

Jimmy Carter, The "Crisis of Confidence" Speech (1979)

President Jimmy Carter gave this speech in the summer of 1979, after his popularity ratings had been dropping for a number of months. His legislative initiatives, especially his plans to develop alternative fuel sources, had stalled in Congress. Americans believed that his administration had lost direction. This speech, which was his response to this crisis of confidence in his ability to lead the nation, further eroded popular support for the president.

Good evening.

This is a special night for me. Exactly three years ago, on July 15, 1976, I accepted the nomination of my party to run for President of the United States. I promised you a President who is not isolated from the people, who feels your pain, and who shared your dreams and who draws his strength and his wisdom from you. . . .

Ten days ago I had planned to speak to you again about a very important subject-energy. For the fifth time I would have described the urgency of the problem and laid out a series of legislative recommendations to the Congress. But as I was preparing to speak, I began to ask myself the same question that I now know has been troubling many of you. Why have we not been able to get together as a nation to resolve our serious energy problem?

It's clear that the true problems of our Nation are much deeper-deeper than gasoline lines or energy shortages, deeper even than inflation or recession. And I realize more than ever that as President I need your help. So, I decided to reach out and listen to the voices of America.

I invited to Camp David people from almost every segment of our society-business and labor, teachers and preachers, Governors, mayors, and private citizens. And then I left Camp David to listen to other Americans, men and women like you. It has been an extraordinary ten days, and I want to share with you what I've heard. . . .

These ten days confirmed my belief in the decency and the strength and the wisdom of the American people, but it also bore out some of my long-standing concerns about our Nation's underlying problems.

I know, of course, being president, that government actions and legislation can be very important. That's why I've worked hard to put my campaign promises into law-and I have to admit, with just mixed success. But after listening to the American people I have been reminded again that all the legislation in the world can't fix what's wrong with America. So, I want to speak to you first tonight about a subject even more serious than energy or inflation. I want to talk to you right now about a fundamental threat to American democracy.

I do not mean our political and civil liberties. They will endure. And I do not refer to the outward strength of America, a nation that is at peace tonight everywhere in the world, with unmatched economic power and military might.

The threat is nearly invisible in ordinary ways. It is a crisis of confidence. It is a crisis that strikes at the very heart and soul and spirit of our national will. We can see this crisis in the growing doubt about the meaning of our own lives and in the loss of a unity of purpose for our Nation.

The erosion of our confidence in the future is threatening to destroy the social and the political fabric of America. . . .

The symptoms of this crisis of the American spirit are all around us. For the first time in the history

of our country a majority of our people believe that the next five years will be worse than the past five years. Two-thirds of our people do not even vote. The productivity of American workers is actually dropping, and the willingness of Americans to save for the future has fallen below that of all other people in the Western world. . . .

Often you see paralysis and stagnation and drift. You don't like it, and neither do I. What can we do?

First of all, we must face the truth, and then we can change our course. We simply must have faith in each other, faith in our course. We simply must have faith in each other, faith in our ability to govern ourselves, and faith in the future of this Nation. Restoring that faith and that confidence to America is now the most important task we face. It is a true challenge of this generation of Americans. . . .

We are at a turning point in our history. There are two paths to choose. One is a path I've warned about tonight, the path that leads to fragmentation and self-interest. Down that road lies a mistaken idea of freedom, the right to grasp for ourselves some advantage over others. That path would be one of constant conflict between narrow interests ending in chaos and immobility. It is a certain route to failure.

All the traditions of our past, all the lessons of our heritage, all the promises of our future point to another path, the path of common purpose and the restoration of American values. That path leads to true freedom for our Nation and ourselves. We can take the first steps down that path as we begin to solve our energy problems. . . .

Document Analysis

1. Rhetorically, this was not a strong speech. Could Carter have made the same points in a more effective manner? If so, how?
2. In 1933, President Franklin Roosevelt warned the American people that they had "nothing to fear but fear itself." In many ways, President Carter's speech also was an appeal to the American people not to become despondent. President Carter's speech, however, was not successful. What reasons other than the weakness of the speech account for this failure? How were the late 1970s different from the early 1930s?
3. What did Carter identify as the "crisis" confronting the nation at that time?

