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(Duggan/Simon)
September 24, 1991
Draft Three
Beacon

PRESIDENTIAL REMARKS: BEACON COUNCIL
MONDAY, SEPTEMBER 30, 1991
MIAMI, FLORIDA
3:00 PM

[Initial acknowledgements]

((Jeb, I've got to hand it to you. You've been telling me Miami is friendly territory, and I'm beginning to see what you mean. // Imagine, winning a new major league baseball franchise and naming it for my press secretary! //))

((Why doesn't your big brother in Texas have that kind of flair for picking names? //))

((Anyway, I hear Marlin -- Fitzwater, that is -- is serious about these rumors that he'll get to throw out the first pitch. // Marlin thinks I don't notice these things --but last time I gave a press conference, he had left his rosin bag on the podium. //))

Commerce in Miami has always been an adventure. Dade County now numbers 2 million residents, but in an exciting sense, it's still an outpost. Your organization's symbol -- the beacon on the old Cape Florida Lighthouse -- reminds us that, less than a century ago, south Florida was a frontier less developed and more forbidding than the Western deserts. In the year 1900, Miami was a sultry settlement of fewer than 1700 souls. Today, Miami serves as the gateway of the Americas -- a powerful magnet for economic growth. //

Encycl.
Americana

Here, you look beyond your borders, and beyond your time. You take seriously your obligation to build a prosperous economy not just for today, but for the future.

For instance, you care deeply about education, and your schools reflect that commitment. // Educators across the nation admire Dade County's International Schools Program. Graduates of the program will meet all the requirements for university admission not only in the United States, but also in participating foreign countries.

This sort of imagination, this commitment to quality, lies at the heart of our Administration's America 2000 education strategy. Miami can take pride that our Education Secretary, Lamar Alexander, this month gave special recognition to the Dade County schools' innovations.

But you should not rest on today's laurels, because you will need to do even better in the future.

Tomorrow I'll give a major policy speech on these reforms, ^{talk to Am. students about how they fit into} ~~Am. 2000~~ and I will talk about several keys to reviving our nation's public education.

Consider the crucial reform of parental choice. We want to give parents the freedom to choose their children's schools -- public, private, or parochial. We're challenging parents, students, businesses and community leaders to help develop schools that break the mold. Because Dade County already is in the vanguard, I count on you to light the way, to show the whole nation how we can reinvent American education. //

Letter from Mary D. Lundro Beacon Council

Dade County Public Schools Newswire 9-17-91

Don McBrearty

Am. 2000 p. 31

Folks
6-10-91

You also build a better future with common sense. You invite business, rather than shooing it away. Miami enjoys a large tax base with some of the lowest tax rates in the country. But one important tax remains too high not just for Miamians but for taxpayers across the nation -- the federal tax on capital gains. A capital gains cut will boost start-up companies and other small businesses -- the primary sources of new jobs.

I suppose I'm preaching to the choir on this issue, but that's because I want you to sing a louder chorus. // Some folks in Congress still haven't gotten the message. They don't understand that a capital gains cut isn't a sop to the rich: It offers a helping hand to entrepreneurs and dreamers -- people who aren't rich today, but whose contributions could enrich our entire society tomorrow.

A capital gains cut also will help beleaguered industries, especially real estate. A cut will produce an immediate increase in property values -- which in turn can offer new hope for struggling financial institutions.

I hope you will make the truth vivid to Congress. Talk about your own experiences and needs. Tell them: Cut capital gains taxes. Give our people jobs. //

We also must fight as a nation to battle another tax, an invisible tax. I'm talking about crime. Crime exacts enormous costs -- in security systems, in business losses, in workers' morale, in pain and fear.

Our administration has proposed a comprehensive crime package that offers people hope; it gives them a chance to reclaim their streets. The Senate has passed a bill that incorporates many of our suggestions. Please urge the House to do the same. We must prevent criminals from holding up our economy. We need fewer stick-ups and more lock-ups -- and this bill will help.

On a more positive note, Miami faces an exciting future in banking and financial services. Among American cities, only New York conducts more foreign banking business. With expected growth in foreign trade, the market for Miami-based financial services should grow ever more robust. Unfortunately, you must deal with banking laws that lag way behind the times. We in Washington should help you. //

I sent Congress a comprehensive package of banking reforms earlier this year. Our plan would protect depositors' hard-earned money, strengthen and modernize our banks and financial institutions, and make them more competitive in global markets.

