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OA/ID Number: 13717
Folder ID Number: 13717-001

Folder Title:
National Leadership of Small Business United & National Association of Women Business Owners
5/1/90 [OA 8312]

Stack:

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Row:

26

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20

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(Lange/Cawley)
April 25, 1990
12:15 A.M.
[SMALLBIZ.DOC]

PRESIDENTIAL REMARKS: NATIONAL SMALL BUSINESS UNITED,
AND THE NATIONAL ASSOCIATION OF
WOMAN BUSINESS OWNERS
ROOM 450, OEOB
TUESDAY, MAY 1, 1990

Thank you, Judy [Meador], and Brad [Roller]. Let me welcome you all to Washington -- this town known for its combination of Northern charm and Southern efficiency.

A lot of dust tends to get kicked up around here -- and they say if you stay too long, it's easy to forget just how well things are really going in the land of the free. But last year was a **remarkable** year for the job-creating, entrepreneurial core of American business.

Small businesses created over **a million and a half** new jobs in 1989 alone -- over three-fourths of the jobs created in the nation -- and more than the entire working population of Boston, Massachusetts. [[For instance.]]

And the number of woman-owned small businesses created -- notably in mining, construction, and transportation -- increased at **twice** the rate of those owned by men. [[So Maggie Thatcher was right in saying, "If you want something said, ask a man. If you want something done, ask a woman."]]

But 1989 was an important year for another reason. Because it reminded us of the role that government should and shouldn't play in enterprise.

-Malt

-Kennelbunkport Chamber

memo fr. Don Kraft
@ SBA
653-6808

Edna Bedamon
Bur of Labor
SACIS, 523-1002

Don Kraft @
SBA

Nexis article

And it set off a collective movement toward democracy worldwide that had us all looking up from our work for a moment, in wonder -- bearing witness as the world confirmed the wisdom of our forefathers.

They understood the importance of limited government. So they fought for a social order that gave free reign to ambition -- and unleashed the power of individual aspiration.

We rose, in fact, as a nation of upstarts who didn't know their place. And this was a new idea: that government, far from fearing private initiative, should be all for it. And it still seems like a new idea.

Last year, from Lima to Warsaw to Moscow to Minneapolis, we were reminded that the power of any economy flows not from an entrenched, centralized bureaucratic elite -- but from the vitality of free competition, free markets, and free wills.

Men, women, immigrants, Americans of every kind, from every corner of this great country, are **empowered** by alternatives -- by the degree of choice, and the kind of motivation, that **only** free markets can provide.

Adam Smith shocked the establishment 200 years ago with something we've relearned only recently: that everyone has a natural desire, and a natural right, to improve their situation -- to truck and barter and bargain and trade -- everyone from a CEO to a kid with a pocketfull of marbles. And society benefits from that creative impulse.

New Ideas
From Dead
Economists,
Todd Buchholz

In this century we defined that impulse as the American dream. And the dream has done more than endure. It's as dynamic as ever -- as every one of you proves -- every day.

Every man and woman who builds an enterprise -- from a shoe-shine stand to a multinational -- understands what I'm talking about. It is what has made us a nation of imagination -- of maverick mercenaries, willing to take a gamble on the unexpected, the untried, the untested, the untraditional.

They're out there right now, working to create new economic orders out of chaos. Building empires out of garages. Foreseeing needs, forming strategies, finding investors, and founding corporations of every kind -- and naming them after everything, even fruit.

That is free enterprise.

And that is what we're working to encourage. For everyone. We want this democracy to mean opportunity -- for everyone.

So we began with the lessons our forefathers left us, about limited government -- which revealed an obstacle to opportunity they faced then, that we face now: wrongful taxes.

Limited government must mean limited taxes. And this government should not be preventing people from investing in small businesses -- nor should it swallow a third of the business you've spent your life building.

But that's what our taxation of capital gains does. And that's why we're working to cut the rate on long-held assets -- and counting on your support.

Richard
Porter
Treasury
566-5901

Mark

For anyone launching a small business -- whatever their age, background, or ambition -- a capital gains cut means a bigger pool of start-up capital. For growing businesses, it means more investment for the long term.

And for all Americans, it means opportunity -- the kind of continued job creation that only new and expanding businesses bring about.

Another American President understood that, when he proposed a reduction in capital gains taxation. "Our tax system," he said, "still siphons out of the private economy too large a share of personal and business purchasing power, and reduces the incentive for risk, investment, and effort."

That was how John F. Kennedy saw it, in 1963. And that's how we see it today. So we're fighting for this tax cut that raises revenue to the Treasury; creates jobs; puts us on a more equal footing with our trading partners -- and **underwrites** **American ingenuity and creativity in businesses of every kind.**

We need to do more to fuel the kind of flexible, creative energy that drives American business. On the wide range of issues concerning business owners across this nation -- from deficit reduction, to education, to product liability reform, and especially health care cost containment -- we're shoulder to shoulder with you, working toward solutions. We're also encouraging the kinds of creative thinking business will need to attract and retain talent -- like flexible workplace policies, telecommuting, and choice in child care.

WEA Speech
SPV'S

We're working on a range of ideas to help business move with markets as they change -- from encouraging more research and experimentation, to allowing joint production ventures that let American firms pool their skills, build new production facilities, and share investment risks. And we have greatly appreciated the well-thought out book of policy recommendations recently produced by your two groups.

But the principle that encompasses our thinking on **all** of these issues, is something our forefathers knew -- and the rest of the world reminded us of, last year.

No state has yet managed to mandate prosperity -- or creativity. The cruelest societies are those that are static and stagnant -- cultures that run counter to human nature and aspiration. But **the surest sign of a nation's kindness is the kind of social and economic mobility it allows its people.**

What the world learned in the Revolution of '89 is that democracy \\ is another way of saying opportunity.

That government's best role, and greatest security, is not in consolidating power, but in empowering the individual.

And that the truest kindness the state can offer the people, is to govern with a gentle hand.

After two centuries, we're still convinced that government should be limited. But if our experience has taught us anything, it's that **the creative potential of men and women with a mission is unlimited.**

You are such men and women. So this administration salutes you -- and we'll do everything in our power to support the work you do.

God bless you -- and God bless enterprise of every kind.

#

(Lange/Cawley)
April 26, 1990
4:15 P.M.
[SMALLBIZ.DOC]

PRESIDENTIAL REMARKS: NATIONAL SMALL BUSINESS UNITED,
AND THE NATIONAL ASSOCIATION OF
WOMAN BUSINESS OWNERS
ROOM 450, OEOB
TUESDAY, MAY 1, 1990
2:05 P.M.

Welcome to Washington! You know, a lot of dust tends to get kicked up around here -- and they say if you stay too long, it's easy to forget just how well things are really going in the land of the free.

But last year was a **remarkable** year for the job-creating, entrepreneurial core of American business.

*private
non-ag
excl. self-empl.*
Small businesses created over a million and a half new jobs in 1989 alone -- over three-fourths of the jobs created in the nation -- and more than the entire working population of Boston, Massachusetts. *[[For instance.]]* → *LA Al Koczela*

And the number of woman-owned small businesses created -- notably in mining, construction, and transportation -- increased at **twice** the rate of those owned by men. *[[So Maggie Thatcher was right in saying, "If you want something said, ask a man. If you want something done, ask a woman."]]* *Lin politics*

But 1989 was an important year for another reason. Because it reminded us of the role that government should and shouldn't play in enterprise.

And it set off a collective movement toward democracy worldwide that had us **all** looking up from our work for a moment,

in wonder -- bearing witness as the world confirmed the wisdom of our forefathers.

They understood the importance of limited government. So they fought for a social order that gave free reign to ambition -- and unleashed the power of individual aspiration.

We rose, in fact, as a nation of upstarts who didn't know their place. And this was a new idea: that government, far from fearing private initiative, should be all for it. And it still seems like a new idea.

Last year, from Lima to Warsaw to Moscow to Minneapolis, we were reminded that the power of any economy flows not from an entrenched, centralized bureaucratic elite -- but from the vitality of free competition, free markets, and free wills.

Men, women, immigrants, Americans of every kind, from every corner of this great country, are **empowered** by opportunities -- by the degree of choice, and the kind of motivation, that **only** free markets can provide.

Adam Smith shocked the establishment 200 years ago with something we've relearned only recently: that everyone has a natural desire, and a natural right, to improve their situation -- to truck and barter and bargain and trade -- everyone from a CEO to a kid with a pocketfull of marbles. And society benefits from that creative, competitive impulse.

In this century, we defined that impulse as the American dream. And the dream has done more than endure. It's as dynamic as ever -- as every one of you proves -- every day.

Every man and woman who builds an enterprise -- from a shoe-shine stand to a multinational -- understands what I'm talking about. It is what has made us a nation of imagination -- of mavericks willing to take a gamble on the unexpected, the untried, the untested, the untraditional.

They're out there moving in every direction, working to create new economic orders out of chaos. Building empires out of garages. Foreseeing needs, forming strategies, finding investors, and founding corporations of every kind.

That is free enterprise.

And that is what we're working to encourage. For everyone. **We want this democracy to mean opportunity -- for everyone.**

So we began with the lessons our forefathers left us, about limited government -- which revealed an obstacle to opportunity they faced then, that we face now: excessive taxes.

Limited government must mean limited taxes. And this government should not be preventing people from investing in small businesses -- nor should it swallow a third of the business you've spent your life building.

But that's what our taxation of capital gains does. And that's why we're working to cut the rate on long-held assets -- **and counting on your support.**

For anyone launching a small business -- whatever their age, background, or ambition -- a capital gains cut means a bigger pool of start-up capital. For growing businesses, it means more investment for the long term.

easier to
attract

Richard Porter
Treasury
566-5901

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So we're fighting for this tax cut that raises revenue to the Treasury; creates jobs; puts us on a more equal footing with our trading partners -- and **underwrites American ingenuity and creativity in businesses of every kind.**

We need to do more to fuel the kind of flexible, creative energy that drives American business. On the wide range of issues concerning business owners across this nation -- from deficit reduction, to education, to product liability reform, and especially health care cost containment -- we're with you, working toward solutions. We're also encouraging the kinds of creative thinking business will need to attract and retain talent -- like flexible workplace policies, telecommuting, and choice in child care.

We've greatly appreciated the well-thought out book of policy recommendations recently produced by your two groups. And we're working on a range of ideas to help business move with markets as they change -- from encouraging more research and experimentation, to allowing joint production ventures that let American firms pool their skills, build new production facilities, and share investment risks.

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(Lange/Cawley)
April 27, 1990
6:20 P.M.
[SMALLBIZ.DOC]

PRESIDENTIAL REMARKS: NATIONAL SMALL BUSINESS UNITED,
AND THE NATIONAL ASSOCIATION OF
WOMAN BUSINESS OWNERS
ROOM 450, OEOB.
TUESDAY, MAY 1, 1990
2:05 P.M.

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But last year was a remarkable year for the job-creating, entrepreneurial core of American business.

Small businesses created over a million and a half new jobs in 1989 alone -- about two-thirds of the jobs created in the nation -- and almost equal to the entire labor force of the city of Los Angeles. *Koczela*
Al KOSGOW - OMB

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And that is what we're working to encourage. But it is not just free enterprise by itself. It is a whole New Paradigm -- a new way of looking at the world -- that no longer assumes that bureaucratic, "top down" organization, stifling individual creativity and responsibility, is the right structure. We want to share this New Paradigm of freedom and democracy with the world. We want this democracy to mean opportunity -- for everyone.

