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1st session of 2 day meeting

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- 9 am
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Marine Band
Hank Cox - chm's speaker
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- 10:15 meeting over
luncheon

McGroarty/Simon
April 25, 1989
6:45 pm
Draft 3

PRESIDENTIAL REMARKS: U.S. CHAMBER OF COMMERCE
~~WASHINGTON, D.C.~~ CONSTITUTION HALL
MONDAY, MAY 1, 1989
10:15 am

[Introductory remarks.... Acknowledgements of outgoing Chmn. Bill Kanagka, incoming Chmn. John Clendenin, Pres. Dick Leshner....]

I want to thank the Chamber of Commerce for providing me a chance to deliver a May Day message, American-style. On May Day, I always think about that celebration in the Soviet Union. All those red banners.... The big military parade.... Even the Economic Planning Ministry had a unit in the parade -- two hundred economists marching along yelling, "Mayday! Mayday!"

Today, that is beginning to change. Even the socialist world is beginning to see that socialism isn't just another economic system -- it's the death of economics. Nations the world over are coming to recognize that free enterprise is the wave of the future. That's a promising forecast for prosperity - and for world peace.

In the United States, the single most significant economic indicator of this decade is up one, as of today: today begins the 77th month of uninterrupted economic growth in the American economy.

Without a doubt, this long-running economic expansion has been good for American business, and for the American worker. In

1/83 - 5/89

4/24
fact sheet

almost

those 77 months, we've added over ~~twenty~~ million new jobs -- and more Americans have moved up on the pay scale. Since 1982, the number of jobs paying less than \$5 dollars an hour is down 30%, while jobs paying \$10 or more dollars an hour have increased by 80%. Unemployment is at its lowest point in the past 15 years.

Dave Demers
DOL - office
of Policy
523-6094

In those 77 months, America's industrial output is up 33% -- overall growth, up 26%. For those with an eye on the

BLS
4/24 fact sheet

international competition, that's a more rapid rate of growth than Japan reports for that same period, and it's double that of Europe.

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fact sheet

And the expansion has been just as good to the average American family. Per capita personal income is up 17% -- and that's take-home "after tax" pay, adjusted for inflation. In 1987, median family income reached a new high -- and it's continued to climb since then.

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fact sheet

That's quite an economic success story. Our challenge now is to keep it going. We can -- and we will.

We've all heard the naysayers. I think there are a few out there whose predictions of economic disaster are now in their 76th straight month....

The naysayers are wrong -- but why? What they've underestimated is the resilience, the remarkable responsiveness of the free enterprise system. You can focus on government so long, that you forget that it's the private sector that's home to the innovation and economic creativity that powers this expansion.

I've been a small businessman myself, starting out with an idea, and building it into a business. I know the risks -- and the rewards: the payoff in pride when you succeed....

Actually, not that much has changed: I've still got something in common with a lot of small businessmen in America. I also work out of my house....

Entrepreneurs know this simple truth: nothing wagered, nothing won. That's why I want a government that prompts entrepreneurs to take risks -- not a government that forces them to take refuge.

That doesn't mean government's only job is simply to stand back and step out of the way. There's plenty for the government to do, to make sure commerce is free and fair, and to maintain a climate where free enterprise can take place and prosper.

And today, the federal government's number one economic priority is dealing with the deficit.

Agreement: 4/14
4/24 fact sheet

We've made a good start. The budget agreement Congress and my Administration concluded two weeks ago will keep federal spending below the Gramm-Rudman target. And we haven't sacrificed our social or national security responsibilities in the process. The budget level we've agreed on will allow us to discharge the critical duties of government. We'll be able to provide for our national security, meet the needs of the disadvantaged, and accelerate the funding of several high-priority programs.

Our agreement sends a signal -- to the American people, and to our trading partners: we're serious about getting that deficit down.

And the deficit is coming down, not only in straight dollar terms, but as a percentage of our annual GNP. ~~We've cut~~ ^{we are fixing} the deficit in half, from a high of 5.7% of GNP in 1986, to a projected 2.9% in 1990.

One word more about the budget agreement for 1990. We've agreed to \$5.3 billion dollars in "new revenues" as part of the deal. You're going to hear a lot about those "new revenues" in the months ahead -- so let me say my piece now.

First of all, let me assure you: "new revenues" isn't a code word for new taxes. I've given my word many times, and I'll give it again today: no new taxes means just that.

And I'll make it so clear that even the duck hunters among us will understand: we won't raise taxes with word games. We all know a tax when we see one -- and you won't see any in the agreement I've signed onto.

I have news for the castor-oil club -- the gang that's trying hard to get us to swallow new taxes. That's bad medicine for the economy. The deficit exists because we over-spend -- not because we're under-taxed.

Let me tell you what my favorite source of new revenue is. We don't have to raise tax rates -- we have to release the energies of free enterprise.

OMB
Historical
Table
1-2

FY 1990

4/14
Bipartisan Budget
Agreement
see file

BBA
p. 23

In a growing economy, tax revenues will take care of themselves. In 1990 alone -- thanks to expanding economic activity -- the Treasury will take in \$80 billion dollars in increased revenues, not through higher taxes, but under the existing tax structure.

Bruce
Butcher OMB
x 3667
Budget agreement 4/84
see file

That's why I've called on Congress to cut the capital gains tax. In 1990 alone, increased economic activity spurred by a cut in capital gains would bring an extra \$4.8 billion dollars into the federal treasury. That's the lion's share of the \$5.3 billion dollars we need in the way of "new revenues" under our budget agreement -- and my estimate is on the conservative side.

So let's not hunt for ways to wring another dollar in taxes out of our economy -- let's concentrate on creating conditions for continued growth.

Let's take a look at what our competitors are doing. Canada ^{maximum} taxes capital gains ^{tax rate is} at about half the rate that we do. ^{of ours} So do Sweden and France. Japan's rate? ...A scant 5%. West Germany exempts all long-term capital gains from any tax whatever -- and ^{the same} among the newly industrialized economies of the Pacific rim, ^{four} five out of six have no capital gains tax at all. ^{Hong Kong, Singapore, Korea + Taiwan}

Among our competitors, those low rates contribute to low capital costs. Cutting our own capital gains rates would encourage productive investment -- in addition to generating the "new revenues" we need to meet our deficit reduction agreement.

I think the case for a capital gains cut is a strong one,

but there are several other economic issues I want to discuss here today.

First, a pressing problem with ^{importance} ~~important~~ to our long term fiscal health: the S&L situation. This Administration recognized the immediate need to take action to stabilize the S&L system. ~~Less than three weeks after taking office, we sent to Congress~~ ^{Proposed} a comprehensive S&L reform plan -- one designed to stop the dollar drain and deal with insolvent thrifts, and restore confidence in the S&L system.

2/6/84
fact sheet
4/24

Roll Call vote 5/1
4/19/84
cong. Record p. S 4304

The Senate passed my package with a resounding majority: 91 to 8. I urge the House to move quickly to give us the tools we need to repair the S&L system by passing my bill quickly -- with its central provisions intact.

DOL
statement
(see file)

And I have a second message for Congress, as it debates an increase in the minimum wage. I've indicated my support for increasing the minimum wage over three years to \$4.25 an hour. I also want to establish a six-month training wage for new workers at the old \$3.35 rate, and expand the exemption from minimum wage requirements for all small businesses with annual sales under half a million dollars.

DOL
office of information
(see file)

It's time for those who want a higher wage to move beyond the rhetoric, and take a look at the consequences. We all know the studies that show ^{that for each \$1.00} a 10% increase in the minimum wage ~~will result in a loss of one hundred to two hundred thousand jobs~~ ^{will be destroyed.}

What happens when minimum-wage workers open that pay envelope expecting a fatter paycheck -- and find a pink slip

instead? An irresponsible increase in the minimum wage will cost jobs, as employers cut back to compensate for increased costs. \$4.25 is as far as I can go -- it's my first and final offer.

Finally, I'll close with a brief comment on an issue I know is vital to those of you here today -- vital, in fact, to all Americans in our evolving economy: International trade.

The global economy is a fundamental fact of economic life. It is no longer possible to draw a sharp line between domestic and international markets.

This Administration is committed to securing a truly free world trading system -- and we can't have free trade without fair trade.

This is no time to wall off the American economy, in hopes of securing U.S. companies against foreign competition. It is high time to work with our trade partners to lower the barriers to free and fair trade, for the benefit of all alike.

You have my word that the United States government will seek with added energy to open up foreign markets now closed to U.S. exports. Protectionism runs dead against a global trend towards more open and extensive commerce between nations -- and I'm dead set against protectionism. [pause]

*Chamber
mission
statement*
The Chamber of Commerce has always stood for economic freedom -- and I know you share my view that there is no surer route to prosperity and progress than the system of free enterprise.

The message of the past 77 months is clear: We can keep the economy strong, sustain the longest expansion in American history, and ensure America a productive and prosperous future -- provided that government policies preserve the greatest possible freedom for American enterprise to innovate, create and compete.

Thank you.

BUILDING A BETTER AMERICA
APRIL 24, 1989

SUMMARY

Since President Bush took office, he has addressed a series of tough issues, meeting both urgent short-term priorities and working toward solutions to the long-term challenges facing the nation. Relying on basic American principles -- traditional family values, choice, accountability, fairness, excellence, peace through strength -- the President is building a better America by:

1. Keeping the economy strong -- with no new taxes
2. Seizing international opportunities for peace
3. Investing in our future
4. Working for a kinder, gentler America

Keeping the Economy Strong -- With No New Taxes

- o Record economic growth -- 76 months of economic expansion. Nearly 20 million new jobs have been created, and the unemployment rate is now at its lowest since December, 1973. Real median family income set a new record in 1987 and continues to grow.
- o A comprehensive budget proposal sent to the Congress and an unprecedented bipartisan agreement with the Congress reached on the budget reducing the Federal budget deficit, meeting Gramm-Rudman-Hollings deficit reduction targets with no new taxes
- o A comprehensive plan to rescue the Savings and Loan industry which has cleared the Senate
- o An initiative for cutting the capital gains tax rate sent to the Congress to encourage investment and create jobs and opportunity
- o In the Uruguay Round of GATT trade negotiations, substantial progress has been made by the Administration toward reducing trade barriers to U.S. exports
- o A plan for raising the minimum wage to \$4.25 coupled with a six month training wage

Seizing International Opportunities for Peace

- o The signing of a bipartisan accord with the Congress on Central America
- o The initiation of a dialogue with the Soviet Union. Secretary Baker met with Foreign Minister Shevardnadze in March, and these talks will continue when the two meet next in Moscow

- o An eight-step program to support Polish political and economic reforms
- o Intensive Presidential consultations with the leaders of 34 nations, including 18 bilateral meetings held during the Asia trip
- o A plan to strengthen the international response to Third World debt
- o Comprehensive foreign policy and defense strategy reviews initiated

Investing in Our Future

Improving Education

- o A comprehensive legislative package for educational excellence sent to the Congress

Protecting our Environment

- o A multi-agency commitment to oversee the Alaskan oil spill cleanup effort
- o The development of Clean Air Act revisions, with provisions for control of acid rain and other problems
- o An announcement of an effort to seek legislative authority to ban hazardous waste exports, where agreements do not exist for their safe disposal
- o A call for the worldwide phaseout of CFCs by the year 2000
- o A plan of action to identify and prioritize clean up of defense and civilian radioactive waste
- o A legislative proposal, already enacted by the House, to deregulate natural gas by January 1, 1993

Fighting Drugs and Crime

- o A major \$6 billion anti-drug abuse initiative focusing on education, rehabilitation, interdiction and enforcement
- o Action in response to the drug emergency in the District of Columbia, including enforcement support, more prison space, and stepped-up efforts in prevention and rehabilitation
- o A temporary suspension of imports of certain types of semi-automatic weapons
- o Action to modify lease and grievance procedures to facilitate eviction of those involved in drug related criminal activity from public housing
- o New aviation security initiatives announced by the Secretary of Transportation, to counteract terrorism in the skies

Working for a Kinder, Gentler America

Child Care

- o A child care initiative to give low and moderate income working families greater choice and flexibility in meeting their child care needs
- o Legislation to increase the FY 1990 authorization for Head Start by \$250 million to help up to 95,000 more 4-year olds

National Service

- o The creation of the Office of National Service in the White House, and leadership in the Administration's initiative on volunteerism

Welfare Reform and Medicaid

- o Quick action to implement major welfare reform legislation that will help reduce long-term welfare dependency
- o Expansion of the Medicaid program to serve more pregnant women, infants, and children

Homelessness

- o An initiative to provide over \$1 billion in federal resources to help end homelessness and pave the way to jobs, permanent housing and health care

Ethics and Civil Rights

- o A comprehensive ethics proposal to make uniform the standards among all three branches of government
- o Whistleblower protection legislation, now law, to strengthen the rights of those who report misdeeds and mismanagement
- o Enforcement of the new Fair Housing Laws, to fully prosecute those discriminating in housing opportunities on the basis of religion, race, age, ethnicity, handicap or family status
- o Support by the Department of Justice for the objectives of the Hate Crimes Bill, which provides for the collection of data about crimes motivated by race, religion, ethnicity or sexual orientation

President Bush has set an agenda for the country. He is orienting us as a nation toward the future -- building a better America -- keeping America strong and at peace. Leadership is the ability to see the shape of things to come, to address tomorrow's challenges today. George Bush is preparing the nation for the 21st Century.

BUILDING A BETTER AMERICA

APRIL 24, 1989

KEEPING THE ECONOMY STRONG -- WITH NO NEW TAXES

Keeping our nation's economy strong is the key to managing change successfully. The news is good:

- o **Record expansion:** We are now in the 76th month of the current economic expansion.
- o **Job creation:** Nearly 20 million new jobs have been created, and the unemployment rate has declined to 4.9 percent, a 15 year low. During this decade, America has created more new jobs than Japan and the nations of Western Europe combined.
- o **Record income:** Per capita personal income, after taxes and inflation, has risen 17 percent during the expansion; real income of the median family -- the family exactly in the middle of the income distribution -- set a new record in 1987 and continues to grow.
- o **Industrial output:** During this expansion, American industrial output has grown 33 percent compared with overall economic growth of 26 percent. This is double Europe's growth rate in industrial output and even slightly more than Japan's rate of increase during the same period.
- o **Inflation under control:** We have had seven straight years of consumer price inflation under 5 percent. The Administration supports the Federal Reserve's efforts to restrain inflation while maintaining real economic growth. The Administration and the Fed share the goal of ultimately achieving price stability -- zero inflation.

ACTION BY THE ADMINISTRATION:

- o **Presenting a budget:** The President put forth a budget which addresses our fundamental obligations for protection of national security and support of the needy, while providing sufficient funds to advance high-priority initiatives. The President's budget restrains overall growth of spending and meets the Gramm-Rudman-Hollings targets -- with no new taxes.
- o **Reaching a budget agreement with Congress:** The President and Congress announced on April 14 a budget plan to reduce the estimated FY 1990 deficit by about \$64 billion below FY 1989. The deficit will be reduced to \$99.4 billion, as required by the Gramm-Rudman-Hollings law. **This is the**

first budget agreement reached before the start of the budget year and not framed in the context of crisis.

- o **Savings and Loan reform:** The Administration has transmitted the "Financial Institutions Reform, Recovery and Enforcement Act of 1989" to Congress, which has already cleared the Senate. The proposal includes provisions to:
 - Assure financial integrity of deposit insurance by raising the annual premium rate for both commercial banks and S&Ls.
 - Resolve the status of existing insolvent banks in an orderly fashion.
 - Improve supervisory control by bringing S&Ls up to the same standards applied to commercial banks.
 - Enhance enforcement of bank fraud provisions.

- o **Capital gains tax rate cut:** The re-establishment of a capital gains differential will encourage capital formation, and investment and stimulate job creation. The President has sent to the Congress a proposal which includes:
 - A 45 percent capital gains exclusion for qualified capital gains, making the maximum capital gains tax rate 15 percent.
 - A phased-in increase in the qualifying holding period from one year to three years.
 - Families earning under \$20,000 would be exempted from the tax.

