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### WHITE HOUSE STAFFING MEMORANDUM

DATE: 6/10/87 ACTION/CONCURRENCE/COMMENT DUE BY: 3:00 6/11/87 (Italy time)

SUBJECT: PRESIDENTIAL ADDRESS TO THE NATION ON THE VENICE SUMMIT AND BUDGET IS

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	FITZWATER	<input type="checkbox"/>	<input checked="" type="checkbox"/>
BAKER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	GRISCOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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REMARKS: Please provide any comments directly to Tony Dolan in Venice by 3:00 Thursday afternoon, June 11th, with an info copy to my office. That time is Italy local time -- 9:00 am in D.C. Thank you.

RESPONSE:

Rhett Dawson  
Ext. 2702

(Dolan)  
June 10, 1987  
2:00 p.m. (Italy)

PRESIDENTIAL ADDRESS TO THE NATION ON THE VENICE SUMMIT  
AND BUDGET ISSUES  
MONDAY, JUNE 15, 1987

I've just returned from Venice, Italy, where I met with the leaders of the seven industrialized democracies for our yearly economic summit. And tonight I want to report to you on decisions made there that directly affect you and your children's economic future.

I also have a special message for you tonight, one that is not so much about the world economy as it is about our own economy; one that concerns actions not by leaders in some foreign city but by those here in Washington -- actions that jeopardize the kind of progress we made towards economic health last week in Venice as well as the prosperity that during the last 6 years all of us here in America have worked so hard to achieve.

But before beginning, I must make a personal note about something we saw on the last day of our journey -- when we stopped in Berlin to help celebrate the 750th anniversary of that noble city. I know that over the years many of you have seen the pictures and newsclips of the wall that divides that city. But, believe me, no American who sees firsthand -- the concrete and mortar, the guard posts and machine gun towers, the dog runs and minefields -- no one who stands before that monument to barbed wire and hatred can ever again take for granted his or her freedom or the precious gift that is America. And that's why I urged the Soviet leader, Mr. Gorbachev, to send a signal to the world by tearing down that wall, by opening that gate.

But, you know, another lesson struck me there as I was returning from a discussion by free world leaders of economic issues. You see, that wall is not just a reminder of the ultimate weakness of the forces of division and destructiveness in the world, it is also a reminder that those forces gain the upper hand in history only when nations that stand for hope and humanity grow lax and soft, and that the first sign of such national decline in free nations is usually economic weakness, weakness brought on by governments that spend too much of their citizen's money and then force their citizens to pay for that excess with heavy inflation and burdensome taxation.

And it was to avoid weakness or crisis that the seven major industrialized democracies decided some years ago to meet annually to discuss economic problems and opportunities.

And I'm happy to report to you tonight that this year's conference in Venice was not only successful on a number of specific issues but that the spirit of consensus shown by world leaders was greater than at any time in the past. As I'm sure all of you recall back in 1981, when I attended my first such summit, our own economy as well as the global economy was then in grave danger. We had inflation running at 10 percent or more in industrialized countries; not to mention high interest rates, excessive tax burdens and too much government regulation and interference. Worse than all of this, there was virtually no agreement among world leaders on how to deal with this looming crisis.

Well, what progress we have made since then. With the American economy leading the way, we started an international movement towards lower taxes and less government interference, towards more economic growth and greater individual opportunity. We brought down interest rates, cut inflation, reduced unemployment, and confounded the experts by showing that economic growth could be sustained not just for 1 or 2 years but steadily -- for more than 5 years.

And last week in Venice, I saw overwhelming evidence that this consensus for less government and more individual opportunity continues to grow throughout the world. Several of the allied leaders spoke to me with satisfaction about this growing consensus not only in their own countries but all around the world. Indeed, part of our official discussions in Venice were about how to extend these concepts for economic development to the less affluent nations of the world and help the millions of people in developing nations achieve higher standards of living and a more productive economy.

