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Business Council Dinner 2/21/90 [OA 6894]

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POTUS COPY 2

Davis/Martin
Title: Biz
Feb. 14, 1990
Draft: Four

**PRESIDENTIAL ADDRESS: BUSINESS COUNCIL DINNER, THE WHITE HOUSE
7:50 p.m., Wednesday, Feb. 21, 1990**

Thank you for that introduction Roger [[Smith, Chairman of the Business Council]]. It's good to be back among so many good friends from the public and private sectors -- leaders all.

((You know me -- I, too, was the head of a company. But when I first came to the White House, I didn't start out at the top.\\ Still, it was what you could call a friendly takeover.))\\\

But it's a pleasure to see so many friends here tonight. And now that I'm President, I believe it's all the more important for us to keep in touch, because solutions to the challenges our country faces will not come from government alone. They will come only when we reach deep inside ourselves and find the grit and gumption to act as a people. So that's why I look to you -- as community leaders, as well as corporate leaders.\\\

I look to you to work with us to reform product liability law, an effort which I believe Vice President Quayle set out for you earlier. And there is so much more we can do together.

For example, we've all got to continue to clean up our air, our water, our beaches. We've all got to find a way to see to it that working families can afford child care. And we've got to

keep every successive generation of Americans moving up the learning curve.\\

As you know, last fall I met with the governors at an Education Summit in Charlottesville -- first of its kind. We agreed that it's time to quit studying the problem and start doing something about it. And we are. Just last month, the governors and I agreed to set new goals, to ask more of our students, our teachers, our schools and ourselves.

We reached an historic consensus, a national consensus, that we should measure our progress in education not just in terms of dollars spent, but in terms of the performance of every student and every school. For too many years, we focused on what went into education -- input. Now it's time to focus on output, or productivity -- and productivity in education means greater literacy, better test scores and higher graduation rates.

But even the combined resources of state and federal government alone won't tackle the job. We need you. And I couldn't come here tonight without asking every one of you to join our work with the governors. Your leadership is vital if we are to make an American education second to none.

When I set out my philosophy in my State of the Union address, some on the other side of the party aisle accused me of stealing partisan thunder on issues like education, the environment and child care. I would like to respectfully suggest that these are not partisan issues. Helping others is the American mission -- my mission as President -- our mission as

citizens. But where I differ with some in Washington is that I believe that unless we have a healthy, growing economy we cannot help anyone at all.\

To help those in need, we must have economic growth. And to have growth, a nation must save and invest. You know that the U.S. savings rate ranks near the bottom among the industrialized nations. Now is the time to quit bemoaning this fact, and do something about it. We can start by asking Congress to pass the Savings and Economic Growth Act of 1990, and its provision to help families save.

I am asking Congress to allow couples to save up to \$5,000 a year -- funds which will not be subject to taxes when withdrawn. This Family Savings Account would make funds available, when needed, for a child's education, the purchase of a home or medical expenses. For those who leave their savings in for seven years, there will be no tax on earnings.

Along these same lines, we've got to rescue the dream -- the American dream -- of homeownership for millions of families. And that's what my Home Ownership Initiative aims to do, by allowing families to withdraw up to \$10,000 from an IRA to get into that first house.

All of these measures will help families to save and invest in America. But to sustain our remarkable economic expansion, we need something more. And that's why I stand for a cut in the capital gains tax.\ We need a tax code that encourages investors not to put their money into self-indulgent consumption;

but in productive assets that create jobs for all Americans. We need a tax code that makes America competitive with its trading partners, many of which don't even have a capital gains tax.

When it comes to the environment, I'm proud to seek passage of the first Clean Air legislation since 1977. But I insist on a program that is both beneficial to the environment and based on market solutions. To compete in the global marketplace of the 21st Century, American business must be more efficient. But improved efficiency will also pay big dividends for the environment.

After all, pollution is waste. And if we can prevent pollution by improving our manufacturing processes and using energy more efficiently, we'll protect the environment while protecting American jobs. The best policy is to prevent pollution at the source.

The private sector also has a leading role to play in child-care. And that's why I believe we should rely first on the strength of families, neighborhood groups and churches. The last thing we need is another massive spending program and another centralized federal bureaucracy to tell parents how to care for their kids.

So my concern is for the substance of a program, not its title. My concern is for the means, as well as the end. And that is why no bill will leave my desk simply because it's called "Clean Air" or "Child Care." \\\

Our programs must be sound. They must be responsible. And they must do more than just draw on federal resources -- they must challenge every American to do his or her part. When it comes to fighting the scourge of illegal drugs, you are certainly doing your part -- taking the lead for a drug-free workplace. As we continue to fight this scourge, your partnership will be needed as never before.

So I believe there is nothing we can't achieve if we accept the challenge, if we work together. ((After all, this is truly a remarkable gathering. I don't think there's been so much power in one room since Malcolm Forbes' last birthday.))\\\

But power can be used in many ways. Over the years I've found, as I'm sure you have, that the great satisfactions in life come not from a title or an office, but from the day-to-day deeds that add up over a lifetime, deeds that let us leave this world just a little better than we found it.

For all you do, you have my sincerest thanks. And now I'd be delighted to hear your questions.

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Davis/Martin
Title: Biz
Feb. 14, 1990
Draft: Four

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For example, we've all got to continue to clean up our air, our water, our beaches. We've all got to find a way to see to it that working families can afford child care. And we've got to

keep every successive generation of Americans moving up the learning curve.\\

As you know, last fall I met with the governors at an Education Summit in Charlottesville -- first of its kind. We agreed that it's time to quit studying the problem and start doing something about it. And we are. Just last month, the governors and I agreed to set new goals, to ask more of our students, our teachers, our schools and ourselves.

We reached an historic consensus, a national consensus, that we should measure our progress in education not just in terms of dollars spent, but in terms of the performance of every student and every school. For too many years, we focused on what went into education -- input. Now it's time to focus on output, or productivity -- and productivity in education means greater literacy, better test scores and higher graduation rates.

But even the combined resources of state and federal government alone won't tackle the job. We need you. And I couldn't come here tonight without asking every one of you to join our work with the governors. Your leadership is vital if we are to make an American education second to none.

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citizens. But where I differ with some in Washington is that I believe that unless we have a healthy, growing economy we cannot help anyone at all.\

To help those in need, we must have economic growth. And to have growth, a nation must save and invest. You know that the U.S. savings rate ranks near the bottom among the industrialized nations. Now is the time to quit bemoaning this fact, and do something about it. We can start by asking Congress to pass the Savings and Economic Growth Act of 1990, and its provision to help families save.