- o **Minimum wage proposal:** The President is seeking to minimize the adverse economic impact of an across-the-board increase in the minimum wage, and to keep job opportunities available for youth and those seeking to enter the economic mainstream. His proposal is:
 - A 27 percent increase in the minimum wage over three years to \$4.25 for most workers.
 - Maintaining the current \$3.35 minimum for all new employees of a firm on the job for less than six months, regardless of age or previous employment.
 - An increase in the small business exemption to include all firms, not just retail and service establishments, with gross sales under \$500,000.
 - An increase in the tip credit from 40 percent to 50 percent.

The President's pledge to veto an excessive increase in the minimum wage has gained strong support in both Houses of Congress.

- o **International Trade:** The Administration broke a logjam in international trade talks which had existed since late 1988. In breaking the stalemate, the United States advanced its proposal to correct and prevent trade distortions in agriculture. This clears the way for negotiations that -- if

successful over the next 20 months -- will greatly expand rules governing free and open trade.

o **Agricultural initiatives:**

- The announcement of additional advance deficiency payments of 10 percent available to producers of wheat, feed grains, rice and upland cotton.
- The establishment of a top-level Working Group on Rural Development to focus on an action-oriented agenda.

SEIZING INTERNATIONAL OPPORTUNITIES FOR PEACE

The Administration's policy of peace through strength is working. As he prepares for both the 40th Anniversary of NATO in Brussels and the economic summit in Paris, President Bush has undertaken a number of foreign policy initiatives to maintain America's position of world leadership.

ACTION BY THE ADMINISTRATION:

- o **Bipartisan accord:** On March 24, the President signed the Bipartisan Accord on Central America with top leaders of the Congress. The agreement sets out the broad outlines of a strong and effective U.S. policy in the region:
 - **Humanitarian aid:** Congress has agreed to support the Administration's request for continued humanitarian assistance for the Nicaraguan Democratic Resistance at current levels through the elections in Nicaragua scheduled for February, 1990.
 - **Democracy and Regional Peace:** The burden of proof is on the Sandinista government to do something it has steadfastly refused to do from 1979 to 1989: keep its promises to its people and its neighbors. If those pledges of democracy and peace continue to be violated, we hope and expect that other nations will find ways to join us to condemn those actions. But if those promises are kept, we have an opportunity to start a new day in Central America.

- o **Support for reform in Poland:** The Polish people are now taking concrete steps which deserve our active support. Those reforms include the legalization of Poland's heroic trade union movement, Solidarity, and were recognized by President Bush's initiative, which contained eight steps to support Polish political and economic reforms:
 - The President is asking the Congress to join him in providing Poland access to our Generalized System of Preferences, which offers selective tariff relief to beneficiary countries.
 - We are working with our allies and friends in the Paris Club to develop sustainable new schedules for Poland to repay its debt, easing a heavy burden so that a free market can grow.
 - The President is also asking Congress to join him in authorizing the Overseas Private Investment Corporation to operate in Poland.
 - The President is proposing negotiations for a private business agreement with Poland to encourage cooperation between U.S. firms and Poland's private businesses.
 - The U.S. will continue to consider supporting, on their merits, viable loans to the private sector by the International Finance Corporation.

- The President supports the Roundtable agreements that clear the way for Poland to be able to work with the International Monetary Fund on programs that encourage sound, new, market-oriented economic policies.
 - The Administration is also encouraging business and non-profit groups to develop innovative programs to swap Polish debt for equity in Polish enterprises; and for charitable, humanitarian and environmental projects.
 - The President will support imaginative educational, cultural and training programs to help liberate the creative energies of the Polish people.
- o **Bilateral meetings:** The President has met with a total of 34 foreign leaders while in office, including a series of 18 bilateral meetings during the trip to Emperor Hirohito's funeral. President Bush has met with leaders from the Middle East, including Prime Minister Shamir of Israel, President Mubarak of Egypt and King Hussein of Jordan.
 - o A dialogue has begun with the Soviet Union. Secretary Baker met with Foreign Minister Shevardnadze in March, and these talks will continue when the two meet next in Moscow
 - o **Inter-American Development Bank:** The Bush Administration successfully concluded negotiations which will lead to a substantial increase in the Bank's resources. The resulting \$22.5 billion in lending over the 1990-93 period will support development efforts in major Latin American debtor countries as well as the smaller countries of Central America and the Caribbean.
 - o **Initiative on Third World Debt:** The President's initiative to strengthen the international strategy on Third World debt has already received broad international support from both industrialized and developing countries. The approach is designed to promote sustained growth in developing countries by:
 - Emphasizing sound market-oriented economic policies in debtor countries, particularly measures to promote investment and repatriation of flight capital;
 - Increasing the focus on debt and debt service reduction to complement new lending by commercial banks;
 - Using resources from the World Bank and International Monetary Fund to catalyze voluntary debt and debt service reduction by the commercial banks.
 - o **GATT:** In the Uruguay Round of GATT trade negotiations, the Administration has made substantial progress toward reducing trade barriers to U.S. exports.
 - o **Policy reviews:** President Bush has ordered a comprehensive review of foreign policy and defense strategies, soon to be completed.

INVESTING IN OUR FUTUREEDUCATION

The President's actions to improve education are guided by **four key principles**: that **excellence** and success in education should be recognized and rewarded; that federal funding should be targeted to those who **need it most**; that **choice and flexibility** - for educators, parents and students -- are important to educational reform and to achieving excellence; and finally, that greater **accountability** is needed in the education system to assure that students are actually receiving the highest quality education.

ACTION BY THE ADMINISTRATION:

- o The President proposed and sent to the Congress a comprehensive education package, "**The Educational Excellence Act of 1989**" which includes seven initiatives:
 - **The Presidential Merit Schools program** -- to reward schools that have made substantial progress in raising students' educational achievement, creating a safe and drug-free school environment, and reducing the drop-out rate.
 - **A new Magnet Schools of Excellence program** -- to support the establishment, expansion or enhancement of magnet schools, increasing parental choice and improving quality education.
 - **The Alternative Certification of Teachers and Principals program** -- to assist States interested in broadening the pool of talent from which to recruit teachers and principals.
 - **President's Awards for Excellence in Education** -- to be awarded to public and private school teachers in every state who meet the highest standards of excellence.
 - **Drug-free Schools Urban Emergency Grants** -- to provide special assistance to selected urban school districts that are disproportionately affected by drug trafficking and abuse.
 - **A National Science Scholars program** -- to provide college scholarships to high school seniors who have excelled in the sciences and mathematics.
 - **Additional Funding Authorization for Endowment Matching Grants at Historically Black Colleges and Universities** to strengthen HBCUs by building endowments, an especially effective way to create financial strength and long-term security.

THE ENVIRONMENT

President Bush, a long-time environmentalist, has taken strong action to protect the environment. He is working shoulder-to-shoulder with Interior Secretary Lujan, Energy Secretary Watkins, and EPA Administrator Reilly on a number of fronts.

ACTION BY THE ADMINISTRATION:**o Alaskan oil spill:**

- A Cabinet-level team was sent to assess the Alaskan oil spill situation, and a joint federal-state resource recovery team was convened, with Secretary of Transportation Skinner now coordinating all efforts. Coast Guard Commandant Yost has returned to Alaska to assume personal oversight of developments, and the National Transportation Safety Board is investigating the accident itself. Exxon has accepted responsibility for paying for the cleanup, and for employing local civilian personnel necessary to control further damage.
- In addition to the considerable federal personnel and equipment already in place, on April 7, the President announced that Defense Secretary Cheney will make available U.S. Armed Forces personnel and equipment to assist in the cleanup. EPA Administrator Reilly will coordinate the long-range planning to restore the environment of Prince William Sound, and the President has ordered a review of existing contingency plans for accidents such as this. The Departments of Interior, Commerce and Agriculture, with the State of Alaska, have begun a scientific assessment of damages to natural resources. Exxon has provided \$15 million in up-front funding for this effort.
- The President has set up a special task force to address environmental concerns about oil and gas drilling off the coasts of California and Florida.

- o Cleaning up hazardous wastes:** The President announced he will be seeking new legislation to give the United States Government authority to ban all exports of hazardous waste except where an agreement exists with the receiving country providing for the safe handling and management of those wastes.

- o Also,** Secretary of Energy Watkins has put forth a plan of action to identify and prioritize clean up of defense and civilian radioactive waste.

- o Superfund:** The President is reinvigorating the Superfund hazardous waste clean-up program by directing EPA to take a number of actions, including more aggressive action to force private parties to clean up sites, stepped-up cost recovery, and better use of existing emergency cleanup authorities. EPA is also now finishing a priority review of Superfund to improve its operation.

- o Ozone depletion:** The President has called for a total worldwide phaseout of CFCs by the year 2000, provided safe substitutes are available, in order to prevent further damage to the earth's protective ozone layer.

- o **Clean Air and Acid Rain:** The President committed his Administration to submitting a new Clean Air Act, including provisions for control of acid rain, ozone, and toxic air pollutants. Top Administration officials have begun drafting a bill, in consultation with leaders of Congress.
- o **Clean water and coastlines:** The EPA has started a tracking system for medical wastes and the Justice Department has started a task force to prosecute these abuses -- the first step in a comprehensive program to help keep our beaches clean. The President is committed to end ocean dumping of sewage sludge by 1991.
- o **Wetlands:** The President is committed to "no net loss of wetlands" and is directing his agencies to work toward that goal. He has also proposed \$206 million in his budget to expand our parks and wildlife refuges.

FIGHTING DRUGS AND CRIME

With the confirmation of Bill Bennett as Director of National Drug Control Policy, and the trip by Attorney General Thornburgh to South America to meet with local leaders with regard to joint eradication and interdiction efforts, we have begun a new war on drugs in this country. The President believes a four-pronged approach is key: education, rehabilitation, interdiction and enforcement. The policy of this Administration is "zero tolerance." No amount of illegal drug use is acceptable. This means dealing with both supply and demand.

ACTION BY THE ADMINISTRATION:

- o **Budget:** The Administration is requesting \$6 billion in funding for FY 1990 to fight the drug war, increasing outlays by nearly \$1 billion for drug education, treatment and enforcement.
- o **Education:** The Administration is requesting nearly \$1.1 billion for education and prevention efforts. This is a 16 percent increase over 1989, and includes funding for ongoing programs and new initiatives.
- o **Rehabilitation:** Funding for drug abuse treatment will be increased 18 percent. The Administration is proposing over \$700 million to expand the nation's capacity to provide treatment, particularly to the indigent, disadvantaged, youth, and expectant mothers.
- o **Interdiction and enforcement:** The Administration is proposing over \$4.1 billion for law enforcement programs in 1990, a 10 percent increase over 1989. This constitutes about 70 percent of President Bush's proposed drug budget. Substantial increases are requested in funding to strengthen inspection, interdiction, intelligence efforts and crop

eradication programs, such as Operation Polar Cap, a federally led effort which broke up a \$1.2 billion drug money-laundering operation. The President strongly supports the death penalty for drug kingpins who commit drug-related murders, and will appoint judges who will strongly enforce the drug penalty laws.

- o The Administration imposed a **temporary suspension** of imports of certain types of **semi-automatic weapons**, and has undertaken an emergency study to identify the best means of reducing drug-related killings and other violent crime.
- o **Public housing:** The Bush Administration is working to make public housing drug free, to protect the rights of the vast majority of decent, law-abiding public housing residents. The Department of Housing and Urban Development has acted:
 - To modify its lease and grievance procedures to facilitate eviction of those involved in drug related criminal activity;
 - To make drug use and trafficking a lease violation subject to eviction proceedings;
 - To target federal assistance to anti-drug security measures;
 - To revoke federal housing subsidies from those dealing in drugs;
 - To involve the private and voluntary sectors in efforts to rid public housing of drugs and give residents, especially young people, a stake in their communities and their futures.
- o In addition, the Office of National Drug Control Policy has responded to the drug emergency in the District of Columbia:
 - **A Metropolitan Area Task Force will be expanded**, with 57 additional representatives from federal agencies, and state and local police from D.C., Maryland and Virginia.
 - **More prisons:** The federal Bureau of Prisons will take custody of 250 inmates from the D.C. jail, and work to locate land for construction of a new prison.
 - **Enforcement:** The FBI will provide support to D.C. police in investigations of drug-related murders.
 - **Rehabilitation:** The National Institute on Drug Abuse will provide assistance in local treatment efforts and will be authorized to establish three new outpatient clinics by 1990.
 - **Prevention:** The Department of Education will provide the District with 50 percent more funds for drug prevention programs in city schools. The Department of Labor will work with the business community to increase job training for youth, and will provide a \$100,000 grant to establish employee assistance programs for drug abuse.

WORKING FOR A KINDER, GENTLER AMERICACHILD CARE

The changing nature of American society heightens the need for quality, affordable, accessible child care. President Bush wants to put choice in the hands of parents so that they -- not government -- have the power to select the best and safest environment for their children.

ACTION BY THE ADMINISTRATION:

- o **Child care:** The President has proposed a child care package, the "Working Family Child Care Assistance Act of 1989" which:
 - Provides a new refundable child care tax credit of up to \$1000 per child under four, for low and moderate income working families.
 - Makes the existing Child and Dependent Care Tax Credit refundable.
 - Does not discriminate against religious- and family-based child care.
- o The President has directed Secretary of Labor Dole to study the market for liability insurance to determine if liability issues impair child care.
- o **Head Start:** The President has also transmitted legislation to the Congress which would increase the FY 1990 authorization for Head Start by \$250 million; this will pay for enrollment of up to 95,000 more four-year-olds in the program.

NATIONAL SERVICE

President Bush has said that "From now on in America, any definition of a successful life must include serving others."

ACTION BY THE ADMINISTRATION:

- o **Office of National Service:** The President established in the White House the Office of National Service to lead the Administration's national service movement. This Office will identify effective community service models and encourage others to duplicate them across the country. It will challenge individuals, schools, businesses, civic and service groups, religious institutions and other entities to expand existing community service programs and to create new ones. The goal of this Office is to make service to others a central part of every American's life, and in so doing, to help to ameliorate the urgent ills which fray the fabric of American society. The Office will recommend changes in national social and economic policy to promote and encourage

service, including tort law reform, welfare law reform and housing, to name a few.

- o **Presidential Proclamation:** In signing the proclamation commemorating National Volunteer Week, April 9-15, the President challenged every American who cares about the future of this country to engage in some meaningful form of community service. He awarded 18 Presidential Awards to those chosen from nearly 2000 applications -- to winners who embody the ideals of goodness, compassion and concern for others.

WELFARE REFORM

The Administration has developed a major new education and job training program to help recipients of Aid to Families with Dependent Children move off welfare and become economically self-sufficient.

ACTION BY THE ADMINISTRATION:

- o **Welfare reform:** The Administration issued proposed rules on April 18 to implement the major provisions of the Family Support Act of 1988. The proposed rules are designed to:
 - Target job training assistance to those who are most likely to benefit and who are most at risk for long-term welfare dependency.
 - Provide maximum level of flexibility to AFDC parents in obtaining the type of child care that best suits their needs, consistent with the Administration's legislative proposals on child care.
- o **JOBS Program:** The Administration is proposing to spend \$3.3 billion over the next five years implementing the JOBS program. The changes will pay benefits in the future by reducing the number of individuals on welfare. It is estimated that 138,000 families will be able to leave welfare rolls over the next five years as a result of this program.

EXPANSION OF MEDICAID

The Administration is committed to health care for the disadvantaged, calling for full funding of Medicaid, \$37.6 billion for FY 1990, an increase of \$3.3 billion, or 9.6 percent over the FY 1989 level.

ACTION BY THE ADMINISTRATION:

- o **Expanding Medicaid:** On April 18, the Administration forwarded to Congress proposed legislation to make federal programs better serve pregnant women, infants and children. The legislation would expand significantly the population

Medicaid serves, making Medicaid available to 1.9 million more women when they became pregnant. The legislation would:

- Increase by 374,000 the number of pregnant women and children eligible for Medicaid.
- Foster greater participation in Medicaid by eligible pregnant women by providing services to pregnant women who are presumed eligible for Medicaid before a formal eligibility determination is made; and by requiring States to operate outreach programs in areas of high infant mortality.
- Entitle all children under age 6 who are receiving Food Stamps to Medicaid coverage for immunizations.
- Make the Federal match rate for State administration expenses a uniform 50 percent by gradually reducing special administrative match rates ranging from 75 to 100 percent. The savings that would result would allow the legislative eligibility changes proposed by the President to be implemented within the current program's spending level.

