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Series: Speech File Backup Files
Subseries: Chron File, 1989-1993

OA/ID Number: 13661
Folder ID Number: 13661-003

Folder Title:

Independent Insurance Agents of America 3/14/89 [OA 6343] [2]

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LOOKING FORWARD

Looking Forward

EITHER AN A OR A Z

67

Nash Dowdle instead, for \$151.50 an acre. Apparently his "bond" was worth \$1.50 an acre.

According to the recent news, our friend Hugh Liedtke is still making oil deals on a handshake; but he seems to make them a bit more profitable.

Bill and Hugh Liedtke still had their licenses to practice law, but their law books, except for the ones on leases and mineral rights, were gathering dust. The Liedtkes had long since abandoned the courthouse for the oil fields, as independent oil operators with offices next door to Bush-Overbey. Then, in 1953, Bill and Hugh suggested we join forces: they'd raise \$500,000, Bush-Overbey would raise \$500,000, and the two companies would be rolled into one entity. We'd buy producing properties on the oil-payment plan, with the \$1 million for equity.

Agreed. Now, what would we call our new company? Late one night, Hugh and I were going over possible names. We wanted something that would attract attention, a company name that would "stand out," as Hugh said, "when somebody opens the phone book."

Deep-voiced, with a pronounced Oklahoma drawl, Hugh was impressive even in his younger days, before he became "Mr. Pennzoil," a legend in the U.S. domestic oil industry.

"It ought to start with either an A or a Z," he said, "so it comes either first or last in the pages under 'Independent Oil Operators.'" Nothing in between that could be lost in the shuffle—that was Hugh's m.o. right from the start.

The movie *Viva Zapata!*, starring Marlon Brando, was playing in downtown Midland. It was the story of Emiliano Zapata, the Mexican rebel leader who led a revolt for land reform in the early 1900s under the slogan "Tierra y Libertad"—"Land and Liberty." We couldn't afford a public-relations counsel, but if we had one he would have told us that was exactly the corporate image we were looking for.

the Row about the inside

e were about to say our spoke. "Okay," he said like that. I was braced for he made his decision on on the project as on us. r. Meyer rolled down the ood tax proposition?" We d, "then put my son-in-

as well as we'd hoped, ors came out ahead. But d other oil-business deal- ble, all enjoyable.

Overbey, 1986

few good deals and a few the black the entire three boom began to fade in ry boom. We were active e trade in particular you

lived in East Texas, and t of his Reagan County agreed, you suggested an writing. The East Texas l and "My word is my

patch myth that a hand- d to forego the exchange of ft in the mail. Ten days so you called him again. aft but sold the property to

And that's the way Zapata Petroleum was born. The following year it would spin off Zapata Off-Shore, and in time, under Hugh Liedtke's imaginative management, merge into Pennzoil.

Zapata: There was a winning chemistry about the company. We could sense it.

I was at the Ector County courthouse, twenty miles from Midland, checking land records, when Barbara called. She said Dr. Wyvell wanted to see us, right away. Dorothy Wyvell was the children's doctor. In a town the size of Midland, more than a doctor, she was a warm, personal friend.

When we went into the doctor's office and sat down, all I knew was that Robin had been in for a checkup because she'd been acting listless. But I knew something was seriously wrong before Dr. Wyvell said a word. She was normally a person of great composure, a reassuring presence whenever one of the kids got sick. But that day her eyes were misting, and she was having a hard time putting her thoughts into words.

Some tests had been run to see what was the matter with Robin, the doctor finally said. The results were back. Robin was a very sick child. She had leukemia.

Barbara seemed to understand the full meaning of what the doctor had said, but I didn't at first. When I asked what could be done, the answer stunned me. Nothing, said Dr. Wyvell. The disease was rampant. Robin's case was advanced, and she had only a short time to live. It might be a few weeks; it might be only days. Her deeply felt counsel to us was that we take Robin home, keep her as comfortable as possible, and let nature take its course.

Dr. Wyvell loved Robin. She just didn't want to see any of us hurt any more than necessary.

After we came home from the doctor's office, I called my uncle, Dr. John Walker, in New York City. He was president of Memorial Hospital there and a former cancer specialist. When I told him the news about Robin, he urged us to bring her to New York,

GEORGE BUSH

--- A BIOGRAPHY ---

Nicholas King

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NEW YORK

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MIDLAND, TEXAS

tation for pioneer drilling in difficult conditions and it gained the respect of the industry.

"You would have had a fight on your hands if you even suggested to one of the rig hands that there was a better drilling company than Zapata," says an engineer who had worked for Zapata.

In August 1958, Zapata Petroleum sold its remaining interest in Zapata Offshore, which then became independent, and its stock was listed on the American Stock Exchange in New York that September when Bush moved company headquarters to Houston. After five years, the firm had a fleet of four rigs, 195 employees, and 2,200 stockholders.

At the beginning of the 1960s drilling prospects in the gulf continued uncertainly, and Zapata concentrated its efforts in foreign waters, in the Caribbean and off South America. It attempted to diversify, somewhat unsuccessfully, by acquiring properties like a plastics company and a gas pipeline company. But by 1963 offshore drilling presented a rosier picture and the future again looked promising. An innovative outrigger-type floating rig began operating for the company, and construction proceeded on the *Maverick*, a new LeTourneau jack-up which cost \$5.7 million and inaugurated a new generation of such rigs. It was the biggest rig in the world and could drill in waters 250 feet deep. Zapata Offshore reported a record \$1,189,000 net income for 1964, meaning that Bush was getting richer.

The next year looked good too. The big rigs were earning full time and there was talk of a merger with another offshore driller which would have doubled the size of the fleet. However, there was a severe temporary setback when Hurricane Betsy swept along the Gulf Coast in September 1965 and swept the *Maverick* completely away without a trace. Fortunately, there were no lives lost. Bush personally went on a series of exhausting search

flights but returned only with tales of the destruction he had seen done to the houses and fishing communities along the Louisiana coast.

By this time, Zapata Offshore had been functioning for a decade and its assets totaled \$15.8 million. The offshore drilling business had come a long way since its birth and had played a critical part in supplying oil to an industrial society. This had been George Bush's real success. But he also knew the strain and risk of offshore oil operations and was thinking increasingly of public life: He had been a Republican precinct worker in west Texas during the 1956 Eisenhower campaign and had become Houston County chairman. He was not to sever his ties with the oil business until 1966, but in 1964 he decided to take a leave of absence.

He never forgot or undervalued what he had learned in the oil fields. "The experience of dealing with people helped me enormously [in later public life]," he reflects. "I learned a great deal about leadership, and I learned a lot about the economic system. I had studied in college about supply and demand, risk and reward, profit and loss, the importance of labor and morale. But I didn't realize how all those things work together until I was making decisions that involved life and death, and survival of the business. That training under fire, under economic adversity, was a fantastic experience.

"But I think I learned the most about people. The oil field doesn't get credit for the fiber of its people. In those days, most of the oil field workers didn't have much education. They came from an entirely different background than I. But the way they devoted their lives to their work, their fierce loyalty, competitiveness and spirit were an inspiration. It made a lasting impression on me."

Looking Forward

71

EITHER AN A OR A Z

LOOKING FORWARD

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195 employees.

monthly publication
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split into separate
drilling-and-pro-
g-and-contracting
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where we should drill, the only question was how good the well would be.

The Jamieson Field wells weren't the most prolific wells in the world, by a long shot. But they were good wells, and as we continued drilling, our income piled up. We now had enough to invest in other productive West Texas oil properties, as well as turn our eyes seaward, to what I felt was the future of domestic oil production, offshore drilling.

THREE-LEGGED MONSTER NEW DRILLING BARGE LAUNCHING TUESDAY

Zapata Off-Shore Co.'s new three-legged drilling barge will be commissioned in Galveston Tuesday.

Named the Scorpion, the barge will have a number of new wrinkles embodied in its mobile unit.

For one thing, its three legs are a radical departure from the usual multiples of two. Also, its equipment and arrangement are the newest and latest ideas.

It was built for Zapata by R. G. LeTourneau, Inc., at Vicksburg, Miss., and towed to Galveston for outfitting. It weighs 9 million pounds and cost \$3,000,000 . . .

The over-all dimensions of the platform are 180 by 150 feet. The three legs or spuds, each 140 feet long, are driven into the Gulf floor and the body pushed above the reach of waves by electric motors.

At Galveston for the ceremonies will be George Bush, Zapata president, of Midland, and a number of visiting oilmen.

From the Houston Chronicle, March 18, 1956

No one doubted that offshore drilling represented the future of the business, but what LeTourneau proposed was a giant leap into the future. He'd gone to major offshore companies like Kerr-McGee, and while they were interested in his revolutionary ideas,

they were hesitant to back up their interest with money. Not only was LeTourneau's equipment different, but the man himself was unorthodox.

But we hadn't named our company Zapata in order to be gunshy about going into revolutionary, high-risk ventures. We listened to R. G. LeTourneau, looked at what he had to offer, and decided to stake our offshore future on his three-legged monster.

That brought us a lot of publicity and some pats on the back for making a bold business move. The only problem was, the darn thing didn't work—at least, not at first. Put out to sea on its first assignment, the *Scorpion's* jacking system failed and the Gulf saltwater got into its gear boxes.

For LeTourneau, it was back to the drawing board. For Zapata, a major decision had to be made—whether to go ahead with another LeTourneau-designed three-legged rig, the *Vinegarroon*, to the tune of \$3.5 million.

We took the gamble. Like Eugene Meyer betting on Fred Chambers and me years before, Zapata's management based its decision on our hunch about LeTourneau the man. And in time, LeTourneau's three-legged monsters—first the *Scorpion*, then the *Vinegarroon*, then the \$6 million *Maverick*—became the state of the art in offshore drilling rigs.

LeTourneau was gruff, eccentric, a kind of George Patton of engineering. He was the man of action with a mystic touch, a dynamo, a creative genius. He'd come to us with a proposition: he'd build the *Scorpion* at his own expense. We'd advance him \$400,000—refundable if the completed rig didn't work; if it did, he'd get an added \$550,000 and 38,000 shares of Zapata Off-Shore common stock. Our feeling was that anybody who had that much confidence in himself was worth the gamble.

Despite the disappointment at Galveston, the gamble paid off. LeTourneau didn't go back to the drawing board, he came over the deck itself. We watched incredulously as he looked at his monster's legs, then at the rack-and-pinion gears. Then right there on the steel deck, he pulled out some chalk and sketched the changes that had to be made.

NEWS



Independent Insurance Agents of America

INCORPORATED

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R-4-89

**SUBJECT: IIAA PROPOSES SWEEPING CHANGES
IN INSURANCE INDUSTRY**

RELEASE: IMMEDIATE

WASHINGTON D.C., January 15 — In an unprecedented move within the insurance industry, the Independent Insurance Agents of America (IIAA) have adopted a policy statement that proposes sweeping changes in the fundamental way in which the insurance industry does business. Changes in policies, policyholder services, communications and rating organizations are being recommended along with suggestions to re-examine the current auto insurance classification system and to intensify efforts to reduce underlying auto insurance costs.

R. C. Riley, CPCU, the IIAA executive committee member who chaired the subcommittee that drafted the policy statement, introduced the report saying that "over the last several years the insurance industry has suffered an erosion in the public's confidence. We believe this perception results from the failure of our industry, in many instances, to provide the public with reasonably stable markets, affordable prices, responsive service, and regular communications explaining the reasons for price increases, cancellations, nonrenewal, and other major policy changes," he said.

(more)

R-4-89

"We also believe that the industry will not improve its standing with the public unless individual insurance companies and agents find ways to reduce these problems and change day-to-day business practices that are currently creating stress with the public," Mr. Riley stated.

Developed during the past year, the IIAA statement acknowledges the growing trend in Congress and in other bodies to inaccurately blame the McCarran Ferguson Act for perceived problems within the industry, according to IIAA President Lawrence E. Hite, AAI. "We felt that as agents and consumer advocates, our association should provide a framework for debating solutions to real problems, as well as to deal with the storms brewing on the state level. The problems facing our agents, such as California's Proposition 103, can begin to be resolved once these principles are adopted," Mr. Hite said.

With regard to the territorial rating systems, the report states that the industry should work with insurance regulators, legislators, and consumers to re-examine current automobile insurance classification and territorial rating systems. "Existing systems clearly have produced extreme differences in some areas with the result that rates appear to have become unfair to certain classes of insureds," the report says.

While the policy statement strengthens IIAA's commitment to the McCarran Ferguson Act and state regulation, it also calls for rating organizations not to produce final advisory rates, leaving it up to the individual insurance company to file those final rates with the insurance department. The statement also suggests that policyholders, regulators and insurance agents/brokers be added as voting members to the form development committees and the boards of directors of rating organizations. The fundamental data and form service that rating organizations provide are deemed "extremely important" by the authors of the report and should, therefore, remain intact.

(more)

R-4-89

Since one of the most visible insurance consumer issues today is auto insurance rates, Mr. Riley said that it is important to educate consumers about the three economic issues that drive auto rate increases -- theft, replacement parts, medical costs. "But it is most important that we also work towards stronger well-written no fault laws, such as in New York and Florida, which go a long way to control cost," he added.

Finally, the report asserts that while the insurance industry has actively sponsored various loss control programs like mandatory seat belt laws and auto theft prevention, the industry needs to increase overall loss control efforts and communicate these efforts to the public. The underlying message appears to be that the insurance industry is as concerned as the public about escalating auto insurance premiums.

Some of the other business changes IIAA is recommending include a broader pursuit of market assistance programs and multiple-year policies for better stability in rates and availability

"IIAA pledges to use this statement as a starting point for discussions with legislators, regulators, consumers and business groups. We hope the industry leaders will join us to make these changes a reality," Mr. Hite concluded.

(Note: Attached is full text of IIAA's policy statement)

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Independent Insurance Agents of America

INCORPORATED



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202/544-5833
FAX 202/544-8712

March 8, 1989

Mr. Mark Davis
The White House
Old Executive Office Building
Room 122
Washington, D.C. 20500

Dear Mark:

Enclosed is a copy of Where We Stand, which contains several of our legislative concerns and some background on the Independent Insurance Agents of America (IIAA). I have also enclosed the original letter of invitation to the President for your information.

As we discussed, our Annual National Legislative Conference is held each year in Washington, D.C. in order for our members to personally lobby on Capitol Hill and to hear invited senators and congressssmen speak to our agents on salient issues of the day. This year, Senator Lloyd Bentsen will be addressing our group on Tuesday, March 14, prior to the President's speech, and Senator Trent Lott will address IIAA on Wednesday morning. We expect approximately 750 agents from all 50 states, with a sizeable contingent from Texas. These agents are the most politically astute and active members of our association with many of them serving in elected office (ie. Senator Wendell Ford and Congressmen John Rowland, Dan Burton, Jim Quillen and Norm Mineta are members of IIAA), while others serve as campaign finance chairmen, county councilmen, etc.

IIAA has the 12th largest business political action committee (InsurPac) in the nation that supports candidates attuned to our interests and small business concerns in general.

As you know, IIAA's Board of Directors adopted a policy statement calling for fundamental, voluntary reforms within the insurance industry. These reforms, which have received strong bipartisan support from Capitol Hill, would enhance the availability and affordability of insurance. Enclosed is a copy of our press release

on the policy statement. The policy statement is in sync with the President's position that voluntary reforms are preferential to federally mandated changes and regulation, and his reference to our statement would be beneficial for the Administration both politically and substantively. IIAA also supports the McCarran-Ferguson Act and the state regulation of the insurance industry.

Please feel free to call me if you have any additional questions or comments.

With kind regards,

A handwritten signature in black ink, appearing to read "Bob", with a stylized flourish at the end.

Robert A. Rusbuldt
Director of Federal Affairs

RAR:dh

Enclosures

THE STATE OF SMALL BUSINESS:

A REPORT
OF THE
PRESIDENT

TRANSMITTED TO THE CONGRESS
1988

ment is identical to the creation of an enterprise. Starting a new firm is often more difficult than expanding an existing enterprise by adding establishments—a possible explanation for the difference in establishment creation rates between large and small enterprises.

During the six years ending in 1986, 10.5 million net new jobs were created, according to establishment data of the Small Business Data Base (Table 12).²³ Establishment data can provide clues to the changing structure of the economy—changes in the shape of an industry, or changes occurring in a specific region (Appendix Table 22). Employment data can illuminate the job generation effects of the opening and closing of establishments.

Of the 10.5 million new jobs created between 1980 and 1986, 63.5 percent, or 6.6 million, came from small businesses with fewer than 500 employees. More than 4 million jobs, or 38.7 percent of the total net gain in employment, came from firms with fewer than 20 employees. Thus, net job creation in the economy can be characterized as an outcome of small business activity—in particular, activity by small businesses with fewer than 20 employees.

An examination of the distribution by industry of job growth during the business cycle from 1980 to 1986 shows that 53.5 percent, or 5.6 million jobs came from the narrowly defined service industries. Small service businesses with fewer than 500 employees created more than half of this total gain in employment.

The next largest employment gains were in retail trade, which added 2.4 million jobs. Most of these jobs came from large businesses, reflecting a continuing trend throughout the period of rapid expansion by large retail businesses. Part of these employment gains reflected the addition of new establishments through existing retail businesses, and part came from mergers

²³ This estimate from the Small Business Data Base, which includes both full- and part-time employment, may be compared with growth data from two other sources. The Bureau of Labor Statistics shows an increase of 9.32 million jobs from December 1980 to December 1986, based on establishment surveys. The Bureau of Labor Statistics also shows an increase of 13.35 million jobs for the six-year period based on a household survey which includes self-employed individuals as well as wage-and-salary workers (for 1984-1986 data, see Appendix Tables A.23 and A.24).

and acquisitions that added existing establishments to larger businesses.

Manufacturing showed a large net employment decrease for the period because of a loss of 1.7 million jobs in large businesses with more than 500 employees. This loss was partially offset by a gain of 574,000 employees in small manufacturing establishments with fewer than 20 employees. Large businesses lost employment in mining and construction as well. Medium-sized businesses with 100-499 employees also lost jobs in mining, construction, and manufacturing. Firms with fewer than 20 employees added employment in every major industry division.

Many European observers speak of the U.S. job growth as the "American miracle." To the extent that a miracle occurs, it can best be described as a small business phenomenon. To fully understand how dynamic the American economy is, however, one should observe the gross changes, which produced a net result of 10.5 million new jobs between 1980 and 1986. The net job change is equal to jobs added to the economy through the births of new establishments and the expansions of existing establishments, minus the jobs lost through the closings or contraction of existing establishments. These gross flows reflect the American economy's adaptation to changing conditions.

From 1980 to 1986, 31.8 million new jobs were created through the startup of new establishments (Table 13 and Appendix Table A.25). An additional 12.7 million jobs were added because of the expansion of existing establishments. These two gains in the number of jobs were offset by the loss of 25.2 million jobs in the closing of establishments, and of 8.9 million jobs in the contraction of existing establishments. The net result of these gross flows is a net gain of 10.5 million jobs in the American economy. To put these large numbers in perspective, it might be noted that the number of jobs associated with births, deaths, expansions, and contractions over a six-year period is almost equal to the number of jobs existing in the economy.²⁴

²⁴ The number of jobs cited in these gross flows is an understatement. For those establishments which show no change in size over the six-year period, it is probable that some employees were hired and some employees left the establishment. However, since there was no change in the net number of jobs at that establishment, these job changes were not noted in the Small Business Data Base.

Civilian Employment Trends....-continued

- [1] BLS series adjusted to U.S. concepts (see note) except that 1970 is estimated based on OECD data.
- [2] Countries with real GDP per capita in 1985 equal to 60 percent or more of U.S. level. Comprises OECD Europe except for countries listed in [3] below.
- [3] Countries with real GDP per capita in 1985 below 60 percent of the U.S. level. Comprises Greece, Ireland, Portugal, Spain, and Turkey.
- [4] European Community countries: Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, and the United Kingdom.
- [5] France, Germany, Italy, and the United Kingdom.

Note: Data for the following countries have been adjusted to U.S. concepts by the Bureau of Labor Statistics - United States, Canada, Japan, France, Germany, Italy, the Netherlands, Sweden, and the United Kingdom.

Data for all other countries are from the Organization for Economic Cooperation and Development (OECD), Labour force Statistics, 1966-86 and its quarterly supplements, and OECD estimates for 1987 and 1988 contained in Economic Outlook, December 1988. OECD estimates were in terms of percent changes which were applied by BLS to 1986 data.