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God bless you -- and God bless American enterprise.

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Table A.11 Employment in Selected Small-Business-Dominated Industries, December 1988
and December 1989 (Thousands)

SIC Code	Industry	December		Absolute Change	Percent Change
		1988	1989	1988-1989	1988-1989
	Total, Small-Business-Dominated	48,600.3	50,126.4	1,526.3	3.1
	Mining	92.6	92.5	-0.1	-0.1
11	Coal Mining	2.2	2.4	0.2	9.1
14 ³	Nonmetallic Minerals, Except Fuels	90.4	90.1	-0.3	-0.3
142	Crushed & Broken Stone	40.4	39.8	-0.6	-1.5
144	Sand & Gravel	34.0	33.9	-0.1	-0.3
	Construction	4,626.0	4,677.6	51.6	1.1
15 ¹	General Building Contractors	1,380.3	1,389.5	9.2	0.7
152	Residential Building Construction	736.0	746.1	10.1	1.4
153	Operative Builders	47.5	44.6	-2.9	-6.1
154	Nonresidential Building Construction	596.8	598.8	2.0	0.3
161	Highway & Street Construction	227.7	214.0	-13.7	-6.0
17 ²	Special Trade Contractors	3,018.0	3,074.1	56.1	1.9
171	Plumbing, Heating & Air Conditioning	672.8	677.4	4.6	0.7
172	Painting, Paper Hanging & Decorating	170.4	178.9	8.5	5.0
173	Electrical Work	561.0	575.3	14.3	2.5
174	Masonry, Stonework & Plastering	493.5	500.7	7.2	1.5
175	Carpentry & Flooring	193.8	194.7	0.9	0.5
176	Roofing & Sheet Metal Work	213.5	212.5	-1.0	-0.5
	Manufacturing	4,873.9	4,885.0	11.1	0.2
209	Misc. Food & Kindred Products	165.6	166.5	0.9	0.5
224	Narrow Fabric Mills	24.7	24.4	-0.3	-1.2
226	Textile Finishing, Except Wool	61.1	61.7	0.6	1.0
229	Misc. Textile Goods	56.1	55.0	-1.1	-2.0
23 ³	Apparel & Other Textile Products	594.6	590.4	-4.2	-0.7
233	Women's & Misses' Outerwear	336.6	323.6	-13.0	-3.9
238	Misc. Apparel & Accessories	42.9	43.0	0.1	0.2
239	Misc. Fabricated Textile Products	207.4	213.7	6.3	3.0

Table A.11 Employment in Selected Small-Business-Dominated Industries, December 1988
and December 1989 (Thousands)--Continued

SIC Code	Industry	December		Absolute Change	Percent Change
		1988	1989	1988-1989	1988-1989
241	Logging Camps & Contractors	92.0	93.2	1.2	1.3
243	Millwood, Plywood & Structural Members	268.5	263.6	-4.9	-1.8
244	Wood Containers	42.2	40.8	-1.4	-3.3
249	Miscellaneous Wood Products	86.6	84.8	-1.8	-2.1
253	Public Building & Related Furniture	34.4	34.3	-0.1	-0.3
254	Partitions & Fixtures	79.4	80.7	1.3	1.6
259	Misc. Furniture & Fixtures	38.9	38.8	-0.1	-0.3
273	Printing & Publishing	801.0	822.3	21.3	2.7
274	Misc. Publishing	80.9	83.8	2.9	3.6
275	Commercial Printing	568.0	581.8	13.8	2.4
278	Blankbooks & Bookbinding	80.0	82.2	2.2	2.8
279	Printing Trade Services	59.6	61.6	2.0	3.4
307	Misc. Plastics Products	616.6	612.6	-4.0	-0.6
313	Leather & Leather Products	49.1	49.3	0.2	0.4
311	Leather Tanning & Finishing	14.0	14.6	0.6	4.3
316	Luggage	11.5	11.9	0.4	3.5
317	Handbags & Personal Leather Goods	15.7	15.0	-0.7	-4.5
33**	Primary Metal Industries	96.4	94.8	-1.6	-1.7
336	Nonferrous Foundries	91.0	89.4	-1.6	-1.8
345	Screw Machine Products, Bolts, etc.	102.2	100.2	-2.0	-2.0
346	Metal Forgings & Stampings	237.5	228.6	-8.9	-3.7
347	Metal Services, n.e.c.	127.4	130.0	2.6	2.0
349	Misc. Fabricated Metal Products	227.3	226.3	-0.8	-0.4
354	Metalworking Machinery	328.0	336.6	8.6	2.6
355	Special Industry Machinery	177.5	177.2	-0.3	-0.2
359	Misc. Machinery, Except Electrical	269.4	269.3	0.1	0.0
373	Transportation Equipment	36.8	40.6	3.8	10.3
374	Railroad Equipment	36.6	40.4	3.8	10.4
383	Optical Instruments & Lenses	30.3	30.7	0.4	1.3
393	Musical Instruments	13.3	12.9	-0.4	-3.0
395	Pens, Pencils, Office, & Art Supplies	33.4	33.5	0.1	0.3
396	Costume Jewelry & Notions	40.7	43.7	3.0	7.4
399	Miscellaneous Manufactures	142.9	141.8	-1.1	-0.8

Table A.11 Employment in Selected Small-Business-Dominated Industries, December 1988
and December 1989 (Thousands)--Continued

SIC Code (1972)	Industry	December		Absolute Change	Percent Change
		1988	1989	1988-1989	1988-1989
	Transportation and Public Utilities	2,421.2	2,537.3	116.1	4.8
41 ³	Local & Interurban Passenger Transit	164.1	173.6	9.5	5.8
412	Taxis	35.8	35.2	-0.6	-1.7
415	School Buses	112.9	121.8	8.9	7.9
42 ¹	Trucking & Warehousing	1,660.6	1,734.6	74.0	4.5
421,3	Trucking & Trucking Terminals	1,539.4	1,608.8	69.4	4.5
422	Public Warehousing	121.2	125.8	4.6	3.8
47 ²	Transportation Services	326.6	351.9	25.3	7.7
471	Freight Forwarding	73.9	78.8	4.9	6.6
48 ³	Communication	269.9	277.2	7.3	2.7
483	Radio & Television Broadcasting	242.6	248.4	5.8	2.4
	Wholesale Trade	5,937.9	6,114.7	176.8	3.0
50-51 ³		5,815.0	5,993.6	180.6	3.1
501	Motor Vehicles & Auto. Equipment	434.6	436.5	1.9	0.4
502	Furniture & Home Furnishings	154.9	157.8	2.9	1.9
503	Lumber & Construction Materials	230.0	242.2	12.2	5.3
504	Sporting Goods, Toys & Hobby Goods	94.2	102.2	8.0	8.5
505	Metals & Minerals, Except Petroleum	143.7	143.8	0.1	0.1
506	Electrical Goods	515.4	544.4	29.0	5.6
507	Hardware, Plumbing & Heating Equipment	281.7	280.9	-0.8	-0.3
508	Machinery, Equipment & Supplies	1,539.3	1,596.9	57.6	3.7
509	Miscellaneous Durable Goods	232.3	241.2	8.9	3.8
511	Paper & Paper Products	223.4	230.4	7.0	3.1
513	Apparel, Piece Goods & Notions	194.3	204.8	10.5	5.4
514	Groceries & Related Products	834.5	847.2	12.7	1.5
516	Chemicals & Allied Products	127.2	128.7	1.5	1.2
517	Petroleum & Petroleum Products	204.5	208.4	3.9	1.9
518	Beer, Wine & Distilled Beverages	152.3	155.9	3.6	2.4
519	Miscellaneous Nondurable Goods	452.7	474.3	21.6	4.8
	Retail Trade	11,845.4	12,057.2	211.8	1.8
52 ³	Building Materials & Garden Supplies	203.0	210.5	7.5	3.7
525	Hardware Stores	164.4	172.4	8.0	4.9
54 ³	Food Stores	249.9	260.8	10.9	4.4
542	Meat Markets & Freezer Provisioners	57.6	61.0	3.4	5.9
546	Retail Bakeries	178.1	183.5	5.4	3.0

Table A.11 Employment in Selected Small-Business-Dominated Industries, December 1988
and December 1989 (Thousands)--Continued

SIC Code	Industry	December		Absolute Change	Percent Change
		1988	1989	1988-1989	1988-1989
55 ²	Automotive Dealers & Services Stations	2,124.1	2,149.8	25.7	1.2
551,2	New & Used Car Dealers	1,044.8	1,030.9	-13.9	-1.3
553	Auto & Home Supply Stores	343.3	362.5	19.2	5.6
554	Gasoline Service Stations	634.1	642.7	8.6	1.4
56 ³	Apparel & Accessory Stores	135.6	133.7	0.1	0.1
561	Men's & Boy's Clothing & Furnishings	119.3	119.1	-0.2	-0.2
57 ¹	Furniture & Home Furnishings Stores	831.3	843.1	11.8	1.4
571	Furniture & Home Furnishings Stores	477.6	486.4	8.8	1.8
572	Household Appliance Stores	83.9	77.1	-6.8	-8.1
573	Radio, TV & Music Stores	269.8	279.6	9.8	3.6
58	Eating & Drinking Places	6,286.8	6,393.8	107.0	1.7
59 ³	Miscellaneous retail trade	2,014.7	2,063.5	48.8	2.4
592	Liquor Stores	127.3	129.8	2.5	2.0
594	Miscellaneous Shopping Goods Stores	1,007.9	1,036.0	28.1	2.8
596	Nonstore Retailers	288.9	271.9	-17.0	-5.9
598	Fuel & Ice Dealers	119.5	124.0	4.5	3.8
599	Retail Stores, n.e.c.	409.4	434.4	25.0	6.1
	Finance, Insurance and Real Estate	1,966.1	2,027.9	61.8	3.1
64	Insurance Agents, Brokers, & Services	653.5	664.6	11.1	1.7
65 ²	Real estate	1,303.6	1,354.5	50.9	3.9
651	Real Estate Operators & Lessors	572.7	596.8	24.1	4.2
653	Real Estate Agents & Managers	536.5	553.0	16.5	3.1
655	Subdividers & Developers	162.8	171.4	8.6	5.3
66	Combined Real Estate, Insurance etc.	9.0	8.8	-0.2	-2.2
	Services	16,837.2	17,734.4	897.2	5.3
72 ²	Personal Services	1,169.9	1,199.5	29.6	2.5
721	Laundry, Cleaning & Garment Services	415.0	415.6	0.6	0.1
722	Photographic Portrait Studios	62.2	66.8	4.6	7.4
723	Beauty Shops	367.4	376.3	8.9	2.4
726	Funeral Service & Crematories	80.3	82.1	1.8	2.2

Table A.11 Employment in Selected Small-Business-Dominated Industries, December 1988
and December 1989 (Thousands)--Continued