HOUSING/HOMELESSNESS

President Bush has taken a number of steps to create an "opportunity society" of jobs, growth, housing and hope for Americans in need of a helping hand.

ACTION BY THE ADMINISTRATION:

- o **Homelessness:** A proposal to provide over \$1 billion in federal resources to help end homelessness and pave the way to jobs, permanent housing, health care and human dignity. President Bush's proposal calls for fully funding the McKinney Homeless Assistance Act and for a new \$50 million matching grant program to promote public/private partnerships to assist homeless families and the mentally ill.
- o **Enterprise zones:** A call for enactment of enterprise zone legislation, to give urban and rural areas the opportunity for jobs and hope for the future. President Bush asked Congress to enact labor and capital-based incentives to create jobs and entrepreneurial activity in our most distressed communities.
- o **Affordable housing:** A commitment to making housing more affordable for low-income families, and to provide homeownership opportunities to the poor and young families just starting out. President Bush proposes to assist 109,000 new families in need of low-income housing, and has pledged to maintain assistance to those families already being helped. President Bush has also signalled his commitment to empowering poor residents of public housing to become homeowners through resident management and ownership of public housing.

ETHICS AND CIVIL RIGHTS

High ethical standards and civil rights for all Americans are central to this Administration, and we will enforce them -- strictly, comprehensively, fairly, and to the letter and spirit of the law.

ACTION BY THE ADMINISTRATION:

- o **Ethics:** The President issued an Executive Order creating the President's Commission on Federal Ethics Law Reform. On March 9, the Commission filed its report and its recommendations to the President. Legislation was sent April 12th to the Congress, and the President issued an Executive Order announcing ethical principles for the conduct of executive branch employees. The President's proposals include:
 - A ban on outside earned income for non-career Presidential appointees in the executive branch, including all employees in the immediate White House Office.
 - Expanded financial disclosure for all three branches of government.
 - Prohibition of the conversion of political contributions for personal or office use.
 - A comprehensive review of federal campaign finance laws, including an assessment of the impact of PACs on parties, competition and political debate. The President believes that PAC contributions to candidates should be eliminated, and he will be consulting with the Congress on this issue. President Bush is also opposed to federal funding of congressional campaigns.
 - Deferral of tax liability when an individual is required by his or her agency to divest assets in order to avoid conflicts of interest.
 - Strengthened rules against abusing the revolving door for private gain at the expense of the public trust. These rules also apply to the legislative branch.
 - A 25 percent pay raise for federal judges was proposed in separate legislation submitted April 12, while the ethics reform legislation restricts their acceptance of honoraria. President Bush believes that honoraria for Members of Congress should be banned; however, the President will not formalize that proposal until after he consults with Congress on that issue and their pay raise. He will include in that discussion the question of a pay increase for certain executive branch positions.
 - The extension of the Independent Counsel statute to cover the Congress.
 - The extension of the federal statute that prohibits employees from taking actions that enhance their own financial interest to cover legislative and judicial branch employees.

- The establishment of an **independent ethics office for the Congress**, to be headed by a clearly nonpartisan official, confirmed by both houses.
 - The application of the existing **one-year post-employment "cooling-off" period** for senior executive-branch employees to the legislative and judicial branches.
- o **Whistleblower protection:** The President supports public servants who revere the trust placed in them by the American people. On April 10, the President signed S. 20, the **"Whistleblower Protection Act of 1989."** This law will strengthen the protections and procedural rights available to those federal employees who report misdeeds and mismanagement.
- This new law will enhance the authority of the Office of Special Counsel, and whistleblowers will also now be allowed to take their cases to the Merit Systems Protection Board.
 - The statute alters the legal burdens of proof, making it easier for employees to be vindicated when they are wrongfully penalized by their supervisors for whistleblowing activities.
- o **Civil rights:** The Administration has taken a number of actions to protect the civil rights of all Americans, including several court actions in key civil rights cases.
- On March 8, the Department of Justice endorsed the objectives of the Hate Crimes Bill and voiced no opposition to the bill's enactment. The Hate Crimes Bill provides for the collection of data about crimes motivated by race, religion, ethnicity or sexual orientation.
 - On March 13, Attorney General Thornburgh announced the filing of Federal housing discrimination lawsuits seeking monetary damages and civil penalties under the expanded enforcement authority of the Fair Housing Amendments Act of 1988.

#

Minimum Wage - Demographics and Economics

Demographics: The typical minimum wage earner is young, single, works part-time, and lives at home in a household not in poverty.

- o Of a workforce over 116 million, 3.9 million or 3.4 percent earned no more than \$3.35 per hour in 1988.
- o Those earning "no more than" the minimum wage include those who report this or a lower hourly wage but also earn tips (about 1.5 million tipped employees are in the workforce).
- o Almost 60 percent of minimum wage earners are under age 25. About one-in-four teenagers earns the minimum wage.
- o More than two-thirds of minimum wage earners work part-time. The vast majority of part-time employees prefer to work only part-time.
- o Seventy-two percent of minimum wage earners are located in the South and the Midwest.
- o The economy has generated more than 19 million jobs since 1982. Minimum wage jobs have declined by 2.6 million or 40 percent since 1982.
- o The overwhelming majority of youth who start at the minimum wage move to higher wage rates after an initial training period.

Job Loss

- o There is unanimous agreement in the published academic research literature by economists that an increase in the minimum wage results in the loss of job opportunities.
- o For each 10 percent increase in the minimum wage, the studies suggest a loss of between 100,000 and 200,000 employment opportunities.
- o The Congressional proposals contain an increase of about 39 percent, which alone suggests the loss of between 400,000 and 800,000 job opportunities.
- o The brunt of the job opportunity losses would be felt by those least able to bear them: young people and those most in need of skills and training.
 - Civilian unemployment rate: 5.1 percent
 - Teenage unemployment rate: 14.8 percent
 - Black teenage unemployment rate: 32.4 percent
- o The impact especially hurts small businesses, which are responsible for 70 percent of all new jobs. Two-thirds of all workers enter the workforce via a small business.

Impact on Poverty: Marginal, at best.

- o The minimum wage population and the poverty population are different people, by and large.
- o Only a small portion of minimum wage earners (an estimated 336,000 or 8.6 percent) are heads of households, living below the poverty line.
- o Sixty-two percent of heads of households of families in poverty are not employed or not in the labor force.
- o A recent study by R.V. Burkhauser and T.A. Finegan of Vanderbilt University finds that most of the potential gains from a higher minimum wage would go to workers in households far above the poverty line. The study estimates that only 11 percent of the gains would accrue to those in poverty.
- o Historically, increasing the minimum wage has had no impact on poverty. During the last four-year phase-in of a minimum wage increase (1977-1981), the poverty rate actually began to rise for the first time in the post-war era.
- o About one-half of the heads of households in families below the poverty line lack even a high school diploma.
- o Skills are the way out of poverty, not an increase in the minimum wage.

Youth Labor Market Update

- o The overall rate of summer employment for all youth reached a record high last year; and employment levels for black teenagers reached a record high last summer (more than doubling since 1982).
- o Between November 1982 and November 1988, the actual number of teenage black males in the workforce increased by more than 70 percent.
- o While the overall civilian unemployment rate has declined by 5.7 percentage points during the economic expansion, the rate for teenagers has declined by 9.3 percentage points and 17.1 percentage points for black teenagers.

Financial Cost

The Congressional proposal will result in higher inflation and interest rates. Higher prices will adversely impact the nonworking poor, the elderly, and others on fixed incomes. The direct cost to consumers will be over \$12 billion. The federal budget deficit will increase by about \$2 billion as a direct consequence, and by up to about \$5 billion including indirect effects (i.e., higher interest costs and higher benefit costs on indexed programs).

THE PRESIDENT'S POSITION ON MINIMUM WAGE

Given the loss of jobs and job opportunities associated with an excessive minimum wage increase, the President's position is as follows:

- ** An increase of about 27 percent over three years, that is, 30 cents a year to an ultimate \$4.25 an hour and no higher;
- ** A meaningful training wage that would apply universally to all new hires, whether or not this is their first job. The training wage would be available for six months at the \$3.35 level of the current minimum wage or 80% of the revised minimum wage. Included are strict enforcement provisions against displacing employees to hire new workers after six months.
- ** Liberalizations of the current tip credit (from 40 percent to 50 percent) and small business exemption (from \$362,500 to \$500,000, which should be extended to all businesses, not just retail and service establishments).

The President could accept this increase only if the proposed training wage is added to it. Any more expansive approach at this time would be unacceptable, because it would decrease job opportunities.

Legislation outside these parameters would call for a veto. This is as far as the President can go.

- o Most (92 percent) of the new jobs created over the last 6 years are full-time jobs. Most part-time workers choose to work part time (80 percent).

o Since 1982, the number of jobs paying less than \$5 per hour have declined by 8 million or 30 percent. Jobs paying \$10 or more have increased 18.4 million or almost 80 percent.

Demographic Profile

Women

- o Women have filled 55 percent of the new jobs created over the past 6 years, a significantly larger proportion than their labor force share of 45 percent.

Black

- o Black employment has increased 29.3 percent since November 1982.
- o Blacks have filled 16 percent of the new jobs during the last 6 years, a significantly higher proportion than their 11 percent labor force share.

Hispanic

- o Hispanic employment has surged 45 percent during the last 6 years.
- o Hispanics have filled 16 percent of the new jobs during the last 6 years, a significantly higher proportion than their 8.6 percent labor force share.

Office of Policy DOL

BOB - MAR. 8, '89

Point paper by

David Demers

(LABOR) 523-6094

Could you verify circled info above?

Thanks

Table 1.2 -- SUMMARY OF RECEIPTS, OUTLAYS, AND SURPLUSES OR DEFICITS(-) AS PERCENTAGES OF GNP: 1934 - 1994

	GNP		Total		Budget		Off-budget			
	(in billions of dollars)		Receipts	Outlays	Surplus or Deficit(-)	Receipts	Outlays	Surplus or Deficit(-)	Receipts	Outlays
1970	990.2	19.5%	19.8%	-0.3%	16.1%	17.0%	-0.9%	3.4%	2.8%	0.6%
1971	1,055.9	17.7	19.9	-2.2	14.3	16.8	-2.5	3.4	3.1	0.3
1972	1,153.1	18.0	20.0	-2.0	14.5	16.8	-2.3	3.5	3.2	0.3
1973	1,281.4	18.0	19.2	-1.2	14.4	15.6	-1.2	3.6	3.6	*
1974	1,416.5	18.6	19.0	-0.4	14.8	15.3	-0.6	3.8	3.7	0.1
1975	1,522.5	18.3	21.8	-3.5	14.2	17.9	-3.6	4.1	4.0	0.1
1976	1,698.2	17.6	21.9	-4.3	13.6	17.8	-4.2	3.9	4.1	-0.1
TQ	448.7	18.1	21.4	-3.3	14.1	17.1	-3.0	4.0	4.3	-0.2
1977	1,933.0	18.4	21.2	-2.8	14.4	17.0	-2.6	4.0	4.2	-0.2
1978	2,171.8	18.4	21.1	-2.7	14.5	17.0	-2.5	3.9	4.1	-0.2
1979	2,447.8	18.9	20.6	-1.6	14.9	16.5	-1.6	4.0	4.1	-0.1
1980	2,670.6	19.4	22.1	-2.8	15.1	17.8	-2.7	4.2	4.3	-0.1
1981	2,986.4	20.1	22.7	-2.6	15.7	18.2	-2.5	4.4	4.5	-0.2
1982	3,139.1	19.7	23.8	-4.1	15.1	18.3	-3.8	4.6	4.8	-0.3
1983	3,321.9	19.1	24.3	-5.3	13.6	19.9	-6.3	4.4	4.4	*
1984	3,687.7	18.1	23.1	-5.0	13.6	18.6	-5.0	4.5	4.5	*
1985	3,952.4	18.6	23.9	-5.4	13.9	19.5	-5.6	4.7	4.5	0.2
1986	4,186.8	18.4	23.7	-5.3	13.6	19.3	-5.7	4.8	4.4	0.4
1987	4,473.8	19.3	22.6	-3.4	14.5	18.3	-3.8	4.8	4.4	0.4
1988	4,789.7	19.4	22.9	-3.5	14.7	18.7	-4.1	5.1	4.4	0.4
1989	5,134.7	19.1	22.9	-3.8	14.7	18.7	-4.1	5.1	4.2	0.2
1990	5,475.7	19.3	21.0	-1.7	14.1	17.0	-2.9	5.3	4.0	1.1
1991	5,847.6	19.5	20.6	-1.1	14.2	16.7	-2.5	5.3	4.0	1.3
1992	6,208.5	19.5	20.0	-0.5	14.2	16.2	-2.0	5.3	3.9	1.4
1993	6,555.1	19.5	19.5	*	14.1	15.7	-1.6	5.4	3.8	1.5
1994	6,887.5	19.5	19.0	0.5	14.1	15.3	-1.2	5.4	3.7	1.6

* 0.05 percent or less

Note: Fiscal year GNP data for years 1947 to current are those produced by the Bureau of Economic Analysis, Department of Commerce from seasonally unadjusted quarterly data. For years prior to 1947 the Department produced calendar year estimates but for fiscal year or quarterly estimates. For fiscal years prior to 1947 these data estimates are the average of the data for the two calendar years, for 1947, they use two quarters of quarterly data and one half of calendar year data.

GMB Historical Tables FY 1990

April 26, 1989

MEMORANDUM FOR MICHAEL BOSKIN

FROM: CHRISS WINSTON CW

SUBJECT: Statistics for U.S. Chamber of Commerce Speech

As we discussed, the statistics for the President's remarks to the U.S. Chamber of Commerce need to be reconciled between your office, OMB, and the "Building a Better America" fact sheet we released on April 24.

Here are the disputed figures on page 2:

	<u>Fact Sheet</u>	<u>CEA</u>	<u>OMB</u>
"America's industrial output"	42/88 33% ✓	32/88 33% ✓	40% 82/81
"overall growth"	26% 82/88	26% 82/88	29% 82/81
"per capital personal income" after taxes and inflation	17% 82/88 88/88	19% 82/88 87/88	"nearly 20%"

Please provide us with the correct figures as well as the sources used and appropriate back-up material.

Allen
Kroszner
5/22

40%

82/81

82/81

87/88

Jim Simpson
4781

Ind. ...