Data are preliminary for the United Kingdom from 1982 onward. Data for 1986 are preliminary for Germany and the Netherlands. Data for 1987 are preliminary for all countries except the United States, Canada, Japan, France, Italy, Portugal, and Spain. Data for 1988 are preliminary for all countries except the United States and Canada.

Prepared by:

U.S. Department of Labor
Bureau of Labor Statistics
Office of Productivity & Technology
January 1989.

-593

CIVILIAN EMPLOYMENT TRENDS IN NORTH AMERICA, JAPAN, AND EUROPE FOR SELECTED YEARS, 1970-1988

CIVILIAN EMPLOYMENT (THOUSANDS)

COUNTRY

1970

1973

1975

1980

1981

1982

1983

1984

1985

1986

1987

1988

UNITED STATES

78678

85064

85846

99303

100397

99526

100834

105005

107150

109557

112440

114968

CANADA

7919

8761

9284

10708

11006

10644

10734

11000

11311

11634

11955

12347

JAPAN

50140

51910

51530

54600

55060

55620

56550

56870

57260

57740

58320

59300

OECD EUROPE:

Δ JAPAN + Δ EUROPE
(4700) + (4728)

= 9428 < Δ U.S.
(+15665)

AUSTRIA

3051

3160

3175

3263

3267

3229

3203

3206

3213

3226

3245

3261

BELGIUM

3658

3738

3737

3743

3664

3615

3577

3579

3607

3645

3645

3681

DENMARK

2315

2385

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2522

2630

2659

2659

FINLAND

2116

2154

2211

2318

2343

2367

2380

2403

2427

2421

2414

2430

FRANCE

20270

20840

20850

21330

21200

21240

21170

20980

20920

20950

20990

21090

GERMANY

26100

26350

25240

25750

25560

25140

24750

24800

24960

25220

25400

25530

GREECE

3134

3191

3198

3356

3529

3491

3540

3553

3588

3601

3597

3615

ICELAND

81

90

94

104

110

112

113

114

116

116

117

118

IRELAND

1045

1057

1061

1141

1131

1123

1110

1090

1058

1068

1067

1072

ITALY

19980

18870

19400

20200

20280

20250

20320

20390

20490

20610

20590

20850

LUXEMBOURG

140

151

157

187

158

158

157

158

160

164

168

173

NETHERLANDS(1)

4568

4560

4580

4980

5010

4980

4890

4930

5110

5200

5262

5315

NORWAY

1497

1654

1707

1908

1935

1943

1945

1970

2014

2086

2126

2110

PORTUGAL

3345

3286

3724

3940

3918

3928

4136

4063

4030

4045

4156

4229

SPAIN

12220

12608

12442

1495

11156

11043

10998

10674

10567

10815

11370

11734

SWEDEN

3850

3873

4058

4226

4219

4213

4218

4249

4293

4328

4396

4459

SWITZERLAND

3142

3277

3116

3170

3211

3190

3149

3142

3171

3219

3261

3302

TURKEY

12583

13358

13798

14531

14668

14802

14912

15111

15290

15632

15992

16152

UNITED KINGDOM

24330

24610

24560

24670

23800

23710

THE VICE PRESIDENT
OFFICE OF THE PRESS SECRETARY

FOR IMMEDIATE RELEASE

CONTACT: 202/456-6772

Wednesday, March 23, 1988

SUMMARY OF PRESIDENTIAL TASK FORCE MEETING
WASHINGTON, D. C.
MARCH 22, 1988

Vice President George Bush, Chairman of the Presidential Task Force on Regulatory Relief, yesterday instructed heads of concerned federal agencies to redouble their efforts to conclude their unfinished business this year. The Vice President also received a report on the Task Force's ongoing oversight of defense procurement reform pursuant to the recommendations of the Packard Commission.

Among items discussed for renewed attention were the deregulation of natural gas; revisions of Davis-Bacon requirements to lower costs in the defense budget and other federally financed construction programs; relaxation of the CAFE standards; and deregulation initiatives of federal agencies that are behind scheduled commitments.

• Deregulation of Natural Gas: "This has been an Administration priority from day one," the Vice President said. Adding that the Administration had achieved partial deregulation with repeal of the Fuel Use Act he said that it was time to complete the task especially with oil prices at relatively low levels. Beryl Sprinkel, Chairman of the Council of Economic Advisers, added that the United States had ample supply of natural gas which, if fully deregulated, could displace growing oil imports.

• Davis-Bacon Act: The Davis-Bacon Act, also discussed at the meeting, covers any federal or federally assisted contract in excess of \$2,000, a limit that has not changed since 1935. The Administration's proposal would raise the threshold to \$1 million for defense contracts and \$100,000 for other agencies. The Administration has also proposed similar changes in the Service Contract Act. These two legislative proposals would save almost \$500 million annually.

• Florida Demonstration Project: The Vice President also approved the expansion of a five agency experiment, called the Florida Demonstration Project, that is reducing the paperwork burden imposed on university researchers by Federal, State and university rules when Federal funds are involved.

Because of its success so far, the Project will expand, beginning October 1, 1988, to include research contracts as well as grants, and to include universities and research facilities outside of Florida. The Project will enable researchers to spend more time on research and less on filling out forms.

With respect to the Task Force's ongoing oversight of defense procurement reform, the Vice President received a report from the Office of Federal Procurement Policy on the successful implementation of a process for OMB review of procurement regulations patterned after the regulatory review process established by the Task Force pursuant to Executive Order 12291, signed by the President, February 1981.

With respect to the procurement paperwork reduction program, almost 200 procurement and paperwork regulations have been reviewed in the first year of the program with changes made to almost half of them. The program implements several of the reforms recommended by the Packard Commission to simplify and deregulate the Federal procurement system which it found was seriously overregulated and inefficient. As part of that program, Federal agencies were instructed to reduce regulations that duplicate or complicate matters contained in government-wide regulations.

The Task Force also announced the Fiscal Year 1988 goals to examine meeting Government needs for commercial services by contracting with private businesses if the costs are lower than meeting those needs with Government employees. As a result of an Executive Order issued by the President last year, almost \$250 million, accounting for almost 25,000 positions, would be saved. This reflects a savings of 30% for each position studied. The Task Force will continue to monitor agency progress in meeting the goals set by the President.

#####

Building A Better America

stimulate greater saving, investment, and entrepreneurship, the Administration proposes a lower capital gains tax rate. For gains on qualified assets held long term, the maximum tax rate will be 15 percent for high income taxpayers. Low income taxpayers will be exempt from tax on such gains. Gains on short term holdings will not receive favorable tax treatment.

"I think we should cut the capital gains rate to reestablish that differential and create jobs."

George Bush

PRINCIPLES

- The President is committed to low marginal tax rates that stimulate work, saving, and investment.
- The President believes that lower capital gains rates will stimulate investment and economic growth and create additional jobs for Americans.
- The differentially lower rate for gains on long held assets will help focus investment decisions on long run competitiveness, and profitability.
- Taxpayers are responsive to lower tax rates and will significantly increase their capital gains realizations, particularly in the short-run. Revenues from increased economic growth can be expected in the long-run.
- Restoring the capital gains differential will increase entrepreneurial activity and employment, paving the way for discoveries of new products, processes, and whole new industries.
- Restoring the capital gains differential will roughly correct for the taxation of purely inflationary gains. Many taxpayers find that they pay capital gains taxes on increases in the value of assets which do not even keep pace with inflation.
- Restoring the capital gains differential will reduce the tax bias toward debt finance.
- Most of America's major trading partners tax long-term capital gains lightly, if at all. Reducing our capital gains rate will promote U.S. international competitiveness.
- The capitals gains proposal will gain revenue during the budget period as taxpayers (who otherwise would be locked in to holding their assets, paying no tax) realize capital gains sufficient to offset the lower tax rate. Historical experience indicates that when the capital gains rate has been cut, increased revenues are likely. The last time the capital gains differential was enhanced (the 1978 Steiger Amendment), capital gains revenue increased.

POLICIES

The President proposes restoring a capital gains tax differential on gains from qualified assets sold by individual taxpayers. A 45 percent exclusion will apply to gains on qualified assets; that is, 45 percent of the gain would be excluded from tax, meaning a lower effective capital gains tax rate. A 15 percent maximum tax rate will apply to all qualified gains to prevent high marginal tax rates from interactions with other tax rules. The exclusion and maximum tax rate will apply to both the regular and alternative minimum tax. A 100 percent exclusion will apply to gains on qualified assets of taxpayers who have adjusted gross income below \$20,000 and who are not subject to the alternative minimum tax.

The current law definition of a capital asset will be retained. However, gain from the sale or exchange of depreciable property used in a trade or business and certain special types of property in section 1231 of the tax law will not be treated as capital gain eligible for the lower tax rate. "Collectibles" as defined by the eligibility rules for Individual Retirement Accounts will not be eligible for lower capital gains tax rates.

Qualified capital assets will be required to have been held more than 12 months to be eligible for the lower capital gains rate for assets sold in 1989 through 1992; 24 months for assets sold in 1993 and 1994; and 36 months for assets sold in 1995 or later.

The proposal to lower capital gains rates will be effective for qualified capital assets sold after June 30, 1989.

FUNDING SUMMARY					
(Revenue change in billions of dollars)					
	1989	1990	1991	1992	1993
Capital gains tax differential	+0.7	+4.8	+4.9	+3.5	+2.2

b. Strengthening Federal Science and Technology Policy

OVERVIEW

The President's Science Advisor, who is also the Director of the Office of Science and Technology Policy, is an important source of independent, technical counsel for the President, and plays a key role in the formulation of the national science and technology agenda.

The Administration believes that the private sector should also have an important role in providing science and technology advice. Science and technology form the foundation of economic power. It is the combination of dedicated, skilled people and technological advancement that can improve our standard of living and our competitive position in the global marketplace.

"I will upgrade the President's Science Advisor to Assistant to the President and make him an active member of the Economic Policy Council and our national security planning processes. And I will create a President's Council of Science and Technology Advisors, composed of leading scientists, engineers and distinguished executives from the private sector."

George Bush

PRINCIPLES

- Science and technology are increasingly critical to the Nation's national security and economic health.
- Many government policies and programs have an important scientific and technological component. Informed judgements on these issues are crucial to the President, and thus,

American Council for Capital Formation

Center for Policy Research

June 1987

SPECIAL REPORT

CAPITAL GAINS TAXES IN 1987: U.S. VS. THE REST OF THE WORLD

A new Arthur Andersen & Co. study comparing tax rates on portfolio stock investment among eleven major industrialized countries and six Pacific Basin countries reveals that in 1987, U.S. capital gains taxes are higher than those of almost all surveyed countries.

The comparison, which is undertaken periodically by Arthur Andersen, shows that among eleven industrialized countries including the U.S., only Australia and the United Kingdom have higher maximum long-term capital gains tax rates on portfolio stock investments. Japan, Germany, and three other industrialized nations exempt all such long-term capital gains from taxation. Among the six Pacific Basin countries surveyed, five, including South Korea and Taiwan, exempt such long-term capital gains from taxation. Of those seventeen surveyed countries, all but three have lower maximum short-term capital gains taxes on portfolio stock investments than the United States.

In the past two years changes elsewhere in the world have been toward lower capital gains taxes; in the U.S. the Tax Reform Act of 1986 resulted in the largest capital gains tax rate increase probably since the advent of the federal income tax in 1913. (Source: Prepared by Arthur Andersen & Co. for the Securities Industries Association.)

Comparison of Individual Taxation of Capital Gains on Portfolio Stock Investments in 1987

COUNTRIES INDUSTRIALIZED	Maximum Short-Term Capital Gain Tax Rate*	Maximum Long-Term Capital Gain Tax Rate*	Period to Qualify for Long Term Gain Treatment	Maximum Annual Net Worth Tax Rate
United States (A)	38.5%	28%	> Six Months	None
Australia (B)	50.25%	50.25%	One Year	None
Belgium	Exempt	Exempt	None	None
Canada (C)	17.51%	17.51%	None	None
France (D)	16%	16%	None	None
Germany (E)	56%	Exempt	Six Months	.5%
Italy	Exempt	Exempt	None	None
Japan	Exempt	Exempt	None	None
Netherlands	Exempt	Exempt	None	.8%
Sweden	45%	18%	Two Years	.3%
United Kingdom (F) ...	30%	30%	None	None
PACIFIC BASIN				
Hong Kong	Exempt	Exempt	None	None
Indonesia	35%	35%	None	None
Malaysia	Exempt	Exempt	None	None
Singapore	Exempt	Exempt	None	None
South Korea	Exempt	Exempt	None	None
Taiwan	Exempt	Exempt	None	None

* State, provincial and local tax rates not included.

(A) As of January 1, 1988, the nominal tax rate for long- and short-term capital gains rate is to 28 percent. The marginal rate, however rises to 33 percent for joint returns between \$71,900 and \$149,250 and for single returns between \$43,150 and \$89,560.

(B) The above maximum long- and short-term rates are comprised of 1.25% Medicare Levy and 49% Income Tax. Prior to July 1, 1987, the Medicare Levy will remain at 1.145% and the Income Tax will remain at 57.08% (aggregating 58.225%). There is no distinction in rate, however, the one-year holding period is for special exemption and indexing.

(C) Canadian residents are allowed an annual capital gains exemption of Canadian 30,000 (\$22,998¹) subject to a cumulative exemption of up to Canadian 500,000 (\$383,300¹) in 1990.

(D) Gains from proceeds of up to FF 272,000 (\$45,288¹) are exempt from taxation in a given taxable year.

(E) The first DM 1,000 (\$554¹) of short-term capital gains is exempt from tax.

(F) The first £6,300 (\$10,096¹) of annual gain is exempt.

¹ Based on exchange rates as of March 31, 1987.

The ACCF Center for Policy Research is an education and research affiliate of the American Council for Capital Formation. Its mandate is to promote an understanding by the public of the importance of capital formation to the economy. For additional information contact: ACCF Center for Policy Research, 1850 K Street, N.W., Suite 400, Washington D.C., 20006, (202)293-5811.

WORKING PAPER SERIES

THE JAPANESE TAX REFORM AND THE EFFECTIVE
RATE OF TAX ON JAPANESE CORPORATE INVESTMENTS

John B. Shoven

Working Paper No. 2791

NATIONAL BUREAU OF ECONOMIC RESEARCH, INC.



shed in the 1987 reform except
stance (the elderly, single
has been replaced with a flat
source) of 20 percent, with 15
percent and 5 percent for local

Interest income is separate
divided on savings deposits and
others) was subject to a separate 20
percent could be excluded from taxable
income of interest income (bond
income) it with taxable income or pay
Interest income was subject to the
same rate in the rate schedule. This
is possible if the present reform

Separate taxation of dividend
The dividend recipient from the
for dividends the marginal rate for
is not as long as the recipient owns
equity and as long as the amount
is less than 500,000 yen
beyond these limits through
which is unavailable on the
for small dividends, there is even
for dividends of less than

100,000 yen (\$800) from a company (excluding mutual funds) then he may
elect separate taxation at the marginal rate of 20 percent.

In addition to the advantages of separate taxation, dividends are
lightly taxed at the individual level due to another feature of the
individual tax law. For taxpayers with ordinary taxable income of less
than 10 million yen (\$81,300), a tax credit amounting to ten percent of
dividends received is allowed. For those with higher taxable incomes, the
credit is reduced, although it always exceeds five percent. The basic ten
percent credit means that the maximum marginal rate of national level
taxation of dividends (which occurs under separate taxation) is effectively
25 percent (10 percent for small dividends).

Capital gains on securities are not taxed in Japan, although the
current proposal would change this. It would give taxpayers the option of
paying a tax equal to one percent of the value of the stock transaction or
to pay a separate tax on the actual gain at the rate of twenty percent.
The one percent of sales value option implies that capital gains on
securities will still be very lightly taxed in Japan relative to their
current treatment in the U.S. (fully taxable at ordinary rates upon
realization). Capital gains on land and buildings are taxed separately in
Japan with the terms depending on the holding period.

Before the 1987 tax reform, corporate capital return was extremely
lightly taxed at the personal level in Japan. Most of interest income
completely escaped taxation as did all of capital gains on securities.
Dividends had the option of separate taxation and thus escaped the
marginal rates that went up as high as 70 percent. If the Ministry of
Finance proposal is adopted, this will have changed substantially. Almost



THE STATE OF SMALL BUSINESS:

A REPORT
OF THE
PRESIDENT

TRANSMITTED TO THE CONGRESS
1989

Table A-15. Establishment Employment by Enterprise Size and Major Industry, 1986

Industry	Total	Employment Size of Enterprise						Employment Size of Enterprise					
		1-4	5-9	10-19	20-49	50-99	<100	100-499	<500	500-999	1,000-1,999	5,000-9,999	10,000 +
Total Nonfarm	61,023,663	6,910,883	6,836,583	6,004,481	4,972,206	6,922,956	4,462,613	4,543,116	4,540,056	4,701,624	10,442,030	3,154,823	2,935,279
Percent	100.00	5.59	5.29	4.63	3.90	5.47	4.20	4.52	4.52	4.53	12.42	3.15	2.70
Manufacturing	944,517	157,638	152,824	115,290	124,568	70,615	620,935	125,344	746,279	35,767	62,619	8,306	90,846
Percent	100.00	16.69	16.18	12.21	13.19	7.48	65.74	13.27	79.01	3.79	6.63	0.94	9.63
Mining	1,136,989	42,309	48,659	63,644	88,423	61,270	304,305	120,092	424,397	49,064	115,644	102,793	445,091
Percent	100.00	3.72	4.28	5.60	7.78	5.39	26.76	10.56	37.33	4.32	10.17	9.04	39.15
Construction	5,011,112	746,150	656,046	699,046	887,465	530,372	3,519,079	763,243	4,282,322	159,058	251,681	78,864	236,187
Percent	100.00	14.89	13.09	13.95	17.71	10.58	70.23	15.23	85.46	3.17	5.03	1.57	4.71
Wholesaling	22,812,319	295,886	546,796	819,425	1,586,408	1,440,357	4,688,872	3,371,888	8,060,760	1,283,426	3,076,207	1,318,246	9,073,680
Percent	100.00	1.30	2.40	3.59	6.95	6.31	20.55	14.78	35.34	5.63	13.48	5.78	39.78
Transportation, Communication, and Public Utilities	6,027,614	146,225	219,093	286,550	438,168	313,657	1,403,693	633,336	2,037,029	231,599	704,089	381,122	2,717,775
Percent	100.00	2.41	3.61	4.72	7.22	5.17	23.12	10.43	33.44	3.81	11.60	6.28	44.76
Wholesale Trade	6,261,744	503,353	732,528	776,443	953,656	573,439	3,539,419	872,482	4,411,901	216,499	475,004	185,085	973,255
Percent	100.00	8.04	11.70	12.40	15.23	9.16	56.52	13.93	70.46	3.46	7.59	2.96	15.54
Retail Trade	17,142,789	1,425,547	1,685,250	1,545,075	2,140,384	1,418,910	8,215,166	1,904,236	10,119,422	617,538	1,264,397	675,618	4,465,624
Percent	100.00	8.32	9.83	9.01	12.49	8.28	47.92	11.11	59.03	3.60	7.38	3.94	26.05
Finance, Insurance, and Real Estate	7,098,778	392,342	351,648	394,484	587,886	443,187	2,169,547	908,842	3,158,389	404,108	1,103,536	698,771	1,733,774
Percent	100.00	5.53	4.95	5.56	8.28	6.24	30.56	13.93	44.49	5.70	15.55	9.84	24.42
Services	24,548,774	1,200,733	1,276,669	1,381,374	1,935,248	1,671,148	7,465,172	4,594,705	12,059,877	1,784,493	4,065,489	1,705,321	4,933,194
Percent	100.00	4.89	5.20	5.63	7.88	6.81	30.41	18.72	49.13	7.27	16.56	6.95	20.10

Note: Data exclude government employment. Detail may not add to totals because of rounding. The Small Business Data Base covers approximately 93 percent of full-time business activity, generally, firms with at least one paid employee with a Dun and Bradstreet credit rating, or using insurance markets. The cross-sectional USEEM file is the SBD file of choice for static data, including enterprise, establishment, and employment control totals and distributions by firm size. For a full discussion of the USEEM file, see "The Linked 1976-1986 USEEM Users Guide" (Washington, D.C.: U.S. Small Business Administration, Office of Advocacy, Small Business Data Base, USEEM file, version 8, 1988).