I am asking Congress to allow couples to save up to \$5,000 a year -- funds which will not be subject to taxes when withdrawn. This Family Savings Account would make funds available, when needed, for a child's education, the purchase of a home or medical expenses. For those who leave their savings in for seven years, there will be no tax on earnings.

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All of these measures will help families to save and invest in America. But to sustain our remarkable economic expansion, we need something more. And that's why I stand for a cut in the capital gains tax.\ We need a tax code that encourages investors not to put their money into self-indulgent consumption;

but in productive assets that create jobs for all Americans. We need a tax code that makes America competitive with its trading partners, many of which don't even have a capital gains tax.

When it comes to the environment, I'm proud to seek passage of the first Clean Air legislation since 1977. But I insist on a program that is both beneficial to the environment and based on market solutions. To compete in the global marketplace of the 21st Century, American business must be more efficient. But improved efficiency will also pay big dividends for the environment.

After all, pollution is waste. And if we can prevent pollution by improving our manufacturing processes and using energy more efficiently, we'll protect the environment while protecting American jobs. The best policy is to prevent pollution at the source.

The private sector also has a leading role to play in child-care. And that's why I believe we should rely first on the strength of families, neighborhood groups and churches. The last thing we need is another massive spending program and another centralized federal bureaucracy to tell parents how to care for their kids.

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But power can be used in many ways. Over the years I've found, as I'm sure you have, that the great satisfactions in life come not from a title or an office, but from the day-to-day deeds that add up over a lifetime, deeds that let us leave this world just a little better than we found it.

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Business
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Council

Roger
Smith
GM Detroit

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Cowan
298-7650

Davis/Martin
Title: Biz
Feb. 14, 1990
Draft: Three

PRESIDENTIAL ADDRESS: BUSINESS COUNCIL DINNER, THE WHITE HOUSE
((Time)), Wednesday, Feb. 21, 1990

7:50

Mr Smith (Mr. Billington)

((Acknowledgements))

((You know me -- I, too, was the head of a company. But

when I first came to the White House, I didn't start out at the top.\\ Still, it was what you could call a friendly takeover.))\\

Zapato

As President, I believe it's important for us to keep in touch, because solutions to the challenges our country faces will come -- not from government alone -- but only when we reach deep inside ourselves and find the grit and gumption to act as a people. So that's why I look to you -- as community leaders, as well as corporate leaders. I think you'll agree with me that the business of America is **not** business. No, **the business of business is America.**\\

For example, we've all got to continue to clean up our air, our water, our beaches. We've all got to find a way to see to it that working parents can afford child care. And until recently, every successive generation of Americans was better educated than the last one. This is no longer true. **So from now on, every new generation of Americans has got to move up the learning curve -- not down it.**\\

Roger Smith
Chairman 1989
2 yrs '91

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Luc BC
Dr James H. Billington
Roger Smith

9-27-89

As you know, last fall I met the governors at an Education Summit in Charlottesville -- the first of its kind. We agreed that it's time to quit studying the problem and start doing something about it. And we are. Just last month, the governors and I agreed to notch our goals a little higher, to ask more of our students, our teachers, our schools and ourselves.

But even the combined resources of state and federal government alone won't tackle the job. We need you. And I couldn't come here tonight without thanking every one of you for your commitment to work with the governors of America this week.

Your leadership is vital. Your contribution is appreciated.\

When I set out my philosophy in my State of the Union address, some on the other side of the party aisle accused me of stealing partisan thunder on issues like education, or the environment or child care. I would like to respectfully suggest that these are not partisan issues. Helping others is the American mission -- my mission as President -- our mission as citizens. But where I differ with some in Washington is that I believe that unless we have a healthy, growing economy we cannot help anyone at all.\

That is why I stand for a cut in the capital gains tax.\ We need a tax code that encourages investors to put their money - - not into a new hot tub or another car -- but in productive assets that create more jobs and more wealth for all Americans.\

When it comes to the environment, I'm proud to seek passage

Business Roundtable
not Business Council

State of Union

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And when it comes to child-care, we should rely first on the strength of families, neighborhood groups and churches. The last thing we need is another massive spending program and another federal bureaucracy to tell parents how to care for their kids.

So my concern is for the substance of a program, not its title. I care for the means, as well as the end. **And that is why no bill will leave my desk simply because it's called "Clean Air" or "Child Care" or even "The Healthier Babies Act." **

Our programs must be sound. They must be responsible. And they must do more than just draw on federal resources -- they must challenge every American to do his or her part.

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Roger Smith, Chairman of the Business Council; Dr. James H. Billington, Librarian of Congress. It's good to be back among so many good friends from the public and private sectors -- leaders all.

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To help those in need, we must have economic growth. And to have growth, a nation must save. You know that the U.S. savings rate ranks near the bottom among the industrialized nations. Now is the time to quit bemoaning this fact, and do something about it -- starting with the Family Savings Account.

I am asking Congress to allow couples to save up to \$5,000 a year -- funds which will not be subject to taxes when withdrawn. The FSA would make funds available, when needed, for a child's education, the purchase of a home or medical expenses. For those who leave their savings in for seven years, there will be no tax on earnings.

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Our programs must be sound. They must be responsible. And they must do more than just draw on federal resources -- they must challenge every American to do his or her part.

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**PRESIDENTIAL ADDRESS: BUSINESS COUNCIL DINNER, THE WHITE HOUSE
((Time)), Wednesday, Feb. 21, 1990**

((Acknowledgements))

((I have to admit, at first, I was little abashed about the idea of speaking before so many important people. But Barbara put it all in perspective when she reminded me that CEOs put their pants on one leg at a time.\\ Of course, most people's pants don't cost twenty-five hundred dollars a leg.))\\

((As you probably know, I was once the head of company of modest size. And I have to admit, I once entertained the thought of becoming a baron of business myself.\\ But fate was cruel, and so I had to settle for being President.))\\

And as President, I am challenged to find ways to protect all Americans, throughout society, from the many scourges of poverty, illegal drugs, crime, the spoiling of our environment and the decline of American education.