In general

OMB does quarter / quarter

CBA does year / year for internet comp on fact sheet

IND PRODUCTION

1982: 103.1

1982: IV 100.6

1988: 137.2 ↑ 33.1%

1989: I 141.0 ↑ 40.2%

CBA

OMB

GNP (82 #)

1982 3166.0

1982: IV 3159.3

1988 3916.1 ↑ 26.2%

1989: I 4088.2 ↑ 29.9%

CBA

OMB

Per Capita Personal Income

82: IV 9749

88: IV 11445

↑ 17.4% (Fact sheet, out dated)

89: I 11633

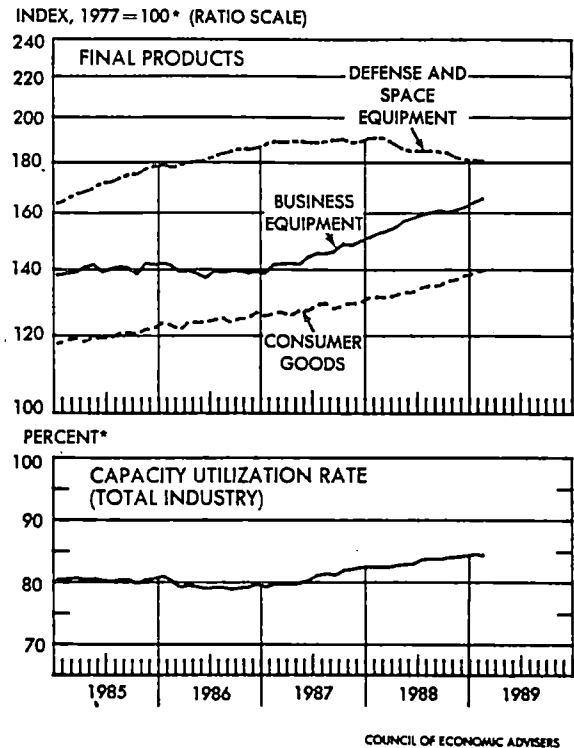
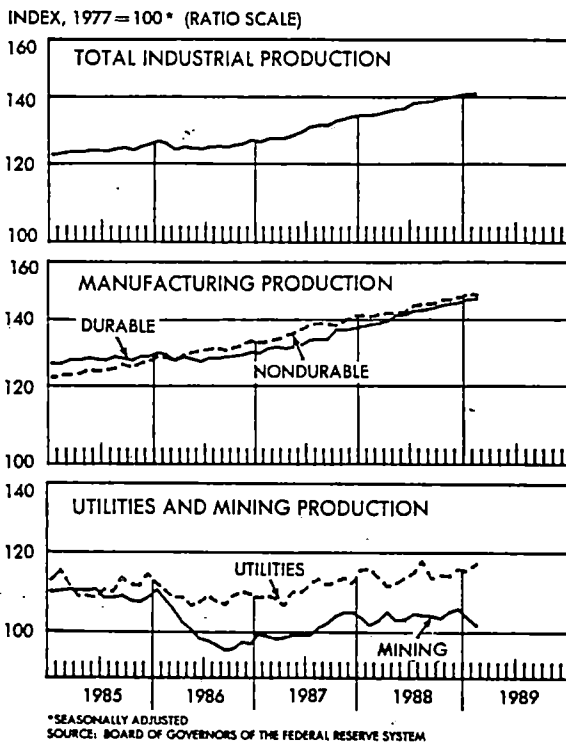
↑ 19.3% (CBA)

OMB did not have up to date data & approximated

PRODUCTION AND BUSINESS ACTIVITY

INDUSTRIAL PRODUCTION AND CAPACITY UTILIZATION

Industrial production was unchanged in February, following a 0.4 percent increase in January. The index for February was 5.0 percent above its year-earlier level.



[Monthly data seasonally adjusted]

Period	Total industrial production		Industry production indexes, 1977 = 100					Capacity utilization rate, percent ¹	
	Index, 1977 = 100	Percent change from year earlier	Manufacturing			Mining	Utilities	Total industry	Manufacturing
			Total	Durable	Nondurable				
1977 proportion	100.0		84.21	49.10	35.11	9.83	5.96		
1980	108.6	-1.9	108.2	109.1	107.0	112.4	107.3	80.9	79.3
1981	111.0	2.2	110.5	111.1	109.7	117.5	107.1	79.9	78.2
1982	103.1	-7.1	102.2	99.9	105.5	104.8	104.8	72.1	70.3
1983	109.2	5.9	110.2	107.7	113.7	102.9	105.2	74.6	73.9
1984	121.4	11.2	123.4	124.2	122.3	111.1	110.7	81.0	80.5
1985	123.7	1.9	126.4	127.6	124.6	108.9	111.1	80.4	80.1
1986	125.1	1.1	129.1	128.4	130.1	100.4	108.5	79.4	79.7
1987	129.8	3.8	134.7	133.1	136.8	100.7	110.3	80.7	81.1
1988 ^r	137.2	5.7	142.7	141.9	143.9	103.5	114.3	83.3	83.6
1988: Feb	134.4	5.8	139.5	138.4	141.1	101.5	115.6	82.4	82.6
Mar	134.7	5.7	140.0	138.8	141.7	102.7	113.3	82.4	82.7
Apr	135.4	6.3	140.8	139.7	142.3	104.7	111.0	82.7	82.9
May	136.1	6.2	141.8	141.5	142.1	102.6	111.6	82.9	83.3
June	136.5	5.7	142.1	141.7	142.6	103.0	113.2	83.0	83.3
July	138.0	5.7	143.6	142.9	144.6	104.3	114.4	83.7	84.0
Aug	138.5	5.5	144.0	143.2	145.1	103.8	117.8	83.8	84.0
Sept	138.6	5.7	144.4	143.8	145.3	103.7	113.0	83.7	84.0
Oct	139.4	5.2	145.3	144.6	146.3	103.1	113.9	84.0	84.3
Nov ^r	139.9	5.1	145.8	145.2	146.7	104.7	113.7	84.1	84.4
Dec ^r	140.5	5.0	146.4	145.7	147.3	105.4	115.4	84.3	84.5
1989: Jan ^r	141.1	5.0	147.4	146.7	148.6	103.4	114.8	84.5	84.8
Feb ^p	141.1	5.0	147.4	146.9	148.2	101.5	116.9	84.3	84.6

¹ Output as percent of capacity.

Source: Board of Governors of the Federal Reserve System.

	Seasonally adjusted at annual rates						Seasonally adjusted at annual rates					
	1987	1988	I 88	III 88	IV 88	I 89	1987	1988	I 88	III 88	IV 88	I 89
	Billions of current dollars						Billions of 1982 dollars					
Gross national product.....	4526.7	4864.3	4724.5	4909.0	4999.7	5116.8	3847.0	3996.1	3956.1	4009.4	4033.4	4088.2
Personal consumption expenditures.....	3012.1	3227.5	3128.1	3261.2	3326.4	3380.4	2521.0	2592.2	2559.8	2603.8	2626.2	2634.8
Durable goods.....	421.9	451.1	437.8	452.9	464.0	461.5	390.9	409.7	401.1	410.4	416.5	413.1
Motor vehicles and parts.....	195.8	208.6	202.2	210.2	213.2	208.2	170.4	177.7	173.5	178.7	179.6	173.5
Furniture and household equipment.....	148.3	159.0	154.7	159.5	162.3	167.8	151.0	160.8	157.3	161.0	163.0	168.9
Other.....	77.8	83.6	81.0	83.2	88.5	85.5	69.6	71.2	70.3	70.7	73.9	70.7
Nondurable goods.....	997.9	1046.9	1016.2	1060.8	1073.9	1093.7	890.5	899.6	892.7	904.5	907.4	911.8
Food.....	526.4	551.5	535.9	558.9	564.9	579.4	450.4	453.3	451.4	453.8	454.8	460.4
Clothing and shoes.....	178.2	186.4	180.5	188.4	193.6	193.3	160.5	161.1	159.6	164.2	164.1	163.9
Gasoline and oil.....	77.0	78.8	76.3	80.5	79.5	78.3	98.3	99.6	98.8	99.5	100.3	98.7
Other nondurable goods.....	216.3	230.2	223.5	233.0	236.9	242.7	181.3	185.6	183.0	187.0	188.2	188.8
Services.....	1592.3	1729.6	1674.1	1747.5	1788.5	1825.3	1239.5	1283.0	1265.9	1288.9	1302.2	1309.9
Housing.....	467.7	501.6	490.1	506.0	514.0	521.2	358.3	366.5	363.6	367.7	369.0	370.6
Household operation.....	186.3	196.7	190.9	199.7	202.7	200.7	157.0	163.5	160.4	165.9	166.4	163.6
Electricity and gas.....	88.8	93.1	90.2	94.6	96.7	93.2	79.0	82.3	80.5	83.8	84.2	80.8
Other.....	97.5	103.6	100.7	105.1	106.0	107.4	78.0	81.2	80.0	82.1	82.2	82.7
Transportation.....	106.2	117.2	111.3	118.5	122.5	126.8	89.3	93.7	91.7	94.2	96.0	95.9
Medical care.....	360.3	404.1	384.9	410.4	424.7	439.3	288.2	282.0	276.9	283.4	288.2	292.9
Other.....	471.8	510.0	497.0	512.9	524.8	537.4	366.6	377.3	373.2	377.7	382.6	387.0
Gross private domestic investment.....	712.9	766.5	763.4	772.5	772.0	815.9	674.8	721.8	728.9	726.1	717.1	751.4
Fixed investment.....	673.7	718.1	698.1	722.8	737.2	754.2	640.4	679.3	662.9	686.6	688.0	697.6
Nonresidential.....	446.8	488.4	471.5	493.7	500.6	516.5	445.1	487.5	473.4	495.0	491.4	502.8
Structures.....	139.5	142.8	140.1	143.8	145.0	149.4	125.5	125.1	124.0	125.8	125.5	127.9
Nonresidential buildings, excluding farm.....	92.6	94.2	93.3	93.5	94.4	98.7	77.1	76.4	76.1	75.7	75.8	78.4
Public utilities.....	28.4	30.3	27.7	32.1	32.5	32.9	25.7	26.6	24.6	28.1	28.2	28.3
Mining exploration, shafts, and wells.....	13.9	14.5	15.1	14.6	14.0	14.2	18.8	18.9	19.8	19.0	18.1	18.1
Other.....	4.5	3.8	4.0	3.6	4.1	3.7	3.9	3.2	3.4	3.0	3.4	3.0
Producers' durable equipment.....	307.3	345.6	331.3	349.9	355.6	367.0	319.6	362.4	349.4	369.2	365.9	374.9
Information processing and related equipment.....	101.2	111.0	107.0	112.9	112.4	114.0	139.4	162.7	155.9	167.4	162.4	165.3
Industrial equipment.....	70.6	82.9	77.2	83.8	89.3	97.1	61.4	69.0	65.2	69.9	73.0	78.3
Transportation and related equipment.....	67.8	77.5	74.2	79.0	78.1	77.3	59.1	66.7	64.9	68.0	65.7	64.9
Other.....	67.6	74.2	73.0	74.1	75.8	78.7	59.7	64.0	63.4	63.9	64.8	66.4
Residential.....	226.9	229.7	226.6	229.1	236.6	237.7	195.2	191.8	189.5	191.6	196.6	194.8
Single family structures.....	114.5	117.1	116.5	115.4	120.4	121.6	97.5	96.7	96.2	95.5	98.9	98.5
Multifamily structures.....	25.5	21.3	22.1	21.2	21.0	22.5	21.7	17.6	18.2	17.5	17.3	18.2
Other.....	87.0	91.3	87.9	92.6	95.2	93.6	76.0	77.6	75.2	78.6	80.4	78.2
Change in business inventories.....	39.2	48.4	65.3	49.7	34.7	61.8	34.4	42.5	66.0	39.5	29.1	53.8
Nonfarm.....	40.7	42.2	49.4	41.9	44.6	43.3	36.9	40.0	51.9	40.4	37.6	41.1
Manufacturing.....	6.1	10.6	15.4	6.9	13.8	7.0	5.2	9.6	15.8	5.7	11.2	6.2
Durable goods.....	4.6	9.7	9.6	8.5	13.8	13.0	4.1	8.8	8.7	8.0	12.3	11.3
Nondurable goods.....	1.5	1.0	5.8	-1.6	0.0	-6.0	1.1	0.8	7.1	-2.3	-1.1	-5.1
Wholesale trade.....	7.4	10.0	24.6	11.1	4.9	6.6	5.8	9.5	24.9	11.2	3.2	7.4
Durable goods.....	5.3	8.2	21.2	16.8	2.9	10.3	4.9	7.3	18.2	15.1	2.9	8.8
Nondurable goods.....	2.1	1.8	3.4	-5.7	2.0	-3.7	0.9	2.2	6.7	-3.9	0.3	-1.4
Retail trade.....	21.3	11.3	1.2	13.3	15.0	19.5	19.2	9.9	1.5	11.7	12.9	16.7
Automotive.....	10.6	4.9	-11.6	10.1	8.7	13.6	9.3	4.3	-10.1	8.7	7.5	11.5
Other durable goods.....	4.0	3.6	4.6	4.4	3.5	0.4	3.7	3.2	4.2	4.0	3.0	0.3
Nondurable goods.....	6.7	2.7	8.2	-1.1	2.8	5.6	6.1	2.4	7.4	-1.0	2.4	4.8
Other.....	5.9	10.3	8.2	10.7	10.8	10.2	6.7	10.9	9.7	11.8	10.3	10.9
Farm.....	-1.5	6.1	15.9	7.8	-9.8	18.5	-2.5	2.5	14.1	-0.8	-8.5	12.6

GROSS NATIONAL PRODUCT IN 1982 DOLLARS

[Billions of 1982 dollars; quarterly data at seasonally adjusted annual rates]

Period	Gross national product	Personal consumption expenditures	Gross private domestic investment			Exports and imports of goods and services			Government purchases of goods and services				Final sales	Gross domestic purchases	
			Non-residential fixed	Residential fixed	Change in business inventories	Net exports	Exports	Imports	Total	Federal					State and local
										Total	National defense	Non-defense			
1980	3,187.1	2,000.4	379.2	137.0	-6.9	57.0	388.9	332.0	620.5	246.9	171.2	75.7	373.6	3,194.0	3,130
1981	3,248.8	2,024.2	395.2	126.5	23.9	49.4	392.7	343.4	629.7	259.6	180.3	79.3	370.1	3,225.0	3,199
1982	3,166.0	2,050.7	366.7	105.1	-24.5	26.3	361.9	335.6	641.7	272.7	193.8	78.9	369.0	3,190.5	3,139
1983	3,279.1	2,146.0	361.2	149.3	-6.4	-19.9	348.1	368.1	649.0	275.1	206.9	68.2	373.9	3,285.5	3,299
1984	3,501.4	2,249.3	425.2	170.9	62.3	-84.0	371.8	455.8	677.7	290.8	218.5	72.3	387.0	3,439.1	3,585
1985	3,618.7	2,354.8	453.5	174.4	9.1	-104.3	367.2	471.4	731.2	326.0	237.2	88.8	405.2	3,609.6	3,723
1986	3,721.7	2,455.2	433.1	195.0	15.4	-137.5	378.4	515.9	760.5	333.4	251.4	82.0	427.1	3,706.3	3,859
1987	3,847.0	2,521.0	445.1	195.2	34.4	-128.9	427.8	556.7	780.2	339.0	264.9	74.1	441.2	3,812.6	3,975
1988	3,996.1	2,592.2	487.5	191.8	42.5	-100.2	504.8	605.0	782.3	328.7	261.8	66.9	453.6	3,953.6	4,096
1982: IV	3,159.3	2,078.7	352.3	115.8	-59.3	11.7	336.0	324.3	660.1	289.5	201.4	88.2	370.6	3,218.6	3,147
1983: IV	3,365.1	2,191.9	390.4	159.9	27.0	-46.2	355.5	401.6	642.2	266.0	211.6	54.4	376.2	3,338.1	3,411
1984: IV	3,535.2	2,281.1	444.4	169.6	41.7	-94.8	376.6	471.4	693.2	300.5	225.3	75.2	392.7	3,498.5	3,630
1985: IV	3,662.4	2,386.9	460.9	179.4	7.7	-125.3	367.4	492.6	752.7	340.6	241.4	99.2	412.1	3,654.7	3,787
1986: IV	3,734.7	2,486.2	427.3	199.7	-10.5	-142.4	387.8	530.2	774.5	340.5	253.1	87.4	434.0	3,745.2	3,877
1987: I	3,776.7	2,490.2	418.2	198.4	29.8	-132.8	394.9	527.7	772.9	334.0	257.0	77.0	438.9	3,746.9	3,909
1987: II	3,823.0	2,516.6	434.8	197.6	27.8	-126.0	416.4	542.3	772.2	332.1	264.8	67.3	440.1	3,795.2	3,949
1987: III	3,865.3	2,545.2	462.8	192.1	13.0	-130.7	440.9	571.6	782.9	342.1	269.5	72.6	440.8	3,852.2	3,996
1987: IV	3,923.0	2,531.7	464.8	192.7	67.1	-126.0	459.2	585.2	792.6	347.7	268.2	79.5	444.9	3,855.9	4,049
1988: I	3,956.1	2,559.8	473.4	189.5	66.0	-109.0	486.2	595.1	776.4	327.8	264.6	63.2	448.7	3,890.1	4,065
1988: II	3,985.2	2,579.0	490.2	189.6	35.3	-92.6	496.9	589.5	783.8	331.6	263.6	67.9	452.2	3,949.9	4,077
1988: III	4,009.4	2,603.8	495.0	191.6	39.5	-93.9	514.0	607.9	773.5	320.1	256.4	63.7	453.4	3,969.9	4,103
1988: IV	4,033.4	2,626.2	491.4	196.6	29.1	-105.4	522.1	627.4	795.5	335.5	262.5	72.9	460.0	4,004.4	4,138

¹ GNP less exports of goods and services plus imports of goods and services.

