

# Address to the Nation on the Economy

**October 13, 1982**

My fellow Americans:

In recent days all of us have been swamped by a sea of economic statistics -- some good, some bad, and some just plain confusing. There are times when I think that the paper traffic that crosses my desk in a week could fill a big-city phone book, and then some.

The value of the dollar is up around the world. Interest rates are down by 40 percent. The stock and bond markets surge upward. Inflation is down 59 percent. Buying power is going up. Some economic indicators are down; others are up. But the dark cloud of unemployment hangs over the lives of 11 million of our friends, neighbors, and family.

At times, the sheer weight of all these facts and figures make them hard for anyone to understand. What do they really mean, and what can we do to make them better?

Well, the first step is to understand what they mean in human terms -- how they're affecting the everyday lives of our people, because behind every one of those numbers are millions of individual lives -- young couples struggling to make ends meet, teenagers looking for work, older Americans threatened by inflation, small businessmen fighting for survival, and parents working for a better future for their children.

All of them have one thing in common. They're Americans who love this country of ours and want to make it a better place. They're brave, hard-working people who know that America today faces serious problems that were long years in the making. And they're desperately trying to make sense out of all the statistics, slogans, and political jargon filling the airwaves in this election year. Above all, they're concerned citizens who are looking for guideposts on the road to recovery -- for ways to help see our country through to better times.

I know because I hear from hundreds of them every day -- in meetings here at the White House; on visits to schools, meeting halls, factories, and fairgrounds across the country; and in thousands of phone calls and letters. I only wish I could share with you tonight all that they have to say -- their hopes, their fears, their concerns, and most of all, their quiet, patient courage. But let me just give you one example that speaks for so many of you, a letter from a wife and mother named Judith, who lives in Selma, Alabama.

``Dear Mr. President," she writes, ``It's 3:45 a.m., and for over an hour I've been unable to sleep . . . this morning I need very much to believe in something . . . I'm not writing so much as an individual, but as a representative of so many. We need to talk with you -- to believe that you hear us . . .

``After years of training and experience, we can't find jobs. National unemployment figures sound almost healthy next to the almost 19 percent we're enduring in Selma.

“The costs for basic survival are nearly beyond belief . . . there may never be a house -- home of our own -- that dream we've worked for for so many years . . . We have said `no' to so many things . . . we're afraid and confused. We've worked hard -- we conserved -- we planned -- we were frugal -- careful. We feel so out of control. We don't want a handout -- we just want to help make the system well again.

“We must know that in the tons of bureaucracy . . . we've not been lost . . . we want to help. We want a better life, and we're willing to work for it. We believe. We must -- it's all we have.”

Well, Judith, I hear you. And millions of other men and women like you stand for the values of hard work, thrift, commitment to family, and love of God that made this country so great and will make us great again. And you deserve to know what we're doing in these very difficult times to bring your dream, the American dream, back to life again, after so many years of mistakes and neglect.

Tonight, in homes across this country, unemployment is the problem uppermost on many people's minds. Getting Americans back to work is an urgent priority for all of us and especially for this administration. But remember, you can't solve unemployment without solving the things that caused it, the out-of-control government spending, the skyrocketing inflation and interest rates that led to unemployment in the first place. Unless you get at the root causes of the problem -- which is exactly what our economic program is doing -- you may be able to temporarily relieve the symptoms, but you'll never cure the disease. You may even make it worse.

I have a special reason for wanting to solve this problem in a lasting way. I was 21 and looking for work in 1932, one of the worst years of the Great Depression. And I can remember one bleak night in the thirties when my father learned on Christmas Eve that he'd lost his job. To be young in my generation was to feel that your future had been mortgaged out from under you, and that's a tragic mistake we must never allow our leaders to make again. Today's young people must never be held hostage to the mistakes of the past. The only way to avoid making those mistakes again is to learn from them.