Now, as I say, this trend towards economic freedom around the world is something we Americans can take great pride in because the seeds of this revolutionary movement away from state power were in large part planted by our nation. And, again, this revolution has not only kept the global economy moving along at a brisk pace, it has made it possible for the democratic nations to stand together and keep our defenses strong while we promote the growth of democratic institutions and world freedom and the cause of peace throughout the world.

In Venice I saw dramatic evidence of how the recovery of the world economy has strengthened our hand and that of our allies in dealing with international problems before they become tests of strength between major powers. I was deeply grateful for the support I received from our allies for America's commitment to keep the sea lanes open and the oil flowing through the critically strategic area of the Persian Gulf. But actually, calling this an American initiative is really something of a misnomer since our allies have a very considerable stake in the Gulf. Great Britain, for example, has nearly 20 percent of her fleet in this area and has since the beginning of this year escorted more than 100 naval vessels through the Straits. So, too, France has a strong naval presence there and all of our allies have reaffirmed their support for maintaining international navigation rights and continuing moves towards a negotiated settlement of the bloody Iran and Iraqi war.

So, too, in the area of our dealings with the Soviet Union -- I think every American can be gratified by the sense of unity in Venice and support expressed by our allies. As most of you know, we are currently engaged in highly sensitive negotiations with the Soviets that could lead to an historic arms reduction treaty on intermediate-range weapons. This matter was discussed by me with world leaders in Venice and by Secretary Shultz on Thursday and Friday with the NATO foreign ministers in Reykjavik, Iceland. [I have received Secretary Shultz's report on his meeting and I am pleased to tell you that we and our allies have reached full consensus.]

So I am pleased to announce tonight that, with the full support of our Allies, the United States will formally propose to the Soviet Union that we agree on the global elimination of all U.S. and Soviet land-based, shorter-range I.N.F. missiles, along with the deep reductions in -- and possible elimination of -- longer-range I.N.F. missiles. I am directing our I.N.F. negotiator to present this new proposal to the Soviet Union as an integral element of the I.N.F. treaty which the United States has already put forward in Geneva.

As we pursue this historic opportunity, it is essential to keep in mind that it is only through continued Western unity and strength that we will be able to accomplish such reductions and meet our other mutual security objectives. The United States remains as committed as ever to the strength and unity of our alliances; let us never forget that strength and unity brought the Soviets back to the bargaining table. That is why I was pleased there was strong agreement in Venice on the importance of pressing the Soviet Union for progress on other important arms negotiations, especially our effort to reduce by 50 percent intercontinental nuclear weapons. So, too, we were agreed on the absolute necessity of pressing the Soviet for progress in the human rights area as well as regional conflicts, especially Afghanistan. We also noted that while we welcome the new expressions of openness from the Soviets, it's time to see if their actions are as forthcoming.

So, the successful work of the economic summit in Venice shows that free nations are understanding what history teaches:

that ignoring economic realities is an invitation to world crisis, what Churchill called the "prodigious hammer blows" of history. Only by keeping our economy strong can we keep our freedom, and stop conflict before it escalates into war. This is the bottom line then of what, since the 1980's, we and our summit partners have achieved together: more prosperity, expanding freedom, and a stronger, safer peace.

But let's also understand that for all the historical and worldwide implications, the international movement towards economic freedom has made a very real difference in the daily lives of each of us here in America. All of us can remember when only a few years ago government taxation was taking more and more of the take-home pay of American workers at the very moment that double-digit inflation was eating up savings and becoming a special burden on the poor and the elderly. Today, in contrast, we are now in our 54th month of economic growth, real family income is growing while poverty's been declining, and we've been creating an astonishing 300,000 thousand jobs a month in this nation. Only recently, the unemployment rate dipped to 6.3 percent, a goal that once many thought was impossible.

Obviously, keeping this kind of progress going on here at home was very much on my mind in Venice. That's why I was pleased with many of the decisions we made there: in addition to reaffirming the broad consensus for economic growth, we agreed to continue working against trade barriers like high tariffs that over the long run shrink world markets, stop economic growth and



reduce the number of new jobs even in America. So too, in the area of agricultural subsidies, we made progress.

