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See page 5
for President's
story on the
Russian economy.
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Jill

THE WHITE HOUSE

Office of the Press Secretary
(Indianapolis, Indiana)

For Immediate Release

July 13, 1987

REMARKS BY THE PRESIDENT
TO THE ANNUAL CONVENTION OF THE
NATIONAL ASSOCIATION OF COUNTIES

Indianapolis Convention Center
Indianapolis, Indiana

11:50 A.M. EST

THE PRESIDENT: Thank you all very much. (Applause.) Lieutenant Governor Mutz, Mayor Hudnut, Congressman Myers, thank you and thank all of you. And a special thanks to your outgoing President, John Horsley, for inviting me here. And I want all of you to know that it's good to be back in Indiana -- (applause) -- and it's good to once again speak to the National Association of Counties. (Applause.)

To tell you the truth, though, I figure that in addressing some 4,000 fellow public officials, I've got to be on my toes. And come to think of it, giving a speech to so many speechgivers reminds me of a story. And it has to do with a fellow that was the only living survivor -- or left alive years later -- of the Johnstown flood. And he made quite a thing out of public speaking. He was in great demand at luncheon clubs and so forth to tell of the experiences of having gone through that terrible thing -- the Johnstown flood.

Well, his time came and there he was facing St. Peter. And as he entered Heaven, St. Peter said, "You know, the people up here love to hear -- if you've got anything special that you'd like to talk about from down on Earth, people up here like to hear things from back there." "Oh," he said. "Yes." He said, "I do have. I've been speaking for a long time. And -- "Well," St. Peter said, "that will be just fine." And he told him what he'd been doing. So, he led him into an auditorium and here it was packed and jammed. And St. Peter told them a newcomer from Earth was there and had an interesting story to tell them. And then as he introduced him and turned away -- and whispered when he went past him and said, "That fellow with the beard on the aisle -- in the front row -- his name is Noah." (Laughter.)

But I come to you today with immense respect -- and respect for the hundreds and hundreds of -- well -- people that are here and -- I was told how many were here -- 4,000 -- so I'd better say that instead of the hundreds. But I come before you today with immense respect -- and respect for the offices you hold, so close to the people themselves; respect for your service to our nation at the most basic levels of our democracy. You know many of your constituents by face and by name. And you preside at commission and board meetings where they voice their concerns. You know what it is to be stopped on the street to explain a decision. In recent years, you've worked imaginatively to increase private economic development in your communities -- the best way to ensure economic growth. And day in and day out, you know what it is to be held responsible for government actions. You know what it is, in short, to do the will of the people.

This is why I want to enlist you in the campaign that I began on the third of July on the steps of the Jefferson Memorial. There, I called on all Americans to complete the work of the author of the Declaration of Independence with an Economic Bill of Rights --

MORE

a bill that will restore to us the freedoms that our Founding Fathers believed we should always have -- a bill of rights that will protect us and future generations from the needless and wrongful encroachment of government upon our lives.

For make no mistake -- the danger is grave. And many in Congress are intent upon returning to the days of unrestrained and irresponsible government -- present company, I might add, is excepted. I know which side Governor Myers -- Congressman Myers is on. Consider, for example, the so-called budget process. Delay after delay, missed deadline after missed deadline -- the entire budget process looks like intentionally staged chaos -- chaos to provide a cover for those in Congress whose aim is to shift resources from the people's interest to the special interests.

Indeed, a recent article in The Washington Post described how one member of the House Public Works and Transportation Committee circulated a bill asking -- well, it was to fill in the blanks -- and the form was asking other members to sign up for their favorite pork-barrel project. And according to The Post, few could resist grabbing -- quote -- "a piece of the action."

Now, I've spoken before about this Congressional urge to grab a piece of the action, but this is so important for you and all the American people to understand that I'd like to give you examples. To begin with, there's the Highway Bill with its massive demonstration projects that give more of the funds to a few, hand-picked areas. This approach deprives you of the necessary resources to return federal dollars to places where they're really needed. I vetoed that bill earlier this year. By one vote, Congress managed to override my veto. Why? Well, in part so that Congress could allow a certain major city to add an extension to its mass transit system. The system will be so expensive and for so few people, that it would be cheaper to buy each rider a new car every five years for the next half a century.

Also part of the Highway Bill, Congress chose to spend \$870 million for the continued construction of a subway system in a major city on the West Coast. The city is in sound economic condition, could have financed the construction independently, but perhaps the really remarkable part of it all is that the route of the subway is still undetermined. Eight hundred and seventy million in a hole in the ground, and where it comes out, nobody knows. (Laughter.)