SIC Code (1972)	Industry	December		Absolute Change	Percent Change
		1988	1989	1988-1989	1988-1989
73 ³	Business Services	4,328.9	4,521.3	192.4	4.4
731	Advertising	250.5	259.7	9.2	3.7
732	Credit Reporting & Collection	91.9	95.9	4.0	4.4
733	Mailing, Reproduction, Stenographic	232.0	265.3	33.3	14.4
734	Services to Buildings	800.4	805.3	4.9	0.6
737	Computer & Data Processing Services	720.2	799.4	79.2	11.0
739	Misc. Business Services	2,224.4	2,285.6	61.2	2.8
75 ²	Auto Repair, Services & Garages	858.1	914.4	56.3	6.6
751	Automotive Rentals, Without Drivers	169.2	191.2	22.0	13.0
753	Automotive Repair Shops	498.6	529.7	31.1	6.2
76 ²	Miscellaneous Repair Services	351.6	365.9	14.3	4.1
762	Electrical Repair Shops	114.9	128.1	13.2	11.5
79	Amusement & Recreation Services	857.9	900.9	43.0	5.0
80 ³	Health Services	3,687.3	3,996.2	308.9	8.4
801	Office of Physicians	1,151.7	1,253.0	101.3	8.8
802	Offices of Dentists	495.9	522.4	26.5	5.3
805	Nursing & Personal Care Facilities	1,343.0	1,421.1	78.1	5.8
807	Medical & Dental Laboratories	158.0	181.2	23.2	14.7
808	Outpatient Care Facilities	287.4	345.3	57.9	20.1
81	Legal Services	872.7	914.6	41.9	4.8
82 ³	Educational services	545.8	563.3	17.5	3.2
821	Elementary & Secondary Schools	406.3	411.6	5.1	1.3
824	Correspondence & Vocational Schools	101.3	109.0	7.7	7.6
83 ²	Social Services	1,672.3	1,808.6	136.3	8.2
832	Individual & Family Services	347.4	361.9	14.5	4.2
833	Job Training & Related Services	234.4	242.3	7.9	3.4
836	Residential Care	406.7	444.4	37.7	9.3
86 ²	Membership organizations	1,738.4	1,761.6	23.2	1.3
861	Business Associations	99.8	100.4	0.6	0.6
863	Labor Organizations	137.9	135.9	-2.0	-1.5
864	Civic & Social Associations	384.8	405.6	20.8	5.4
89 ³	Miscellaneous Services	754.3	788.1	33.8	4.5
891	Engineering & Architectural Services	735.4	765.7	30.3	4.1

n.e.c. = Not elsewhere classified.

¹Represents sum of three-digit components, which are also shown separately.

²Represents two-digit industries with three-digit industry breakout. However, due to the lack of total industry distribution, these industry components do not equal the specified two-digit total. If the industry was clearly large-business-dominated or small-business-dominated, the two-digit industry was listed to represent the overall two-digit industry total.

³Each two-digit subcomponent industry reflects both the sum of the separately enumerated three-digit components and a residual component representing industries not covered by SLS.

Notes: Excludes self-employed workers. Small-business-dominated industries are industries in which a minimum of 60 percent employment is in firms with fewer than 500 employees. December 1989 data are preliminary.

Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from the U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings (February 1990), Table B.2.

Table A.12 Employment in Selected Large-Business-Dominated Industries, December 1988
and December 1989 (Thousands)

SIC Code (1972)	Industry	December		Absolute Change	Percent Change
		1988	1989	1988-1989	1988-1989
	Total, Large-Business-Dominated	32,328.7	32,787.2	458.5	1.4
	Mining	620.9	647.0	26.1	4.2
10	Metal Mining	55.7	63.8	8.1	14.5
12	Bituminous Coal & Lignite Mining	145.4	141.4	-4.0	-2.8
13	Oil & Gas Extraction	398.7	420.2	21.5	5.4
14 ³	Nonmetallic Minerals, Except Fuels	21.1	21.6	0.5	2.4
147	Chemical & Fertilizer Minerals	17.5	17.9	0.4	2.3
	Manufacturing	11,664.3	11,585.7	-78.6	-0.7
20	Food & Kindred Products	1,470.1	1,499.7	29.6	2.0
21	Tobacco Manufactures	59.4	53.8	-5.6	-9.4
22	Textile Mill Products	583.4	579.5	-3.9	-0.7
23 ³	Apparel & Other Textile Products	377.0	373.4	-3.6	-1.0
26	Paper & Allied Products	487.6	488.3	0.7	0.1
27 ³	Printing & Publishing	659.1	665.2	6.1	0.9
28	Chemicals & Allied Products	1,076.5	1,099.8	23.3	2.2
29 ³	Petroleum & Coal Products	131.4	133.4	2.0	1.5
30	Rubber & Misc. Plastics Products	225.1	221.4	-3.7	-1.6
31 ³	Leather & Leather Products	93.8	87.6	-6.2	-6.6
32 ³	Stone, Clay, & Glass Products	246.2	244.0	-2.2	-0.9
33 ³	Primary Metal Industries	536.7	528.7	-8.0	-1.5
34	Fabricated Metal Products	326.5	316.1	-10.4	-3.2
35	Machinery, Except Electrical	1,355.1	1,367.5	12.4	0.9
36	Electric & Electronic Equipment	1,969.9	1,901.1	-68.8	-3.5
37 ³	Transportation Equipment	1,893.9	1,813.8	-80.1	-4.2
38	Instruments & Related Products	212.6	210.4	-2.2	-1.0
	Transportation and Public Utilities	2,840.9	2,903.5	62.6	2.2
40	Railroad Transportation	296.2	290.2	-6.0	-2.0
41 ³	Local & Interurban Passenger Transit	32.9	33.7	0.8	2.4
413	Intercity Highway Transportation	29.5	30.0	0.5	1.7
43 ¹	Transportation By Air	668.4	746.3	77.9	11.7
431,2	Air Transportation	576.3	645.0	68.7	11.9
438	Air Transportation Services	92.1	101.3	9.2	10.0
48 ³	Communications	1,009.1	998.6	-10.5	-1.0
481	Telephone Communication	889.6	872.7	-16.9	-1.9

Table A.12 Employment in Selected Large-Business-Dominated Industries, December 1988
and December 1989 (Thousands)--Continued

SIC Code (1972)	Industry	December		Absolute Change	Percent Change
		1988	1989	1988-1989	1988-1989
49 ³	Electric, Gas & Sanitary Services	834.3	834.7	0.4	0.0
491	Electrical Services	450.9	446.6	-4.3	-1.0
492	Gas Production & Distribution	164.8	168.2	3.4	2.1
493	Combination Utility Services	192.2	192.8	0.6	0.3
	Retail Trade	6,087.5	6,238.1	150.6	2.5
53	General Merchandise Stores	2,758.9	2,766.9	8.0	0.3
54 ³	Food stores	2,965.0	3,114.3	149.3	5.0
541	Grocery Stores	2,859.6	2,993.3	133.7	4.7
56 ³	Apparel & accessory stores	363.6	356.9	-6.7	-1.8
565	Family Clothing Stores	327.7	320.2	-7.5	-2.3
	Finance, Insurance and Real Estate	4,759.8	4,836.5	76.7	1.6
60 ²	Banking	1,749.5	1,796.7	47.2	2.7
602	Commercial & Stock Savings Banks	1,561.3	1,583.2	21.9	1.4
603	Mutual Savings Banks	79.8	79.5	-0.3	-0.4
61	Credit agencies other than banks	903.3	912.4	9.1	1.0
62 ²	Security, Commodity Brokers, & Services	442.5	433.0	-9.5	-2.1
621	Security Brokers & Dealers	345.7	330.4	-15.3	-4.4
63 ²	Insurance Carriers	1,435.4	1,477.5	22.1	1.5
631	Life Insurance	576.6	574.0	-2.6	-0.5
632	Medical Service & Health Insurance	225.1	238.7	13.6	6.0
633	Fire, Marine, & Casualty Insurance	544.8	549.4	4.6	0.8
636	Title Insurance	58.1	61.6	3.3	6.0
67	Holding & Other Investment Offices	209.1	216.9	7.8	3.7
	Services	6,355.3	6,576.4	221.1	3.5
73 ³	Business Services	1,418.6	1,362.1	-56.5	-3.8
736	Personnel Supply Services	1,412.6	1,358.9	-53.7	-3.8
78 ³	Motion Pictures	134.9	133.3	-1.6	-1.6
781	Motion Picture Production & Services	126.4	145.0	18.6	14.7
80 ³	Health Services	3,662.8	3,881.3	218.5	6.0
806	Hospitals	3,382.9	3,577.0	194.1	5.7

Table A.12 Employment in Selected Large-Business-Dominated Industries, December 1988 and December 1989 (Thousands)--Continued

SIC Code	Industry	December		Absolute Change	Percent Change
		1988	1989	1988-1989	1988-1989
(1972)					
82 ³	Educational Services	1,142.0	1,179.7	37.7	3.3
822	College & Universities	1,037.4	1,084.5	27.1	2.6

¹Represents sum of three-digit components, which are also shown separately.

²Represents two-digit industries with three-digit industry breakout. However, due to the lack of total industry distribution, these industry components do not equal the specified two-digit total. If the industry was clearly large-business-dominated or small-business-dominated, the two-digit industry was listed to represent the overall two-digit industry total.

³Each two-digit subcomponent industry reflects both the sum of the separately enumerated three-digit components and a residual component representing industries not covered by SIC.

Note: Excludes self-employed workers. Large-business-dominated industries are industries in which a minimum of 60 percent employment is in firms with more than 500 employees. December 1989 data are preliminary.

Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from the U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings (February 1990), Table B.2.

Table A.13 Employment in Selected Indeterminate Industries, December 1988 and December 1989 (Thousands)

SIC Code (1972)	Industry	December		Absolute Change	Percent Change
		1988	1989	1988-1989	1988-1989
	Total, Indeterminate Industries	8,499.4	8,621.3	122.1	1.4
	Construction	521.8	563.4	41.6	8.0
162	Heavy Construction, Except Highway	521.8	563.4	41.6	8.0
	Manufacturing	3,087.6	3,059.6	-28.0	-0.9
23 ³	Apparel & Other Textile Products	118.8	114.4	-4.4	-3.7
231	Men's & Boy's Suits & Coats	58.8	53.7	-5.1	-8.7
236	Children Outerwear	58.0	58.6	0.6	1.0
242	Sawmills & Planing Mills	209.5	206.9	-2.6	-1.2
245	Wood Buildings & Mobile Homes	70.9	68.5	-2.4	-3.4
251	Household Furniture	313.8	305.8	-8.0	-2.5
252	Office Furniture	70.8	69.1	-1.7	-2.4
265	Paperboard Containers & Boxes	209.5	211.6	2.1	1.0
27 ³	Printing & Publishing	135.5	139.3	3.8	2.8
272	Periodicals	133.5	137.5	3.8	2.8
29 ³	Petroleum & Coal Products	28.4	27.6	-0.8	-2.8
295	Paving & Roofing Materials	25.4	24.5	-0.9	-3.5
32 ³	Stone, Clay, & Glass Products	354.4	349.6	-4.8	-1.4
323	Products of Purchased Glass	55.9	55.6	-0.3	-0.5
325	Structural Clay Products	38.8	36.8	-2.0	-5.2
326	Pottery & Related Products	38.5	38.8	0.3	0.8
327	Concrete, Gypsum, & Plaster Products	211.4	208.3	-3.1	-1.5
33 ³	Primary Metal Industries	153.5	149.0	-4.5	-2.9
332	Iron & Steel Foundries	145.2	140.8	-4.4	-3.0
344	Fabricated Structural Metal Products	436.8	433.9	-2.9	-0.7
361	Electric Distributing Equipment	109.1	105.2	-3.9	-3.6
37 ³	Transportation Equipment	193.1	185.6	-7.5	-3.9
373	Ship & Boat Building & Repairing	192.0	184.4	-7.6	-4.0