We want to overhaul our banking regulations. Our current system duplicates rules and often fails to produce timely results.

This is no time for temporizing, no time for half-measures. If we want strong banks and a strong economy, Congress must enact comprehensive banking reforms. //

We also need a full and vigorous team on the Federal Reserve -- and this is a matter on which the United States Senate needs a

Forbes

6-10-91

p. 59

Treasury
Record

Sec. 1.5

loud wake-up call. Two of the seven seats on the Fed sit empty right now.

Committee voted
16-5 on
7-10-91

My nomination for the first vacancy, Larry Lindsey, won overwhelming endorsement from the Senate Banking Committee. But one or two Senators have held up his nomination for months. That's just plain inexcusable. //

not
announced
yet

~~When the Senate confirms Larry Lindsey, we hope it will move quickly to confirm Susan Phillips, my choice for the other open seat.~~ The Senate also needs to act on my renomination of Alan Greenspan as chairman of the Fed.

The Fed faces a host of important decisions in monetary policy, bank regulation, and international affairs. It shouldn't have to address them with anything less than a full team -- a team dedicated to ensuring price stability and fostering economic growth. //

Our Administration wants to take on issues you care about. Here, I've mentioned a few: education, crime, economic growth, the capital gains tax, the Fed, banking reform. I could talk, too, about energy, transportation, housing, defense. The point is: We need Congress' help if we want to move toward our goals.

Looking out on this collection of business talent, I can't resist asking you to volunteer in helping me persuade Congress to get moving -- now tomorrow; not next year; not next Congressional session: Now. //

Now, I'd like to look ahead. As we gather here, we can almost see a new age of liberty dawning in our hemisphere.

With each passing day, we move closer to realizing the dream of free trade from the Arctic Circle to the Strait of Magellan.

Under President Carlos Salinas, Mexico has enacted breathtaking economic reforms. Now, with fast-track procedures in place, we are negotiating with Mexico and Canada to create a North American Free Trade Agreement that will create an open market of 360 million consumers -- one that produces \$6 trillion a year in economic output.

USTR

Our prospects south of Mexico look just as exciting. We have signed framework trade liberalization agreements with 28 countries in the hemisphere. And I have asked Congress to act promptly on legislation for debt reduction and multilateral investment in the hemisphere. These simple acts will let us put our Enterprise of the Americas Initiative into full effect -- and make Miami a key gateway to our nation's economic future. //

Bob
Bork
USTR

EAF
speech
6-27-91

But our hopes for the future involve more than just the promise of trade. We also see a dramatic increase in individual freedom and empowerment throughout our region. Democratic elections, respect for human rights and economic liberty are fast becoming the rule, not the exception.

This phenomenon just begs for a catchy name. Here's one: la revolucion sin fronteras -- the revolution without frontiers. //

Shirley
Sanchez

Okay, I stole the term. // It comes from the bad old days of Sandinista rule in Nicaragua. When Marxists used this slogan, it signalled a threat to the freedom and sovereignty of Nicaragua's neighbors.

REH-VOL-004-SION

SEEN FRON-TER-AHS

How times have changed. // Today a real liberation movement sweeps the globe. It threatens no one's peace or sovereignty, no one's right to worship, no one's freedom to buy and sell or to imagine and create. It's the revolution of democracy. And it makes possible the equally startling revolution of ideas that gives rise to economic progress. //

It's impossible to visit Miami these days without feeling that this revolution soon will sweep away our hemisphere's last dictator, Fidel Castro. // Already, a savvy team of experts from the Greater Miami Chamber of Commerce has prepared a detailed report on the economic opportunities that will emerge along with freedom in Cuba. Trade and investment will offer new hope to the Cuban people, who have suffered enough despotism and deprivation.

Remember how we used to dream about a free Cuba and a prosperous, free hemisphere? Well, it's no longer a fantasy. It's inevitable: Soon our New World -- our hemisphere of the Americas -- will be a community where liberty, peace and prosperity know no frontiers. And Miami will flourish as its hub and as its beacon.

