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RONALD REAGAN

XL President of the United States: 1981-1989

**Interview with Jeremiah O'Leary of the Washington Times on
Federal Tax and Budget Reconciliation Legislation**

August 13, 1982

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Mr. O'Leary. I only have 20 minutes or thereabouts, so I've tried to write some concise questions. So, let me put it to you this way. The conservative revolt that Jack Kemp is leading appears to be a challenge to your leadership of the party. And I wonder if you think this is a decisive battle with the far right—between the main body of the party?

The President. I don't know whether it's a decisive battle. But, very frankly, I am surprised, because I think the issue is so clear cut that when the facts are explained, how they can continue resistance to this when we have protected entirely the tax cuts passed last year and when, in fact, this is less a tax increase than it is a tax reform. Only about 17 percent of this represents new taxes on the people, and 31 percent represents collecting money that we're duty bound to collect, because it's owed and presently not being paid.

Mr. O'Leary. Nevertheless, there is a distinct rift in the party—

The President. Yes.

Mr. O'Leary. —together, and I'm wondering how you plan to restore this GOP unity and your own leadership amongst the so-called dissidents.

The President. They're so far on the wrong side right now that I think maybe it's up to them to restore it with me—

Mr. O'Leary. Is Jack Kemp now out of your coalition.-

The President. Oh, no.

Mr. O'Leary. Your backers?

The President. I don't bear grudges or anything, no. He's been here to the leadership meetings, and he's heard my side. I realize how strongly he—well, is almost, you might say, a purist to the extent that he just can't see the difference between reform and increase. And if it were a case of this present tax reform—which, incidentally, was not of our choosing. This was made necessary in order to get the spending cuts we're still trying to get. If it had resulted in altering the incentive tax cuts that we put in place, I could understand. I am just hard put to understand how he can continue to believe that this in some way represents a turn in my direction or philosophy, because it doesn't.

Mr. O'Leary. Does what he's doing—do you hold the theory of the allegation of what he's doing is his effort to buttress his own ambitions for the Presidency in 1984?

The President. No, I'm not going to make any suppositions of that at all.

Mr. O'Leary. You don't believe that?

The President. I'll just accept it as a legitimate disagreement.

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Mr. O'Leary. Where are the Boll Weevils on this particular issue? They helped you very much last year.

The President. Now, this is awful—I have been meeting with individuals and with groups from the Congress steadily for the last several days, and I have to tell you that this seems to me a more mixed situation, that there is division within these various groups, and I couldn't pin down exactly, rather than that one group that you just mentioned, Jack and that coterie that is a united group. I think there's a division in all the ranks—Gypsy Moths, Boll Weevils, Republicans, Democrats—on support of this. And what I've been doing in the meetings is simply trying to correct the misperception they have of it, and, in many cases, that's been successful, that they have come in with a misunderstanding of what we're trying to do.

Mr. O'Leary. Well, I've never seen you work so hard as you have in the past 2 weeks. Do you think you have attained the 100 votes or near it that the Democrats say—have to get before they'll support it?

The President. I don't know. All I can say is that everything indicates we're making progress.

Mr. O'Leary. You don't want to predict victory yet?

The President. No.

Mr. O'Leary. Down to the wire?

The President. Yes, you know, I'm cautiously optimistic all the time.

Mr. O'Leary. Are you going to keep this pace up all the way through Tuesday?

The President. It's going to depend on whether it's necessary or not.

Mr. O'Leary. You haven't decided whether to go to the Nation on television yet?

The President. Well, we were talking about this early in the week, because, again, much of the press coverage, I think, has contributed to a misconception about this. And I, in these couple of trips that I've made out in the last few weeks into the country, I discovered that this constant drumbeat of biggest tax increase in history when it's nothing of the kind has—well, the people are uninformed. And when I have had an opportunity, as I did in Billings, Montana, the other day, to explain what it is we're doing, I found then the people were in support.

Mr. O'Leary. Well, why do you think the Conservative Republicans are resisting this bill so much? Is it because it taxes people who haven't been paying and should have been, or because it reduces tax benefits on things like construction or things like cigarettes, dividend interest, or is this just an election-year reaction?