We are all challenged to find a way to shelter the homeless and uplift the poor. We must continue to clean up our air, our water, our beaches. And we must do one thing more. Until recently, every successive generation of Americans was better educated than the preceding generation. **We are determined that from now on, every new generation of Americans must move up the learning curve -- not down it.**\\

But solutions to all these challenges will come -- not from government alone -- but only when we reach down deep inside ourselves and find the grit and the resolve to act as a people. This starts with leadership -- the leadership of government and business together.

This is where you come in: You are corporate leaders, but you are also community leaders. So I think you'll agree with me that the business of America is **not** business. Rather, we believe that **the business of business is America.**\\\

As you know, last fall I met the governors at an Education Summit in Charlottesville -- the first of its kind. And we agreed that parents, student, teachers and schools alike need more choice, more flexibility, in reaching their goals -- and then we must all be accountable for the results. And just last month, we reached an agreement to notch our goals a little higher -- to reach for a 90 percent graduation rate by the year 2000.

This effort rests on the twin foundation of state and federal leadership. But we need a strong third pillar to sustain our campaign to redeem the future for the children of America -- the leadership of the private sector. And I couldn't come here today without thanking each and every one of you for your commitment to work with the governors of America ((later this week)). Your work is vital. Your contribution is appreciated. **Let us work together to save the schools of America.**\\

When I layed out my philosophy in my State of the Union address, some on the other side of the party aisle accused me of stealing partisan thunder on issues like education, homelessness,

or the struggle against poverty. I would like to respectfully suggest that these are not Democrat or Republican issues. Helping others is the American mission -- my mission as President -- our mission as citizens. But where I differ with some in Washington is that they do not understand that unless we have a healthy, growing economy **we cannot help anyone at all.** \\

And that is why I stand for a cut in the capital gains tax. We need a tax code that encourages investors to put their money -- not in a new hot tub or another car -- but in productive assets that create more jobs and new wealth for **all** Americans.

And when it comes to the environment, it is no coincidence that the societies of Eastern Europe, bankrupt after a near half century of socialism, are also the most dangerously polluted nations in the industrialized world. There is a lesson in this for us: You can't clean the environment if you despoil the economy. \\ So I am proud to seek passage of the first Clean Air legislation in ¹⁹⁷⁷ ((number)) years. But I insist on a program that starts with market solutions and market mechanisms.

Similarly, in my child-care proposals, I want to rely on the strength of private institutions -- from families, to neighborhood groups, to church-affiliated day-care. The last thing we need is another federal bureaucracy, another massive spending program.

So my bottom line is this -- I care for the substance of a program, not its title. I care for the means, as well as the end. **And that is why no bill will cross my desk simply because its called "Clean Air," or "Child Care."** \\ \\

These programs must be sound. They must be responsible. And most of all, they must do more than just draw on federal resources -- they must challenge our society as a whole.

In this era of tight budgets, some would seek to force business into the traditional welfare role of the government. And I have to admit, on the face of it, many mandated benefits sound attractive. But they also present a subtle danger, because increased mandated benefits would work secretly, but so surely, to kill jobs and opportunity.

Finally, we must stand firm against yet another killer of opportunity -- the abuse of product liability law. In the last fifteen years, product liability suits have increased by more than 1,000 percent, a cost passed on to American business and consumer alike. This is unacceptable to any country that seeks to be competitive. And that is why Vice President Quayle, who chairs our Council on Competitiveness, is advancing product liability reform as a top priority of this Administration.

We must first restore the concept of fairness to the law. A person who is injured by a product **should** be compensated. But liability should be based on the depth of a company's or person's commitment to safety -- **not by their depth of their pockets.**\\

The current system penalizes everyone. Kids pay a price when no one can afford to sell sports equipment, from football helmets to gymnastics equipment. Charities pay a price when they can no longer afford the high insurance premiums to operate. And all Americans could potentially pay with their health -- even

their very lives -- when product liability lunacy kills new promising new vaccines, treatments and medical products.

In short, something is terribly wrong when laws which are meant to protect people wind up hurting them. Let us call on Congress to act immediately **to put an end to product liability lunacy.**\\\

((In conclusion, let me say that this is truly a remarkable gathering. I don't think there's been so much wealth and power in one room since Malcolm Forbe's last birthday.))\\\

Roger Smith
Business Council Chairman
James Billington
Librarian of Loc
Winston Tabb
Deputy Librarian of Loc
Ronald Morse
Development Officer Loc
David Kearns
Bus. Council Vice-Chair
Chairman Keroy
Louis Preston
Bus Council Vice-Chair
Exec. Council of TP Morgan
Allan Murray
Bus Council Vice-Chair
Chairman of Mobile
John Smale
Bus Council Vice-Chair
Exec. Council Chairman
Patterson + Gamble

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

February 1, 1990

President Bush's Proposed
Savings and Economic Growth Act

Today, President Bush transmitted to the Congress the Savings and Economic Growth Act. This act will increase family savings, stimulate job-creating long-term investment, and strengthen the competitive position of American business. It contains three parts:

- o Family Savings Account. This new savings program will give Americans an opportunity to save for their long term goals in a tax-free manner.
- o Capital Gains Tax Rate Reduction. This act will provide for a permanent partial exclusion from tax of gains on long term investments in productive assets.
- o Home Ownership Initiative. This will allow millions of American families an opportunity to save for their first home through the existing IRA program.

The Savings and Economic Growth Act provides a comprehensive and balanced program to stimulate our domestic savings rate and lower the cost of capital to American business. This, coupled with President Bush's proposed dramatic reduction in the federal budget deficit, will allow more funds to flow into productive investment in this country.

The President calls upon the Congress for speedy enactment of these provisions. The sooner we can provide incentives for American families to save and for American business to invest for the long term, the more certain we can be that the current record setting peacetime recovery will continue.

Family Savings Account (FSA)

- o Married couples with Adjusted Gross Income (AGI) under \$120,000, singles with AGI under \$60,000, and taxpayers who are Heads of Household with AGI under \$100,000 are eligible, if they have earned income and are not dependents on another return.
- o Each person may contribute, per year, up to \$2,500 (couples up to \$5,000) or the amount of their compensation that year, whichever is less.
- o Contributions are not tax deductible when made. The funds deposited in the account must be made in cash, (existing securities may not be used), and may be invested in any investment vehicle except for insurance contracts or collectible items such as stamps or art work.
- o Contributions are never subject to tax when withdrawn.
- o Earnings on deposits at least 7 years old may also be withdrawn tax free. Earnings are taxed only if they are attributable to money on deposit less than 7 years. Earnings on deposits at least 3 years old are taxed like regular interest income when withdrawn. Earnings on deposits made less than 3 years prior to withdrawal will be subject to income tax and also to a 10 percent penalty tax when withdrawn.
- o The Family Savings Account program is particularly beneficial to those who make a habit of saving. A family that contributes \$2,500 each year to a Family Savings Account paying 8 percent interest would have over \$73,000 saved after 15 years.