Table A.13 Employment in Selected Indeterminate Industries, December 1988 and December 1989 (Thousands)--Continued

SIC Code (1972)	Industry	December		Absolute Change	Percent Change
		1988	1989	1988-1989	1988-1989
382	Measuring & Controlling Devices	267.5	269.5	2.0	0.7
384	Medical Instruments & Supplies	208.0	214.1	6.1	2.9
385	Ophthalmic Goods	39.1	40.7	1.6	4.1
387	Watches, Clocks, & Watchcases	11.9	10.9	-1.0	-8.4
391	Jewelry, Silverware, & Plated Ware	54.9	54.7	-0.2	-0.4
394	Toys & Sporting Goods	102.1	103.2	1.1	1.1
	Transportation and Public Utilities	418.2	437.8	19.6	4.7
413	Local & Interurban Passenger Transit	133.2	146.2	13.0	9.8
411	Local & Suburban Transportation	123.4	135.5	12.1	9.8
44	Water Transportation	170.5	169.1	-1.4	-0.8
46	Pipe Lines, Except Natural Gas	18.4	19.2	0.8	4.3
493	Electric, Gas, & Sanitary Services	96.1	103.3	7.2	7.5
495	Sanitary Services	93.8	101.0	7.2	7.7
	Wholesale Trade	190.1	196.3	6.2	3.3
513	Wholesale Trade (Nondurable Goods)	190.1	196.3	6.2	3.3
512	Drug, Proprietarys, & Sundries	186.3	192.6	6.3	3.4
	Retail Trade	1,987.0	2,012.9	25.9	1.3
523	Building Materials & Garden Supplies	560.5	553.9	-6.6	-1.2
521	Lumber & Other Building Materials	425.1	420.3	-4.8	-1.1
563	Apparel & Accessory Stores	793.4	803.3	9.9	1.2
562	Women's Ready-to-Wear Stores	445.6	446.5	0.9	0.2
566	Shoe Stores	237.5	243.9	6.4	2.7
593	Miscellaneous Retail Trade	633.1	655.7	22.6	3.6
591	Drug Stores & Proprietary Stores	612.6	633.2	20.6	3.4
	Services	2,294.7	2,351.5	56.8	2.5
702	Hotels & Other Lodging Places	1,522.9	1,550.1	27.2	1.8
701	Hotels, Motels, & Tourist Courts	1,486.1	1,506.6	20.5	1.4

Table A.13 Employment in Selected Indeterminate Industries, December 1988 and December 1989 (Thousands)--Continued

SIC Code	Industry	December		Absolute Change	Percent Change
		1988	1989	1988-1989	1988-1989
78 ³	Motion Pictures	110.9	113.4	4.5	4.1
783	Motion Picture Theaters	101.7	106.6	4.9	4.8
89 ³	Miscellaneous Services	660.9	686.0	25.1	3.8
892	Noncommercial Research Organizations	138.1	151.7	13.6	9.8
893	Accounting, Auditing, & Bookkeeping	501.8	516.5	14.7	2.9

¹Represents sum of three-digit components, which are also shown separately.

²Represents two-digit industries with three-digit industry breakout. However, due to the lack of total industry distribution, these industry components do not equal the specified two-digit total. If the industry was clearly large-business-dominated or small-business-dominated, the two-digit industry was listed to represent the overall two-digit industry total.

³Each two-digit subcomponent industry reflects both the sum of the separately enumerated three-digit components and a residual component representing industries not covered by SIC.

Note: Excludes self-employed workers. Indeterminate industries are industries in which the small or large business dominated share falls between 40.1 and 59.9 percent of industry employment. December 1989 data are preliminary.

Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from the U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings (February 1990), Table B.2.

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DYKMA GOSSETT

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DETROIT, MICHIGAN 48240

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Eugene A. Gargaro, Jr.

Direct Dial
(313) 568-6687

April 27, 1990

Mr. Jeffrey Vogt
Director of Public Liaison for Business
The White House
17th & Pennsylvania Avenue
Old Executive Office Building
Washington, D.C. 20050

Re: Automotive Original Equipment Manufacturers, Inc.

Dear Jeff:

By the time you receive this letter, I hope we have had an opportunity to talk by telephone concerning the Automotive Original Equipment Manufacturers, Inc., meetings in Washington, D.C. scheduled for May 10-11, 1990. You were most helpful to our group last year when we visited Washington and I am hopeful that you can suggest a member of the Administration who could join us for our luncheon meeting on Friday, May 11, 1990.

For your information, the Automotive Original Equipment Manufacturers, Inc., is a non-profit trade association of 21 major manufacturers of original equipment components which is based in Detroit, Michigan. Our members include:

DYKEMA GOSSETT

Mr. Jeffrey Vogt
April 27, 1990
Page 2

Allied-Signal Corp.	Rockwell International
Robert Bosch Corp.	Sealed Power Corp.
The Budd Company	Sheller-Globe Corp.
Colt Industries, Inc.	A.O. Smith Automotive
Dana Corporation	Products Company
Eaton Corporation	TRW, Automotive
Federal Mogul Corporation	Textron, Inc.
ITT Automotive	The Timken Company
J.P. Industries	The Torrington Company
Kelsey-Hayes Company	United Technologies
Lear Siegler Seating	
Masco Industries Inc.	

AOEM member companies manufacture a broad range of components for new vehicles, including air conditioning equipment, axles, ball and roller bearings, batteries, brakes, brake components, bumper systems, carburetors, clutches, drive line assemblies and components, engine products, emission control devices, forged products, heaters, radiators, seat assemblies, suspension systems, springs, transmissions, truck and passenger car frames, universal joints, wheels and windshields. The Association's 1990 Fact Sheet as well as a copy of our latest Membership Roster is enclosed to provide you with additional information.

As I have mentioned to you in the past, our members have particular interest in trade matters concerning the U.S. Free Trade Act and its implementation, as well as a wide variety of other trade related matters, including of course, Japan related trading activities. In addition to trade, the issues of clean air and automotive safety are also of particular interest.

I appreciate the opportunity to discuss possible speaker candidates with you and I hope we get a chance to visit during our upcoming Washington, D.C. meetings.

Sincerely,

DYKEMA GOSSETT

Eugene A. Gargaro, Jr.

EAGJr/mmh
Enclosures
cc: B. Wayne Vance

AUTOMOTIVE ORIGINAL EQUIPMENT MANUFACTURERS, INC.

Washington D.C. Meeting

May 10-11, 1990

Meeting Agenda

Thursday, May 10, 1990

Reception & Dinner Meeting 7:00 p.m. - 10:00 p.m.

The George Town Club
1530 Wisconsin Avenue, N.W.
Washington, D.C. 20007
(202) 333-9330

Guest Speaker: Elliott S. Hall, Vice President -
Washington Affairs, Ford Motor Company

Friday, May 11, 1990

Breakfast Meeting - 7:30 a.m. - 8:45 a.m.

Location: J.W. Marriott Hotel

Guest Speaker: Mr. William G. Rosenberg,
Assistant Administrator for
Air and Radiation, EPA

Luncheon Meeting 11:45 - 1:30 p.m.

Location: J.W. Marriott Hotel

Speaker: To Be Announced

Accommodations

JW Marriott Hotel
1331 Pennsylvania Avenue, N.W.
Washington, D.C. 20004
(202) 393-2000

(EAGJr/4423)

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SMALL BUSINESS ADMINISTRATION
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U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF CHIEF COUNSEL FOR ADVOCACY

TO: Carolyn Cawley
White House

FROM: Don Kraft *DK*
Assistant Chief Counsel for Advocacy

THRU: Sally Narey
Acting Chief Counsel for Advocacy

DATE: April 25, 1990

RE: Small Business Statistics

I hope the following statistics will be of use to the President in his remarks:

- o In the past year (December 1988 - December 1989), small businesses created 1,526,000 new jobs -- this represents 77 percent of all new jobs (Source: U.S. Small Business Administration)
- o Small businesses generate over half of our nation's technical innovations (Source: U.S. Small Business Administration)
- o Ninety-nine percent of all employers are small businesses - these businesses employ 58 percent of the American workforce (Source: Bureau of Labor Statistics)
- o Among the fastest-growing small business-dominated industries between December 1988 and December 1989, were outpatient health care facilities (20.1 percent), medical and dental laboratories (14.7 percent), electrical repair shops (12 percent), computer and data processing services (11 percent), and transportation services (7.7 percent) (Source: U.S. Small Business Administration)

*Private
non farm
excludes self employed*

- o Women currently own nearly one-third of all small businesses (Source: Internal Revenue Service)
- o Between 1980-87, the number of women-owned small businesses increased 76 percent -- twice the rate of growth of male-owned small businesses (Source: Internal Revenue Service)
- o The increase of women-owned small businesses was greatest in the mining, construction, ~~manufacturing and service industries~~ (Source: Internal Revenue Service) *26.6% / year.*
- o It is estimated that by the turn of the century, women will account for more than half of all small business employees (Source: U.S. Small Business Administration)

Please let me know if you need any additional information for this speech or for future remarks. You can reach me at 653-6808.

*mining & const. 34.9%
 transportation 26.6
 wholesale & retail 6.2%
 finance, ins., real estate 12.26%
 service 17.14*

4TH STORY of Level 1 printed in FULL format.

The Associated Press

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June 9, 1983, Thursday, AM cycle

SECTION: International News

LENGTH: 659 words

HEADLINE: A Politician Who Knew She'd Survive

BYLINE: By MAUREEN JOHNSON, Associated Press Writer

DATELINE: LONDON

KEYWORD: Thatcher Profile

BODY:

With a formidable personality, political acumen and luck, Margaret Thatcher has more than fulfilled the prophecy she made before entering 10 Downing St. in 1979 - "I know I'll survive."

A self-styled "conviction politician," she bid for a second term Thursday on a mixture of bourgeois appeal and grudging voter acceptance of her relentless message that rigorous, right-wing policies are the only way to halt Britain's postwar decline.

"Say what you like about Maggie, you've got to hand it to her," was the kind of remark frequently heard on the campaign trail.

Opponents say plenty - charging her with being short on compassion and long on domination, stubbornness and hawkishness.

But even her harshest critics concede that the 57-year-old Conservative leader gets on with the job - and does it her way.

She stamped her personality on her administration and its re-election campaign, the Sunday Times commented, "as a silversmith puts his mark upon his own creation."

"There's only one way to long-term recovery," Mrs. Thatcher said in defense of her survival-of-the-fittest economics, "by working ourselves up by our own efforts, by competitiveness."

Her sex, a stunning break with tradition when the Conservative Party elected her its leader in 1975, has become irrelevant, as did John F. Kennedy's Catholicism.

But it is not forgotten. Feminists generally dislike her politics and complain that she has set back their cause, while Mrs. Thatcher revels in Moscow's "Iron Lady" sobriquet and occasionally falls back on traditional feminine imagery.

The Associated Press, June 9, 1983

"If you want something said in politics, ask a man," she says. "If you want something done, ask a woman."