National Data Book and
Guide to Sources

STATISTICAL ABSTRACT OF THE UNITED STATES 1988



108th Edition

U.S. Department
of Commerce

BUREAU OF
THE CENSUS

[1977 = 100. Data relate to all employed persons in the United States and Canada; all employees in other countries. Minus sign (–) indicates decrease. For explanation of average annual percent change, see Guide to Tabular Presentation]

[illegible][illegible]

compensation per hour, national
currency basis: 2

[illegible]

Average annual percent change:

Real hourly compensation: ^a															
1980-1985		5.9	7.1	8.3	7.4	12.1	16.2	4.7	5.2	6.8	8.2	9.4	10.5	11.6	12.7
1985-1986		2.9	(NA)	3.3	4.2	4.4	4.2	3.5	(NA)	6.8	8.1	9.4	10.5	11.6	12.7
1970		89.8	91.0	79.2	68.5	67.5	82.3	68.7	88.6	71.7	79.2	86.9	95.9	105.2	111.9
1975		85.9	92.3	91.7	88.1	82.2	97.7	89.8	89.4	86.8	105.2	108.9	115.6	122.7	129.1
1980		87.4	12.0	100.2	100.3	107.4	101.6	103.6	108.9	101.5	127.7	101.5	127.7	129.1	135.4
1985		98.5	112.3	104.5	88.0	120.8	120.8	113.9	112.1	104.0	132.8	104.0	132.8	135.4	141.7
1986		100.5	(NA)	103.7	98.6	122.8	110.9	117.1	(NA)	104.0	132.8	104.0	132.8	135.4	141.7
Average annual percent change:															
1970-1980		.8	6.3	2.4	3.9	4.8	5.0	4.2	4.5	3.6	3.9	3.6	3.9	4.5	5.0
1980-1985		.4	-	.8	-5	4.4	2.1	1.8	8	2.5	1.9	8	2.5	1.9	2.5
1985-1986		1.0	(NA)	-8	.8	1.7	-1.8	2.8	(NA)	2.5	4.5	4.5	4.5	4.5	4.5
Unit labor costs, national currency:															
1970		71.0	58.2	63.4	55.4	52.8	39.0	52.3	60.7	47.7	39.5	52.3	60.7	47.7	39.5
1975		81.7	91.1	88.7	85.6	82.7	77.1	69.0	82.0	77.1	81.2	82.0	77.1	81.2	81.2
1980		130.6	108.0	103.7	127.0	132.1	137.0	98.4	108.5	116.6	185.4	127.0	132.1	137.0	137.0
1985		125.6	123.6	126.0	156.8	160.8	246.2	92.9	108.2	155.3	184.7	126.0	156.8	160.8	160.8
1986		145.1	118.8	160.4	173.8	184.4	255.7	93.5	(NA)	183.6	204.4	160.4	173.8	184.4	184.4
Average annual percent change:															
1970-1980		6.3	6.5	7.6	8.1	9.7	14.3	6.5	6.0	5.5	15.4	6.5	8.1	9.7	14.3
1980-1985		2.3	1.5	5.4	6.5	7.5	12.8	-1.1	-1	9.5	3.3	6.5	8.1	9.7	14.3
1985-1986		-3	(NA)	3.8	4.7	2.4	3.0	7.7	(NA)	5.3	5.0	7.7	9.7	14.3	14.3
Unit labor costs, U.S. dollar basis: ^a															
1970		71.0	42.0	54.5	44.4	46.8	50.6	39.1	41.2	41.1	54.2	39.1	41.2	41.1	54.2
1975		91.7	83.7	83.1	89.6	88.5	104.3	86.7	92.8	86.2	103.4	86.7	92.8	86.2	103.4
1980		130.6	129.0	121.5	129.0	154.1	141.4	118.8	148.9	132.3	220.5	129.0	129.0	154.1	154.1
1985		145.1	72.3	135.2	84.0	130.9	114.8	104.3	80.7	80.5	144.8	84.0	135.2	129.0	129.0
1986		144.3	(NA)	137.9	128.9	138.0	151.4	148.7	(NA)	102.5	171.9	137.9	128.9	138.0	138.0
Average annual percent change:															
1970-1980		6.3	12.3	6.5	11.3	12.7	10.8	11.6	12.5	11.8	15.1	1	1	1	1
1980-1985		2.1	-11.6	2.2	-6.1	-7.6	-4.1	-2.2	-8.7	-2.4	-8.1	3	3	3	3
1985-1986		-5	(NA)	2.0	37.1	32.8	31.9	42.6	(NA)	27.1	18.8	3	3	3	3

1970
1975

1999
1985
1986

1970-1980.....
1980-1985.....

1985-1986.....

Hours: 1970.....

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000	3001	3002	3003	3004	3005	3006	3007	3008	3009	3010	3011	3012	3013	3014	3015	3016	3017	3018	3019	3020	3021	3022	3023	3024	3025	3026	3027	3028	3029	3030	3031	3032	3033	3034	3035	3036	3037	3038	3039	3040	3041	3042	3043	3044	3045	3046	3047	3048	3049	3050	3051	3052	3053	3054	3055	3056	3057	3058	3059	3060	3061	3062	3063	3064	3065	3066	3067	3068	3069	3070	3071	3072	3073	3074	3075	3076	3077	3078	3079	3080	3081	3082	3083	3084	3085	3086	3087	3088	3089	3090	3091	3092	3093	3094	3095	3096	3097	3098	3099	3100	3101	3102	3103	3104	3105	3106	3107	3108	3109	3110	3111	3112	3113	3114	3115	3116	3117	3118	3119	3120	3121	3122	3123	3124	3125	3126	3127	3128	3129	3130	3131	3132	3133	3134	3135	3136	3137	3138	3139	3140	3141	3142	3143	3144	3145	3146	3147	3148	3149	3150	3151	3152	3153	3154	3155	3156	3157	3158	3159	3160	3161	3162	3163	3164	3165	3166	3167	3168	3169	3170	3171	3172	3173	3174	3175	3176	3177	3178	3179	3180	3181	3182	3183	3184	3185	3186	3187	3188	3189	3190	3191	3192	3193	3194	3195	3196	3197	3198	3199	3200	3201	3202	3203	3204	3205	3206	3207	3208	3209	3210	3211	3212	3213	3214	3215	3216	3217	3218	3219	3220	3221	3222	3223	3224	3225	3226	3227	3228	3229	3230	3231	3232	3233	3234	3235	3236	3237	3238	3239	3240	3241	3242	3243	3244	3245	3246	3247	3248	3249	3250	3251	3252	3253	3254	3255	3256	3257	3258	3259	3260	3261	3262	3263	3264	3265	3266	3267	3268	3269	3270	3271	3272	3273	3274	3275	3276	3277	3278	3279	3280	3281	3282	3283	3284	3285	3286	3287	3288	3289	3290	3291	3292	3293	3294	3295	3296	3297	3298	3299	3300	3301	3302	3303	3304	3305	3306	3307	3308	3309	3310	3311	3312	3313	3314	3315	3316	3317	3318	3319	3320	3321	3322	3323	3324	3325	3326	3327	3328	3329	3330	3331	3332	3333	3334	3335	3336	3337	3338	3339	3340	3341	3342	3343	3344	3345	3346	3347	3348	3349	3350	3351	3352	3353	3354
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[1977 = 100. Data relate to all employed persons in the United States and Canada; all employees in other countries. Minus sign (-) indicates decrease. For explanation of average annual percent change, see Guide to Tabular Presentation]

(--) indicates decrease. For explanation of average annual percent change, see Guide to Tabular Presentation.

INDEX AND YEAR		Unit- ed States	Bel- gium	Can- da	Den- mark	France	Italy	Japan	Neth- erlands	Swe- den	Unit- ed King- dom	We- st Ger- many
Output per hour:												
1970.....	80.8	59.9	75.6	65.5	69.6	72.7	64.8	64.3	80.7	78.7	77.7	77.7
1975.....	82.9	65.9	86.9	72.9	88.9	91.1	87.7	85.2	100.2	80.2	86.2	86.2
1980.....	101.4	118.7	132.9	112.9	112.9	113.9	122.7	113.9	112.7	101.7	101.7	101.7
1985.....	126.0	153.3	172.2	138.3	138.3	138.3	153.7	145.6	134.5	134.5	134.5	134.5
1986.....	126.0	153.3	172.2	138.3	138.3	138.3	153.7	145.6	134.5	134.5	134.5	134.5
Average annual percent change:												
1970-1980.....	2.3	7.2	2.6	5.5	4.3	4.9	6.6	5.9	3.4	2.5	2.5	2.5
1980-1985.....	3.7	5.1	2.8	3.9	3.9	3.2	5.9	5.0	3.6	5.7	5.7	5.7
1985-1986.....	3.5	(NA)	-5	-5	1.9	1.2	2.8	(NA)	1.4	2.9	2.9	2.9
Compensation per hour, national currency basis: ²												
1970.....	57.4	34.9	47.9	36.3	38.6	26.1	33.9	39.0	39.5	31.5	41.5	41.5
1975.....	85.1	79.0	76.9	81.0	78.7	70.2	84.2	82.2	77.3	77.3	77.3	77.3
1980.....	132.4	131.3	131.3	135.9	148.2	160.2	120.7	133.6	133.6	166.3	166.3	166.3
1985.....	176.7	183.7	183.7	184.4	269.5	339.5	152.0	159.0	208.9	261.3	261.3	261.3
1986.....	181.9	(NA)	202.2	202.6	274.0	353.9	157.3	123.1	223.1	282.4	282.4	282.4
Average annual percent change:												
1970-1980.....	8.7	7.1	10.8	14.1	15.0	18.9	13.5	12.2	13.2	18.3	18.3	18.3
1980-1985.....	5.8	5.8	6.3	7.4	12.1	18.2	4.7	5.2	19.4	19.2	19.2	19.2
1985-1986.....	2.9	(NA)	3.3	4.2	4.4	4.2	3.5	(NA)	6.8	8.1	8.1	8.1
Retail hourly compensation: ^{2,3}												
1970.....	89.6	91.0	79.2	68.5	67.5	62.3	68.7	68.6	71.7	79.2	79.2	79.2
1975.....	95.9	92.3	91.7	88.1	86.7	87.1	89.6	85.4	85.9	105.1	105.1	105.1
1980.....	87.4	102.0	100.2	100.3	107.4	101.6	103.6	108.8	101.8	115.6	115.6	115.6
1985.....	86.5	112.3	104.5	88.0	120.8	112.8	113.9	112.1	101.5	127.1	127.1	127.1
1986.....	100.5	(NA)	103.7	88.6	122.8	110.9	117.1	(NA)	104.0	132.6	132.6	132.6
Average annual percent change:												
1970-1980.....	8	6.3	2.4	3.9	4.8	5.0	4.2	4.5	3.6	3.9	3.9	3.9
1980-1985.....	4	-	8	-5	2.4	2.1	1.9	9	2.5	1.9	1.9	1.9
1985-1986.....	1.0	(NA)	-8	-8	1.7	-1.8	2.8	(NA)	2.5	4.5	4.5	4.5
Unit labor costs, national currency:												
1970.....	71.0	58.2	63.4	55.4	52.6	38.0	62.3	60.7	47.7	39.5	61.2	61.2
1975.....	91.7	91.1	89.1	85.6	86.7	77.1	86.0	85.4	77.1	81.2	81.2	81.2
1980.....	130.6	109.0	133.7	121.0	132.3	137.0	88.4	108.5	116.6	185.4	185.4	185.4
1985.....	145.1	119.8	173.8	166.0	189.8	248.2	82.9	109.2	153.3	184.7	184.7	184.7
1986.....	144.3	(NA)	180.4	173.8	194.4	255.7	83.5	(NA)	165.6	204.4	204.4	204.4
Average annual percent change:												
1970-1980.....	6.3	6.5	7.8	8.1	9.7	14.3	6.5	6.0	9.5	15.4	15.4	15.4
1980-1985.....	2.1	1.9	3.8	5.4	7.5	3.0	-1.7	1.1	5.5	3.3	3.3	3.3
1985-1986.....	-6	(NA)	3.8	4.7	7.5	3.0	-1.7	(NA)	5.3	5.0	5.0	5.0
Unit labor costs, U.S. dollar basis: ⁴												
1970.....	71.0	42.0	64.5	44.4	46.8	50.6	39.1	41.2	41.1	54.2	54.2	54.2
1975.....	91.7	42.0	82.1	89.6	92.5	100.3	86.7	92.8	83.2	103.4	103.4	103.4
1980.....	130.6	128.7	121.5	129.0	154.1	141.4	118.9	134.2	125.3	220.5	220.5	220.5
1985.....	145.1	72.3	135.2	94.0	103.9	114.8	104.3	80.7	80.8	144.8	144.8	144.8
1986.....	144.3	(NA)	137.9	128.9	138.0	151.4	148.7	(NA)	102.5	171.9	171.9	171.9
Average annual percent change:												
1970-1980.....	6.3	12.3	6.5	11.3	12.7	10.8	11.6	12.5	11.8	15.1	15.1	15.1
1980-1985.....	2.1	-11.6	2.2	-3.1	-7.6	-4.1	-2.2	-8.7	-2.4	-8.1	-8.1	-8.1
1985-1986.....	-6	(NA)	2.0	3.7	32.8	31.9	42.6	(NA)	27.1	18.4	18.4	18.4
Employment:												
1970.....	98.2	114.3	94.7	113.5	87.3	84.8	101.0	118.2	108.8	114.3	114.3	114.3
1975.....	98.0	108.6	101.7	100.0	101.4	89.7	101.7	108.8	103.9	102.7	102.7	102.7
1980.....	103.2	91.2	106.5	98.7	86.0	89.7	89.6	95.4	97.5	93.2	93.2	93.2
1985.....	98.3	78.6	101.4	107.1	84.2	87.5	107.4	84.0	88.0	73.5	73.5	73.5
1986.....	87.8	(NA)	103.4	109.1	82.2	86.1	108.9	(NA)	86.3	72.1	72.1	72.1
Average annual percent change:												
1970-1980.....	5	-2.2	1.2	-1.4	-1.7	5	-1.1	-2.1	-2.5	-1.8	-2.0	-2.0
1980-1985.....	-1.0	-2.9	-1.0	1.8	-2.6	-2.5	-1.5	(NA)	-1.1	-1.9	-1.9	-1.9
1985-1986.....	-5	(NA)	2.0	1.8	-2.3	-1.5	-1.2	(NA)	-1.1	-1.9	-1.9	-1.9
Hours:												
1970.....	97.3	130.2	97.2	125.1	105.3	107.4	107.9	131.2	114.6	119.1	119.1	119.1
1975.....	91.4	107.1	102.4	105.5	98.2	85.4	89.2	107.6	105.9	101.2	101.2	101.2
1980.....	101.7	89.6	105.5	108.8	95.2	89.7	101.2	93.6	92.3	80.2	80.2	80.2
1985.....	89.9	75.1	100.8	105.5	78.5	84.4	109.6	79.2	84.6	71.0	71.0	71.0
1986.....	89.7	(NA)	103.0	108.9	76.7	86.2	108.3	(NA)	83.9	69.5	69.5	69.5
Average annual percent change:												
1970-1980.....	4	-3.7	8	-1.5	-1.0	-8	6	-3.3	-2.1	-2.7	-2.7	-2.7
1980-1985.....	-6	-3.5	-8	-2.4	-3.8	-3.1	-6	-9.3	-1.7	-4.7	-4.7	-4.7
1985-1986.....	-2	(NA)	2.1	3.3	-2.3	2.1	-1.2	(NA)	-3.9	-2.1	-2.1	-2.1

- Represents or tends to zero. NA Not available.
- Compensation excludes adjustments for payroll and employment taxes that are not compensation to employees, but are levied on employers. * Compensation includes, but rates do not include, compensation to employees, but are levied on employers.
- Index of hourly compensation divided by the index of consumer prices. * Index of hourly compensation divided by the index of consumer prices.
- Indexes in national currency adjusted for changes in prevailing exchange rates.

Source: U.S. Bureau of Labor Statistics, *Monthly Labor Review*, and *News Release* USDL 87-227, "International Comparison Manufacturing Productivity and Labor Cost Trends," June 15, 1987.

Manufacturing Productivity and Labor Cost Trends," June 15, 1987

National Data Book and
Guide to Sources

STATISTICAL ABSTRACT OF THE UNITED STATES 1988



108th Edition

U.S. Department
of Commerce

BUREAU OF
THE CENSUS

No. 1402. LABOR FORCE PARTICIPATION RATES, BY SEX, AND FEMALES AS PERCENT OF TOTAL LABOR FORCE—SELECTED COUNTRIES: 1970 TO 1986

COUNTRY	LABOR FORCE PARTICIPATION RATES ¹										FEMALES AS PERCENT OF TOTAL LABOR FORCE				
	Female					Male									
	1970	1980	1984	1985	1986	1970	1980	1984	1985	1986	1970	1980	1984	1985	1986
United States.....	50.4	61.3	64.3	65.5	66.5	90.1	87.8	87.0	87.1	87.2	36.7	41.9	43.1	43.5	43.8
Canada.....	41.1	57.8	62.0	63.2	64.3	87.1	87.5	85.9	86.2	86.5	32.2	40.0	42.2	42.6	42.9
France.....	47.5	52.5	56.1	56.4	57.2	86.9	83.4	78.6	78.7	78.2	36.6	40.1	42.0	42.2	42.7
Italy.....	29.1	39.2	40.3	40.6	42.0	82.0	81.2	78.0	77.7	77.7	27.1	33.4	34.8	35.1	35.8
Japan.....	55.4	54.9	57.2	57.2	57.4	89.4	89.0	88.4	87.8	87.5	39.3	38.7	39.6	39.7	39.8
Sweden.....	60.6	75.7	78.8	79.7	80.5	90.6	89.8	87.2	87.5	87.5	39.5	45.2	46.9	47.1	47.3
United Kingdom.....	53.5	61.7	62.2	62.9	63.5	96.1	91.5	87.8	87.8	87.3	36.2	40.3	41.4	41.7	42.0
West Germany.....	48.1	50.0	49.2	50.4	51.4	92.5	83.6	79.9	79.9	79.2	35.9	37.8	38.5	38.7	39.0

¹ Labor force of all ages as percent of population, 15-64 years old.

No. 1403. LABOR FORCE PARTICIPATION RATES, BY SEX AND AGE-GROUP—SELECTED COUNTRIES: 1980 AND 1986

[Participation rates represent percent of population of each specified group in labor force]

COUNTRY AND SEX	15-19 YEARS OLD		20-24 YEARS OLD		25-54 YEARS OLD		55-64 YEARS OLD		65 YEARS AND OVER	
	1980	1986	1980	1986	1980	1986	1980	1986	1980	1986
	1980	1986	1980	1986	1980	1986	1980	1986	1980	1986
United States: Total.....	56.5	54.9	77.5	79.0	78.4	81.7	55.1	53.8	11.9	10.3
Male.....	60.5	56.8	85.7	85.4	93.4	93.0	71.2	66.7	18.3	15.4
Female.....	52.4	52.9	69.1	72.5	63.8	70.6	41.0	42.0	7.6	6.9
Canada: Total.....	55.2	54.3	79.6	80.4	77.4	81.8	53.9	50.3	8.8	7.1
Male.....	58.1	55.9	86.2	84.5	94.8	93.9	76.2	68.5	14.7	11.8
Female.....	52.2	52.7	72.9	76.2	60.1	69.8	33.7	33.3	4.3	3.6
France: Total.....	22.0	15.2	73.7	70.8	79.8	83.2	53.4	39.8	5.0	3.2
Male.....	25.7	18.2	80.2	78.2	96.4	95.9	68.5	49.5	7.5	5.0
Female.....	18.3	12.1	67.5	65.5	63.0	70.5	39.7	30.9	3.3	2.0
Italy: Total.....	31.1	26.2	65.1	66.4	65.9	68.1	(NA)	(NA)	11.5	10.7
Male.....	33.0	27.6	72.5	71.9	93.1	91.5	(NA)	(NA)	19.3	18.3
Female.....	28.9	24.8	57.9	60.9	39.9	45.6	(NA)	(NA)	5.2	4.8
Japan: Total.....	17.9	17.6	69.8	72.2	76.8	78.7	63.1	62.7	26.3	23.7
Male.....	17.4	18.0	69.6	70.8	97.0	96.6	85.4	82.9	41.0	36.2
Female.....	18.5	17.2	70.0	73.7	56.7	60.8	45.3	44.7	15.5	15.2
Sweden: Total.....	55.5	45.0	83.1	81.1	89.3	92.6	66.8	68.3	8.7	6.8
Male.....	55.3	44.1	84.5	81.5	95.4	95.3	78.7	75.5	14.2	11.0
Female.....	55.8	46.0	81.6	80.7	82.9	89.8	55.3	61.4	3.7	3.2
United Kingdom: Total.....	74.4	72.4	77.1	77.0	79.5	80.7	59.4	50.4	6.2	4.6
Male.....	73.6	73.7	86.0	84.5	95.4	93.3	81.6	67.0	10.3	7.4
Female.....	75.3	71.1	68.8	69.2	63.4	68.0	39.1	35.0	3.6	2.7
West Germany: Total.....	43.9	42.9	73.8	73.4	74.0	74.7	42.8	37.0	4.5	3.1
Male.....	47.0	45.8	79.2	76.0	83.6	80.6	65.5	55.7	7.0	5.0
Female.....	40.5	39.7	68.0	70.5	53.6	57.8	27.2	22.1	3.1	2.1

NA Not available. ¹ Persons 16-19 years old. ² Persons 14-19 years old. ³ Persons 25-59 years old. ⁴ Persons 60 years old and over.