Capital Gains Tax Rate Reduction

- o The President proposes a phased-in exclusion of up to 30 percent of the capital gain on an asset. Eventually only assets held at least 3 years would receive the full exclusion.

<u>Year Sold</u>	<u>Years Held</u>		
	1	2	3
1990	30%	30%	30%
1991	20%	30%	30%
1992	10%	20%	30%

- o A 30 percent exclusion would effectively lower the capital gains tax rate to 19.6 percent for a taxpayer in the 28 percent tax bracket. The effective tax rate would be reduced to 10.5 percent for a taxpayer in the 15 percent tax bracket and to 23.1 percent for a taxpayer in the 33 percent tax bracket.
- o Corporations would not be eligible for a capital gains tax rate reduction.
- o In general, all capital assets held by individuals, except for collectibles, will be eligible for the capital gains exclusion.
- o This reduction benefits a wide cross-section of Americans. In 1987, 72 percent of the tax returns with capital gains were filed by taxpayers with other income of less than \$50,000. These taxpayers reported fully 41 percent of the net gains reported that year.
- o The U.S. Department of Treasury estimates that this change will permanently increase tax revenue without taking into account the positive effects this change will have on economic growth.

Home Ownership Initiative

- o Americans will be able to withdraw up to \$10,000 from an IRA for a first time home purchase without penalty. The home must cost less than 110 percent of the median home price in the geographic area in which they are buying.
- o This could save an American family seeking to buy their first home up to \$1,000 compared to current law. Current law imposes a 10 percent excise tax, on top of any regular tax owed, for withdrawals from an IRA account.
- o This proposal is targeted toward low and moderate income families who do not currently own their own home. Higher income families are not eligible for the up front deduction on an IRA under current law unless they are not covered by another pension plan.
- o More families will make use of the IRA as an investment tool. Evidence indicates that younger families do not make as great a use of the IRA as do older couples. This provides an incentive for taxpayers of all age groups to participate in the IRA system.



DEPARTMENT OF THE TREASURY
WASHINGTON

January 30, 1990

THE SAVINGS AND ECONOMIC GROWTH ACT:
AN OVERVIEW

The Savings and Economic Growth Act will increase family savings, stimulate job-creating long-term investment, and strengthen the ability of American business to compete in a tough global economy. It contains three parts:

- o A new Family Savings Account is established to give most Americans an opportunity to save through a simple and understandable tax-free savings incentive program.

- o Capital gains tax rates are reduced and restructured to create jobs, encourage new long-term investment, enhance the nation's economic competitiveness, and lower the cost of capital.

- o An innovative Home Ownership Initiative is created to provide millions of Americans who aspire to own their first home with the opportunity to do so.

Improving the national saving rate would help to lower the cost of capital to American firms and provide the funds for investment in America's future. Investment, whether in new plant and equipment, in new technology or human resources, leads to higher productivity, which is the key to increasing our competitiveness and improving our standard of living.

The three parts of the Savings and Economic Growth Act work together to provide incentives for additional saving, lower the cost of capital and stimulate long-term investment in America. The result will be more jobs and a higher standard of living for Americans.

Family Savings Account (FSA)

Attacks Low Savings Rate

Americans, particularly our younger citizens, do not save enough. In 1989, the personal savings rate for Americans was 5.5% -- only five cents of every after-tax dollar. The U.S. savings rate ranked 18 out of 21 among industrialized nations from the period 1981-87. It is also well below America's 1950-88 personal saving rate average of 6.8%.

Boosts Long-Term Investment

This innovative savings initiative provides U.S. families and individuals with a new opportunity to save by creating a simple and understandable incentive program. A larger savings pool will make funds available at lower rates for investors.

Provides Access to Investments When You Need Them Most

One of the drawbacks to existing savings incentives is the concern, particularly among younger Americans, that those savings won't be available for immediate needs. The FSA affords flexibility for saving and investing by making FSA funds readily available, at any age or time, for needs such as a child's education, buying a home or paying medical expenses.

Encourages Americans to Save and Plan for Their Families' Futures

Providing for a child's college education, preparing for unexpected health expenses, building up the down payment for a first home all take time, planning and saving. FSAs provide easily understood, readily available savings incentives to help Americans prepare for major goals or unexpected needs.

Capital Gains Tax Reduction

Creates Incentives For Long-Term Investment

Investment in new plant and equipment, in emerging technologies, and in the development of our human potential is the recipe for a strong economy. But some of the soundest investments do not have immediate payoffs. They require a longer term commitment. Individuals will pay lower capital gains taxes the longer they hold an asset -- a strong new incentive for long-term investment, not short-term profit-taking.

Lowers the Cost of Capital and Increases Competitiveness

Studies show that the cost of capital in the United States is higher than in Japan or Germany. They point to taxation as a significant factor in that cost. Virtually every major U.S. trading partner provides some form of capital gains relief. A capital gains cut will reduce the cost of capital for U.S. firms and make them more competitive in international markets.

Encourages Small Business and Job Creation

New ventures, particularly small businesses, have difficulty raising start-up capital. Lower rates can create incentives for the kind of risk-taking that can keep America in the lead with the emerging technologies of the 21st century. New ideas and new businesses keep the economy vibrant and growing. And small businesses create most of our new jobs.

Benefits Wide Cross-Section of Americans

Lower capital gains taxes benefit millions of Americans at various income levels. Seventy-two percent of the tax returns with capital gains (1987) were filed by taxpayers with other income of less than \$50,000. Forty-one percent of the net capital gains reported that year were incurred by taxpayers with adjusted gross income (excluding capital gains and losses) of under \$50,000.

Home Ownership Initiative

Adds New Incentive for Individual Retirement Accounts

Making Individual Retirement Accounts more flexible will encourage more people to use them. The concern that funds contributed to IRAs are "locked up" until retirement is eased.

Makes the Goal of Saving for a First Home More Attainable

Americans who have been contributing to IRAs since their creation will now have access to a pool of savings that could put them that much closer to owning their first home.