She admits to having her hair tinted and worries about her weight _ "At my age one has to be careful." But she says she has more energy now than when she first ran for Parliament, and lost, at age 24.

Argentina's invasion of the Falkland Islands last year was, she says, the "worst week of my life." Her decision to dispatch a British fleet, and its subsequent victory, confirmed a warrior reputation that political opponents have been unable to tarnish.

"The press portray her as Boadicea and that is very difficult to overcome," complained Labor Party leader Michael Foot, referring to the warrior-queen of the ancient Britons.

An indefatigable worker, Mrs. Thatcher seldom sleeps more than five hours a night, rises at 6 a.m., and as she listens to news broadcasts cooks breakfast for herself and her 68-year-old husband, Denis, a retired oil executive.

"I love this job. It suits me and stimulates me. Hard work is my life, my second nature," she said recently.

The daughter of grocer Albert Roberts in the small Lincolnshire town of Grantham, she says she learned the hard-work habit, and the other old-fashioned values she extols, from her Victorian grandmother.

Teachers at the state schools she attended recall a bright child with a lack of self-doubt _ a hallmark of the politician.

A new biography describes the 9-year-old Margaret winning a poetry-reading prize and being told by a teacher she was a lucky girl.

"I wasn't lucky, I deserved it," she replied.

She won a scholarship to Oxford, graduated with a degree in chemistry, worked as a research chemist and then qualified as a lawyer and specialized in taxation.

Margaret Hilda Roberts married Denis Thatcher, upper middle-class and rich, in 1951. Their twins, Mark and Carol, were born in 1953 while she was taking law examinations.

The children, the son now a racing driver and the daughter a journalist, were raised with the help of nannies.

Mrs. Thatcher was elected to the House of Commons in 1959 for the north London district of Finchley, which she still represents. Her only Cabinet post before becoming prime minister was secretary of state for education in 1970-74.

"I could never leave politics alone," she says. "It was not that I went into it. It was just that I could not keep out of it."

The # of Jobs Generated by Small Businesses
vis a vis
US Employment Figures

Small business provided 1,526,000 jobs in this country between December 1988 and December 1989.

1,526,000 jobs =

(metropolitan statistics on employed population:) → For Feb. '90

--more than the entire working population of
Atlanta, Georgia (1,460,000)

✓ --more than the entire working population of
Boston, Massachusetts (1, 495,000)

--more than the entire working population of
the entire state of Kansas PLUS the District of
Columbia (1,519,000)

$$\begin{array}{r} 1,232,000 \\ 287,000 \\ \hline 1,519,000 \end{array}$$

---equals the entire working population of the
Miami/Hialeah area PLUS Portland, Oregon
(1,526,000)

$$\begin{array}{r} 880,000 \\ 638,000 \\ \hline 1,526,000 \end{array}$$

--about the size of the combined working population of
Sacramento PLUS San Francisco, California
(1, 528,000)

$$\begin{array}{r} 687,000 \\ 841,000 \\ \hline 1,528,000 \end{array}$$

SOURCE: *Edna Bedamon*
Bureau of Labor Statistics
523-1002

April 24, 1990

MEMORANDUM

TO: MARK LANGE
FROM: CAROLYN CAWLEY
RE: ADDRESS TO NATIONAL SMALL BUSINESS UNITED AND
NATIONAL ASSOCIATION OF WOMEN BUSINESS OWNERS

Source John Galles (NSBU): 293-8830:

EVENT: May 1, 1990
2:05 p.m.
10 minutes
Room 450
200 attendees

--Prior to speaking, POTUS will do a photo opp with these people:

Cary Stacey, President of NAWBO
Terry Neese, President-elect of NAWBO
Karl Krieger, President of NSBU
George Abbott, President-elect of NSBU
John Galles, Executive VP of NSBU

--On stage with POTUS:

Brad Roller (NSBU) one will intro POTUS,
Judy Meador (NAWBO) one will present a plaque

--the audience: 200 attendees, they are small business leaders
from all over the US.

They met in D.C. in February to put forth an agenda of
small business issues for 1990. They listed several
priorities, among them:

- 1.) Small business to health care.
--In his State of the Union address, POTUS called on
Secretary Sullivan on this issues. (I'll find out
what exactly this was.)
--They do not support mandated health care.
- 2.) Deficit reduction.
--They fully support Rosty's deficit reduction proposal
and agree with POTUS' position.
- 3.) Capital gains tax cut.
--This tax cut is especially crucial for the growth
and expansion of small business in America.

*costs under control
Hans Kuthan*

- 4.) 2036-C of the IRS Code. (Estate tax freeze)
They would like to see it repealed. It has the support of Rosty and Bentsen. Be careful in discussing this, as there is some controversy over the language to improve valuation at the time of transfer.
- 5.) Americans With Disabilities Act.
They hope that the White House will act and help them ensure that the definitions and obligations for compliance are made clear. They support the Act but just want it to be clear for small business owners.

They also support this Administration on:
Clean Air
Child Care

PIECEMEAL TOPICS TO THINK ABOUT:

capital gains tax cut

health care

child care

product liability reform

competitiveness

Americans with Disabilities

hire people with AIDS

anecdotes, story on someone

stats on small business, how many (backbone of US etc.), how
many owned by women, etc.

THE WHITE HOUSE
WASHINGTON

John Schall - DPC

Re: President's call on
Sullivan to work w/ DPC
on health concerns :

Pres. Bush has called on
Sec. Sullivan to head a
DPC Review group. They are
currently structuring their
review & have formed a
~~#~~ DPC Health Policy Working
group.

Resolved to Propose no solutions
until we understand the problems before us.

SNORE!
(Let's handle C? since we haven't even started...)

£1,526,000
new jobs

FACSIMILE

TRANSMISSION

REQUEST

ADDRESSEE: (NAME, ORGANIZATION,
CITY, STATE & PHONE#)

Carolyn Cawley
White House
Research Dept.
456-7750

FROM: (NAME, ORGANIZATION & PHONE #

Bill Schambra, Chief Speechwriter
245-1856
OASPA
682E

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REMARKS

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HUMAN SERVICES

REMARKS BY
LOUIS W. SULLIVAN, M.D.
SECRETARY OF HEALTH AND HUMAN SERVICES
AT THE
HEALTH INSURANCE ASSOCIATION OF AMERICA BOARD MEETING
FEBRUARY 21, 1990
ORLANDO, FLORIDA

Thank you, Carl, for that introduction, and thank you all for that reception. I'm grateful for the opportunity to be with you this morning, to share some thoughts on the health insurance problems facing the nation today.

But more important, I'm grateful for your example of leadership in this critical realm -- leadership evidenced by the serious, thoughtful, well-considered proposals that have been developed for your consideration at this board meeting.

As the agenda for this meeting demonstrates, we have entered a period of profound re-examination of our nation's system of health care. We can no longer ignore the signs of distress -- signs posted everywhere throughout the system:

-- Our spending for health care continues to rise at an unsustainable rate, and, in 1990, will reach a total of \$650 billion -- 12 percent of GNP -- \$2,400 for every man, woman and child in America.

-- At the same time, this great outpouring of our nation's treasure is not matched by uniform advances in our nation's health: our infant mortality rate continues to be higher than that of any other industrialized nation, and our poor and minority citizens do not enjoy the health status of the rest of the population.

-- Furthermore, we have not yet confronted the implications of the aging of our society. Our elderly population is growing faster than any other group in society, and persons over 85 are growing fastest of all. For them, and for all of us, availability of long-term care will be a critical issue.

-- Finally -- and this, I know, is a problem you are grappling with now -- there are over 31 million uninsured individuals in America, whom the health care system is not serving adequately.

As you know, I was recently charged by the President of the United States to review the recommendations of the commissions studying these problems, and to develop proposals for reform -- proposals that would bring health costs under control -- insure wider accessibility -- and maintain the highest quality of health care.

Now, some have said that this assignment was a high price to pay, for getting my picture on TV during the State of the Union Address! Nonetheless, it is a mission I embrace -- because it is a mission that is absolutely central to my personal hopes and aspirations as HHS Secretary.

We are now engaged in a comprehensive, analytical survey of the most critical aspects of the health care finance issue -- indeed, that review has been underway since last fall, under the able leadership of Undersecretary Constance Horner. We are resolved to propose no solutions, until we understand the precise nature of the problems before us.

Horner Task Force

But of one thing we can be certain: after all is said and done, we will tackle this problem as America has always tackled her critical problems -- through an all-out effort by every segment of the public and private sector.

If we are to refound our health care system on sound principles -- if we are to construct a system worthy of this great nation -- then each and every segment of our health care system must step forward -- grapple with the problem in good faith -- and be prepared to put something on the table.

Now, I know it isn't easy to bring about this kind of cooperation. Referring to health care reform, an official at a trade association in Washington recently remarked: "Everyone wants to be part of any solution, yet they all want the sacrifice to come from someone else."

Over the coming months, we must make it clear that no one can truly be a part of the solution, unless everyone is prepared to share in the sacrifices that will be necessary. This cannot be strictly an insurance effort, or a business effort, or a medical effort, or a government effort. It must truly be a national effort.

And this is where HIAA has provided exemplary leadership for America. You have stepped up to the table with something to offer -- thoughtful proposals, reasoned arguments, and, yes, a plan that shares in the sacrifice.

✓ I am referring to the proposal you're considering to address more effectively the insurance needs of small businesses.

I certainly don't have to tell you how critical the insurance problem has become for this vital segment of our economy -- a segment that accounted for over 1.6 million new jobs between 1984 and 1986, with many of them going to our citizens who need jobs the most.

Today, certain practices within the insurance community -- many of them, I know, forced upon insurance companies by marketplace realities -- present our small businesses with devastatingly steep annual increases in their insurance rates.



For some businesses, this means severe financial stresses. Others undertake an annual migration to new insurance companies, in search of lower rates -- an unpleasant and expensive journey.

For employees with expensive medical conditions, unemployment looms, as companies seek to lighten their insurance load. Others dare not change jobs, for fear of being barred from insurance in a new company. Finally, all too many employees keep their jobs, but are forced to work with limited insurance -- or worse yet, no insurance at all.

This, in turn, becomes a problem for the entire nation. We know that a significant portion of the uninsured -- fully 13 million persons, or 40 per cent of the total -- are in families with a full time worker. We believe that these numbers can only grow in the future, unless current practices change.

And change is what your proposal for small employer market reform intends to bring about. Your proposal aims at quite worthwhile goals. Above all, you have approached this problem in a responsible fashion. You are putting something on the table -- you are willing to make a sacrifice. You have faced the hard questions. You have developed thoughtful answers. I urge you to bring this proposal before the nation, as part of HIAA's contribution to the emerging debate over health care costs.

When I suggested that your approach was "responsible," you should know that's a word I've been using a lot lately -- because I think responsibility is absolutely critical for the future of the nation's health.

Indeed, as I travel around the country speaking to audiences of all kinds, I carry this simple, direct message: to solve our nation's health problems, we must cultivate -- throughout every facet of society -- a "new ethic of responsibility."

First, we must have a new ethic of personal responsibility. Individual citizens must realize that what they themselves do, in their daily lives -- how they eat, what they drink, whether or not they smoke, the amount of exercise they get, whether or not they wear a seatbelt and seek the proper vaccinations and check-ups -- has a profound and immediate impact on their own health.

If we can make disease prevention and health promotion a national crusade, then we will not only produce healthier, more productive, more fulfilled citizens -- but we will spend less for the treatment of preventable illnesses, as well.

