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Economic Club of New York 2/6/91 [OA 6855] [2]

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McNally/Blymire
Feb. 4, 1991
Draft Three (B:ECON-NYC)

**PRESIDENTIAL REMARKS: ECONOMIC CLUB OF NEW YORK
NEW YORK HILTON, NEW YORK CITY
WEDNESDAY, FEB. 6, 1991, 8:30 P.M.**

Thank you, _____. And thank you, each one of you -- not for standing up to greet me -- but for standing up for all those fighting against aggression tonight in the Persian Gulf -- and especially -- the fighting men and women of the United States of America. \\\

This year marks a defining hour -- a moment of truth -- for this generation, for this country, and for the United Nations itself. We were patient and we were cautious. But when the moment of truth came, America and the world did what was moral, what was just, and what was right.

We said the occupation of Kuwait would not stand.

And three weeks ago tonight, at just about this time, we announced that the liberation of Kuwait had begun. \\\

Three weeks ago tonight, allied forces moved to end a conflict we did not seek and did not begin. But ladies and gentlemen -- it's one we and our allies do intend to finish. \\\

Tonight we are on course and on schedule. Mission by mission, hour by hour, Iraq's capacity to wage war is being systematically destroyed by American and Coalition forces.

The road to real peace will be long and tough. But we will prevail. And when we do, we will have before us an historic opportunity. From the confluence of the Tigris and Euphrates --

where civilization began -- civilized behavior can begin anew.

We can build a better world -- a new world order. \\\

Tonight, the world is united by shared commitments, shared interests, shared hopes. Our efforts will determine the kind of legacy we bequeath our children, the kind of world they will live in. And so, let us re-dedicate ourselves to the ideals in which our troops so resolutely believe. Because in the final analysis, America and her partners will be measured not by how we wage war -- but how we make peace.

I said in my State of the Union Address that "We are the Nation that can shape the future." And shaping the future is a job that begins at home: Long-term economic growth is central to quality of life for America's families, quality of decency for America's communities, and to the quality of leadership America can bring in its special role as the world's leading diplomatic, cultural, and economic power.

Just over eight years ago, the longest peacetime expansion in American history began. Working together, we created millions of new jobs, and cut both interest rates and inflation in half -- a triumph driven by the energies of the most dynamic and diverse economy on Earth.

Against this background, the events of 1990 served to remind us that even a fundamentally healthy economy faces the risk of temporary disturbances and short-term setbacks. For example, when Iraq invaded Kuwait in August 1990, it was a shock to the world's conscience. Business and consumer confidence fell. Oil

prices rose. Taken together, this produced a very real blow to an economy that had already slowed.

But make no mistake: The current recession does not signal any decline in the fundamental, long-term health or basic vitality of our economy. America is a "can do" nation. America is home to the largest, most productive economy on Earth.

My Administration's economic policies are designed to strengthen the foundation for a solid recovery and the highest possible rate of sustained economic growth. I described the three pillars of that foundation in my State of the Union Address: Encouraging economic growth; investing in the future; and giving power and opportunity to the individual. \\\

Encouraging economic growth means reducing federal borrowing -- by cutting the growth of federal spending now. That's why we sent Congress a budget proposal that holds spending growth below the rate of inflation. And that's why the budget law was armed with real teeth -- "pay-as-you-go" provisions and enforceable spending caps -- aimed at cutting the growth of debt by nearly half a billion dollars.

To ensure economic growth, this Administration will also redouble its efforts to weed out counter-productive government regulations. The market must be allowed to work without unnecessary federal intervention. \\\

We must also fuel economic growth by providing incentives to promote private savings. That means tax-free family savings

accounts; penalty-free I.R.A. withdrawals for first-time home buyers; and yes -- a reduced tax for long-term capital gains.

We must also renew our investments in America's future. That means investing in the education and safety of our children. Investing in the infrastructure of our transportation system. Investing in reforms for the financial services system. Investing in high technology and in space -- to the Moon and Mars and beyond.

The budget proposal we sent to Capitol Hill includes record amounts for research and development, one of the most important investments we can make in the long-term economic and military strength of our Nation. It also recognizes that government must help translate the results of basic research into the generic technologies that strengthen our industries and improve our lives. \\ But our most important investment isn't in machines -- it's in the people they're designed to serve. Together with the Nation's Governors, my Administration has launched a comprehensive effort at reform and restructuring, aimed at producing an educational renaissance. \\

We've still got a long way to go. But we won't sell our kids short. As one observer said of the troops manning Patriot missiles in the Gulf: "In one day, they wiped out the idea that young Americans are not smart enough for the 21st Century." \\

Investing in the future also means a financial system that is both safe and profitable -- a world-class financial system for a world-class economy. The banking reform plan we unveiled

yesterday puts greater reliance on the discipline of the marketplace. By allowing non-banks to invest in banking, it provides opportunities for a fresh infusion of capital. By permitting nationwide banking, we can withstand regional downturns and provide economies of scale. And product diversification will provide greater competition, better service, and decreased risk.

The challenges ahead are great. But because of all these efforts, by any historical standard, the current downturn is expected to be mild and brief. And today in America, the bottom line is this: While our economy may be beset by difficulty -- it should not be beset by doubt. \\\

A healthy sense of confidence is backed by the facts. Inflation has been kept under control. Interest rates are beginning to decline further. The trade deficit declined for the third year in a row. Inventories have been kept down, reducing the need for production cuts to work off excess inventory. Because our major trading partners are seeing relatively strong growth, and the price of U.S. exports on world markets remains low, the pace of U.S. exports will continue to set record highs.

Even oil prices have fallen substantially since their peaks in October, especially since the start of Operation Desert Storm. And in this way, the first-rate performance of American and Allied troops has already helped to preserve the global economic prosperity so crucial to achieving real peace.

Later this month, the Administration will release its National Energy Strategy. The strategy will propose federal, state and private sector initiatives to increase energy efficiency and conservation. It recognizes the need for sustained economic growth and creating a clean, safe environment.

A key goal of the Administration strategy is to reduce our vulnerability to foreign oil supply disruptions. Some, however, will suggest that enhancing our energy security is not enough, and that we should embark upon drastic measures designed to achieve total energy independence. Let me tell you: We are a long way from total energy independence. **Unwise and extreme measures would only hurt American consumers, American jobs and American industries.** \\\

There's no doubt we must begin reducing our energy vulnerability now. That will require a broad and balanced array of actions -- conservation and efficiency measures, new production steps, deregulatory actions, and investments in promising energy technologies. **This is the kind of prudent, balanced, and comprehensive approach my Administration will take.**

And finally, don't forget another underlying strength of our economy: The flexibility of America's free market system. To preserve this flexibility, we must keep our markets open and hold government restrictions to minimum. This is not easy. Naturally, we all want security. However, often that means keeping out the competition. For the sake of future generations

of Americans, we must level the playing field, so that international trade is free -- and fair. \\\

That is what we are doing in the Uruguay Round of trade negotiations -- trying to lower barriers to the free flow of goods and services around the world. That is also what we will seek in the negotiations we will launch this year with Mexico and Canada to create a North American Free Trade Area. And my Enterprise for the Americas Initiative is intended to extend the benefits of flexibility throughout the Western Hemisphere.

To build a new, peaceful world order, we must also secure the democratic triumphs of the past year. I am thinking especially of the "Revolution of '89." The new democracies in central and eastern Europe inspire us all with their commitment to free societies and free market economies, but they face daunting obstacles from the Communist past, as well as severe new problems brought on by lost markets and higher oil prices.

My Administration is committed to help and committed to lead: Despite the burden we are bearing in the Gulf, I have asked Congress for \$400 million in new grant assistance for eastern and central Europe.

Four decades ago, the Marshall Plan helped build a West European zone of prosperity and security that greatly benefitted the United States. Together with our West European partners, we can now extend this success to create a Europe whole and free -- an entire continent of prosperity and stability that fulfills the vision of the Marshall Plan.

With their great human potential and commitment to market economic reform, central and eastern European countries offer real opportunities for U.S. trade and investment. I urge American business to seize these opportunities, as many are doing. G.E.'s Jack Welch weighed in with a \$150 million joint venture with Tungsram in Hungary. Union Pacific's Drew Lewis stepped up to the plate with an impressive effort to help Poland modernize its railroads. And Bell Atlantic and U.S. West have begun an \$80 million telecommunications venture in Prague.

History is moving decisively in favor of freedom -- thanks, in large part, to American ideals and perseverance. The touchstones of the modern world -- which the emerging democracies are now striving for -- are free markets, free speech, and free elections. America has lived by these tenets for over 200 years. They have given us both our power and our purpose.

That is why America and our allies are going to prevail in the Gulf. And that is why America and our partners are going to prosper in the years to come. Our best days are before us. And I can assure you -- America, and the world -- that we will continue to fight for principle. We will continue to do the hard work of freedom. \\\

Thank you. God bless the troops in the Gulf. And God bless the United States of America.

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2:00 P.M. NEWS UPDATE

AID TO STATES (Donald Rothberg, AP) -- President Bush told the nation's governors "we are going to have to fight together" to win congressional approval for his plan to transfer billions of dollars in domestic programs to the states. "I am not naive" about the resistance that could face his plan on Capitol Hill, Bush said at a White House meeting. "It is something that is very attractive to the states," said Gov. Gardner of Washington, after the meeting with Bush. "There's a great deal of incentive for us." Gardner said the governors got assurances that if they don't like any part of the package "we can trade for things we think are important." Gov. Ashcroft of Missouri said the programs Bush proposed shifting would save the states "about four million bureaucrat hours of paperwork just to meet the federal reporting requirements. The benefits to the states and to the people ultimately would be monumental."

MEETING WITH GOVERNORS/GULF (Gene Gibbons, Reuter) -- President Bush gave state governors a glowing report on the status of the war and vowed to fight the war with Iraq "to a successful conclusion." "There have been no surprises and there will not be any quick changes nor will I try to tie the hands of the military because I just feel we have to go forward and prosecute this to a successful conclusion," he said. "I have confidence that we're doing the right thing and I have confidence it's going according to plan," Bush said.

ISRAELI AID/PRESIDENT (Alan Elsner/Reuter) -- President Bush has told American Jewish leaders that the U.S. will have difficulty responding to Israel's request for additional aid to compensate for losses incurred in the war and to help absorb Soviet Jewish immigrants. "Unfortunately when we mentioned some assistance [in a meeting Thursday with the President and Secretary Baker], the response was, you realize the budget crisis we're having here," said Shoshana Cardin, who led the Jewish delegation.

PIPE BOMBS/NORFOLK (Norfolk/UPI) -- Authorities discovered two pipe bombs attached to a storage tank containing 1 million gallons of alcohol, forcing the evacuation of businesses and residences within a half mile radius. Authorities had no concrete motive or suspects but Thomas Gardner, Norfolk fire chief, noted: "There is nothing to connect this to a terrorist act at this point in time."

SHUTTLE BUS ATTACK (Riyadh/AP) -- A gunman fired on a shuttle bus as it passed a junkyard in the port city of Jiddah, slightly injuring two American military personnel, U.S. military officials said. Col. Ahmed al-Robayan, a Saudi military spokesman, declined to characterize the incident as a terrorist act, saying such a determination could not be made until the gunman was captured.

ALLIED AIR STRIKES/CIVILIANS (Najaf, Iraq/Reuter) -- American planes dropped 12 bombs on a residential area some three miles from one of the holiest Shiite Moslem shrines, killing at least 20 people and wounding dozens, residents said.

IRAQI CONVOYS/U.S. ATTACKS (Dhahran/AP) -- The relentless attack by U.S. and allied war-planes has forced Iraqi soldiers to move in smaller convoys and top officers to seek protection in schools, U.S. military officials said. In the last 24 hours, the officials said, the U.S. Air Force knocked out 25 Iraqi tanks moving in enemy territory and lost one UH-1 helicopter that crashed in a non-combat situation in Saudi Arabia, killing all four crewmen. Allied warplanes also destroyed five to 10 vehicles moving through Kuwait, suggesting the air campaign has forced Iraqi ground forces to move in smaller convoys to avoid detection, Marine Maj. Gen. Robert Johnston said. At a separate news conference in Riyadh, Gen. Schwarzkopf said that allied air strikes have been so effective that senior Iraqi officers are moving their headquarters into schools because "they know we're not going to attack civilian targets."

JORDANIAN CASUALTIES/PEREZ DE CUELLAR (U.N./AP) -- Secretary-General Perez de Cuellar condemned the allied bombing raids that Jordan says have injured and killed Jordanian truck drivers on Iraq's highway from Baghdad to Amman. "Jordan is an innocent victim of what is happening," Perez de Cuellar said as he entered U.N. headquarters. "This is something inadmissible, why Jordan has to suffer in a war in which it is not a party."

GROUND WAR/IRAQ (Baghdad/AP) -- Allied bombs pounded Baghdad, and official newspapers promised that the country would retaliate with a ferocious hit-and-run ground war that would end in Iraqi victory. The daily al-Thawra said the country will use its armor, mechanized units and special commando forces in coming battles.

IRANIAN MEDIATION OFFER/U.N. (U.N./Reuter) -- Secretary-General Perez de Cuellar welcomed Iran's offer to mediate between Iraq and the U.S. to help end the war. "I welcome such an initiative. I think Iran is in a good position to produce a formula which could put an end to the present situation," he told reporters.

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PRESIDENTIAL SPEECH ON EASTERN EUROPE

I. PURPOSE

Reaffirm U.S. commitment and leadership at a time when the new democracies of central and eastern Europe are at serious risk; announce new U.S. assistance levels and use that pledge to leverage substantially more from the Europeans and stimulate U.S. investment.

II. THEMES

From the beginning, the Administration set as one of its highest priorities support for democratic change in Eastern Europe as the key to ending Europe's tragic division.

The "revolutions of '89" transformed a continent. (Recall trips to Poland and Hungary in 1989 and to Prague in 1990.)

Eastern Europe's peaceful democratic revolutions inspired us all; these countries, beginning with Poland, have taken bold and courageous steps toward building democratic rule and market economies on the ruins of totalitarianism.

begin here... good stuff → But they face daunting obstacles: huge debt burdens, aging industries, etc., as well as severe new economic problems brought on by loss of markets and sharply rising oil prices.

The U.S. and its West European partners have an enormous stake in the success of these fragile democracies.

- o If they fail, Europe could be redivided between a prosperous and secure west and an impoverished and unstable east, with an uncertain USSR beyond.
- o If they succeed, we could build a Europe more stable and secure than history has known, forging a broader commonwealth of freedom and a new world order.

Despite high costs to their economies, these new democracies were early and strong supporters of UN sanctions against Iraq. The world community must return this solidarity.

The next year will be critical. As the new democratic leaderships implement the painful but essential economic reforms, they must know that the West stands with them.

Four decades ago, the Marshall Plan helped build a West European zone of prosperity and cooperation, to the great benefit of our security and economic prosperity as well.

Together we and our West European partners can now extend this success to central and eastern Europe as well -- creating a wider zone of prosperity and stability that fulfills the vision of the Marshall Plan.

Along with substantial financial and technical assistance, these countries need new investment to push their economies on the path of sustained growth. To help them attract that investment, we must insure their access to the broader European market and full integration into the world economy.

As the obstacles to their economic development are overcome, central and eastern Europe, with its great human potential and commitment to throughgoing economic reform, offers tremendous opportunities for U.S. trade and investment.

III. NEW INITIATIVES

(Begin by summarizing assistance to date and citing recent major initiatives -- \$5 billion in IMF credits achieved at our initiative, substantial emergency food aid, etc.)

Ask Congress for [\$470 million] in new grant assistance in FY92, representing a 50% increase over last year's request.

Call on other G-24 countries to pledge substantial new assistance, part "responsibility-sharing" for countries particularly hard hit by Iraq's aggression. Together with the international financial institutions and the Gulf oil-producing states, we call on them to cover fully the higher energy costs caused by the Gulf crisis.

Propose a Jackson-Vanik graduation program so that Hungary and Czechoslovakia can move quickly toward permanent Most Favored Nation status.

Call on other holders of official Polish debt to join us in reducing that burden by 50% this year and more in the years ahead. [Urge commercial creditors to follow suit.]

UNDER REVIEW:

[Announce loan guarantee program to support stabilization programs for Czechoslovakia, Hungary, and others moving toward currency convertibility (following the successful Polish plan, which we took the lead in supporting).]

NOTIONAL:

Call on the G-7 to reach agreement at the London Economic Summit in July on a comprehensive program of debt relief for central and eastern Europe.

Offer support for creation of a Central European Free Trade Zone -- linked, like EFTA, to the EC -- as a stepping stone toward full access to the broader European market.

Ask Secretary Mosbacher to lead investment missions (of leading U.S. CEO's) to every East European capital over the next six months.

~~NSC~~
→ 470 or ^{Treas.} 400 million ~~in~~ in new grant assistance for
E. Europe
/ general
400 + 70
European Bank for
Reconstruction & Development

the growth of federal spending ~~what~~
what budget will do.

→ cuts the growth of F.S. ...

February 4, 1991

MEMORANDUM FOR CHRISS WINSTON

FROM: CAROL BLYMIRE

SUBJECT: FACT-CHECKING CHANGES/SUGGESTIONS

Chriss, below please find the suggested changes/revisions for the address to the Economic Club of New York. Factually, it is pretty sound, since most of it was drawn directly from the State of the Union.

PAGE 1

Para. 1, sent. 2; Change to "And I thank each one of you...", also, spell out "United States of America", instead of "U.S.A."

Para. 2, sent. 1; Delete "for" before "this country". Replace "for" with "and" before "the United Nations", and delete "itself".

Para. 3, sent. 3; "We were slow to anger." -- this is not true. I think the President was probably very angry, as was the country, especially with the hostage situation.

Para. 6, sent. 2; Change "it's" to "this is".

Para. 8, sent. 3; "an" should be before historic.

Para. 8, sent. 4; I'm not really crazy about the whole sentence. It kind of sounds like we're going to nuke the place and make them start all over. I spoke with Bob Hutchings about it and he agreed that it was harsh and didn't sit well with him. He told me he didn't comment on the draft because he didn't want to criticize non-NSC matters.

PAGE 2

Para. 1, sent. 2; Delete "Tonight", and start sentence with "Our efforts..." since the efforts we put forth are not taking place only "tonight".

Para. 1, sent. 3; Delete "tonight".

Para. 2, sent. 1; Insert "in my State of the Union Address" before "that 'We are..."

Para. 5, sent. 3 and 4; Combine this two to read "Business and consumer confidence fell, and oil prices rose." I think it serves the next sentence better since it starts out with "Taken together..."

PAGE 3

Para. 1, sent. 4; "America is on the road back" is an awkward sentence. Maybe "America is getting back on track"?

Para. 2, sent. 1; Move the word "to" in front of "mitigate", no split infinitives in this speech! Add "to" before "strengthen".

Para. 3, sent. 1; Lowercase "f"s in federal.

Para. 3, sent. 2; Lowercase "b" in budget. I remember during the last round of budget rhetoric, we called it a budget **proposal** before it was passed.

Para. 4, sent. 2; Replace semi-colons with commas.

Para. 5, sent. 2; I suggest replacing "kids" with "children".

PAGE 4

Para. 1, sent. 1; Again, lowercase "b" in budget, and "proposal" inserted.

Para. 1, sent. 2; Delete "Our budget" and replace with "It".

Para. 1, sent. 4; This section does not blend well with the previous technology section. I suggest deleting this altogether, or creating an entire education paragraph.

Para. 2, sent. 2; Change "don't" to "we can't".

Para. 2, sent. 3; Since Ed doesn't source the quote, this sentence sounds as if the observer was with the President. I don't think it would be wise to allude that people associated with the President doesn't have faith in young people today.

Para. 4, sent. 2; Change "thanks to" to "because of".

PAGE 5

Para. 1, sent. 1; Change to "... backed by fact."

Para. 1, sent. 2; Change "Inflation's..." to "Inflation has been..."

Para. 1, sent. 4; Change "mitigating" to "alleviating".

Para. 1, sent. 5; David Walters, the Chief Economist at USTR informed me that only strong currencies influence the **price** of exports. However, both strong growth and strong currency influence the **pace**.

Para. 1, sent. 6; Mr. Walters also suggests deleting this entire sentence. I concur, since the 11am news summary featured an item that says, and I quote, "American workers' productivity in 1990 plunged at its sharpest rate since the last recession, marking the first time in a decade that productivity has fallen two years in a row."

Para. 2, sent. 1; Insert "Operation" before "Desert Storm".

Para. 3, sent. 1; Change "don't" to "we can't".

Para. 3, sent. 2; Change "business" to "businesses"

PAGE 6

Para. 1, sent. 3; Again, lowercase "b", and insert "proposal".

Para. 2, sent. 2; Delete "Free movement". Americans have not had free movement for the last 200 years (i.e. slavery, segregation, etc.). With all the hullabaloo about the Civil Rights Act veto, I think we should cut it.

Para. 2, sent. 3; Change "America's" to "America has".

Para. 4, sent. 2; Change to "God bless the troops in the Gulf, and the United States of America."

*** END ***

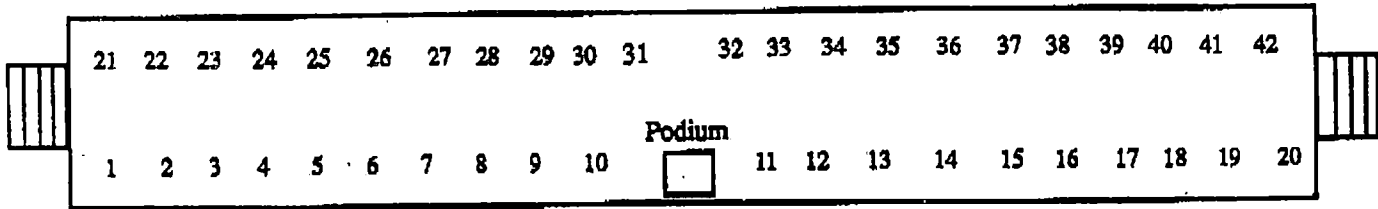
ACKNOWLEDGEMENTS

Secretary Nicholas Brady

Raymond Price, President of the NY Economic Club

-- There are a number of corporate CEOs, etc. who are on the lower and upper dais, as well as on the podium with the President. They are too numerous to mention individually. See the attached list.