Targeted Toward Lower- and Middle-Income Family Home Ownership

IRAs have eligibility restrictions which target them toward the lower end of the income scale. The Home Ownership Initiative, which is limited to IRAs, would therefore benefit lower and middle-income American families.

Building Equity in a Home

For average Americans, owning a home is a major share of their financial net worth because each monthly payment adds to their equity.



DEPARTMENT OF THE TREASURY
WASHINGTON

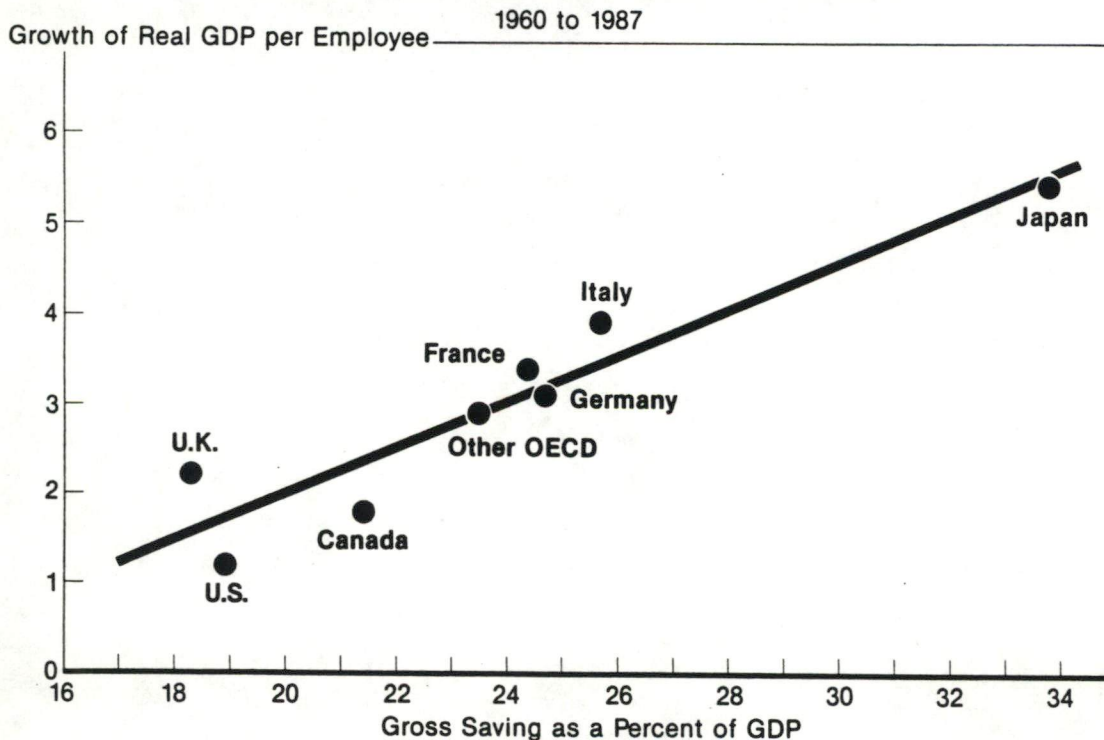
January 30, 1990

SAVINGS:
AN ECONOMIC OVERVIEW

Why Saving Is Important

- Savings is the **lifeblood of an economy**. Entrepreneurs and businesses borrow from the nation's available savings pool and use it to purchase technology, equipment and human resources.
- Their **cost of capital** is reduced when savings funds are available. A lower cost of capital makes increased investment financially possible.
- As higher investment expenditures in better equipment and worker training take effect, the economy's productivity -- output per worker -- rises as well.
- Higher productivity makes America more competitive in the world. There is a clear, positive relationship between a nation's savings rate and its productivity growth.
- From an international perspective, it's sobering that the **U.S. saving rate ranked 18 out of 21 among industrialized nations from the period 1981-87**.

GROSS SAVING AND REAL GROWTH

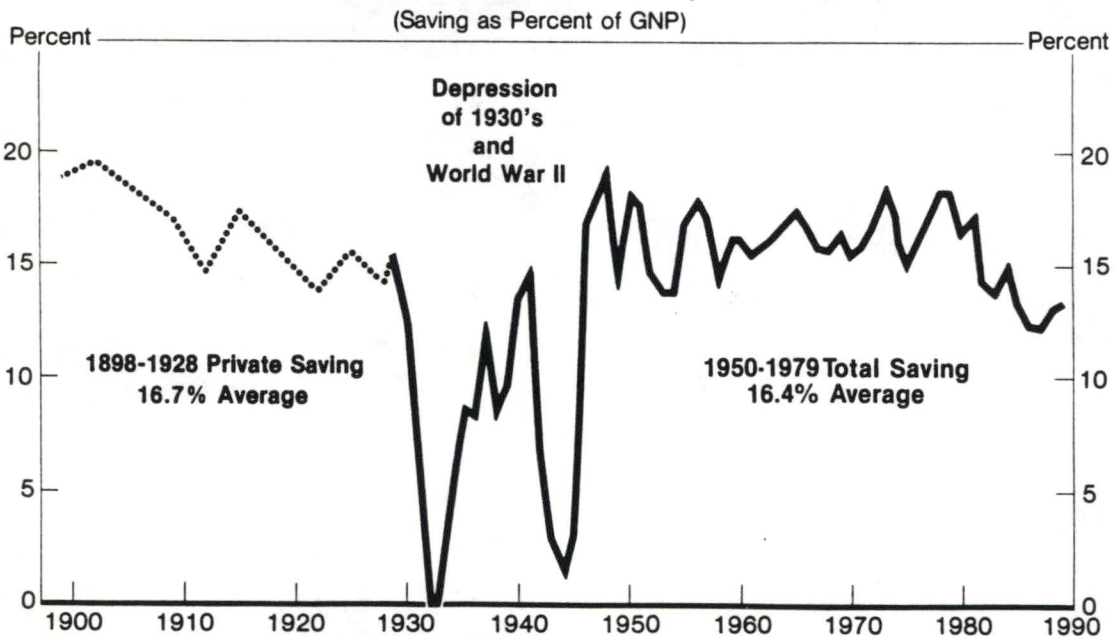


Source: OECD, Historical Statistics, 1960-1987.

SAVING: THE HISTORICAL RECORD

- o National saving -- the sum of government, business and personal saving -- is significantly below its historical average.
- o It hit bottom at only 12.2 percent of Gross National Product in 1987 and had recovered to just 13.4 percent in 1989.
- o Compared to the average national saving rate of 16.4 percent of GNP from 1950 to 1979, it is clear that we need to do better.