Source: Department of Commerce, Bureau of Economic Analysis.

IMPLICIT PRICE DEFLATORS FOR GROSS NATIONAL PRODUCT

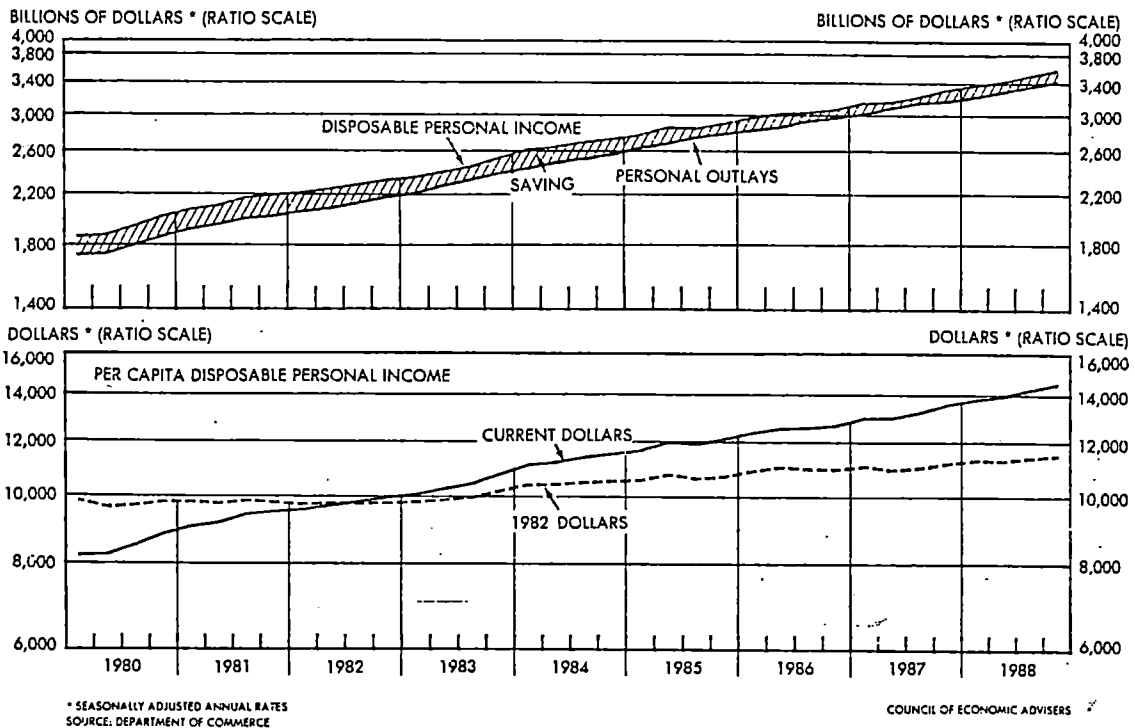
[1982 = 100; quarterly data are seasonally adjusted]

Period	Gross national product	Personal consumption expenditures				Gross private domestic investment		Exports and imports of goods and services		Government purchases of goods and services			
		Total	Durable goods	Nondurable goods	Services	Non-residential fixed	Residential fixed	Exports	Imports	Federal			State and local
										Total	National defense	Non-defense	
1980	85.7	86.6	89.2	89.4	83.9	85.1	89.4	90.2	96.0	84.3	83.4	86.4	86.1
1981	94.0	94.8	95.7	96.9	92.6	93.4	96.6	97.5	101.6	93.3	92.9	94.3	93.9
1982	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1983	103.9	104.1	102.1	102.1	106.2	98.8	102.2	101.3	97.4	103.1	103.6	101.4	104.5
1984	107.7	108.1	103.8	105.0	111.6	97.9	106.0	103.2	97.1	106.8	107.2	105.5	109.9
1985	110.9	111.6	104.8	107.5	116.8	97.7	108.3	101.0	95.2	109.0	109.2	108.2	114.9
1986	113.9	114.3	105.6	107.3	122.4	100.2	108.3	101.0	93.6	109.8	110.4	108.2	118.2
1987	117.7	119.5	107.9	112.1	128.5	100.4	116.2	100.0	99.0	112.7	111.5	117.0	123.0
1988	121.7	124.5	110.1	116.4	134.8	100.2	119.7	102.9	101.5	115.9	114.0	123.4	128.5
1982: IV	101.7	101.8	100.7	101.0	102.7	100.7	99.1	100.0	99.3	101.3	102.0	99.5	102.1
1983: IV	105.4	105.7	103.1	103.1	108.3	98.3	103.1	102.6	97.2	103.8	104.7	100.3	106.5
1984: IV	109.0	109.3	104.1	105.8	113.5	97.9	107.2	102.4	96.2	108.5	108.3	108.9	111.7
1985: IV	112.2	113.1	104.7	108.7	119.0	97.9	109.0	100.5	95.9	110.6	111.3	108.8	116.5
1986: IV	115.3	115.7	106.2	107.8	124.6	101.6	112.4	99.3	94.2	107.7	109.9	101.5	119.7
1987: I	116.3	117.3	106.7	109.8	126.1	101.1	113.4	100.1	97.5	111.6	111.8	110.9	121.0
1987: II	117.3	118.9	107.5	111.9	127.6	100.8	115.2	100.1	99.4	113.7	111.3	122.9	122.3
1987: III	118.2	120.2	108.6	112.9	129.1	99.9	117.7	99.9	98.9	112.9	111.3	119.0	123.9
1987: IV	118.9	121.5	108.9	113.7	131.0	99.8	118.7	100.1	100.0	112.6	111.6	116.0	124.9
1988: I	119.4	122.2	109.1	113.8	132.2	99.6	119.5	100.3	100.8	115.2	112.8	125.5	126.5
1988: II	121.0	123.9	109.8	116.0	134.0	99.5	119.5	102.1	101.4	115.3	113.4	122.7	128.1
1988: III	122.4	125.2	110.4	117.3	135.6	99.7	119.6	104.3	101.3	114.9	114.8	115.2	129.6
1988: IV	124.0	126.7	111.4	118.3	137.3	101.9	120.4	105.0	102.6	118.1	115.0	129.3	130.7

Source: Department of Commerce, Bureau of Economic Analysis.

DISPOSITION OF PERSONAL INCOME

Real per capita disposable personal income rose in the fourth quarter of 1988.



* SEASONALLY ADJUSTED ANNUAL RATES
SOURCE: DEPARTMENT OF COMMERCE

COUNCIL OF ECONOMIC ADVISERS

Period	Personal income	Less: Personal tax and nontax payments	Equals: Disposable personal income	Less: Personal outlays ¹	Equals: Personal saving	Disposable personal income in 1982 dollars (billions)	Per capita disposable personal income		Per capita personal consumption expenditures		Percent change in real per capita disposable personal income	Saving as percent of disposable personal income	Population, including Armed Forces abroad (thousands) ²
							Current dollars	1982 dollars	Current dollars	1982 dollars			
Billions of dollars						Dollars				Percent			
1980.....	2,258.4	340.5	1,917.9	1,781.1	136.8	2,214.3	8,421	9,722	7,607	8,783	-1.1	7.1	227,754
1981.....	2,520.9	393.3	2,127.6	1,968.1	159.4	2,248.6	9,243	9,769	8,320	8,794	.5	7.5	230,182
1982.....	2,670.8	409.3	2,261.4	2,107.5	153.9	2,261.5	9,724	9,724	8,818	8,818	-.5	6.8	232,549
1983.....	2,838.6	410.5	2,428.1	2,297.4	130.6	2,331.9	10,340	9,930	9,515	9,139	2.1	5.4	234,329
1984.....	3,108.7	440.2	2,668.6	2,504.5	164.1	2,469.8	11,257	10,419	10,253	9,489	4.9	6.1	237,051
1985.....	3,325.3	486.6	2,838.7	2,713.3	125.4	2,542.8	11,861	10,625	10,985	9,839	2.0	4.4	239,322
1986.....	3,531.1	511.4	3,019.6	2,898.0	121.7	2,640.9	12,496	10,929	11,618	10,160	2.9	4.0	241,650
1987.....	3,780.0	570.3	3,209.7	3,105.5	104.2	2,686.3	13,157	11,012	12,348	10,334	.8	3.2	243,944
1988.....	4,062.1	590.3	3,471.8	3,327.5	144.3	2,788.3	14,103	11,326	13,110	10,530	2.9	4.2	246,179
Seasonally adjusted annual rates													
1982: IV.....	2,729.2	411.1	2,318.1	2,174.9	143.1	2,276.1	9,929	9,749	9,068	8,904	1.2	6.2	233,466
1983: IV.....	2,941.8	413.9	2,527.9	2,382.5	145.4	2,392.7	10,725	10,151	9,825	9,290	9.1	5.8	235,707
1984: IV.....	3,188.3	459.7	2,728.6	2,571.3	157.3	2,496.3	11,467	10,491	10,479	9,587	1.7	5.8	237,946
1985: IV.....	3,399.1	499.6	2,899.5	2,787.7	111.7	2,562.8	12,068	10,667	11,240	9,935	3.3	3.9	240,257
1986: IV.....	3,599.6	534.9	3,064.7	2,967.9	96.8	2,649.4	12,635	10,923	11,857	10,250	-2.2	3.2	242,557
1987: I.....	3,676.1	532.2	3,143.9	3,013.1	130.8	2,679.6	12,934	11,024	12,020	10,245	3.8	4.2	243,077
1987: II.....	3,736.1	582.0	3,154.1	3,084.7	69.5	2,652.8	12,947	10,889	12,282	10,330	-4.8	2.2	243,618
1987: III.....	3,801.0	576.2	3,224.9	3,152.3	72.6	2,683.9	13,204	10,989	12,521	10,421	3.7	2.3	244,236
1987: IV.....	3,906.8	591.0	3,315.8	3,171.8	144.0	2,728.9	13,543	11,145	12,564	10,340	5.8	4.3	244,845
1988: I.....	3,951.4	575.8	3,375.6	3,225.7	149.9	2,762.3	13,760	11,260	12,751	10,435	4.2	4.4	245,318
1988: II.....	4,022.4	601.0	3,421.5	3,293.6	127.8	2,762.2	13,919	11,237	12,996	10,492	-8	3.7	245,806
1988: III.....	4,094.0	586.5	3,507.5	3,361.8	145.7	2,800.4	14,231	11,362	13,232	10,564	4.5	4.2	246,469
1988: IV.....	4,180.5	595.0	3,585.5	3,428.7	156.8	2,828.4	14,497	11,445	13,461	10,627	3.0	4.3	247,123

¹ Includes personal consumption expenditures, interest paid by consumers to business, and personal transfer payments to foreigners (net).

² Annual data are averages of quarterly data, which are averages for the period.
Source: Department of Commerce (Bureau of Economic Analysis and Bureau of the Census).

1989: I P | 4,312.4 | 616.0 | 3,696.4 | 3,484.5 | 211.9 | 2,881.1 | 14,925 | 11,633 | 13,649 | 10,639 | 6.7 | 5.7 | 247,663

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

April 14, 1989

In March 1989, the President, the Speaker of the House, the Majority Leaders of the Senate and House, the Republican Leaders of the Senate and House, joined by the Chairmen and Ranking Republican Members of the Appropriations, Ways and Means, Finance, and Budget Committees, and by the Secretary of the Treasury, the Chief of Staff to the President, and the Director of the Office of Management and Budget, concurred in a recommendation to establish a special budget negotiating group. The group was charged to explore the possibility of reaching an agreement on a budget framework for fiscal year 1990, and to report upon its progress to the President and the Joint Leadership of Congress. The group was composed of the Chairmen and Ranking Republican Members of the Senate and House Budget Committees, the Majority Leader of the House, the Secretary of the Treasury, and the Director of the Office of Management and Budget. The attached agreement is the product of that negotiating group, as developed in accordance with the guidance of the Leadership Group.

#

April 14, 1989

**BIPARTISAN BUDGET AGREEMENT
BETWEEN THE PRESIDENT
AND
THE JOINT LEADERSHIP OF CONGRESS**

1. The elements of this agreement provide for deficit reduction amounts that, for fiscal year 1990, are currently estimated to meet the deficit target of the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987.
2. The budget framework is approved by the President, the Speaker, and the Majority and Republican Leadership of Congress.
3. The President and the Leadership of Congress will carry out this agreement.
4. The following procedures will be utilized to implement this agreement: Congressional implementation will follow, as much as possible, the regular budget and legislative procedures. The House and Senate Budget Committees will each report a concurrent resolution on the budget for fiscal year 1990 consistent with this budget agreement. The budget resolution will contain reconciliation instructions and 302(a) allocations consistent with this budget agreement. The House and Senate Committees with jurisdiction over matters necessary to implement the agreement will be responsible for developing 302(b) allocations, legislation, and budget levels consistent with this budget agreement. Regular House and Senate procedures applicable to the consideration of budget resolutions, appropriations bills, reconciliation legislation, and other measures will apply.
5. Congress shall present the revenue portion of the reconciliation bill to the President at the same time as the spending reduction provisions of the reconciliation bill.
6. Agreed-upon fiscal year 1990 budget levels are as follows for each of the three discretionary appropriations categories:

(in billions of dollars)*

Category	BA	O
Domestic	\$157.5	\$181.3
Defense (050)**	305.5	299.2
International Affairs	19.0	17.0

* Congressional enforcement of these discretionary levels in the legislative process will be based on CBO scoring.

** Functional total includes mandatory spending.

BIPARTISAN BUDGET AGREEMENT

Page 2

April 14, 1989

7. The Budget Committees, CBO, and OMB shall use the "Score-keeping Guidelines for the Bipartisan Budget Agreement of April 14, 1989," and shall work together to resolve any new scorekeeping issues that may arise.
8. Within the domestic discretionary amount, the budget resolution will provide sufficient funding for subsidized housing contract renewals (without prejudice to the form or length of such renewals).
9. Deficit reduction to be implemented in accordance with this agreement is specified in the attached "Deficit Reduction Plan." For both budget scorekeeping and Gramm-Rudman-Hollings, final scoring will necessarily depend on the review of legislation by the scorekeepers, as provided in the Congressional Budget Act and Gramm-Rudman-Hollings.
10. The specific measures composing the governmental receipts figure will be determined through the regular legislative and Constitutional process. Agreements reached between the Administration and the Congressional tax-writing committees on revenue legislation reconciled pursuant to this agreement will be advanced legislatively when supported by the President of the United States.
11. Neither the Congress nor the President shall initiate supplementals except in the case of dire emergency. When the Executive Branch makes such a request, it shall be accompanied by a presidentially-transmitted budget amendment to Congress.
12. Both the President and the Congress have addressed the need for additional domestic discretionary spending priorities for the fiscal year 1990 budget. It is agreed that any funding of priorities will be within the domestic spending levels set forth in paragraph 6 of this agreement.
13. The President and the Congressional Leadership will continue to consult closely to seek opportunities for further deficit reduction and to explore policy and process changes which would reduce the deficit to meet the deficit targets of the Gramm-Rudman-Hollings law and balance the Federal budget by fiscal year 1993. In order to facilitate progress toward that objective, the bipartisan Budget Committee Leadership, the Secretary of the Treasury, and the Director of the

BIPARTISAN BUDGET AGREEMENT

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Office of Management and Budget shall continue discussions in consultation with the bipartisan leadership of the appropriate committees of the House and Senate.