NEW YORK, NEW YORK
 New York Hilton Grand Ballroom
 Address Economic Club of New York
 Dais Diagram
 Wednesday, February 6, 1991



Audience

Lower Dais

1. Mr. Peter R. Scanlon, Chairman, Coopers & Lybrand
2. Mr. Dwayne O. Andreas, Chairman, Archer Daniels Midland Company
3. Mr. Henry Kaufman, President, Henry Kaufman & Company
4. Mr. Daniel P. Tulley, President, Merrill Lynch & Company
5. Mr. Harold Burson, Chairman, Burson-Marsteller
6. Secretary Nicholas Brady, Secretary of the Treasury
7. Mr. David Rockefeller, The Rockefeller Group
8. Mr. V. Araskog, Chairman, ITT Corporation
9. THE PRESIDENT
10. Mr. Richard A. Voell, President, The Rockefeller Group and Chairman, The Economic Club of New York

PODIUM

11. Mr. Peter G. Peterson, Chairman, The Blackstone Group
12. Mrs. Bush
13. Mr. John C. Whitehead, Chairman, AEA Investors
14. Mr. Dennis Weatherstone, Chairman, J.P. Morgan & Company, Inc
15. Mr. John F. Welch, Chairman, General Electric Company
16. Mr. David Hartman, President, Rodman - Downs Ltd.
17. Mr. Martin S. Davis, Chairman, Paramount Communications
18. Mr. Richard Gelb, Chairman, Bristol-Myers Squibb Company
19. Mr. Donald B. Maconn, Chairman, PaineWebber Group Inc.
20. Mr. John Brademas, President, New York University

UPPER DAIS

21. Mr. Raymond K. Price, President, The Economic Club of New York
22. Mr. John W. Johnstone, Jr., Chairman, Olin Corporation
23. Mr. David R. Baker, Partner, Jones, Day, Reavis & Pough
24. Mr. Robert Van Buren, Chairman, Midlantic Corporation
25. Mr. Lawrence A. Weinbach, Managing Partner-Chief Executive, Arthur-Anderson & Co.
26. Mr. John Gutfreund, Chairman, Solomon Inc.
27. Mr. R. J. Ventres, Chairman, Borden, Inc.
28. Mr. Leonard Garment, Partner, Dickstein, Shapiro, & Morin
29. Mr. E. Gerald Corrigan, President, Federal Reserve Bank of New York
30. Mr. Joni L. Nelson, Partner, Rogers & Wells
31. U.S.S.S.
32. U.S.S.S.
33. Mr. Robert G. Schwartz, Chairman, Metropolitan Life Insurance Company
34. Mr. Thomas S. Johnson, President, Manufactures Hanover Trust Company
35. Mr. Edward L. Hennessy, Jr., Chairman, Allied-Signal, Inc.
36. Mr. G. G. Michelson, Senior Vice President, R.H. Macy & Co.
37. Mr. Michael I. Sovern, President, Columbia University
38. Mr. Walter V. Shipley, Chairman, Chemical Banking Corp.
39. Mr. John A. Paccetti, Chairman, The Manhattan Saving Bank
40. Mr. Edward J. Sawicz, Chairman, Discount Corporation of New York
41. Mr. Leon Hess, Chairman, Amara Hess Corporation
42. Mr. Landon Hilliard, Partner, Brown Brothers Harriman & Co.

Staffed for 3pm

McNally/Blymire
Feb. 1, 1991
Draft Two (B:ECON-NYC)

**PRESIDENTIAL REMARKS: ECONOMIC CLUB OF NEW YORK
NEW YORK HILTON, NEW YORK CITY
WEDNESDAY, FEB. 6, 1991, 8:30 P.M.**

Thank you, _____. And thank you, each of you -- not for standing up to greet me -- but for standing up for all those fighting against aggression tonight in the Persian Gulf -- and especially -- the fighting men and women of the U.S.A. \\\

This year marks a defining hour -- a moment of truth -- for this generation, for this country, for the United Nations itself.

We were patient. We were cautious. We were slow to anger. But when the moment of truth came, America and the world did the right thing.

We said the occupation of Kuwait would not stand.

And three weeks ago tonight, at just about this time, we announced that the liberation of Kuwait had begun. \\\

Three weeks ago tonight, allied forces moved to end a conflict we did not seek and did not begin. But ladies and gentlemen -- it's one we and our allies do intend to finish. \\\

Tonight we are on course and on schedule. Mission by mission, hour by hour, Iraq's capacity to wage war is being systematically destroyed by American and Coalition forces.

The road to real peace will be long and tough. But we will prevail. And when we do, we will have before us a historic opportunity. From the confluence of the Tigris and Euphrates -- where civilization began -- civilization can begin anew. We can build a better world -- a new world order. \\\

Hotchings hated

Bob Hotchings 5752

Δ sentence sounds like we're going to nuke the place & make them start over

✓

THE WHITE HOUSE

WASHINGTON

Tonight, the world is united by shared commitments, shared interests, shared hopes. Tonight, our efforts will determine the kind of legacy we bequeath our children, the kind of world they will live in. And so tonight, let us re-dedicate ourselves to the ideals in which our troops so resolutely believe. **Because in the final analysis, America and her partners will be measured not by how we wage war -- but how we make peace.**

*In my
SDU
P.3*

I said last week that "We are the Nation that can shape the future." And shaping the future is a job that begins at home.

Long-term growth is key to **quality of life** in America's families, **quality of decency** in America's communities, and to **quality of leadership** in America's special role as the world's leading diplomatic, cultural, and economic power.

*SDU
P.3*

Despite present obstacles, we meet in an era of sustained and unprecedented growth. It began almost nine years ago -- the longest peacetime expansion in American history. Working together, we created millions of new jobs, and cut both interest rates and inflation in half -- **a triumph driven by the energies of the most dynamic and diverse private economy on Earth.**

Against this background, the events of 1990 served to remind us that even a fundamentally healthy economy faces the risk of temporary disturbances and short-term setbacks. When Iraq invaded Kuwait in August 1990, it was a shock to the world's conscience. Business and consumer confidence fell. Oil prices rose. Taken together, this produced a very real blow to an economy that had already slowed.

THE WHITE HOUSE

WASHINGTON

502
P.3

But make no mistake: The downturn in the U.S. economy in the latter part of 1990 does not signal any decline in its fundamental, long-term health or basic vitality. America is home to the largest, most productive economy on Earth. America is a "can do" nation. And today, America is on the road back.

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P.3

My Administration's economic policies are designed to not only mitigate the current downturn -- but also strengthen the foundation for a solid recovery and the highest possible rate of sustained economic growth. I described the three pillars of that foundation in my State of the Union Address: Encouraging economic growth; investing in the future; and giving power and opportunity to the individual. \\\

502
P.3

Encouraging economic growth means reducing Federal borrowing -- by reducing Federal spending now. That's why we sent Congress a Budget that holds spending growth below the rate of inflation. And that's why the budget law was armed with real teeth -- "pay-as-you-go" provisions with enforceable spending caps -- aimed at cutting the growth of debt by nearly \$500 billion.

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P.3-4
502

We must also fuel economic growth by providing incentives to promote private savings. That means tax-free family savings accounts; penalty-free withdrawals for first-time home buyers; and yes -- a reduced tax for long-term capital gains. \\\

We must also renew our investments in America's future. That means investing in the education and safety of our kids. Investing in the infrastructure of our financial and transportation systems. Investing in high technology and in space -- to

THE WHITE HOUSE

WASHINGTON

the Moon and Mars and beyond.

500
P.4

The Budget we sent to Capitol Hill includes record amounts for research and development, one of the most important investments we can make in the long-term economic and military strength of our Nation. Our Budget also recognizes that government must help translate the results of basic research into the generic technologies that strengthen our industries and improve our lives. \\\ But our most important investment isn't in machines -- it's in the people they're designed to serve. Together with the Nation's Governors, my Administration has launched a comprehensive effort at reform and restructuring, aimed at producing an educational renaissance. \\\

We've still got a long way to go. But don't sell our kids short. [As one observer said of the troops manning Patriot missiles in the Gulf: "In one day, they wiped out the idea that young Americans are not smart enough for the 21st century." \\\

Sounds like the
observer was
POTUS when
watching
end of
demeanor

Investing in the future also means a financial system that is both safe and profitable -- a world-class financial system for a world-class economy. The banking reform plan we unveiled yesterday puts greater reliance on the discipline of the marketplace. By allowing non-banks to invest in banking, it provides a fresh infusion of capital. By permitting nationwide banking, we can withstand regional downturns and provide economies of scale. And product diversification will provide greater competition, better service, and decreased risk.

Steve
Farrar
outline

The challenges ahead are great. But thanks to all these

THE WHITE HOUSE

WASHINGTON

efforts, by any historical standard, the current downturn is expected to be mild and brief. And today in America, the bottom line is this: While our economy may be beset by difficulty -- it should not be beset by doubt. \\\

USTR
export better
not me

This sense of confidence is backed by the facts. The good news runs broad and deep: Inflation's been kept under control. The trade deficit declined for the third year in a row. Inventories have been kept down, mitigating the need for production cuts to work off excess inventory. Because our major trading partners are seeing strong growth and strong currencies, the price of U.S. exports on world markets will remain low -- meaning the pace of U.S. exports will continue to set record highs. Productivity in manufacturing continues its impressive growth.

Even oil prices have fallen substantially since their peaks in October, especially since the start of Desert Storm. And in this way, the first-rate performance of American and Allied troops has already helped to preserve the global economic prosperity so crucial to achieving real peace.

USTR
Torie
Clarke
395-3357
David
Walters
3583
CEA
David
Sperling
395-7280

From?

And don't forget another underlying strength: The flexibility of America's free market economy enables it to adapt to challenges and to make the most of new opportunities. Let me give you one example: When the "Revolution of '89" suddenly transformed a continent, American business stood ready. G.E.'s Jack Welch stepped in with a \$150 million joint venture with Tungsraun in Hungary. Marriott launched a major joint venture with LOT, the Polish airline, for a hotel-office complex in

central Warsaw. And Bell Atlantic and U.S. West have begun an \$80 million telecommunications venture in Czechoslovakia.

Four decades ago, the Marshall Plan helped build a West European zone of prosperity and security that greatly benefitted the United States. **Together with our West European partners, we can now extend this success to create a Europe whole and free -- an entire continent of prosperity and stability that fulfills the vision of the Marshall Plan.** And in the new ^bbudget, ^{proposal}my Administration is committed to help and committed to lead: I asked Congress for [\$470 million] in new grant assistance for Eastern Europe -- a 50 percent increase over last year's initiative.

History is moving decisively in favor of freedom -- thanks, in large part, to American perseverance. The touchstones of the modern world -- which the emerging democracies are now striving for -- are free markets, free movement, free speech, and free elections. America's lived by these tenets for over 200 years. **They have given us both our power and our purpose.**

That is why America and our allies are going to prevail in the Gulf. And that is why America and our partners are going to prosper in the years to come. Our best days are before us. And I can assure you -- America, and the world -- that we have not come through 215 years of history, fighting for principle and doing the hard work of freedom, only to back down now. \\\

Thank you. God bless ^{the}our troops in the Gulf, ^{and}and God bless the United States of America.

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11:00 A.M. NEWS UPDATE

BUDGET (Bud Newman, UPI) -- President Bush sent Congress a \$1.4 trillion 1992 budget that had record-high deficits, \$4.5 billion less in Pentagon spending despite the war, a \$3 billion Medicare cut and more money for children, education, parks and highways. Bush's budget for the federal fiscal year that begins Oct. 1 proposed total spending of \$1.44 trillion, a record deficit of \$318.1 billion this year and \$280.9 billion in 1992 -- assuming spending caps imposed last year are adhered to -- and about \$2 billion in higher taxes over the next five years. It proposed transferring about \$15 billion in federal programs to the states and set off what Bush termed "a competition for resources" among various federal programs thanks to the spending caps imposed by last year's historic budget accord. Rep. Panetta called that proposed transfer "warmed over new federalism" and "buffet-style revenue sharing."

(Jim Luther, AP) -- President Bush asked Congress to boost incentives for saving by cutting taxes on capital gains, creating a tax break for long-term accounts and allowing IRA withdrawals for some homebuyers. His proposed budget calls for no general tax increase. It includes more targeted tax reductions than tax increases. In a written message, Bush said his savings incentives would enhance the nation's potential for long-term growth.

(UPI) -- The White House proposed putting an additional \$2 billion into public feeding programs for fiscal 1992, including enough money to add 175,000 people to the so-called WIC program. The increase in funding also would allow the government to meet increased demand for food stamps.

DEFENSE BUDGET (Reuter) -- Faced with pressure to cut arms spending despite the war and new strains in U.S.-Soviet relations, President Bush asked Congress for a \$295.2 billion 1992 defense budget, \$3.7 billion less than current spending. The proposal does not include funds for rising U.S. costs of the war. But the Pentagon will ask Congress this month for an addition to the current \$298.9 million budget to help pay that cost. While it seeks reductions in programs, it also calls for a major increase to \$4.6 billion next year for Star Wars.

FUNDING TO STATES/GOVERNORS (AP) -- Democratic and Republican governors praised President Bush's plan to transfer billions of dollars in domestic programs to the states, but expressed concern about whether Congress would go along. "I think the President is sincere in terms of wanting to give that degree of flexibility" to the states, Gov. Wilder said on ABC's "Good Morning America." "The question now is whether Congress will go along with it." Gov. Wilson stressed that "we have to manage, Congress doesn't. But typically, Congress...likes to micromanage." Gov. Edgar of Illinois said the plan "gives us a lot better ability to manage our own responsibilities."

BOMBINGS ON BAGHDAD (Baghdad/Reuter) -- Baghdad came under heavy bombardment overnight from three waves of allied aircraft which apparently included B-52 bombers. An Iraqi military spokesman said on Baghdad Radio that nine allied aircraft had been shot down in the last 24 hours.

-more-

ISRAELI RESTRAINT (Jerusalem/Reuter) -- Prime Minister Shamir said Israel was eager to fight Iraq but was staying out of the war to ensure victory for U.S.-led forces. "Our people want to fight very much," Shamir's office said he told visiting New York City Mayor Dinkins. "But we are taking into account the complex situation and don't want to complicate it even more because our goal is the victory of the coalition," the Israeli leader said.

RAFSANJANI (Nicosia/AP) -- Iran's President Rafsanjani offered to meet Saddam for talks on ending the war, and said he was willing to resume official contact with Washington in the interests of peace.

(Athens/UPI) -- President Rafsanjani said he presented ideas on peace to Saddam last week, but he found the Iraqis to be still inflexible, Iran's official Islamic Republic News Agency reported.

IRAN/KUWAITI AMBASSADOR (London/Reuter) -- Kuwait's ambassador to Britain, Ghazi al-Rayes, said Iran had promised to stay out of the war, and that any breach of this neutrality would be "devastating."

WORKER PRODUCTIVITY (AP) -- American workers' productivity in 1990 plunged at its sharpest rate since the last recession, marking the first time in a decade that productivity has fallen two years in a row, the government said. Meanwhile, the Labor Department's report showed that during the final three months of 1990, the nation's businesses trimmed the working hours of their employees at an annual rate of 2.7 percent -- the largest falloff since the depths of the 1981-82 recession.

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THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN

91 FEB -5 AM 8:08

February 5, 1991

MEMORANDUM FOR THE PRESIDENT

THROUGH: DAVID DEMAREST *DD*
FROM: EDWARD E. McNALLY
SUBJECT: ADDRESS TO THE ECONOMIC CLUB OF NEW YORK

I. SUMMARY

On Wednesday, February 6, at 8:30 p.m., you are scheduled to address approximately 2,400 C.E.O.'s and other attendees at a dinner hosted by the Economic Club of New York.

II. DISCUSSION

This address (15 minutes, on teleprompter) presents an upbeat view of the economy, building on three recent events: your State of the Union Address, the Administration's budget proposal, and the new banking package. (The draft also takes note of the upcoming release of the Administration's National Energy Strategy, scheduled for later this month.)

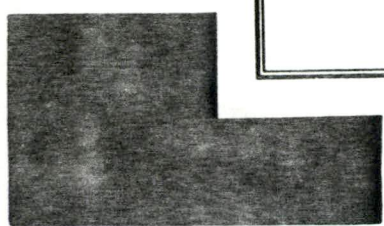
The attached draft was prepared with guidance from General Scowcroft, Chairman Boskin, Roger Porter, Dr. Bromley, and the Departments of Treasury and Commerce and OMB.

George Bush



GEORGE BUSH

I think we need some mention about the
deficit...large and horrible though
it is maybe a sentence or 2
at "A" on ppage 3



THE PRESIDENT HAS SEEN

THE PRESIDENT HAS SEEN

McNally/Blymire
Feb. 4, 1991
Draft Three (B:ECON-NYC)

**PRESIDENTIAL REMARKS: ECONOMIC CLUB OF NEW YORK
NEW YORK HILTON, NEW YORK CITY
WEDNESDAY, FEB. 6, 1991, 8:30 P.M.**

Thank you, _____. And thank you, each one of you -- not for standing up to greet me -- but for standing up for all those fighting against aggression tonight in the Persian Gulf -- and especially -- the fighting men and women of the United States of America. \\\

This year marks a defining hour -- a moment of truth -- for this generation, for this country, and for the United Nations itself. We were patient and we were cautious. But when the moment of truth came, America and the world did what was moral, what was just, and what was right.

We said the occupation of Kuwait would not stand.

And three weeks ago tonight, at just about this time, we announced that the liberation of Kuwait had begun. \\\

Three weeks ago tonight, allied forces moved to end a conflict we did not seek and did not begin. But ladies and gentlemen -- it's one we and our allies (do intend to) finish. \\\ will ?

Tonight we are on course and on schedule. Mission by mission, hour by hour, Iraq's capacity to wage war is being systematically destroyed by American and Coalition forces.

The road to real peace will be long and tough. But we will prevail. And when we do, we will have before us an historic opportunity. From the confluence of the Tigris and Euphrates --

where civilization began -- civilized behavior can begin anew.

We can build a better world -- a new world order. \\\

Tonight, the world is united by shared commitments, shared interests, shared hopes. Our efforts will determine the kind of legacy we bequeath our children, the kind of world they will live in. And so, let us re-dedicate ourselves to the ideals in which our troops so resolutely believe. Because in the final analysis, America and her partners will be measured not by how we wage war -- but how we make peace.

I said in my State of the Union Address that "We are the Nation that can shape the future." And shaping the future is a job that begins at home: Long-term economic growth is central to quality of life for America's families, quality of decency for America's communities, and to the quality of leadership America can bring in its special role as the world's leading diplomatic, cultural, and economic power.

Just over eight years ago, the longest peacetime expansion in American history began. Working together, we created millions of new jobs, and cut both interest rates and inflation in half -- a triumph driven by the energies of the most dynamic and diverse economy on Earth.

Against this background, the events of 1990 served to remind us that even a fundamentally healthy economy faces the risk of temporary disturbances and short-term setbacks. For example, when Iraq invaded Kuwait in August 1990, it was a shock to the world's conscience. Business and consumer confidence fell. Oil

GEORGE BUSH

Somewhere in here can we reply
to the argument made in todays
WSJ that our budget was much higher
than Reagan's in terms of spend-
as % of GNP..... (Ed page 2-5-)

✓

prices rose. Taken together, this produced a very real blow to an economy that had already slowed.

But make no mistake: The current recession does not signal any decline in the fundamental, long-term health or basic vitality of our economy. America is a "can do" nation. America is home to the largest, most productive economy on Earth.

OW
~~My~~ Administration's economic policies are designed to strengthen the foundation for a solid recovery and the highest possible rate of sustained economic growth. I described the three pillars of that foundation in ^{the} ~~my~~ State of the Union Address: Encouraging economic growth; investing in the future; and giving power and opportunity to the individual. \\\

Encouraging economic growth means reducing federal borrowing -- by cutting the growth of federal spending now. That's why we sent Congress a budget proposal that holds spending growth below the rate of inflation. And that's why the budget law was armed with real teeth -- "pay-as-you-go" provisions and enforceable spending caps -- aimed at cutting the growth of debt by nearly half a billion dollars.

To ensure economic growth, this Administration will also redouble its efforts to weed out counter-productive government regulations. The market must be allowed to work without unnecessary federal intervention. \\\

We must also fuel economic growth by providing incentives to promote private savings. That means tax-free family savings

Can we

accounts; penalty-free I.R.A. withdrawals for first-time home buyers; and yes -- a reduced tax for long-term capital gains.

We must also renew our investments in America's future.

That means investing in the education and safety of our children.

Investing in the infrastructure of our transportation system.

Investing in reforms for the financial services system.

Investing in high technology and in space -- to the Moon and Mars and beyond.

Put in Total R&D Dollars ??
has been well received - It
 The budget proposal we sent to Capitol Hill includes record amounts for research and development, one of the most important investments we can make in the long-term economic and military strength of our Nation. It also recognizes that government must help translate the results of basic research into the generic technologies that strengthen our industries and improve our lives. \\\ But our most important investment isn't in machines -- it's in the people they're designed to serve. Together with the Nation's Governors, *we have* ~~my Administration~~ has launched a comprehensive effort at reform and restructuring, aimed at producing an educational renaissance. \\\

We've still got a long way to go. But we won't sell our kids short. As one observer said of the troops manning Patriot missiles in the Gulf: "In one day, they wiped out the idea that young Americans are not smart enough for the 21st Century." \\\

Investing in the future also means a financial system that is both safe and profitable -- a world-class financial system for a world-class economy. The banking reform plan we unveiled

yesterday puts greater reliance on the discipline of the marketplace. By allowing non-banks to invest in banking, it provides opportunities for a fresh infusion of capital. By permitting nationwide banking, we can withstand regional downturns and provide economies of scale. And product diversification will provide greater competition, better service, and decreased risk.

The challenges ahead are great. But because of all these efforts, by any historical standard, the current downturn is expected to be mild and brief. And today in America, the bottom line is this: While our economy may be beset by difficulty -- it should not be beset by doubt. \\\

A healthy sense of confidence is backed by the facts. Inflation has been kept under control. Interest rates are beginning to decline further. The trade deficit declined for the third year in a row. Inventories have been kept down, reducing the need for production cuts to work off excess inventory. Because our major trading partners are seeing relatively strong growth, and the price of U.S. exports on world markets remains low, the pace of U.S. exports will continue to set record highs.

Even oil prices have fallen substantially since their peaks in October, especially since the start of Operation Desert Storm. And in this way, the first-rate performance of American and Allied troops has already helped to preserve the global economic prosperity so crucial to achieving real peace.

what way
Federal Deficit missing!!!

Later this month, the Administration will release its National Energy Strategy. The strategy will propose federal, state and private sector initiatives to increase energy efficiency and conservation. It recognizes the need for sustained economic growth and creating a clean, safe environment.

A key goal of the Administration strategy is to reduce our vulnerability to foreign oil supply disruptions. Some, however, will suggest that enhancing our energy security is not enough, and that we should embark upon drastic measures designed to achieve total energy independence. Let me tell you: We are a long way from total energy independence. Unwise and extreme measures would only hurt American consumers, American jobs and American industries. \\\

There's no doubt we must begin reducing our energy vulnerability now. That will require a broad and balanced array of actions -- conservation and efficiency measures, new production steps, deregulatory actions, and investments in promising energy technologies. This is the kind of prudent, balanced, and comprehensive approach ^{we} ~~my Administration~~ ^{be} will ^{take} taking.

And finally, don't forget another underlying strength of our economy: The flexibility of America's free market system. To preserve this flexibility, we must keep our markets open and hold government restrictions to minimum. This is not easy. Naturally, we all want security. However, often that means keeping out the competition. For the sake of future generations

of Americans, we must level the playing field, so that international trade is free -- and fair. \\\

That is what we are doing in the Uruguay Round of trade negotiations -- trying to lower barriers to the free flow of goods and services around the world. That is also what we will seek in the negotiations we will launch this year with Mexico and Canada to create a North American Free Trade Area. And my Enterprise for the Americas Initiative is intended to extend the benefits of flexibility throughout the Western Hemisphere.

To build a new, peaceful world order, we must also secure the democratic triumphs of the past year. I am thinking especially of the "Revolution of '89." The new democracies in central and eastern Europe inspire us all with their commitment to free societies and free market economies, but they face daunting obstacles from the Communist past, as well as severe new problems brought on by lost markets and higher oil prices.

My Administration is committed to help and committed to lead: Despite the burden we are bearing in the Gulf, I have asked Congress for \$400 million in new grant assistance for eastern and central Europe.

Four decades ago, the Marshall Plan helped build a West European zone of prosperity and security that greatly benefitted the United States. Together with our West European partners, we can now extend this success to create a Europe whole and free -- an entire continent of prosperity and stability that fulfills the vision of the Marshall Plan.

- ~~Recession coming on, it~~
~~↑ our need to spend~~

- S&L bailout

grew thru out the 80's
we have to deal w/ it
now

- ever - ↑ need for spending
in SS & medicare
& health costs
all expenditures are
going up.