I could go on and on. There's the federal program that will spend millions to build luxury hotels, restaurants and condominiums -- that's right, fancy condominiums. I barely had time to figure out what yuppies were before Congress started to subsidized them. (Laughter and Applause.) There are the farm programs that provide little or nothing for the many family farms, but that give one wealthy farmer more than \$13 million and that gave hundreds of thousands of dollars to a Texas landowner who is neither American nor in need of public assistance. He's the Crown Prince of Liechtenstein.

But there's one program Congress recently voted on that pretty much says it all. This year, the Congress of the United States, in its deep and unfathomable wisdom, voted eight million of your tax dollars to establish -- get ready -- a center for the study of weeds. I don't know whether I want to know any more about weeds. (Laughter.)

But, you know, there are some days sitting in that Oval Office, with these bills coming across my desk, when I don't know whether to laugh or cry.

Now, I have been accused in recent days of campaigning for our Economic Bill of Rights in order to distract attention from other events in Washington. Well, it so happens that I've been

MORE

campaigning for economic rights for more than three decades and I intend to go on doing so for many years to come. But more important, the truth is just the other way around. There are those who would like to distract attention from the real business of government -- putting an end to unrestrained spending. And I'm convinced that the great majority of Americans believe simply this: Stop the spending and no more taxes. (Applause.)

And while I am getting a few things off my chest, something else has been bothering me lately. Critics have claimed that in opposing our administration on the issues, they're at some kind of an unfair disadvantage, that this Presidency is somehow based more on personality than on policy. The truth is, no President can remain popular unless he retains the fundamental support of the American people on the issues. So I invite my critics -- I welcome my critics -- to go after me on the issues just as hard as they please. We'll let the people decide who's right and who's wrong. (Applause.)

It all reminds me about Senator Gore of Oklahoma -- a story told back in the early 1900's. Gore was both blind and a firey orator. And one day an opponent of his in the Senate, stung by Gore's criticism, took to his feet and shouted, "If you weren't blind, I'd beat you to within a inch of your life." And Senator Gore simply responded, "Blindfold the so-and-so and point him in my direction." (Applause.)

Tax hikes, budget-busting spending bills, job-destroying protectionism, a new round of soaring inflation -- the momentum in Washington is building. As I've said since the beginning of this campaign, today virtually all that stands between us and a return to the malaise economy of the 1970's is the Presidential veto. And to make this point so clear that Congress can't possibly understand * me, permit me once again to repeat my commitment.

As far as I'm concerned, our tax reform for the American people is, to borrow the title of the current hit movie, "untouchable." And if any tax hike ever comes across my desk, my handling of the veto pen will make the way Elliott Ness went after Al Capone look like child's play. (Applause.)

But important as the Presidential veto power may be, we dare not rely upon it alone. No, we need more to protect the hard-won achievements of these past six years. And it is for this reason -- to protect our prosperity and our jobs, to promote more growth and opportunity -- that I have proposed our Economic Bill of Rights. Listen for a moment to the specific provisions -- and Congress, take notice.

The people are entitled to the fruits of their labor and shall not be burdened by excessive taxation. What does this mean? It means that more than a mere majority of the Congress should be required to raise taxes -- not just 50 percent plus one. Maybe 60 percent, maybe two-thirds. I know, when I was Governor of California, it took two-thirds of the legislature to pass the budget, and it took 60 percent of the voters to pass a bond issue. They've cried out in fright in Washington as if I've suggested something unconstitutional with regard to raising taxes.

The future of succeeding generations shall not be mortgaged to the national debt through deficit spending. The Congress shall be required to balance the budget each and every year.

Special interest legislation shall not be hidden from the people. The President shall have the right to veto individual appropriations. The President shall have the line-item veto. (Applause.) I used it 943 times when I was a Governor, and I miss it in Washington.

* misunderstand

The people are entitled to pursue their own livelihood, free from excessive regulation and tax-subsidized competition. I will appoint a Presidential commission to spearhead efforts to privatize public-owned enterprises.

Educational development, creativity, and initiative will be fostered by diversity in our educational system.

Welfare programs must not harm the structure of family and community. Through the use of incentives, the Congress will seek to lift the least fortunate to independence and full participation in American life and economy.

Free and fair trade will be encouraged. The Congress shall pass no measure that slows growth, shrinks markets, or destroys jobs by erecting high tariffs or other trade barriers.