Attachments:

**Deficit Reduction Plan
Estimated Budget Levels**

DEFICIT REDUCTION PLAN*
Fiscal Year 1990
(in billions of dollars)

	<u>CBO</u> <u>scoring</u>	<u>OMB</u> <u>scoring</u>
BASELINE DEFICIT	\$147.3	\$126.6
Adjustment for estimating differences	<u>-19.9</u>	<u>-3.5</u>
ADJUSTED BASELINE DEFICIT	\$127.4	\$123.1
REVENUES		
Revenue Measures	-5.3	-5.3
IRS Compliance**	-0.5	-0.5
User Fees and Offsetting Collections	<u>-2.7</u>	<u>-2.7</u>
SUBTOTAL, REVENUES	-8.5	-8.5
SPENDING		
Defense (Function 050)	-4.2	-1.7
International Discretionary	-0.0	+0.1
Domestic Discretionary	-0.3	+2.4
Entitlements/Mandatory		
Medicare	-2.7	-2.7
Agriculture	-1.9	-2.2
Veterans' Loan Sales	-0.5	-0.6
Federal Pension & Postal Reform	-1.1	-1.3
Other Entitlements	<u>-0.6</u>	<u>-0.5</u>
Subtotal, Entitlements/Mandatory	-6.8	-7.3
Pay Offset, Retirement Contributions	+0.4	+0.3
Adjustment: Postal Budgetary Treatment***	-1.8	-2.2
Debt Service	<u>-1.1</u>	<u>-1.1</u>
SUBTOTAL, SPENDING	-13.8	-9.5
ASSET SALES	<u>-5.7</u>	<u>-5.7</u>
TOTAL DEFICIT REDUCTION MEASURES	<u>-28.0</u>	<u>-23.7</u>
FINAL DEFICIT	<u>\$99.4</u> =====	<u>\$99.4</u> =====

-
- * estimates as of April 14, 1989
** predicated on IRS compliance funding sufficient to achieve the additional revenues specified
*** predicated on postal reforms

BUDGET LEVELS
Fiscal Year 1990
(in billions of dollars)

	<u>CBO</u> <u>estimates</u>	<u>OMB</u> <u>estimates</u>
Budget Authority		
Domestic Discretionary	\$157.5	\$157.5
Defense (Function 050)	305.5	305.5
International Discretionary	19.0	19.0
Estimated Outlays		
Domestic Discretionary	\$181.3	\$181.3
Defense (Function 050)	299.2	299.2
International Discretionary	17.0	17.0
Entitlement/Mandatory	556.4	539.7
Net Interest	181.0	173.2
Offsetting Retirement Receipts	-32.8	-33.4
Fees, Collections, and Asset Sales	<u>-8.4</u>	<u>-8.4</u>
Total Estimated Outlays	\$1193.8	\$1168.7
Estimated Receipts	1074.4	1065.7
Adjustment for estimating differences	<u>-19.9</u>	<u>-3.5</u>
DEFICIT	<u>\$99.4</u>	<u>\$99.4</u>

CW's
edits

McGroarty/Simon
April 25, 1989
4:30 pm
Draft 2

PRESIDENTIAL REMARKS: U.S. CHAMBER OF COMMERCE
WASHINGTON, D.C.
MAY 1, 1989

[Introductory remarks.... Acknowledgements of outgoing
Chmn. Bill Kanagka, incoming Chmn. John Clendenin, Pres. Dick
Leshner....]

I want to thank the Chamber of Commerce for providing me a
chance to deliver a May Day message, American-style. On May Day,
I always think about that celebration in the Soviet Union. All
those red banners.... The big military parade.... Even the
Economic Planning Ministry had a unit in the parade -- two
hundred economists marching along yelling, "Mayday! Mayday!"

Today, that is beginning to change. Even the socialist
world is beginning to see that socialism isn't just another
economic system -- it's the death of economics. Nations the
world over are coming to recognize that free enterprise is the
wave of the future. That's a promising forecast for prosperity -
- and for world peace.

In the United States, the single most significant economic
indicator of this decade is up one, as of today: today begins
the 77th month of uninterrupted economic growth in the American
economy.

Without a doubt, this long-running economic expansion has
been good for American business, and for the American worker. In

2

those 77 months, we've added over twenty million new jobs -- and more Americans have moved up on the pay scale. Since 1982, the number of jobs paying less than \$5 dollars an hour is down 30%, while jobs paying \$10 or more dollars an hour have increased by 80%. Unemployment is at its lowest point in the past 15 years.

In those 77 months, America's industrial output is up 33% -- overall growth, up 26%. For those with an eye on the international competition, that's a more rapid rate of growth than Japan reports for that same period, and it's double that of Europe.

And the expansion has been just as good to the average American family. Per capita personal income is up 17% -- and that's take home "after tax" pay, adjusted for inflation. In 1987, median family income reached a new high -- and it's continued to climb since then.

That's quite an economic success story. Our challenge now is to keep it going. We can -- and we will.

We've all heard the naysayers. I think there are a few out there whose predictions of economic disaster are now in their 76th straight month....

~~Well, they can tell me they know they'll be right in the long run. then again, as Keynes said, in the long run, we're all dead.~~

The naysayers are wrong -- but why? What they've underestimated is the resilience, the remarkable responsiveness of the free enterprise system. You can focus on government so long, that you forget that it's the private sector that's home to

the innovation and economic creativity that powers this expansion.

That doesn't mean government's only job is simply to stand back and step out of the way. There's plenty for the government to do, to make sure commerce is free and fair, and to maintain a climate where free enterprise can take place and prosper.

And today, the federal government's number one economic priority is dealing with the deficit.

We've made a good start. The budget agreement Congress and my Administration concluded two weeks ago will keep federal spending below the Gramm-Rudman target. And we haven't sacrificed our social or national security responsibilities in the process. The budget level we've agreed on will allow us to discharge the critical duties of government. We'll be able to provide for our national security, meet the needs of the disadvantaged, and accelerate the funding of several high-priority programs.

Our agreement sends a signal -- to the American people, and to our trading partners: we're serious about getting that deficit down.

And the deficit is coming down, not only in straight dollar terms, but as a percentage of our annual GNP. We've cut the deficit in half, from a high of 5.7% of GNP in 1986, to a projected 2.9% in 1990.

One word more about the budget agreement for 1990. We've agreed to \$5.3 billion dollars in "new revenues" as part of the

deal. You're going to hear a lot about those "new revenues" in the months ahead -- so let me say my piece now.

First of all, let me assure you: "new revenues" isn't a code word for new taxes. I've given my word many times, and I'll give it again today: no new taxes means just that.

And I'll make it so clear that even the duck hunters among us will understand: we won't raise taxes with word games. We all know a tax when we see one -- and you won't see any in the agreement I've signed onto.

I have news for the castor-oil club -- the gang that's trying hard to get us to swallow new taxes. That's bad medicine for the economy. The deficit exists because we over-spend -- not because we're under-taxed.

Let me tell you what my favorite source of new revenue is. We don't have to raise tax rates -- we have to release the energies of free enterprise.

In a growing economy, tax revenues will take care of themselves. In 1990 alone -- thanks to expanding economic activity -- the Treasury will take in \$80 billion dollars in increased revenues, not through higher taxes, but under the existing tax structure.

That's why I've called on Congress to cut the capital gains tax. In 1990 alone, increased economic activity spurred by a cut in capital gains would bring an extra \$4.8 billion dollars into the federal treasury. That's the lion's share of the \$5.3 billion dollars we need in the way of "new revenues" under our budget agreement -- and my estimate is on the conservative side.

So let's not hunt for ways to wring another dollar in taxes out of our economy -- let's concentrate on creating conditions for continued growth.

Let's take a look at what our competitors are doing. Canada taxes capital gains at about half the rate that we do. So do Sweden and France. Japan's rate? ...A scant 5%. West Germany exempts all long-term capital gains from any tax whatever -- and among the newly industrialized economies of the Pacific rim, five out of six have no capital gains tax at all.

Among our competitors, those low rates contribute to low capital costs. Cutting our own capital gains rates would encourage productive investment -- in addition to generating the "new revenues" we need to meet our deficit reduction agreement.

I think the case for a capital gains cut is a strong one, but there are several other economic issues I want to discuss here today.

First, a pressing problem with important to our long term fiscal health: the S&L situation. This Administration recognized the immediate need to take action to stabilize the S&L system. Less than three weeks after taking office, we sent to Congress a comprehensive S&L reform plan -- one designed to stop the dollar drain and deal with insolvent thrifts, and restore confidence in the S&L system.

The Senate passed my package with a resounding majority: 91 to 8. I urge the House to move quickly to give us the tools we need to repair the S&L system by passing my bill quickly -- with its central provisions intact.

6

And I have a second message for Congress, as it debates an increase in the minimum wage. I've indicated my support for increasing the minimum wage over three years to \$4.25 an hour. I also want to establish a six-month training wage for new workers at the old \$3.35 rate, and expand the exemption from minimum wage requirements for all small businesses with annual sales under half a million dollars.

It's time for those who want a higher wage to move beyond the rhetoric, and take a look at the consequences. We all know the studies that show a 10% increase in the minimum wage will result in a loss of one hundred to two hundred thousand jobs.

What happens when minimum-wage workers open that pay envelope expecting a fatter paycheck -- and find a pink slip instead? An irresponsible increase in the minimum wage will cost jobs, as employers cut back to compensate for increased costs. \$4.25 is as far as I can go -- it's my first and final offer.

Finally, I'll close with a brief comment on an issue I know is vital to those of you here today -- vital, in fact, to all Americans in our evolving economy: International trade.

The global economy is a fundamental fact of economic life. It is no longer possible to draw a sharp line between domestic and international markets.

This Administration is committed to securing a truly free world trading system -- and we can't have free trade without fair trade.

This is no time to wall off the American economy, in hopes of securing U.S. companies against foreign competition. It is

7

high time to work with our trade partners to lower the barriers to free and fair trade, for the benefit of all alike.

You have my word that the United States government will seek with added energy to open up foreign markets now closed to U.S. exports. Protectionism runs dead against a global trend towards more open and extensive commerce between nations -- and I'm dead set against protectionism. [pause]

The Chamber of Commerce has always stood for economic freedom -- and I know you share my view that there is no surer route to prosperity and progress than the system of free enterprise.

The message of the past 77 months is clear: We can keep the economy strong, sustain the longest expansion in American history, and ensure America a productive and prosperous future -- provided that government policies preserve the greatest possible freedom for American enterprise to innovate, create and compete.

Thank you.

new prosperity

*C. W's
edit.*

McGroarty/Simon
April 24, 1989
4:30 pm
Draft 1

PRESIDENTIAL REMARKS: U.S. CHAMBER OF COMMERCE
WASHINGTON, D.C.
MAY 1, 1989

[Introductory remarks.... Acknowledgements of outgoing
Chmn. Bill Kanaka, incoming Chmn. John Clendenin, Pres. Dick
Leshner....]

I want to thank the Chamber of Commerce for providing me a
chance to deliver my May Day message....✓

America has long been living proof of the idea that the free
market is the engine of economic growth and prosperity -- but
today, nations the world over are coming to recognize that free
enterprise is the wave of the future. That's a promising
forecast for prosperity -- and for world peace.

In the United States, the single most significant economic
indicator of this decade is up one, as of today: today begins
the 77th month of uninterrupted economic growth in the American
economy.

In those 77 months, we've added over twenty million new
jobs. Inflation -- in double digits a decade ago -- has been
held under 5% for seven straight years. Unemployment -- just
4.9% -- is lower now than at any point in the last fifteen years.

Without a doubt, this long-running economic expansion has
been good for American business. In those 77 months, America's
industrial output is up 33% -- overall growth, up 26%. For those

with an eye on the international competition, that's a more rapid rate of growth than Japan reports for that same period, and it's double that of Europe.

And the expansion has been just as good to the average American family. Per capita personal income is up 17% -- and that's take home "after tax" pay, adjusted for inflation. In 1987, median family income reached a new high -- and it's continued to climb since then. *since when*

That's quite an economic success story. Our challenge now is to keep it going. We can -- and we will.

We've all heard the naysayers. I think there are a few out there whose predictions of economic disaster are now in their 76th straight month....

Well, they can tell me they know they'll be right in the long run -- but I say: so was Keynes....

The naysayers are wrong -- but why? What they've underestimated is the resilience, the remarkable responsiveness of the free enterprise system. You can focus on government so long, that you forget that it's the private sector that's home to the innovation and economic creativity that powers this expansion.

That doesn't mean government's only job is simply to stand back and step out of the way. There's plenty for the government to do, to ~~keep~~ make sure commerce is fair and free, and to maintain a climate where free enterprise can take place and prosper.

"useful fiction"

assuming our economic assumptions are correct - meet BR target

if inflation

checks private forecasts & interest rates ↑

CBD Administration have been too pessimistic... require...

too early too fell.

1981 - all overestimated inflation.

£136

1989 - 164 deficit

1) even if assumptions incorrect - will be very large reduction in deficit.

2) Get agreement in place - first step - establishes Climate...

Darman has said: econ assumptions are fallible.

~~the market~~

phony savings... "100% correct"

unrealistically optimistic assumptions...

August forecasts...

And today, the federal government's number one economic priority is dealing with the deficit.

We've made a good start. The budget agreement Congress and my Administration concluded two weeks ago will keep federal spending below the Gramm-Rudman target. And we haven't sacrificed our social or national security responsibilities in the process. The budget level we've agreed on will allow the crucial work of government to be done. We'll be able to provide for our national security, meet the needs of the disadvantaged, and accelerate funding of several high-priority programs.

*Ed Duke
5883*

Our agreement sends a signal -- to the American people, and to our trading partners: we're serious about getting that deficit down.

*✓
✓
keep to
contract*

And the deficit is coming down, not only in straight dollar terms, but as a percentage of our annual GNP. We've cut the deficit in half, from a high of 5.7% of GNP in 1986, to a projected 2.9% in 1990.

One word more about the budget agreement for 1990. We've agreed to \$5.3 billion dollars in "new revenues" as part of the deal. You're going to hear a lot about those "new revenues" in the months ahead -- so let me say my piece now.

First of all, let me assure you: "new revenues" isn't a code word for new taxes. I've given my word many times, and I'll give it again today: no new taxes means just that.

And I'll make it so clear that even the duck hunters among us will understand: we won't raise taxes with word games. We

all know a tax when we see one -- and you won't see any in the agreement I've signed onto.

I'm sorry to disappoint the castor-oil club -- the gang *Scord* that's trying hard to get us to swallow new taxes. That's bad medicine for the economy. The deficit exists because we over-spend -- not because we're under-taxed.

Let me tell you what my favorite source of new revenue is. We don't have to raise tax rates -- we have to release the energies of free enterprise.

In a growing economy, tax revenues will take care of themselves. In 1990 alone -- thanks to expanding economic activity -- the Treasury will take in \$80 billion dollars in increased revenues, not through higher taxes, but under the existing tax structure.

That's why I've called on Congress to cut the capital gains tax. In 1990 alone, increased economic activity spurred by a cut in capital gains would bring an extra \$4.8 billion dollars into the federal treasury. That's the lion's share of the \$5.3 billion dollars we need in the way of "new revenues" under our budget agreement -- and my estimate is on the conservative side.

So let's not hunt for ways to wring another dollar in taxes out of our economy -- let's concentrate on creating conditions for continued growth.

Let's take a look at what our competitors are doing. Canada taxes capital gains at about half the rate that we do. So do Sweden and France. Japan's rate? ...A scant 5%. West Germany exempts all long-term capital gains from any tax whatever -- and

among the newly industrialized economies of the Pacific rim, five out of six have no capital gains tax at all.

Among our competitors, those low rates contribute to low capital costs. Cutting our own capital gains rates would encourage productive investment -- in addition to generating the "new revenues" we need to meet our deficit reduction agreement.

I think the case for a capital gains cut is a strong one, but there are several other ^{economic} issues I want to discuss here today.

First, a pressing problem with important to our long term fiscal health: the S&L situation. This Administration recognized the immediate need to take action to stabilize the S&L system. Less than three weeks after taking office, we sent to Congress a comprehensive S&L reform plan, designed to: stop the dollar drain and deal with insolvent thrifts; bring the overall S&L system up to the standards governing commercial banks; and safeguard the savings of depositors to sustain their confidence in the system.