- Darman conspiracy ... ☹

biggest source in
change is \$111 billion
one - time thing
money solved

entitlements
out of control

With their great human potential and commitment to market economic reform, central and eastern European countries offer real opportunities for U.S. trade and investment. I urge American business to seize these opportunities, as many are doing. G.E.'s Jack Welch weighed in with a \$150 million joint venture with Tungsram in Hungary. Union Pacific's Drew Lewis stepped up to the plate with an impressive effort to help Poland modernize its railroads. And Bell Atlantic and U.S. West have begun an \$80 million telecommunications venture in Prague.

History is moving decisively in favor of freedom -- thanks, in large part, to American ideals and perseverance. The touchstones of the modern world -- which the emerging democracies are now striving for -- are free markets, free speech, and free elections. America has lived by these tenets for over 200 years. They have given us both our power and our purpose.

That is why America and our allies are going to prevail in the Gulf. And that is why America and our partners are going to prosper in the years to come. Our best days are before us. And I can assure you -- America, and the world -- that we will continue to fight for principle. We will continue to do the hard work of freedom. \\\

Thank you. God bless the troops in the Gulf. And God bless the United States of America.

#

1991 - 318 bill debt

by 1995, b/c of budgetary
reforms enacted in FRC '90,
the def will be virtually
eliminated

reason it's so $\uparrow$ is b/c of #
of unexpected events

incl. - situ. in Gulf
loss in conf. (consumers)
oil prices $\uparrow$

after 8/2
everything
collapsed

Bush Predicts That Recession Will Be Brief

President Seeks to Reassure U.S. Business Leaders; Defends Japan, Germany

By MICHEL MCQUEEN

Staff Reporter of THE WALL STREET JOURNAL
NEW YORK—President Bush predicted the recession will be over by the middle of the year, saying, "in a couple of quarters we'll come out of this, and then we'll have a robust economy."

In remarks to the Economic Club of New York, a nonpartisan group of senior executives, Mr. Bush also defended Japan and Germany, nations that many in the U.S. have accused of contributing too little to the Persian Gulf war. And he warned that U.S. economic relations with the Soviet Union won't improve so long as Moscow is cracking down on independence movements in the Baltics.

Most of Mr. Bush's speech was devoted to reassuring his business audience about the economy. "I think we've got a real opportunity before half the year is over to start seeing a recovery, to see us come back on a growth pattern, see us resume our economic vigor," he said. He added that he hopes interest rates will decline further.

But Mr. Bush also vowed to resist what he called "pump-priming," or "make-work" programs to stimulate the economy through government spending. He said some aspects of the recession are "psychological," and he urged consumers to show more confidence in the economy. In particular, he sought to reassure people who

have avoided travel out of fear of terrorism.

"I think what's needed is a boost of confidence," Mr. Bush said. "I understand that some people are afraid to travel because of security. . . . We've got good security, we've got good intelligence. And I think the American people should have confidence in travel and tourism. And I think people should come here with a renewed sense of confidence."

On other issues, Mr. Bush took pains to reassure the public that the war effort is

proceeding smoothly and that he hasn't ignored domestic needs.

Asked whether U.S.-Soviet trade relations can be improved, Mr. Bush said, "When we see repression in the Baltics, it is very hard to have business as usual." He said Moscow's crackdown on independence movements in the Baltic republics of Lithuania, Latvia and Estonia "is a big problem, and it concerns me deeply, and it concerns the American people deeply."

At the same time, he defended his decision. Please Turn to Page A6, Column 5.

President Attempts To Reassure Leaders Of American Business

Continued From Page A3

sion to maintain ties with the Soviet Union and China. Mr. Bush said the "new world order" he seeks can only be possible with dialogue with Moscow and Beijing. And he said the Soviets have been "steadfast" in support of the anti-Iraq alliance.

In defending Japan and Germany, the president cited Bonn's recent pledge to donate \$5 billion more to the war effort and Japan's pledge of an additional \$9 billion.

"Those are very generous contributions in my view—or appropriate contributions," he said. Noting constitutional and domestic political restraints against direct military participation by those countries, he added: "I'm hoping that the world will see that they are pitching in and will continue to pitch in."

Mr. Bush said his administration is taking steps to deal with the recession, citing his continued advocacy of a capital gains tax cut, development of a national energy strategy and a set of proposals for the banking industry introduced Tuesday.

He said some problems in the banking sector might be attributed to overzealous regulators. "I think some of the regulators in the past got overzealous, and I think that scared some of the banks," Mr. Bush said. But he added: "Just to be fair about it, I think some of the banks made some bad loans."

Bush vows resumption of 'robust economy'

By Frank J. Murray
THE WASHINGTON TIMES

NEW YORK — President Bush painted a rosy picture of imminent economic growth and prosperity and minimized the import of the recession last night as he began demonstrating that the Persian Gulf war has not consumed him.

He predicted the recession would end "before half a year is over."

"I predict in a couple of quarters we'll come out of this and we'll have a robust economy," Mr. Bush told U.S. industrial leaders in his first journey unrelated to the war since Dec. 8.

"While our economy may be beset by difficulty, it should not be beset by doubt," he said.

"Make no mistake: The current recession does not signal any decline in the fundamental long-term health or basic vitality of our economy," he said to guests at the Economic Club of New York who had paid \$324,000 at \$1,350 per table.

While emphasizing the impact of fluctuating oil prices on his strategies, Mr. Bush moved to lower the expectations of the corporate executives about his forthcoming energy strategy, scheduled for release this month after two years of backstage battles.

He said it would "reduce our vulnerability to foreign oil supply disruptions," but he rejected calls to achieve total energy independence. He called the steps to do that "unwise and extreme."

"The reality is that we are a long way from total energy independence," Mr. Bush said.

The trip with Mrs. Bush to a black-tie dinner of the New York club — rush-hour gridlock and all — put action into his oft-repeated creed that "life goes on," even as the president wrestled with an imminent decision on launching a Gulf ground invasion.

While balancing concern for the



Photo by Don Preisler/The Washington Times

President Bush and his wife, Barbara, walk to the Marine One helicopter on the White House South Lawn for a trip to New York to give a major speech.

Iraqi President Saddam Hussein will not hold him hostage at the White House. Tonight he attends his first purely political event in months, a fund raiser at Washington's Madison Hotel for Arizona gubernatorial candidate Fife Symington. He is back to signing proclamations for Heart Month, receiving Boy Scouts, jogging and joking in public, and limited travel although schedules now are marked

He will go again to Camp David, as he has every weekend since Christmas, and next weekend Mr. and Mrs. Bush make their mid-winter pilgrimage to their home in Kennebunkport, Maine.

He had been scheduled to be finishing a trip to Moscow and other countries en route, but canceled that Jan. 28 with a statement that said, "The Gulf war makes it inappropriate for President Bush to be away from Washington."

Last night's speech made brief mention of the war but was confident of victory. "From the confluence of the Tigris and Euphrates, where civilization began, civilized behavior can begin anew," Mr. Bush promised about 2,400 dinner guests before changing the subject to money.

"In the final analysis, America and her partners will be measured not by how we wage war but how we make peace," he said, brimming with

optimism that even cited a silver lining to the war.

"I believe that by standing up to aggression in the Gulf, we are guaranteeing the future security and stability of that area that is so vital to global economic prosperity," Mr. Bush said.

He listed facts that he said justified his confidence: "Inflation has been kept under control. Interest rates are beginning to decline further. The trade deficit declined for

the third year in a row. Inventories have been kept down, reducing the need for production cuts to work off excess inventory. . . . The pace of U.S. exports will continue to set record levels. . . . Despite prewar predictions that a Gulf war would send oil up to \$80 a barrel, oil prices have fallen substantially since their peaks in October, especially since the start of Operation Desert Storm."

For his proposed budget, Mr. Bush plugged a North American free trade proposal, and a banking reform plan that he said would strengthen the foundation for a solid recovery but offered no measures of time or money.

He said federal borrowing must be cut further "by cutting the growth of federal spending." The president said his budget has provided a start by holding spending growth below inflation, despite its need to borrow one in every five of its \$1.45 trillion. He termed the resulting \$280.9 billion deficit unacceptably high.

During a question-and-answer period after his speech to the mostly Fortune 500 executives, Mr. Bush also elaborated more than ever on what he calls the "new world order" among nations, which he has called the cornerstone of resisting Iraq's aggression.

"My vision of a new world order foresees a United Nations with a revitalized peacekeeping function," he said.

He said a continuation of improved relations with the Soviet Union, which recently has used force against the breakaway Baltic republics, would be important in the new world order.

He added: "We left China out of the equation. We ought not to do that."

Saying he was offended by human rights abuses, Mr. Bush said, "I think it is in the interest of the United States to have China in the new world order."

President Skips Over Difficulties in N.Y. Economic Pep Talk

217

By Dan Balz
Washington Post Staff Writer

NEW YORK, Feb. 6—President Bush offered the country an economic pep talk here tonight, predicting that the current recession would be "mild and brief" and adding that what is needed most now is "a boost in confidence."

The president also said the Persian Gulf War would not put too much additional burden on the economy and suggested that a successful end to the war would help assure long-term economic growth here and around the world.

"The road to real peace will be difficult—long and tough," Bush said. But he argued that "by standing up to aggression in the gulf, we are guaranteeing the future security and stability of that area, that is so vital to global economic prosperity."

Bush repeated his belief that the allied campaign in the gulf is "on course and on schedule," adding that "hour by hour, Iraq's capacity to wage war is being systematically destroyed by American and coalition forces."

He pledged that while he could not predict when the war would end, it would not drag on indefinitely. "I've never been more certain of anything in my life," he said. "We're going to win it."

Speaking to the Economic Club of New York in one of the regions hardest hit by the current recession, the president skipped lightly over the rising unemployment rate and shocks to the banking and real estate sectors, suggesting they are only "temporary disturbances and short-term setbacks" to an economy that is fundamentally sound.

"We are in a recession, there's no question about that," Bush said. But he argued that the downturn "does not signal any decline in the fundamental, long-term health or basic vitality of our economy. America is a 'can do' nation."

He blamed the decline on a series of shocks generated by Iraq's invasion of Kuwait, which he said tipped an already weakened economy into a full-fledged recession. But as he

did in his State of the Union address on Jan. 29, Bush sought to boost consumer confidence.

"While our economy may be beset by difficulties," he said, "it should not be beset by doubt." He asserted that his own confidence about the future "is backed by the facts." He pointed to declining interest rates, oil prices that have fallen since the outbreak of the gulf war three weeks ago and an inflation rate that has been "kept under control."

He predicted that the recession would end "in a couple of quarters" to be followed by "a robust economy."

As Bush spoke, anti-war demonstrators that police estimated at about 1,000 rallied outside chanting slogans. Three were arrested on charges of disorderly conduct.

Bush said his new budget would help assure long-term economic growth by maintaining a tight rein on government spending and pledged, as other presidents before him have done, that the federal deficit would be virtually eliminated in several years.

But he barely touched on the record federal deficit expected for the current fiscal year—\$318 billion—or on the fact his new budget projects a \$281 billion deficit for fiscal 1992. "True," he said, "the deficit is high—unacceptably high. The S&L costs, the war and the economic decline haven't helped a bit." He said last year's budget agreement, which includes caps on spending and pay-as-you-go provisions, will shrink the deficit in future years.

Bush offered a preview of the national energy strategy that Energy Secretary James D. Watkins is expected to unveil soon, saying it would reduce the vulnerability of the American economy to disruptions in world oil supplies.

But he sounded a defensive tone as he tried to counter critics who are predicting already that the administration's plan will not go far enough to assure conservation.

"Some will argue that reducing our energy vulnerability is not enough and that we should embark upon more drastic measures designed to achieve total energy independence," he said. "The reality is that we are a long way from total energy independence. We must avoid unwise and extreme measures that would seriously hurt American consumers, American jobs and American industries."

The president also urged Congress to take quick action on the banking reforms outlined Tuesday by Treasury Secretary Nicholas F. Brady. He said the proposal would continue to protect depositors while assuring that U.S. banks can compete in today's global financial markets.

The president talked briefly about the shape of the world in the aftermath of the gulf war. Asked to define what he means when he describes the prospect of a "new world order" coming out of the gulf war, he said he could foresee a world in which the United Nations has "a revitalized peacekeeping function" and in which closer bilat-

tures similar cooperation between the superpowers at the United Nations.

Bush also said he believed U.S. leadership in the gulf war would pay dividends in future economic relations with Germany and Japan. He said he was grateful for the financial support pledged by the two nations to Operation Desert Storm and to frontline nations suffering economically.

But he said U.S. actions in the gulf were also helping the German and Japanese people, and said he hoped those people would see "a United States that has a vastly restored credibility" that would make trade and other economic relations more fruitful once the war ends.

"Because we've decided to bite off this tough assignment... we will have some... persuasiveness that will lead to more harmonious trading relationships," he said.

On military spending, Bush said he was prepared to shrink the defense budget but not as much as some members of Congress are advocating. He said the performance of high-technology weapons in the gulf war assures increased reliance on such weapons in the future. "We are going to have a high-tech, a highly mobile force," he said. "And it ain't going to come cheap."

Bad weather forced the president to travel by motorcade from the airport to the speech site in midtown Manhattan, tying up rush-hour traffic for more than an hour. Police cars blocked not only side streets but every garage and parking lot exit on the route, the Associated Press reported.

President Plans Maine Vacation

President Bush, who decided to postpone the Moscow summit this month because of the Persian Gulf War, now plans to take a vacation to Maine, the White House announced yesterday.

Bush and his wife, Barbara, will go to their Kennebunkport home Feb. 15 and spend the President's Day weekend there. He is scheduled to return on Feb. 18.

The president has made it a practice to spend a weekend in Maine in February in past years. Spokesman Martin Fitzwater said Bush's absence from Washington



News Summary

OFFICE OF THE PRESS SECRETARY

THURSDAY, FEBRUARY 7, 1991
6:00 A.M. EST EDITION

INTERNATIONAL NEWS

Whitehall Explosion -- Suspected guerrillas launched a failed mortar attack in London Thursday aimed at the 10 Downing Street residence of Prime Minister Major, Britain's Press Association domestic news agency said. (Reuter)

Bush 'Absolutely Confident' War Will Be Short -- An angered President Bush rejected accusations by Iraq that civilians have become targets and he declared allied air strikes have used sophisticated weapons -- once ridiculed -- to save lives. (UPI)

U.S. Plans Direct Aid To 4 Soviet Republics -- In a dramatic move to strengthen ties to independence-minded Soviet republics, the White House Wednesday announced plans to send medical goods directly to Lithuania, Estonia, Latvia and the Ukraine. (Washington Times, Washington Post)

NATIONAL NEWS

Bush Seeks To Reassure Business That Recession Will Be Brief -- President Bush assured business leaders Wednesday night the recession will be "mild and brief" and does not signal any decline in the nation's long-term economic health. (New York Newsday, Washington Times, Washington Post, AP)

NETWORK NEWS (Wednesday evening)

BAKER/HILL TESTIMONY -- Secretary Baker outlines his vision of a post-war Middle East.

DESERT STORM -- American fighter planes kept up their round-the-clock bombing of Iraq and Kuwait.

PUBLIC SUPPORT --- Overall support for the war remains high, with 78% of those polled in favor of what is going on.

INTERNATIONAL NEWS...A-1
NATIONAL NEWS.....A-11
NETWORK NEWS.....B-1
EDITORIALS.....C-1

INTERNATIONAL NEWS

WHITEHALL EXPLOSION

LONDON -- London police say a van has exploded on Whitehall, a street filled with government offices in central London. Witnesses say there was a large blast and a van is on fire outside the Ministry of Defense Building....

In contrast to reports that a van blew up, the BBC quotes witnesses as saying there were three rockets fired from the back of a van.

British Sky Television reports mortars were fired, with two exploding and two others misfiring. (AP)

Whitehall Explosion -- Suspected guerrillas launched a failed mortar attack in London Thursday aimed at the 10 Downing Street residence of Prime Minister Major, Britain's Press Association domestic news agency said. (Reuter)

BUSH 'ABSOLUTELY CONFIDENT' WAR WILL BE SHORT

NEW YORK -- An angered President Bush rejected accusations by Iraq that civilians have become targets and he declared allied air strikes have used sophisticated weapons -- once ridiculed -- to save lives....

"This is not going to be a long drawn-out situation with an ill-defined ending," Bush said. "I'm absolutely confident of that. I've never been more certain of anything in my life. We're going to win it."

Bush said he was "annoyed at the propaganda coming out of Baghdad about allies targeting civilians in their air strikes against Iraq, contending that the use of laser-guided bombs and other high-technology precision targeting weapons was saving lives.

"This has been fantastically accurate and that's because a lot of money went into high-technology weaponry, these laser-guided bombs and a lot of other things (such as) stealth technology," the President said....

Earlier, en route to New York, Bush told reporters aboard Air Force One that he disagreed with King Hussein, who earlier criticized the allied effort against Iraq. Hussein said it was a war launched against all Arabs.

"I am finding that we have a major disagreement on that. It's not true."

Although Hussein sided with Saddam during the invasion of Kuwait last Aug. 2, Bush has tried to soft-pedaled differences with the Arab monarch....

Asked if he still plans to offer refugee assistance to Jordan, Bush said:

"We've tried to make clear with Jordan that we have no argument with Jordan. I think they may make a mistake to align themselves so closely to Saddam Hussein against the rest of the world." (UPI)

BUSH TELLS ASSAD IRAQI CIVILIANS, RELIGIOUS SITES NOT TARGETS

NICOSIA -- President Bush telephoned Syrian President Assad to assure him that U.S. and allied planes were not attacking Iraqi civilians or religious sites, Syrian state radio reported Thursday.

Bush also told Assad...that the U.S. would work for a comprehensive peace in the Middle East once the Gulf war was over, the radio added.

"President Assad expressed his satisfaction that civilians and religious sites were not being targeted. He said it was essential that a just and comprehensive peace be achieved in the region after the Gulf crisis is over," the radio said. (Reuter)

**GROUND WAR NOT FELT IMMINENT
Cheney, Powell Seek To Reassure Hill**

The nation's two top military leaders, in a closed-door report to Congress Wednesday on the three-week-old Gulf war, left a strong impression that an allied ground offensive is not imminent, House and Senate members said.

Secretary Cheney and Gen. Powell offered no timetable for such an attack but assured lawmakers -- virtually all of whom said they favor the continuation of the current bombing campaign -- that the Bush administration is pleased with the course of Operation Desert Storm and not eager to move the war from the sky to the ground.

"I really feel good," said Rep. Michel, after listening to the briefing by Powell and Cheney. "There's no rush to do it."

Sen. Exon agreed. "I do not get the impression that a ground war is imminent."

The trip to Capitol Hill by Powell and Cheney, who depart Thursday for a Gulf visit to gauge the war's progress, came as waves of U.S. B-52s and other bombers struck Iraqi Republican Guard positions every three or four hours Wednesday. But allied officials, other than suggesting Iraqi soldiers are getting little sleep, offered scant evidence that the raids are substantially weakening the Guard and appeared to give contradictory reasons for the relentless bombardment....

A substantial majority of Americans continues to support the administration. A new Washington Post/ABC News poll found that 78 percent of those questioned backed the decision to attack Iraq, up from 75 percent in a similar survey last week.

The strong support persists despite a growing expectation that the war will not be a short one.

(Rick Atkinson, Washington Post, A1)

BRITAIN IN NO HURRY FOR LAND WAR; RULES OUT NUCLEAR RESPONSE

LONDON -- Britain, like the U.S., is in no hurry for ground combat in the Gulf War. But unlike America, it rules out nuclear retaliation even if Iraq uses chemical weapons.

British officials believe chemical warfare is likely, but Prime Minister Major ruled out the use of British nuclear weapons before the war began Jan. 17, and has continued to do so....

A senior government source, speaking on condition of anonymity, also stressed that Britain prefers to wait for air bombardments to weaken Iraqi forces before starting combat.

"Our position on the land war is one of infinite patience," said the source. "We really think there is absolutely no rush about this."
(Maureen Johnson, AP)

ISRAEL SAYS IRAQ'S LOSSES ARE HEAVY

JERUSALEM -- Official Israeli sources said Wednesday that U.S. and allied forces have destroyed about 600 Iraqi tanks and at least one division of the elite Republican Guard has been badly mauled in bombing raids.

According to the Israeli sources, Iraq has moved its remaining Scud missile launchers in western Iraq to the area of Kayam, about 40 miles northwest of the H-3 military site where some of the missiles were originally based....

Israeli assessments also show that 40,000 of an estimated 300,000 tons of Iraqi ammunition stocks have been destroyed in allied air raids.

Official sources said that the relentless bombing has caused Iraqi commanders to disperse their stocks of ammunition from central storage sites, making it more difficult to attack but at the same time making it less accessible to the Iraqi units deployed in Kuwait and southern Iraq.

(Jackson Diehl, Washington Post, A21)

BOMBING DAMAGE HARD TO ASSESS

Officials Say They Can't Tell All They Know

RIYADH -- As U.S. and allied warplanes step up the most difficult phase of the air campaign against Iraqi forces, the military is struggling to assess the impact of round-the-clock raids on widely dispersed troops and supply lines on the battlefield.

"It's much more difficult to say you've taken out 30 tanks in the desert than to say you took out a chemical plant or a bridge," said one senior American military official involved in the operation. "...It's much more difficult when you're fighting from a distance as we are now."

A further complication, according to senior U.S. military officials, is that the Iraqis have honed their skills at deception and the use of decoys....

Army commanders said the latest assessments indicate that only 10 percent of the Iraqi transportation network remains intact and that Iraq's power generation system is now operating at about 75 percent of its total capacity....

Senior military officials said Wednesday that about 70 percent of the Iraqi military's communications network has been destroyed or damaged.

(Molly Moore, Washington Post, A21)

U.S. FLIERS SHOOT DOWN IRAQI PLANES

EASTERN SAUDI ARABIA -- The war entered week four Thursday with allied forces maintaining an around-the-clock pounding of targets and gun-shy Iraqi pilots trying to flee to neutral Iran.

American fighter pilots Wednesday shot down four enemy planes streaking toward Iran, where an estimated 120 Iraqi aircraft have taken at least temporary refuge.

"It was the most beautiful thing I've ever seen," said one of the two Air Force pilots who turned the four warplanes...into exploding debris within seconds of Iranian airspace....

Meanwhile, in advance of a widely anticipated ground offensive into occupied Kuwait, allied forces sought to wear down Saddam's elite Republican Guard and military border positions.

(Thomas Ferraro, UPI)

'SADDAM FINISHED' IRAQI DESERTERS TELL JOURNALISTS

LONDON -- Four Iraqi soldiers surrendered to Western journalists with the words "Iraq finished -- Saddam finished" and predicted a mass surrender after an allied ground offensive, a British newspaper reported Thursday.

The Independent said the Iraqis gave themselves up to a group of reporters near the Kuwaiti border, bringing with them accounts of life under saturation bombing, scanty rations and morale so low that members of the Republican Guards have been ordered to shoot deserters.

The soldiers walked out of the desert carrying leaflets dropped over enemy lines by the allies which urge Iraqi forces to surrender....

"Everyone wants to come like us...when the attack begins they will surrender," the newspaper quoted Khalid, a 26-year-old corporal in the conscript army, as saying.