Thank you, and God bless each and every one of you.

#

see
report
in
file



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MIAMI, FLORIDA 33130
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Mary Di Landro
DIRECTOR OF COMMUNICATIONS

(Duggan/Simon)
September 23, 1991
Draft Two
Beacon

PRESIDENTIAL REMARKS: BEACON COUNCIL
MONDAY, SEPTEMBER 30, 1991
MIAMI, FLORIDA
3:00 PM

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For instance, you care deeply about education, and your schools reflect that commitment. // Educators across the nation admire Dade County's International Schools Program. Graduates of the program will meet all the requirements for university admission not only in the United States, but also in participating foreign countries.

This sort of imagination, this commitment to quality, lies at the heart of our Administration's America 2000 education strategy. Miami can take pride that our Education Secretary, Lamar Alexander, this month gave special recognition to the Dade County schools' innovations.

But you should not rest on today's laurels, because you will need to do even better in the future.

Tomorrow I'll give a major policy speech on these reforms, and I will talk about several keys to reviving our nation's public education.

Consider the crucial reform of parental choice. We want to give parents the freedom to choose their children's schools -- public, private, or parochial. We're challenging parents, students, businesses and community leaders to help develop schools that break the mold. Because Dade County already is in the vanguard, I count on you to light the way, to show the whole nation how we can reinvent American education. //

You also build a better future with common sense. You invite business, rather than shooing it away. Miami enjoys a large tax base with some of the lowest tax rates in the country. But one important tax remains too high not just for Miamians but for taxpayers across the nation -- the federal tax on capital gains. A capital gains cut will boost start-up companies and other small businesses -- the primary sources of new jobs.

I suppose I'm preaching to the choir on this issue, but that's because I want you to sing a louder chorus. // Some folks in Congress still haven't gotten the message. They don't understand that a capital gains cut isn't a sop to the rich: It offers a helping hand to entrepreneurs and dreamers -- people who aren't rich today, but whose contributions could enrich our entire society tomorrow.

A capital gains cut also will help beleaguered industries, especially real estate. A cut will produce an immediate increase in property values -- which in turn can offer new hope for struggling financial institutions.

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On a more positive note, Miami faces an exciting future in banking and financial services. Among American cities, only New York conducts more foreign banking business. With expected growth in foreign trade, the market for Miami-based financial services should grow ever more robust. Unfortunately, you must deal with banking laws that lag way behind the times. We in Washington should help you. //

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This is no time for temporizing, no time for half-measures. If we want strong banks and a strong economy, Congress must enact comprehensive banking reforms. //

We also need a full and vigorous team on the Federal Reserve -- and this is a matter on which the United States Senate needs a

loud wake-up call. Two of the seven seats on the Fed sit empty right now.

My nomination for the first vacancy, Larry Lindsey, won overwhelming endorsement from the Senate Banking Committee. But one or two Senators have held up his nomination for months. That's just plain inexcusable. //

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Our prospects south of Mexico look just as exciting. We have signed framework trade liberalization agreements with 28 countries in the hemisphere. And I have asked Congress to act promptly on legislation for debt reduction and multilateral investment in the hemisphere. These simple acts will let us put our Enterprise of the Americas initiative into full effect -- and make Miami a key gateway to our nation's economic future. //

But our hopes for the future involve more than just the promise of trade. We also see a dramatic increase in individual freedom and empowerment throughout our region. Democratic elections, respect for human rights and economic liberty are fast becoming the rule, not the exception.

This incredible phenomenon just begs for a catchy name. Here's one: la revolucion sin fronteras -- the revolution without frontiers. //

(Duggan/Simon)
September 23, 1991
Draft Two
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MIAMI, FLORIDA
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[Greet dignitaries]

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Our package includes important reforms in deposit insurance. We want to renew the focus on protecting small savers. That's why we want to limit liability of insured deposits to no more than \$100,000 per person, per institution. We think banks should pay insurance premiums based on their performance, that banking insurance -- like the insurance you pay -- be based on risk. Good institutions should pay lower rates than unsound ones.

We want to overhaul our banking regulations. Our current system duplicates rules and often fails to produce timely results.