The Senate passed my package with a resounding majority: 91 to 8. I urge the House to move quickly to give us the tools we need to repair the S&L system by passing my bill quickly -- with its central provisions intact.

And I have a second message for Congress, as it debates an increase in the minimum wage. I've indicated my support for increasing the minimum wage over three years to \$4.25 an hour -- 27% higher than it is today. I also want to establish a six-month training wage for new workers at the old \$3.35 rate, and

expand the exemption from minimum wage requirements for all small businesses with annual sales under half a million dollars.

It's time for those who want a higher wage to move beyond the rhetoric, and take a look at the consequences. We all know the studies that show a 10% increase in the minimum wage will result in a loss of one hundred to two hundred thousand jobs.

What happens when minimum-wage workers open that pay envelope expecting a fatter paycheck -- and find a pink slip instead? An irresponsible increase in the minimum wage will cost jobs, as employers cut back to compensate increasing costs. *small note*
\$4.25 is as far as I can go -- it's my first and final offer.

Finally, I'll close with a brief comment on an issue I know is vital to those of you here today -- vital, in fact, to all Americans in our evolving economy: International trade.

(xx) of every dollar of goods and services produced in the U.S. today is destined for export. (xx) of every dollar we spend is spent on goods produced outside the United States. These figures are irrefutable proof that current economic realities are blurring the line between domestic and international markets.

This Administration is moving forward toward negotiations to secure a truly free world trading system. (As the Chamber of Commerce has always held free trade must be fair trade.)

This is no time to wall off the American economy, in hopes of securing U.S. companies against foreign competition. It is high time to work with our trade partners to lower the barriers to free and fair trade, for the benefit of all alike.

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You have my word that the United States government will seek with added energy to open up foreign markets now closed to U.S. exports. Protectionism runs dead against a global trend towards more open and extensive commerce between nations -- and I'm dead set against protectionism. [pause]

The Chamber of Commerce has always stood foresquare for economic freedom -- and I know you share my view that there is no surer route to prosperity and progress than the system of free enterprise.

The message of the past 77 months is clear: We can keep the economy strong, sustain the longest expansion in American history, and ensure America a productive and prosperous future -- provided that government policies preserve the greatest possible freedom for American enterprise to innovate, create and compete.

Thank you.

McGroarty/Simon
April 24, 1989
4:30 pm
Draft 1

PRESIDENTIAL REMARKS: U.S. CHAMBER OF COMMERCE
WASHINGTON, D.C. CONSTITUTION HALL
MONDAY MAY 1, 1989
10:15 am

[Introductory remarks.... Acknowledgements of outgoing
Chmn. Bill Kanaka, incoming Chmn. John Clendenin, Pres. Dick
Leshner....]

I want to thank the Chamber of Commerce for providing me a
chance to deliver my May Day message.... "May Day" as Soviet Economy

America has long been living proof of the idea that the free
market is the engine of economic growth and prosperity -- but
today, nations the world over are coming to recognize that free
enterprise is the wave of the future. That's a promising
forecast for prosperity -- and for world peace.

In the United States, the single most significant economic
indicator of this decade is up one, as of today: today begins
the 77th month of uninterrupted economic growth in the American
economy.

In those 77 months, we've added over twenty million new
jobs. Inflation -- in double digits a decade ago -- has been
held under 5% for seven straight years. Unemployment -- just
4.9% -- is lower now than at any point in the last fifteen years.

Without a doubt, this long-running economic expansion has
been good for American business. In those 77 months, America's
industrial output is up 33% -- overall growth, up 26%. For those

ERP
P-377
BLS
release
4/7/89

with an eye on the international competition, that's a more rapid rate of growth than Japan reports for that same period, and it's double that of Europe.

And the expansion has been just as good to the average American family. Per capita personal income is up 17% -- and that's take home "after tax" pay, adjusted for inflation. In 1987, median family income reached a new high -- and it's continued to climb since then.

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We've all heard the naysayers. I think there are a few out there whose predictions of economic disaster are now in their 76th straight month....

Well, they can tell me they know they'll be right in the long run -- but I say: so was Keynes... *In the long run, we are all dead.*

The naysayers are wrong -- but why? What they've underestimated is the resilience, the remarkable responsiveness of the free enterprise system. You can focus on government so long, that you forget that it's the private sector that's home to the innovation and economic creativity that powers this expansion.

That doesn't mean government's only job is simply to stand back and step out of the way. There's plenty for the government to do, to keep make sure commerce is fair and free, and to maintain a climate where free enterprise can take place and prosper.

And today, the federal government's number one economic priority is dealing with the deficit.

We've made a good start. The budget agreement Congress and my Administration concluded ^{4/14} two weeks ago will keep federal spending below the Gramm-Rudman target. And we haven't sacrificed our social or national security responsibilities in the process. The budget level we've agreed on will allow the crucial work of government to be done. We'll be able to provide for our national security, meet the needs of the disadvantaged, and accelerate funding of several high-priority programs.

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4

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Let's take a look at what our competitors are doing. Canada taxes capital gains at about half the rate that we do. So do Sweden and France. Japan's rate? ...A scant 5%. West Germany exempts all long-term capital gains from any tax whatever -- and

among the newly industrialized economies of the Pacific rim, five out of six have no capital gains tax at all.

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First, a pressing problem with important to our long term fiscal health: the S&L situation. This Administration recognized the immediate need to take action to stabilize the S&L system. Less than three weeks after taking office, we sent to Congress a comprehensive S&L reform plan, designed to: stop the dollar drain and deal with insolvent thrifts; bring the overall S&L system up to the standards governing commercial banks; and safeguard the savings of depositors to sustain their confidence in the system.

*RV #51
4/10/89
CR P.S 4304*
The Senate passed my package with a resounding majority: 91 to 8. I urge the House to move quickly to give us the tools we need to repair the S&L system by passing my bill quickly -- with its central provisions intact.

And I have a second message for Congress, as it debates an increase in the minimum wage. I've indicated my support for increasing the minimum wage over three years to \$4.25 an hour -- 27% higher than it is today. I also want to establish a six-month training wage for new workers at the old \$3.35 rate, and

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^{6 1/2} of every dollar of goods and services produced in the U.S. today is destined for export. ⁹ of every dollar we spend is spent on goods produced outside the United States. These figures are irrefutable proof that current economic realities are blurring the line between domestic and international markets.

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You have my word that the United States government will seek with added energy to open up foreign markets now closed to U.S. exports. Protectionism runs dead against a global trend towards more open and extensive commerce between nations -- and I'm dead set against protectionism. [pause]

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Thank you.

THE WHITE HOUSE
WASHINGTON

March 3, 1989
KBK

Chico
Vogel
Lange

MEMORANDUM

TO: David Demarest

FROM: JOSEPH W. HAGIN

SUBJECT: APPROVED PRESIDENTIAL ACTIVITY

EVENT: Address to the United States of America
Chamber of Commerce

DATE: Monday, May 1, 1989

TIME: 10:15 a.m.

DURATION: 30 Minutes

LOCATION: Constitution Hall, Washington, D.C.

ATTIRE: Business Suit

REMARKS REQUIRED: Yes

MEDIA COVERAGE: Open

FIRST LADY PARTICIPATION: TBD

ADDITIONAL INFORMATION:

CONTACT: Richard Palm 463-5620
Bill Kelleher 463-5533

TELEPHONE: OFFICE _____ HOME _____

NOTE: PROJECT OFFICER, SEE ATTACHED CHECKLIST

- | | | |
|----------------------|------------------|----------------------------------|
| Ed Rogers | Marlin Fitzwater | David Bates |
| James Cicconi | David Demarest | David Valdez |
| Fred McClure | Jean Lamb | USSS - PPD |
| Susan Porter Rose | Steve Studdert | Operations - Executive Residence |
| Patty Presock | John Keller | WHCA Audio/Visual |
| Speechwriting Office | Tim McBride | WHCA Operations |
| Laurie Firestone | J. Bonnie Newman | |
| Robert Guttman | Tony Lopez | |

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

5536/e
Include

RICHARD L. LESHER
PRESIDENT

January 24, 1989

1615 H STREET, N.W.
WASHINGTON, D.C. 20062
202/463-5300

The President
The White House
Washington, D.C. 20500

Handwritten:
The Leadership
5/11/89

Dear Mr. President:

Your inaugural address was a masterpiece delivered with style and grace. The ability to inspire and motivate with oratory is rare but essential to effective political leadership. Our country is most fortunate to inherit another President blessed with the gift of eloquence.

The business community is cognizant and grateful for the superb job you did as Vice President leading the campaign against excessive regulation. We accord to you a goodly share of the credit for the longest peacetime economic expansion in our country's history. We also are most gratified by your unambiguous opposition to tax increases, and will do all in our power to help you resist efforts to raise the tax burden.

Also, we commend you for the smoothest transition in memory. Your cabinet selections are rich in experience that will serve you well in years to come. We look forward to working with you and your cabinet on the host of economic issues that must be addressed by the 101st Congress.

May success attend all of your endeavors. Our thoughts and prayers are with you as you assume the extraordinary burdens and responsibilities as leader of the free world.

Sincerely,

Richard L. Lesh

Handwritten note:
P.S. We have extended an invitation to you to speak at our annual meeting on May 1. We are sure you can accept. We guarantee a most receptive audience.

TO: PROJECT OFFICERS
FROM: JOSEPH W. HAGIN II
SUBJECT: CHECKLIST FOR PRESIDENTIAL EVENTS

General Responsibilities

- _____ The Presidential Advance Office has responsibility for all logistical arrangements for any event involving press coverage. Please coordinate with them from the time your event is approved in order to avoid the need for last-minute modification.
- _____ Notify and clear all participants. (Full name, social security number, date of birth and place of birth).
- _____ Prepare and submit briefing paper to Jim Cicconi's Office by 3:00pm of the preceding day (14 copies)
- _____ Coordinate with Tim McBride on Presidential involvement.
- _____ Coordinate with Press Office and Media Relations regarding Press Coverage. Provide Media Relations with hometowns of participants. No organization's photographers will be admitted to any event unless the press is present. Clearance of such photographers should be coordinated through Media Relations.
- _____ If remarks are required, coordinate with the Speechwriters Office well in advance.
- _____ For outdoor events at the White House, in case of inclement weather, clear and reserve the backup location indicated.
- _____ If participant plans to bring a gift, contact the White House Gift Unit, in advance, for review and proper procedure for handling.
- _____ If any foreign visitor or dignitary is to be involved, please coordinate with the NSC (x2224).
- _____ If any Department of Defense or Military personnel are to be involved, please coordinate in advance with the White House Military Office (x2150).
- _____ If press coverage is expected, please provide all pertinent information concerning this event (guests, scenario, backdrop, etc.) to the Presidential Advance Office at least 72 hours prior to the event.
- _____ Within five (5) days after the event, submit a complete, confirmed list of staff and attendees, identified by title, and the actual starting and completion times of the event, to the President's Diarist, Office of Presidential Appointments and Scheduling.
- _____ If tent name cards are needed, send a list of names to the Social Secretary's office (x7064) at least 48 hours in advance.
- _____ For West Wing Meetings all room arrangements (chairs, notepads, pencils, etc.) should be made through Carl Jones or Susie Peake.

Residence Events

- _____ Coordinate with the Social Secretary's office (x7064) for all arrangements.
- _____ Send guest list to Social Secretary's office, preferably three weeks prior to the event.
- _____ The President's attendance at this event should not be announced until official notification is given by the White House Press Office and any public announcement must be coordinated with that office. Also, prior to the distribution of any printed material, particularly details of the invitation, contact must be made with the White House Social Secretary, Laurie Firestone, at (x7064).

President George Bush

U.S. Chamber of Commerce

Final

1989 Annual Meeting

Opening General Session

Constitution Hall

10:15 a.m.

May 1, 1989

Suggested Script Comments

Thank you. It is indeed a great pleasure to be here at your 1989 Annual Meeting. And thanks also to this marvelous Marine Band. Aren't they the greatest you ever heard?

I would like to say I thoroughly enjoyed the earlier address by your Chairman Bill Kanaga. When they told me I would be preceded by an eloquent speaker from Massachusetts, I assumed they meant Teddy Kennedy. I couldn't help thinking how wonderful that was--the U.S. Chamber of Commerce inviting Teddy Kennedy to speak. Obviously, my message about a kinder, gentler America was getting through.

But then, when I heard all those inspired words about the power of free enterprise, I knew it had to be someone else.

I would like to take a moment to pay tribute to your incoming chairman--John Clendenin. Of course, John's reputation precedes him wherever he goes. Under his inspired leadership, BellSouth continues to set the pace in profits and community service. John will be an excellent Chairman of the U.S. Chamber. I congratulate him and you.

Also, I commend your President Dick Leshar for the excellent

job he continues to do as your president. I know of no one who has fought as long or as effectively for the free enterprise values we all believe in.

And I want to commend each and every one of you. The chamber of commerce movement is one of the world's most dynamic and effective champions of freedom and progress. I shudder to think where this country would be today were it not for your positive influence.

And if you don't mind my saying so, I feel right at home in this company. You're my kind of folks. I look forward to working with you in years to come.

I suspect the foremost question on your minds today concerns my administration's economic policies. We are now savoring the longest period of sustained economic growth in our country's history. You probably want to know if we intend to keep it going.

The answer is a resounding YES!

I know there are many people, some of them respected economists, who insist we need an occasional recession to keep inflation under control. Well, you and I know better. There is no ironclad law of economics that says we have to have recessions. In my book, a recession is a preventable economic sickness that results from mistakes by government policy makers.

And you are looking at one policy maker who believes we can keep the expansion going indefinitely. All we have to do is resist the temptation to make the same mistakes that got us in trouble in the past.

There is no great mystery to it. All we have to do is look back a few years to how we got the economic expansion going in the first place. You may recall that not so long ago our economy was mired

down in stagflation. Soaring inflation and punishing interest rates had Americans in a vise. It was a most uncomfortable and intimidating situation.

But we came up with an effective remedy. We cut basic tax rates and kept them low. We cut back on regulations and paperwork, and reduced government interference with business. Stated simply--we put the free back into free enterprise. The results were--and continue to be--nothing short of spectacular.

And if we propose to keep the expansion going--and we do--then it only stands to reason that the key is to keep the free in free enterprise. I stand here before you pledged to do precisely that.

I have pledged to keep the lid on taxes, and I mean to honor that pledge. I know there are many in Washington who insist that isn't realistic, that we just have to have tax increases. I say today the same thing I said last summer: read my lips, no new taxes.

The tax hikers say we need more revenues to balance the budget. That's pure nonsense. We don't have a taxing problem in this country--we have a spending problem. In 1987, taxes consumed the same share of Gross National Product they absorbed in 1980--19.4 percent. Since 1980, however, federal spending has increased 80 percent, of which only 54 percent was needed to keep pace with inflation. To get the deficit down, we must control spending.

And contrary to what you may have heard, that is what we are doing. The budget deficit is already on a steady downward arc toward equilibrium. All we have to do is leave Social Security alone, pay interest on the national debt, without counting on a decline in interest rates, and restrict all increases in federal spending to the level of inflation. That is what we call the flexible freeze and,

assuming even modest economic growth in the next few years, the deficit will be gone by 1992 or 1993.

We will not raise taxes. To the contrary, we will cut taxes. One of my top priorities is to get Congress to slash the capital gains tax back to where it was a couple of years ago, or lower. You know, some of my liberal friends cannot bring themselves to admit that a lower capital gains tax rate will bring in more federal revenue. But there really isn't any doubt about it. Every time we have cut the capital gains tax in the past, it has produced a surge in economic transactions bringing in more revenue. But that reality somehow doesn't fit the liberal agenda.

Then again, there are many realities that do not fit the liberal agenda. Take for example the minimum wage. You simply cannot find a sensible economist anywhere, liberal or conservative, who will not tell you the minimum wage is an anachronism that serves no valid purpose in a modern economy. Almost all minimum wage workers are part timers earning supplementary family income. To raise the minimum wage would do more harm than good--destroying thousands of job opportunities and fueling inflation. I can imagine no worse crime against the working people of this country than pushing up inflation, but that is what the liberals are determined to do.