But the Republican Guards...were said to be still loyal to Saddam Hussein.
(Reuter)

**JORDAN'S KING ASSAILS GULF WAR,
DEMANDS U.S. ACCEPT CEASE-FIRE****Allies Attacking 'All Arabs and Muslims,' Monarch Declares**

AMMAN -- King Hussein lashed out Wednesday night at the "savage and large-scale war" being waged on "brotherly Iraq" and called on Arabs and Muslims to induce the U.S.-led coalition to accept a cease-fire in the conflict.

"This is a war against all Arabs and Muslims," he said in a televised address that reflected both the mounting pressures on Jordan and popular sentiments among his countrymen, particularly Palestinians, favoring Iraq since its invasion of Kuwait.

Without mentioning him by name, King Hussein also assailed President Bush's claim that the Gulf conflict is a "just war" fought to defend a "new world order."

Hussein said that "the talk about a new world order whose early feature is the destruction of Iraq...leads us to wonder about the identity of this order and instills in us doubts about its nature."...

In Washington, Bush immediately rejected Hussein's truce call, saying that "there will be nothing of that nature" until Iraq begins "a credible, unilateral withdrawal" from occupied Kuwait, "and then we'll see what happens."

(Nora Boustany, Washington Post, A24)

**ENVOYS MEET IN IRAN ON GULF PEACE 'IDEAS'
Plan Said To Be Aimed At Iraqi Face-Saving**

TEHRAN -- High-ranking Soviet and Turkish envoys conferred at length with Iranian Foreign Minister Velayati here Wednesday as purported details of Tehran's "ideas" for a diplomatic settlement of the Gulf war began to emerge....

Close observers here indicated that the plan is designed in general to encourage a pullout of Iraqi forces from Kuwait in return for a number of face-saving enticements, including funding for postwar Iraqi reconstruction.

(Jonathan Randal, Washington Post, A24)

POSSIBLE CEASE-FIRE WORRIES PENTAGON

Any pause in the allied round-the-clock bombing campaign would help Saddam Hussein repair his damaged military machine and prepare Iraq for some type of offensive action, senior Pentagon officials said Wednesday.

Although President Bush has repeatedly said there will be no cease-fire until Iraq begins withdrawing from Kuwait, some military leaders fear such a pause could take place....

Many still have visions of the Paris peace talks between the U.S. and North Vietnam and how the concurrent pause in U.S. bombing runs enabled the Vietnamese to resupply their forces.

"One of my great fears is the idea of a bombing pause," said a senior Pentagon official. "You'll be going back to the same place two months later and getting hosed and losing buddies and all because they had a chance to re-arm and get their sites up again," he said. "This meeting in Tehran...could be the beginning of another Paris."...

Officials have said Iraq has an amazing ability to repair command-and-control sites, runways and other damaged facilities in a remarkably short period of time. (Gregory Vistica, Copley)

AMERICAN FROM INCIRLIK BASE SHOT DEAD IN TURKEY, AGENCY SAYS

ANKARA -- An American who worked at the Incirlik air base in Turkey, from which U.S. aircraft are attacking Iraq, was shot dead by an unknown assailant in the Turkish city of Adana Thursday, the semi-official Anatolian news agency said.

The gunman fired four shots at the American as he was getting into his car to go to work just after 7 a.m. (midnight EST), the agency added. (Reuter)

IRAQ CHARGES HIGH CIVILIAN TOLL IN AIR RAIDS

AMMAN -- Iraq claimed Wednesday that an allied air raid killed 150 civilians in a city in the south -- the highest raid toll reported by the government so far -- and official reports and eyewitness accounts told of heavy bombing in and around Baghdad and numerous other cities.

After weeks of playing down the casualties and the human cost of the war, Iraq Wednesday painted its 21-day toll in harsh terms of civilian destruction and accused President Bush and the U.S.-led coalition force of attempting to "expel Iraq from the 20th century."

In a move that appeared to have little practical effect but was intended to show the intensity of its anger toward the allies, Baghdad also announced it was severing diplomatic relations with the U.S. and other countries in the multinational force.

(Nora Boustany, Washington Post, A1)

ANTI-AIRCRAFT GUNS/CIVILIAN AREAS

RIYADH -- The U.S. military is concerned about the increasing presence of Iraqi anti-aircraft guns on rooftops of buildings in civilian neighborhoods.

U.S. military sources say the guns are being positioned to get a clear shot at U.S. attack planes.

None of the gun positions has been attacked, but the sources say the commander of U.S. troops in the Gulf is debating what to do about them. (AP)

**VAST KUWAITI OIL SLICK
BEGINS THREATENING SAUDI COASTAL FACILITIES**

TANAJIB, Saudi Arabia -- The world's largest oil spill has begun washing ashore near oil processing facilities at Safaniya on Saudi Arabia's northeast Persian Gulf coast, posing a threat to production from the world's fourth largest oil field.

Thick patches of oil from the leading edge of the giant spill started blackening beaches near an oil treatment complex and desalination plant at Safaniya two days ago....

Segundo Fernandez, superintendent of the desalination plant at Tanajib, said Aramco would not be able to process oil from wells sited offshore above the Safaniya field if the spill clogged the water intake system at the shoreline oil distillation facilities. At the moment, however, Aramco spokesman Joseph Kenny said the Safaniya field "is in full operation."

(pool report, Washington Post, A22)

**BAKER OUTLINES LONG-TERM GOALS IN MIDEAST
Roles For Iran And Iraq In Postwar Balance Of Power Seen;
Tehran Neutrality Praised**

Secretary Baker told Congress Wednesday that Iran could be included as "a major power" in any new postwar regional security arrangement in the Gulf along with a war-devastated Iraq.

In testimony before the House Foreign Affairs Committee that sketched out the long-term direction of U.S. policy in the Middle East, Baker indicated that the U.S. has not abandoned its historical goal of seeking a balance of power in the Persian Gulf between Iran and Iraq....

Baker offered praise Wednesday for Iran's behavior during the war, in which Iran has remained neutral. But he said recent diplomatic initiatives by Iran's leadership had produced no promising avenues for altering the war.

In response to questions, Baker indicated that the administration wanted to avoid actions that would expand American goals in the war, such as a commitment to topple Saddam, or try him for war crimes, or seek reparations. "I think we should think through very carefully anything that would enlarge or enhance our goals and war aims," he said.

(David Hoffman, Washington Post, A21)

Vengeance Useless, Claims Baker -- Secretary Baker said Wednesday that Iraq should be rebuilt, not punished, after the Gulf war, and that both Iraq and Iran should play major roles in future Gulf security arrangements.

Baker, outlining Bush administration policy on the Middle East's future for the first time since war began, shied away from suggestions that Iraq and its leaders be punished for Saddam Hussein's invasion of Kuwait.

"No one should forget that for the second time in a generation, the people of Iraq will be recovering from a disastrous conflict," he told the House Foreign Affairs Committee.

"The time for reconstruction and recovery should not be the occasion for vengeful actions against a nation forced to war by a dictator's ambition. The secure and prosperous future everyone hopes to see in the Gulf must include Iraq," he said.

(Warren Strobel, Washington Times, A1)

BAKER RECOMMENDS DELAY ON ARMS ACCORD, SAYS SOVIET LEADERSHIP AT CROSSROADS

Secretary Baker, questioning Soviet credibility, called for a deal in ratifying a landmark conventional weapons reduction treaty and accused the Kremlin of turning "down a path of no benefit" in the Baltics and on other fronts.

In testimony to the House Foreign Affairs Committee, Baker lashed the Soviet leadership for expanding the authority of the army and the KGB and for the harsh way it was dealing with rebellion in the Baltics.

"Perestroika cannot succeed at gunpoint," Baker said....

In Moscow, there was no immediate reaction to Baker's comments, which came late in the day Moscow time. Earlier, however, Foreign Ministry spokesman Churkin ridiculed a report that the conventional forces agreement was in jeopardy.

"There really are certain problems with numerical data. We continue to work on them and are confident that they will be duly resolved and the agreement will enter into force."

Baker said the questions raised by the U.S., its allies and even Warsaw Pact members go "to the heart of credibility and trust."

(Barry Schweid, AP)

U.S. SENDING MEDICAL SUPPLIES DIRECTLY TO BELEAGUERED BALTICS

The Bush administration Wednesday initiated direct shipments of U.S. medical aid to the beleaguered Baltic republics of the Soviet Union in a gesture of U.S. support for them.

At the same time, Secretary Baker signaled that the U.S. would not move toward ratifying the recent conventional arms reduction treaty until controversies with the Soviet Union about application of the treaty are cleared up.

"The Soviet leadership is at a crossroads," Baker declared in testimony covering a range of Soviet-related issues before the House Foreign Affairs Committee....

The announcement of the U.S. medical aid to the Baltic states...came from the White House less than 24 hours after the Soviet Union gave its permission for the direct distribution of the assistance in those areas. (Don Oberdorfer, Washington Post, A1)

U.S. Plans Direct Aid To 4 Soviet Republics -- In a dramatic move to strengthen ties to independence-minded Soviet republics, the White House Wednesday announced plans to send medical goods directly to Lithuania, Estonia, Latvia and the Ukraine.

Administration officials said the new \$5 million program is another signal to Gorbachev that President Bush is concerned at Moscow's backpedaling on promised reforms and Red Army violence against Baltic independence movements.

Bush, in a New York appearance Wednesday night, expressed new concerns about Soviet tactics in the Baltics and its potential divisive effect on what he calls "the new world order," which he defined more precisely than ever in the Baltic context.

Because of the repression in the Baltics, he said, there was no chance of liberalizing trade with the Soviet Union now, and he faced pressure to pull back on "modest steps" already taken....

Baltic-American groups heralded the administration's pledge of direct humanitarian assistance to the Baltics.... They said the administration is also considering sending a delegation to the region and possibly granting observer status in a world security organization to the baltic republics.

"There's a sea change" in administration superpower politics, said Mari-Ann Rikken, of the Estonian-American National Council. "It's as simple as you can't trust the enemies."

(Paul Bedard, Washington Times, A1)

GORBACHEV URGES UNITY, PARTICIPATION IN REFERENDUM

MOSCOW -- Mikhail Gorbachev made a surprise television appearance Wednesday night to declare his determination to hold the country together and urge full participation in the Kremlin's referendum on the union.

"All my convictions are based on preservation of the union," the Soviet president said, sitting at a desk to deliver a 15-minute address.

"The Soviet Union is a superpower," he said. "Huge efforts were made to make it so powerful, and we could lose it very quickly."

It was Gorbachev's clearest declaration to date that he will not let any of the 15 republics secede. While acknowledging that areas were brought into the union by force, he said the fate of all now depends on remaining in a common economic system.

In a speech that mixed warnings of catastrophe with promises of ethnic self-determination, Gorbachev showed his frustration with dozens for nationalist movements that he said had sapped the country's economy, left hundreds dead in ethnic conflicts, and spurred a shift to hard-line policies.

He did not, however, threaten specific action against secessionist republics. He said only that lawmakers should ensure everybody has the chance to vote in the Kremlin-ordered referendum March 17 on preserving the union.

(Thomas Ginsberg, AP)

WALESA: SOVIET UNION SHOULD BE DISSOLVED

ROME -- President Walesa said Moscow should dissolve the Union of Soviet Republics and form a confederation of republics based on the principles of freedom, democracy and pluralism.

Walesa, speaking during a news conference at the end of a three-day working visit to Italy, said the new confederation should be formed by anybody who wants to join it....

Walesa told the news conference that following the wave of reforms in Eastern Europe "a new epoch in international relations" has started in which "pluralism and freedom are the challenges."

"If the Soviet Union wants to be a world power, it should dissolve itself and form a new confederation of republics which anybody would be free to join," he said. (UPI)

**SOVIET GROCERY STORES BOAST BUTTER
SINCE GUNS ARE GONE**

After fears of a winter famine, food is back in the shops of Moscow.

Many groups are claiming credit. But the real heroes appear to be aggressive city governments and Red Army generals who have released railroad cars tied up in weapons transport....

The crisis appears over as eggs, poultry and milk appear in quantities not seen in more than a year.

Glee over the growing stock on grocery store shelves has been offset to some extent by sharply rising prices.

(Martin Sieff, Washington Times, A7)

FREE TRADE PLAN RUNS INTO SKEPTICISM ON HILL

The Bush administration's plan to negotiate a free trade agreement with Mexico came under skeptical questioning on Capitol Hill....

Midwesterners on the Senate Finance Committee grilled USTR Hills about the impact that a trade agreement with low-wage Mexico might have on industrial jobs in the U.S.

"Those manufacturing jobs are going to slide away," warned Sen. Riegle....

Some senators also questioned promoting industrial development in a country with much laxer pollution-control enforcement than the U.S.

"We have a lot of chemical plants that are impacted by the Clean Air Act," said Sen. Breaux. "Why not build that plant in Mexico if the cost of locating that plant in Louisiana would be higher?"

Hills dismissed the possibility of massive job losses if goods and services are permitted to move freely between the two countries.

"The Mexican economy is 4% of our own, so I don't see a lot of harm to our economy." (David Cloud, Scripps Howard)

Free-Trade Agreement/Reaction -- U.S. lawmakers Wednesday urged the Bush administration to consider the effects of Mexico's low wages, as well as its lax work-safety and environmental regulations, as it negotiates a U.S.-Mexico free-trade pact in the coming months.

At the same time, major business groups expressed support for a well-drawn agreement, saying it could substantially boost exports from the U.S. and thus create jobs at home. Spokesmen for business expressed special concern that the pact establish strict "rules of origin," so that Mexico does not become a platform that other nations use to assemble products for shipment -- quota and tariff-free -- into the U.S....

Thomas Donahue, secretary-treasurer of the AFL-CIO, told the committee a free-trade pact with Mexico would be "an economic and social disaster" for American workers....

The Business Roundtable, a broadly-based business group, urged the committee to allow negotiations to proceed on a fast-track basis....

"By the year 2000, Mexico will have 100 million consumers," said Kay Whitmore, head of Eastman Kodak Co. and chairman of the roundtable's working group on U.S.-Mexico trade....

James Baker, chairman of the U.S. Chamber of Commerce, said a U.S.-Mexico trade pact would help the 180,000 members of his group. He said some jobs may move south, but "if wage costs were the principal determinant of business success, then Haiti would be an industrial powerhouse." (John MacLean, Chicago Tribune)

ISRAELI TROOPS HIT PLO TARGETS IN SOUTHERN LEBANON

JERUSALEM -- Israeli troops thrust north of Israel's self-declared security zone in southern Lebanon overnight for the first time since the start of the Gulf war and destroyed Palestinian guerrilla targets, the army said Thursday.

"An Israeli army force operated last night against a number of terrorist targets...north of the security zone in south Lebanon. There were no injuries to our forces. The terrorist targets were hit and destroyed," an army statement said.....

Lebanese government troops moved into south Lebanon for the first time since 1975 Wednesday, taking up positions within sight of Israel's security zone. (Reuter)

DOLLAR SLIDES TO NEW LOW DESPITE EFFORTS OF CENTRAL BANKS

NEW YORK -- The dollar slid to a postwar low against the German mark and a 10-year low against the British pound despite attempts by central banks of leading industrial nations to prop up the U.S. currency.

The dollar's fall in recent days has been prompted by the belief that the Fed will lower interest rates even further to stimulate the economy [thereby decreasing the value of the dollar since dollar-investments earn less interest].

The Fed's action [Friday cutting the discount rate to 6%] contrasts sharply with recent moves by the central bank of Germany to raise the nation's interest rates, making the mark more attractive. (Bart Zeigler, AP)

EDITOR'S NOTES: The New York Times arrived after today's News Summary went to print.

NATIONAL NEWS

BUSH SEES 'MILD AND BRIEF' RECESSION

NEW YORK -- President Bush offered the country an economic pep talk here Wednesday night, predicting that the current recession would be "mild and brief" and adding that while the economy "may be beset by difficulty, it should not be beset by doubt."

In remarks prepared for delivery at the Economic Club of New York, the President also suggested that a successful conclusion to the Gulf war would help assure long-term economic growth. "The road to real peace will be long and tough," Bush said. But he argued that by "standing up to aggression in the Gulf, we are guaranteeing the future security and stability of that area, that is so vital to global economic prosperity."

Bush repeated his belief that the allied campaign in the Gulf is "on course and on schedule," adding that "hour by hour, Iraq's capacity to wage war is being systematically destroyed by American and coalition forces."...

Bush offered a preview of the national energy strategy that Secretary Watkins will unveil soon, saying it would reduce the vulnerability of the American economy to disruptions in world oil supplies.

But he sounded a defensive tone as he tried to counter critics who already are predicting that the administration's plan will not go far enough to assure conservation.

"Some will argue that reducing our energy vulnerability is not enough and that we should embark upon more drastic measures designed to achieve total energy independence," he said. "The reality is that we are a long way from total energy independence. We must avoid unwise and extreme measures that would seriously hurt American consumers, American jobs and American industries."

(Dan Balz, Washington Post, A4)

President/New York Speech -- President Bush traveled to the nation's financial center Wednesday night to deliver a pep talk on the economy, assuring a tony audience of business leaders that he had rejected some proposals for energy conservation that could have been costly for industry.

In the long-awaited national energy strategy he plans to unveil later this month, the President said, he would "avoid unwise and extreme measures that would seriously hurt American consumers, American jobs and American industries."

Bush's comments received a friendly reception from an audience of more than 2,600 people, many of them executives from Blue Chip firms, at a forum sponsored by the Economic Club of New York in the New York Hilton. But outside the hotel, an estimated 3,500 anti-war protesters waved signs and chanted slogans including "No blood for oil."...

The details of Bush's energy strategy are not yet known. But a White House official said the comments in the speech were designed to "reduce expectations and concerns" that the plan would be too ambitious....

In a question-and-answer session that followed his speech, Bush also said U.S. leadership in the Gulf might lead to unrelated trade concessions by Japan and Germany.

(Sudan Page, New York Newsday)

-more-

Bush Seeks To Reassure Business That Recession Will Be Brief -- President Bush assured business leaders Wednesday night the recession will be "mild and brief" and does not signal any decline in the nation's long-term economic health.

"The bottom line is this: While our economy may be beset by difficulty, it should not be beset by doubt," the President said in a speech to the Economic Club of New York....

"True, the deficit is high -- unacceptably high," Bush said, adding that the savings and loan bailout, the Gulf war and the recession "haven't helped a bit."

But he predicted the deficit, a record \$318 billion this year, "will be virtually eliminated by 1995" as a result of a plan of spending reductions and tax hikes adopted last year....

"We are in a recession, there's no question about that. But I think it will be shallow," said Bush, predicting the recovery would start "before half a year's over."...

Security in New York, always heavy, was extraordinary. Police cars blocked not only side streets but every garage and parking lot exit on Bush's route....

About 1,000 anti-war protesters gathered at the hotel, but they didn't see Bush and he didn't see them. A dozen people turned out in a pro-war demonstration. (Christopher Connell, AP)

Bush Vows Resumption Of 'Robust Economy' -- President Bush painted a rosy picture of imminent economic growth and prosperity and minimized the impact of the recession Wednesday night as he began demonstrating that the Gulf war has not consumed him.

He predicted the recession would end "before half a year is over."...

The trip with Mrs. Bush to a black-tie dinner of the New York [Economic] club -- rush-hour gridlock and all -- put action in his oft-repeated creed that "life goes on," even as the President wrestled with an imminent decision on launching a Gulf ground invasion.

While balancing concern for the troops and their families, he says Saddam Hussein will not hold him hostage at the White House.... He is back to signing proclamations for Heart Month, receiving Boy Scouts, jogging and joking in public, and limited travel although schedules are now marked "sensitive."

(Frank Murray, Washington Times, A3)

BUSH ENERGY STRATEGY STRESSES CONSERVATION

Secretary Baker Wednesday stressed the urgency of a national energy strategy the Bush administration will unveil soon.

"We simply must do more to reduce our energy dependence," he said as he outlined postwar policy needs to the House Foreign Affairs Committee. "We must bring to this task the same determination...that we are now bringing to the war itself."...

Baker's statement Wednesday drew mixed praise from energy watchdogs and environmental advocates who have criticized the Bush administration's lack of a cohesive, coordinated approach to the nation's energy requirements.

"It sets up a fairly strong set of rhetorical goals that we can hold against them," said Christopher Flavin, chief energy analyst for the Worldwatch Institute, an environmental think tank.

Baker's statement "came closer to indicating where we need to go with our energy systems than anything else, including the President's State of the Union address," he said.

(Ronald Tyler, Washington Times, A3)

BUSH POSTPONES ENERGY POLICY ONCE AGAIN

Eighteen months after he asked the Energy Department to come up with a rational plan for the nation's energy future, and nearly a month after he ordered U.S. troops into battle in the richest oil patch in the world, President Bush is once again delaying his long-proposed national energy strategy.

The administration had planned to send the plan to Capitol Hill Thursday, but sent word Tuesday that it would be delayed until Feb. 18, according to Sen. Gore.

Gore said the delay was an attempt to save Bush the "embarrassment" of releasing an energy strategy that doesn't do very much about conservation and renewable energy while Washington is the site of the first round of international talks on a treaty to reduce global warming.

"The administration is ducking the hard decisions on energy and the environment. They are engaged in a shell game, pretending to act while behind the scenes preventing action, even by others," said Gore....

Many observers say the President will lose the initiative on energy issues to Congress unless he musters more enthusiasm than he has shown so far, and some think the Gulf war itself has already made the one-and-a-half year effort obsolete....

Henry Lee, lecturer at Harvard's Kennedy School of Government, said he doubted that the authors of the plan or other political leaders have reckoned with how different the world will be after the Gulf war....

"We have had a nearly two-year effort to develop a whole bunch of ideas that might have been very realistic two months ago, but not after this war is over," Lee said. "I would get people back to the drawing board, because they have been thinking of policy in a context that may no longer exist."

(James Franklin, Boston Globe)

DEMOCRATS: BUSH BUDGET WOULD GIVE RICH 'HELL OF A DEAL'

Congressional Democrats continued their verbal bombardment of President Bush's budget, with Rep. Panetta saying it gives the rich "a hell of a deal" worth billions.

Panetta directed his criticism at OMB Director Darman.

Darman appeared before the House Budget Panel to defend Bush's \$1.4 trillion budget proposal for FY92....

Panetta expressed disappointment that Bush's budget did not attack serious domestic needs with the same vigor that the U.S. is using to attack Iraq.

"It seems to me that when it comes to problems halfway around the globe that require a military solution, the Bush administration, like the Reagan administration before it, is immediately prepared to make a full commitment of this nation's resources -- both human and financial -- to solve the problem," Panetta said.

"Now, compare that with our response to domestic problems, many of which are equally complex and equally difficult and many of which have just as great an impact on the lives of the American people," Panetta said, adding: "No one can claim that (Bush's domestic proposals) come close to approaching the magnitude of those problems."

[Speaking of the cap gains proposal, Panetta said:] "That's a hell of a deal. The bottom line is that they (the rich) come out way ahead.... You weigh the benefits and (the rich) get a hell of a better deal with capital gains." (Bud Newman, UPI)

**SENATE DEMOCRATS TO EMPHASIZE PAYROLL TAX,
CIVIL RIGHTS, PARENTAL LEAVE**

Sen. Mitchell said Wednesday the Democratic agenda in the 102nd Congress will include plans to cut the Social Security payroll tax and enact civil rights and parental-leave bills....

In setting the party on a collision course with President Bush, Mitchell said in a statement released on behalf of all Senate Democrats that the U.S. is "at a cross-roads" and that steps must be taken to strengthen the economy and rebuild infrastructure.

"Without a strong and growing economic base, the lives of people are narrowed, their energies are directed to survival," the statement said. "A central goal of our agenda is to restore the ability of American parents to provide for their children by their own work effort, to restore the strength of American families."