In the area of agricultural subsidies as well, we made significant progress. You know, I've been saying for some while now it's time to get speculators who merely want to take advantage of government subsidies out of the agricultural business and give farming back to the farmers. And I think it's important that so many American farmers today would like to see agriculture in the United States return to the free market basis. They know government subsidies around the world are causing a glut and shrinking markets for American goods. And although this is the number one trade problem facing us today, 2 years ago we found that other nations would not even put the matter on the negotiating agenda. That's the importance of our discussions in Venice -- by getting this issue out in the open in a multilateral setting, we're making it easier for foreign governments and our own to summon the political will to deal with it.

So, while I can report to you tonight that our work on economic issues in Venice was productive, honesty also compels me to tell you about one matter of disturbing discussion in Europe: And that was the continuing threat of deficit spending. And, frankly, I must also tell you that I felt among European leaders -- who are well informed about actions taking place here in our Congress -- a sense of unease about America's commitment to eliminating or even controlling our deficits. In no sense was the concern voiced by these leaders intrusive or offensive -- it's just that they realize how interdependent all of our

economies are -- and they know a threat to America's economy is a threat to themselves.

I told these European leaders in Venice that I shared their concern. Don't mistake me: all of us who take pride in our economic achievements know the progress we've made on deficit spending. In 1983, deficit spending was a full 6.3 percent of our gross national product; today that figures stands at 3.9 percent -- nearly a 40 percent decline in just four years. And this contrasts favorably with other nations like Japan and Germany where deficit financing has been reduced but by significantly less. This year too, our deficit is programmed to be cut by 40 billion, a 20 percent cut -- and that's a boost toward growth that other nations can only envy.

All of this has been achieved because after considerable prodding the Congress finally recognized 2-1/2 years ago its own inability to control spending or even come up with a budget document. You may remember the pattern of behavior we saw then: budget deadlines postponed or missed completely; temporary shutdowns of the government because the Treasury had no money; last-minute scrambles to throw every conceivable kind of appropriations bill into huge unwieldy resolutions that were loaded with pork, lard and fat paybacks to the special interests.

Finally, under the prodding of many of us who were fighting for fiscal restraint, the Congress got together and adopted a plan called Gramm-Rudman-Hollings that established a program for gradually reducing our deficits and eventually balancing the budget.

So all of this is good news. Or at least it has been. Because what's been happening here in Washington during the last few months is why I am before you tonight. I must tell you that a trend is developing that is deeply alarming and a grave threat to all that we have achieved. You see, in the critical match-up between those who want to keep spending your money, raising your taxes, and pleasing the special interests and those on the other side who resist a return to the old policies of "tax and tax, spend and spend" -- we have now reached breakpoint. And that's why I've made a personal decision to do something no President should ever hesitate to do when he must. And that's go to you, the American people -- put the facts before you and ask each of you to make a decision of your own, a decision about the kind of representation you expect from those you sent here to Washington.

First, let me tell you about the break-down in fiscal restraint in the capital and Congress' violation of its promises to the American people. This year, for example, I asked the Congress for important highway appropriations and clean water legislation: what I got instead were two budget-busting fiascos loaded with every conceivable boondoggle. When I vetoed one of them, the highway bill, I said I hadn't seen so much lard since I handed out blue ribbons at the Iowa State Fair. They were bad bills, bad for all of us. At the same time, in the Senate, legislative rules were adopted that would make it easier to exceed the spending limits adopted under Gramm-Rudman-Hollings, again one another important step away from fiscal control and economic growth.

So, once again the congressional budget process, supposedly overhauled in 1974 and again last year, is clearly not working. And this is part of an unrelenting pattern. Last year, for example, Congress proved beyond all questioning that it could not manage the fiscal affairs of this nation. Even under the deadlines and restriction of Gramm-Rudman-Hollings, it failed to pass even one of the regular thirteen appropriations bills. And instead of a budget, Congress sent me a massive omnibus spending bill; I was faced with an "all or nothing" choice -- take it or close the government down. It was a bill that dangerously under-funded defense and foreign affairs while it favored domestic spending especially hundreds of pork barrel projects from grants to luxury apartment complexes to subsidies for roads, some of which literally go nowhere.