Paul Craig Roberts, *The Supply-Side Revolution* (1984)

*Economist Paul Craig Roberts was instrumental in developing many of the economic policies of the Reagan administration. From 1981 to 1982, he was assistant secretary of the Treasury for economic policy, and he a major role in the Economic Recovery Tax Act of 1981. Journalist, author, and scholar at many of the nation's top think-tanks and universities, Roberts published his book *The Supply-Side Revolution* in 1984. In the selection below, he discusses the debate over Keynesian economic theory and the effects of deficit spending.*

Prior to February 23, 1977, Republican economic policy focused on balancing the budget by raising taxes and cutting spending, an approach that denied the party a credible economic and political program. The Republicans were not always successful themselves at reducing spending, but if the government was going to spend, they at least wanted to pay for it with cash instead of borrowed money. This put them in conflict with Keynesian economics.

Keynesian theory explained the economy's performance in terms of the level of total spending. A budget deficit adds to total spending and helps keep employment high and the economy running at full capacity. Cutting the deficit, as the Republicans wanted to do, would reduce spending and throw people out of work, thereby lowering national income and raising the unemployment rate. The lower income would produce less tax revenue, and the higher unemployment would require larger budget expenditures for unemployment compensation, food stamps, and other support programs. The budget deficit would thus reappear from a shrunken tax base and higher income-support payments. Patient (and impatient) Democrats, economists, columnists, and editorial writers had explained many times to the obdurate Republicans that cutting the deficit would simply reduce spending on goods and services, drive the economy down, and raise the unemployment rate. Keynesians argued that the way to balance the budget was to run a deficit. Deficit spending would lift the economy, and the government's tax revenues would rise, bringing the budget into balance. Since cutting the deficit was believed to be the surest way to throw people out of work, there were not many Republican economists. When Democrat Alice Rivlin was asked why there were no Republican economists on her "nonpartisan" Congressional Budget Committee staff, she was probably telling the truth when she said she could not find any.

The focus on the deficit had left the Republicans without a competitive political program. They were perceived by the recipients of government benefits as the party always threatening to cut back on government programs such as social security, while the taxpaying part of the electorate saw Republicans as the party that was always threatening to raise taxes in order to pay for the benefits that others were receiving. The party that takes away with both hands competes badly with the party that gives away with both hands, and that simple fact explained the decline of the Republican Party, which had come to be known as the tax collector for Democratic spending programs. . . .

Supply-side economics brought a new perspective to fiscal policy. Instead of stressing the effects on spending, supply-siders showed that tax rates directly affect the supply of goods and services. Lower tax rates mean better incentives to work, to save, to take risks, and to invest. As people respond to the higher after-tax rewards, or greater profitability, incomes rise and the tax base grows, thus feeding back some of the lost revenues to the Treasury. The saving rate also grows, providing more financing for government and private borrowing. Since Keynesian analysis left out such effects, once supply-side economics appeared on the scene the Democrats could no longer claim that government spending stimulated the economy more effectively than tax cuts. Tax cuts were now competitive, and the House Republicans began to make the most of it. . . .

Many people also have the mistaken idea that taxes on personal income have no adverse consequences for business other than reducing the demand for products. They believe that higher tax rates on personal income help business by reducing the federal deficit and lowering interest rates. In actual fact, higher personal tax rates reduce private-sector saving and drive up both the

cost of credit and the cost of labor to firms. When the Treasury examined the effects of the Kennedy tax cuts, it was found that the personal saving rate rose. This implies that the saving rate would fall if tax rates rise, and indeed the saving rate declined as bracket creep pushed savers into higher tax brackets.

Higher income tax rates raise labor costs to the firm, thereby undermining the competitiveness of its products at home and abroad. The higher the worker's marginal tax rate, the more expensive it is to the firm to protect wages from being eroded by inflation or to give real wage increases. Since additional income is taxed at the worker's highest bracket, the higher the tax rate, the larger the gross wage necessary to correspond to any net wage.