Moreover, it said, "tax fairness" is a major goal, and Mitchell said spending on education, research and other domestic projects should not be ignored because of the Gulf war....

Mitchell conceded that while, under the budget agreement, he must find a source to replace revenues lost from cutting the payroll taxes, he has not identified one. But he said Bush had not said either where money could be found to compensate for his proposed cut in the capital gains tax rate.

The Democratic blueprint indicated, however, that the wealthy might be asked to pay more in Social Security taxes.

(Michael Frisby, Boston Globe)

**REVIEW OF RACE-BASED SCHOLARSHIPS PROMISED
Education Nominee Says He'll Discard New Limits
That Sent 'Wrong Signal' To Minorities**

Lamar Alexander Wednesday told a Senate committee that, if confirmed as education secretary, he will discard new federal restrictions on race-based scholarships and "start over" by ordering a broad review of Education Department policy on such scholarships.

Alexander...described scholarships reserved for minorities as an important signal that encourages them to enter college....

On other subjects, Alexander said he was not involved in drafting President Bush's proposed budget for education and therefore could not answer questions about it. He also promised to explore new approaches to student aid programs, which Congress must reauthorize this session....

Alexander advised college officials not to alter their practices during the review. "I don't want anybody to slow down their efforts to encourage disadvantaged Americans, especially minorities, to go to college while we develop a policy to make sure we do that in an American way," he said. "I want them to go ahead."

His statements won praise from committee leaders. Sen. Kennedy called it "a very thoughtful response." Sen. Hatch said: "How could we ask for a better answer than that?"...

But Richard Rosser, president of the National Association of Independent Colleges and Universities, said unless the review is completed quickly, "We will continue to have all kinds of uncertainty out there." (Kenneth Cooper, Washington Post, A3)

**McCURDY: NO 'SHRINKING VIOLET'
Intelligence Panel To Swear In Witnesses,
Push For Reorganization**

From the Pentagon to the CIA, U.S. intelligence agencies can expect tougher congressional scrutiny, promises Rep. McCurdy, the new chairman of the House intelligence committee.

"I don't think the committee has been aggressive enough," he said in an interview. "I intend to reestablish our credibility as an oversight committee. We are not going to be a shrinking violet. I intend to stand up to Judge Webster."

(George Lardner, Washington Post, A17)

**REDESIGN OF U.S. WEAPONS PLANT NETWORK PLANNED
With Nuclear Arms Seen Declining 30-85%,
Consolidation of Bomb Factories To Be Studied**

The Bush administration has estimated that the number of U.S. nuclear weapons will decline by 30 to 85 percent during the next two decades, allowing a substantial shrinkage of the nation's bomb building complex, senior Energy Department officials said Wednesday.

The estimate provides the basis for an expected multibillion dollar redesign of the U.S. network of weapons factories and associated nuclear reactors to be announced today by Secretary Watkins....

The plan reflects the end of the Cold War nuclear confrontation with the Soviet Union, rising public demand for greater environmental protection and safety, and the realities of a tight budget, the officials said.

The era of an "open checkbook for nuclear weapons is over," said Undersecretary of Energy Tuck.

(R. Jeffrey Smith & Thomas Lippman, Washington Post, A7)

**DOW UP 43 ON BULLISH SPECULATION
Since Start Of War, Gain Is 12.8 Pct.**

NEW YORK -- Stocks soared 43 points Wednesday, pushing the Dow through the key 2800 barrier for the first time since Iraq invaded Kuwait six months ago and leading traders to speculate about a new bull market....

"Stocks keep going higher and we've got the underpinnings of a real bull market," said Brett Discher, vice president of equity trading at Dain Bosworth.

"There is so much strength in the market you have to believe that it's not a rally within a bear market, it's the start of a new bull market," said James Tarantino, head of over-the-counter trading at Hambrecht & Quist in San Francisco.

(Washington Post, E1)

**Afraid To Miss A Rally, Pros Clamber To Buy, And Market Is Soaring
-- It's a buying frenzy....**

All around Wall Street, traders on desks that deal in big blocks of stocks are...exuberant because, for the first time in months, investors from around the world are calling and asking to buy stocks....

Professional money managers, fearful of making the job-threatening mistake of missing a major rally in stocks, are plunging back into the market. And although the rally started with big institutions than manage pension funds and the like, even the long-absent "little guy" seems to be starting to join in.

(John Dorfman & Craig Torres, Wall Street Journal, A1)

WORLD LEADERS AND 'SPECIAL FRIEND' CELEBRATE REAGAN'S BIRTHDAY

LOS ANGELES -- President Bush and other national leaders sent best wishes, "special friend" Margaret Thatcher was on hand to talk of "a great American" and film stars happily paid \$2,500 a head Wednesday to help Ronald Reagan celebrate his 80th birthday.

It was a birthday Hollywood style with Liza Minnelli singing the ex-president's favorite song -- "You Made Me Love You" -- with a Marine band and a gospel choir performing as well....

Reagan...said he had a birthday wish -- "My wish is God will watch over each and every one of our men and women who are bravely serving in the Persian Gulf...."

President Bush, in a film clip, told Reagan: "I know full well that I would not be president today if you had not chosen me as your vice president." Sitting in the audience was Vice President Quayle.

"You made our military proud and strong, and I thank you for that," Bush said. He sent a "special hello" to Thatcher. "I thank the courageous men and women of the United Kingdom who are fighting shoulder to shoulder with us in the Gulf," he said.

(Ronald Clarke, Reuter)

EDITOR'S NOTES: "Weak War Coverage Isn't The Only Problem At CBS Evening News -- Are Rather's Days Numbered?," by Kevin Goldman, appears in the Wall Street Journal, A1.

"Plan for Stateside Care Of Casualties Criticized," by Susan Okie, appears in the Washington Post, A26.

-End of A-Section-

NETWORK NEWS

(Wednesday evening, February 6 -- NBC was one-hour.)

GULF WAR/CONGRESS

NBC's Tom Brokaw:

(TV Coverage: Pilots celebrating.)

American pilots feeling good about shooting down Iraqi jets, as Secretary Baker sounds a warning:

(**Secretary Baker:** "The military actions now underway necessarily involve many casualties, great hardships, and growing fears for the future. So tough times lie ahead.")

-- NBC opening theme --

Brokaw: The other day, the American commander of Operation Desert Storm warned Saddam Hussein "the best is yet to come." Well, today, a translation from Secretary Baker for the American people: The worst is yet to come.

NBC's Andrea Mitchell reports on Secretary Baker's testimony to Congress today. His warning about the sacrifices of war was grim. But after congressional criticism that the Administration has not looked ahead, for the first time Baker also outlined his vision of a post-war Middle East. He suggested that both Iran and Iraq should have a role in post-war arrangements to keep the peace.

(**Secretary Baker:** "No regional state should be excluded from these arrangements. Post-war Iraq could have an important contribution to play, and so could Iran, as a major power in the Gulf.")

He raised the possibility that a permanent ground force, perhaps under U.N. control, might be needed after the war. He called for regional arms control, and said there may be opportunities to resolve the Israeli-Palestinian conflict. But:

(**Baker:** "Let's not fool ourselves, though. The course of this crisis has stirred emotions among Israelis and Palestinians that will not yield easily to conciliation.")

The House Foreign Relations Committee applauded his ideas, but complained bitterly that the allies are not doing enough to pay for the war.

(**Rep. Fascell:** "How about the details on burden-sharing, Mr. Secretary? Why is that a problem? Why do we just get, literally, as some members complain, get stonewalled?" **Baker:** "Well, I don't think it is a problem.")

(**Rep. Lantos:** "Japan finds it much easier to find money to buy up America, from MCA to Rockefeller Center, than to begin to pay its appropriate share of the cost." **Baker:** "Those pledges are now beginning to be paid. I think that that's a remarkable degree of participation by our coalition partners.")

But after Baker smoothed troubled waters, Pentagon officials briefed Congress on the war's progress, amidst growing opposition to a ground war.

(**Sen. Mitchell:** "I would hope that we do not proceed to ground action, and I hope it doesn't become necessary.")

The opposition to ground war is starting to cost the Administration political support just when it's going to need it most. (NBC-Lead)

GULF WAR/REP. McCURDY

Brokaw interviews the new chairman of the House Intelligence Committee, Rep. McCurdy.

Brokaw: Secretary Baker sounded a very ominous note tonight when he testified before Congress. Are you convinced there will be a ground war; and if it does come, will it be exceptionally bloody?

McCurdy: It's up to Saddam to determine whether or not there will be a ground phase. If he continues to hold out, I think eventually there will be a requirement to go in on the ground.... I left the Army Chief of Staff thirty minutes ago, who said, so far, so good.... They don't expect to rush it. They believe that when the air campaign has succeeded, then it'll be time to consider the next phase.... The Republican Guard has still not been degraded to the point that many of us believe it's time to initiate a ground conflict. However, they are receiving a constant, incredible punishment every day....

Brokaw: Should the Administration objective be to get Iraq out of Kuwait, or to put Saddam Hussein out of business altogether?

McCurdy: I think the initial goal is still the same, and that's to get Iraq out of Kuwait. We also we're concerned about his long-term threat of nuclear, chemical and biological weapons. That's been achieved. The real question now is whether he wants to have a country that is governable, or whether he wants to become a martyr or a figure, a country and a cause that basically has no force. (NBC-16)

GULF WAR

ABC's Peter Jennings: It is three weeks since the war began, and tough times lie ahead. So said the Secretary of State Jim Baker today. It was Baker's turn to say that Saddam Hussein's military capability should not be underestimated. Today in the war, two Iraqi jets apparently trying to leave the country for Iran were intercepted by U.S. pilots and shot down. The Iraqis say that 281 missile raids and other air attacks were carried out against them in the last 24 hours. They say that in the southern Iraqi city of Masaria [phonetic], 150 people died, 35 of them children. One Marine general said today the allied bombing was certainly taking a toll on Iraqi troops -- just how much of a toll is the subject of some debate.

ABC's Bill Redeker reports from Saudi Arabia on the allied air campaign, in which some missions were cancelled today because of overcast skies. The British admitted today direct hits on Republican Guard positions have been difficult because Iraq is using decoys. U.S. troops recently positioned near the Saudi-Kuwaiti border are being told it will be up to them to dig out the well-entrenched forces which the Air Force cannot hit. Meanwhile, U.S. officers say six Iraqi soldiers turned themselves over to the Marines Tuesday night, with one officer saying the Iraqi troops do not believe in what they are doing anymore. But so far, only about 200 of Iraq's half-million soldiers have defected. (ABC-Lead)

CBS's Dan Rather: Allied warplanes kept up their round-the-clock punishment of Iraq and occupied Kuwait today. American fighter planes for the first time shot down Iraqi aircraft trying to flee to Iran. Saddam's forces continued probing along the Saudi-Kuwait border. King Hussein of Jordan called for a cease-fire; he accused the U.S. of trying to destroy Iraq's economy and culture. In Washington, in a statement that surprised some, Secretary Baker said that after the war, the U.S. and its allies would help Iraq rebuild. Today's allied military briefings listed another string of losses for Iraq, including some of its top fighter aircraft.

CBS's Eric Engberg reports from Saudi Arabia on today's allied attacks. As the allies knock out bridges, the Iraqis are quickly replacing them with floating pontoon bridges. The Saudi town of Khafji was hit again by Iraqi troops from sea. Saudi troops repelled a three boat-Iraqi commando team, sinking one of them. With Iraq showing no sign of cracking, U.S. commanders got questions from skeptical reporters on the lack of progress. The generals insisted there is no stall. But the feeling is spreading that a ground offensive is now unavoidable. (CBS-Lead)

CBS's Scott Pelley reports from the 53rd Tactical Fighter Squadron and speaks with the two U.S. pilots who shot down the Iraqi jets. The pilots wished to remain unnamed for security reasons. (CBS-2)

NBC's Arthur Kent reports on the prospects for a ground war. There is no clear sign yet it will begin. The largest movement of British armor since WWII took place today, a rehearsal for ground war. Elsewhere, U.S. Apache helicopters prepared for the ground war, test-firing Hellfire guided missiles and its night-fighting capability. In the air war, two U.S. F-15 pilots shot down two Iraqi ground-attack aircraft fleeing to Iran; two MiGs were listed presumed down. No allied warplanes were shot down. (NBC-2)

GULF WAR/REPUBLICAN GUARDS

NBC's Fred Francis reports on the allied effort to neutralize the Republican Guard. The next phase of the war turns on how many T-72 tanks are killed in the days ahead -- all are well-protected, many buried to the turret in sand. Lt. Gen. Kelly would not reveal how many of Iraq's best tanks have been destroyed by special munitions, but a senior Pentagon official said allied aircraft are killing, on the average, 10 T-72s a day, and that the goal is to destroy more than 200 before the ground war begins. The official said, "That goal is being met." Also prior to the ground war, the allies must collapse most of the major bridges near Kuwait to stop the flow of supplies to Iraqi troops. So far, 44 of the key bridges in southern Iraq have been destroyed. (NBC-3)

Rather: There are reports, as yet unconfirmed, that B-52s are in the process of being retargeted, shifting their attention to dug-in Republican Guard positions along the Kuwait-Saudi border with smaller tactical planes now carrying so-called smart bombs.

CBS's David Martin reports that the Pentagon makes no secret of the fact that the air campaign has not yet done enough damage to the elite Iraqi units to clear the way for a ground offensive. (CBS-3)

Jennings discusses the Republican Guards with analyst Anthony Cordesman. Cordesman says the regular armored and mechanized divisions had a better record of fighting than the Guard during the Iran-Iraq war; the Guards were often sent in only to get the glory -- not to do the hard fighting. (ABC-3)

GULF WAR/FUEL-AIR EXPLOSIVES

ABC's Bob Zelnick reports the U.S. is considering using fuel-air explosives in the Gulf war. Marines were seen in eastern Saudi Arabia today stacking crates of the explosives, which create a secondary explosion in the air which can cover two football fields and suffocate enemy soldiers through its combustion.

(Lt. Gen. Thomas Kelly: "Do we have anything in principle against fuel-air explosives? Not that I know of. It's a weapon like any other; it creates an over-pressure, and could be valuable in setting off mines.")

Officials at the Pentagon say fuel-air explosives have not yet been used against Iraq, but are expected to be employed to aid the coming ground campaign. Because of its airpower decimation, Iraq's fuel-air weapons are considered no threat to the allies. (ABC-2)

GULF WAR/POLL

Jennings: When the war began, a majority of Americans thought it would be over fairly quickly. Not anymore. Fifty-four percent of the people ABC talked to Tuesday night think the fighting will last six months or more. The overall support for the war effort remains high: 78% are in favor of what is currently going on.

-- POLL --

How long will fighting last?

Less than six months:	37%
More than six months:	54%

	YES	NO
--	-----	----

Do you support the war effort?	78%	16%
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(Error of plus or minus 3.5%)

(ABC-4)

GULF WAR/JORDAN

ABC's John McWethy reports on King Hussein's televised address to his nation today. He angrily accused the U.S. and its allies of trying to destroy Iraq's economy, culture and people, going well beyond the U.N. resolutions. He said, "Fire...rains down upon the Iraqis, destroying mosques, churches, museums and hospitals." He urged the coalition to accept an immediate cease-fire. In Washington, Secretary Baker testified that the only way to stop the war now would be for Saddam to get out of Kuwait -- fast. He warned there will be many casualties and great hardships ahead, especially for the Iraqis. Despite that, Baker told the House Foreign Affairs Committee that when the war is over, the U.S. will have to help Iraq, not punish it, implying that there probably will be no war crimes tribunals or war damages paid by Iraq.

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McWethy's report continues:

(Secretary Baker: "The time of reconstruction and recovery should not be the occasion for vengeful actions against a nation forced to war as a result of a dictator's ambition.")

For the first time, Baker hinted that if Saddam uses chemical weapons against U.S. troops, the American response may include an attempt to remove him from power. Many assume the U.S. has been trying to do that all along by bombing Iraq's command centers.

Jennings reports the White House said the U.S. has no argument with Jordan, but believes that King Hussein has made a mistake to align himself so closely with Saddam. (ABC-5)

Rather reports King Hussein said Arab leaders worldwide should realize the war is "a war against all Arabs and Muslims." On his way to New York City this evening for a speaking engagement, President Bush said he disagreed with the criticism leveled by King Hussein that the alliance was trying to devastate Iraq and kill civilians. Bush also said he understood the Jordanian king was under pressure at home.

CBS's Doug Tunnell reports on King Hussein's remarks. He told Jordanians the destruction in Iraq is now so vast that he rules out a possibility of an Iraqi victory. The alternative to a cease-fire, he said, is the humiliation and exploitation of Arabs and Moslems. The air campaign has cut Jordan off from 80 percent of its supply of oil. King Hussein said Jordan was being denied its basic needs as a new form of punishment because Jordanians have refused to join the alliance. Western diplomats there say the kingdom's long-term stability may be at risk. The U.S. is now trying to help Jordan find alternative sources of oil, asking Saudi Arabia to restore oil shipments to them. But Western diplomats say the Saudis are so angry at King Hussein that they have refused.

(CBS-4)

NBC's Dennis Murphy reports that as King Hussein shuttled across the West, pleading for an Arab solution, he got frosty receptions.

(NBC-5)

GULF WAR/IRAN

NBC's Ed Rabel reports on the diplomatic activity surrounding Iran. The Soviet deputy foreign minister showed up in Tehran to lend diplomatic muscle to Iran's efforts to mediate an end to the war. He also is saying the U.S. is making a mistake by rebuffing Tehran's offer to act as mediator between Washington and Baghdad. The U.S., he says, has to respect Iran's position.

(Deputy Foreign Minister Belonogov: "If it doesn't, then it would be detrimental to interests of the United States.")

Belonogov denies knowing details of Iran's plan, but if a Kuwaiti newspaper is correct, it would consist in part of a complete Iraqi withdrawal from Kuwait; one of Iran's top leaders, Rafsanjani or Ayatollah Khamenei, leading a pan-Islamic team to Baghdad to urge withdrawal of all allied forces from the region, and an all-Islamic peacekeeping force then moving in; and a non-aggression pact between Iraq, Iran, Saudi Arabia, other Gulf cooperation nations and possibly Turkey and Pakistan. Diplomats in Tehran agree the allied coalition would never accept such a proposal. So why did Turkey send its foreign minister to Tehran today?

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Rabel's report continues:

(Foreign Minister Alptemocin: "The only way to solve the crisis is the withdrawal of the Iraqi forces from Kuwait, unconditional, according to the United Nations Security Council resolutions.") And why do Iranian leaders only admit to 13 Iraqi planes enjoying safe haven in Iran? Iran's foreign minister today denied reports that more Iraqi planes had arrived overnight and that Iraqi pilots wanted to go home. He added that he had still not heard back from Saddam Hussein on the peace plan. (NBC-4)

ABC's John McKenzie reports on Iranian reaction to the Gulf war. Throughout the country tonight there were spectacular celebrations to mark the twelfth anniversary of the Iranian Revolution and the overthrow of the shah. But there were fears of being drawn into the war. For the past several weeks, Iran has been stepping up military exercises and beefing up patrols along the Iraqi border. And some imported goods are jumping in price. (ABC-6)

GULF WAR/RELIEF

Jennings reports the U.N. said it plans to deliver an emergency shipment of medical supplies to Baghdad next week to help Iraqi children and their mothers. The International Committee of the Red Cross has already delivered 19 tons of food and medicine for Iraqi civilians; the U.S. Red Cross says the shipments were made with the U.N. approval and U.S. knowledge. The Red Cross has been harassed by phone calls accusing them of helping the enemy. (ABC-8)

GULF WAR/CASUALTIES

ABC's Beth Nissen reports on the issue of war casualties. Iraq makes daily claims of civilian losses and arranges media coverage of bomb damage, hoping to encourage anti-war sentiment in the U.S. and anti-Americanism among Moslems. The U.S. military has taken care to express regret over civilian losses, and equal care not to show them, estimate their number, or even speak of them directly. (Maj. Gen. Robert Johnston, USMC: "Collateral damage? I can't talk about that.")

Both sides are controlling military casualty information for political and strategic reasons. The Iraqis don't want to show us our military operations are effective. In contrast, the U.S. has been open about its own battle casualties.

(Gen. Schwarzkopf: "I told you, I'm anti-body count. Body count means nothing, absolutely nothing.")

The U.S. military is still sensitive to charges that it inflated enemy body counts in Vietnam and Panama. This time briefers are not giving any estimates of enemy killed, fearing loss of credibility if their figures prove inaccurate. The U.S. is also afraid that confirmation of a high Iraqi body count might cause Arab coalition members to waver. (ABC-7)

PAN AM/IRAQIS

Jennings reports a civil rights lawyer said today Pan Am airlines will no longer bar all Iraqi nationals from its flights; Iraqis with U.S. passports or permanent residence of the U.S. will be allowed to fly. Iraqis who are not are still barred. (ABC-9)

AIRLINES/TERRORISM

CBS's Rita Braver reports on the airline terrorism scare. The FAA is so concerned about the dramatic drop in air travel that airline officials were summoned to a closed-door meeting in Washington to discuss whether to further increase airport security, already at the most stringent level in history. The decision today was that security will not be increased for now.

(Thomas Kelly, Vice President Air Transport Assoc.: "We feel that the security in place is sufficient and the American traveler is very safe to travel on the American flights.")

Precautions already in place are causing many delays. But passengers CBS talked to say they don't mind the inconvenience, despite the fact that U.S. intelligence has picked up no specific warnings of threats to American air carriers. (CBS-6)

CBS's Ray Brady reports Pan American airlines is cutting its number of flights abroad and is laying off another 4,000 workers, its second round of layoffs since the Gulf crisis began. In 1990, recession and the Gulf crisis resulted in nose-diving airline profits. One expert says several airlines over the next year may go out of business, with likely candidates being Pan Am, TWA and Continental. (CBS-7)

NEW YORK TRIP/PRESIDENT

Brokaw: Since the war started, President Bush's only trips away from Washington have been to military bases in the south. But this evening, he came to New York City -- to make a speech, and to make a point.

NBC's John Cochran: The President scheduled this trip before he made the decision to go to war. Now, despite the increased threat of terrorism, he chose to come ahead.

(TV Coverage: President Bush going through receiving line.)

The President has made a point of saying he will not be held hostage in the White House by Saddam, who has urged acts of violence against U.S. interests everywhere in the world. But with increased security, Bush felt he was not really taking any chances.

(TV Coverage: Demonstrations.)

Anti-war demonstrators were kept well away from the President.

(TV Coverage: President Bush signing legislation.)

Earlier, at the White House, Bush signed legislation to help some veterans of an earlier war -- Vietnam. One criticism aimed at former President Johnson was that he micromanaged the war by second-guessing and overruling his military commanders. Bush has emphasized he will permit the military to make tactical decisions.

(President Bush: "And one of the things that I take great pride in, and I think everybody here understands it is, is that we're not second-guessing. My obligations are, as Commander-in-Chief, but we're not going to be second-guessing. Once again, we're not going have these courageous young men and women over there fighting some kind of a limited agenda, and fighting with their hands tied behind their back. We went through that, and we're never going to do it again, as far as I'm concerned. Thank you." [applause])

The President also said the war is going "darned well." And to quote him again, the President said, "The war will not take that long." He did not say how long is long. (NBC-14)

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NBC's Stan Bernard reports on the President's security detail for the New York trip. The Secret Service said the President would be provided with what they called the normal security package.

(TV Coverage: NYPD officers behind barricades.)

Thousands of police were called in from precincts across the city. A number of midtown streets were closed off. Those in charge of security said this was normal. If New York City police are good at anything, it is crowd control.

(TV Coverage: Demonstrations.)

