

George H. W. Bush at the National Press Club, March 20, 1981



George H. W. Bush, October 9, 1981. Photo by John Metelsky. National Press Club Archives

Two months after Ronald Reagan assumed the presidency, his vice president, George H. W. Bush (b. 1924), spoke at the National Press Club to a luncheon gathering of the National Newspaper Publishers Association, also known as the Black Press of America. Bush focused on the president's economic recovery program detailed in Reagan's State of the Union message of February 18 and the budget the president had recently submitted to Congress on March 10. Bush expressed concern that the administration's opponents had characterized the program unfairly as discriminatory against the poor and disadvantaged. He affirmed that the plan was designed to meet the needs of all Americans and urged members of the black press to "give us a chance to show you we are properly motivated, that we care deeply, and that we can, with your support, succeed."

The Reagan proposal put into play a recently conceived theory known as supply-side economics. Supply-siders, at odds with more traditional members of the administration, contended that individuals and businesses would respond to drastically lowered taxes by saving, investing, and taking the risks necessary to stimulate growth, increase productivity, reduce inflation, and create jobs. With a revived economy, the government would benefit from increased revenues. Traditional Republicans, however, wanted to prioritize spending cuts. The

administration's resulting policy, an amalgam of the two approaches, was dubbed "Reaganomics." It embodied Reagan's belief that "the most important cause of our economic problems has been the government itself." The initial plan called for annual 10 percent cuts in personal income tax rates for three years; increases in depreciation write-offs for businesses; reductions in the rate of growth of federal spending; the dismantling of inefficient government regulations; and cooperation with the Federal Reserve Board to aid in slowing the growth of the money supply. William A. Niskanen, a member of the president's Council of Economic Advisers, wrote that Reaganomics "represents the most serious attempt to change the course of U.S. economic policy since the New Deal."

The budget Reagan submitted to Congress included a large increase in defense spending along with substantial cuts in appropriations for nearly 300 programs, many of which had been instituted as part of President Lyndon Johnson's "Great Society" agenda. Two days before the Press Club talk, the Congressional Black Caucus announced an alternative budget proposal with no tax reductions that would restore allocations cut from the Reagan budget for food stamps, college loans, loan guarantees for housing, and economic development programs. Caucus chairman Walter Fauntroy, the non-voting delegate from Washington, D.C., called the administration's budget "cold and callous." Fauntroy criticized the Reagan plan to grant depreciation allowances to all businesses and argued instead that tax incentives should target only specific sectors in order to make the U.S. more competitive in world trade.

Supply-side legislation had been introduced into Congress in 1977 by Representative Jack Kemp and Senator William Roth to try to solve the persistent economic condition of "stagflation"—stagnant growth with high inflation and high unemployment—that had plagued the nation since the OPEC oil embargo of 1973. After Reagan adopted the Kemp-Roth plan in his 1980 campaign for president and asserted that government revenues would increase as a result of decreased taxes, Bush, one of his opponents in the primaries, characterized the supply-side approach as "voodoo economics." Known for taking moderate stances on most issues in comparison with Reagan, Bush's economic views seemed to many to be more in line with the traditional Republican viewpoint. "Movement" conservatives remained skeptical that Bush as vice president believed in the Reagan plan.

Bush boasted a distinguished public career as congressman, U.N. ambassador, U.S. representative to China, CIA director, and Republican National Committee chairman. Early in the campaign, he scored a surprising victory in the Iowa caucus, but subsequently lost momentum—the "Big Mo," as he termed it—after Reagan defeated him by a large margin in the New Hampshire primary. The contest in that state was marked by bad feelings between the two candidates following a controversial debate in a high school gymnasium in the town of Nashua. Reagan, whose campaign funded the event, invited four other candidates—Senators Howard Baker and Robert Dole, and Representatives

John Anderson and Philip M. Crane—even though Bush had agreed to debate only Reagan. Bush refused to meet with Reagan and the other candidates prior to the start of the debate. With the others onstage, Reagan began to argue for their inclusion when the moderator ordered his microphone turned off. Reagan's indignant response, "I'm paying for this microphone, Mr. Green," sent the crowd into applause and cheers as Bush sat immobilized on the other side of the podium. Televised replays of the incident and publicized denunciations of Bush's "arrogance" by the other candidates sealed his defeat. Reagan, in considering Bush as a running mate, recalled Nashua and questioned "how could he stand up to the pressure of being president?"