The President. I think it is, pretty much, an election-year reaction, and the idea that they may be portrayed as, now, supporting tax increases when we have been the party going the other way. Of course, I must say that some of those conservative voices—I have to be frank and say they cannot be described as people who were followers and have abandoned me. Some of them never were for me.

Mr. O'Leary. Like the Conservative Digest? [Laughter]

The President. Yes. [Laughter]

Mr. O'Leary. I have read your letter, the last part of the letter. ¹

¹ Mr. O'Leary was referring to the letter the President wrote in response to a letter from John D. Lofton, Jr., editor of the Conservative Digest.

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Do you feel that you have met your mandate to reduce spending and taxes, in view of the figures that the Wall Street Journal had? I do not want to get this too complicated. They said spending this year is 24.1 percent of the GNP, compared to 21.9 in the '75 recession, and 22.5 in the last Carter year, the GNP, now, being 24.1—higher than either of the previous recessions.

The President. Well, of course, you have got to recognize that in the depth of this recession, there had been a bigger dip in the—percentage-wise, also—in the gross national product. What I am counting on—we are going to get that percentage down. We think that the percentage has been too high for a number of years of gross national product. But we are talking about a normal gross national product also.

We have had a long period in which the GNP has been going down, and only just recently, in this last quarter, did it show any increase at all. The percentage that we are aiming at is to reduce the percentage of increase in government spending each year. And, when we took office, it was running at 17 percent a year, increasing.

Now, remember, on the other hand, we have an obligation that I accepted during the campaign of one area where there would be increased spending. And that was to rectify the damage that has been done to our national security and national defense. And, many times in the campaign, I was asked by people in question-and-answer sessions, and sometimes by the press, if I found that I came down to choice of balancing the budget or doing what needed to be done for national defense, which side would I come down on? And I said every time, "On the side of national defense." And, incidentally, to audiences, when that was asked, that answer always received applause, which indicated to me that the American people have been well aware that our defenses had been allowed to deteriorate.

Mr. O'Leary. Were you aware that Ed Meese ² said yesterday in a speech here that the conservatives' way has not worked, and that now, quote, "We have to try something else." Does that mean that the administration or yourself was reconsidering supply-side economics?

² Counsellor to the President.

The President. No. And I think maybe he was talking about those same dissidents that you've been talking about there, and I'd like to see the whole framework or the manner in which it was asked or something. The—no, I still believe in the combination: first of all, continued reduction in spending; at the same time, that—for the economy's sake and to get it rolling again—that we must also, as we can, reduce the percentage that government is taking in taxes from the people.

Now, to that extent this is probably what Jack Kemp is relying on, that wherever it may come from, that this \$99 billion now is coming from the private sector and going to government.

Mr. O'Leary. You're certainly perceived as further to the center than Kemp is right now, or he's further to the right than you are, but—

The President. But, again, as I say, the answer to that I can give him is: You couldn't add the other, which is all-important. It was made plain to us this year. We did not come in with the proposal to raise revenues. We came in with the proposal for more cutting of spending. And found out this time—and crossing the aisle, Democrat and Republican—we could not put together a coalition for the continued spending cuts unless we would agree to some added revenues.

Now, when, over a 3-year period, those revenues turned out to be—revenue increases—\$99 billion, \$31 billion of which is money owed the Government not being collected—and in that same 3-year period our tax cuts are going to bring in \$406 [402] ³ billion to the people—then I figured that the price was not too high in return for getting \$280 billion in reduced outlays, \$3 for every \$1 of revenue.

³ White House correction.

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Mr. O'Leary. What is your opinion of the reported threat—I don't know if it's a real threat or a reported threat—that Republican National Committee campaign funds might be withheld from House candidates in November if they don't vote for this bill?

The President. Weft, I don't see that. I don't know that that's anything more than rumor. My own feeling is we—I'm going to do my best to campaign for Republicans and get Republicans in office here

Mr. O'Leary. No matter how they vote on the tax bill?

The President. That's right. You—and you go for the entire record.

Mr. O'Leary. But there are large tax increases in the bill, although it's not entirely a tax bill—although not on personal income. And I know you'd rather have what this-cut pass. What was Larry's 4 word—was we "choked" on it, I think.

The President. That was his word. I swallowed—

4 Larry M. Speakes, Deputy Press Secretary to the President.

Mr. O'Leary. Swallow hard. That's—

The President. Yes.