A number of anti-war groups had promised massive demonstrations near the President's route from Central Park and the Hilton Hotel. The rainy weather and a route change by the President put a damper on the display of anti-war sentiment. The demonstrators numbered in the hundreds rather than the promised thousands. (NBC-15)

Jennings: President Bush flew to New York City late today to speak to business leaders.

(TV Coverage: President Bush and First Lady walking off plane.)

He will try to convince them the recession will be brief and economic recovery not far off. Outside the hotel where the President spoke, demonstrators gathered in the rain to demonstrate against the war.

(TV Coverage: Demonstrators.)

(ABC-11)

NBC's Keith Morrison reports on reaction to the President signing Agent Orange legislation today.

(President Bush: "We are here today to ensure that our nation will ever remember those who defended her.")

It has been a long time coming. Some studies have blamed Agent Orange for 27 diseases, several of them fatal. The law Bush signed today will provide compensation for three of those diseases. Even the admiral who ordered the spraying who lost his son to the effects of Agent Orange agreed today the bill was watered-down.

(Adm. Elmo Zumwalt: "In the face of the strong pressure from chemical companies and from congressmen responsive to the chemical companies.")

And the veterans?

(Vietnam veteran: "Catch-22. You can't receive benefits for Agent Orange poisoning until you're dying. And by the time you get the check, you're dead.")

The National Association of Veterans called the bill a good start. And Jim Dean, who has a brain tumor from the defoliant and struggles on as best he can, says this:

(Dean: "I think it's a load of [unintelligible].")

(NBC-18)

BALTICS/CFE TREATY

Jennings: The White House has announced plans to send millions of dollars worth of medical aid to the Baltic republics, which had appealed directly to Washington without going through Soviet bureaucracy. The White House says the Soviet government was advised of the aid and did not object. (ABC-10)

NBC's John Dancy reports on the recently chilly U.S.-Soviet relations. Today in both countries, the temperature dropped a few more degrees. President Gorbachev went on television unexpectedly to say he intends to keep the Soviet Union together at all costs, adding, "All my convictions are based on preservation of the union."

-more-

Dancy continues:

(Secretary Baker, testifying to Congress: "Perestroika cannot succeed at gunpoint.")

In Washington, Secretary Baker was warning the Soviet government against trying to put down freedom movements in the Baltics.

(Baker: "There is simply no justification at all for the use of force against peaceful and democratically elected governments.")

To show solidarity, the White House said the U.S. will distribute \$5 million in medical supplies to the three Baltic states. Baker said the objective is to help the Baltics, not to punish the USSR.

(Baker: "The Soviet leadership is at a crossroads. We have made clear that their last several steps have taken them down a path of no benefit for them or for us or for anyone else.")

In addition, the CFE agreement is in trouble. The Soviet government has taken three divisions of troops from Europe and declared them to be naval infantry units, which are not covered.

(Baker: "When we have problems such as this affecting the Conventional Forces agreement that go to the heart of, at least as we see it, of credibility and trust, it makes it much more difficult to conclude other agreements.") (NBC-17, CBS-8)

SOVIET CENSORSHIP

CBS's Anthony Mason reports on the return to censorship on Soviet radio and television. Radio Russia, which has frequently criticized President Gorbachev, had its audience cut in half by the government. And Boris Yeltsin tonight said he personally had asked for time on national television and was refused it. Both orders came from Gorbachev's new chief of State Radio and Television, Leonid Kravchenko. He has been slowly suppressing criticism of Gorbachev. "This is not a question of democracy," Kravchenko said today. "State television is in the business of criticizing the government. In this difficult time it would be tragic if we didn't support the president." (CBS-9)

A-12 DEFERRAL

NBC's Katherine Couric reports on Secretary Cheney's two-year deferral of more than a billion dollars due the government from McDonnell Douglas and General Dynamics for the botched A-12 Avenger project. The government decided that for national security reasons, the two companies needed to stay afloat. (NBC-12)

AIDS

NBC's Robert Bazell reports that federal health officials expect 100,000 people will die of AIDS within the next three years, a number equal to those already dead. Health officials expect to see more deaths from inner cities, including many women and children. Longtime AIDS activists say many people are starting to forget about AIDS, just when the big wave is about to hit. (NBC-6)

SOVIET SPACE STATION

Rather reports Soviet officials say sometime before dawn Thursday, the 40-ton Salyut-7 space station is expected to drop out of orbit after nine years up there. Officials estimate that up to two tons could survive re-entry -- and end up anywhere. (CBS-10)

-End of B-Section-

EDITORIALS/COLUMNISTS

BUDGET (cont'd)

Ouch -- The Deficit Is Still Huge -- "Viewing the world through decidedly rose-tinted glasses, the Bush Administration has presented a federal budget with a deficit it claims will run to a mere \$281 billion.... That figure could easily balloon to more than \$450 billion.... The large matter of deficits aside, the Bush budget document is interesting.... The budget shifts money to science and to highways. This is exactly the kind of infrastructure spending that should become a top national priority.... Transferring money from military science to civilian science also makes good sense.... The Administration's domestic priorities are right, too.... In defense, much skepticism is due. ...The bottom-line problem with this budget is the bottom line. The deficit is still far too large." (Dallas Morning News, 2/5)

Nibbling At The Margins -- "In the midst of a large-scale war, it's hard to criticize a President for a budget that does little more than shuffle a few chairs around the fiscal deck.... At best, however, this budget shows an Administration on intellectual hold.... The best tool for getting the economy moving, a sharp cut in the capital gains tax, is mentioned only in passing in the budget proposals.... President Bush's nervousness about the fairness argument are is reflected in the proposal to raise Medicare premiums for people in top income brackets.... That's essentially a form of progressive taxation.... Fairness, rather than growth, once again is dominating what passes for political thought in Washington." (Detroit News, 2/6)

A Credible Call For Budget Rigor -- "Honesty in budgeting, at last: What a refreshing change for Washington. The Bush Administration sent Congress a credible, if rigorous, budget proposal, challenging the nation to confront difficult choices in an era of austerity.... This steady-as-you-go budget may not be exciting, but it is a plausible plan for enduring a nationwide recession.... Mercifully, the...misguided call for an unbalanced cut in the tax rate on capital gains will be consigned this year to a study panel, where it should cause no further trouble." (Cleveland Plain Dealer, 2/6)

With A Little Luck, A Realistic Budget -- "...The Administration's budget for fiscal year 1992 is a sober attempt to stick to spending restrictions even in the face of recession, the Gulf war and the S&L bailout. The proposal avoids controversial initiatives that might weaken Bush's war support, but it nevertheless confronts reality and admits the unpredictability of what lies ahead." (Chicago Tribune, 2/6)

Bush's Choices -- "...In his 1992 budget, President Bush has chosen [his priorities]. Some of his spending ideas are intriguing; others purely unfair. Taken together, they reveal that he remains intent on giving the nation 'kinder, gentler' rhetoric -- while pursuing budget policies that belie it.... And yet, there is one major advance in the budget: Bush has proposed curtailing automatic government benefits to the well-off." (Newsday, 2/5)

-End of News Summary-

ECONOMIC CLUB OF NEW YORK
NEW YORK HILTON, NEW YORK CITY
WEDNESDAY, FEB. 6, 1991
8:30 P.M.

THANK YOU, DICK [[VOELL, CLUB CH.]]. SECRETARY
BRADY. RAY PRICE. AND THANK YOU, EACH ONE OF YOU --
NOT FOR STANDING UP TO GREET ME -- BUT FOR STANDING UP
FOR ALL THOSE FIGHTING AGAINST AGGRESSION TONIGHT IN
THE PERSIAN GULF -- AND ESPECIALLY -- THE FIGHTING MEN
AND WOMEN OF THE UNITED STATES OF AMERICA. \\\

((LOOKING AROUND AT THIS DAIS AND AT THE AUDIENCE,
I WONDER WHO'S HOME MINDING THE G.N.P.! \\\ ...SOME
STAR-STUDED AUDIENCE.))

THIS YEAR MARKS A DEFINING HOUR -- A MOMENT OF
TRUTH -- FOR THIS GENERATION, FOR THIS COUNTRY, AND FOR
THE UNITED NATIONS, TOO. WE WERE PATIENT AND WE WERE
CAUTIOUS. BUT WHEN THE MOMENT OF TRUTH CAME, AMERICA
AND THE WORLD DID WHAT WAS MORAL, WHAT WAS JUST, AND
WHAT WAS RIGHT. \\\

WE SAID THE OCCUPATION OF KUWAIT WOULD NOT STAND.

AND THREE WEEKS AGO TONIGHT, AT JUST ABOUT THIS TIME, WE ANNOUNCED THAT THE LIBERATION OF KUWAIT HAD BEGUN. \\\

THREE WEEKS AGO TONIGHT, ALLIED FORCES MOVED TO END A CONFLICT WE DID NOT SEEK AND DID NOT BEGIN. BUT LADIES AND GENTLEMEN -- IT'S ONE WE AND OUR ALLIES WILL FINISH. \\\

TONIGHT WE ARE ON COURSE AND ON SCHEDULE. MISSION BY MISSION, HOUR BY HOUR, IRAQ'S CAPACITY TO WAGE WAR IS BEING SYSTEMATICALLY DESTROYED BY AMERICAN AND COALITION FORCES.

THE ROAD TO REAL PEACE WILL BE LONG AND TOUGH. BUT WE WILL PREVAIL. AND WHEN WE DO, WE WILL HAVE BEFORE US AN HISTORIC OPPORTUNITY. FROM THE CONFLUENCE OF THE TIGRIS AND EUPHRATES -- WHERE CIVILIZATION BEGAN -- CIVILIZED BEHAVIOR CAN BEGIN ANEW. WE CAN BUILD A BETTER WORLD -- A NEW WORLD ORDER. \\\

TONIGHT, THE WORLD IS UNITED BY SHARED COMMITMENTS, SHARED INTERESTS, SHARED HOPES. OUR EFFORTS WILL DETERMINE THE KIND OF LEGACY WE BEQUEATH OUR CHILDREN, THE KIND OF WORLD THEY WILL LIVE IN. AND SO, LET US RE-DEDICATE OURSELVES TO THE IDEALS IN WHICH OUR TROOPS SO RESOLUTELY BELIEVE. BECAUSE IN THE FINAL ANALYSIS, AMERICA AND HER PARTNERS WILL BE MEASURED NOT BY HOW WE WAGE WAR BUT HOW WE MAKE PEACE. \\\

I SAID IN MY STATE OF THE UNION ADDRESS THAT "WE ARE THE NATION THAT CAN SHAPE THE FUTURE." AND SHAPING THE FUTURE IS A JOB THAT BEGINS AT HOME: LONG-TERM ECONOMIC GROWTH IS CENTRAL TO QUALITY OF LIFE FOR AMERICA'S FAMILIES, QUALITY OF DECENCY FOR AMERICA'S COMMUNITIES, AND TO THE QUALITY OF LEADERSHIP AMERICA CAN BRING IN ITS SPECIAL ROLE AS THE WORLD'S LEADING DIPLOMATIC, CULTURAL, AND ECONOMIC POWER.

JUST OVER EIGHT YEARS AGO, WHEN WE CAME OUT OF RECESSION, THE LONGEST PEACETIME EXPANSION IN AMERICAN HISTORY BEGAN. WORKING TOGETHER, WE CREATED MILLIONS OF NEW JOBS, AND CUT BOTH INTEREST RATES AND INFLATION IN HALF -- A TRIUMPH DRIVEN BY THE ENERGIES OF THE MOST DYNAMIC AND DIVERSE ECONOMY ON EARTH. \\\

AGAINST THIS BACKGROUND, THE EVENTS OF 1990 SERVED TO REMIND US THAT EVEN A FUNDAMENTALLY HEALTHY ECONOMY FACES THE RISK OF TEMPORARY DISTURBANCES AND SHORT-TERM SETBACKS. FOR EXAMPLE, WHEN IRAQ INVADED KUWAIT IN AUGUST 1990, IT WAS A SHOCK TO THE WORLD'S CONSCIENCE. BUSINESS AND CONSUMER CONFIDENCE FELL. OIL PRICES ROSE. INFLATION WORRIES ROSE. AND INTEREST RATES REFLECTED AN EXTRA RISK PREMIUM. TAKEN TOGETHER, THIS PRODUCED A VERY REAL BLOW TO AN ECONOMY THAT HAD ALREADY SLOWED.

BUT MAKE NO MISTAKE: THE CURRENT RECESSION DOES NOT SIGNAL ANY DECLINE IN THE FUNDAMENTAL, LONG-TERM HEALTH OR BASIC VITALITY OF OUR ECONOMY. AMERICA IS A "CAN DO" NATION. AND AMERICA IS HOME TO THE LARGEST, MOST PRODUCTIVE ECONOMY ON EARTH.

OUR ADMINISTRATION'S ECONOMIC POLICIES ARE DESIGNED TO STRENGTHEN THE FOUNDATION FOR A SOLID RECOVERY AND GUARANTEE THE HIGHEST POSSIBLE RATE OF SUSTAINED ECONOMIC GROWTH. I DESCRIBED THE THREE PILLARS OF THAT FOUNDATION IN THE STATE OF THE UNION ADDRESS: ENCOURAGING ECONOMIC GROWTH; INVESTING IN THE FUTURE; AND GIVING POWER AND OPPORTUNITY TO THE INDIVIDUAL. \\\

ENCOURAGING ECONOMIC GROWTH MEANS REDUCING FEDERAL BORROWING -- BY CUTTING THE GROWTH OF FEDERAL SPENDING. THAT'S WHY WE SENT CONGRESS A BUDGET PROPOSAL THAT HOLDS SPENDING GROWTH BELOW THE RATE OF INFLATION -- THE LOWEST INCREASE IN SPENDING IN FIVE YEARS. AND THAT'S WHY THE BUDGET LAW WAS ARMED WITH REAL TEETH -- "PAY-AS-YOU-GO" PROVISIONS AND ENFORCEABLE SPENDING CAPS -- AIMED AT CUTTING THE GROWTH OF DEBT BY NEARLY HALF A TRILLION DOLLARS. TRUE, THE DEFICIT IS HIGH -- UNACCEPTABLY HIGH. THE S & L COSTS, THE WAR, AND THE ECONOMIC DECLINE HAVEN'T HELPED A BIT. BUT THANKS TO THE BUDGETARY REFORMS BEGUN LAST FALL, THE DEFICIT WILL BE VIRTUALLY ELIMINATED BY 1995.

TO ENSURE ECONOMIC GROWTH, THIS ADMINISTRATION WILL ALSO REDOUBLE ITS EFFORTS TO WEED OUT COUNTER-PRODUCTIVE GOVERNMENT REGULATIONS. THE MARKET MUST BE ALLOWED TO WORK WITHOUT UNNECESSARY FEDERAL INTERVENTION. \\\

WE MUST ALSO FUEL ECONOMIC GROWTH BY PROVIDING INCENTIVES TO PROMOTE PRIVATE SAVINGS AND JOB-CREATING INVESTMENT. OUR BUDGET INCLUDES TAX-FREE FAMILY SAVINGS ACCOUNTS; PENALTY-FREE I.R.A. WITHDRAWALS FOR FIRST-TIME HOME BUYERS; AND A REDUCED TAX FOR LONG-TERM CAPITAL GAINS. THAT WILL HELP BRING DOWN THE COST OF CAPITAL, WHICH WILL HELP AMERICAN BUSINESSES COMPETE AT HOME AND ABROAD.

WE MUST ALSO RENEW OUR INVESTMENTS IN AMERICA'S FUTURE. THAT MEANS INVESTING IN THE EDUCATION AND SAFETY OF OUR CHILDREN. INVESTING IN THE INFRASTRUCTURE OF OUR TRANSPORTATION SYSTEM. INVESTING IN REFORMS FOR THE FINANCIAL SERVICES SYSTEM. INVESTING IN HIGH TECHNOLOGY AND IN SPACE.

THE BUDGET PROPOSAL WE SENT TO CAPITOL HILL HAS BEEN WELL-RECEIVED. IT INCLUDES A RECORD \$76 BILLION FOR RESEARCH AND DEVELOPMENT, ONE OF THE MOST IMPORTANT INVESTMENTS WE CAN MAKE IN THE LONG-TERM ECONOMIC AND MILITARY STRENGTH OF OUR NATION. IT ALSO RECOGNIZES THAT GOVERNMENT MUST HELP TRANSLATE THE RESULTS OF BASIC RESEARCH INTO THE GENERIC TECHNOLOGIES THAT STRENGTHEN OUR INDUSTRIES AND IMPROVE OUR LIVES. \\\ THIS ISN'T AN INVESTMENT IN MACHINES -- IT'S AN INVESTMENT IN PEOPLE -- IN THE SCIENTISTS, ENGINEERS AND EDUCATORS WHO WILL PRODUCE THE ADVANCES OF THE 21ST CENTURY. AND TOGETHER WITH THE NATION'S GOVERNORS, WE HAVE LAUNCHED A COMPREHENSIVE EFFORT AT REFORM AND RESTRUCTURING, AIMED AT PRODUCING AN EDUCATIONAL RENAISSANCE.

WE'VE STILL GOT A LONG WAY TO GO. BUT WE WON'T SELL OUR KIDS SHORT. AS ONE OBSERVER SAID OF THE TROOPS MANNING PATRIOT MISSILES IN THE GULF: "IN ONE DAY, THEY WIPED OUT THE IDEA THAT YOUNG AMERICANS ARE NOT SMART ENOUGH FOR THE 21ST CENTURY." \\\

INVESTING IN THE FUTURE ALSO MEANS MODERNIZING OUR FINANCIAL SYSTEM -- WHICH IS EXACTLY WHAT OUR ABLE SECRETARY OF THE TREASURY UNVEILED YESTERDAY WITH OUR BANKING REFORM PROPOSALS. THESE REFORMS WILL CONTINUE TO PROTECT EVERY INSURED DEPOSITOR IN AMERICA. BUT THEY WILL ALSO ADDRESS THE REALITY OF THE MODERN FINANCIAL MARKETPLACE BY CREATING A U.S. FINANCIAL SYSTEM THAT PROTECTS TAXPAYERS, SERVES CONSUMERS, AND STRENGTHENS OUR ECONOMY. WE DON'T WANT TO BE BACK AGAIN IN A COUPLE OF YEARS TO DO THIS ALL OVER AGAIN. THAT'S WHY HALF-WAY SOLUTIONS WON'T DO -- WE HAVE TO DO THE WHOLE JOB, AND WE HAVE TO DO IT NOW. \\\

THE CHALLENGES AHEAD ARE GREAT. BUT BY ANY HISTORICAL STANDARD, THE CURRENT DOWNTURN IS EXPECTED TO BE MILD AND BRIEF. AND TODAY IN AMERICA, THE BOTTOM LINE IS THIS: WHILE OUR ECONOMY MAY BE BESET BY DIFFICULTY -- IT SHOULD NOT BE BESET BY DOUBT.\\\

A HEALTHY SENSE OF CONFIDENCE IS BACKED BY THE FACTS. INFLATION HAS BEEN KEPT UNDER CONTROL. INTEREST RATES ARE BEGINNING TO DECLINE FURTHER. THE TRADE DEFICIT DECLINED FOR THE THIRD YEAR IN A ROW. INVENTORIES HAVE BEEN KEPT DOWN, REDUCING THE NEED FOR PRODUCTION CUTS TO WORK OFF EXCESS INVENTORY. BECAUSE OUR MAJOR TRADING PARTNERS ARE SEEING RELATIVELY STRONG GROWTH, AND THE PRICE OF U.S. EXPORTS ON WORLD MARKETS REMAINS LOW, THE PACE OF U.S. EXPORTS WILL CONTINUE TO SET RECORD HIGHS.

IN SPITE OF MANY PRE-WAR PREDICTIONS THAT A GULF WAR WOULD SEND OIL UP TO \$80 A BARREL, OIL PRICES HAVE FALLEN SUBSTANTIALLY SINCE THEIR PEAKS IN OCTOBER, ESPECIALLY SINCE THE START OF OPERATION DESERT STORM. I BELIEVE THAT BY STANDING UP TO AGGRESSION IN THE GULF, WE ARE GUARANTEEING THE FUTURE SECURITY AND STABILITY OF THAT AREA, THAT IS SO VITAL TO GLOBAL ECONOMIC PROSPERITY. \\\

LATER THIS MONTH, THE ADMINISTRATION WILL RELEASE ITS NATIONAL ENERGY STRATEGY. THE STRATEGY WILL PROPOSE FEDERAL, STATE AND PRIVATE SECTOR INITIATIVES TO INCREASE ENERGY EFFICIENCY AND CONSERVATION. IT RECOGNIZES THE NEED FOR CREATING A CLEAN, SAFE ENVIRONMENT. AND IT ALSO RECOGNIZES THAT WE MUST FIND MORE DOMESTIC OIL AND GAS, AND USE MORE ALTERNATIVE SOURCES OF ENERGY.

OUR STRATEGY IS DESIGNED TO REDUCE OUR VULNERABILITY TO FOREIGN OIL SUPPLY DISRUPTIONS. SOME WILL ARGUE THAT REDUCING OUR ENERGY VULNERABILITY IS NOT ENOUGH, AND THAT WE SHOULD EMBARK UPON MORE DRASTIC MEASURES DESIGNED TO ACHIEVE TOTAL ENERGY INDEPENDENCE. THE REALITY IS THAT WE ARE A LONG WAY FROM TOTAL ENERGY INDEPENDENCE. WE MUST AVOID UNWISE AND EXTREME MEASURES THAT WOULD SERIOUSLY HURT AMERICAN CONSUMERS, AMERICAN JOBS, AND AMERICAN INDUSTRIES. \\\

YES, WE MUST BEGIN REDUCING OUR ENERGY
VULNERABILITY NOW. OUR NEW STRATEGY WILL DO THAT
BECAUSE IT IS PRUDENT, BALANCED, AND COMPREHENSIVE.

\\

AND FINALLY, DON'T FORGET ANOTHER UNDERLYING
STRENGTH OF OUR ECONOMY: THE FLEXIBILITY OF AMERICA'S
FREE MARKET SYSTEM. TO PRESERVE THIS FLEXIBILITY, WE
MUST KEEP OUR MARKETS OPEN AND HOLD GOVERNMENT
RESTRICTIONS TO A MINIMUM. THIS IS NOT EASY. I WILL
CONTINUE TO OPPOSE PROTECTIONISM, AND CONTINUE TO FIGHT
FOR A LEVEL PLAYING FIELD, SO THAT INTERNATIONAL TRADE
IS FREE -- AND FAIR. \\

THAT IS WHAT WE ARE DOING IN THE URUGUAY ROUND OF
TRADE NEGOTIATIONS -- TRYING TO LOWER BARRIERS TO THE
FREE FLOW OF GOODS AND SERVICES AROUND THE WORLD. THAT
IS ALSO WHAT WE SEEK IN THE NEGOTIATIONS WE WILL LAUNCH
THIS YEAR WITH MEXICO AND CANADA TO CREATE A NORTH
AMERICAN FREE TRADE AREA. AND OUR ENTERPRISE FOR THE
AMERICAS INITIATIVE IS INTENDED TO EXTEND THE BENEFITS
OF FLEXIBILITY THROUGHOUT THE WESTERN HEMISPHERE.

TO BUILD A NEW, PEACEFUL WORLD ORDER, WE MUST ALSO SECURE THE DEMOCRATIC TRIUMPHS OF THE PAST YEAR. I AM THINKING ESPECIALLY OF THE "REVOLUTION OF '89." THE NEW DEMOCRACIES IN CENTRAL AND EASTERN EUROPE INSPIRE US ALL WITH THEIR COMMITMENT TO FREE SOCIETIES AND FREE MARKET ECONOMIES, BUT THEY FACE DAUNTING OBSTACLES FROM THE COMMUNIST PAST, AS WELL AS SEVERE NEW PROBLEMS BROUGHT ON BY LOST MARKETS AND HIGHER OIL PRICES.