But I'll tell you what. I have a little pen over there in the Oval Office. I use it to express myself from time to time. In particular, I use it to veto bills passed by Congress that are not in the best interests of this nation. I regard any proposed tax hike to fall into that category. And you can bet any exorbitant increase in the minimum wage will meet the same fate.

And I will whip out that veto pen again if Congress sends me a

mandatory parental leave bill. Now, I know that parental leave is a difficult problem for many families. But it is only one of many problems they face. I know of no compelling reason why the federal government should intrude upon every workplace in the country telling employers what benefits they must provide to employees. That is your business, not Uncle Sam's. There are many employers who simply cannot afford to provide lavish benefits across the board. To require such things by federal law would destroy countless job opportunities.

You can mark one thing down about the Bush administration, and bank on it. We came to create opportunities, not destroy them. Or perhaps I should say we intend to make it possible for you to continue creating opportunities.

You know, I never cease to be amazed at some of these liberals who seem to think it is government, not private business, that produces the wealth in this country. Their attitude reminds me of a story Abraham Lincoln used to tell about a horseman whose mount somehow got a rear hoof caught in one of the stirrups. The horseman looked down at that and said, "Well, if you're going to get on, I better get off."

It is private business--not government--that provides the horsepower for this nation. You are the ones who compete in the international marketplace, and you compete very well indeed. Thanks to your hard work, creativity, and willingness to take risks, American industry today is more efficient, productive, and competitive than ever before. You are also the ones who create productive jobs. Since 1982, you have created more than 18 million. And I will do all I can to enable you to continue creating more.

I would like to conclude with a few remarks on a subject I

know is vital to all of you--foreign trade. The U.S. Chamber of Commerce played a pivotal role in passage of last year's trade bill. You demanded our government become more active opening up foreign markets closed to U.S. exports. You said the best way for us to fend off protectionism was to defend our legitimate trade interests. Your consistent position all along was that free trade and fair trade are the same thing. Your voice was heard loud and clear in the halls of Congress.

And it is heard loud and clear by my administration. We will work with you for aggressive enforcement of the law to open up more foreign markets to U.S. goods and services. Protectionism, to paraphrase Tallyrand, is worse than a crime; it is a mistake, an economic blunder of epic proportions. In the modern world, free and open commerce among nations is absolutely critical to economic growth and progress.

But there are some who do not understand that fact of life, and any who seek to take advantage of our commitment to free trade principles will be called to account. We are committed to working through the General Agreement on Tariffs and Trade to secure a truly free world trading system. But you have my word that if any nation violates its commitments under GATT, or any agreements they have negotiated with us, to deny U.S. business fair access to their market, my administration will not hesitate to take strong action on your behalf.

I am here because I appreciate the influence of the chamber of commerce movement, the exemplary service you render to our country, and, most importantly, the virtue and rightness of your cause. We are united in our devotion to economic freedom, our faith that free

enterprise offers the greatest hope for mankind to achieve real progress for all. Working together, we will make our dream a reality for every American. Working together, we will broadcast that dream to the world, and share it with all who choose to make our dream of freedom their own.

Working
Draft

Bill Kanaga

1989 Annual Meeting

Constitution Hall

May 1, 1989

Good morning, and welcome to the 77th Annual Meeting of the U.S. Chamber of Commerce. Wasn't the Marine Band wonderful? We will hear more from these fine musicians later in the program.

It seems hard to believe it was only a year ago I accepted your mandate to serve as Chairman of the U.S. Chamber. Since then, I have spoken to business groups around the world. At every stop, I have met extraordinary courtesy and kindness. It has been an unforgettable year.

But then, these are unforgettable times. Hardly a week goes by without a new report of an eye-popping development that would have seemed impossible even a few years ago. Leapfrog advances in science and technology are remaking virtually every aspect of the way we work and live. Best of all, our country has rediscovered the dramatic power of free enterprise.

It was about time. In the 1960s and 70s, we had drifted into a welfare state mentality that was sapping individual initiative and strangling economic growth. Cassandras appeared among us insisting our days of greatness were gone.

But we refused to accept that grim assessment. Inspired by dynamic political leadership, we reversed the tide of expanding government, unleashing a new generation of inventors, investors, and

entrepreneurs. Their creative energy sparked the longest period of sustained economic growth in our country's peacetime history.

The resurgence of free enterprise threw a spotlight upon a fatal flaw in socialism--its inability to respond to change. Today the leaders of the Soviet Union and China are abandoning socialist dogma, not because they want to, but because they have no choice. They must modernize or else. And they have come to realize a basic truth--the only true key to economic growth is freedom.

They also are learning another basic truth the U.S. Chamber of Commerce has trumpeted for more than three quarters of a century--that economic freedom and political freedom are two sides of the same coin. You cannot have one without the other. As the communists promote personal incentive and responsibility, their citizens are demanding political freedom to go with it.

The mind boggles to consider communist nations embracing free enterprise and democratic processes. If this movement takes root, we will have won our ideological struggle with communism. The cold war would be over. We could all work together in the eternal struggle against injustice, disease, poverty, repression and despair.

But it's a long way from here to there. The communist world is milling about in confusion, disoriented by the collapse of its ideological foundation. A few critical missteps by their leaders could set the stage for another dark age of repressive dictatorship. Their people look to us for inspiration and leadership.

But the liberals who dominate our major institutions are ducking the challenge. The liberals are too obsessed with our own perceived failings to contemplate the collapse of socialism. They see no opportunity--only problems and dangers. Our liberal elite have lost

the pioneer spirit.

Their dismal influence is stifling the most eloquent expression of the traditional American pioneer spirit--our space program. We put men on the moon--an achievement that still awes the world. But when the Challenger exploded, it took us 19 months to summon the nerve to send another one up! It was said we could not survive another such disaster--that it would undercut public support for the space program.

What nonsense! Does anyone really believe we can conquer the universe without taking casualties? Have we lost our courage to take risks?

We are descendants of pioneers who conquered a continent. They were hardy stock, stout of heart, resolved to the task. Step by step, mile by mile, they fought hostile elements to tame a vast, forbidding wilderness. Thousands of them perished, but they did not lose heart. As a poet wrote:

"The cowards never started and the weak died on the road, and all across the continent the endless campfires glowed."

What would they think of us today--cringing from space exploration because it's dangerous? But then, what would they think of a nation that goes to pieces every time some Henny Penny appears on the evening news wailing about a potential hazard somewhere that might possibly pose a marginal risk to consumers? What would they think of us mothballing an unused \$4 billion dollar nuclear power plant, as safe and reliable a technology as ever could be, only because of irrational, unreasoning fear?

What would they think of us permitting our legal system to get so estranged from reality that promising new products and life-saving

medicines cannot be marketed for fear of lawsuits? Where on earth did we get this perverse notion that each and every human injury must be generously compensated, regardless of whether anyone is truly at fault? What would they think of people so obsessed with their own personal safety, so fearful of real and imagined dangers, that they slam the door on progress and shrink from adventures into the unknown?

What would they think of people so mesmerized by leftist notions of equality that we permit our schools to degenerate into mausoleums of mediocrity? What would they think of a people so bereft of values that we permit large areas of our major cities to become battle zones where even the police fear to tread?

We can boast of the Reagan revolution and all we have accomplished in this decade, and our achievements are real enough. But somehow the liberals, with their neurotic fears and insecurities, still dominate the public agenda. They have learned little, if anything, from our astounding economic success of recent years. Nor have they learned anything from the worldwide collapse of socialism. To the contrary, they remain determined to impose a welfare state upon our own country--the same kind of repressive, stifling bureaucratic control that has driven much of the world to the brink of economic oblivion.

We are partly to blame for failing to challenge the liberals on moral grounds. It isn't enough to demonstrate over and over again the practical advantages of free enterprise. We must make the case for the moral superiority of free enterprise.

British Prime Minister Margaret Thatcher understands this political imperative. She recognizes the liberals for what they are--moral frauds compassionate with other people's money. It is

profoundly immoral to promise to distribute wealth without first taking the difficult steps to create the wealth. It is profoundly immoral to pledge lavish benefits without making provision to pay for them. But moral fraud is the very essence of liberalism today--moral fraud and obsessive fear.

We must confront the liberals with their fraud. We must force them to recognize reality--that wealth cannot be created by waving a magic wand. Only free enterprise offers the promise of real economic progress for all. Only by being competitive in the world marketplace can a nation raise its standard of living.

As we challenge the liberals on moral grounds, we too must take a hard look at our own moral fiber. I served on the National Commission on Fraudulent Financial Reporting, a special panel of accountants set up to examine the incidence of financial fraud. We found widespread failure to observe high moral and ethical standards.

I know the vast majority of business people are honest and circumspect in their business affairs. But even honest business people do not always set a conspicuous example of integrity, or demand honesty of subordinates at every level. And every business executive who fails to display exemplary conduct undermines our challenge to the liberals to face up to their own moral fraud.

I can offer many practical reasons why business should observe high moral and ethical standards, just as I can offer practical reasons why the liberal agenda is fraudulent. But somehow I think that misses the real point. The real issue before us today is courage--courage to accept personal responsibility for what we do, and not blame society; courage to make morally correct decisions, even when they work to our disadvantage; and courage to stand against

nonsense and dishonesty even when they enjoy popular support.

The executive who cuts corners is the moral equivalent of the liberal politician who promises unfunded benefits or a Henny Penny who runs about spreading tales of imaginary dangers. The common denominator of all is cowardice. A great nation cannot permit itself to be ruled by fear.

We should demonstrate legitimate concern for the less fortunate of society, but not to the point we absolve them of personal responsibility. The notion that society is at fault for every unhappy human condition is a preposterous liberal myth with no logical or moral foundation. Our society cannot afford to shoulder such responsibility, nor should it.

Likewise, we should champion the cause of equal opportunity for all. We are a nation of many races and creeds. We draw strength from our diversity. But we dare not let that cause undermine our ambition to superior performance, our quest for excellence.

We should all be reasonably concerned about health and safety, but not to the point it becomes a national neurosis and any scaremonger can set off instant panic. There is a certain amount of risk inherent in the human experience. There comes a point when we must balance our concern about dying with our interest in living.

We have a vested interest in the rule of law, but the legal establishment must have equal concern for the health of our economy. Our attorneys must be made to understand that when they conduct willy-nilly raids upon business treasuries, they are strangling our productive base and undermining our economic integrity.

We in business must work hard to overcome countless obstacles. To survive we must make a profit, and to make a profit we must produce

quality products and services at competitive prices. In doing so, we make possible a standard of living and quality of life that few other nations enjoy. But we must not permit our legitimate quest for profit to compromise our higher obligation to scrupulously obey the laws of our country, and the laws of our creator. ✓

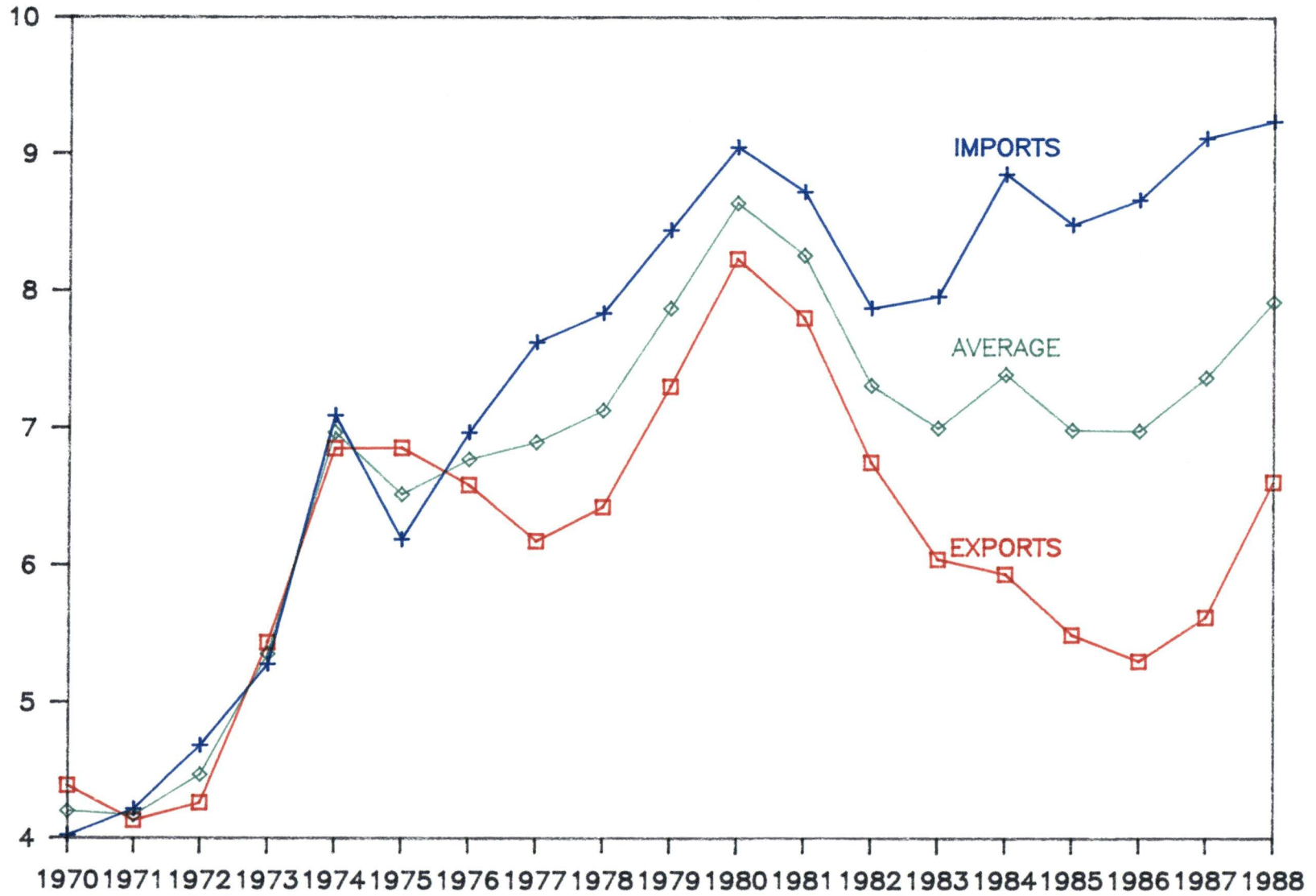
In this dramatic era of turbulent change, the world looks to us for inspiration and leadership. We have won the ideological struggle. The challenge before us now is what to do with our victory.

We have the tools in hand to achieve great things--advanced technology, the world's most efficient economic system, creative people, and--most important of all--an inspired vision of the future. If we have the courage to dare, and a benevolent God approves, we may yet lead the world into a new Golden Age of peace, progress and prosperity.

But if we would hoist our banner for the world to follow, we must first subdue our fears and self-doubt. If we would share our dream with others, we must first believe in it ourselves. If we would hold the stars in our hands, we must first dare to reach for them.



U.S. TRADE AS SHARE OF GNP



	AVG. IMPORTS+EXPORTS AS % OF GNP	EXPORTS AS % OF GNP	IMPORTS AS % OF GNP
1970	4.20	4.39	4.02
1971	4.17	4.13	4.22
1972	4.48	4.26	4.69
1973	5.36	5.44	5.29
1974	6.98	6.85	7.10
1975	6.53	6.86	6.19
1976	6.78	6.59	6.97
1977	6.91	6.18	7.63
1978	7.14	6.43	7.84
1979	7.88	7.31	8.45
1980	8.65	8.24	9.06
1981	8.27	7.81	8.73
1982	7.32	6.76	7.88
1983	7.01	6.05	7.97
1984	7.40	5.94	8.86
1985	6.99	5.50	8.49
1986	6.99	5.31	8.67
1987	7.38	5.63	9.12
1988	7.93	6.61	9.24
1970-79 AVG	6.04	5.84	6.24
1980-88 AVG	7.55	6.43	8.67

Source: Ellen Hamrick
CEA