Mr. O'Leary. But what is the rationale for cutting \$17.5 billion from the Federal health and welfare programs?

The President. Because, here again, people automatically transfer that into a reduction of care for those who really need it. What we see these as, these cuts, are based on our estimates of how we can continue to give the necessary care but eliminate the fat that has grown in the program.

When we reformed welfare in California, we found out that in the Medicaid program, for example, the Medicaid patients were averaging several times as long in a hospital for an operation as private patients were for the same operation. Now, we don't think that means that they were that much worse off. I think some of it was that it was easier for a doctor to just leave them there and see them on his morning rounds than to have an office call or a house call or something. It wasn't—they had no reason to get out. The average patient, you or I in a hospital, we know the price of the room, and the first thing we start asking is, "How soon can I go home?" Well, where they have no concern, they were willing to convalesce.

It's that type of thing that we think will result from the tightening in the amount of money.

Mr. O'Leary. Are you convinced that this reduction of 17.5 will not do harm or damage to any of the people who have need of these services?

The President. No, I don't think it will.

Mr. O'Leary. Will you veto—I know you don't like to forecast vetoes, but strong signals, let's say—the urgent supplemental bill that's coming down, even though it contains the CBI [Caribbean Basin Initiative] as sort of a hostage?

The President. Let me say, you.-

Mr. O'Leary. This doesn't come out until Monday.

The President. —you almost answered the question yourself. In principle, I have told the Congress I am going to veto budget-busting bills, if

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I have to do that in order to make them match this tax increase with the cuts in spending that are supposed to be attached to it. But I do refrain from announcing a veto of any specific bill until it arrives on my desk and I see it.

Mr. O'Leary. We all know what it's like now. Do you think you can get the CBI out of another CBI separate bill out of the Senate later? The President. I don't know. I'll tell you this: I wish that the President of the United States had the power that most Governors have in their own States, which is the right of line-item veto. It would sure make the job simpler.

Mr. O'Leary. I'll see if I can't arrange that.

I was going to talk only about taxes, but I hope you let me—allow me as I terminate here one question about the Middle East. Sometime ago you said out on the lawn that you were out of patience a long time ago, presumably with Israel's constant assaults on Beirut. And yesterday you spoke in terms that can only be called stern or harsh to Mr. Begin. But what can you do to curb Israeli military action if the current effort by Habib fails—that's a hypothetical question—but if they begin bombarding again today: recall Habib, cut off military assistance?

5 Ambassador Philip C. Habib, the President's emissary in consultations in the Middle East.

The President. Well, there are—there are any number of options. I haven't set any down as priorities as to which way we'd go, but I'm hopeful that I don't have to because my conversation was very satisfactory. And the cease-fire is in effect, yesterday, one of the reasons why I felt this was time to really—we've been in communication, and the only reason why they haven't seen any action about it before is because the negotiations have been so sensitive, that any public statement might do something harmful to them. But now the negotiations had reached the point of the actual logistics; all parties were agreed, in principle, logistics of the move out. And suddenly that bombardment made it impossible for them to continue those negotiations. So, I must say in my first call to Begin, he told me that he had already ordered a cessation of aerial bombing and—

Mr. O'Leary. Did he tell you he was going to curb [Israeli Defense Minister] Sharon's powers, too?

The President. No, that never came up.

Mr. O'Leary. That might help. [Laughter] Who will be the first troops to show up—the Americans, the French, or the Italians?

The President. The what?

Mr. O'Leary. The Americans, the French, or the Italians?

The President. It was my understanding that the—there were some liaison officers—that both French and America went in. And there's been no final decision yet, because there's been no formal invitation.

Mr. O'Leary. The Israelis oppose that, don't they?

The President. Well, then that's still part of what Habib's talking about.

Mr. O'Leary. Because it doesn't matter to you whether the Americans are first, second, or third?

The President. No.

Mr. O'Leary. I hope I haven't overstayed my time.

Thank you, Mr. President.

The President. All right. It was good to see you again.



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Note: The interview began at 1:36 p.m. in the Oval Office at the White House. The transcript of the interview was released by the Office of the Press Secretary on August 15.

As printed above, this item follows the text of the press release.

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