

Address to Western Europe From the Venice Economic Summit

June 5, 1987

Good afternoon. I am speaking to you today from Venice, Italy, over the satellite channels of WORLDNET. I have come here to meet with the leaders of Japan, France, Canada, Italy, the United Kingdom, and the Federal Republic of Germany for the 13th economic summit. Our task: to determine what we must do as a community to prepare for the challenge of a new century. Our sights are on the future, and that is why, in these next few minutes, I would like to address my remarks especially to the young people of Europe. As someone whose life has spanned most of this century, permit me to offer some observations about the next, about a future of expanding hope and possibility where dreams can come alive if only we have the courage to pursue them.

Not so long ago, in the last decade, it was fashionable to talk about the age of limits. The world, we were told, was running out of resources, winding down, growing poorer. It was a time of diminishing expectations, when people would simply have to learn to make do with less. The West in those years experienced what can only be described as a crisis of confidence in our fundamental values. We increasingly heard talk about the so-called convergence of the free world and the Communist bloc. Some said our freedoms were a luxury we could no longer afford. Faced with the rigid necessities of a shrinking world, the free nations would have to sacrifice more and more of their economic and political freedoms and accept increasing government control.

I want to talk to you today about how and why the opposite happened, how the "age of limits" was swept away by a resurgence of political and economic freedom, how our economies are entering a new era in which they are transcending the limits of physical resources. Now, or how, I should say, instead of "convergence," the contrast between the free and the unfree has become ever sharper, while the totalitarian states have come to talk of "openness" and liberalization, recognizing that, if only as a matter of survival, they must allow some freedom into their societies. And I want to talk to you today about how this divergence between democratic and totalitarian nations can only increase if the totalitarians don't reform, how the only course for the world as we approach the 21st century is to choose freedom and free societies that liberate mankind's full human potential.

The world and its economy are in the midst of a profound transformation. Sometimes that change is so rapid it's hard to keep track, but let me offer just a few examples from the technological revolution, examples that will serve as a kind of measuring rod of how far we've come and a kind of pointer showing us where we are heading. Recently, the headlines have been full of a term called "superconductivity," as papers struggle to keep up with the seemingly daily breakthroughs in the lab. Only half a year ago, superconductivity was considered a scientific backwater, a phenomenon with little

practical purpose; now scientists are saying it may change our lives. "It shows all the dreams we have had can come true," said one theorist. "The sky is the limit."

Scientists talk of high-speed trains that will float above their tracks. Automobile companies are already planning for electric cars. Some think that solar energy may become competitive. Anything that uses electricity -- motors, generators, wires, magnets -- could suddenly become astonishingly more efficient. That means diminishing dependence on foreign oil, less pollution, and a cleaner environment. It will be like a shot of adrenaline in the world economy, spurring growth and job creation and improving the quality of life for all. Superconductivity will accelerate another revolution: the daily revolution that is taking place in the computer industry. One recent advance is the speciality semiconductor chip. On specific tasks, a handful of these chips, costing about \$2 apiece, may outperform yesterday's multimillion dollar supercomputers. One scientist makes this comparison: If automotive technology had progressed as fast as semiconductor technology has in the past 20 years, he says a Rolls Royce would now cost less than \$3, get 3 million miles to the gallon, deliver enough power to drive an ocean liner; and six of them would fit on the head of a pin.

Now, this is more than simply a productivity explosion. Operating in the mysterious world of quantum physics, today's computers signal a quantum leap in the world's economy. We are moving from the economy of the Industrial Revolution, an economy feeding on and tied to the Earth's physical and natural resources, to, as one economist titled his book, "The Economy in Mind," where human imagination, creativity, and courage are the most precious commodities. Think of that little computer chip. Those chips are the driving force of the modern economy, but they are made from the silicon in sand, one of the most common substances on Earth. Their value doesn't come from the material that makes them up but from the microscopic architecture designed into them by ingenious human minds. Or take this WORLDNET telecast, which is transmitted by a satellite hookup. That satellite, the product of human invention, replaces thousands of tons of copper dug from the earth and molded into wire. We're moving from an age of things to an age of thoughts, of mind over matter. It is the mind of man, free to invent, free to experiment, free to dream, that will shape the economy and the world of the future.