Source of tables 1402 and 1403: Organization for Economic Cooperation and Development, Paris, France, *Historical Statistics, 1960-1982, 1984*; and *Labour Force Statistics, annual*.

No. 1404. LABOR FORCE AND UNEMPLOYMENT—SELECTED COUNTRIES: 1970 TO 1986

[Data based on U.S. labor force definitions adopted in 1967 (see text, section 13) except that minimum age for population base varies as follows: United States, France, Sweden, and, beginning 1975, United Kingdom, 16 years; Australia, Canada, Japan, West Germany, and, for 1970, United Kingdom, 15 years; Italy, 14 years]

COUNTRY	CIVILIAN LABOR FORCE (millions)								PERCENT UNEMPLOYED							
	1970	1975	1980	1982	1983	1984	1985	1986	1970	1975	1980	1982	1983	1984	1985	1986
	1970	1975	1980	1982	1983	1984	1985	1986	1970	1975	1980	1982	1983	1984	1985	1986
United States.....	82.8	93.8	106.9	110.2	111.6	113.5	115.5	117.8	4.9	8.5	7.1	9.7	9.6	7.5	7.2	7.0
Australia.....	5.5	6.2	6.7	6.9	7.0	7.1	7.3	7.6	1.6	4.9	6.1	7.2	10.0	9.0	8.3	8.1
Canada.....	8.4	10.0	11.6	12.0	12.2	12.4	12.6	12.9	5.7	6.9	7.5	11.0	11.9	11.3	10.5	9.6
France.....	20.8	21.8	22.8	23.2	23.1	23.3	23.3	23.5	2.5	4.2	6.4	8.3	8.5	9.9	10.4	10.7
Italy.....	19.7	20.1	21.1	21.4	21.6	21.7	21.8	22.0	3.2	3.4	4.4	5.4	5.9	5.9	6.0	6.3
Japan.....	50.7	52.5	55.7	57.0	58.1	58.5	58.8	59.4	1.2	1.9	2.0	2.4	2.7	2.8	2.6	2.8
Sweden.....	3.9	4.1	4.3	4.4	4.4	4.4	4.4	4.4	1.5	1.6	2.0	3.1	3.5	3.1	2.8	2.7
United Kingdom.....	25.1	25.7	26.5	26.8	26.8	27.1	27.3	27.3	3.1	4.6	7.0	11.4	11.9	11.7	11.3	11.5
West Germany.....	26.2	26.1	26.5	26.7	26.7	26.9	27.1	27.3	.5	3.4	2.9	5.9	7.4	7.8	7.9	7.6

¹ Preliminary estimates based on incomplete data. ² Includes West Berlin.

Source: U.S. Bureau of Labor Statistics, *Handbook of Labor Statistics, periodic*, and *Monthly Labor Review*.

No. 1405. SELECTED INDEXES OF MANUFACTURING

[1977=100. Data relate to all employed persons (-) Indicates decrease. For explanation of symbols, see page 810.]

INDEX AND YEAR	Unit-States
Output per hour:	
1970.....	80.8
1975.....	92.9
1980.....	101.4
1985.....	121.7
1986.....	126.0
Average annual percent change:	
1970-1980.....	2.3
1980-1985.....	3.7
1985-1986.....	3.5
Compensation per hour, national currency basis:	
1970.....	57.4
1975.....	85.1
1980.....	132.4
1985.....	176.7
1986.....	181.9
Average annual percent change:	
1970-1980.....	8.7
1980-1985.....	5.9
1985-1986.....	2.9
Real hourly compensation:	
1970.....	89.6
1975.....	95.9
1980.....	97.4
1985.....	99.5
1986.....	100.5
Average annual percent change:	
1970-1980.....	.8
1980-1985.....	.4
1985-1986.....	1.0
Unit labor costs, national currency:	
1970.....	71.0
1975.....	91.7
1980.....	130.6
1985.....	145.1
1986.....	144.3
Average annual percent change:	
1970-1980.....	6.3
1980-1985.....	2.1
1985-1986.....	-6
Unit labor costs, U.S. dollar basis:	
1970.....	71.0
1975.....	91.7
1980.....	130.6
1985.....	145.1
1986.....	144.3
Average annual percent change:	
1970-1980.....	6.3
1980-1985.....	2.1
1985-1986.....	-6
Employment:	
1970.....	98.2
1975.....	93.0
1980.....	103.2
1985.....	98.3
1986.....	97.8
Average annual percent change:	
1970-1980.....	.5
1980-1985.....	-1.0
1985-1986.....	-5
Hours:	
1970.....	97.3
1975.....	91.4
1980.....	101.7
1985.....	98.9
1986.....	98.7
Average annual percent change:	
1970-1980.....	.4
1980-1985.....	-6
1985-1986.....	-2

- Represents or rounds to zero. NA Not compensation excludes, adjustments for payroll costs to employers. ³ Index of hourly comp purchasing power. ⁴ Indexes in national currency.

Source: U.S. Bureau of Labor Statistics, *Monthly Manufacturing Productivity and Labor Cost Trends*

When the Japanese bombed Pearl Harbor, December 7, 1941, there wasn't any doubt which branch of the service I'd join. My thoughts immediately turned to naval aviation. College was coming up the following fall, but that would have to wait. The sooner I could enlist, the better.

Six months later I got my diploma from Phillips Academy Andover. Secretary of War Henry Stimson came from Washington to deliver the commencement address. He told members of our graduating class the war would be a long one, and even though America needed fighting men, we'd serve our country better by getting more education before getting into uniform.

After the ceremony, in a crowded hallway outside the auditorium, my father had one last question about my future plans. Dad was an imposing presence, six feet four, with deep-set blue-gray eyes and a resonant voice.

"George," he said, "did the Secretary say anything to change your mind?"

"No, sir," I replied. "I'm going in."

Dad nodded and shook my hand.

On my eighteenth birthday, I went to Boston and was sworn into the Navy as a Seaman Second Class. Not long thereafter, I was on a railway coach headed south for Navy preflight training in North Carolina.

I'd joined up to fly, and like the piano student who didn't see why he couldn't begin his lessons playing *Rhapsody in Blue*, I was gung ho to strap on the leather helmet and goggles the day I arrived at Chapel Hill. Because of the pilot shortage, the Navy had trimmed its aviator training course to ten months, but there weren't any shortcuts. It would be months before I'd finally climb into a Stearman N-2S trainer—the Navy's "Yellow Peril," a two-cockpit, open-air special. Even then I got the impression that my instructor thought I was still too fuzz-faced to trust with an expensive piece of Navy equipment.

Looking through old scrapbooks at photos taken at the time, I can't say I blame him. I was younger than the other

trainees—the youngest aviator in the Navy when I got my wings. To make matters worse, I looked younger than I actually was—enough to make me self-conscious. When Barbara came to visit—she was on her way to school in South Carolina—I even asked her to stretch the calendar, add a few months to her age, and tell anybody who asked that she was eighteen, not seventeen.

We'd met six months before, at a Christmas dance. I'm not much at recalling what people wear, but that particular occasion stands out in my memory. The band was playing Glenn Miller tunes when I approached a friend from Rye, New York, Jack Wozencraft, to ask if he knew a girl across the dance floor, the one wearing the green-and-red holiday dress. He said she was Barbara Pierce, that she lived in Rye and went to school in South Carolina. Would I like an introduction? I told him that was the general idea, and he introduced us, just about the time the bandleader decided to change tempos, from fox trot to waltz. Since I didn't waltz, we sat the dance out. And several more after that, talking and getting to know each other.

It was a storybook meeting, though most couples that got serious about each other in those days could say the same about the first time they met. Young people in the late 1930s and early '40s were living with what modern psychologists call heightened awareness, on the edge. It was a time of uncertainty, when every evening brought dramatic radio newscasts—Edward R. Murrow from London, William L. Shirer from Berlin—reporting a war we knew was headed our way.

In the eight months that passed from that first meeting until her visit to Chapel Hill, Barbara and I had progressed from simply being "serious," to meeting and spending time with each other's families—a fairly important step for teenagers in those days. After I got my wings and went into advanced flight training, we took the next important step. In August of 1943, she joined the Bush summer convocation in Maine where, between boating and fishing excursions, we were secretly engaged. Secret, to the extent that the German and Japanese high commands weren't aware of it. That December we went public with our engagement, though we

knew that marriage was years away. My training days were drawing to a close at the Naval Air Station in Charlestown, Rhode Island. In the fall of 1943 I was assigned to VT-51, a torpedo squadron being readied for active duty in the Pacific.

Eight months after V-J Day, *Life* magazine ran a story, "Home to Chichi Jima," telling of the war-crimes trial of two Japanese officers charged with executing American fliers shot down over the Bonin Islands and "even more revolting, of practicing cannibalism on them."

I read the piece as a Yale freshman, not long out of the Navy. It brought back memories of the worst hours I spent during the war.

The date was September 2, 1944. It was the second day of concentrated air strikes on the Bonins by our squadron, VT-51, operating off the *San Jacinto*, one of eight fast carriers in Vice Admiral Marc Mitscher's Task Force 58. My aviator's log book for that day reads: *Crash Landing in Sea—Near Bonin Is.—Enemy action.*

Under the column for *Passengers* were the names *Delaney* and *Lt. (jg) White*. Jack Delaney was the young radio-man/tail gunner on my Grumman Avenger torpedo bomber. William G. (Ted) White was the squadron's gunnery officer, filling in that day for Leo Nadeau, our regular turret gunner.

VT-51 had an air complement of twenty-six F6F Hellcats and nine TBM Avengers. The quick, mobile Hellcat fighter kept the skies clear of enemy aircraft. The Avenger had earned a reputation as the biggest, best single-engine bomber around, used for torpedo runs, glide bombing, antisub patrols, and providing air cover during amphibious landings. The TBM carried a three-man crew—aviator, turret gunner, and radioman/tail gunner, or "stinger," along with a 2,000-pound bomb payload.

The target for that day was a radio communications center on Chichi Jima, one of three islands in the Bonin chain. The others were Haha Jima and the best-remembered

Pacific island of World War Two, Iwo Jima. The day before, Delaney, Nadeau, and I had flown a mission targeting gun emplacements on Chichi. We knocked some out, but not enough. The Japanese who were dug in on the island still had a potent antiaircraft reserve.

Delaney, Nadeau, and I had been together since VT-51 was first attached to the *San Jacinto*, back in the States.

We'd flown missions over Wake Island, Palau, Guam, and Saipan, and survived a fair number of close calls, including a ditching operation when our plane sprang a leak while still carrying four depth charges intended for enemy subs. How do you put a TBM Avenger into the water with four 500-pound bombs in its belly? Very carefully, with adrenaline running, a prayer on your lips, and your fingers crossed.

In flight training at Corpus Christi and along the East Coast, we were taught to gauge wind velocity and the height of waves. Given winds at about fifteen knots and a fair chop on the sea, I trimmed the nose of the plane as high as possible without risking a stall. We landed tailfirst and were able to scramble onto the wing, inflate our safety raft, and start paddling, just as the plane went down.

We felt lucky. Within seconds we felt even luckier, when the plane's torpedoes detonated after their safety devices gave way to undersea pressure. Then, about thirty minutes later, came a happy ending: the destroyer U.S.S. *Bronson* sighted our raft and picked us up.

Like most TBM Avenger pilots, I liked the teamwork and camaraderie that went with being part of a three-man crew. I became attached to my plane, nicknaming it "Barbara."

The TBM Avenger wasn't fast—the unofficial Navy line described it as "low and slow." As Leo Nadeau once put it, the TBM "could fall faster than it could fly." Cruising speed was about 140 knots, brought down to less than 95 knots for a carrier landing. But it was sturdy and stable. Sturdy and stable enough to allow for pilot error on even a

cue, I wrote a letter, later mailed to my parents, that described my feelings at the time:

"I try to think about it as little as possible," I said, "yet I cannot get the thought of those two out of my mind. Oh, I'm O.K.—I want to fly again and I won't be scared of it, but I know I won't be able to shake the memory of this incident and I don't believe I want to completely."

Then there were the better moments spent standing watch on the tower during the midnight to four A.M. shift, when the *Finback* ran on the surface to recharge its batteries. The sub moved like a porpoise, water lapping over its bow, the sea changing colors, first jet black, then sparkling white. It reminded me of home and our family vacations in Maine. The nights were clear and the stars so bright you felt you could touch them. It was hypnotic. There was peace, calm, beauty—God's therapy.

I still don't understand the "logic" of war—why some survive and others are lost in their prime. But that month on the *Finback* gave me time to reflect, to go deep inside myself and search for answers. As you grow older and try to retrace the steps that made you the person you are, the signposts to look for are those special times of insight, even awakening. I remember my days and nights aboard the U.S.S. *Finback* as one of those times—maybe the most important of them all.

I rejoined the *San Jacinto* and VT-51 exactly eight weeks after being shot down, in time to take part in strikes against enemy positions and shipping in the Philippines. In October 1944 American troops had landed at Leyte; in November our squadron was in action at Manila Bay and in the Luzon area. We also got news that over one hundred B-29s, taking off from Saipan, had bombed Tokyo. Three years after it had begun, the war in the Pacific was coming full circle, a noose tightening around the Japanese home islands.

In December VT-51 was replaced by a new squadron, and after flying fifty-eight combat missions I was ordered home. No reunion could have been scripted more perfectly.

I arrived Christmas Eve. There were tears, laughs, hugs, joy, the love and warmth of family in a holiday setting.

Barbara and I were married two weeks later, January 6, 1945, at the First Presbyterian Church in her hometown, Rye, New York, with a close friend from VT-51, Milt Moore, as a member of the wedding party.

A few months later I was reassigned to VT-153, a Navy torpedo bomber group being readied for the invasion of Japan. Everything I'd experienced in my year and a half of combat in the Pacific told me it was going to be the bloodiest, most prolonged battle of the war. Japan's war leaders were unfazed by massive raids on Tokyo. They seemed bent on national suicide, regardless of the cost in human life.

Now, years later, whenever I hear anyone criticize President Truman's decision to drop the atomic bomb on Hiroshima and Nagasaki, I wonder whether the critic remembers those days and has really considered the alternative: millions of fighting men killed on both sides, possibly tens of millions of Japanese civilians. Harry Truman's decision wasn't just courageous, it was far-sighted. He spared the world and the Japanese people an unimaginable holocaust.

I was stationed at Oceana Naval Air Station, Virginia, on the mid-August day when the President announced that the Japanese had sued for peace. Barbara and I were living in Virginia Beach. The announcement came at seven P.M. Within minutes our neighborhood streets were filled with sailors, aviators, their wives and families celebrating late into the night. We joined in the celebration, then, before going home, went to a nearby church filled with others giving thanks and remembering those lost in the war. After four years it was finally over.

We were still young, life lay ahead of us, and the world was at peace. It was the best of times.

YALE'S HITTING BIG FACTOR IN TEAM'S DIAMOND SUCCESS

The ability of the Yale Baseball team to back up some mighty impressive pitching on the part of

ahead. But Eugene Meyer never looked back. We had other oil-business dealings over the years, most of them profitable, all enjoyable.

Excerpt, letter from John Overbey, 1986

Bush-Overbey rocked along and made a few good deals and a few bad ones, but somehow managed to stay in the black the entire three years of its existence. The Scurry County boom began to fade in 1951-52, but was replaced by the Spraberry boom. We were active in the Spraberry boom, and I remember one trade in particular you made for a piece of property there.

You telephoned an absentee owner who lived in East Texas, and after much haggling settled on buying part of his Reagan County royalty for \$150 an acre. After you both agreed, you suggested an exchange of telegrams to verify the deal in writing. The East Texas seller demurred, saying a deal was a deal and "My word is my bond."

You, having been indoctrinated in the oil patch myth that a handshake was all the contract you needed, agreed to forego the exchange of telegrams and sent him a deed and a draft in the mail. Ten days passed and you didn't hear from the guy, so you called him again. Yes, he said, he'd received your deed and draft but sold the property to Nash Dowdle instead, for \$151.50 an acre. Apparently his "bond" was worth \$1.50 an acre.

According to the recent news, our friend Hugh Liedtke is still making oil deals on a handshake; but he seems to make them a bit more profitable.

Bill and Hugh Liedtke still had their licenses to practice law, but their law books, except for the ones on leases and mineral rights, were gathering dust. The Liedtkes had long since abandoned the courthouse for the oil fields, as independent oil operators with offices next door to Bush-Overbey. Then, in 1953, Bill and Hugh suggested we join

forces: they'd raise \$500,000, Bush-Overbey would raise \$500,000, and the two companies would be rolled into one entity. We'd buy producing properties on the oil-payment plan, with the \$1 million for equity.

Agreed. Now, what would we call our new company? Late one night, Hugh and I were going over possible names. We wanted something that would attract attention, a company name that would "stand out," as Hugh said, "when somebody opens the phone book."

Deep-voiced, with a pronounced Oklahoma drawl, Hugh was impressive even in his younger days, before he became "Mr. Pennzoil," a legend in the U.S. domestic oil industry.

"It ought to start with either an A or a Z," he said, "so it comes either first or last in the pages under 'Independent Oil Operators.'" Nothing in between that could be lost in the shuffle—that was Hugh's m.o. right from the start.

The movie *Viva Zapata!*, starring Marlon Brando, was playing in downtown Midland. It was the story of Emiliano Zapata, the Mexican rebel leader who led a revolt for land reform in the early 1900s under the slogan "Tierra y Libertad"—"Land and Liberty." We couldn't afford a public-relations counsel, but if we had one he would have told us that was exactly the corporate image we were looking for.

And that's the way Zapata Petroleum was born. The following year it would spin off Zapata Off-Shore, and in time, under Hugh Liedtke's imaginative management, merge into Pennzoil.

Zapata: There was a winning chemistry about the company. We could sense it.

I was at the Ector County courthouse, twenty miles from Midland, checking land records, when Barbara called. She said Dr. Wyvell wanted to see us, right away. Dorothy Wyvell was the children's doctor. In a town the size of Midland, more than a doctor, she was a warm, personal friend.

When we went into the doctor's office and sat down, all I knew was that Robin had been in for a checkup because she'd been acting listless. But I knew something was seri-

I'm a good listener. That's not a boast, it's something I learned about myself at a young age. It was reinforced after I came to Washington. Like most people in politics, I like to hear myself talk, but I like getting another point of view, especially when it comes from a keen analytical or innovative mind.

Bill Steiger had that kind of mind. At twenty-eight, Bill was one of the youngest members of Congress, but he had a razor-sharp intelligence that cut through to the core of things and the intellectual honesty to follow wherever logic led him—even if it ran counter to whatever cant or conventional wisdom was going the Washington rounds.*

Bill and Janet Steiger, along with Supreme Court Justice Potter Stewart and his wife, Mary Ann, were regulars at the informal Sunday barbecues Barbara and I had on the patio of our home on Hillbrook Lane in northwest Washington. We'd bought the place sight unseen, over the telephone, from retiring Senator Milward Simpson (current Senator Alan Simpson's father). Old Milward was a good trader. We sold the house in less than two years at a loss—possibly the only people to achieve that distinction in Washington's booming real-estate market.

We then moved to Palisade Lane, an ideal home and location for our family needs. It was comfortable, and convenient to the kids' schools.

The barbecues were one way Barbara and I had of holding onto the lifestyle we—and our children—knew back in Houston. George was twenty, but the other kids were still in various stages of preadolescence; Jeb was thirteen; Neil had just turned twelve; Marvin was ten; and our youngest, Doro, was seven.

Barbara was the mainstay, of course, the parent who was always there to help solve the daily problems and emergencies of teen and preteen life. But it was understood at my

* Bill Steiger seemed destined for leadership in Congress and the national scene, but his life was tragically cut short by illness on December 4, 1978. I am godfather to his son, Bill, Jr., who at a young age shows the same qualities of mind and spirit his father had.

office—and still is—that when any of the kids called, no matter what I was doing, they should be put through. On weekends we worked things out so that I'd be able to get together with them individually.