So, you can see, the writing on the walls of Congress has been getting clearer: brilliant red ink spelling out larger and larger deficits and a red letter "No" to congressional self-discipline or control.

But if you think that what Congress did last year or has done already this year is cause for concern, I can tell you Congress now has in the pipeline fiscal legislation that will all but remove our chances of ever getting budget deficits under control.

This is particularly disappointing because earlier this year I sent the Congress a responsible budget that met our deficit targets while it preserved the necessary advances in defense and foreign affairs, added funds for critical domestic needs like

AIDS and air safety, minimized the amount of new revenues especially taxes and kept the growth of Federal spending under control.

But instead of acting on all of this, Congress has ignored that budget and instead is now considering a budget that looks like it will reverse all of these accomplishments. It will reduce defense spending over the next few years back to the dangerous levels of the prior administration -- 5 percent of the GNP. Economic and military aid to many of our allies will be several reduced or eliminated.

So you can see restraint on domestic spending is vanishing. Legislation now before the Congress, in a wide variety of programs, would add 30 billion a year in domestic expenditures. Once again, Congress is adopting the same solution to its own inability to get its act together: bust the budget and please the special interests. And to pay for all of this Congress wants to saddle you, the taxpayers, with approximately \$20 billion next year in taxes and 100 billion over the next four years.

So here we go again; raise taxes, cut vital defense programs, and increase domestic spending even more. Believe me, what we have shaping up in Congress isn't a program or a budget at all. It's a nightmare, a formula for disaster.

If this trend isn't stopped -- and stopped now at the midpoint of the fiscal year -- we stand to lose all the progress we have made. If our budget deficit goes beyond the \$175 billion projected this year, we will be sending signals all over the world that the American economy is in trouble, deep trouble.

This will not only weaken our position abroad but it will have real consequences here at home. I am certain for example that one factor in the recent jitteriness in the financial markets and the slight rise we have seen in interest rates is a reaction to Congress' failure to keep its promises on deficit spending.

And that's why I have taken this time to speak to you tonight: not to scold the Congress -- though many in the Congress may deserve such a scolding -- but to emphasize the kind of impact their decisions are going to have on your economic future and that of your children. All of us worked long and hard, and overcame enormous obstacles to cut taxes and regulations, to reduce inflation and get America growing again. I don't believe any of you want to return to the days when a young couple couldn't afford a new home because interest rates were too high, when homemakers watched helplessly as higher prices sent their grocery bill skyrocketing; when mothers and fathers had all they could do to meet weekly expenses let alone plan for their retirement or their children's educations; when the elderly saw their savings and the years of work wiped out by inflation or when the poor knew only the hopelessness of a declining economy and a shrinking job market.

Let's just take that last example of jobs. You know, a few years ago the Congress went off on another one of its spending schemes; this time they called it a jobs program. It cost close to a billion dollars and was supposed to create half a million new jobs. Naturally, it reached its spending goal with ease but didn't reach its job creation goal at all. In contrast, under

the programs we've advocated, we've been creating more than a half a million jobs and we've done it not every year but every 2 months -- and that's without costing you, the taxpayers, one thin dime.

So that's what the choice comes down to; more government, more taxation, more regulation, and a continued slide towards the old days of economic inflation and stagnation. Or, on the other hand: more growth, more take-home pay, more savings and more of being better-off than you were a few years ago.

This choice is now upon each of us -- as I said, we've reached breakpoint; decision-time. The Congress is heading right down the same old road again: huge deficits and lots of goodies for the special interests. And it's determined to make you, the American taxpayer, pay the price and suffer the hardship. And that's why tonight I want to ask your help in reminding the Congress not to forget one very important special interest group -- the biggest one of them all -- you, the American people, the American taxpayer.