Second, we must have a new ethic of professional responsibility, on the part of our nation's health care professionals -- doctors, dentists, nurses, and hospital administrators. They must recall that medicine and health care are serving professions -- not just businesses. As they return to the highest standards of their calling, then, too, we should see favorable changes in our system of health care finance.

Third, we must have a new ethic of corporate responsibility, on the part of the insurance companies and other businesses involved in the health industry. You must step forward and offer sound, economical solutions -- solutions that preserve legitimate profits, but that exhibit, as well, a sense of responsibility to this society -- and a sense of compassion for those who have literally staked their lives and health on your services.

Let me say that your approach to reform in the insurance market for small businesses reflects precisely this ethic of corporate responsibility.

Finally, we must demand a new ethic of government responsibility, as well -- from all levels of the public sector. President Bush responded to that call in his State of the Union Message -- and now I have taken up the task. You have my assurance that this Administration shall fulfill its rightful role, in the restructuring of our health care system.

But this is critical: each sector must live up to its legitimate responsibility, if we are to have significant reforms in our system of health care.

Right now, the responsibility for present problems and future reform is an economic and political "hot potato," being tossed from hand to reluctant hand, with some hoping that it will land ultimately in the lap of the government.

The Federal lap, however, is by no means as capacious as it once was. Government alone simply does not have the resources to solve the problem.

But beyond the question of resources, there is a more important consideration.

For a truly enduring solution to the health care finance problem -- one that will be self-sustaining, over the long haul -- each party must feel the pinch of excess costs and waste -- each party must be held accountable -- each party must have a concrete, compelling stake in the highest quality, most accessible health care, at the most reasonable price.

The faith that free men and women will dutifully shoulder their rightful responsibilities -- uniting in common cause when faced by a common challenge -- is at the very heart of our system of democratic government.

In these days of breathtaking change, when the spirit of democracy blossoms forth even in Moscow and Johannesburg, let us show the world how a free nation solves its problems. Let us show the world that, just as we enjoy our hard-won civil and political rights, so also we are prepared to live up to our social responsibilities.

Together -- united not by a coercive central government, but by the sense of duty and compassion central to our lives -- we can bring an affordable, accessible, high quality system of health care to the American people.

Thank you very much.

####

SUGGESTED REMARKS FOR SECRETARY SULLIVAN

EVENT : NATIONAL HEALTH COUNCIL; 37TH ANNUAL NATIONAL HEALTH
FORUM

DATE/TIME: TUESDAY, MARCH 13, 1990; 8:45 A.M.

PLACE : WASHINGTON PLAZA HOTEL, WASHINGTON, D.C.

ATTENDEES: REPRESENTATIVES OF CHARITABLE ORGANIZATIONS, HEALTH
CARE PROVIDERS, INSURERS, MANUFACTURERS, HEALTH
RELATED PUBLIC INTEREST GROUPS, AND FEDERAL AGENCIES

FORMAT : 15 MINUTES OPENING REMARKS

DATE SUBMITTED: MARCH 6, 1990

PRINCIPAL WRITER: BOB GLEASON; 245-1856

NOTES TO THE SECRETARY:

1. The theme of this two day conference is "The Evolving U.S. Health Care System: Can We Afford It?" You have been asked to welcome the participants, stress the importance of the theme, and "set the stage" for the various presentations that will follow.
2. These remarks draw considerably from materials prepared by Arnold Tompkins, and he has reviewed these remarks.

When I think of America's health care system--and particularly its financing--I am reminded of an old joke about a monk who joined a monastery where they were only allowed to say two words every ten years.

First ten years go by and the head monk comes in and says: "Well, Brother Sabastian, you've been very good, you've been here for ten years, and you're allowed to say two words. Brother Sabastian says, "Food's cold."

He leaves, another ten years go by, and the head monk comes in and says: "Well, Brother Sabastian, you've been very good, you've been here another ten years, you're allowed to say another two words." Brother Sabastian says, "Bed's hard."

He leaves, another ten years go by, and the head monk comes in and says: "Well, Brother Sabastian, you've been very good, you've been here for thirty years now, you're allowed to say another two words." Brother Sabastian says, "I quit."

Head monk says, "Good, you've done nothing but complain since you got here."

In many ways, the United States has the finest health care system in the world; and yet, it sometimes seems that everyone has a complaint about it. Most often, the root of those complaints is the cost. Paradoxes abound in this debate and in the complaints.

- o Unlike a generation-or-so ago, the vast majority of Americans have health insurance; and yet, one of our biggest concerns is about the 31 million who are without insurance.
- o We lead the world in biomedical research and biotechnology; and yet, there is concern that the cost of some of our near-miraculous innovations is driving health care spending out of reach.
- o Our society pays more for health care, has more hospital beds, more doctors, more modern technology, more of all the "hardware" of health care; and yet, while our health care expenditures exceed those of other industrialized nations, so, too, does our infant mortality rate.

- o As a medical educator, one of the things I'm most proud of about my country is that we train and produce an extraordinary pool of talented physicians and other health professionals year in and year out; and yet, unlike when I first entered the medical profession, there seems to be a sentiment in some quarters today that many doctors are only in medicine for the money, rather than the opportunity of serving their fellow man.

- o As for health professionals themselves: yes, most physicians do make a comfortable living; and yet, despite being well compensated, there is a growing consternation within the medical profession. A couple of weeks ago, there was a three-part series in the New York Times which noted that some doctors are thinking about leaving the profession, and stated that many would not enter medical school if they had it to do over. At the heart of many of their complaints are the rules and regulations attendant to reimbursement from both government programs, and private insurers--and how this has caused them to lose control of patient care.

The list of seeming contradictions and dissatisfaction could go on and on; but the situation must not. The benefits to our society--not to mention individuals--of a first class health care system must not be squandered over bitter confrontations about money.

Your theme for this conference--"The Evolving U.S. Health System: Can We Afford It?"--is particularly poignant. For, indeed, our health care financing system has undergone a tremendous evolution over the past three or four decades--perhaps to the point of revolution.

Simultaneously, there were new government programs to finance health care--most notably Medicare for the elderly--and a proliferation of the number of persons covered by private insurance. These were unquestionably welcome developments. And yet, from an economic standpoint--or, more specifically, a market behavior standpoint--they also caused a distortion. There was a de-linking of health care recipient from health care payee.

Now, however, costs have become so staggering to our society that the issue has burst forth on the political and economic scene.

Labor disputes over the cost of health care benefits have become commonplace; the catastrophic health care bill engendered a fierce dispute; some prominent businessmen, and some public officials, are calling for radical surgery in health care financing and delivery.

At the end of last year, I requested that a comprehensive review of our public and private health and long-term care financing policies be initiated. I asked HHS Under Secretary Constance Horner to lead this effort and to report back to me by the end of 1990 with recommended approaches to these complex issues. And, in his State of the Union message in January, President Bush reinforced the importance of this initiative by designating me as the focal point within the Administration for addressing concerns of health care access, quality and costs.

I am deeply committed to bringing sound information to bear on a national discussion of what works and what does not work--before we invent solutions. Two issues are of special concern: the uninsured, and long-term care.

UNINSURED

Issues that need to be addressed involving the uninsured include fundamental ones. How can everybody be given access to appropriate health care? Or--a different question--must everyone have health insurance?

What role does individual and family responsibility play? Should we be as concerned about those--especially those with significant income--who lack health insurance by choice as we are about those who lack insurance by economic necessity?

In our research and assessment, we find that there are highly variable reasons for individuals being uninsured. Some lack insurance because the costs of premiums are out of reach. Others can't get insurance because of a pre-existing condition--ranging from asthma to AIDS, diabetes to cancer. Others are uninsured because their employer neither pays for nor offers affordable group insurance.

Still others are uninsured because they deliberately decided to forego coverage. And, in a free market economy and society, it is a subjective call as to whether this is a reasonable economic gamble. The very rich, for example, can "self-insure."

As a final example--in some ways most tragic of all--there are those fully eligible for government programs of coverage who simply do not know of their eligibility or the program's availability. These one might call the "needlessly uninsured."

(As an important aside, I can report that for those in this group eligible for SSI, we have already begun to take corrective action. The Social Security Administration has initiated steps to identify eligible individuals and bring them into program coverage.)

In looking at our options for the uninsured, we must keep in mind that our health care system has a uniquely American history, and it can be anticipated that solutions will also be uniquely American.

LONG-TERM CARE

Turning to long-term care, there is no subject more on the hearts and minds of today's senior citizens than what will happen to them should they become chronically ill or impaired. They see first hand the need to improve our long-term care system to accommodate an aging society. Larger and larger numbers of people needing long-term care, with fewer taxpayers in the labor force to support the costs--these are the challenges we must face in the coming decades.

As with the costs of insuring the uninsured, the possible costs of a new long-term care entitlement are staggering.

Some have estimated that a new entitlement, even one with a significantly higher cost sharing requirement than the current Medicare program, would add \$40 to \$50 billion to the budget. Asking the diminishing numbers of taxpayers in the labor force to shoulder this level of economic burden is unreasonable.

Conversely, we must be concerned about the issue of impoverishment. Older people are absolutely right to identify nursing home care as the long-term care service with the greatest potential to result in catastrophic costs. However, according to recent research, the extent to which a nursing home stay actually forces people to use up their life savings and then go on to welfare is much less than most people previously believed.

Contrary to popular belief, most nursing home residents do not spend-down to Medicaid eligibility. From our research, we estimate that only about one in ten nursing home users enter as private pay patients, exhaust their savings in paying for care, and then convert to Medicaid. Over half of all nursing home users both enter and are discharged from a nursing home without ever being on Medicaid.

What should we make of these statistics? To me, they suggest we should be cautious about jumping to conclusions about what is wrong with our current system. I want to look very carefully at who is bearing unfair economic burden because of current nursing home policies--and long-term care policies in general.

It is a question of balancing the sometimes competing claims of generations. We must squarely confront the public policy implications of substituting tax dollars for long-term care recipients' contributions from personal income and assets. Some would argue that this substitution amounts to the taking of tax dollars from the working age children of long-term care users. Should it be public policy to protect the assets of nursing home residents so they can be passed on to their children? There is an understandable desire to leave something for one's children. How should we face this issue as a nation?

My priority for long-term care financing reform is to focus on those people who cannot afford private protection and those whose access to care is inadequate. My own sense right now is that inadequate access is more of a problem for home care than nursing home care.

from AEA file

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.

from AEA file

THE VICE PRESIDENT'S OFFICE
Office of the Press Secretary

FOR IMMEDIATE RELEASE

November 30, 1989

STATEMENT BY THE VICE PRESIDENT
CHAIRMAN OF THE COUNCIL ON COMPETITIVENESS

Today I am announcing an Administration initiative to seek significant reform of our product liability system. The President has approved a proposal developed by the Council on Competitiveness designed to encourage U.S. business innovation and to improve U.S. international competitiveness, while continuing to ensure the safety of American consumers.

Our current product liability system of 50 different State laws generates excessive litigation, inflates insurance costs, and creates uncertainties for American businesses. This is a self-imposed burden on our ability to compete. It also has a chilling effect on innovation and the development of new products. Ultimately, the costs of our inefficient product liability system are borne by American workers and consumers.