These were the most important hours I spent during the week. Life in Washington can put tremendous pressure on even a freshman congressman's family. It can be a trap. You go into public life hoping to secure the future for your children and the next generation. Then somewhere along the way, unless you're careful, you can overlook the fact that your first responsibility as a parent is to be there *now*, when your kids need you, while they're growing. Barbara and I were determined when we moved to Washington that we weren't going to forget our number one priority as parents.

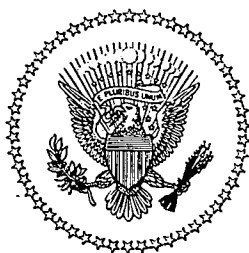
A congressman is only as good as his staff, and in addition to bringing my Texas team, including Jim Allison, Pete Roussel, and Aleene Smith to Washington, one of my smartest moves after being elected to Congress was in hiring Rose Zamaria to manage my office in the Longworth Building. Rose had worked for Albert Thomas, a retired senior Texas congressman from Houston. She not only knew my constituency but understood the way things operated on Capitol Hill—the mechanics and nuances (some might say tribal customs) that make Congress a unique institution.

Was I looking for cosponsors to a resolution? "Talk to Congressman A," Rose would advise, "he's always been interested in that issue. But don't bother taking it up with Congressman B, because if it doesn't have anything to do with his district he's not interested. And when you talk to Congressman C about it, don't mention Congressman D's name, because they just had it out at a closed committee hearing and won't even agree on the day of the month."

Rose also had great sensitivity about doing the right thing at the right time. The best example of this came on Inauguration Day, January 20, 1969. Thanks in large part to the efficient way my office staff took care of constituent needs, I'd been re-elected without opposition. A special

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can be tapped safely, as with much of the Alaska National Wildlife Refuge, we should proceed. But we must use caution. We must respect the environment. And so, tonight I'm calling for the indefinite postponement of three lease sales which have raised troubling questions, two off the coast of California and one which could threaten the Everglades in Florida. Action on these three lease sales will await the conclusion of a special task force set up to measure the potential for environmental damage.

I'm directing the Attorney General and the Administrator of the Environmental Protection Agency to use every tool at their disposal to speed and toughen the enforcement of our laws against toxic waste dumpers. I want faster cleanups and tougher enforcement of penalties against polluters.

In addition to caring for our future, we must care for those around us. A decent society shows compassion for the young, the elderly, the vulnerable, and the poor. Our first obligation is to the most vulnerable—infants, poor mothers, children living in poverty—and my proposed budget recognizes this. I ask for full funding of Medicaid, an increase of over \$3 billion, and an expansion of the program to include coverage of pregnant women who are near the poverty line. I believe we should help working families cope with the burden of child care. Our help should be aimed at those who need it most: low-income families with young children. I support a new child care tax credit that will aim our efforts at exactly those families, without discriminating against mothers who choose to stay at home.

Now, I know there are competing proposals. But remember this: The overwhelming majority of all preschool child care is now provided by relatives and neighbors and churches and community groups. Families who choose these options should remain eligible for help. Parents should have choice. And for those children who are unwanted or abused or whose parents are deceased, we should encourage adoption. I propose to reenact the tax deduction for adoption expenses and to double it to \$3,000. Let's make it easier for these kids to have parents who love them.

We have a moral contract with our senior citizens. And in this budget, Social Security is fully funded, including a full cost-of-living adjustment. We must honor our contract.

We must care about those in the shadow of life, and I, like many Americans, am deeply troubled by the plight of the homeless. The causes of homelessness are many; the history is long. But the moral imperative to act is clear. Thanks to the deep well of generosity in this great land, many organizations already contribute. But we in government cannot stand on the sidelines. In my budget, I ask for greater support for emergency food and shelter, for health services and measures to prevent substance abuse, and for clinics for the mentally ill. And I propose a new initiative involving the full range of government agencies. We must confront this national shame.

There's another issue that I've decided to mention here tonight. I've long believed that the people of Puerto Rico should have the right to determine their own political future. Personally, I strongly favor statehood. But I urge the Congress to take the necessary steps to allow the people to decide in a referendum.

Certain problems, the result of decades of unwise practices, threaten the health and security of our people. Left unattended, they will only get worse. But we can act now to put them behind us.

Earlier this week, I announced my support for a plan to restore the financial and moral integrity of our savings system. I ask Congress to enact our reform proposals within 45 days. We must not let this situation fester. We owe it to the savers in this country to solve this problem. Certainly, the savings of Americans must remain secure. Let me be clear. Insured depositors will continue to be fully protected. But any plan to refinance the system must be accompanied by major reform. Our proposals will prevent such a crisis from recurring. The best answer is to make sure that a mess like this will never happen again. The majority of thrifts in communities across the Nation have been honest. They've played a major role in helping families achieve the dream of home ownership. But make no mistake, those who are corrupt, those who break the law, must be kicked out of the business; and they should go to jail.

We face a massive task in cleaning up the waste left from decades of environmental neglect at America's nuclear weapons plants. Clearly, we must modernize these plants and operate them safely. That's not at issue; our national security depends on it. But beyond that, we must clean up the old mess that's been left behind. And I propose in this budget to more than double our current effort to do so. This will allow us to identify the exact nature of the various problems so we can clean them up, and clean them up we will.

We've been fortunate during these past 8 years. America is a stronger nation than it was in 1980. Morale in our Armed Forces has been restored. Our resolve has been shown. Our readiness has been improved. And we are at peace. There can no longer be any doubt that peace has been made more secure through strength. And when America is stronger, the world is safer.

Most people don't realize that after the successful restoration of our strength, the Pentagon budget has actually been reduced in real terms for each of the last 4 years. We cannot tolerate continued real reduction in defense. In light of the compelling need to reduce the deficit, however, I support a 1-year freeze in the military budget, something I proposed last fall in my flexible freeze plan. And this freeze will apply for only 1 year, and after that, increases above inflation will be required. I will not sacrifice American preparedness, and I will not compromise American strength.

I should be clear on the conditions attached to my recommendation for the coming year: The savings must be allocated to those priorities for investing in our future that I've spoken about tonight. This defense freeze must be a part of a comprehensive budget agreement which meets the targets spelled out in Gramm-Rudman-Hollings law without raising taxes and which incorporates reforms in the budget process.

I've directed the National Security Council to review our national security and defense policies and report back to me within 90 days to ensure that our capabilities and resources meet our commitments and strategies. I'm also charging the Department of Defense with the task of developing a plan to improve the defense procurement proc-

ess and management of the Pentagon, one which will fully implement the Packard commission report. Many of these changes can only be made with the participation of the Congress, and so, I ask for your help.

We need fewer regulations. We need less bureaucracy. We need multiyear procurement and 2-year budgeting. And frankly—and don't take this wrong—we need less congressional micromanagement of our nation's military policy. I detect a slight division on that question, but nevertheless—[laughter].

Securing a more peaceful world is perhaps the most important priority I'd like to address tonight. You know, we meet at a time of extraordinary hope. Never before in this century have our values of freedom, democracy, and economic opportunity been such a powerful and intellectual force around the globe. Never before has our leadership been so crucial, because while America has its eyes on the future, the world has its eyes on America.

And it's a time of great change in the world, and especially in the Soviet Union. Prudence and common sense dictate that we try to understand the full meaning of the change going on there, review our policies, and then proceed with caution. But I've personally assured General Secretary Gorbachev that at the conclusion of such a review we will be ready to move forward. We will not miss any opportunity to work for peace. The fundamental facts remain that the Soviets retain a very powerful military machine in the service of objectives which are still too often in conflict with ours. So, let us take the new openness seriously. But let's also be realistic. And let's always be strong.

There are some pressing issues we must address. I will vigorously pursue the Strategic Defense Initiative. The spread and even use of sophisticated weaponry threatens global security as never before. Chemical weapons must be banned from the face of the Earth, never to be used again. And look, this won't be easy. Verification—extraordinarily difficult. But civilization and human decency demand that we try. And

day against the proliferation of nuclear weapons.

And around the globe, we must continue to be freedom's best friend. And we must stand firm for self-determination and democracy in Central America, including in Nicaragua. It is my strongly held conviction that when people are given the chance they inevitably will choose a free press, freedom of worship, and certifiably free and fair elections.

We must strengthen the alliance of the industrial democracies, as solid a force for peace as the world has ever known. And this is an alliance forged by the power of our ideals, not the pettiness of our differences. So, let's lift our sights to rise above fighting about beef hormones, to building a better future, to move from protectionism to progress.

I've asked the Secretary of State to visit Europe next week and to consult with our allies on the wide range of challenges and opportunities we face together, including East-West relations. And I look forward to meeting with our NATO partners in the near future.

And I, too, shall begin a trip shortly to the far reaches of the Pacific Basin, where the winds of democracy are creating new hope and the power of free markets is unleashing a new force.

When I served as our representative in China 14 or 15 years ago, few would have predicted the scope of the changes we've witnessed since then. But in preparing for this trip, I was struck by something I came across from a Chinese writer. He was speaking of his country, decades ago, but his words speak to each of us in America tonight. "Today," he said, "we're afraid of the simple words like 'goodness' and 'mercy' and 'kindness.'" My friends, if we're to succeed as a nation, we must rediscover those words.

In just 3 days, we mark the birthday of Abraham Lincoln, the man who saved our Union and gave new meaning to the word "opportunity." Lincoln once said: "I hold that while man exists, it is his duty to im-

Americans, because the definition of a successful life must include serving others.

And to the young people of America, who sometimes feel left out, I ask you tonight to give us the benefit of your talent and energy through a new program called YEF for Youth Entering Service to America.

To those men and women in business, remember the ultimate end of your work to make a better product, to create better lives. I ask you to plan for the longer term and avoid that temptation of quick and easy paper profits.

To the brave men and women who wear the uniform of the United States of America, Thank you. Your calling is a high one to be the defenders of freedom and the guarantors of liberty. And I want you to know that this nation is grateful for your service.

To the farmers of America, we appreciate the bounty you provide. We will work with you to open foreign markets to American agricultural products.

And to the parents of America, I ask you to get involved in your child's schooling. Check on the homework. Go to the school to meet the teachers, care about what is happening there. It's not only your child's future on the line, it's America's.

To kids in our cities, don't give up hope. Say no to drugs. Stay in school. And, yes: "Keep hope alive."

To those 37 million Americans with some form of disability, you belong in the economic mainstream. We need your talents in America's work force. Disabled Americans must become full partners in America's opportunity society.

To the families of America watching to night in your living rooms, hold fast to your dreams because ultimately America's future rests in your hands.

And to my friends in this Chamber, I ask your cooperation to keep America growing while cutting the deficit. That's only fair to those who now have no vote: the generations to come. Let them look back and say that we had the foresight to understand that a time of peace and prosperity is not the time to rest but a time to press forward

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Chairman of the Fed, for whom we all have great respect. And maybe we'll get into a fight down the road. But I don't think it's at hand, and I don't think Greenspan and I are far apart. And I think he would also confirm that.

NATO Unity

Q. Mr. President, West Germany wants to postpone the modernization of the shorter range missiles. Obviously, this is not the American position. They want also to open negotiations with the Soviets on that. How do you respond to that? If you don't agree with that, are you concerned by the unity of NATO on that?

The President. I would respond to it this way: The Secretary of State is talking to all the NATO leaders; he'll be back in town over this weekend. I will sit down here in this chair and talk to him about what he has found. In the meantime, I am inclined to feel that we are far closer to West Germany than the public perceptions might be. And I have been in touch with Helmut Kohl [Chancellor, Federal Republic of Germany], and there have been opportunities for him to express to me inordinate concerns on this question. And other German leaders have been here recently, and the Secretary of State's been there. So, I would use this opportunity to shoot down the concept that there are major divisions between ourselves and the Federal Republic on this question.

But I'm not worried about NATO unity. You always worry that you have your act totally together, and that's one of the reasons I wanted these early consultations. And then, I think now, as a result of our Secretary of State's wonderful trip over there—and I say wonderful because he's touched a lot of bases and the cables are most encouraging along the lines of NATO unity—that having said that, that the mood is pretty good. I don't worry too much about divisions in NATO, and I do then feel that we will be in a position with a united NATO to move forward in consultation with the Soviet Union. That's the next step, and we have certain leadership responsibilities that all of us here are prepared to accept in that regard.

Q. One last question—

The President. Ann [Ann McDaniel, Newsweek], and then Brit. And then I'll quit.

The Oliver North Trial

Q. It appears that the Oliver North trial will go forward next week now. Are you aware of secrets so damaging to our national security that might come out in that trial that would be so damaging that you would ask the Attorney General [Richard L. Thornburgh] to halt the prosecution?

The President. I think the Attorney General knows everything I know, and I think he's handled it very well.

Q. Are you concerned about the trial going forward? Do you think national security can be—

The President. Not under the existing agreements.

Q. Do you think the trial—

The President. I think Dick Thornburgh took a very difficult question and balanced interests and has worked out an agreement that hopefully is workable. But we'll see because there are legitimate national security interests that he is obliged to protect. And he understands this, but he also understands that the judicial system should be operative and the trial should go forward. And I think we'll just say that all parties have worked towards that end, and it looks like agreement has been reached.

Yes, last one—Brit?

The President's Budget Proposal

Q. Some congressional Democrats are now saying, sir, that you have outlined and gotten some considerable credit for a lot of spending increases while leaving open the question of where cuts would be made, particularly in an area where a kind of net freeze is being asked for. And they are saying that you really have been vague and have left it to them to do the dirty work. How do you react to that?

The President. Slowly—[laughter]—and very carefully. I don't think that is the informed opinion of the key leaders in Congress today. And the reason I say that is I think that Dick Darman [Chairman, Office of Management and Budget] and Nick Brady [Secretary of the Treasury] and our Chief of Staff, John Sununu, have all done a good job in not only presenting broad pa-

rameters to into a consi them. And I a lot of negc get all the T But I don't monly held said it was t Democratic the Republic efforts to b there's no v

But havin more detail and ironed them to sati what they w And so, I'm getting toge down the rc chance to c way, it woul cuss it. So, it would, and reception.

I said ahe everybody say this was bread. But f to point ou look given have genera ervations or crats, thoug much, have and some pe And so, I've tion to that, reception of

Both of tl won't say hu had to acco We've got a savings and budget proj everybody's way, with a gested is pe food for th branch to b we go into want.

And it get omy. It's im

rameters to the Congress but have gone into a considerable amount of detail with them. And I would readily say, Yes, there's a lot of negotiation that needs to be done to get all the T's crossed and every I's dotted. But I don't think, Brit, that that's a commonly held view of the leadership. But if I said it was the commonly held view of the Democratic leadership—I know it's not of the Republican—then we will redouble our efforts to be sure they understand that there's no validity to that.

But having said that, yes, there's a lot more detail that has to be hammered out and ironed out, and we will work with them to satisfy their interest and to find out what they want to do. It's a two-way street. And so, I'm going to start working here, getting together meetings with the leaders down the road fairly soon, and we'll have a chance to explore that. If some feel that way, it would be a good opportunity to discuss it. So, it's going better than I thought it would, and I'm pleased generally with the reception.

I said ahead of time that I didn't expect everybody would jump up and down and say this was the greatest thing since sliced bread. But for the most part, I think it's fair to point out there has been a responsible look given this budget. The Republicans have generally been enthusiastic, some reservations on the part of some. The Democrats, though not endorsing it quite as much, have seen some positive direction and some positive objectives in that budget. And so, I've been pleased with the reception to that, and I've been pleased with the reception of the savings and loan.

Both of these two were major, major—I won't say hurdles—but major things that we had to accomplish, and I think we have. We've got a good proposal out there on the savings and loan, and we've got a sound budget proposal that is not meeting with everybody's acceptance and—or put it this way, with anybody saying what we've suggested is perfect. But there's enough solid food for thought there for the executive branch to be in a very sound position when we go into an open negotiation that we want.

And it gets right back to the overall economy. It's important that we go forward and

go forward soon. And so much of the economy today is on perception as opposed to reality. This recovery is real. Business is good. The insured deposits of depositors in savings and loan and banks are solid. Dollar good, strong. But there are some perceptions out there that can best be turned around by a quick, or relatively quick, resolution of the budget question. It's the firm projecting down of the deficit that will result in lower interest rates which will guarantee continuation of this, the longest expansion in our history, and continue expansion at lower rates of interest.

So, I'm not euphorically optimistic. I'm certainly not pessimistic. And I think we're off to a pretty good start. And I credit not just the Republican leaders on the Hill but the spirit that the Democratic leaders have demonstrated. And I've been very pleased with it. And I've had an opportunity to tell them that.

Gun Control

Q. Mr. President, even though there's been a cutoff, there is something called guns that is so rampant in this country—

The President. Helen, it's been a great pleasure. The last question—

Q. Why won't you answer the question, because this is one of the most clearly—

Mr. Fitzwater. Thank you.

The President. What was your question?

Q. The question is: Are you going to exert any leadership in trying to forestall these—

The President. Do you know that there are laws on the book outlining the import of AK-47's—automatic—

Q. No, I didn't.

The President. Well, see, there's a fact. So, where does that lead you? You already had laws that prohibit the import of fully automated AK-47's. That law's on the books. So, are we talking about law enforcement? Are we talking about—

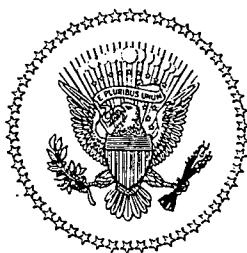
Q. We're talking about semi-automatic AK-47's, sir. We're talking about semi-automatic guns.

The President. What do you mean by semi?

Q. I mean no cocking, pull the trigger, the gun fires each time I pull the trigger.

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integrity, and he got things done. And it is with the high hopes borne of that experience that we in Illinois now proudly give him to the Nation. Ladies and gentlemen, the Secretary of Transportation.

Secretary of Transportation Skinner. Thank you, Mr. President, for your kind words and for making me part of your team. I want to personally acknowledge all my friends here, especially Barbara Bush, my good friend for many years; my family, my mother and my brother; the Governor; my good friend Judge Flaum; and all of you. I wouldn't be here if it weren't for your efforts, and I know it.

Mr. President, the Department of Transportation's team is, in fact, made up of many members. Each one plays an important role. I have asked some of these outstanding members of that team to join us, from each of our units, and I would like to introduce them to you now. They're on the left. And maybe to break a little protocol here, they can—which I think I'm allowed to do, at least at my swearing-in ceremony—I'm going to ask them to stand forward a little bit. Maybe, Mr. President, you could shake their hands.

Muriel Clarke. Muriel is the financial specialist for the Urban Mass Transportation Administration's New York Regional Office. She has won many awards for her performance in government and has been involved in voluntary community efforts for over 40 years.

Frank J. Mammano, a 29-year veteran in the Federal Highway Administration, has been a leader in the development of Pathfinder, a cooperative effort by the Federal Highway Administration, the California Department of Transportation, and General Motors that applies advanced technology to solve metropolitan area congestion problems.

Romell Cooks of the National Highway Traffic Safety Administration has energized a network of health professionals to act as allies with government in the safety belt usage and anti-drunk-driving campaigns.

Barbara Schroeder, one of the two female wage-grade employees at the St. Lawrence Seaway Development Corporation. In a

she gives freely of her time to numerous volunteer efforts.

Donald Simonds of the FAA [Federal Aviation Administration] is a full-performance-level air traffic controller and has been actively involved in the recruitment of minority candidates for that critical job.

Anthony A. Schiavone, Superintendent of the James River Reserve Fleet at the Maritime Administration, maintains custody of approximately 125 oceangoing merchant-type vessels that are on ready reserve for national defense purposes.

Susan Hedgepeth, Chief of the Exemption Branch in the Office of Hazardous Materials Transportation, develops special requirements for the transportation of hazardous materials.

Sondra F. Talbert, of the Federal Railroad Administration, moved into the Department's Upward Mobility Training Program in 1975 and is the first female inspector at the Interstate Commerce Commission in the Federal Railroad Administration.

United States Coast Guard Petty Officer Kelly M. Mogk, was recently awarded the Coast Guard Air Medal for heroic achievement in aerial flight while serving as a helicopter rescue swimmer on January 2, 1989.

Let's give these outstanding employees a round of applause. [Applause]

Mr. President, these individuals' achievements reflect the spirit of this Department. They are our unsung heroes, the dedicated public servants who serve the American traveler, the pilot, the truck driver, the boater, and the commuter.