OUR ADMINISTRATION IS COMMITTED TO HELP AND COMMITTED TO LEAD: DESPITE THE BURDEN WE ARE BEARING IN THE GULF, I HAVE ASKED CONGRESS FOR \$470 MILLION IN NEW ASSISTANCE FOR CENTRAL AND EASTERN EUROPE, A SUBSTANTIAL INCREASE OVER LAST YEAR'S REQUEST.

FOUR DECADES AGO, THE MARSHALL PLAN HELPED BUILD A WEST EUROPEAN ZONE OF PROSPERITY AND SECURITY THAT GREATLY BENEFITTED THE UNITED STATES. TOGETHER WITH OUR WEST EUROPEAN PARTNERS, WE CAN NOW EXTEND THIS SUCCESS TO CREATE A EUROPE WHOLE AND FREE -- AN ENTIRE CONTINENT OF PROSPERITY AND STABILITY THAT FULFILLS THE VISION OF THE MARSHALL PLAN.

WITH THEIR GREAT HUMAN POTENTIAL AND COMMITMENT TO MARKET ECONOMIC REFORM, CENTRAL AND EASTERN EUROPEAN COUNTRIES OFFER REAL OPPORTUNITIES FOR U.S. TRADE AND INVESTMENT. I URGE AMERICAN BUSINESS TO SEIZE THESE OPPORTUNITIES, AS MANY ARE DOING. G.E.'S JACK WELCH WEIGHED IN WITH A \$150 MILLION JOINT VENTURE WITH TUNGSRAM IN HUNGARY. UNION PACIFIC'S DREW LEWIS STEPPED UP TO THE PLATE WITH AN IMPRESSIVE EFFORT TO MODERNIZE POLAND'S RAILROADS. AND BELL ATLANTIC AND U.S. WEST HAVE BEGUN AN \$80 MILLION TELECOMMUNICATIONS VENTURE IN CZECHOSLOVAKIA.

HISTORY IS MOVING DECISIVELY IN FAVOR OF FREEDOM -- THANKS, IN LARGE PART, TO AMERICAN IDEALS AND PERSEVERANCE. THE TOUCHSTONES OF THE MODERN WORLD -- WHICH THE EMERGING DEMOCRACIES ARE NOW STRIVING FOR -- ARE FREE MARKETS, FREE SPEECH, AND FREE ELECTIONS. AMERICA HAS LIVED BY THESE TENETS FOR OVER 200 YEARS. THEY HAVE GIVEN US BOTH OUR POWER -- AND OUR PURPOSE.

\\

THAT IS WHY AMERICA AND OUR ALLIES ARE GOING TO
PREVAIL IN THE GULF. AND THAT IS WHY AMERICA AND OUR
PARTNERS ARE GOING TO PROSPER IN THE YEARS TO COME.
OUR BEST DAYS ARE BEFORE US. AND I CAN ASSURE YOU --
AMERICA, AND THE WORLD -- THAT WE WILL CONTINUE TO
FIGHT FOR PRINCIPLE. WE WILL CONTINUE TO DO THE HARD
WORK OF FREEDOM. \\\

THANK YOU. GOD BLESS THE TROOPS IN THE GULF. AND
GOD BLESS THE UNITED STATES OF AMERICA.

#

REVIEW & OUTLOOK

One-Fourth of GNP

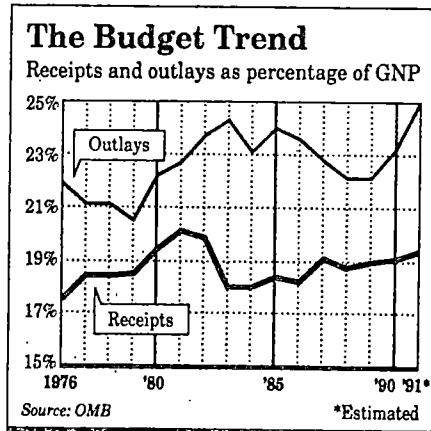
\$1,445,900,000,000.

\$1.45 trillion. *Trillion.*

That's how much taxpayer money the Bush Administration proposed yesterday to turn over to the federal government in Fiscal Year 1992.

If so huge a number seems surreal, think of it as another Washington landmark: This year, for the first time since World War II, the federal government will spend more than 25% of the nation's annual wealth. One dollar of every four produced by working Americans will be handed over to Congress and its various Departments of Good Intentions.

As the nearby chart shows, this is a phenomenon of the Bush years. The last Reagan budget year, 1989, saw spending hit its lowest level in a decade as a share of gross national prod-



uct—22.3%. But in only two Bush years, federal outlays will have soared by three percentage points of GNP. This is a bigger spending boom in two years than the spendthrift Carter Administration was able to achieve in four.

This Beltway boom can't be dismissed as a mere recession effect. The Bush budget assumes economic growth of nearly 1% this year, and zero growth last year. If the current economic downturn lasts longer than this March or April, spending will soar to even greater heights.

Meanwhile, even with little or no economic growth, federal tax receipts are back where they were before the Reagan tax cuts. As the chart also shows, taxes are creeping back up to one-fifth of GNP. This should prove once and for all that budget deficits are a function of spending, not tax cuts. While marginal tax rates are lower than in 1980, by nearly every other measure the nation's tax burden is greater than ever.

All of this is happening, we should add, despite the celebrated budget accord of 1990. Or more likely, because of it. The Bush budget proposes to increase 1992 spending by only 2.6%.

But what it doesn't say is that budget director Richard Darman had to pay Congress a monumental spending bribe in 1991 to get his budget deal. The most ill-timed tax increase in history also hasn't helped the economy. We don't know what Texas Senator Phil Gramm and John Sununu were smoking when they said spending would fall to 18% of GNP under the budget agreement, but it must have been something that induces dreams.

Just about everyone in the Beltway gets to share in the spending boom. About the only real loser is defense spending, despite the Iraq war. The Pentagon will receive less after inflation for the sixth straight year. But from 1990 to 1991 overall spending is expected to climb by some \$157.9 billion, or an astonishing 13%, nearly three times the inflation rate.

Senator Bob Byrd's appropriators get a sweet \$12 billion, or 6.1%, more in fiscal 1992 on top of their double-digit increases in 1991. Senator Gramm, erstwhile tightwad, gets 120% more for the Superconducting Super Collider in Texas. Mr. Darman can boast of 13% more for his beloved space bureaucracy at NASA.

California Democrat Henry Waxman gets a couple of more billion in new Medicaid "benefits" to impose on the states. Governor Bill Clinton, the Arkansas Democrat, says Mr. Waxman is trying to create nationalized health care, "using Medicaid as the vehicle and the state's credit cards as the financing mechanism." And the Bush Administration is helping him. Its proposed \$25 billion "cut" in Medicare is nothing more than another tax increase on the well-to-do elderly, plus another turn of the bureaucratic screw on doctors and hospitals. This GOP constituency will soon be begging for Mr. Waxman's agenda as the least awful alternative.

Mr. Darman tried mightily yesterday to claim this is a "reform budget." And there are some good things in it, not least talk of "choice" in education and the cancellation of 238 domestic programs. But last year's budget had similar proposals, and virtually nothing was killed in the end. Why should anyone, least of all Congress, believe Mr. Darman is serious when federal spending on his watch is careening to post-war records? "Reform" is certainly needed, but it requires more political commitment than an annual budget essay.

With the country in recession, families are having to scrimp, while states and cities are slashing budgets. The only place where it's spending-as-usual is Fat City, USA.

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The Scarlet Letter

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From Andy Mitrusi, dep.

1. deficit

- 1991 $\approx$ 3186 deficit (don't use exact #s tho')
- Because of budgetary reforms enacted in Fall '90, by 1995 the deficit will be virtually eliminated.
- Reason it's so high is b/c of unexpected events
i.e. Gulf

consumer confidence $\downarrow$

oil prices $\uparrow$

after 8/2, everything collapsed

Automatic stabilizers in budget - (Broadman)

2. WSJ - Why it's Ter than RR

- Recession coming on, it $\uparrow$ our need to spend
- S&L bailout, which grew thru 80's & we

$\downarrow$

Why it's lg.

~~also B/C deposit~~

all a fxn of the softness of the economy

lg diff. of what we take in
& what goes out.

To CAROL
Date JAN 30 Time 3:05

WHILE YOU WERE OUT
M SARA Hildebrand

of _____

Phone 566-2278
Area Code Number Extension

TELEPHONED		PLEASE CALL	☒
CALLED TO SEE YOU		WILL CALL AGAIN	
WANTS TO SEE YOU		URGENT	

RETURNED YOUR CALL ☐

FROM TREASURY
Message

Dept. ON A
SUGGESTION FROM
CABINET AFFAIRS.

JPS

Operator



AMPAD
EFFICIENCY®

23-020

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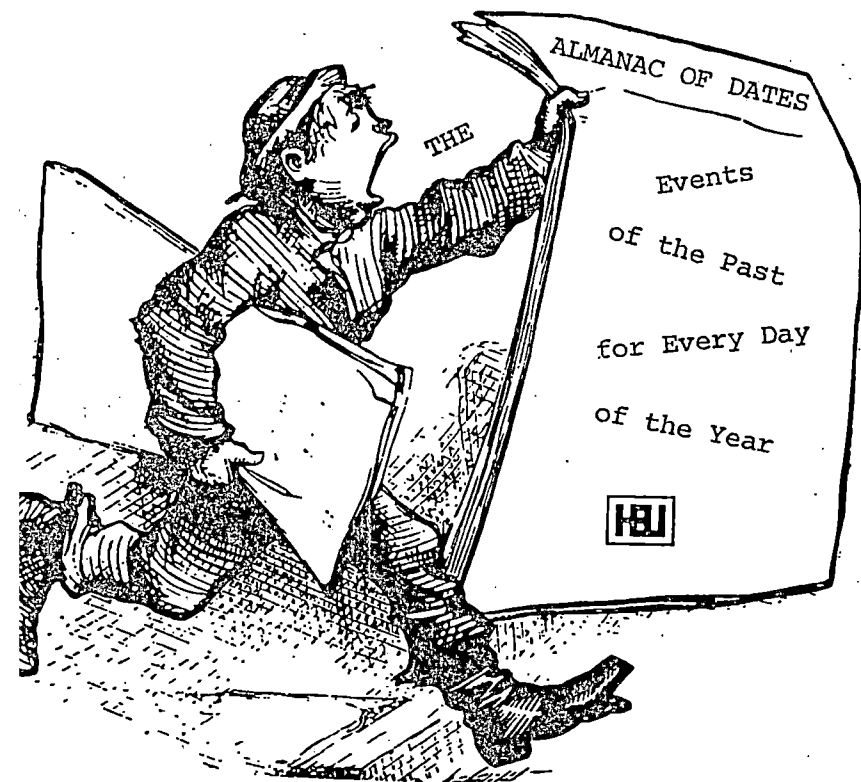
7: **THE ALMANAC
OF DATES**

**EVENTS OF THE PAST FOR
EVERY DAY OF THE YEAR**

LINDA MILLGATE

Harcourt Brace Jovanovich

New York and London



9-78 EW

ACKNOWLEDGMENT

Encyclopedists, almanac compilers, historical writers of both fact and fiction, anyone who has published anything with a full date in it--thank you.

To my parents who knew I would finally succeed in spite of never knowing what I would try next.

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Millgate, Linda

The almanac of dates.

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First edition

B C D E

1970 Start of Cambridge, Maryland, Muskrat-skinning
Championship
1972 Marianne Moore, poet and baseball fan, died
1913, 1940, 2008 Shrove Tuesday

February 6th

Feast of St. Dorothy, martyr
Feast of St. Photius, patriarch of Constantinople
Feast of St. Titus, first missionary to Crete
Feast of St. Vaast (Gaston), patron of children who are slow to walk
Kannokura ("Where the Gods Live"), festival of the Shinto religion
337 AD Julius I became Pope
679 St. Amand of Maastricht, missionary-bishop, died (Feast Day)
1519 Sir Walter Raleigh left England to explore Guiana, S. America
1564 Christopher Marlowe, English playwright, born
1665 Queen Anne of England born
1670 Frederick III, King of Denmark and Norway, died
1682 LaSalle sighted the Mississippi River
1685 King Charles II of England died
1704 Pope Clement XII died
1756 Aaron Burr, U.S. vice-president, born
1778 French-American treaty signed for aid against England
1788 Massachusetts ratified the Constitution
1833 Otto, German-born king of Greece, arrived in his kingdom
1838 Zulu warriors massacred Dutch settlers in Natal, S. Africa
1862 Fort Henry fell to Union forces
1873 Peru and Bolivia signed a mutual-defense agreement
1895 Babe Ruth, baseball great, born
1899 Congress ratified the treaty ending the Spanish-American War
1904 Russo-Japanese War began
1911 Ronald Reagan, actor-politician, born
1922 Limitation of Armaments Conference ended (Washington, D.C.)
1936 Start of Garmisch-Partenkirchen, Germany, Olympics
1951 Train wreck at Woodbridge, New Jersey
1952 King George VI of England died
1954 Kashmir acceded to India
1968 Winter Olympics began at Grenoble, France
1970 Chinese Year of the Dog, 4668, began
1971 Central Italy rocked by an earthquake

1913, 1940, 2008 Ash Wednesday, beginning of Lent
1951, 2035, 2046 Shrove Tuesday

February 7th

Feast of St. Romuald
Feast of St. Theodore the General
1478 AD Sir Thomas More, English statesman, born
1639 French Academy began its great dictionary of the French language
1799 Ch'ing Lung, Chinese emperor, died
1804 John Deere, steel-plow inventor, born
1812 Great North American earthquake
Charles Dickens, author, born
1837 King Gustavus IV of Sweden died in exile
1863 Orpheus wrecked off New Zealand
1864 Housatanic, (Union) sunk by H.L. Hunley (Confederate), 1st warship sinking by a submarine
1878 Pope Pius IX died
1885 Sinclair Lewis, novelist, born
1894 Mississippi adopted its state flag
1901 Queen Wilhelmina of Holland married Henry, Duke of Mecklenburgh-Schwerin
1904 Baltimore business district fire
1915 First wireless message sent from a moving train to a station
1929 Christina, Queen Regent of Spain, died
1950 U.S. recognized South Viet Nam
1970 Final Day of the Muskrat-skinning Championship at Cambridge, Maryland
1951, 2035, 2046, Ash Wednesday
1967, 1978, 1989, 2062, 2073 Shrove Tuesday

February 8th

Feast of St. Cuthman
Feast of St. John Matha
1250 AD 7th Crusade rested at Mansura, Egypt, and fought a battle
1587 Mary, Queen of Scots, beheaded
1601 Earl of Essex attempted a rebellion against Elizabeth I, Queen of England
1643 Start of the first Fair at Irbit, Russia
1690 French and Indians attacked Schenectady, New York
1693 William and Mary College, 2nd in U.S., chartered
1792 Mrs. Hannah Snell, a deserter from the army and who was wounded as a sailor, died insane

*INSTANT ALMANAC
of Events, Anniversaries,
Observances, Quotations,
and Birthdays
for Every Day
of the Year*

Leonard and Thelma Spinrad

PARKER PUBLISHING COMPANY, INC.

West Nyack, N.Y.

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How to Use This Book

Every speaker, writer, teacher or editor faces the same questions when he sets out to work on a speech, an article or a lesson: What is the best angle for getting into my subject, and how can I make it timely? Sometimes there is an even more basic question: What shall I write or talk about?

For the writer and editor, who often must work many months in advance, finding the appropriate subject or a newsworthy way to introduce that subject is a constant challenge. This book is designed to meet that need, as well as to provide a treasury of topical allusions, timely references and uniquely arranged and indexed information.

If you were invited to be a Fourth of July speaker, it would be hard to ignore the fact that you were speaking on the birthday of American independence. But suppose you were asked to speak before a patriotic group on, say, April 30th—or to give a lesson or to write an article appearing on that date, with a patriotic theme.

Offhand it doesn't sound like a day with any particular patriotic significance. But if you turn to April 30th in this book, you will find several entries you can use. It happens to be the anniversary of the inauguration of George Washington as President, as you will find noted in the section headed "The day in history." It also happens to be the date on which Bernard Baruch made a comment, listed as the quotation of the day, which expresses some of the essence of the American view of life.

Turn next to the beginning of April, the section devoted to the month, preceding the individual days. There you will find a list of

The day in history:

1690—First American paper money was issued by Massachusetts to pay soldiers fighting in war with Quebec.

1865—Civil War peace-seeking conference was held secretly by President Lincoln with Confederate Vice President Alexander H. Stephens aboard a ship at Hampton Roads, Va.

1917—U.S. broke diplomatic relations with Germany; entered World War I two months later.

1919—Irish independence leader Eamon de Valera escaped from Lincoln Gaol, England, coming to U.S. by way of Ireland.

The day's birthdays:

Dr. Elizabeth Blackwell 1821, Bristol, England; editor Horace Greeley 1811, Amherst, N.H.; composer Felix Mendelssohn-Bartholdy 1809, Hamburg, Germany; writer Gertrude Stein 1874, Allegheny, Pa.; writer James Michener 1907, New York; artist Norman Rockwell 1894, New York; conductor Erich Leinsdorf 1912, Vienna; inventor Hudson Maxim 1853, Orneville, Me.

Quotation of the day:

"Is peace a rash system? Is it dangerous for nations to live in amity with each other?"—Charles James Fox, February 3, 1800

—FEBRUARY 4—

Zodiac sign for the day: Aquarius, the water boy.

Zodiac birthstone for the day: Garnet.

The day in history:

1789—Electoral College named George Washington as President of U.S.

1861—Confederate States of America organized in Montgomery, Ala.

1899—Philippine insurrection against rule of U.S. began, led by Emilio Aguinaldo.

1932—First Winter Olympic Games began in Lake Placid, N.Y.

1941—United Service Organizations, USO, founded to entertain U.S. armed forces.

1948—Ceylon Independence Day marks Asian nation's becoming independent member of British Commonwealth in 1948.

The day's birthdays:

Educator Mark Hopkins 1802, Stockbridge, Mass.; aviator Charles A.

Lindbergh 1902, Detroit; painter Fernand Léger 1881, Argentan, France; actress Ida Lupino, London; feminist Betty Friedan, Peoria, Ill.

Quotation of the day:

"Experience makes fools wise."—Daniel O'Connell, February 4, 1836

"The issue between the Republicans and Democrats is clearly drawn. It has been deliberately drawn by those who have been in charge of twenty years of treason."—Joseph R. McCarthy, February 4, 1954

—FEBRUARY 5—

Zodiac sign for the day: Aquarius, the water boy.

Zodiac birthstone for the day: Garnet.

The day in history:

1531—Roger Williams arrived in America.

1818—Marshal Jean Bernadotte became King Charles XIV of Sweden.

1917—Mexican Constitution Day commemorates adoption of Constitution on this date.

1937—President Franklin D. Roosevelt proposed plan to enlarge Supreme Court, described by opponents as "court packing." Plan failed.

1962—The *National Observer* began publication as weekly newspaper.

The day's birthdays:

Actress Maxine Elliott 1871, Rockland, Me.; statesman Sir Robert Peel 1788, Bury, England; statesman Adlai E. Stevenson 1900, Los Angeles; baseball's Hank Aaron 1934, Mobile, Ala.; writer MacKinlay Kantor 1904, Webster City, Iowa.

Quotation of the day:

"Terror is nothing else than justice, prompt, secure and inflexible!"

—Robespierre, February 5, 1794

—FEBRUARY 6—

Zodiac sign for the day: Aquarius, the water boy.

Zodiac birthstone for the day: Garnet.

The day in history:

1693—College of William and Mary chartered in Williamsburg, Va.

1778—France and U.S. signed Treaties of Commerce and Alliance.
 1788—Massachusetts became 6th state to ratify U.S. Constitution.
 1840—New Zealand Day marks establishment of British rule in New Zealand under Treaty of Waitangi on this date.
 1900—U.S. Senate ratified Treaty of Paris which ended Spanish-American War.
 1933—Twentieth Amendment to U.S. Constitution, so-called Lame Duck Amendment providing for January start of President's and Congressional terms of office, went into effect.
 1952—King George VI of Great Britain died and was succeeded on throne by his daughter, Queen Elizabeth II.

The day's birthdays:

Baseball's Babe Ruth 1895, Baltimore; actor Sir Henry Irving 1838, Somerset, England; Queen Anne of England 1665, England; Governor Ronald Reagan 1911, Tampico, Ill.; actress Zsa Zsa Gabor, Budapest.

Quotation of the day:

"It is said that God is always for the big battalions."—Voltaire, February 6, 1770

"Peace and justice are two sides of the same coin."—Dwight D. Eisenhower, February 6, 1957

—FEBRUARY 7—

Zodiac sign for the day: Aquarius, the water boy.

Zodiac birthstone for the day: Garnet.

The day in history:

1882—John L. Sullivan knocked out champion Paddy Ryan at Mississippi City, Miss. in 9th round to become the last bare knuckle world's heavyweight boxing champion.
 1904—Fire destroyed most of business district of Baltimore, Md.
 1936—Flag of the Vice President of the U.S. authorized.
 1950—U.S. recognized Saigon government of Vietnam.

The day's birthdays:

Writer Charles Dickens 1812, Landport, England; writer Sinclair Lewis 1885, Sauk Center, Minn.; statesman Sir Thomas More 1478, London.

Quotation of the day:

"No attachments soothe the mind so much as those contracted in early life . . ."—Thomas Jefferson, February 7, 1788

—FEBRUARY 8—

Zodiac sign for the day: Aquarius, the water boy.

Zodiac birthstone for the day: Garnet.

The day in history:

1587—Mary, Queen of Scots, executed at Fotheringhay Castle, England.
 1910—Boy Scouts of America chartered in Washington, D.C.
 1915—*Birth of a Nation* had its world premiere at Clune's Auditorium, Los Angeles.
 1949—Jozsef Cardinal Mindszenty sentenced to life imprisonment by Communist Hungary. (He took refuge in the U.S. Embassy in Budapest when he was released from jail in the Hungarian revolution of 1956.)

The day's birthdays:

General William Tecumseh Sherman 1820, Lancaster, Ohio; critic John Ruskin 1819, London; writer Jules Verne 1828, Nantes, France; actress Lana Turner, Wallace, Idaho; actor Jack Lemmon 1925, Boston.

Quotation of the day:

"The changes between wet and dry are much more frequent and sudden in Europe than in America. Though we have double the rain, it falls in half the time."—Thomas Jefferson, February 8, 1805

—FEBRUARY 9—

Zodiac sign for the day: Aquarius, the water boy.

Zodiac birthstone for the day: Garnet.

The day in history:

1825—In only such instance in U.S. history, the son of a living former President was himself elected President of U.S. when House of Representatives, voting because Electoral College had been unable to give any candidate a majority, elected John Quincy Adams.
 1870—National Weather Service established as unit of U.S. Army.
 1942—French liner *Normandie* caught fire at pier in New York while being converted for use as wartime troopship. Capsized following morning.
 1943—Japanese evacuated Guadalcanal, ending epic World War II battle with U.S. forces.