The pounding economic hangover America's suffering from didn't come about overnight. And there's no single instant cure. In recent weeks, a lot of people have been playing what I call the “blame game.” The accusing finger has been pointed in every direction of the compass, and a lot of time and hot air have been spent looking for scapegoats. Well, there's plenty of blame to go around.

The problems we face are bigger than any one party or group of people. They're the result not of weeks or months, but of years, even decades of past mistakes. The problem isn't who to blame; it's what to blame. So, tonight, let's forget about party politics and take a look at how our country got into this fix and what we can do to get her out of it.

When I said this problem was years in the making, I wasn't just using a figure of speech. This chart shows you what I mean. You see that red line? It represents the rate of unemployment from 1968 through the present, and it tells us two important things. First of all, it's a jagged line, representing rises and dips in unemployment as our economy passed through boom periods and

bust periods over the past decade. This reminds us that the current recession is part of a long series -- a series that hasn't stopped, because in the past, when the crunch came, too many in government resorted to quick fixes instead of getting to the root cause.

Each time they applied the quick fixes, unemployment dipped for a while, only to take off again. In that sense, you could say that we've been on a decade-long roller coaster ride. The only difference is that on a roller coaster you end up on solid ground once the ride is over. As you can see from the chart, while unemployment zig-zagged from year to year, its long-term direction kept notching upward. Notice that each so-called recovery left unemployment higher than before the recession.

In 1968 unemployment stood at 3.6 percent. In 1971 it shot up to 5.9 percent. Then it started coming down again, but instead of going all the way back to 3.6 percent, it bottomed out at 4.9 percent. In 1974 it started shooting up again, and the same thing happened. It bottomed out at a higher level than before. In other words, for all its short-term ups and downs, the unemployment roller coaster was really an escalator, edging its way up the charts throughout the last decade. Unless we reverse that trend, it can only get worse -- not just for us but for our children and grandchildren.

Now let's look at what's behind this bad trend in unemployment. What's been causing it for over a decade? A second chart tells much of the story. But before we look at it, I'll bet many of you have already come up with the answer. It's a phenomenon that, last year, a majority of Americans correctly identified as our single most pressing long-term problem: inflation.

Inflation and the high interest rates it leads to are the real culprits. They create the economic climate that leads to unemployment.

This blue line represents inflation. Like unemployment, inflation has zig-zagged over the last decade, but you can see that, up to now, the long-term trend has been upwards. Again, as with unemployment, the old quick fixes simply did not work. Each time they were applied, they gave a little temporary relief to the patient, but left him weaker than he was before.

It's a consistent pattern. Each time inflation has shot up since 1969 there has been a deadly, delayed reaction of rising unemployment. Inflation is like a virus in the economic bloodstream, sometimes dormant and sometimes active, but leaving the patient weaker after every new attack.

My fellow Americans, we've got to stop these trendlines to disaster.

To do that, we have to understand what causes them. Well, for starters, our Federal Government has been living beyond its means for more than a generation. One of the wisest of our Founding Fathers, Thomas Jefferson, warned that the public debt is "the greatest of dangers to be feared." He believed that it was wrong for one generation to forever burden the generations yet to come, and for the first 150 years of our history, our leaders heeded Jefferson's warning.

But not lately. In our lifetimes we've seen government spending rage out of control. We've only had one balanced budget in the last 22 years. So, now we're staggering under a trillion-dollar

debt. This year, before government can spend one dime to feed the hungry, care for the sick, or protect our freedom, it must plan to spend \$110 billion just to pay interest on that debt. And still the big spenders wonder why the American people want what a stubborn minority in the House of Representatives denied them just 12 days ago: a constitutional amendment to balance the budget.

All of this government spending and red ink can only spawn higher taxes and whopping deficits which for nearly two decades led to inflationary increases in the money supply. Inflation and massive government borrowing drive up interest rates. That makes it difficult or impossible for families to get the credit they need to buy homes, cars, and appliances or for businesses to invest in greater productivity. And ultimately inflation leads to recession and unemployment.