The Department's team faces many challenges. We must be in the forefront in the fight against terrorism. We must do everything we can to stop the flow of drugs into this country. We must keep our aviation system both safe and competitive. And we must maintain our significant and important presence in the maritime industry. We must also continue to build and maintain our infrastructure. And I want to acknowledge—as I look on the next step—are Congressman Martin, are Congressman Mineta, Congressman Coughlin. We must work with Congress, and I will work with Congress to develop a visionary and comprehensive transportation policy for the 21st century, a

only and also for our defense.

These goals cannot be achieved without the energy and commitment of thousands of team players like those you have met today. I know already from my brief introduction to this Department that this team is ready, willing, and able to do this important job. The American people have selected you as their President, and you have asked me to be your wing man. I am humbled by your offer. I accept, and I am ready to roll up my sleeves and get the job done.

Thank you very much.

Note: The President spoke at 2:42 p.m. in the Federal Aviation Administration auditorium. Secretary Skinner was sworn in by U.S. District Judge Joel M. Flaum.

The President's News Conference February 6, 1989

Savings and Loan Crisis

The President. Well, for the more than half a century, the U.S. has operated a deposit insurance program that provides direct government protection to the savings of our citizens. This program has enabled tens of millions of Americans to save with confidence. In all the time since creation of the deposit insurance, savers have not lost \$1 of insured deposits, and I am determined that they never will.

Deposit insurance has always been intended to be self-funded. And this means that the banks, the savings and loans, and credit unions that are insured pay a small amount of their assets each year into a fund that's used to protect depositors. In every case, these funds are spent to protect the depositors, not the institutions that fail.

For the last 20 years, conditions in our financial markets have grown steadily more complex, and a portion of the savings and loan industry has encountered steadily growing problems. These financial difficulties have led to a continuous erosion of the strength of the Federal Savings and Loan Insurance Corporation, FSLIC. Economic conditions have played a major role in this

situation. However, unconscionable risktaking, fraud, and outright criminality have also been factors. Because of the accumulation of losses at hundreds of these thrift institutions, additional resources must be devoted to cleaning up this problem. We intend to restore our entire deposit insurance system to complete health.

While the issues are complex and the difficulties manifold, we will make the hard choices, not run from them. We will see that the guarantee to depositors is forever honored. And we will see to it that the system is reformed comprehensively so that the situation is not repeated again. To do this, I am today announcing a comprehensive and wide-ranging set of proposals. The Secretary of the Treasury, Nicholas Brady, will describe these proposals to you in detail in a few minutes. However, I think it's important to summarize some of the major points.

The proposals include four major elements. First, currently insolvent savings institutions will be placed under the joint management of the FDIC [Federal Deposit Insurance Corporation] and FSLIC pursuant to existing law. This will enable us to control future risktaking and to begin reducing ongoing losses. Second, the regulatory mechanism will be substantially overhauled to enable it to more effectively limit risktaking. The FDIC would become the insurance agency for both banks and thrifts under this system, although there's no commingling of funds. The insurer will have the authority to set minimum standards for capital and accounting. Uniform disclosure standards will also be implemented. The chartering agency for thrifts would come under the general oversight of the Secretary of the Treasury. Third, we will create a financing corporation to issue \$50 billion in bonds to finance the cost of resolving failed institutions, which will supplement approximately \$40 billion that has already been spent. All of the principal of these bonds and a portion of the interest on them will be paid from industry sources. However, the balance would be paid from on-budget outlays of general revenues. Hopefully, some of these revenues will be recovered in the future through sale of assets and recovery of funds from the wrongdoers. Fourth, we plan to increase the budget of the Jus-

tice Department by approximately \$50 million to enable it to create a nationwide program to seek out and punish those that have committed wrongdoing in the management of these failed institutions. These funds will result in almost doubling the personnel devoted to the apprehension and prosecution of individuals committing fraud in our financial markets.

As you can see, these proposals are based upon several overriding principles. First, I will not support any new fee on depositors. Second, we should preserve the overall Federal budget structure and not allow the misdeeds and the wrongdoings of savings and loan executives and the inadequacy of their regulation to significantly alter our overall budget priorities. And third, I have concluded that this proposal, if promptly enacted, will enable our system to prevent any repetition of this situation. And fourth, I have decided to attack this problem head-on with every available resource of our government because it is a national problem. I have directed that the combined resources of our Federal agencies be brought together in a team effort to resolve the problem. And fifth, I believe that banks and thrifts should pay the real cost of providing the deposit insurance protection. The price the FDIC charges banks for their insurance has not been increased since 1935. We propose to increase the bank insurance premium by less than 7 cents per \$100 of insurance protection that they receive. Every penny collected would be used to strengthen the FDIC so that the taxpayers will not be called on to rescue it a few years from now.

And I make you a solemn pledge that we will make every effort to recover assets diverted from these institutions and to place behind bars those who have caused losses through criminal behavior. Let those who would take advantage of the public trust and put at risk the savings of American families anticipate that we will seek them out, pursue them, and demand the most severe penalties.

In closing, I want to just say a word to the small savers of America. Across this great land, families and individuals work and save, and we hope to encourage even greater rates of savings to promote a brighter future for our children. Your government

has stood behind deposits before, at all times a deposit will be credit of the which means tested.

For the future safe, sound, and However, I intend to share an equal our financial resources absolute prerogative to the public important ing

I've determined squarely and putting it behind resources of brought to be lem. I have partnership of Congress tration will w gress as the le in a few days' the Congress effort to resolve financial system without the de

I welcome here on this p says a lot about And now I pr tions. On the to these people turn this over we start with Press Internat ence Hunt, A going—

Q. Mr. President that the extr and so forth— depositors and your responsibility the Reagan-B business and b

The President not guarantee wouldn't happen what the in there is enough this together t I can't equate go into any p

mately \$50 million nationwide promise those that in the man- institutions. These ublishing the per- prehension and mmitting fraud

posals are based nciples. First, I e on depositors. ve the overall d not allow the ings of savings e inadequacy of untly alter our d third, I have al, if promptly tem to prevent on. And fourth, problem head- ource of our gov- onal problem. I ined resource rought togeth e the problem. nks and thrifts providing the The price the r insurance has 15. We propose e premium by insurance pro- very penny col- strengthen the s will not be ears from now. pledge that we over assets di- and to place e caused losses Let those who e public trust s of American will seek them and the most

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has stood behind the safety of insured deposits before, it does today, and it will do so at all times in the future. Every insured deposit will be backed by the full faith and credit of the United States of America, which means that it will be absolutely protected.

For the future, we will seek to achieve a safe, sound, and profitable banking system. However, integrity and prudence must share an equal position with competition in our financial markets. Clean markets are an absolute prerequisite to a free economy and to the public confidence that is its most important ingredient.

I've determined to face this problem squarely and to ask for your support in putting it behind us. I have ordered that the resources of the executive branch be brought to bear on cleaning up this problem. I have personally met with the leadership of Congress on this issue. My administration will work cooperatively with Congress as the legislation that we will submit in a few days' time is considered. I call on the Congress to join me in a determined effort to resolve this threat to the American financial system permanently, and to do so without the delay.

I welcome the leaders that are with me here on this platform. I think their support says a lot about the efficacy of our proposal. And now I propose to take just a few questions. On the technical aspects, I will defer to these people, and then I'll be glad to turn this over to Secretary Brady. I believe we start with Helen [Helen Thomas, United Press International] and then Terry [Terence Hunt, Associated Press], and then get going—

Q. Mr. President, are you guaranteeing that the extra costs—premiums, increases, and so forth—will not be passed on to the depositors and taxpayers? And also, what is your responsibility in this debacle—I mean, the Reagan-Bush zeal for deregulation of business and banking?

The President. On the first place, we're not guaranteeing that. I would hope that wouldn't happen, but there is no guarantee what the institutions will do. Secondly, there is enough to be said for everybody in this together trying to solve this problem, so I can't equate any personal—not inclined to go into any personal blame, simply to say

that we've got to solve this problem and we're on the path to doing that.

Federal Pay Raise

Q. Mr. President, the House votes tomorrow on that controversial pay raise plan, and the Senate has already voted against it. Would you sign a bill that vetoes the pay raise not only for the Members of Congress but also for Federal judges and other high officials in the government?

The President. I've said I support it.

Savings and Loan Crisis

Q. Mr. President, there is a feeling that part of this problem is attributable to deregulation of the financial industry. In retrospect, do you think that deregulation might have gone too far in the last 10 years or so? And in the future, is your marching order to your administration to be a little more careful in regulating this particular industry?

The President. Jerry [Gerald Boyd, New York Times], I don't know the answer. I'd be most interested to know what our experts here feel about how much of the problem could be attributed to deregulation. I just don't know the answer to your question, so I can't reply.

Government Ethics

Q. Mr. President, you have placed considerable stress in these early days of your Presidency on ethics and propriety, yet in recent days there has been controversy on Capitol Hill concerning the propriety of some of Tower's [Secretary of Defense-designate] alleged behavior; questions raised over the weekend about the financial investments on the private funds of the man in charge of ethics, your counsel, Boyden Gray; and other questions involving members of the administration, or members-to-be of the administration. And I wonder, sir, what's happened here? Is it too harsh behavior on our part, too lax behavior on your part? What?

The President. I don't think anything has happened. I learned long ago in public life not to make judgments based on allegations. But having said that, I want to have my administration aspire to the highest possible ethical standards. And we have appointed a commission to go out there now and try to

detail what these standards should be. And we are in a new era on these matters. Matters that might have been approved and looked at one way may have a different perception today. And so, what I want to do is finalize our standards and then urge everybody in all branches of government to aspire to those standards. But I do think, Brit [Brit Hume, ABC News], that it's fair that we not reach judgment on Senate hearings before the Senate hearings are concluded, because it's very hard to filter out fact from fiction, spurious allegations from fact. And I am not about to make a judgment based on a sensationalized newspaper story. I'm simply not going to do that. That wouldn't be fair, and I'm not sure how ethical it would be. So, let's wait and see this—you're referring to the Tower matter up there. That matter has been looked at by the FBI. The committee now has that. They have the responsibility to make determinations, and I'll be very interested to see what they say. But I am not going to jump to conclusions based on stories that may or may not have any validity at all.

Secretary of Defense-Designate John Tower

Q. Mr. President, even if, as your spokesman says you do, you continue to back Senator Tower for the position, there are those you've heard who say that the best thing he could do for you is to step aside because even if confirmed he then would become damaged goods, weaker in administering a very, very tough job on your behalf. How do you respond to that suggestion?

The President. Well, I think people would not want a person to step aside in a rumor, particularly if the rumor is baseless. And the process is taking a little longer than I would like. And yet I think the Senate has got to do what they're doing: looking at these allegations very carefully. But you know, as I said here at this same podium a while back, the American people are basically fair. And if these allegations prove to be allegations without fact behind them, I think the people are going to say: Wait a minute. What went on here? How come it was all this? We read this one day, and then kind of a puff of smoke the next. And so, I don't think—in your substantive question, though—that if the Senate committee gives

its endorsement to the Senator, particularly after all of these allegations, that there is any danger at all of damage to his credibility or his ability to do the job.

Q. Mr. President, there are new and substantive allegations that Senator Tower lost control over the highly classified security documents and computer disks that were used in Geneva under his watch. If those allegations prove to be founded, would you then withdraw his nomination?

The President. I would not answer hypothetical questions of that nature. You're telling me something that I haven't heard before. And we did have access to FBI reports. So, if this matter is now before the Congress, let them investigate it. But I can't go into a hypothesis. All I would be doing would be adding to, I think, speculation that is not helpful at this juncture.

Q. But, sir, will you pursue these allegations in the executive branch? Are you going to track what the FBI is looking into? Are you going to personally surveil these kinds of allegations yourself?

The President. Every rumor and every innuendo? No. But if there's some substantive allegation of this nature, of course, it would concern me.

Savings and Loan Crisis

Q. Mr. President, back to S&L's if we might. Millions of—[laughter]—millions of Americans save alternatively. That is they save in mutual funds, stocks, and that kind of thing. As I read it, you've now outlined a plan that places a lot of the S&L bailout on the backs of the general treasury. How fair is that?

The President. We've got a major problem, and something has to be done. And this is the fairest system that the best minds in this administration can come up with. And so, I again would ask you to ask the specifics of the treasury burden to the Chairman of the Federal Reserve [Alan Greenspan] or the Secretary of the Treasury [Nicholas F. Brady]. Ask how they see that. But look, as I've said, there is no easy answer to this. All I want to do is make a sound proposal, work to put it into effect, and have that proposal such that the country won't have to face this problem again.

Q. Mr. President, the deposit fee given us has a large amount of the same thing are still going to this?

The President. on, there is no to the consume won't be passed has been there argue whether just don't know through in the without pain problem of this

Q. Mr. President, Members of Congress and dinners over the past of them, you this problem. reception that will and of the it passed?

The President. job, but I've the spirit epit Congress, partnership meeting into every detail still being for their views. I Seidman [FDI on about what plan will be. B Congress to see me that they a this plan, altho

I'm going to then turn the here, who are detail as you w

Secretary of L

Q. Mr. President, surround Tower the theme, s tion—allegation money from of thing. Have is still the non

Q. Mr. President, you said you dropped the deposit fee idea, but this plan you've given us has an increase in premiums that may be paid by consumers, as well as a large amount of taxpayers' funds. Isn't that the same thing: Consumers and taxpayers are still going to have to pay the price for this?

The President. Well, as I indicated earlier on, there is no guarantee of passing this on to the consumer, nor is there a guarantee it won't be passed on. But this arrangement has been there for 50 years, and you might argue whether it's been passed on or not. I just don't know. I haven't seen the flow-through in the industry. But nothing is without pain when you come to solve a problem of this magnitude.

Q. Mr. President, you've talked to several Members of Congress in various receptions and dinners and personal conversations over the past couple of weeks, and in many of them, you have discussed your plan for this problem. What is your feeling of the reception that it's going to get on Capitol Hill and of the selling job that awaits you to get it passed?

The President. We may have a big selling job, but I've been encouraged so far with the spirit epitomized by the Members of Congress, particularly at the joint leadership meeting the other day. We didn't go into every detail of this. These plans were still being formulated, and I wanted to get their views. I was encouraged by what Bill Seidman [FDIC Chairman] told me earlier on about what he felt the receptivity of the plan will be. But I don't think it's fair to the Congress to say that they have signaled to me that they are going to be enthusiastic on this plan, although I hope they are.

I'm going to take about three more and then turn this over to these gentlemen here, who are prepared to go into as much detail as you want.

Secretary of Defense-Designate John Tower

Q. Mr. President, these allegations that surround Tower now, at least variations on the theme, surfaced early in the transition—allegations of womanizing and taking money from defense contractors, that sort of thing. Have you satisfied yourself that he is still the nominee you want? Can you give

us at this time a full-hearted endorsement of Tower?

The President. Yes, I can, and I will right now because some of the very same allegations that were floated that long ago apparently have been looked at and examined by the best possible examiners—and I'm talking about the FBI—and found to be groundless. So, therefore, I'm not about to change my view. If somebody comes up with facts, I hope I'm not narrowminded enough that I wouldn't take a look. But I am not going to deal in the kinds of rumors that I've seen reported and then knocked down and then reported and then knocked down.

One—two to go.

Central America

Q. There have been hints that Gorbachev may propose steps to diffuse the situation in Central America. I wonder if you see the possibility of superpower deals in Central America, and, if so, if you could suggest what would be acceptable for you?

The President. I don't know about a deal, but I can see a possibility of cooperation in Central America because I would like the Soviets to understand that we have very special interests in this hemisphere, particularly in Central America, and that our commitment to democracy and to freedom and free elections and these principles is unshakeable. And I don't think they really have substantive interests in this part of the world, certainly none that rival ours. So, I would like to think they would understand that. And there are so many areas where we could demonstrate a new spirit of cooperation, and this would clearly be one of them. So, I'd like to think that is the way that the matter would be approached by the Soviets.

Yes, followup?

Q. If I could follow up and ask you whether you'd be willing to include abandonment of aid to the *contras* as part of such an understanding?

The President. I wouldn't make a deal on that with the Soviets, nor would that come up. I don't believe we'd ever have a—I can't see a situation of that nature arising, knowing as I do what will be negotiated and discussed with the—so I think that's so

hypothetical as to not even be a possibility of any kind.

Yes, Charles [Charles Bierbauer, Cable Network News]? And then I do have to run.

Savings and Loan Crisis

Q. Mr. President, we still don't know what the taxpayers' burden is in here out of this \$40 billion. It says first from S&L funds and the shortfall from Treasury funds. How big is it; and have you, in going through your budget, had to knock out some things to pay for this?

The President. We've had to knock out a lot of things on the overall budget for a lot of different reasons. But I'd like to leave this for Dick [Richard G. Darman, Director of the Office of Management and Budget], for the questioning, to give the specific amounts. It is shared, as I've indicated, and he can give you the amounts that are involved.

Listen, thank you all very much, and now I'm going to turn this over to Secretary Brady. And then in order, I guess they'll refer to each of these others.

Q. Mr. President, one more word for the small—

Q. —seats back here, Mr. President?

The President. What was that substantive question? [Laughter]

Q. In the back—we didn't see you get back in this area.

The President. We didn't get that far back, no. But if there's been an egregious offense to those in the back benches, I will take one parting question. And inasmuch as you raised it, fire away.

Government Ethics

Q. Thank you very much, sir. Back on the ethics issue, a couple of—

The President. Mindful that the last question always does get you in great trouble—[laughter]—go ahead.

Q. One of your perspective nominees and your Counsel have just recently changed their minds on matters that would have violated the ethics rules under the Reagan administration. Did you have difficulty in getting the word out that times would be tougher under your administration?

The President. No. I don't think so. For example, if you're referring to the Boyden Gray [Counsel to the President] matter,

which I think you are, that matter was reviewed every single year by the Office of Government Ethics, and he was deemed in compliance every single year. But now we've got a new ballgame here. He's the General Counsel here in the White House, and I'm the President. And I've set out rhetorically the highest possible standards, and we're trying to back that up by findings from this Commission. And so, I do think that we've got to be very careful about perceptions of impropriety when it comes to conflict of interest—not rumors or innuendos of one sort or another. I don't think I should deal in those things. But when it comes to perceived conflicts of interest, I'd like our people to bend over backwards.

And I think that's what has happened in both the question of Lou Sullivan [Secretary of Health and Human Services-designate]. All he did was ask: Am I entitled to continue these arrangements with this small university? And all Boyden did, in my view now, is to try to go a step beyond what the Government Ethics Office has said to avoid the perception of impropriety. So, I think it might be different now. I have to approach it differently as President. Not that you have lower standards. But I just think that, again, this whole question of perception—we've got to look at it very, very carefully.

But I want to be fair. I do not want to have the loudest charge, no matter how irresponsible, be that that sets the standards. We've got to achieve more objective standards. And that's why I'm putting a lot of faith in the—hope to put a lot of faith in the findings of Judge Wilkey and former Attorney General Griffin Bell. And they will be looking at all these matters in terms of reality, and then, to some degree I'm sure, in terms of perception. So, what might be legal and might be perfectly sound ethically might have to be altered, given this new approach because of perception. It's a delicate one.

I don't want to have the standards set in such an irresponsible way that good people just throw up their hands and say: Look, who needs that kind of grief, who needs it? Why should I have to give up all my whatever it is—a health plan from the XYZ company. And yet on the other hand, we're in a different time now. We're in a time when

we've got to try high as possible. the right thing is think Boyden C every year in as reviewing his o family company now taking another in this case. these individuals and we've got to try to codify t

Q. Sir, by full campaign very would not take why they need stand that?

The President. saying it was family company ing that and say ferent perceptic era, so let's ber we possibly ca that.

Thank you all
Q. What abc President?

The President. right there.

Note: The Pres began at 4:10 p Executive Office

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3. ENHANCING PARENTAL CHOICE IN CHILD CARE

SUMMARY

Child care is one of the most important issues facing the Nation. Business, labor, nonprofit organizations, and State and local governments all can play important roles in helping families meet the challenges of a changing America. So, too, can the Federal Government.

President Bush is dedicated to a bold new approach to child care which empowers parents, especially low-income parents, to make the critical decisions about their children's care. Meeting the competing demands of work and family life—often a trying task under the best of circumstances—can be especially difficult for low-income families with young children.

Federal child care policies should enable families—not the Government—to determine their child care arrangements for themselves. In this way, children, their parents and the Nation as a whole will benefit. The children will benefit from being cared for in the way that their parents believe best suits their needs; and parents, having chosen the most appropriate child care arrangement for the family, will lead more fulfilling lives. The result for the Nation will be a more productive workforce and a generation of children raised in an environment that reflects strong family values.

