, while the political process always requires some compromise, government this time intends to stay the course; that we're going to make further reductions in spending and hold to a steady consistent growth in the money supply -- in short, that we're going to come out of this recession not with a temporary, quick fix that leads to another recession down the road, but with a solid economic recovery based on increased productivity and jobs for our people.

Now, I know you've been told by some that we should do away with the tax cuts in order to reduce the deficit. That's like trying to pull a game out in the fourth quarter by punting on the third down.

You've also been told our program hasn't worked. Well, of course it hasn't; it hasn't really started yet. Our 5-percent cut in October was almost wiped out by the January increase in the social security tax called for in the 1977 tax bill. The reduced budget spending and the 10-percent tax cut in July will be the real beginning of our program.

There's no instant cure, but there is a cure. With your help and your prayers, we'll find it.

I'll be back next Saturday. Thank you, and God bless you.

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