After securing the Republican nomination, Reagan offered ex-President Gerald Ford the vice-presidential slot on what many speculated would be a "dream ticket." During the convention, Ford told Walter Cronkite in a televised interview that as vice president he would want "a meaningful role across the board in the basic and the crucial and the important decisions that have to be made in a four-year period." He did not correct Cronkite when he suggested that Ford had demanded a "co-presidency." The interview shocked Reagan, and after Ford's negotiators stipulated that he wanted to be the White House chief operating officer with veto power over key appointments, Reagan's negotiators refused, Ford backed out, and Reagan offered the role to Bush, who eagerly accepted with no conditions attached.

As Reagan's running mate and vice president, Bush never publicly criticized the president's economic plan as he had during the campaign. He stated during an interview in June 1981 that he had developed "a good confidential relationship with the president . . . in an environment where I feel perfectly free to discuss controversial things with him and give him my honest opinion and best judgment." Bush rarely offered his own substantive positions during cabinet or National Security Council meetings. He explained that "you don't want to be putting the President on the spot or make him choose between the Vice President and two Cabinet officers." Early in the term, Reagan appointed Bush to head his new cabinet-level Task Force on Regulatory Relief and to chair the administration's "crisis management" team to coordinate Federal responses to foreign and domestic emergency situations. After Reagan was shot by a would-be assassin on March 30, 1981, Bush's restrained behavior convinced many in the administration of his loyalty.

Congress passed much of Reagan's requested program in August 1981. Upon signing twin bills—one to implement "the largest tax cut in the century," according to the *Wall Street Journal*, the other to authorize "the sharpest cutbacks in domestic spending in five decades"—Reagan proclaimed, "They mark an end to the excessive growth in government bureaucracy and government spending and government taxing." Analysts have noted that Reagan's economic policies failed to accomplish their stated objectives and created new problems. While the years 1982-1990 marked the third longest

period of economic expansion in U.S. history, budget and trade deficits skyrocketed as the national debt tripled and, critics point out, the U.S. became a debtor nation for the first time in 70 years. The gross national product increased at a rate lower than the average of the 1970s, while productivity rose only at an average annual rate of just over 1 percent. Unemployment improved from a high of 12.4 percent in 1980, but remained at an overall level of 7.5 percent. Inflation was tamed, yet many analysts credit the stringent monetary policy begun in 1979 by Federal Reserve Board chairman Paul Volcker for that accomplishment. William Niskanen judged that “the conjecture that a general reduction in tax rates would increase total tax revenues was clearly refuted.” Economics reporter Hobart Rowen concluded, “Supply-side economics proved to be a bonanza for the rich. But for the nation, the outcome was a series of huge annual budget deficits.”

Running for president in 1988, Vice President Bush pledged in his acceptance speech at the Republican convention, “The Congress will push me to raise taxes, and I’ll say no. And they’ll push, and I’ll say no. And they’ll push again, and I’ll say to them, ‘Read my lips: no new taxes.’” Yet in 1991 as president, Bush signed a bill authorizing the largest tax increase in U.S. history to avoid the shutdown of many government services in order to conform to stipulations in the Gramm-Rudman-Hollings Act passed in 1985 to force the government to work towards a balanced budget. Legislation derived from supply-side theory had failed to supply enough revenue to pay for increased defense spending and entitlement programs left untouched in the Reagan years. Bush’s defeat for re-election in 1992 has been attributed in part to his broken promise of “no new taxes.”

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