"My philosophy with respect to child care is to put choice in the hands of parents, and not in the hands of the State. . . . I will build a policy around parental choice. Particularly we must find a way to put a greater range of choices in the hands of low-income parents—because they face the greatest difficulty in meeting the demands of work and family."

George Bush

The Federal Government currently provides over \$5.7 billion in support for child care and an additional \$1.2 billion for the Head Start early childhood development program. The largest sources of Federal support for child care now are the Dependent Care Tax Credit, the Title XX Social Services Block Grant, and the Child Care Food program. Significant additional funding for child care is also provided under the recently enacted welfare reform, the Family Support Act. Under that Act, welfare recipients will be provided with child care while they participate in employment and training activities, and those who leave the welfare rolls to work will be provided with 12 months of free or low cost child care to ease the transition from welfare to work. The budget reflects current law funding for Title XX, the Child Care Food program, and the child care components of the Family Support Act.

The President's budget also reflects four child care initiatives: a new refundable Child Tax Credit of up to \$1,000 per child under age four in low-income working families, a proposal to make the current Child and Dependent Care Tax Credit refundable, a \$250 million expansion in Head Start, and a study of liability insurance by the Department of Labor. These initiatives reflect the President's commitment to enhancing parental choice in child care and the special obligation to first provide additional assistance to families most in need. They are described in the pages that follow.

PROPOSED CHANGE

(In millions of dollars)

	1989	1990	Dollar Change	Percent Change
Tax Credits:				
Revenue Effect	—	-5	-5	n.a.
Outlays*	—	182	182	n.a.
Head Start:				
Budget Authority	1,235	1,485	+250	+20.2
Outlays	1,202	1,351	+149	+12.4

* The outlays result from the refundable feature of the tax credit.

FUNDING SUMMARY

(In millions of dollars)

	1989	1990	1991	1992	1993
Tax Credits:					
Revenue Effect	—	-5	-46	-48	-52
Outlays*	—	182	1,847	2,163	2,430
Head Start:					
Budget Authority	1,235	1,485	1,534	1,577	1,613
Outlays	1,202	1,351	1,485	1,546	1,589

* The outlays result from the refundable feature of the tax credit.

a. Expanding Child Care Assistance to Low-Income Families Through Tax Code Changes

OVERVIEW

There is no such thing as "one size fits all" child care. In balancing the competing demands of work and family life, parents need choices which allow them to make the child care arrangements that best meet their families' needs.

Low-income families can be especially hard-pressed in making the child care arrangements they prefer. The President is committed to ensuring that these families benefit first from increased Federal support for child care.

"Parents work during the day and at night, swing shifts and part time. Some parents want caregivers to be relatives or neighbors or at school or at church. Or they want only after school care or care for special children. They want caregivers to share their values. ... I will build a policy around parental choice."

George Bush

PRINCIPLES

- The President is committed to helping families meet their child care needs.
- Additional assistance should first be provided to low-income families with young children. New initiatives will help these families obtain the care that they believe best suits their children's needs.
- The President believes that Federal assistance should not discriminate among different child care arrangements. Care by the parents themselves, by relatives or neighbors, at religious institutions, at family day care homes, and at child care centers should all be accommodated.
- Federal policy should broaden rather than limit child care alternatives for parents and children by avoiding Federal standards that restrict parental choice or raise costs. Parents should continue to have the responsibility and prerogative to judge which child care arrangements best serve their children's needs.

POLICIES

The President proposes a new tax credit of up to \$1,000 for each child under age four in low-income working families. This credit, available to families in which at least one parent works, would be provided to very low-income families in tax year 1990 and expanded to include additional families in subsequent years. For each child under the age of four, families could receive a credit equal to 14 percent of wages, with a maximum credit equal to \$1,000 per child. In 1990, the credit would be phased out between \$8,000 and \$13,000 in income. This phase-out range would increase to between \$15,000 and \$20,000 by 1994.

The credit would be refundable. That is, if the credit due exceeded a family's Federal income tax liability, the difference would be paid to the family. Families would have the option of receiving the refund in advance through a payment added to their paycheck.

The existing Dependent Care Tax Credit also would be modified. Under current law, parents are allowed a credit for the child care costs incurred in order to obtain or maintain employment. The credit currently applies only to families with sufficient income to pay Federal income taxes. This credit would be made refundable. Families that meet eligibility criteria for both the Dependent Care Tax Credit and the new Child Credit could claim whichever credit best suits their needs and circumstances for each child.

FUNDING SUMMARY

(In millions of dollars)

	1989	1990	1991	1992	1993
Revenue Effect.....	n.a.	-5	-46	-48	-52
Outlays	n.a.	182	1,847	2,163	2,430

b. Expanding Head Start

OVERVIEW

Head Start helps poor families meet their child care needs, but it also does much more. Through a comprehensive approach that provides educational, medical, nutritional, and social

services to children at risk of falling behind, it gives poor children a better start in life. With its emphasis on parental and community involvement, Head Start also benefits poor parents and affords concerned Americans the opportunity to devote time and effort to improving the lives of some of our most vulnerable citizens. The President is committed to expanding enrollment in Head Start.

"Give any American kid an equal place at the starting line, and just watch what that kid can do. But too many kids are denied that equal chance, particularly if they are black and poor. Head Start helps kids get that equal place at the starting line. It's a Federal program that works. But it doesn't reach all the kids it should."

George Bush

PRINCIPLES

- Head Start should serve more poor, four year old children.
- Increasing enrollment in Head Start not only expands the range of child care choices available to poor families, it represents an investment by Government, parents, and concerned citizens in our Nation's most valuable asset: our children.
- In a period of constrained resources, new Federal assistance must first be provided to those most in need. The poor children and families eligible to participate in Head Start are among the most needy.

POLICIES

The President's budget provides a \$250 million increase for Head Start funding in 1990.

PROPOSED CHANGE				
(In millions of dollars)				
	1989	1990	Dollar Change	Percent Change
Budget Authority	1,235	1,485	+250	+20.2
Outlays	1,202	1,351	+149	+12.4

These additional funds would be used to expand enrollment of poor, four year old children in Head Start. Up to 95,000 additional four year olds would participate in the program, benefiting from Head Start's comprehensive activities and increasing by a third the number of poor children in this age group served.

FUNDING SUMMARY

(In millions of dollars)

	1989	1990	1991	1992	1993
Budget Authority	1,235	1,485	1,534	1,577	1,613
Outlays	1,202	1,351	1,485	1,546	1,589

c. Examining Barriers to Liability Insurance

OVERVIEW

Employers in substantial numbers are finding that it is simply good business practice to establish policies that help their employees meet their child care responsibilities. A recent Department of Labor survey indicates that almost two-thirds of workplaces with 10 or more employees help employees with child care. Flexible work schedules and leave policies, as well as counseling, information and referral services, are the most common forms of assistance. Employer-sponsored child care on or near the work site is relatively rare, offered by only a little over two percent. There is concern that lack of access to liability insurance may be deterring some employers from offering this form of care.

"I would encourage employer-sponsored child care, flexible work schedules and benefit plans which allow workers to choose the benefits they need. Employers must demonstrate more flexibility and sensitivity to family needs.

"Employers have a major role in helping parents find needed child care but I do not believe in give-aways of taxpayer dollars to get business to recognize what it already knows: that it must provide assistance for more and better child care. Workers demand it; productivity demands it; a business' bottom line demands it."

George Bush

PRINCIPLES

- Insurance regulation is predominantly a State responsibility, but federally sponsored research can inform State policies and practices.
- If market barriers are preventing employers from obtaining liability insurance so they can provide child care at or near the worksite, strategies should be developed to facilitate their removal.

POLICIES

The President has directed the Secretary of Labor to conduct a study to determine whether market barriers or failures are preventing employers from obtaining liability insurance necessary to provide child care on or near their employees' worksites.

The study will examine commercial liability insurance, self-insurance, State-facilitated market assistance plans (centralized insurance information systems in which insurers volun-

tarily participate), joint underwriting agreements (under which States require insurers to participate in providing insurance), and other arrangements relevant to this issue.

The Secretary will develop a timetable for the study which allows it to be completed no later than the end of this year.

HOMELESS

"Four to six million homeless people...."

--- Rev. Jackson
Atlanta debate, 2/27/88

"What's going on here? This is the most affluent nation on the face of this earth. We didn't have a homeless problem eight or nine years ago. What's happened is we have walked away from our commitment to provide decent and affordable housing."

--- Gov. Dukakis
St. Petersburg Times, 1/9/88

Number of Homeless

- o Homelessness is a longstanding problem. In 1983, a National Governors Association task force traced homelessness back 50 years, although it is likely the problem goes back even further.
- o In 1984, the U.S. Department of Housing and Urban Development estimated there were 250,000 to 350,000 homeless nationwide on any given night.
- o In 1986, a Harvard University study confirmed the HUD figure, estimating the number of homeless between 343,000 and 363,000.
- o Between two-thirds and three-fourths of the homeless are men; 20 to 25 percent of the homeless are families -- primarily single mothers with 1 or 2 children. Families become homeless because of divorce, domestic violence or other personal crises, or because they leave a "doubled up" (multifamily) living arrangement. Most families tend to be homeless for a shorter time than are single homeless.
- o Over 50 percent of the homeless have mental illness, alcohol or drug abuse problems.

Federal Housing Programs -- The Real Story

- o Over the past eight years, the number of low-income families being served by Federal housing programs has increased by 36 percent, from 4.2 million in FY 1980 to 5.7 million in FY 1988.
- o Spending for those programs expanded 30 percent over the same period (from \$12.5 billion to \$16.2 billion).

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- o To provide families the option of choosing where to live, the Reagan Administration has begun emphasizing housing vouchers to subsidize rental payments. Since FY 1985, more than 100,000 families have used housing vouchers which are good for a 5-year period, and can be renewed. For FY 1989, the Administration has requested an additional 127,500 vouchers.

Other Reagan Administration Actions

- o President Reagan established an Interagency Council on the Homeless to ensure that Federal and private sector assistance is coordinated and effective.
- o In July 1987, President Reagan signed into law the McKinney Act, which established several new programs for the homeless. Federal agencies have acted swiftly to implement the new law. For example, HUD allocated \$165 million by December 1987 to states, cities, and non-profit organizations providing shelter to the homeless.
- o Over a two-year period, in FY 1987 and FY 1988, the Federal Government provided more than \$900 million in aid specifically targeted to the homeless.
- o The President's FY 1989 budget proposes \$390 million in aid to the homeless, a 4.3 percent increase over the FY 1988 level (\$374 million). Included in the President's proposal are funds for emergency food and shelter programs; permanent housing for the mentally ill and handicapped homeless; and programs for runaway and homeless young people.
- o Federal agencies are addressing the needs of the homeless through a variety of Federal programs.
 - The Federal Emergency Management Agency has provided over \$500 million for food and shelter operations since 1983.
 - Department of Agriculture provides assistance through its food stamp program and has donated over 1.1 billion pounds of surplus food to soup kitchens and shelters.
 - Health and Human Services provides funds for mental health, alcohol and drug abuse services; provides income support through AFDC and Supplemental Security Income for the elderly poor.
 - Department of Defense provides bedding and other supplies to shelters and provides buildings where available.
- o Bear in mind that the Federal Government does not operate homeless shelters. Ninety-four percent of shelters for the homeless are operated by non-profit, private organizations. The remainder are run by city or county governments.

2. INVESTING IN PEOPLE: EDUCATION

SUMMARY

Building a better America requires a well-educated America. Greater educational achievement for all children promotes sustained economic growth, enhances the Nation's competitive position in world markets, increases productivity and leads to higher incomes for everyone. The Nation must invest in its young people, giving them the knowledge, skills, and values to compete successfully in the marketplace and to build a better America.

"The challenge of the future is not just to make education more available, but to make it more worthwhile. . . . I believe the best thing we can do is invest in our young people. . . . Education is critical to our future, both individually and as a nation. If we are to improve our standard of living, protect and defend our democratic freedoms, and strengthen our moral character as a nation, nothing is more important than education."

George Bush

Providing quality education is fundamentally a state and local responsibility. When it comes to better schools, almost all of the wisdom, good answers, and money to pay the bills come from outside Washington, D.C. Federal leadership and funding, however, can make a difference.

Several underlying principles govern the President's education policy and initiatives.

First, the Administration will reward excellence and success in education: Federal incentives, in the form of public recognition and financial awards, will provide new catalysts for educational achievement.

Second, the Administration will target Federal dollars to help those most in need—where support can make a difference. Education is the key to opportunity; inadequate education denies a child the chance to compete. Federal programs help States provide that chance.

Next, the Administration will promote choice and flexibility—for families, students, teachers, and principals—to encourage competition and help provide the means and the incentives to achieve educational excellence. This Administration is committed to the principle of more choice at the local level—for students and parents to choose the schools that best meet students' needs; for teachers to experiment with techniques and ideas to help students learn better. The Administration will provide incentives to States to adopt flexible approaches to recruiting the best qualified teachers for their classrooms and principals for their schools.

Finally, the Administration will work to assure that students are actually receiving the highest quality education, by promoting greater accountability at all levels of the educational system. This Administration is committed to objective measurement and reward of progress toward quality education. The Nation invests annually more than \$330 billion in education, an enormous commitment. Federal, State, and local authorities must assure that the funds they spend and the programs they manage accomplish their goals—as measured by student learning and achievement.

BBA

The President proposes a selected group of carefully defined initiatives to support these principles and to demonstrate his personal leadership of the national movement to improve the quality of American education. These initiatives would: reward schools that make substantial progress in educational achievement; reward excellent teachers; provide scholarships for the best science and mathematics students; provide new funding for magnet schools to enhance educational excellence; encourage States to broaden access to teacher and school principal positions; provide more endowment matching funds for Historically Black Colleges and Universities; support more experimentation for achieving better educational results; and incorporate policies and procedures for accountability into Federal programs.

PROPOSED CHANGE				
(In millions of dollars)				
	1989	1990	Dollar Change	Percent Change
Budget Authority	—	411	+411	n.a.
Outlays	—	58	+58	n.a.

FUNDING SUMMARY					
(In millions of dollars)					
	1989	1990	1991	1992	1993
Budget Authority	—	411	501	606	651
Outlays	—	58	345	492	593

a. Rewarding Successful Schools

OVERVIEW

Helping schools develop the skills and abilities of our children to their maximum potential is one of the Administration's major goals. In the highly decentralized world of American education, some schools consistently reach this goal; others do so for some students, but leave many others behind.

Achievable standards of excellence can and should be set for all students, for all teachers, and for every school. Our children deserve no less; our economic future demands it.

Helping children develop their potential can present special challenges for schools with large numbers or proportions of low-income children. The Federal Government provides billions annually for supplementary services for educationally disadvantaged children in these schools.

The Federal Government should serve as a catalyst in this effort, providing to successful schools the national recognition and financial rewards that clearly demonstrate the significance of school improvement.

"We should demand more from students [by imposing] higher academic standards. We should make sure students are learning what they should. We should demand more from teachers. We should demand more from principals. We should demand more from parents. In demanding more performance, we are providing more opportunity to all students, but particularly to those who have the furthest to go—because the poor are not served by meaningless diplomas."

George Bush

PRINCIPLES

- Educating all students to their full potential should be a basic goal of all schools.
- Demonstrated school-wide progress in achieving excellence deserves public recognition and support.
- Financial incentives can spur schools with especially difficult problems to significantly improve their educational achievement.

POLICIES

The President will propose legislation and a 1990 appropriation of \$250 million for a new initiative to reward schools whose students demonstrate substantial educational progress. Funding for the initiative will increase each year until an annual funding level of \$500 million is reached.

PROPOSED CHANGE

(In millions of dollars)

	1989	1990	Dollar Change	Percent Change
Budget Authority	—	250	+250	n.a.
Outlays	—	30	+30	n.a.

Guidelines will be established for the objective measurement of school improvement, emphasizing improved educational performance, a safe and drug-free environment, and fewer dropouts.

Elementary, secondary, and middle schools throughout the country will compete annually within each State for recognition as Presidential Merit Schools. States will add to the national criteria specific selection standards that reflect the mix of students and educational conditions within each State.

Certificates of Recognition and grants will be awarded, with special emphasis on schools participating in the Federal compensatory education program ("Chapter 1"), and any others that enroll substantial numbers or proportions of children from low-income families.

Criteria for Chapter 1 Merit Schools will take into account the Chapter 1 Program Improvement criteria set by each State.

Awards will be scaled to demonstrated improvement and school size.

A school that receives a cash award may use the money for any purpose that furthers its educational programs. Support from other Federal, State or local sources may not be reduced because of the award.

The Secretary of Education's Blue Ribbon School recognition program, which addresses a variety of school characteristics in addition to student achievement, will remain in place for 1990, as another important way schools can gain national notice for achieving excellence.

FUNDING SUMMARY					
(In millions of dollars)					
	1989	1990	1991	1992	1993
Budget Authority	—	250	350	450	500
Outlays	—	30	212	337	434

b. Recognizing Superior Teachers

OVERVIEW

Hope for improvement in the schools depends most heavily on teachers, those now in the system and those who will enter in the years to come.

Teachers work every day with every child. When teachers are highly motivated and committed to excellence, children know it and are challenged to meet high standards of performance. If teachers are not highly motivated, they do not transmit the essential message of how exciting and important schooling is and how critical are the early years of effort to the child's future performance as a citizen and in the workforce.

The educational reform movement recognizes this central role for teachers. Teacher training is under rigorous review, teacher pay is rising, and more and more school systems are linking financial rewards to excellence in the classroom.

Excellent teachers love their work and believe in what they do. Their success deserves tangible recognition on a national level.

"We should provide merit pay and special recognition to reward good teachers—and the vast majority are good teachers, who really love their kids and their profession."

George Bush

PRINCIPLES

- School systems should develop standards of excellence for teachers, and effective and fair procedures for measuring success.
- In return for their efforts and their willingness to be held to high standards of excellence, teachers deserve public recognition, respect, and appropriate financial rewards.

POLICIES

The President proposes new legislation and \$8 million in annual appropriations to establish the President's Award for Excellence in Education.

PROPOSED CHANGE				
(In millions of dollars)				
	1989	1990	Dollar Change	Percent Change
Budget Authority	—	8	+8	n.a.
Outlays	—	6	+6	n.a.

Award competitions would be held annually in each State. All elementary and secondary school teachers, in public and private schools, teaching any academic subject, could compete for recognition and awards.

The number of teachers receiving awards in each State would vary with the size of the State. Each award would be \$5,000.

The award would go to the individual teacher and be available for his or her use for any purpose.

Appropriate ceremonies and events would be held following the selection of each year's award winners.

The National Science Foundation program that recognizes excellent teachers in mathematics and the sciences only, and provides awards to their schools, would remain a separate program of special recognition in these selected fields.

FUNDING SUMMARY					
(In millions of dollars)					
	1989	1990	1991	1992	1993
Budget Authority	—	8	8	8	8
Outlays	—	6	8	8	8

c. Establishing a National Science Scholars Program

OVERVIEW

A key factor in the competitiveness of American business in world markets today and in the future is the ability to develop new technology.

America needs talented scientists, mathematicians, and engineers to discover and apply new knowledge as well as to perform in those workplaces where high technology is already central. High school students must be well prepared in mathematics and the sciences and committed to further academic study to expand their knowledge and increase their skills.

Students need encouragement to take more courses in the sciences and mathematics, to apply themselves to their studies, and to excel.

"Our greatest single strength for the future is . . . our ability to expand the limits of our knowledge. From that will flow the scientific and technological advances that will enable us to compete and to raise the living standards of all the nations of the world."

George Bush

PRINCIPLES

- The national interest requires a greater commitment to science and mathematics.
- Schools should challenge all students to take more science and mathematics courses.
- The best students in every part of the country should know that in addition to the personal satisfaction they will gain from excellent performance in these fields, and the career options that will open to them, there are tangible rewards for excellence if they pursue the study of mathematics or the sciences at a college or university.

POLICIES

The President proposes to seek legislative authority to establish a National Science Scholars Program. An appropriation of \$5 million will be requested for the first year, rising to \$20 million per year by the fourth year.

PROPOSED CHANGE				
(In millions of dollars)				
	1989	1990	Dollar Change	Percent Change
Budget Authority	—	5	+5	n.a.
Outlays	—	4	+4	n.a.

National standards of excellence for high school seniors' achievement in the sciences and mathematics would be set for annual competitions for the National Science Scholarships.

One student would be nominated by each Member and Delegate in the House of Representatives, one by each Senator, and 30 by the President, for a total of 570 scholars each year.