Most important, our banking industry needs new flexibility to serve customers and strengthen our economy. // We need to bring outmoded laws up to date with today's markets and technologies. We have called for full interstate banking and branching, which will mean safer, more profitable banks. We also want to let well-capitalized banks offer their customers a range of financial services including securities and mutual funds.

This is no time for temporizing, no time for half-measures. If we want strong banks and a strong economy, Congress must enact comprehensive banking reforms.//

We also need a full and vigorous team on the Federal Reserve -- and this is a matter on which the United States Senate needs a loud wake-up call. Two of the seven seats on the Fed sit empty right now.

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When the Senate confirms Larry Lindsey, we hope it will move quickly to confirm Susan Phillips, my choice for the other open seat. The Senate also needs to act on my renomination of Alan Greenspan as chairman of the Fed.

The Fed now faces a host of important decisions in monetary policy, bank regulation, and international affairs. It shouldn't have to address them with anything less than a full team -- a team dedicated to creating price stability and fostering economic growth. //

I've just covered a lot of points. But they're all joined to your community's well-being, to America's future. Each is an issue crying out for action from the Congress: schools worthy of our kids, neighborhoods safe for your firms and your families, codes for taxes and banking that will create new jobs. //

Looking out on this collection of business talent, I can't resist asking you to volunteer to help me with my most vexing management problem. // It's a problem of motivation -- getting Congress to do its job. // I have a feeling that if each and every one of you gave Congress a good spirited kick, we'd see the job done in lightning speed. //

Let me wind up on a promising note. Let's take a look at the fully free and prosperous neighborhood of American nations that's visible even now on our horizon.

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Under President Carlos Salinas, Mexico has enacted breathtaking economic reforms. Now, with fast-track procedures in place, we are negotiating with Mexico and Canada to create a North American Free Trade Agreement. This agreement will create

an open market of 360 million consumers and a present annual output of six trillion dollars.

Our prospects south of Mexico look just as exciting. We have signed framework trade liberalization agreements with 28 countries in the hemisphere. And I have asked Congress to act promptly on legislation for debt reduction and multilateral investment in the hemisphere. These simple acts will let us put our Enterprise of the Americas initiative into full effect. This will help make Miami truly the gateway to our nation's economic future. //

But our hopes for the future involve more than just the promise of trade. We also see a dramatic increase in individual freedom and empowerment everywhere in our region. Democratic elections, respect for human rights and economic liberty are fast becoming the rule, not the exception, in Latin America. Many of you have helped make American ideals a reality in nations that before suffered from poverty, repression and hopelessness.

This incredible phenomenon just begs for a catchy name. And I'd like to offer one: la revolucion sin fronteras -- the revolution without frontiers. //

Do some of you say you've heard that expression before? Well, Okay, I've hijacked it. // It ^{came} comes from Tomas Borge, the Leninist who ran the Interior Ministry and supplied party ideology during the bad old days of Sandinista rule in Nicaragua. "~~Revolution without frontiers~~" is the old battle cry of Tomas

The Sandinistas
Borge. When he used that expression, it signalled a threat to the freedom and sovereignty of Nicaragua's neighbors.

How times have changed. // Today a boundless revolution sweeps the globe. It threatens no one's peace or sovereignty, no one's right to worship, no one's freedom to buy and sell or to imagine and create. It's the revolution of democracy. And it makes possible the equally startling revolution of ideas that gives rise to economic progress. //

It's impossible to visit Miami these days without feeling that this revolution soon will sweep away our hemisphere's last dictator, Fidel Castro. // Already, a savvy team of experts from the Greater Miami Chamber of Commerce has prepared a detailed report on the economic opportunities that will emerge along with freedom in Cuba. Trade and investment will offer new hope to the Cuban people, who have suffered long enough from despotism and deprivation. //

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Thank you, and God bless each and every one of you.

#

(Duggan/Simon)
September 20, 1991
Draft One
Beacon

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MIAMI, FLORIDA
MONDAY, SEPTEMBER 30, 1991
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((Anyway, I hear Marlin -- Fitzwater, that is -- is taking very seriously these rumors that he's going to have to throw out the first pitch. // Marlin, is that what accounts for those rosin bags ~~and that liniment smell~~ in the briefing room? //))

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Last time I was in the briefing room, I saw a press cap in the briefing room, He said I don't know where New York but last time I was

He'd left his rosin bag in the pocket of his jacket

One great source of Miami's strength is your commitment to education. // Dade County's International Schools Program is a model for the whole nation. Thanks to this innovation, graduates of the program will meet all the requirements for university admission not only in the United States, but also in participating foreign countries.

