

Appendix I
Reaganomics

The Carter Legacy

The failed economic policies of Jimmy Carter caused inflation to soar to 11.3% in 1979 and 13.5% in 1980 — a 25% total increase in prices in just two years. The prime interest rate reached an astounding 21.5% in 1980¹ and home mortgage interest rates soon rose to a crippling 14.7%.² Unemployment also began an upward climb during the Carter years that eventually peaked at over 10.8% in 1982.³

The poverty rate actually started rising in 1978 and eventually increased from 11.4% to 15.2%⁴ — a debilitating 33% increase. Real median family income began to decline in 1978 as well, falling almost 10% by 1982.⁵ The average real family income for the lowest 20% of American workers declined even more, by 14.2%.⁶ Indeed, during the Carter years, real income declined for all income groups — rich and poor alike — from the lowest 20% of Americans to the richest 20% of earners.⁷

1 Robert Bartley, *The Seven Fat Years* (New York: The Free Press, 1992), p. 112

2 Economic Report of the President, January, 1993, Table 13-71, p. 430

3 Economic Report of the President, January, 1993, Table 13-69, p. 428

4 Economic Report of the President, January, 1993, Table B-28, p. 380

5 Economic Report of the President, January, 1993, Table B-28, p. 380

6 Richard B. McKenzie, *What Went Right in the 1980s* (San Francisco: Pacific Research Institute for Public Policy, 1994), p. 102

7 Alan Reynolds, “Upstarts and Downstarts,” in “The Real Reagan Record,” *National Review*, August 31, 1992 p. 26.



RONALD REAGAN

40th President of the United States: 1981-1989

Remarks at the Mid-Winter Congressional City Conference of the National League of Cities

March 2, 1981

It's a pleasure to be with you today for your annual Congressional City Conference. The last time I was in this room, not too many weeks ago, was for the National Prayer Breakfast. And I hope that what was said then and what I did then has had some lasting effect. I'm especially pleased to have been introduced by my longtime personal friend, Mayor Bill Hudnut.

I understand and appreciate the part your organization has played in the Pennsylvania Avenue development plan here in Washington. The new 12-story building you've constructed overlooking Western Plaza is a fine example of what can be done to revitalize the inner city. It should serve to stimulate others to invest in such worthwhile efforts.

As you're well aware, rejuvenation of the American economy is the number one priority of my administration. This, I believe, was the mandate of the voters last November. It was a mandate that I sought, yet something all elected officials should understand, because it's a mandate for all of us. The election did not commission me to attempt economic reform alone, but to work with elected officials — Federal, State, and local — to put America's economic house in order. And that's why I'm here.

We've got a job to do together, and I believe we should open a clean, clear line of communication now. Our job, of course, is to get the economy of the United States moving again. It's essential for you as representatives of the cities; it's essential for all of us as Americans. One thing is certain: The time for business as usual has passed.

In the last two decades, Americans have suffered oppressively increased taxation, inflation, unemployment, and interest rates. The middle class, the life-blood of democracy and the American way of life, cannot withstand these pressures indefinitely. And the economic tremors rippling through our economy suggest that these people are near the breaking point. I don't know how many of you earlier this morning might have had an opportunity to watch on television as some citizens were being interviewed who publicly have stated they are simply going to rebel at paying their income tax, and they're going to appeal to others to do the same.

We're suffering the worst inflation in 60 years. Almost 8 billion — million — Americans are continuing to be out of work. I've been here only a month, and I'm beginning to talk in billions when I mean millions. [Laughter] Interest rates have climbed to an unprecedented 20 percent, with home mortgage rates of 15 percent destroying for millions the dream of home ownership. Investment in industry is lagging behind our major competitors, with too much of the personal savings of our people flowing into nonproductive inflation hedges instead of job-creating, long-term investment or savings.

Millions of Americans feel that for them the standard of living is actually going down, and it is. It's shocking and a depressing fact that after being adjusted for the continued cheapening of the dollar by inflation, the hourly earnings of American workers have dropped by 5 percent in the last 5 years. This is a complete reversal of the American experience and will have profound impact on the spirit of our people if something isn't done and done quickly.

And while our workers have been experiencing a decline in their standard of living, government has continued to spend money like there's no tomorrow. And come to think of it, that could be a self-fulfilling prophecy. In those same 5 years, those workers' taxes went up by 67 percent. Federal spending grew to 23 percent of the nation's gross national product, the highest peacetime share in our history. And the Federal Government has shown a deficit every year after 1969.

In fiscal year 1980 that deficit was \$59.6 billion, the second largest in history. And we face another deficit of similar magnitude in this year of fiscal 1981. Now, this kind of irresponsibility can't go on. What most Federal officials have been afraid to admit is that Federal spending has been for some time increasingly out of control. If left unchecked, the current situation would lead to a redoubling of the Federal budget within 5 years.

For a time, it's appeared that Congress had more solutions than the country had problems; or, put another way, I've said before that cures were developed for which there were no known diseases. Just conceiving of a program that might help someone somewhere was itself reason enough to pass a law and appropriate money. Eventually, with so many programs, safeguarding public funds became an impossible task. One government estimate suggested that between 1 and 10 percent of all spending on social programs was, and probably still is, being lost to fraud alone, at a cost of up to \$25 billion. When that cost or the cost of waste is added to that sum for fraud, the figures are even more appalling.

Of course, spending isn't the only aspect of government that seems out of control. In the last decade, American business and, yes, local government, has had to deal with an avalanche of Federal regulation. Between 1970 and 1979, expenditures for the major regulatory agencies quadrupled. The number of pages published annually in the Federal Register nearly tripled, and the number of pages in the Code of Federal Regulations increased by nearly two-thirds. The cost of this has been staggering. An estimated \$100 billion per year — now I can say billion — is added on to the cost of everything we buy, just to pay for the cost of Federal regulations. And then there's the unseen cost which is harder to calculate but nonetheless devastating: Regulation tends to smother innovation, discourage new investment, increase labor costs, and reduce competition.

This Federal Goliath, unleashed and uncontrolled, brought us to the economic brink that is now confronting this Nation. Too many officials appear to feel totally helpless in the face of the monumental task of restoring order to the Federal Government's economic policies. Perhaps no one had the clout to get the job done. Whatever the reason, we now have much work to do. Together, we can put our economic house in order again and regain control of this situation.

Note: The President spoke at 12:20 p.m. in the International Ballroom at the Washington Hilton Hotel.

Citation: Ronald Reagan: "Remarks at the Mid-Winter Congressional City Conference of the National League of Cities," March 2, 1981. Online by Gerhard Peters and John T. Woolley, *The American Presidency Project*. <http://www.presidency.ucsb.edu/ws/?pid=43473>.

President Reagan's complete speech is included on pages 2-8 of Appendix I: www.theccwr.org/ReaganResolve/AppendixI.pdf