Now, this is bad news for statism. The centrally planned state can dig metals out of the ground or pump oil. Though less productively than a free economy, it can run huge factories and assembly lines. But it cannot fabricate the spirit of enterprise. It cannot imitate the trial and error of free markets, the riot of experiment that produces knowledge and progress. No government can manufacture the entrepreneur, or light that spark of invention; all they can do is let their people go, give them freedom of mind and spirit.

Some believe that government planning is more efficient, so they rely on tax breaks and other subsidies to those businesses that already exist. But that never works. In America it's estimated that some 70 percent of the nearly 14 million new jobs that we've created have come from new, small, and growing firms. One of the most successful computer firms in America was started by two college students in the garage behind their house.

The most fertile and rapidly growing sector of any economy is that part that exists right now only as a dream in someone's head or an inspiration in his heart. No one can ever predict where the change will come from or foresee the industries of the future. No government would have ever targeted those two young men working through the night making dreams come true in their garage.

So, as we hold the economic summit in Venice this year, we see around us a world economy that is in rapid transformation, and it is a transformation that demands freedom. What can governments do? What our summit partners have begun to do: starting with policies that promote opportunity and economic growth -- low tax rates, privatization, and deregulation. They must also move to dismantle trade-distorting subsidies and labor laws that promote unemployment.

Also high on our agenda in Venice will be ways in which we can improve cooperation between our nations. Agricultural subsidies, for instance, have been some of the worst culprits behind our growing trade frictions. Let's jointly diffuse this expensive farms race by setting a goal of a subsidy-free world for the year 2000. Meanwhile, we must make good our commitment to reduce instability in exchange rates and promote economic growth. The economy is slowing in Germany, and that slows growth across Western Europe. It is essential that Germany follow up on its commitment to revive its sluggish economy. Japan, too, could help right the imbalance in the world economy by righting the imbalance in its own economy. It's time for Japan to let free the pent-up consumer demand in their nation, allow the Japanese people to enjoy more of the benefits of the remarkable economy they have worked so hard to build. I know Prime Minister Nakasone recognizes this and has recently submitted a program for action to the Japanese Diet. The Japanese promise to extend more than \$20 billion in financial support to the developing world to ease their enormous debt burden is also a positive step.

Regarding the U.S. budget deficit, we've made real progress, but we must do more. In the months ahead, I will be going directly to the American people, just like on tax reform. I'm going to say we've got the special interests out of our tax code, it's time to get them out of the budget. It's time to demand real budget reform.

Last but not least, all nations must resist calls for protectionism. So-called protectionism is like the evil of drugs: It will end up destroying all those who use it. And that's why I call it destructionism, because all it does is slow growth, wipe out jobs, and close the door on progress.

But as we approach the beginning of a new century, the problems that confront us are far outweighed by the possibilities. We look around the world, and we see freedom is rising. As free markets energize Asia, free elections spread across Central and South America. In Africa many leaders have agreed that freedom is the key to development. In China reform means the first taste of freedom for over 1 billion people.

Still, we cannot forget that there is an implacable reality that today stands against this freedom tide. Next week I'll be addressing the people of West Berlin. I will stand in front

of the wall that runs like an open wound through the heart of Europe, the wall that represents all that is most hostile to our democratic values of freedom and human rights. A regime that so fears its own people it must imprison them behind a wall is a regime that will always be a source of tension in Europe. It will always be at odds with free people everywhere.

As it happens, this day, June 5th, marks the 40th anniversary of the inauguration of the Marshall plan. Those were days of great generosity and courage, when the countries of Europe rose from the ashes of war, put away their centuries-old animosities, and together with America built a new age of freedom and prosperity. In the spirit of the time, America offered the benefits of the Marshall plan to all the nations of Europe, East and West, including the Soviet Union. The ground rules were simple: openness and good faith. All countries had to open their books, and no country would be allowed to manipulate the plan for political profit. Some nations under Soviet control hoped to join the plan, but Stalin ordered their representatives home. The Soviets would not let them open their books, or their countries, to the fresh air of freedom and enterprise.