This is the sort of imagination, the commitment to quality, that we want to foster across the country through our Education 2000 reform legislation. Tomorrow I'll be giving a major policy speech on these reforms. One of the keys is parental choice. We want parents to have the freedom to choose their children's schools -- public, private, or parochial. And we're challenging parents, students, businesses and community leaders to join in developing schools that break the mold, that help us reinvent American education. Here in Dade County, with your innovative school superintendent, Octavio Visiedo, you can take pride that you already are in the vanguard of our reforms.//

Miami knows low taxes attract business. // Here you enjoy a large tax base with some of the lowest tax rates in the country. But one important tax remains too high not just for Miamians but for taxpayers across the nation -- the federal tax on capital gains. A capital gains cut will boost start-up companies and other small businesses -- the primary generators of new jobs.

I suppose I'm preaching to the choir on this issue, but that's because I want you to sing a louder chorus. // There are some folks in Congress who still haven't gotten the message. So I hope you'll make this vivid to them, in terms of your own

business and community needs: Lower capital gains taxes will mean new jobs. //

Miami faces exciting days ahead in banking and financial services. Already Miami is second only to New York as a foreign banking center. With expected growth in foreign trade, the market for Miami-based financial services should grow ever more robust. Our national banking laws, however, are not up to speed with the times. That is why I sent Congress this year a comprehensive package of banking reforms. //

We need to modernize the United States financial system to make our banks strong, safe, and competitive around the world. //

Our package includes important reforms in deposit insurance. We want to renew the focus on protecting small savers, and thus we're asking for limits on liability of insured deposits to no more than \$100,000 per person, per institution. We're also asking that insurance rates be based on risk. Good institutions should pay lower rates than unsound ones.

We must overhaul the structure of our banking regulation. Our current regulatory system duplicates rules and often fails to produce timely results.

Most important, our banking industry needs new flexibility to serve customers and strengthen our economy. // We need to bring outmoded laws up to date with today's markets and technologies. We are calling for full interstate banking and branching, which will mean safer, more profitable banks. Moreover, we want to allow well-capitalized banks to offer their

customers a range of financial services including securities and mutual funds.

This is no time for temporizing, no time for half-measures. If we are to have strong banks and a strong economy, Congress must enact comprehensive banking reforms.//

We also need a full and vigorous team on the Federal Reserve -- and this is a matter on which the United States Senate needs a loud wake-up call. Two of the seven seats on the Fed are empty now. My nomination for the first vacancy, Larry Lindsey, won overwhelming endorsement from the Senate Banking Committee. But one or two Senators have been holding up this nomination for months -- and that's just plain inexcusable. //

We're eager to get moving with Susan Phillips, my choice for the other open seat, as soon as the Senate confirms Larry Lindsey. The Senate also needs to act on my renomination of Alan Greenspan as chairman of the Fed.

Through my appointments to the Federal Reserve, I am working to promote long-term price stability and higher economic growth. The Fed now faces a host of important decisions in monetary policy, bank regulation, and international affairs. The American people deserve a full and active team to take up these challenges. //

A moment ago I mentioned foreign trade as a key to Miami's promising future. I am happy to report that with each passing day, we move closer to realizing the dream of free trade from the Arctic Circle to the Strait of Magellan.

Under President Carlos Salinas, Mexico is achieving breathtaking economic reforms. Now, with fast-track ~~authority~~, ^{procedures in place} we are negotiating with both Mexico and Canada to create an open market of 360 million consumers and a present annual output of six trillion dollars. South of Mexico the prospects are equally exciting. We now have framework trade liberalization agreements with 28 countries in the hemisphere. And I am urging Congress to act promptly on legislation for debt reduction and multilateral investment in the hemisphere. This will let us put our Enterprise of the Americas initiative into full effect.

It isn't only trade talks that fuels our hopes for a more prosperous and peaceful hemisphere. More fundamentally, individual freedom and empowerment are on the rise. Democratic elections, respect for human rights and economic liberty are fast becoming the rule, not the exception, in Latin America.