The Administration will make product liability reform a top competitiveness priority. We will strongly support the bipartisan bill introduced by Senators Kasten, Danforth, Inouye, and Rockefeller, and we will seek additional reform provisions to strengthen the bill. I and the other members of the Competitiveness Council will work with groups from all sectors of our economy to marshal support for reforming our product liability laws in accord with basic principles of fairness and in order to remove a self-inflicted burden on U.S. competitiveness in the world.

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THE VICE PRESIDENT'S OFFICE
Office of the Press Secretary

FOR IMMEDIATE RELEASE

November 30, 1989

COUNCIL ON COMPETITIVENESS
FACT SHEET ON PRODUCT LIABILITY REFORM

Today the Vice President announced a major Administration initiative to seek product liability reform legislation. Recommendations on this subject were submitted by the Council on Competitiveness, and have been approved by the President. This initiative is designed to encourage U.S. business innovation and to improve U.S. international competitiveness, while continuing to ensure the safety of American consumers.

The Product Liability Problem

Our current product liability system of 50 different State laws generates unprecedented litigation. It inflates insurance costs and creates uncertainties for American businesses. Ultimately, these costs are borne by the American consumers.

Between 1973 and 1988, product liability suits in Federal courts increased 1000%; in state courts the increase was between 300% and 500%. One estimate of the total cost of these suits is \$80 billion per year -- a sum equal to the combined profits of the nation's 200 largest corporations. While individual states have instituted many tort reform measures over the last three years, there is still much more that can be done.

Self-inflicted Burden on U.S. Competitiveness

The U.S. product liability system -- with its excessive litigation cost and increasingly large damage awards -- is a self-imposed burden on our ability to compete abroad. Our product liability laws are more onerous than those of other major industrial countries. For example, Japan has uniform national rules, no punitive damages, and no complex, protracted, mandatory discovery (which make defending even frivolous suits very expensive). European nations also prohibit punitive damages and generally allow only very limited discovery; suits there also entail far lower attorneys' fees and other litigation costs.

The result is that total U.S. liability insurance costs are estimated to be some 15 times higher than Japan's and on average some twenty times higher than European nations. These costs are reflected in higher prices for U.S. goods, and this hampers our ability to compete with foreign manufacturers both in the U.S. and abroad.

The effect of product liability costs on our economy is substantial. In a 1988 Conference Board survey of chief executives, 40% said product liability has had a major impact on their business; 36% stopped some manufacturing as a result; 15% laid off workers; 8% closed plants. Ultimately, the public pays for product liability costs -- through increased prices, reduced consumer choice, lost products and jobs, and reduced options that may impede bringing safer products from reaching the market.

Chilling Effect on U.S. Innovation

Equally devastating, however, is the chilling effect of the current product liability system on innovation. The development of new products is essential to maintaining U.S. competitiveness. America's foreign competitors can develop a product abroad, discover its potential dangers, and work to make it safer -- all in an economically favorable environment with negligible product liability exposure. Then they can turn around and sell it in the United States, where potentially open-ended risk exposure will have discouraged domestic manufacturers from developing a new, cutting edge product. And, of course, American companies do not even get a chance in world markets, because they never develop the product. Small and start-up businesses particularly are deterred from introducing new products, for fear of potential law suits.

The effects of higher product liability costs can be seen, for example, in the pharmaceutical industry, where U.S. companies are discouraged by liability costs and risks from developing new products or marketing them in the U.S. -- the logical trial market for U.S. businesses. Genentech, for example, decided not to market a new hepatitis vaccine developed with biotechnology.

The High Cost of the Liability System

Ironically, the system also fails to do all that much to help most accident victims. It has been estimated that as much as 70% of the total of product liability awards is consumed in the litigation process itself. In part, this is because lawyers routinely negotiate contingency arrangements allowing them to command 1/3 to 1/2 of the award paid to their client victim. Defense against liability suits also involves substantial cost. There is much evidence that juries know this and take the large fees into account in deciding pain and suffering and punitive damages.

Basic Principles of Fairness

The question, then, is how should those who suffer from accidents be compensated without compromising American technological progress and without undermining U.S. competitiveness? Here are three basic principles of fairness that preserve U.S. competitive posture, while at the same time safeguarding consumer safety:

- First, there should be protection of an innocent person's legal right to fair compensation for the losses he or she has actually suffered. These include medical expenses, lost wages, and property damages.
- Second, a person or business should pay for the losses based on actual responsibility for the harm (this is known as fault-based liability) and not based on ability to pay (this is known as "deep pocket" liability).
- Third, cooperation and the prompt and fair settlement of differences should be encouraged through alternatives to costly and time consuming litigation.

Administration Reform Initiative

The President has approved the Competitiveness Council's recommendation to make product liability reform a top priority. Steps include:

- Strongly supporting S. 1400, the bipartisan bill introduced by Senators Kasten, Danforth, Inouye, and Rockefeller, as an important first step in restoring these basic principles.
- Developing additional reform provisions to strengthen the Kasten bill by adding: fault-based manufacturer defenses to liability, including a "state of the art" defense to encourage innovation; limits on punitive damages along the lines recommended by the American College of Trial Lawyers, including stricter standards for awarding punitive damages and a flexible cap on the amount of punitive damages; extension of the limit on joint and several "deep pocket" liability; broader definition of "capital goods" in the 25 year statute of repose -- to include vehicles and other goods in addition to workplace machinery, but not toxic chemicals; and offsets against awards payments from public sources.
- Working with groups from all sectors of our economy to reform our product liability laws to improve U.S. competitive posture and remove burdens on innovation, while assuring protection for injured parties.

This Administration initiative will remove a self-inflicted burden on U.S. competitiveness and help restore basic principles of fairness -- adequate compensation for accident victims, fault-based liability, and encouragement of dispute resolution rather than excessive litigation.

* * * *

The members of the Council on Competitiveness include the Vice President (Chairman), Attorney General, Secretary of Commerce,

Secretary of Treasury, Chairman of the Council of Economic Advisors, and Director of the Office of Management and Budget. In addition, the Secretary of Transportation, Secretary of Health and Human Services, Assistant to the President for Economic and Domestic Policy, Counsel to the President, and the Administrator of the Small Business Administration participated in the development of this recommendation.

For more information:
Contact: 456-7034

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Heath

Bush, 1990

State of the Union Address January 31, 1990

Administration of

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tion Agency to Cabinet rank—not more bu-
reaucracy, not more red tape, but the cer-
tainty that here at home, and especially in
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mental issues have the status they deserve.

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This year's budget provides over \$2 bil-
lion in new spending to protect our envi-
ronment, with over \$1 billion for global
change research, and a new initiative I call
America the Beautiful to expand our nation-
al parks and wildlife preserves that improve
recreational facilities on public lands, and
something else, something that will help
keep this country clean from our forestland
to the inner cities and keep America beauti-
ful for generations to come: the money to
plant a billion trees a year.

America
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be fair.

And tonight let me say again to all the
Members of the Congress: The American
people did not send us here to bicker.
There is work to do, and they sent us here
to get it done. And once again, in the spirit
of cooperation, I offer my hand to all of
you. Let's work together to do the will of
the people: clean air, child care, the Educa-
tional Excellence Act, crime, and drugs. It's
time to act. The farm bill, transportation
policy, product-liability reform, enterprise
zones—it's time to act together.

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And there's one thing I hope we will be
able to agree on. It's about our commit-
ments. I'm talking about Social Security. To
every American out there on Social Securi-
ty, to every American supporting that
system today, and to everyone counting on
it when they retire, we made a promise to
you, and we are going to keep it.

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We rescued the system in 1983, and it's
sound again—bipartisan arrangement. Our
budget fully funds today's benefits, and it
assures that future benefits will be funded
as well. The last thing we need to do is
mess around with Social Security.

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There's one more problem we need to
address. We must give careful consideration
to the recommendations of the health-care
studies underway now. That's why tonight
I'm asking Dr. Sullivan, Lou Sullivan, Secre-
tary of Health and Human Services, to lead
a Domestic Policy Council review of recom-
mendations on the quality, accessibility, and
cost of our nation's health-care system. I am
committed to bring the staggering costs of
health care under control.

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The state of the Government does indeed
depend on many of us in this very chamber.
But the state of the Union depends on all
Americans. We must maintain the demo-
cratic decency that makes a nation out of
millions of individuals. I've been appalled at
the recent mail bombings across this coun-
try. Every one of us must confront and con-
demn racism, antisemitism, bigotry, and
hate, not next week, not tomorrow, but
right now—every single one of us.

The state of the Union depends on
whether we help our neighbor—claim the
problems of our community as our own.
We've got to step forward when there's
trouble, lend a hand, be what I call a point
of light to a stranger in need. We've got to
take the time after a busy day to sit down
and read with our kids, help them with
their homework, pass along the values we
learned as children. That's how we sustain
the state of the Union. Every effort is im-
portant. It all adds up. It's doing the things
that give democracy meaning. It all adds up
to who we are and who we will be.

Let me say that so long as we remember
the American idea, so long as we live up to
the American ideal, the state of the Union
will remain sound and strong.

And to those who worry that we've lost
our way—well, I want you to listen to parts
of a letter written by Private First Class
James Markwell, a 20-year-old Army medic
of the 1st Battalion, 75th Rangers. It's dated
December 18th, the night before our
armed forces went into action in Panama.
It's a letter servicemen write and hope will
never be sent. And sadly, Private Mark-
well's mother did receive this letter. She
passed it along to me out there in Cincin-
nati.

And here is some of what he wrote: "I've
never been afraid of death, but I know he is
waiting at the corner. I've been trained to
kill and to save, and so has everyone else. I
am frightened what lays beyond the fog,
and yet do not mourn for me. Revel in the
life that I have died to give you. But most
of all, don't forget the Army was my choice.
Something that I wanted to do. Remember
I joined the Army to serve my country and
ensure that you are free to do what you
want and live your lives freely."

Let me add that Private Markwell was
among the first to see battle in Panama

and one of tl
what he believ
call America i

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DEPARTMENT OF HEALTH & HUMAN SERVICES

Washington, D.C. 20201



STATEMENT OF
GAIL R. WILENSKY, PH.D.
ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION

BEFORE THE
SUBCOMMITTEE ON HEALTH FOR FAMILIES AND THE UNINSURED
COMMITTEE ON FINANCE
UNITED STATES SENATE

APRIL 18, 1990

SUMMARY STATEMENT OF GAIL R. WILENSKY, PH.D.
APRIL 18, 1990

Cost containment strategies are an integral part of our effort to assure access to affordable, high quality health care and give us better value and better care for our health care dollars.

We are concerned about access to health care for the nation's uninsured. The Secretary has established a Department Task Force and the President has requested that the Secretary lead a Domestic Policy Council review to explore solutions to the access problem. I am pleased to serve as Vice-Chair of the Task Force and look forward to sharing with you the results of our review.

We need more systematic approaches to cost containment that provide positive incentives for controlling costs. We cannot create an atmosphere that will allow incentives to work if we micro-manage the health care system or burden it with overly prescriptive regulations. Our cost containment initiatives include the following:

Coordinated Care Systems - These systems operate in a competitive environment, prompting the efficient management of health care resources. The Administration remains firm in its commitment to managed care. Our FY 1991 proposals provide incentives to increase Medicare and Medicaid involvement in coordinated care. We also want to adopt a private sector innovation - the preferred provider organization. Our proposal would link managed care networks with supplemental insurance to provide "wrap around" coverage for Medicare beneficiaries.