U.S. GROSS SAVING RATIO, 1898-1989



Note: 1898-1928 data from David and Scadding, *Journal of Political Economy*, April 1974.
Data following 1928 are from U.S. Department of Commerce.

COMPONENTS OF SAVING

- o The United States has a national saving rate -- the sum of government, business and personal saving -- that is lower than its historical average.
- o Chronic federal deficits have become the dominant factor in the overall decline in the national saving rate. While state and local governments maintained generally balanced budgets until recently, the federal budget has been in deficit for 28 of the last 29 fiscal years -- leading to large government dissaving.
- o Business saving -- retained profits and depreciation -- has remained stable because of higher depreciation charges. But personal saving has experienced a decline during the past decade.

Gross Saving and Investment as a Share of Gross National Product

	<u>1950's</u>	<u>1960's</u>	<u>1970's</u>	<u>1980-88</u>	<u>1987</u>	<u>1988</u>	<u>1989(p)</u>
<u>Gross Domestic Saving</u>	16.1	16.3	16.7	14.1	12.2	13.2	13.4
Private ¹	16.5	17.1	18.4	18.0	16.1	16.6	16.9
Personal ¹	5.1	5.1	6.4	5.1	3.7	4.4	5.4
Corporate Undist. Profits	2.8	3.5	2.5	1.7	1.7	1.6	0.9
Depreciation Allowances	8.7	8.5	9.6	11.0	10.8	10.5	10.6
Government ¹	-0.4	-0.8	-1.8	-3.8	-3.8	-3.4	-3.5
Federal	0.1	-0.3	-1.7	-3.9	-3.6	-3.0	-2.9
State & Local ¹	-0.6	-0.5	0.0	0.1	-0.3	-0.4	-0.6
<u>Gross Investment</u>	16.3	16.2	16.7	14.2	12.1	13.0	12.9
Gross Private Domestic	16.2	15.5	16.4	15.8	15.5	15.4	14.8
Business Fixed	9.6	9.9	10.7	10.9	9.8	10.0	9.8
Net Foreign	0.1	0.6	0.2	-1.6	-3.3	-2.4	-1.9

A D D E N D U M:

<u>Net Domestic Saving</u> ²	8.1	8.6	7.9	3.4	1.7	3.0	3.2
Private ¹	8.6	9.4	9.8	7.7	6.0	6.8	7.1
Government ¹	-0.5	-0.8	-1.9	-4.3	-4.3	-3.8	-3.9
Personal Saving Rate ³	6.8	6.7	8.0	5.4	3.2	4.2	5.5

Note: Small difference between gross domestic saving and gross domestic investment represents the statistical discrepancy. Other components may not add exactly to totals due to rounding.

1. Employee pension funds of state and local governments are allocated to personal saving to match the treatment of private pension funds.

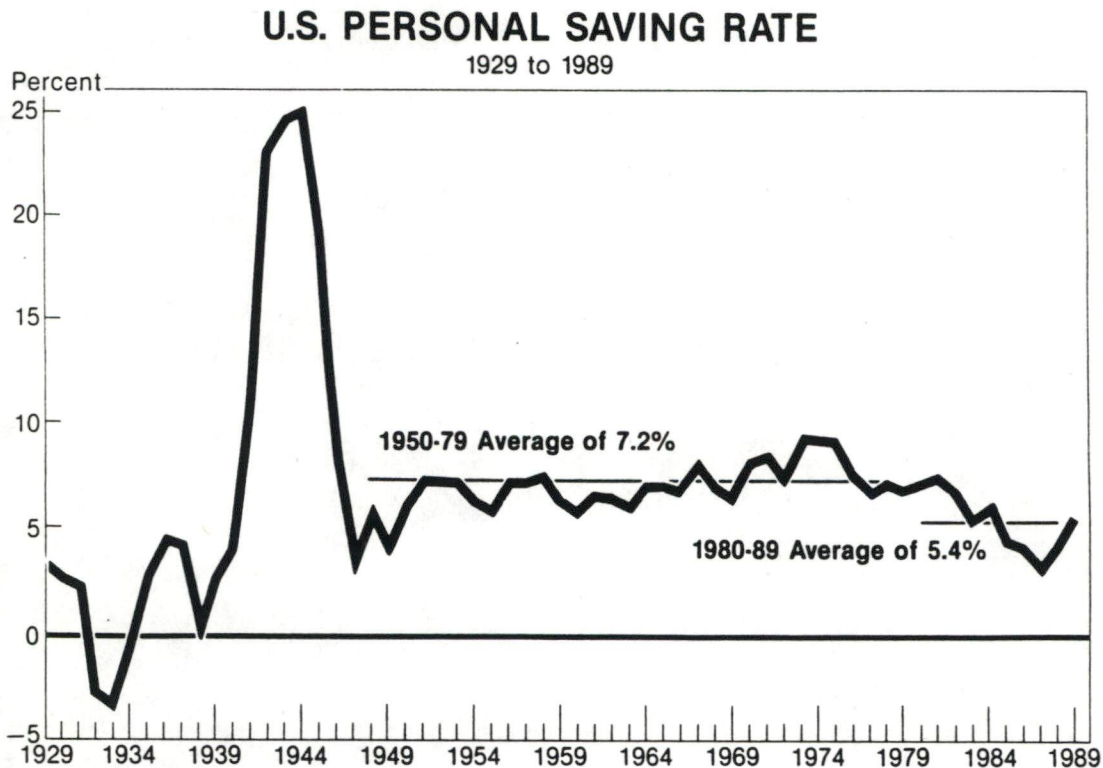
2. Net saving equals gross saving minus depreciation allowances. It is shown as a share of net national product (GNP minus depreciation).

3. Personal saving as a percent of disposable personal income.


p-preliminary.

PERSONAL SAVING

- Although improving from a 40-year low of 3.2 percent in 1987, the personal saving rate of 5.4 percent from 1980 through 1989 remains well below the savings levels of three decades -- 7.2 percent between 1950 and 1979. It was still only 5.5 percent during 1989.
- Saving done by individuals and households -- personal saving -- is a major component of national saving. National economic productivity suffers when Americans save just five cents out of every after-tax dollar.



THE
BUSINESS COUNCIL



The Business Council is a voluntary association of American business leaders whose members meet several times a year for the free exchange of ideas both among themselves and with representatives of the government.