It's a phenomenon that just begs for a catchy name. And I'd like to offer one: la revolucion sin fronteras -- the revolution without frontiers. //

Do some of you say you've heard that expression before? Well, I'll admit, I've hijacked it. // "Revolucion sin fronteras" ^{without} is the old battle cry of Tomas Borge. He's the Leninist who had the job of "chief ideologist" in the bad old days of Sandinista rule in Nicaragua. When he used that expression, it signalled a threat to the freedom and sovereignty of Nicaragua's neighbors.

How times have changed. // ~~Today we can proclaim a~~
~~revolution without frontiers and have it understood that we~~
 threaten no one's peace, no country's sovereignty, no one's
 freedom to worship, no one's freedom to buy and sell or to
 imagine and create. //

It's impossible to visit Miami these days without feeling
 the anticipation that this rapid, peaceful revolution is about to
 topple Latin America's last ~~and worst~~ dictator, Fidel Castro. //
 Already, a savvy team of experts from the Greater Miami Chamber
 of Commerce has prepared a detailed report on the economic
 opportunities that will emerge along with freedom in Cuba. Trade
 and investment will go hand in hand with humanitarian help the
 Cuban people will need after decades of despotism and
 deprivation.

It's no fantasy to envision a Western Hemisphere without
 dictators. One doesn't need an overactive imagination to see
 democracy, commerce, and personal freedom rising in a tide that
 won't be stopped. Soon our New World -- our hemisphere of the
 Americas -- will be a community where liberty, peace and
 prosperity know no frontiers. And Miami will flourish as its hub
 and its beacon.

Thank you, and God bless each and every one of you.

#



**U.S. EDUCATION SECRETARY PRAISES
DADE SCHOOLS AND SUPERINTENDENT**

**CONTACT: Andy Gollan
995-1126**

September 17, 1991

U.S. Secretary of Education Lamar Alexander has praised Dade County's school system as "an innovative school district" and has lauded Superintendent Octavio J. Visiedo as "obviously one of the most innovative school superintendents in America."

President Bush's education secretary made the comments during a news-conference telephone call Sept. 13. The subject was experimental "model schools" in Dade County and how they are consistent with elements of President Bush's "America 2000" education-reform plan.

As the U.S. secretary of education began to discuss education reform in Dade County, he said:

"Octavio Visiedo, obviously one of the most innovative school superintendents in America, and Dade County, Florida, is becoming known, has become known over the last two years as an innovative school district."

Attached is a three-page transcript of the entire discussion provided by the U.S. Department of Education.

Further information may be obtained from John McGrath, information officer with the U.S. Department of Education, at (202)401-1576 in Washington, D.C.

(MORE)



THE BEACON COUNCIL

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September 19, 1991

Mr. Bob Simon
Researcher
Office of Presidential Speechwriting
the Old Executive Building
Room 111.5
The White House
Washington, D.C. 20500

Dear Bob:

I enjoyed speaking with you yesterday. As promised, enclosed is some information on Miami/Dade County. Perhaps most relevant in light of our conversation on trade -- and the certainly most timely -- is the Sept. 16 issue of International Business Week, compliments of Beacon Council president and CEO John C. Anderson. The cover story is "Miami: Foreign Investors Are Flocking to One of America's Hottest Business Cities."

Among other items enclosed are the Greater Miami Chamber of Commerce's report on "The Trade Impact of a Free Cuba;" copies of several Miami Herald articles on Dade County's unemployment and on the Barry University Jamaican MBA program; and a profile of John Anderson that appeared in Miami Today, a local business weekly.

To give you the most up-to-date information on the Cape Florida Lighthouse on Key Biscayne -- from which The Beacon Council took its name -- I've enclosed some materials. Please note that the lighthouse is not operating, due to deterioration. There is, however, an effort underway to restore it.

I've encapsulated some information about the International School Program we discussed. This is unique program, particularly because it's administered within the public school system.

The International School Program, offered by Dade County Public Schools, is designed to train young Americans for international careers. Not just a foreign-language program, students in this program receive dual educations -- English/Spanish, English/French or English/German. It has the full support of the Spanish, French and German governments. Students use both American textbooks and the textbooks required by the curriculum under which they are studying. They become dually accredited -- which allows them the flexibility to attend college or university in the U.S. or in the participating country.