Effectiveness Research - The Department's effort to advance research to establish scientific evidence on what medical treatments provide positive outcomes will enhance the quality of care provided and can yield savings in the long term.

Other Cost Containment Strategies include:

Bundling payments for physician services during an illness episode to help move away from "a la carte" medicine.

selective contracting and competitive bidding to provide positive financial incentives to give better value for our health care dollars.

Payment reforms such as hospital prospective payment; folding capital into PPS; physician payment reform, including volume performance standards, also provide positive incentives for appropriate utilization and restrained spending.

Payment safeguards provide substantial program savings.

Peer review helps avoid unnecessary procedures.

Beneficiary cost-sharing can help control spending but must not impede access.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss health care cost containment strategies and the uninsured. Cost containment strategies are an integral part of our mutual effort to assure Americans access to affordable, high quality health care. The Medicare and Medicaid programs have had significant experience with various approaches to restraining expenditure growth while maintaining or enhancing quality. I am happy to share that experience with you today. I also want to offer what I believe are logical and prudent approaches to getting better value and better care for the health care dollars we spend.

Allow me to begin my remarks by addressing our common concern for providing access to health care for the nation's uninsured.

THE UNINSURED

This Administration remains committed to expanding access to health services for America's most vulnerable families.

As you know, the quadrennial Advisory Council on Social Security will make recommendations on access to health care to Secretary Sullivan this Summer. In addition, last Fall the Secretary directed the Under Secretary to lead an HHS Task Force charged with exploring solutions to the access problem. I am pleased to serve as Vice-Chair of this Departmental Task Force. The

President, in his State of the Union address, further elevated the priority of this issue by requesting that the Secretary guide a Domestic Policy Council review of studies on the quality, accessibility, and cost of our nation's health care system. This review will draw on the work being done by the Department's Task Force.

These efforts underscore the Administration's highest-level commitment to marshalling the leadership, energy, and expertise necessary to address an issue that touches so many Americans. It is not an easy or quick process. Currently, we are reviewing the many dimensions of this multi-faceted problem. Once information is digested, we can proceed with crafting our recommendations. It would be premature and, indeed, impossible to forecast the outcome of these efforts. But, I look forward to sharing with you the results of the Administration's exploration in the future.

While we search for viable solutions to the problem of the uninsured, ^{the Administration} HCFA remains committed to implementing programs under current law that help ensure access. Through the Department's Maternal and Infant Health Initiative, we encourage states to offer Medicaid coverage of pregnant women and infants up to 185 percent of the federal poverty line. Early and Periodic Screening, Diagnostic and Treatment (EPSDT) is also a valuable Medicaid benefit for our nation's children. The EPSDT benefit

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requires states to provide screening, dental, vision, and hearing services. It allows states to provide any service for which Federal matching funds are available, regardless of whether the services are usually covered under the state's Medicaid plan. HCFA will continue to seek input from all interested parties, including the American Academy of Pediatrics and the Children's Defense Fund, as we implement OBRA 1989 provisions expanding EPSDT. HCFA is also coordinating its efforts in this area with our colleagues in the Public Health Service (PHS) to ensure that the HCFA and PHS programs which serve the poor are well coordinated. Initiatives to improve communication within the Department and with groups in the private sector are increasingly important to us.

COST CONTAINMENT DEFINED

Financial pressures of the current health care environment force us to rethink our concept of cost containment. The strategies we relied on in the past have been a useful starting point. But, they are not adequate to control ever-increasing health care expenditures in the future. We must look toward more systematic approaches to cost containment -- approaches that provide consumers, hospitals, and physicians with positive and appropriate incentives for controlling costs.

How do we do that? We must focus our broad cost containment efforts on securing better value for our health care dollar.

Better value means improved access to high quality care. Better value means ensuring that the care provided has been proven effective. Better value means eliminating unnecessary services. And importantly, better value means communicating with informed consumers and creating sound alliances with the providers of health care services.

COST CONTAINMENT STRATEGIES

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Since the inception of the Medicare and Medicaid programs, the Federal government has worked to ensure that public funds pay only for necessary and appropriate services. But, this has become an increasingly difficult job in the complex environment of today's health care marketplace. Still, our experience has highlighted several strategies that hold great potential for cost containment.

In any discussion of cost containment, one underlying principle we must remember is that incentives to provide effective and efficient care do work. The health care community reacts positively to incentives. We must foster an atmosphere that permits these forces to work. But, we cannot create such an environment if we micro-manage our health care system or burden it with overly prescriptive regulations. Instead, we must foster innovation and inspire creative solutions.

Coordinated Care

One approach we believe holds great promise is "coordinated care." Coordinated systems of care encompass a wide variety of delivery arrangements such as health maintenance organizations (HMOs) and preferred provider organizations (PPOs). These systems operate in a competitive environment, prompting the efficient management of health care resources. In short, coordinated care promotes better value and better care, both for the elderly and the poor. Many Medicare beneficiaries have multiple chronic conditions that require the services of several physicians. Coordinating their care helps avert problems such as duplicate services and the prescription of contra-indicated drugs by different physicians. For Medicaid recipients, coordinated care approaches mean access to a more extensive range of services than traditional fee-for-service. In short, coordinated care is a better use of our scarce resources.

The Administration is committed to prepaid, managed health care. HMOs and similar managed care plans have demonstrated their ability to provide high quality care at an affordable price. We are particularly encouraged by the steady growth of both Medicare and Medicaid enrollment in prepaid health care plans. Currently, nearly 2 million Medicare beneficiaries and about 2.5 million Medicaid recipients are enrolled in prepaid health plans.

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Proposals to encourage managed care are a cornerstone of the President's FY 1991 Medicare and Medicaid proposals. Our FY 1991 proposals provide incentives for consumers to enter coordinated systems of care and for health care plans to participate in Medicare and Medicaid. Our proposals would provide more flexibility to states that enroll Medicaid recipients in HMOs and more Federal funds for these enrollees. We also propose paying HMOs more for each Medicare beneficiary enrolled.

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We want to adopt a private sector innovation in the delivery of coordinated care: the preferred provider organization (PPO). PPOs will provide Medicare beneficiaries another option in health care -- one that consumers in the private sector have enjoyed for years. Our proposal would link managed care networks with supplemental insurance to provide Medicare "wrap around" coverage. Beneficiaries who enroll would benefit from reduced premiums, coordination of services, and extra billing protection. This approach is consistent with trends in employer coverage. Insurers could use managed care networks developed for their employer-based group business in their private Medigap business.

Effectiveness of Medical Practice

The desire to derive maximum value for each health care dollar invested is the primary motivation for pursuing medical treatment effectiveness research. When we have sound scientific evidence that the medical treatments we purchase yield favorable outcomes,

not used } and that those treatments are being appropriately performed on the individuals who could benefit from them, we will have constructed a health services delivery system that best serves the people it is designed to help.

To advance research in this area, the Department is pursuing an initiative designed to explore the effectiveness of medical practice through outcomes research and the development of medical practice guidelines. As HCFA Administrator, I serve as Vice-Chair of the Intra-Departmental Committee for the Medical Treatment Effectiveness Program. While the effectiveness initiative may give rise to program savings over the long term, its true value lies in its potential to enhance the quality of American medicine. It will help us know that the investments we make in health care are necessary and appropriate. Given that the current health care environment is characterized by limited resources and that we are committed to ensuring quality care, such accountability is critical.

Other Cost Containment Strategies

Innovation -- often the key to our future -- is most likely to occur in a competitive environment. We can learn much from the successes of the private sector in finding more efficient ways to deliver health care. While we cultivate such innovations as coordinated systems of care, it is also important to support and encourage other cost containment mechanisms that foster

competition in the health marketplace. Allow me to briefly mention several cost containment activities that we are currently pursuing.

Bundling Payments: Particularly in the Medicare program, we want to expand the current practice of bundling payments for certain physicians' services. Making a single payment for an episode of care moves the health care system further away from a la carte medicine. This is a positive trend. Importantly, bundling focuses the responsibility for coordinating care on providers of health care services.

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Through a HCFA demonstration project, we are currently examining the feasibility and cost effectiveness of a negotiated package price for coronary artery bypass graft surgery. Hospitals and physicians participating in the demonstration will receive a global payment covering hospital and physicians' services related to the surgery. We look forward to implementing the demonstration in the Fall of 1990.

Selective Contracting and Competitive Bidding: Selective contracting is a cost containment strategy developed in the private sector. I believe it can also be a very worthwhile innovation for public programs to pursue. Several states are selectively contracting with hospitals to provide care to Medicaid recipients. Selective contracting is, essentially, a

form of competitive bidding that provides states and hospitals financial incentives to provide a better value for Medicaid dollars. Recent reports show that these programs have reduced spending without impairing access to or the quality of hospital care. California reports an estimated savings of \$299 million in 1988-1989. Illinois saved about \$84 million during 1985-1986, its first year of selective contracting.

State Medicaid programs also use volume purchasing arrangements and competitive bidding to purchase optical services, vaccines, and prescription drugs. All of these programs have reported substantial savings.

It's time to evaluate the potential for greater use of such arrangements in public programs. The fiscal crisis that impelled States to undertake selective contracting and competitive bidding continues at both the State and Federal level. A thoughtful assessment of how and where to implement further competitive strategies seems essential at this point.

Payment Reforms: Payment reforms are perhaps the most visible cost containment strategy. For example, the Medicare Prospective Payment System (PPS) was implemented in 1983 with the expectation that it would moderate Medicare expenditures for inpatient hospital services. By most accounts, PPS has been successful. Indeed, many states have adopted prospective payment systems

under Medicaid.

At this juncture, allow me to mention that HCFA is proceeding with plans to fold hospital capital costs into PPS beginning October 1, 1991. The current cost-based system provides fuel for wasteful duplication of capital and unnecessary adoption of expensive technologies. We believe that incorporating capital into PPS provides hospitals with a better incentive to make prudent capital decisions.

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Medicare physician payment reform is another example of how payment reforms can create more appropriate incentives. The Medicare fee schedule will refocus the current incentives in Medicare physician payments by generally increasing payments for primary care and reducing payments for surgery and other procedurally intense services. At the same time, the Medicare Volume Performance Standard will be helpful in restraining overall costs for Medicare physicians' services.

Payment Safeguards and Peer Review: Payment safeguard activities such as medical review, provider audits, and assuring compliance with Medicare secondary payor requirements have provided substantial savings of program funds. Peer review activities, including utilization review, second surgical opinions, and pre-admission screening are useful in avoiding unnecessary procedures. Importantly, such mechanisms also serve as an

educational tool for providers practicing outside the norm.

Beneficiary Cost-Sharing: Beneficiary cost-sharing is another strategy which can be helpful in controlling overall expenditures. Since its inception, Medicare has required beneficiary cost-sharing including coinsurance, deductibles, and Part B premiums. About 25 State Medicaid programs also impose nominal co-payments on Medicaid recipients. The challenge associated with beneficiary cost-sharing is ensuring that cost-sharing requirements do not impose an excessive financial burden on beneficiaries, or discourage them from seeking necessary health care.

CONCLUSION

The viability of any proposal to enhance access will depend on the extent to which it can keep costs under control in the long term. I am eager to work with you as we develop cost containment strategies for the future.

I would be pleased to answer any questions you may have.