Congress can't straighten itself out, but I believe you and I can succeed where Congress has failed. We can force the Congress to reform the budget process -- to stop all the delays and missed deadlines and last-minute resolutions. We can do this by forcing the Congress to vote -- yes or no, up or down -- on an amendment to the Constitution that will end public borrowing once and for all, an amendment that will mandate under the law -- as do so many States and city governments -- a balanced budget.

You know, there's a little story that comes to mind here. I remember back in 1981 when everyone said you and I couldn't get tax cuts passed by a reluctant Congress. And it seems one local Congressman was out talking to one of his constituents who asked him how he stood on the tax cuts President Reagan wanted. Well, the Congressman went on for some length about the great complexity of the issue and the enormous difficulties of public expenditures and revenues. And when the Congressman was all through with his little talk, the farmer just kind of shifted around and then said: "Well, lemme ask it this way: are you for 'im or agin 'im?"

I've been trying to get the balanced budget amendment on the floor of the House of Representatives for more than 6 years now; the leadership of the House just won't let it come to a vote. So the next time your local Congressman is in town, why not do me and yourself a favor and ask him about how he stands on the amendment President Reagan wants to make government live within its means. And if you should get a highly complicated, extremely lengthy answer that seems to go nowhere, just ask, like the farmer: "Are you for 'im or agin 'im?" According to some of our supporters in the Congress, it works miracles with some of their colleagues.

There's something else I hope you'll ask your local Congressman about. You know all those huge expenditure bills delivered at the last minute and loaded with boondoggles? Well that problem can be simply handled too by giving the President what the Governors of 43 States use to stop this sort of fiscal



nonsense -- what I had in California when I was Governor there: the ability to reach into those huge expenditure bills and cut out the waste and fat. This is called a line-item veto; and, once again, the Congress has been stalling and dodging on this one too.

Now I know there are going to be some people who think that budget issues like this one just aren't going to capture your attention, let alone win your active support. But I have to tell you that everywhere I've gone during the past year, my pleas for a balanced budget amendment and a line-item veto have gotten warmer and warmer receptions. So beginning tonight, I'm going to be stepping up my public drive on both these issues; and that's why I've also decided, if Willie Nelson doesn't mind the intrusion, to go "on the road again."

I'm going to take the case to you, the American people. Because, believe me, if Congress won't see the light, I know you can make them feel the heat. In all of this, nothing less than our economic future is at stake. We have an opportunity to stop not only a disastrous fiscal trend but to institutionalize the tremendous gains we've made during the past few years -- we can do it by passing budget reforms that will prevent any future Congress from ever again mortgaging our children's future to a burdensome Federal deficit.

So I ask your support tonight because I think Americans are increasingly aware that the right to vote, to assemble, to engage in free speech and all the other forms of political freedom have their equally important economic counterparts. The right not to

be too heavily burdened by big Government, by heavy taxes, by skyrocketing inflation and high interest rates. The right to a future where you and your children can go as far and as high as your individual talents and energies will take you -- a future rich in freedom and opportunity.

It's the hope of that future that brought world leaders together last week in Venice. And it's why they asked me about these dangerous events taking place here in our Congress. They know how much their own future depends on what we do here in the United States, how important keeping America economically sound and strong is to them. It is this strength that has enabled us to rebuild our defenses, keep peace in the world, and strengthen our alliances.

But all of this economic, military, and diplomatic progress is in jeopardy unless we act decisively and now to end the fiscal chaos in the Congress; unless we continue moving forward with the economic growth and opportunity that is the hallmark of America's past and the promise of her future.

This then is the choice before us. For Americans who love their country and want to keep her strong, it cannot be a difficult one. I need your help; the same help you have extended so many times and so generously in the past. Your voice has made all the difference here in Washington. Tonight, I'm asking you to raise it again in support of fiscal soundness and a strong America. I'm asking you to help me build a future of freedom, growth, and opportunity for ourselves and for many generations of Americans to come.