This does not mean that deficits are good for the economy. But it does mean that the argument that higher taxes are preferable to higher borrowing is at best unproved. The way this unproved argument has been used against the President's efforts to reduce tax rates and improve economic incentives is irresponsible. The key to a successful economy is incentives. Any economic policy that forgets this—even one that reduces deficits—will fail. . . .

We now have many decades of empirical evidence of the effects of disincentives on economic performance, ranging from China and the Soviet Union to the European welfare states. The effects of disincentives clearly thwart the intended results of central planning, government investment programs, and the maintenance of aggregate demand. On the other hand, there is an abundance of evidence of the positive effects of good incentives. Only free people are productive and forward-looking, but they cease to be free when their property rights are sacrificed to interest-group politics. Supply-side economics is the economics of a free society. It will prevail wherever freedom itself prevails.

Document Analysis

1. What issues are at the heart of the debate over Keynesian economic theory?
2. What is a deficit? What is deficit spending?
3. What does the phrase "the key to a successful economy is incentives" mean?

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Ronald Reagan, Speech at the Brandenburg Gate (1987)

In 1987, President Reagan visited Berlin on the occasion of the city's 750th anniversary. The visits of the British queen and the president of France were meant to reaffirm the Allies' commitment to the city's freedom, a token statement rather than a significant policy decision. Reagan, however, used the opportunity to summarize his administration's policies on intermediate nuclear weapons in Europe, on negotiations with the Soviet leadership, and on the changes that were slowly emerging in the Soviet Union under the leadership of Mikhail Gorbachev.

No one expected Reagan to call on Gorbachev to take down the Berlin Wall. At the time, this speech appeared to be one of the president's dramatic moments. Little did the world know that within three years, the wall would be gone, as would the Soviet Union itself. The text presented here is a draft prepared for the president by the staff of the National Security Council. Although it was extensively reworked, the core statements and content remained unchanged.

President von Weizsäcker, Chancellor Kohl, Governing Mayor Diepgen, ladies and gentlemen: Twenty-four years ago, President John F. Kennedy visited Berlin, speaking to the people of this city and the world at the City Hall . . .

We come to Berlin, we American Presidents, because it is our duty to speak, in this place, of freedom. But I must confess, we are drawn here by other things as well: By the feeling history in this city, more than 500 years older than our own Nation. By the sense of energy in your streets. By the beauty of the Grunewald and the Tiergarten. Most of all by your courage and friendship . . .

Our gathering today is being broadcast throughout Western Europe and North America. I understand that it is being seen and heard as well in the East - that Berlin television can be seen as far to the southeast as Leipzig, as far to the northeast as Gdansk, that Berlin radio can be picked up as far due east as Moscow.

To those listening throughout Eastern Europe, I extend my warmest greetings and the goodwill of the American people. I address my remarks to you just as surely as to those standing here before me. For I join you as I join your fellow countrymen in the West in this firm insistence: *Es gibt nur ein Berlin* [there is only one Berlin].

Behind me stands a wall that divides this city. To the west, there is another wall that divides the entire continent of Europe. From the Baltic south it cuts across Germany in one continuous gash of concrete, barbed wire, guard towers, dog runs, and gun emplacements . . .

President von Weizsäcker has said: The German question is open as long as the Brandenburg Gate is closed, as long as this scar of a wall is permitted to stand, it is not the German question alone that remains open, but the question of freedom for all mankind.

Yet I do not come here to lament. For I find in Berlin a message of hope - even, in the shadow of this wall, a message of triumph.

In this season of spring in 1945, the people of Berlin emerged from their air-raid shelters to find devastation. Thousands of miles away, the people of the United States reached out to help. In announcing the Marshall Plan, Secretary of State George Marshall stated precisely 40 years ago this week: "Our policy is directed not against any country or doctrine, but against hunger, poverty, desperation, and chaos." . . .