We've had eight recessions since World War II. At the bottom of it all is inflation, government-caused inflation. Over the years our leaders adopted something called the new economics based on a belief that a little inflation each year created prosperity. But each time the economic disruption caused by inflation triggered another round of recession and high unemployment. The government reacted not like your family would, by putting its own house in order, but by spending, borrowing, and printing more money.

Unemployment would dip for a time, but the same quick fix that temporarily eased unemployment was sending inflation back through the ceiling. It was a vicious cycle. Too many people played politics with the economy for too long, and those twin disaster lines kept inching ominously upward, bringing our society closer and closer to catastrophe.

In a way I guess I can understand why so many of our political leaders fell into this trap. I'm sure they did it with the best of intentions. It's easy to lose touch with reality when it is other people's money that you're spending. And there are so many things you want to do for those or this or that special-interest group -- so many programs, many of them quite attractive and well-meaning, that can only be subsidized by more government taxing, spending, and borrowing. I can understand how it happened. Indeed, like many others, for a time I accepted government's claim that it was sound economics. But there came a day when I and millions of other Americans began to realize the terrible consequences of all those years of playing politics as usual while the economic disaster lines crept higher and higher.

Well, at my age I didn't come to Washington to play politics as usual. I didn't come here to reward pressure groups by spending other people's money. And most of all, I didn't come here to further mortgage the future of the American people just to buy a little short-term political popularity. I came to Washington to try to solve problems, not to sweep them under the rug and leave them for those who will come later.

A President's greatest responsibility is to protect all our people from enemies, foreign and domestic. Here at home the worst enemy we face is economic -- the creeping erosion of the American way of life and the American dream that has resulted in today's tragedy of economic stagnation and unemployment.

Now, I don't pretend for a moment that, in 21 months, we've been able to undo all the damage to our economy that has built up over more than 20 years. The first part of our program has been in the books only 1 year and 13 days. Much of the legislation we need has still not been enacted. We've still got a long way to go before we restore our prosperity. But what I can report to you tonight, my fellow Americans, is that at long last your government has a program in place that faces our problems and has already started solving them.

Twenty-one months ago, we faced five critical problems: high taxes, runaway government spending, inflation, high interest rates, and unemployment. Getting to the roots of unemployment meant fighting inflation and high interest rates caused by runaway government spending and taxing, because we know that when inflation shoots up, it triggers a delayed-action rise in unemployment. Now inflation is being driven back down, and lower unemployment will follow.

So, we started by winning the first real tax cut for the American people in nearly two decades. Our program brings down income tax rates 25 percent. At the same time, we've been cutting costly, wasteful government regulations and the rate of increase in government spending. We've reduced the rate of government spending growth by nearly two-thirds. Inflation, which registered 12.4 percent in 1980, is down to just 5.1 percent so far this year.

Interest rates, which had climbed as high as 21 $\frac{1}{2}$  percent before we took office, have this week fallen to 12 percent -- not low enough, but certainly heading in the right direction.

Unemployment, always a lagging indicator in times of recession, has not yet stopped its upward drift.

But in 21 months, we've already brought tax rates down by a quarter, with the third installment coming next July, and brought down the rate of increase in government spending by nearly two-thirds. That's helped us to bring down the rate of inflation by more than half, and that's helped us to bring down interest rates by 40 percent.

So, on four out of five problems that faced us in 1980, we've made important progress. We haven't solved them all, but we're making headway.

Just last week, the Federal Reserve Bank decided to lower its discount rate to 9.5 percent -- the first time this key interest rate has gone below two digits since 1979, and the fifth reduction in just 4 months. This demonstrates the Fed's confidence that inflation and market rates will continue coming down and its confidence that we can work together for a healthy, noninflationary recovery. All of this lays the groundwork for a recovery that will mean more jobs and more opportunity for all our people. But it's a delayed reaction.