We've heard a lot lately about the Soviet desire to participate in the world economy, to no longer be the odd man out. Well, the ground rules remain the same as they were 40 years ago. No playing the spoiler. No manipulation of world organizations for political gain. Open your economy. Open your political system. Open your borders. Let your people go. Let them travel where they wish, live where they want to. Let them bathe in the light of freedom. And one thing further: Leave your weapons at home. Quit Afghanistan; you have no business there. Dismantle your weapons pointed at Europe. Then we will gladly welcome you as a constructive partner in our 21st-century enterprise.

When I last participated in an economic summit in Europe, there were many young people who came out to demonstrate. They wanted an end to nuclear weapons, they said. How I wanted to let them know that my heart was with them, that I, too, yearned for a day when mankind could live free of the terror of nuclear annihilation. But the task wasn't as easy as simply signing a treaty. The wall that divides Europe, put up in violation of Soviet promises and every human decency, showed us that much. We could not stake our freedom and our lives on such flimsy security. A treaty, in order to be worth anything at all, must be verified with on-site inspections. It must dramatically reduce the total number of weapons on both sides rather than simply codify a buildup, as treaties so often have in the past. Most important, it can't leave either side outmatched and vulnerable.

Well, our persistence and steadfastness could now pay off in an agreement very much in our interest and on our terms. We're not there yet, of course; some hard questions remain. But the prospects are good. It's important to emphasize: The INF treaty we are now negotiating will not be the end but the beginning of the arms reduction effort. Our top priority remains deep, equitable, and verifiable reductions in intercontinental nuclear arms. And as long as the Soviet Union stockpiles chemical weapons and maintains massive conventional forces poised in attack positions on its own territory and in Eastern Europe, the free nations of Europe must remain strong and ready. Indeed, given the

Soviet superiority in these forces, we must improve our conventional defense capabilities, difficult and expensive as that might be. The United States will not waver in our commitment to the defense of Europe. We will sustain the credibility of NATO's doctrine of flexible response, which has served us well and remains the center of alliance strategy.

At the same time, our ultimate goal remains not just to reduce and confine nuclear weapons but to make them forever obsolete, to construct a high-tech defense that will destroy nuclear weapons before they can destroy people. The technological breakthroughs I mentioned earlier, superconductivity and supercomputers on a chip, could both speed along that day when man will no longer have to fear terror in the skies, when we can breathe free, confident, secure, and peaceful.

If I can leave the young people of Europe with one message it is this: History is on the side of the free. Hope and an unshakable belief in our basic values of freedom and human rights -- these are the only guides we need as we travel into not only the 21st century but the third millennium. The crisis of confidence in the West a decade ago has been replaced by strength and assurance. Now it is the East which talks of openness, of glasnost. We hope that the first few tokens of change in the Soviet Union signal a real desire to open up that closed society.

The choice is theirs: They can either participate in the advance of history or fall farther and farther behind into economic irrelevance. We can look forward to the day when technology may eliminate the threat of mutual nuclear terror, when simply amassing huge stockpiles of nuclear weapons does not make a nation a superpower. Then the Soviet Union will appear as it truly is: a country that has sacrificed individual liberty for an antiquated 19th century materialist philosophy and an unworkable economic system, an example to the world of how not to run a country. The contrast between totalitarianism and freedom will grow ever more stark.

Today as we celebrate the 40th anniversary of the Marshall plan, we can be proud of what we together have created: a new age of freedom, a new age of hope and prosperity unrivaled in human history, a model to all the world of what free men can accomplish. It is a different world today from 40 years ago. The younger generations of Europe, those of you born since the war, have not had to suffer the destruction and heartache of your parents' time. But your challenge is no less great; it is nothing less than to embrace the promise of the future and to extend the lessons of our freedom to a waiting world.

Thank you all, and God bless you.

Note: The President spoke at 11:05 a.m. from the Villa Condulmer in Mogliano, Italy. The address was broadcast by the U.S. Information Agency on WORLDNET television.

<http://www.reagan.utexas.edu/archives/speeches/1987/060587b.htm>