From devastation - from utter ruin - you Berliners have in freedom rebuilt a city that once again ranks as one of the greatest on Earth. The Soviet may have had other plans . . .

In the 1960's, Khrushchev predicted, "We will bury you." But in the West today, we see a free world that has achieved a level of prosperity and well-being unprecedented in all human history. In the Communist world, we see failure. Technological backwardness. Declining standards of health. Even want of the most basic kind - too little food. The Soviet Union still cannot feed itself. East Germany has made strides, but at harvest time the news announcers still speak, to use the well-known phrase, of "the battle to bring in the crops."

After these four decades, then, there stands before the entire world one great and inescapable conclusion: Freedom replaces the ancient hatreds among the nations with comity, peace, and well-being.

Now the Soviets themselves may at last, in their own way, be coming to understand the importance of freedom. We hear much from Moscow about a new policy of reform and openness. Some political prisoners have been released. Some foreign news broadcasts are no longer being jammed. Some economic enterprises have been permitted to operate with greater autonomy.

Are these the beginning of profound changes in the Soviet state? Or are they token gestures, intended to strengthen the Soviet system without changing it? We welcome real change and real openness. For we believe freedom and security go together - that the advance of human liberty can only strengthen the cause of world peace. There is one sign the Soviets can make that would be unmistakable, that would advance dramatically the cause of freedom and peace.

General Secretary Gorbachev, if you seek peace - if you seek prosperity for the Soviet Union and Eastern Europe - if you seek liberalization: Come here, to this gate. *Herr Gorbachev, machen Sie dieses Tor auf!* [Mr. Gorbachev, open this gate!] Mr. Gorbachev, tear down this wall.

I understand the fear of war and pain of division that afflict this continent. And I pledge to you my country's efforts to help overcome this burden or we in the West must resist Soviet expansion. So we must maintain defenses of unassailable strength. Yet I seek peace and we must strive to reduce arms on both sides.

Beginning ten years ago, the Soviets challenged the Western Alliance with a grave new threat: hundreds of new and deadly nuclear missiles - the triple-warhead SS 20 - capable of striking every capital in Europe. The Western Alliance responded by committing itself to a counter-deployment unless the Soviets agree to negotiate a better solution - namely the elimination of such weapons on both sides. For many months, the Soviet refused to bargain in earnestness. As the Alliance in turn prepared to go forward with its counter-deployment, there were difficult days - days of protests like those during my 1982 visit to this city - and the Soviets actually walked away from the table.

But through it all, the Alliance held firm. And I invite those who protested then - I invite those who protest today - to mark this fact: Because we remained firm, the Soviets came back to the table. Because we remained strong, today we have within reach the possibility, not merely of limiting the growth of arms, but of eliminating for the first time, an entire class of nuclear weapons from the face of the Earth.

As I speak, NATO ministers are meeting in Iceland to review the progress of our proposals for the complete elimination of intermediate-range nuclear forces. At the talks in Geneva, we have also proposed deep cuts in strategic forces. And the Western Allies have made far-reaching proposals to reduce the danger of conventional war, and to place a total ban on chemical weapons.

While we pursue these arms reductions, I pledge to you that we will maintain the capacity to deter Soviet aggression at any level at which it might occur. And in cooperation with many of our Allies, the United States is pursuing a Strategic Defense Initiative - research that seeks to base deterrence not on the threat of offensive retaliation, but on defenses that truly defend; on systems, in short, that will protect human lives instead of targeting them.

By these means we seek to make Europe - and the world - safer. But we must remember a crucial

fact: East and West do not mistrust each other because we are armed; we are armed because we mistrust each other. And our basic differences are not about weapons but about freedom.

Despite all the pressures upon this city, Berlin stands as a shining example of that freedom. And today, freedom itself is transforming the globe . . .

Document Analysis

1. What attitude towards the Soviet leadership did Reagan believe would lead to success? Why?
2. In Reagan's opinion, what would Gorbachev's destruction of the Berlin Wall signify?
3. Is it possible to seek peace while increasing armaments?

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