Remember the trendlines. Just as surely as skyrocketing inflation created a negative reaction that drove up unemployment, bringing down inflation and interest rates is creating a positive reaction that will boost employment. I wish there were a quicker, easier way -- some magic short-cut -- but unemployment is always one of the last things to turn around as an economy heads into recovery. And make no mistake, America is recovery bound. And the world knows it.

The American dollar, beaten down and distrusted in the late 1970's, is showing new strength. Recently, we've been seeing a surge of investment in our stock and bond markets. This is no flash in the pan. Markets will go up and they will come down, but the trend in the United States is up. What's more, this investment is coming from all over, from home, from abroad, from small investors on Main Street to those who manage billions of dollars, including our workers' pension funds.

Why aren't these people heeding the drumbeat of doom and gloom coming from Washington? Because they've been watching this country's inflation and interest rates dropping for months. They realize this administration means business in the battle against inflation. Their decision to put cash on the line is a strong vote of confidence in the foundation being laid for America's recovery -- healthy, stable growth that will bring new jobs and opportunity for our people without returning us to runaway inflation and interest rates. That's the one big difference between the recovery America is headed for today and the shaky, temporary recoveries of the recent past. This one is built to last.

With your support, we can show the world that we've learned our lesson and that this time we're going to get the job done and get it done right. This time, we're going to keep inflation, interest rates and government spending, taxing and borrowing down, and get Americans back on the job.

Much of the work that remains to be done requires congressional cooperation. As you know, Congress adjourned October 2d for the election campaign. But it left behind a lot of unfinished business. For this reason, I urge the Congress to reconvene after the elections so that it can do its part as quickly as possible to continue the work of recovery. We simply can't afford to wait until next year when something as vital as the economic health of America is at stake.

The Congress will return on November 29th. It will face five top economic priorities, priorities that must be addressed.

First, the Congress must do its part to control government spending. Before adjourning, it sent me only two appropriation bills. Eleven more remain to be passed. And I will use the veto, if necessary, to keep them within the budget. When the Congress passed the tax package this summer, it pledged to save \$3 in outlays for every \$1 in new revenues. I intend to hold the Congress to its word.

Second, I urge the Congress to reconsider the constitutional amendment to balance the budget. This crucial measure was passed by the Senate and supported by a clear majority in the House of Representatives. It was only defeated because of the hard core opposition of a minority of Representatives who prefer continued big spending.

Third, the Congress should act on regulatory reform to help make government more economical and efficient and the private sector more productive. Regulatory reform legislation was passed unanimously by the Senate but was bottled up in committee in the House.

Fourth, the time has come for passage of the enterprise zones initiative to revive declining inner city and rural communities by providing new incentives to develop business and jobs. This

program was approved by the Senate Finance Committee, but still awaits action on the Senate floor and in the House.

And, fifth, we need to pass the clean air bill which, while protecting the environment, will make it possible for industry to rebuild its productive base and create more jobs.

But it's not an easy job, this challenge to rebuild America and renew the American dream. And I know it can be tempting, listening to some who would go back to the old ways and the quick fix. But consider the choice. A return to the big spending and big taxing that left us with 21 1/2-percent interest rates is no real alternative. A return to double-digit inflation is no alternative. A return to taxing and taxing the American people -- that's no alternative. That's what destroyed millions of American jobs.

Together we've chosen a new road for America. It's a far better road. We need only the courage to see it through. I know we can. Throughout our history, we Americans have proven again and again that no challenge is too big for a free, united people. Together, we can do it again. We can do it by slowly but surely working our way back to prosperity that will mean jobs for all who are willing to work, and fulfillment for all who still cherish the American dream.

We can do it, my fellow Americans, by staying the course.

Thank you, good night, and God bless you.

Note: The President spoke at 7:30 p.m. from the Oval Office at the White House. The address was broadcast live on nationwide radio and television.