The government shall take seriously the Fifth and Fourteenth Amendment guarantees to "life, liberty, and property." Whenever government expropriates the use or value of private property, whether outright or through government regulations, owners will be justly compensated.

The burden of government shall not be hidden from view. The Congress shall require that a financial impact statement accompany each bill, specifying the economic growth, employment -- or the effect on economic growth and employment, and competition overseas.

There will be truth in federal spending. At last, Congress will specify how every single new program is to be paid for.

These last two points -- truth in federal spending and the requirement for a financial impact statement -- bear directly upon your work as county officials. For in recent years, Congress hasn't been satisfied with just spending hundreds of billions of federal funds. Congress has wanted to spend still more money -- including the funds of state and local governments.

You all know how it works. The federal government appropriates millions for this or that program, then mandates that you participate in the program -- by spending millions of your own dollars, or by complying with certain national standards to avoid the loss of federal funds. In all this, mandates is just a fancy word for big government in Washington pushing around the levels of government that are closest to the people.

Under our proposals, whenever Congress considered legislation that would impose costs on state and local governments, a statement of those costs would appear in the legislation itself -- not buried in some obscure committee report. Still more significant, Congress would be required to state what they expect the impact to be on state and local governments and where the funds would come from -- not leave it to local officials like you to explain to your constituents why you are forced to raise taxes because of something that happened in Washington. (Applause.) These simple measures would force the federal government to do what it should have been doing all along -- take federalism seriously and treat state and local governments with respect.

Now, all that sounds good to me, but you're the one whose opinions count. So let me ask you, isn't it high time Washington put its own house in order and stopped pushing you around? (Applause.)

Respecting economic rights may prove painful for some, but doing so is of fundamental importance to the future of our nation. For to limit economic freedom is to impair economic growth. Look at the history of our own times.

Socialist countries seem to experience some economic malaise precisely to the extent that they're Socialist. And in the communist world, we see economic stagnation, material backwardness of every kind. Yes, in concentrating on it all but exclusively, the Soviet Union has been able to build its military into a formidable force. But ask yourself this: When was the last time you bought a car and -- or -- there are some other things there -- even a good cheese or a videocassette recorder -- and the label read, "Made in the U.S.S.R.?"

In our own nation, too, we have recent examples that prove how important it is for government to respect economic rights. Consider the federal income tax. No property is more private, no property is more personal, even intimate -- than an individual's income. It directly represents the labor, day-in and day-out, of one's mind and hands; it's used for the necessities of life itself; to provide for one's family, to make possible the adventure of building a better life. Yet during the 1970s, the federal government showed a high-handed disregard for this most fundamental form of property, taxing it at higher and higher levels; permitting inflation to raise effective tax rates again and again.

Well, our administration changed all that. We cut tax rates, indexed tax brackets, then simplified the entire tax system with our historic tax reform. And the result? The connection between effort and reward was re-established, giving virtually every participant in our economy new incentives for achievement.

Today, unemployment stands at the lowest rate in almost eight years. Government revenues at the federal level and for most state and local governments have actually gone up. The stock and bond markets have risen to record highs. And come this Thanksgiving, this tax cut-led expansion -- if it's still going on -- on Thanksgiving Day will go into the books as the longest peacetime expansion ever to take place in this nation. (Applause.) And perhaps most important, we've seen the creation of more than 13 million new jobs.

Yet all that we've achieved -- our hard-won victory over inflation, the millions of new jobs -- all these are in danger. It is our duty to protect them -- to secure for ourselves and our children the economic rights that will enable our nation, now and into the 21st century, to become a still greater land; a land of ever-increasing prosperity and ever-widening opportunity.

In this bicentennial year of our Constitution, I submit to you that we see in the vision of the Founding Fathers and in the Constitution itself, the promise of a government that is good because it respects its citizens' rights -- both political and economic -- and that has chosen once and for all to live within its own means. And now, I ask you to join me -- join me, my friends, in making that promise come true.

I can't conclude without telling another little story here. I've got a new hobby. I am collecting stories that I can find -- are told by the people of the Soviet Union, among themselves, which shows a great sense of humor, but also a certain cynicism about their way of life. And when I mentioned Socialism a few moments ago, I thought to myself I wanted to tell you this story about their system and their economy.