The scholarships would be for four years for up to \$10,000 per year.

Scholarships would be available for use at any accredited institution of higher education to which the student is admitted. Students would be required to major in the sciences, mathematics or engineering and show continuing excellent performance.

Awards for a student who qualifies for other Federal need-based aid or receives other scholarship aid would not result in total aid in excess of the cost of education at the student's school.

Students would have opportunities for summer jobs in Federal science laboratories.

FUNDING SUMMARY					
(In millions of dollars)					
	1989	1990	1991	1992	1993
Budget Authority	—	5	10	15	20
Outlays	—	4	9	14	19

d. Fostering Magnet Schools of Excellence

OVERVIEW

Magnet schools—schools with a special curriculum emphasis or other set of characteristics—offer parents an essential choice for their children. Children who go to magnet schools learn more. Magnet school strategies have been successful across the country.

No single method of education is best suited to all children. No single way of organizing schools (elementary, middle or secondary) and school systems is the best for every area or for every mix of students. One of the most encouraging features of the educational reform movement is the willingness of schools and school systems to experiment with alternative approaches and especially to open the school selection process to parents.

BBA

1. EDUCATING THE YOUNG: DRUG PREVENTION

OVERVIEW

For a decade, President Bush has stressed the importance of educating our children and young adults on the dangers of drugs and has called repeatedly for the Federal government to work with parents, teachers, churches and other community groups to develop a comprehensive drug education program.

"Fundamentally, the drug problem in America is not one of supply, but of demand. As much as we do to bust the smugglers and the dealers, as much as we do to eradicate crops and stop the flow of drugs into this country, as long as Americans are willing to pay billions of dollars for illegal drugs, somebody somewhere in the world will provide them.

"I will do everything I can as President to help with the best information, the best research, and the strongest effort possible to get the message to our young people to 'just say no' to drugs."

George Bush

The first front in the fight against drug abuse is to get our children to realize the fearful threat to their health, their future and their lives. As they become aware of the devastating effects of drugs, they will stop buying them and put the suppliers out of business.

PRINCIPLES

- All schools, from kindergarten to college, should develop and implement anti-drug programs for the classroom.
- Schools should challenge students to get involved in ending drug use among their peers.
- Schools and colleges should adopt tough "no use" disciplinary policies and prove to students by aggressive enforcement that drug use will not be tolerated.

POLICIES

- The Administration is requesting nearly \$1.1 billion for drug prevention activities, a 16 percent increase over 1989. This funding includes both ongoing programs and new initiatives.
- The Administration requests \$367 million for the Drug-Free Schools and Communities program, a \$12 million increase over 1989. These programs: provide grants to States for drug prevention education and to institutions of higher education to implement drug prevention education programs on campus; train teachers in the implementation of drug prevention education techniques; and fund a variety of other activities, including enforcement, to help young people understand why they must reject drugs.
- In addition, the Administration proposes \$25 million for a new drug prevention initiative: Urban Emergency Grants. These grants will award funds to a number of city school systems with the worst drug problems. Schools will have maximum flexibility to propose a mix of education, security, parent and student involvement and special programs for children with known drug problems.

- The Administration also requests \$35 million for a new program of community partnership grants for drug abuse prevention. This program, administered by the Department of Health and Human Services, will make grants to community organizations to stimulate local drug prevention efforts involving parents, schools, academia, businesses and youth and other high risk individuals. Emphasis will be placed on substantial voluntary participation by the community and grants will be made to communities based on need and innovative approaches.
- Approximately \$45 million of the Department of Justice's \$150 million drug grant program to local governments will be devoted to drug prevention activities. These additional resources will enable such successful programs as the Crime Prevention Campaign's "McGruff the Crime Dog" to continue and expand to more schools.
- In order to ensure that we are getting the best return on our investments, the President will ask his Drug Policy Director to support research in connection with the review, formulation and implementation of the drug control effort, both on the demand and supply side. Additional funding of \$5 million is requested for this purpose.

PROPOSED CHANGE

(In millions of dollars)

	1989	1990	Dollar Change	Percent Change
Budget Authority	941	1,087	+146	+16
Outlays	681	969	+288	+42

PROPOSED CHANGE

(In millions of dollars)

	1989	1990	Dollar Change	Percent Change
Budget Authority	—	5	+5	n.a.
Outlays	—	4	+4	n.a.

National standards of excellence for high school seniors' achievement in the sciences and mathematics would be set for annual competitions for the National Science Scholarships.

One student would be nominated by each Member and Delegate in the House of Representatives, one by each Senator, and 30 by the President, for a total of 570 scholars each year.

The scholarships would be for four years for up to \$10,000 per year.

Scholarships would be available for use at any accredited institution of higher education to which the student is admitted. Students would be required to major in the sciences, mathematics or engineering and show continuing excellent performance.

Awards for a student who qualifies for other Federal need-based aid or receives other scholarship aid would not result in total aid in excess of the cost of education at the student's school.

Students would have opportunities for summer jobs in Federal science laboratories.

FUNDING SUMMARY

(In millions of dollars)

	1989	1990	1991	1992	1993
Budget Authority	—	5	10	15	20
Outlays	—	4	9	14	19

d. Fostering Magnet Schools of Excellence

OVERVIEW

Magnet schools—schools with a special curriculum emphasis or other set of characteristics—offer parents an essential choice for their children. Children who go to magnet schools learn more. Magnet school strategies have been successful across the country.

No single method of education is best suited to all children. No single way of organizing schools (elementary, middle or secondary) and school systems is the best for every area or for every mix of students. One of the most encouraging features of the educational reform movement is the willingness of schools and school systems to experiment with alternative approaches and especially to open the school selection process to parents.

The Federal Government now finances magnet schools to further desegregation. This approach should be applied to achieve other worthy goals as well. Some school districts have used magnet schools to focus resources and attract students to mathematics and science, the arts, and other special curricula.

Magnet schools increase choices for parents and students and generate healthy competition among schools. These features improve the quality of education.

"Magnet schools are a way of promoting excellence and upgrading the quality of an entire school system."

George Bush

PRINCIPLES

- Expanding the use of magnet schools increases choice, expands opportunities for children, and ultimately improves the quality of all the schools.
- Federal funds can help States and school districts design and implement magnet schools more rapidly.

POLICIES

The President proposes a new authority and \$100 million in new funding for magnet schools.

PROPOSED CHANGE				
(In millions of dollars)				
	1989	1990	Dollar Change	Percent Change
Budget Authority	—	100	+100	n.a.
Outlays	—	12	+12	n.a.

Legislation will authorize grants to States for the establishment of new magnet schools. The current authority for magnet schools for desegregation purposes will not be affected.

Magnet school grants will be available for schools offering choices from the full range of curriculum options. States will be encouraged to examine opportunities for development of magnet schools with mathematics and science orientations.

These new magnet schools will be in addition to any such efforts currently underway in the States and school districts. Special consideration will be given to proposals that offer recognition of the potential of children from low-income families.

Funds will be for initial costs, with a requirement that States and local school systems rapidly assume full operating costs.

The President proposes a selected group of carefully defined initiatives to support these principles and to demonstrate his personal leadership of the national movement to improve the quality of American education. These initiatives would: reward schools that make substantial progress in educational achievement; reward excellent teachers; provide scholarships for the best science and mathematics students; provide new funding for magnet schools to enhance educational excellence; encourage States to broaden access to teacher and school principal positions; provide more endowment matching funds for Historically Black Colleges and Universities; support more experimentation for achieving better educational results; and incorporate policies and procedures for accountability into Federal programs.

PROPOSED CHANGE				
(In millions of dollars)				
	1989	1990	Dollar Change	Percent Change
Budget Authority	—	411	+411	n.a.
Outlays	—	58	+58	n.a.

FUNDING SUMMARY					
(In millions of dollars)					
	1989	1990	1991	1992	1993
Budget Authority	—	411	501	606	651
Outlays	—	58	345	492	593

a. Rewarding Successful Schools

OVERVIEW

Helping schools develop the skills and abilities of our children to their maximum potential is one of the Administration's major goals. In the highly decentralized world of American education, some schools consistently reach this goal; others do so for some students, but leave many others behind.

Achievable standards of excellence can and should be set for all students, for all teachers, and for every school. Our children deserve no less; our economic future demands it.

Helping children develop their potential can present special challenges for schools with large numbers or proportions of low-income children. The Federal Government provides billions annually for supplementary services for educationally disadvantaged children in these schools.

The Federal Government should serve as a catalyst in this effort, providing to successful schools the national recognition and financial rewards that clearly demonstrate the significance of school improvement.

"We should demand more from students [by imposing] higher academic standards. We should make sure students are learning what they should. We should demand more from teachers. We should demand more from principals. We should demand more from parents. In demanding more performance, we are providing more opportunity to all students, but particularly to those who have the furthest to go—because the poor are not served by meaningless diplomas."

George Bush

PRINCIPLES

- Educating all students to their full potential should be a basic goal of all schools.
- Demonstrated school-wide progress in achieving excellence deserves public recognition and support.
- Financial incentives can spur schools with especially difficult problems to significantly improve their educational achievement.

POLICIES

The President will propose legislation and a 1990 appropriation of \$250 million for a new initiative to reward schools whose students demonstrate substantial educational progress. Funding for the initiative will increase each year until an annual funding level of \$500 million is reached.

PROPOSED CHANGE

(In millions of dollars)

	1989	1990	Dollar Change	Percent Change
Budget Authority	—	250	+250	n.a.
Outlays	—	30	+30	n.a.

Guidelines will be established for the objective measurement of school improvement, emphasizing improved educational performance, a safe and drug-free environment, and fewer dropouts.

Elementary, secondary, and middle schools throughout the country will compete annually within each State for recognition as Presidential Merit Schools. States will add to the national criteria specific selection standards that reflect the mix of students and educational conditions within each State.

PROPOSED CHANGE

(In millions of dollars)

	1989	1990	Dollar Change	Percent Change
Budget Authority	—	5	+5	n.a.
Outlays	—	4	+4	n.a.

National standards of excellence for high school seniors' achievement in the sciences and mathematics would be set for annual competitions for the National Science Scholarships.

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Awards for a student who qualifies for other Federal need-based aid or receives other scholarship aid would not result in total aid in excess of the cost of education at the student's school.

Students would have opportunities for summer jobs in Federal science laboratories.

FUNDING SUMMARY

(In millions of dollars)

	1989	1990	1991	1992	1993
Budget Authority	—	5	10	15	20
Outlays	—	4	9	14	19

d. Fostering Magnet Schools of Excellence

OVERVIEW

Magnet schools—schools with a special curriculum emphasis or other set of characteristics—offer parents an essential choice for their children. Children who go to magnet schools learn more. Magnet school strategies have been successful across the country.

No single method of education is best suited to all children. No single way of organizing schools (elementary, middle or secondary) and school systems is the best for every area or for every mix of students. One of the most encouraging features of the educational reform movement is the willingness of schools and school systems to experiment with alternative approaches and especially to open the school selection process to parents.

FUNDING SUMMARY

(In millions of dollars)

	1989	1990	1991	1992	1993
Budget Authority	—	13	13	13	13
Outlays	—	2	10	13	13

g. Endowing Historically Black Colleges and Universities

OVERVIEW

For over a century the Historically Black Colleges and Universities (HBCUs) have been a unique and essential part of America's heritage. At a time when the law countenanced racially separated systems of higher education, and many schools would not open their doors to Black Americans, these institutions offered them the best, and often the only opportunity for a higher education. Without the HBCUs, far fewer Black Americans would have achieved economic and professional success.

Today, racial discrimination is not tolerated; yet, the Historically Black Colleges and Universities still represent a vital component of American higher education, enriching educational choice.

The Federal Government has long recognized the unique place which the HBCUs occupy. Grant programs provide resources directly to these schools to improve and expand their educational programs. Presidential Executive Orders assure appropriate consideration of HBCUs in the allocation of other resources across the Government.

The most important support which the Government can provide, however, is incentives to increase endowments. Large and growing endowments are the key to any institution's long term financial health and security.

"Black colleges and universities traditionally have instilled a strong sense of self-worth, pride, and moral fiber in the men and women that pass through their doors."

George Bush

PRINCIPLES

- Historically Black Colleges and Universities merit Federal support because of their unique historical role.
- Endowment building is the Government's most effective contribution to the future financial strength of these institutions.

POLICIES

The President will propose a total of \$60 million over four years, beginning with \$10 million in Fiscal Year 1990, for endowment matching grants for Historically Black Colleges and Universities.

PROPOSED CHANGE

(In millions of dollars)

	1989	1990	Dollar Change	Percent Change
Budget Authority	n.a.	10	+10	n.a.
Outlays	n.a.	1	+1	n.a.

HBCUs are currently eligible to compete for endowment matching grants under Part C of Title III of the Higher Education Act. Title III provides endowment matching grants to HBCUs as well as other institutions with financial needs. In 1988, HBCUs were awarded \$2 million in Title III endowment matching grants.

The additional appropriations will be reserved solely for the HBCUs, under the terms and conditions of Part C.

This money will provide a unique opportunity for these schools to launch new fund raising campaigns to generate increased non-Federal support.

FUNDING SUMMARY

(In millions of dollars)

	1989	1990	1991	1992	1993
Budget Authority	n.a.	10	20	20	10
Outlays	n.a.	1	9	18	19

h. Improving Accountability in Education

OVERVIEW

Accountability is the key to successful management of any enterprise. Educational programs often fail to incorporate principles of accountability. To improve the education of America's children, educational programs at every level must set standards of excellence and hold students, teachers and schools accountable for meeting those standards.

The demand for accountability is a prominent part of the education reform movement. School districts have begun to make public more and more information about the performance of students in individual schools and have instituted competency tests for students and teachers. States have undertaken measures to improve the certification of teachers and to prod underperforming schools and school districts into corrective actions. Many of the initiatives in the President's program are designed to enhance accountability in education: the Merit Schools, Magnet Schools and the President's Award for Excellence in Education.

The Federal Government's education programs should be a model to which States and localities can look for how accountability systems are established and adhered to.

Certificates of Recognition and grants will be awarded, with special emphasis on schools participating in the Federal compensatory education program ("Chapter 1"), and any others that enroll substantial numbers or proportions of children from low-income families.

Criteria for Chapter 1 Merit Schools will take into account the Chapter 1 Program Improvement criteria set by each State.

Awards will be scaled to demonstrated improvement and school size.

A school that receives a cash award may use the money for any purpose that furthers its educational programs. Support from other Federal, State or local sources may not be reduced because of the award.

The Secretary of Education's Blue Ribbon School recognition program, which addresses a variety of school characteristics in addition to student achievement, will remain in place for 1990, as another important way schools can gain national notice for achieving excellence.

FUNDING SUMMARY

(In millions of dollars)

	1989	1990	1991	1992	1993
Budget Authority	—	250	350	450	500
Outlays	—	30	212	337	434

b. Recognizing Superior Teachers

OVERVIEW

Hope for improvement in the schools depends most heavily on teachers, those now in the system and those who will enter in the years to come.

Teachers work every day with every child. When teachers are highly motivated and committed to excellence, children know it and are challenged to meet high standards of performance. If teachers are not highly motivated, they do not transmit the essential message of how exciting and important schooling is and how critical are the early years of effort to the child's future performance as a citizen and in the workforce.

The educational reform movement recognizes this central role for teachers. Teacher training is under rigorous review, teacher pay is rising, and more and more school systems are linking financial rewards to excellence in the classroom.

Excellent teachers love their work and believe in what they do. Their success deserves tangible recognition on a national level.

"We should provide merit pay and special recognition to reward good teachers—and the vast majority are good teachers, who really love their kids and their profession."

George Bush

PRINCIPLES

- School systems should develop standards of excellence for teachers, and effective and fair procedures for measuring success.
- In return for their efforts and their willingness to be held to high standards of excellence, teachers deserve public recognition, respect, and appropriate financial rewards.

POLICIES

The President proposes new legislation and \$8 million in annual appropriations to establish the President's Award for Excellence in Education.

PROPOSED CHANGE

(In millions of dollars)

	1989	1990	Dollar Change	Percent Change
Budget Authority	—	8	+8	n.a.
Outlays	—	6	+6	n.a.

Award competitions would be held annually in each State. All elementary and secondary school teachers, in public and private schools, teaching any academic subject, could compete for recognition and awards.

The number of teachers receiving awards in each State would vary with the size of the State. Each award would be \$5,000.

The award would go to the individual teacher and be available for his or her use for any purpose.

Appropriate ceremonies and events would be held following the selection of each year's award winners.

The National Science Foundation program that recognizes excellent teachers in mathematics and the sciences only, and provides awards to their schools, would remain a separate program of special recognition in these selected fields.

FUNDING SUMMARY					
(In millions of dollars)					
	1989	1990	1991	1992	1993
Budget Authority	—	100	100	100	100
Outlays	—	12	80	98	100

e. Developing Alternative Certification Systems For Teachers and Principals

OVERVIEW

For the education of children to be the very best, their teachers must be the very best. Teachers must be highly motivated to teach and knowledgeable in their subject areas. In light of the shortages of competent teachers of mathematics and the sciences, it is especially important that qualified scientists and engineers who want to teach be allowed to bring their talents into the schools.

For teachers to do their best, they must work in school environments that demand and reward excellence. Creating and maintaining such schools is the primary responsibility of principals. The leadership role of principals is well documented as a key to effective schools.

In too many States and school districts, the pathway to becoming a teacher or a principal is blocked by certification requirements that have little to do with these central goals. Many certification systems make it difficult if not impossible for a person with excellent subject area knowledge and the desire and ability to teach to get into the classroom. Similar barriers face those with leadership qualities fully demonstrated in other fields who want to help improve the schools.

New college graduates and older persons seeking a second career in teaching or school administration are often frustrated by too many hiring criteria that do not relate to subject area knowledge.

A number of States and school districts are implementing creative and flexible certification systems; many more would do so in response to added incentives.

"We should break down the barriers to talented people who want to teach and who have demonstrated their competence in other fields."

George Bush

PRINCIPLES

- Enlarging the supply of good teachers and principals should be the goal of certification systems, not barring access.
- Federal funds can provide incentives to foster development of new systems and help pay for their implementation.

POLICIES

The President proposes new authority and \$25 million for 1990 to make grants to States and school districts to develop alternative certification systems.

PROPOSED CHANGE				
(In millions of dollars)				
	1989	1990	Dollar Change	Percent Change
Budget Authority	—	25	+25	n.a.
Outlays	—	3	+3	n.a.

Grants will be one-time only, with States allowed to spend the money over several years, if needed.

Grants will be for additional costs above what the States are now spending on such systems.

States can use the funds for whatever purpose necessary, including design and testing of different options tailored to their circumstances, establishing administrative structures, training staff, developing recruitment strategies, and evaluating the new systems.

The existing authority for alternative teacher certification demonstrations funded by the Federal Government in the Fund for the Improvement and Reform of Schools and Teaching will remain in place to support carefully designed demonstration projects from which States and localities can learn new techniques.

FUNDING SUMMARY					
(In millions of dollars)					
	1989	1990	1991	1992	1993
Budget Authority	—	25	—	—	—
Outlays	—	3	17	4	*

* Less than \$500,000.

f. Expanding Experiments For Educational Achievement

OVERVIEW

Educational reform is sweeping the country. States and school districts are responding to the public's demand to improve the quality of education for all children by trying a host of new ideas and implementing old ideas that worked.

One of the Federal Government's most important responsibilities is to support experimentation whose results help States and localities find out what can work in their schools.

March 2, 1989
DRB

THE WHITE HOUSE
WASHINGTON

MEMORANDUM

TO: DAVID DEMAREST
FROM: JOSEPH W. HAGIN
SUBJECT: APPROVED PRESIDENTIAL ACTIVITY

EVENT: Address Annual National Legislative
Conference for Independent Insurance
Agents of America, Inc.

DATE: March 14, 1989

TIME: 10:15 - 10:45 am

DURATION: 30 minutes

LOCATION: Capital Hilton Hotel

ATTIRE: Business Suit

REMARKS REQUIRED: Yes

MEDIA COVERAGE: Open

**FIRST LADY
PARTICIPATION:** No

**ADDITIONAL
INFORMATION:**

CONTACT: _____

TELEPHONE: OFFICE _____ HOME _____

NOTE: PROJECT OFFICER, SEE ATTACHED CHECKLIST

Ed Rogers

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David Valdez

USSS - PPD

Operations - Executive Residence

WHCA Audio/Visual

WHCA Operations

Christ
Dooley
extra

March 2, 1989
DRB

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WASHINGTON

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Davis/Dooley
afva

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