For 2/6/91 speech

Examples of some major U.S. investments in Eastern Europe

Hungary

✓ General Electric (CEO Jack Welch knows the President) \$150 million joint venture with Tungsraum

GM and Ford: major auto parts investments (\$160 million and \$80 million respectively)

Guardian Glass: \$110 million joint venture

Poland

✓ Marriott: major joint venture (with LOT, the Polish airline) for a hotel/office complex in central Warsaw

Czechoslovakia

✓ Bell Atlantic and US West: \$80 million telecommunications venture

GE and Westinghouse: major power generation ventures

Summary of what we have done to create favorable investment conditions in Poland, Czechoslovakia and Hungary (Bulgaria and Romania to follow)

- MFN and GSP (Generalized System of Preferences)
- OPIC, ExIm Bank, TDP (Trade and Development Program) operating
- relaxing COCOM restrictions
- Polish-, Hungarian- and Czechoslovak-American Enterprise Funds
- Concluded bilateral investment treaties and commercial agreements on terms advantageous for U.S. firms (investment treaty with Czechoslovakia not quite finished)

January 30, 1991
Chmn. Boskin CEA

1. Gulf \$ For. pol. $\approx$ econ. effx
2. Rpt. gen. info from SOU & elaborate
3. Budget package 2/4
Treats. Study 2/5

Why impacts of oil shock will lessen recession
not like '70s.

Economic Rpt. of the Pres.

Budget pkg expectations:

Remove lg of constraints on banking industry

McFadden Act $\rightarrow$ Δ these
Glass-Steagall Act

underlying strengths in economy

Economy will rebound soon... bright future

We have a fundamentally strong economy

Anecdote

NY; variation by region & sector on how economy is doing
all parts of country are doing differently.
Reverse of early '80s.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF SCIENCE AND TECHNOLOGY POLICY
WASHINGTON, D.C. 20506

January 31, 1991

CAROL & ED

MEMORANDUM FOR ~~KEN YALE~~

FROM: STEVE OLSON

SUBJECT: TALKING POINTS FOR PRESIDENTIAL SPEECH

Attached are two complementary cuts at talking points for a Presidential speech on the technology and the economy that include almost all of the important points to make. The first set of points is drawn from several OSTP speeches on the subject. The second was prepared by an outside group focused on manufacturing. This set of talking points included recommendations for federal action that have not been reviewed or approved by our office, so I have marked those out with a magic marker. The rest of the material is an excellent summary of the problems and opportunities facing American industry.

**SUGGESTED TOPICS AND TEXT
FOR PRESIDENTIAL SPEECH ON
TECHNOLOGY AND THE ECONOMY**

o Today, more than ever before, one of the key determinants of the strength of our economy is the proficiency of our technology. Other factors are also important, but the difference between success and failure in the marketplace often comes down to who has the better technology. If this country is going to remain an economic leader, we must retain our lead in technology.

o We have not lost that lead. On the contrary, the United States continues to have the strongest science and technology base in the world. However, a number of countries, by focusing their resources in particular areas, have moved up to equal -- and in a few cases surpass -- the position of the United States.

o That is not necessarily bad. In fact, it was to be expected as other countries recovered from World War II and began to follow the United States' lead. What we must now do is ensure that, in all areas of science and technology where our activities do not define the frontier, they are close enough to those frontiers so that we can exploit, without delay, new developments whenever and wherever they occur.

o Let me mention a few other strengths of American science and technology, because it will be important to keep these in mind in considering technology development. First, this country continues to have the strongest research university system in the world. At the undergraduate level on the average, and most especially at the graduate level, our universities continue to set world standards and typically attract the brightest young people from around the world.

o These research universities also provide a double dividend. They generate the new knowledge that drives both science and technology, and at the same time they produce the young minds trained to use that knowledge in new and more productive ways. In no other country does this process work as effectively.

o The United States also continues to have a business climate that encourages the formation of new companies and allows successful companies to grow quickly into major businesses. The rapid growth of the biotechnology industry is one example -- with over 400 firms founded in biotechnology in the 1980s -- but there are other examples throughout American business. These small and medium-sized firms generate many of the most important new ideas in our economy, and they continue to generate most of the new jobs in this country. So long as adequate investment capital remains available for new start-ups, these companies will continue to

contribute a dynamic quality to the U.S. economy that is not evident elsewhere.

o Finally, the United States remains an open and restless society that prizes and rewards innovation. Our world is today changing at accelerating speed -- largely because of advances in science and technology -- and those companies that remain flexible and innovative are going to be the ones best able to take advantage of those changes. Brute force and size are no longer enough for success in American business. In the future, the spoils are going to go to the quick, to the smart, and to the tenacious. The massive production lines for which the United States has become famous can no longer be looked on as the paradigm, though the advantages of scale will continue to be important. We need greater flexibility and agility in changing our production capabilities, both to reflect technological changes and to match customer demand. And we must develop much greater sensitivity to that demand, particularly in the international marketplace.

o The strengths that I have just listed are all important factors in considering the proper role of the federal government in technology development. They indicate the directions that will be most fruitful, where federal programs can leverage the underlying strengths of our institutions. They also give an indication of what has worked best in the past, providing lessons that we can draw upon today, although not necessarily replicate.

o Historically, the federal government has supported this work for two reasons: to meet its own needs in such areas as defense and space, and to meet broader national needs that can be seen as "public goods," such as better health care, the clean-up of pollution, or a stronger transportation or communications infrastructure. However, this R&D has also resulted, over time, in major advances in the private sector. Particular examples come immediately to mind: the development of commercial aircraft, the creation and growth of the computer industry, the strength of American agriculture. But in fact the impact is much more pervasive, because federal R&D has helped to establish the science and technology base from which industry has been able to draw in developing commercial products and processes.

o However, a technology base is unlike many other assets: it must be put to use to be valuable. Several steps taken by Congress and the Reagan Administration in the 1980s provide the mechanisms needed for us to tap the expertise available in our federal laboratories and put it at the disposal of our industrial producers. For example, it is now the responsibility of every federal manager -- defense or civilian -- to consider the commercial ramifications of the work they are supporting and to encourage its commercial application. We must continue to promote these mechanisms so that they become business as usual rather than an additional layer of responsibility imposed on many others. In general, they must receive a much higher priority that has often been the case in the past.

o We must also think about the missions and organization of the federal laboratories and make sure that the country is receiving the best possible return on its investments. For example, potential commercial applications should in many cases

be considered not only in the conduct of R&D but in its planning. Furthermore, both the planning and the conduct of R&D should be guided by input from potential users. This will require that new alliances be established among federal laboratories, businesses, and universities so that the transfer of technology is maximized.

- o As you are well aware, this technology transfer is not easy. It is hard to transfer technology even within a large organization, much less between organizations, especially when there are large bureaucratic obstacles or cultural differences to overcome. In these instances, leadership, commitment, and vision at the very top of the organizations are essential to overcoming these barriers.

- o In fact, there is only one way in which technology can be effectively transferred, and that is in the minds of people. The "transfer" that must take place is between two or more individuals in separate organizations. So the first and most important step in technology transfer is that the potential providers and potential users of technology must be brought together. We must make it much easier, for example, for federal scientists and engineers to work in the private sector, and vice versa, so that individuals with technologies firmly planted in their brains can move from one institution to another. Far too many needless restrictions and red-tape inhibit that exchange today, and we must reduce those barriers.

- o We must also foster new partnerships. Consortia and collaborative arrangements like SEMATECH make it possible to pool resources and specialize on problems, so that each firm does not have to reinvent the technological wheel. We must all work together -- businesses, governments, and universities -- to encourage these collaborations, while keeping in mind that their ultimate objective is to increase competitiveness, both domestically and internationally.

- o This Administration has made a clear commitment to support the development of generic, precompetitive technologies that are important in both the public and the private sectors. In this way, we can help leverage the R&D of the private sector, helping whole industries advance in an increasingly competitive global market.

- o However, technology development also has to be guided by the potential users. The federal government has a relatively poor track record where it has invested in civilian technology without close involvement at the outset from potential users. If U.S. industry wants government assistance and is willing to coinvest, there is some hope for success. But if industry does not perceive the need or is not interested, there is little point in the government's engaging in technology push.

- o This Administration is prepared to be helpful and indeed looks on competitiveness as one of the nation's most pressing challenges. But we do not believe that we in government are as well-qualified to make these strategic plans and decisions for industry as is industry itself. Nor do we believe that economic transfusions in the absence of such strategic plans are any answer at all.

o There are many other factors in addition to technology that determine a company's success, including economic factors, trade factors, legal and regulatory factors, and even cultural factors. Technology may be a necessary precondition for success, but it is not a sufficient precondition. The Bush Administration is taking a wide variety of other steps to address these issues. On the economic front, it has been working to reduce the cost of capital by controlling the federal budget deficit and by making the research and experimentation tax credit permanent. On trade, it is working through the current round of GATT talks to reduce trade barriers and better protect intellectual property. It is reforming product liability laws to restore balance to the tort system and is working to eliminate unwarranted regulation. And, perhaps most important of all, it is focusing substantial effort on the education of our young people, and particularly on the mathematics and science education that will be crucial to our nation's future.

o The actions of the federal government alone cannot dictate economic health. The private sector must also contribute, and it must contribute in ways that it has not in the past. In the area of technology, the private sector must identify and aggressively pursue commercial applications for technologies developed outside its own laboratories, whether by university laboratories, by federal laboratories, by other companies, or by other countries. Regarding its capital stock, it must increase quality, output, and productivity by undertaking the necessary investments in equipment and facilities. Finally, it must improve the skills and abilities of its own workforce and participate cooperatively in improving the quality of U.S. education.

o The federal government can establish incentives for private industry to take such actions. An excellent example is the Malcolm Baldrige National Quality Award established by Congress and President Reagan in 1987. This award recognizes the overall quality of a company's performance, from the commitment of its leaders to the satisfaction of its customers. It is based on a self-examination procedure that incorporates seven major criteria for quality. This self-examination procedure has itself proven to be a major source for quality improvement: many applicants have undergone productivity gains of 20 to 30 percent in the process of competing for the award. In fact, one of the first winners of the Award, Motorola, was so impressed by the process that it has required its thousands of suppliers to also compete for the award.

o The Bush Administration is committed to increasing this nation's investments in the future -- through R&D, through increasing rates of investment, through education. I call upon you to join us in this commitment, because it means a better future for all of us.

SUGGESTED POINTS FOR PRESIDENTIAL ADDRESS ON ECONOMIC COMPETITIVENESS

Introductory Points

- Growing concern in the nation about the strength of our economy--and America's ability to retain its leadership role in the world marketplace.
- This address: An opportunity to place this critical question in a new perspective. Need to understand and address our strengths and weaknesses in the global economy.
- Importance of this issue for all of us: We are all consumers, whether we are teachers, retired persons, clerics, students, workers, managers, doctors, lawyers, or from any other profession.
- To have the choices, quality and prices needed to maintain, let alone improve, our standard of living, must all support efforts to improve nation's competitiveness, whether in manufacturing or service industries.
- Not just a "help-business" or "help-labor" imperative:
We each lose our hard-fought standard of living if our companies do not get more competitive, whether we live in Michigan, where most everyone is employed in or dependent upon industry, or in Wyoming, where few are.
- Thus, a non-partisan, nationwide issue.
- Also an issue directly affecting our national security: Just as our nation must have strong economic growth and productivity to improve our standard of living, we need a robust industrial base as the backbone of our military capabilities wherever they are needed to defend our national interests--in the Persian Gulf or elsewhere.

- Requirement for a vigorous effort at all levels of our society--in our factories, our schools, our communities, and in our local and state government-- to ensure America's economic leadership and competitiveness in the global economy.
- [REDACTED]
- [REDACTED]

Defining the Issue

- United States economy still one of the wonders of the world: Our Gross National Product approaching an incredible five and a half trillion dollars, more than twice that of Japan, the next leading industrial nation.

• America's workforce remains one of most productive in the world: per-capita wages and standard of living still matched by few other countries. At same time, our leadership position challenged more than ever by vigorous overseas competitors: Japan and Germany in front rank of those challengers. As the European Communities move towards a true common market in 1992, U.S. will be challenged as well by Western Europe as a massive trading bloc.

- Erosion of U.S. lead in most crucial measure of economic performance-- productivity. Last year, our output per hour increased by only two percent, while Japan's increase was by over 6%. Last year, Japan invested more than 5% of its gross domestic product in new manufacturing plants and equipment compared with 3.5% for the United States.

• Loss of U.S. leadership position or market share in several key industry sectors, e.g.: automobiles, consumer electronics, machine tools, semiconductors, shipbuilding, electrical machinery, precision instruments, chemicals, and metal products.

- A skilled workforce: a major ingredient of a nation's economic competitiveness. Yet poor United States scores in international vocational skills rankings, as our education system--and our society--undervalues work in manufacturing.

- Need for U.S. industry as a whole to move faster in the adoption of the new technologies, quality control, and management strategies which are revolutionizing the way products are made. These technologies and processes required to assure high quality, reduce the time needed to introduce new products, reduce inventory, and cut costs. Yet efforts to modernize, especially among smaller companies, hamstrung by a lack of technical resources, inadequate availability of capital, and counterproductive regulations.

- Effects of these shortcomings becoming more pronounced: U.S. has moved from being the world's leading creditor nation to the world's leading debtor nation. We confront a stubborn trade deficit of over \$100 billion, most of it in manufactured goods.

Root Causes--and Suggested Remedies

- Current situation: not a collapse of U.S. economic leadership, but a gradual erosion of our relative position in the global marketplace.

- No single cause. Several factors at play here. Need for clarity about what those are. Need to establish policies and programs which deal effectively with them.

- Cost and Availability of Capital. America's dangerously low rate of investment in new plant and equipment due in large part to the high cost of investment capital and the shortage of longer-term capital, as interest rates remain high, investors demand quick return on investment, and our nation's tax policies remain inhospitable to economic growth.

- To lower interest rates, must redouble our efforts to reduce the federal budget deficit. The budget agreement reached last fall: a respectable beginning, and some

improvements were made in the budgeting process itself. Must not slide back from that promising start. Must exercise even greater vigilance in the budget process this year.

- Continued, firm commitment to reducing the capital gains tax and establishing the research and experimentation tax credit on permanent basis.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- **Education and Training.** America's global economic competitiveness and its education system closely interrelated. Much attention has been devoted to the deficiencies in our education system. No wavering in Presidential commitment to give highest priority to improving our nation's schools.

- One of the most glaring and ignored deficiencies in our education system: technical and vocational training required for a skilled workforce. Lagging far behind our global competitors in this area. In Germany, for example, over 60% of high school graduates enter apprentice training programs while still in school so that they will move quickly and smoothly into productive jobs in high-skill fields. We send many of our kids off to the mall to flip hamburgers or sell movie tickets.

- Recognition by President and nation's governors of this critical problem at Charlottesville a year ago in fall 1989, when they committed themselves to raise America's workforce skills to internationally competitive levels.

[illegible]

- Another, larger question, an attitudinal question: work in the centers of our nation's industrial productivity remains undesirable or unfashionable in the minds of many educators, counselors, parents, and students planning their future careers. This attitude to be found in the business schools and the engineering schools, not just the high schools.

- Yet , industrial managers, engineers, technicians, and workers are the very backbone of our economy: Their work challenging, rewarding, and highly responsible. Today's modern factories bear little resemblance to the sweat shops of old.

- Need to change this mind-set, if nation is to have a strong, globally-competitive economy. Need for educators, counselors, and parents to encourage children to enter high-skill, technical jobs and to begin career planning at the junior high school level. Hope that schools and state and local government will emulate awards [REDACTED] to recognize technical skills.

- Technology. Inability to transfer manufacturing technologies more rapidly into the nation's industrial base: a further cause of America's growing difficulties in competing in the global economy. Many of the some 370,000 manufacturing establishments in our nation still using decrepit equipment and outmoded methods for managing work and training.

- Fortunately, corrective action at state level underway: a number of states during the 1980's began to institute industrial modernization services to transfer newer manufacturing strategies more quickly into the hands of small and medium-sized manufacturers. Role of the federal government: not to displace these programs but to support and reinforce the best ones.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- Need for measures of this kind to ensure that existing, readily available, off-the-shelf technology be diffused more rapidly throughout our nation's industries.
- At the same time, need to stay at the cutting edge of new technologies in manufacturing.
- The great sophistication of advanced technologies being used today to revolutionize the means of production: lasers, programmable controllers, sensors, robots, artificial intelligence, advanced process manufacturing and control technologies, and so forth. Our overseas competitors understand this point well. This is the reason why over a year ago Japan proposed a \$1 billion international research consortium on intelligent manufacturing systems.
- U.S. considering this Japanese proposal, but most important thing about it is that it underlines the fact that the U.S. itself must work hard to stay on the frontiers of knowledge in this critical field.

Personal Leadership and Commitment

- The preceding not an exhaustive list of measures be needed to secure America's leadership in the world economy. Limited role of federal government in this area; most of the work has to be done at the state and local level and within industry itself.
- Issue of overarching concern for all Americans, however.
- Presidential readiness to use personal leadership wherever appropriate: a "Competitiveness" President.

Initiative in leadership

Continuing the momentum of the 1980s

Continuing the momentum of the 1980s

Continuing the momentum of the 1980s

Continuing the momentum of the 1980s

Continuing the momentum of the 1980s

Continuing the momentum of the 1980s

Continuing the momentum of the 1980s

Continuing the momentum of the 1980s

Continuing the momentum of the 1980s

Conclusion

- Need for broad national effort to ensure that America has the means and the human talent needed to produce the high-quality goods and services which are the principal sources of our nation's wealth.
- An issue of vital importance to all Americans. Not a partisan issue.
- Higher rates of productivity and greater investment in industrial modernization needed to improve the standard of living for every citizen. Revenues generated by economic growth underpin ability to improve government services at the federal, state, and local level. A robust industrial base at home a prerequisite for national security.
- In addition to what governments, schools, and companies do in this area: commitment of each citizen to achieve highest quality of performance in whatever his or her profession or occupation.
- *Basic goal for 1990's: With commitment and effort at all levels of American society, United States should arrive at the Year 2000 with most modern, capable, and competitive industrial base in the world.*

Event: Address Economic Club of New York
New York, New York

name	Office	Phone #
Judd Swift	W H Advance	202/456-7565
Spencer Weissinger	W H Advance (Press)	202/456-7565
Craig Ray	W H Adv. (Lead)	"
Brian Montgomery	W H Adv. (Press)	"
Lucy Muckerman	W H Adv. (coord.)	"
Carol Blymire	W H Speechwriting	202-456-7750
Florencia Benavente	N.Y. Hilton	212-484/3710
Carlo Karim	N.Y. Hilton	212-484-3710
Jay Farmer	HM X-1	703-440-2364
Kerry Faust	W H Communications Agency	202-395-4040
Kevin Michele	W H Comm Agency	202 395-4292
Sean Byrne	Military Aide	202-395-1747
Bob Risner	W H A	202-395-4040
Mark Barabette	W H Comm Agency	202-395-4040
Jack Campbell	Rede Fielden Group	212-698-2921
Daniel Mullane	N.Y. H. RC.	212-484-3742
Beverly Carlson	N.Y. H-Resident Mtr	212-484-3703
Thomas F. Farrell	U.S. Secret Service (NYC)	212-466-4400
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Rich Zucchi	U.S. SECRET SERVICE (TSID)	212-466-5857
Mike Bac	U.S. SECRET SERVICE	212-466-3138
Diane Helling	Lou Hammond & Associates	212-308-8580
Jeff Vogt	W H Off. for Liaison	202-456-1845
Jane Carroll	Economic Club	212-689-6151
Raymond K. Price Jr.	Economic Club	212-689-6148
Henry Hansen	W H A	212-264-2600
Donna	W H A	212-264-2600

THE WHITE HOUSE

WASHINGTON

January 25, 1991

MEMORANDUM FOR PRE-ADVANCE PARTICIPANTS

FROM: JOHN G. KELLER, JR. *JBK*
SUBJECT: PRE-ADVANCE TO NEW YORK, NEW YORK

Attached for your information is a list of participants and an outline schedule for the Pre-Advance to New York, New York on January 25, 1991.

PRE-ADVANCE PARTICIPANTS

Office of Presidential Advance

Judd Swift, Deputy Director of Presidential Advance
Spencer Geissinger, Deputy Director of Presidential Advance for Press
Craig Ray, Lead Advance Representative
Brian Montgomery, Press Advance Representative
Lucy Muckerman, Trip Coordinator

United States Secret Service

Charlie DeVita, ASAIC, Presidential Protective Division

White House Military Office

Maj. Sean Byrne, Army Aide to the President
Capt. Jay Farmer, HMX Advance

White House Communications Agency

Maj. Bob Risney, Operations Coordinator
Capt. Mark Barnette, Assistant Operations Coordinator
Maj. Larry Feast, Trip Officer
Col. Kevin McHale, Assistant Trip Officer

Office of Public Liaison

Jeff Vogt, Assistant Director of Public Liaison

Office of Communications

Carol Blymire, Researcher

PRE-ADVANCE SCHEDULE

Friday, January 25, 1991

7:30 am Vans depart West Basement for those requiring transportation to Union Station.

(Drive Time: 10 Minutes)

7:40 am Vans arrive Union Station.

8:00 am Train #104 departs Union Station en route Penn
(E.S.T.) Station, New York, New York.

(Travel Time: 2 Hours 50 Minutes)
(Time Change: None)

10:50 am Train #104 arrives Penn Station.
(E.S.T.)

CONTACT: Mr. Raymond Price, Jr.
 President, Economic Club
 of New York
 275 Madison Avenue
 New York, New York 10016
 212/689-6148

11:00 am Board Vans and depart Penn Station en route Hilton
Hotel.

(Drive Time: 20 Minutes)

11:20 am Arrive Hilton Hotel and begin Working Luncheon and
Site Survey.

CONTACT: Ms. Beverly Carlson
 Hilton Hotel
 212/586-7000

- * HEAD TABLE RECEPTION
 - Closed Press
 - (6:30 pm - 6:55 pm)
- * ADDRESS ECONOMIC CLUB OF NEW YORK
 - Open Press
 - Brief Remarks
 - Teleprompter TBD
 - Question and Answer Session
 - Black Tie
 - (7:00 pm - 9:45 pm)

2:25 pm Conclude Site Survey and proceed to Vans.

2:30 pm Board Vans and depart Hilton Hotel en route Penn Station.

(Drive Time: 20 Minutes)

2:50 pm Arrive Penn Station and proceed to board Train.

3:00 pm Train #119 departs Penn Station en route Union
(E.S.T.) Station.

(Travel Time: 2 Hours 55 Minutes)
(Time Change: None)

5:55 pm Train # 119 arrives Union Station.
(E.S.T.)

6:00 pm Board Vans and depart Union Station en route White House.

(Drive Time: 10 Minutes)

6:10 pm Arrive White House.

THE WHITE HOUSE
WASHINGTON

January 28, 1991

MEMORANDUM FOR CHRISS WINSTON
CHRISTINA MARTIN
ED MCNALLY

FROM: CAROL BLYMIRE *CB*
SUBJECT: ECONOMIC CLUB OF NEW YORK

On Friday, I went on the pre-advance for the address to the Economic Club of New York. The event will be held on Wednesday, February 6, at the New York Hilton. This is a black tie dinner, with approximately 2,400 attendees. The dinner begins at 7:00 p.m. and the President is scheduled to speak at 8:30 p.m. The Chairman of the Club will introduce the President, and his speech will be followed by a 45-minute question and answer session with two people previously selected by the Club. The questions are not prepared by us, and WH Staff will most likely not see them before the program. Call Spencer Geissinger or Judd Swift if this is problematic.

I recommend teleprompter, since this is the first out-of-town speech since January 16, and since it will be one week following the State of the Union. They are expecting 8-10 minutes from the President.