In its most fundamental form, the Council seeks to foster understanding through discussion. From these discussions, it hopes to generate greater understanding of major public policy issues and to help create the consensus for solutions.

Since its founding more than half a century ago, The Business Council has been dedicated to service in the national interest. The Council membership is a group of current or former chief executive officers from a broad range of American companies. All major industries and all regions of the nation are represented among the members of The Business Council.

Because schedule demands on senior business executives are extensive, the Council provides an especially valuable opportunity to discuss major subjects in a broader ranging forum than is normally available in the course of business activities.

As part of its process, the Council invites leaders in government and other sectors to address the Council and to participate in its discussions. Council members hope that these discussions result in better understanding by their invited guests as well as by the members themselves.

Today the Council meets three times a year in a collegial atmosphere to share and explore ideas. As a gathering of peers from many fields, the Council is entirely an educational and deliberative forum. It never takes positions as an organization and does not advocate any policy or course of action.

Individual members sometimes do present their own views in public discussions. But they do so as individuals, rather than as representatives of the Council.

BACKGROUND

In 1933 Secretary of Commerce Daniel C. Roper decided that he could benefit from the advice and counsel of public-spirited leaders of demonstrated success in their conduct of business affairs. The idea had been formulated by investment banker Sidney J. Weinberg, who felt that the government had relatively little business expertise at its disposal when it made decisions affecting that segment of society. After discussing the idea with some of his business acquaintances, Mr. Roper selected about 50 men who agreed to serve without compensation of any kind as members of a new Business Advisory Council for the Department of Commerce.

In making those first selections Mr. Roper established a principle which has been followed ever since. He questioned no one's politics, insisting that only personal integrity, ability, experience and a willingness to serve the public interest be considered as qualifications.

From its inception the Council was determined to represent no formal constituency. Its opinions represented the collective judgment of a group of experienced business leaders who had also demonstrated their interest in the general welfare by participation in public and social issues.

The Council's first major assignment was to form the Industrial Advisory Board for the National Recovery Administration, to advise and assist in resolving pressing problems of the nation's recovery from the Great Depression. Simultaneously the Council established a number of committees to address such issues as the Securities and Exchange Act, the Banking Act and the Social Security Act.

Council members worked closely with public officials responsible for those milestone policy enactments to help resolve the challenges of implementing the new laws. Another field in which the Council became active was labor relations, providing insights on policy and administrative issues.

The Council continued its role as an advisory body primarily to the Department of Commerce until 1961 when the members decided to broaden its scope. Council members felt that they should be available to serve all areas of government which requested their services. The action was welcomed by President John F. Kennedy who said that "the various government agencies would be glad to have such a group available for consultation." Renamed The Business Council, it serves as an independent forum for the interchange of ideas and the development of positive, practical recommendations for action.

Since its formation, the Council has been called upon by Presidents in turn for counsel and advice. The Council has also served regularly as a de facto reservoir of experienced talent to assist an administration in carrying out its public mandate. During the critical years of the Second World War, for example, more than 50 Council members were called into government service to assist in meeting the tremendous challenges facing the nation. Subsequent years have seen many Council members leave private life to serve in critical positions within government at the request of Presidents from both parties. Today, as it has for many years, the Council numbers among its members many business leaders who are serving in various roles as public servants. Some members, for example, serve as U.S. ambassadors to other nations. Several others serve in senior-level positions in various federal agencies. And from its membership the Council has provided experienced business leaders as voluntary leaders for a variety of special panels and commissions that help develop policy for the federal government.

The Business Council limits itself to 65 Active members, each of whom is selected on the basis of his personal qualities and his position as the chief executive officer of a leading American business from commerce and industry. The Council seeks a wide representation of American business leaders, both from a broad range of industrial and service sectors as well as from a geographical basis. There are no

political qualifications for membership. Active members are selected to a five-year term on the Council. After completion of their five-year term, they become Graduate members. After one year as a Graduate member, an active chief executive officer may be selected for another five-year term as an Active member. Regardless of category, members are accorded a full role in the discussions and semi-annual meetings of the Council in Hot Springs, Virginia. After turning 70 all members, regardless of category, automatically become Honorary members. Only Active and Graduate members attend the annual Washington, D.C. meeting. Membership in all categories totals about 230.

FORMER CHAIRMEN

1933	Gerard Swope	1958-59	S.D. Bechtel
1934	S. Clay Williams	1960-61	Ralph J. Cordiner
1934-35	Henry P. Kendall	1961-62	Roger M. Blough
1936	George H. Mead	1963-64	F. R. Kappel
1937-39	W. Averell Harriman	1965-66	W. B. Murphy
1940-41	William L. Batt	1967-68	Albert L. Nickerson
1942-43	R.R. Deupree	1969-70	Fred J. Borch
1944-45	Thomas B. McCabe	1971-72	William M. Batten
1946	George M. Humphrey	1973-74	David Packard
1947-48	John L. Collyer	1975-76	Edmund W. Littlefield
1949-50	James S. Knowlson	1977-78	John D. deButts
1951-52	Robert T. Stevens	1979-80	Reginald H. Jones
1953	John D. Biggers	1981-82	Walter B. Wriston
1954-55	Harold Boeschstein	1983-84	Clifton C. Garvin, Jr.
1956-57	Eugene Holman	1985-86	Ruben F. Mettler

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 Vice Chairman · James E. Burke
 Vice Chairman · Charles W. Parry
 Vice Chairman · John S. Reed
 Vice Chairman · John F. Welch, Jr.
 Executive Secretary · Jean H. Carter

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 James E. Burke · Chairman & CEO · Johnson & Johnson
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Robert S. Ingersoll · Former Chairman · Borg-Warner Corporation
J.K. Jamieson · Retired Chairman · Exxon Corporation
Horace C. Jones · Retired Chairman · Burlington Industries, Inc.