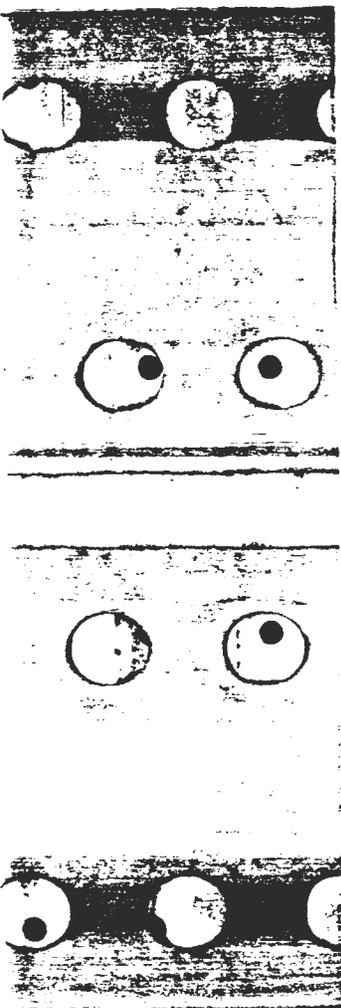
The story has to do with a fellow buying a car over there. You have to wait 10 years, if you're a Soviet citizen, for an automobile. You have to put the money down and then sign all the papers and go through all the departments and then you wait for 10 years to get your car. Well, they tell the story about a fellow who was doing this and finally got to the last place, stamped the paper, signed up, put down his money, and the man in charge said, "Well now, come back in 10 years and get your automobile." And he said, "Morning or afternoon?" (Laughter.) And the man said, "Well, what

difference does it make 10 years from now?" "Well," he said, "the plumber's coming in the morning." (Laughter and applause.)

Well, by the way, those who tell you that we have deficits because we cut the taxes -- income taxes -- you might be interested to know that at the lower rates of our income tax, by 1985 -- our tax program didn't really go into effect until 1983. By 1985, our income tax revenues were \$44 billion bigger than they had been in 1941 at the higher rates. So, with that, join us -- and let's get an Economic Bill of Rights and thank you all and God bless you all. (Applause.)

END

12:13 P.M. EST



THE WHITE HOUSE

WASHINGTON

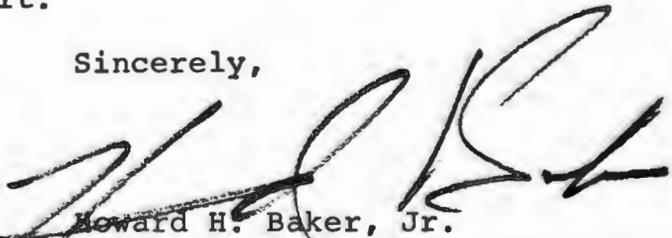
July 14, 1987

Dear Virginia:

Thank you for your note on possible Soviet interest on improving consumer protection in the Soviet Union.

I found it intriguing and made sure Frank Carlucci saw it.

Sincerely,



Howard H. Baker, Jr.
Chief of Staff to the President

The Honorable Virginia H. Knauer
Special Adviser to the President
for Consumer Affairs
Washington, D.C. 20201



Office of Special Adviser to the President
for Consumer Affairs
Washington, D.C. 20201

July 6, 1987

MEMORANDUM FOR THE HONORABLE HOWARD BAKER
Chief of Staff to the President

FROM: VIRGINIA H. KNAUER *Virginia Knauer*
Special Adviser to the President
for Consumer Affairs

SUBJECT: Possible Soviet Interest in Improving
Consumer Protection

The President's use of humor dramatizing the plight of consumers in the Soviet Union in his recent speeches may have hit a sensitive nerve in Moscow.

Last Thursday, July 2, we received a phone request for background materials on consumer protection and affairs in the United States from Mr. Alexander B. Kluyev, Third Secretary, Economic Affairs, of the Soviet Embassy. The request was for any and all information we could provide on consumer services and protection programs. We assembled several brochures and other printed materials that we use for press and related inquiries.

A few hours later, Mr. Kluyev personally arrived to pick up the materials and my Deputy, Robert Steeves, used the brief opportunity to learn that the materials were being forwarded to Moscow in response to a specific request. In that exchange, Mr. Steeves mentioned that much of our information seemed inapplicable since we rely heavily upon competitive market forces not present in the Soviet system. And the response given was that "that may be changing."

I thought both you and the Secretary of State should be aware of the contact and interest on the outside chance that it may have some larger significance in the Glasnost environment.

cc: The Honorable George P. Shultz

ALEXANDER B. KLUYEV

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