Reginald H. Jones · Former Chairman · General Electric Company
F.R. Kappel · Former Chairman · AT&T Company
George E. Keck · Former Chairman · United Airlines Inc.
John R. Kimberly · Retired Chairman · Kimberly-Clark Corporation
Joseph L. Lanier · Retired Chairman · West Point Pepperell Inc.
T. V. Learson · Former Chairman · IBM Corporation
Edmund W. Littlefield · Retired Chairman & CEO · Utah International Inc.
Augustus C. Long · Former Chairman · Texaco Inc.
Donald B. Lourie · Retired Chairman · The Quaker Oats Company
George H. Love · Former Chairman · Consolidated Coal Co., Inc.
Donald S. MacNaughton · Former Chairman & CEO ·
Prudential Insurance Co. of America
Malcolm MacNaughton · Former Chairman · Castle & Cooke Inc.
George P. MacNichol, Jr. · Former President · Libby-Owens-Ford Glass
Deane W. Malott · President Emeritus · Cornell University
Birny Mason, Jr. · Former Chairman · Union Carbide Corporation
S.M. McAshan, Jr. · Former President, Chairman · Anderson, Clayton Co., Inc.
L.F. McCollum · Retired Chairman · Continental Oil Company
Brooks McCormick · Former President & Chairman · International Harvester Co.
C.B. McCoy · Retired Chairman · E.I. du Pont de Nemours & Company
James P. McFarland · Former Chairman · General Mills, Inc.
Earl M. McGowin · Former Vice President · W.T. Smith Lumber Company
Gordon M. Metcalf · Former Chairman · Sears, Roebuck & Co.
Irwin Miller · Chairman, Exec. & Fin. Comm. · Cummins Engine Company, Inc.
Frank R. Milliken · Former President, Chairman & CEO · Kennecott Copper Corp.
Roger Milliken · Chairman & CEO · Milliken & Company
Howard Morgens · Chairman Emeritus · The Procter & Gamble Company
Thomas A. Murphy · Former Chairman · General Motors Corporation
W.B. Murphy · Former President · Campbell Soup Company
Charles F. Myers, Jr. · Former Chairman · Burlington Industries
Albert L. Nickerson · Former Chairman · Mobil Corporation
Robert S. Oelman · Retired Chairman · NCR Corporation
David Packard · Chairman · Hewlett-Packard Company
T.F. Patton · Former President · Republic Steel Corporation
Philip D. Reed · Former Chairman · General Electric Company
James M. Roche · Former Chairman · General Motors Corporation
David Rockefeller · Former Chairman · Chase Manhattan Bank
W.F. Rockwell, Jr. · Chairman · Astrotech International Corporation
Irving S. Shapiro · Former Chairman · E.I. du Pont de Nemours & Company
H.A. Shepard · Former Chairman · TRW Inc.
Blackwell Smith · Former Partner · Burns, Van Kirk, Greene & Kafer
Frank Stanton · President Emeritus · CBS, Inc.
George A. Stinson · Former Chairman & CEO · National Intergroup, Inc.
The Hon. Robert D. Stuart, Jr. · U.S. Ambassador · Norway
A. Thomas Taylor · Former Chairman · Pebble Beach Corporation
Solon B. Turman · Former Chairman · Lykes Youngstown Corporation
J. Carlton Ward, Jr. · Former Chairman & President · VITRO Corp. of America
Thomas J. Watson, Jr. · Chairman Emeritus · IBM Corporation
Langbourne M. Williams · Former Chairman · Freeport Minerals Company
F. Perry Wilson · Former Chairman · Union Carbide Corporation
Arthur M. Wood · Former Chairman · Sears, Roebuck & Co.

THE WHITE HOUSE
WASHINGTON

COCKTAIL RECEPTION AND REMARKS TO
THE BUSINESS COUNCIL

DATE: FEBRUARY 21, 1990

TIME: 7:30 P.M.

LOCATION: THE GREAT HALL, THE LIBRARY OF
CONGRESS

THROUGH: DAVID DEMAREST, ASSISTANT TO THE
PRESIDENT FOR COMMUNICATIONS

FROM: BOBBIE KILBERG, DEPUTY ASSISTANT TO
THE PRESIDENT FOR PUBLIC LIAISON

9 minutes
cards
Q & A

I. PURPOSE:

To thank the members of The Business Council for their involvement as voluntary leaders in their communities and to encourage their continued commitment to civic-minded activity. To encourage their support and help on important issues at the top of the Administration agenda including: education, clean air, child care and capital gains tax rate reduction.

II. BACKGROUND:

The Business Council is a voluntary association of national business leaders which seeks to generate discussion of public policy issues between the government and private sector. The Council represents a wide variety of industrial sectors in the United States.

The CEOs in attendance are concerned about the potential economic impact of the Clean Air Act as it relates to their ability to compete in the international marketplace. Additionally, they share your concern for the quality of American education and the need to better prepare the American workforce. Many in the group have followed your lead and have committed their companies to help in the reform of the American education system.

Many members also belong to the Business Roundtable. John Akers, Chairman of IBM, and David Kearns, Chairman of Xerox Corporation, will both be in attendance. Each serves as a member of the President's Education Policy Advisory Committee.

Business Council Chairman Roger Smith (General Motors Corporation Chairman), will greet you upon your arrival. He will be joined by James Billington, the Librarian of Congress.

III. PARTICIPANTS:

The President

Roger Smith, Chairman of The

Mr. James Billington

Administration
(See list attached)

85 Business leaders

General Motors Corporation and Council

Librarian of Congress

select Members of Congress

(list attached)

IV. PRESS PLAN:

Closed press.

V. SEQUENCE OF EVENTS:

The President is greeted by Mr. Librarian of Congress

The President, arrives at cocktail

The President meets with:

The Business Council
David T. Kearns

Alan Murray, Chairman of The

Lewis T. Preston

John G. Smale,

Roger B. Smith

Library of Congress
James Billington

The President and Roger B. Smith.

The President makes

The President opens

The President introduces

Remarks provided

Library of Congress and is introduced by Mr. James Billington, the

Mr. Smith and Mr. Billington, for mix and mingle.

Building room for brief photo opportunity

Participants include:
Xerox Corporation; Vice Chairman, Business Council

Corporation; Vice Chairman, Council
Executive Committee, J.P. Morgan & Co.; Vice Chairman of The Business

Executive Committee, Procter & Gamble Corporation; Chairman, The Business Council Corporation; Business Council

Librarian of Congress

medium and is introduced by Mr.

remarks.

in question and answer session.

concluding remarks.

Roger B Smith
BC chairman

James B
Deputy

Winston Tabb

Dorinda Morse
Dev. officer

David Kearns
Chairman
Xerox BC

Vicki
BC

Louis T. Preston
Exec Council
P Morgan
VC BC

Alan Murray

VC BC
CHR Mobile

John ~~Smaller~~ Smaller

Chr. ~~ex~~ ~~com~~
P & A
VIC