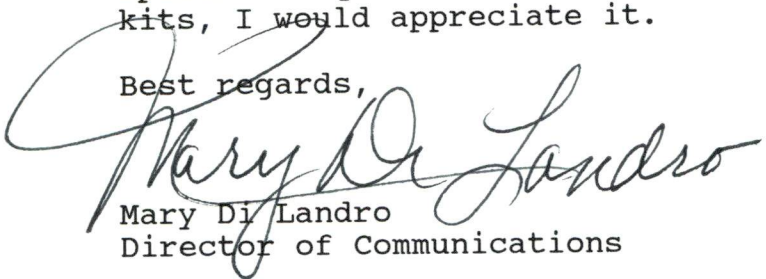
Bob Simon
Office of Presidential Speechwriting
The White House
Page 2

Dade County has implemented this program at selected elementary (probably program of its kind at this level), middle and high school levels. For more information about this program, you may contact Wally Lyshkov at (305) 995-1961 or (305) 233-9480.

Some other relevant facts...Miami just got one of two new baseball franchises, the Florida Marlins. I've enclosed a pamphlet, "Fast Facts: Big League Baseball," produced by The Beacon Council and its counterparts in Broward and Palm Beach counties. It was used in a pitch to the National League owners. Also... Miami is approaching its 100th birthday.

I hope this helps in your research. Please call me if you need additional information. If I could get a copy of the President's speech a day or two before the event for inclusion in our press kits, I would appreciate it.

Best regards,


Mary Di Landro
Director of Communications

encl.

TREASURY NEWS



Department of the Treasury • Washington, D.C. • Telephone 566-2041

MODERNIZING THE FINANCIAL SYSTEM: RECOMMENDATIONS FOR SAFER, MORE COMPETITIVE BANKS

FEBRUARY 5, 1991

FACT SHEET

The Need for Reform

It is time to modernize our financial system to make banks safer and more competitive:

- o We must modernize our banking system, updating outmoded laws that date back to the 1930s.
- o Banks must be sound to protect depositors and taxpayers.
- o A strong, internationally competitive banking system is essential to a strong, growing economy.

The Banking System is Under Stress

- o Technology has revolutionized the way financial institutions do business, but our banks are hampered by out-of-date rules.
- o Weak banks shrink lending when the economy slows, hurting businesses and costing jobs.
- o Our banks are falling behind international competitors: Only one of the 30 largest banks in the world is American, compared to nine of 30, including the top three, just 20 years ago.

The Benefits of Reform

A modern, safe and internationally competitive banking industry will protect depositors and taxpayers, serve consumers, benefit workers and businesses, and strengthen our nation.

Protect depositors and taxpayers:

Depositor confidence and taxpayer protection will result from:

- A safe, competitive, well-capitalized banking system;
- limitations on taxpayer exposure to losses from bank failures;
- and a strong, well-capitalized insurance fund.

Serve consumers:

An efficient, integrated financial services system will mean:

- Consumers will have access to a wider range of services at the least possible cost.
- Consumers also will enjoy the convenience of nationwide access to services.

Benefit workers and businesses:

A healthy banking system with strong, competitive banks will ensure:

- Jobs are preserved because loans are not called at the first sign of economic downturn.
- Small businesses that lack access to securities markets can count on banks in bad times as well as good.

Strengthen the nation:

A world-class financial services system provides a foundation for a world-class economy:

- International economic leadership in the 21st century will require an internationally competitive financial services system.

The Principles Governing Reform

First, we will preserve deposit insurance for small savers while protecting taxpayers by reducing the overextended deposit insurance system. Deposit insurance, originally intended to protect small depositors who could not protect themselves, has been expanded so that large, sophisticated investors receive unneeded protection. This reform will restore market discipline over risky activities that have increased the possibility of taxpayer exposure to losses in the banking system.

Second, we will make banks stronger and safer by strengthening the role of capital -- not by raising capital standards, but with a plan to attract capital to the banking industry. This will include rewarding well-capitalized banks with new activities that will attract still further capital, and taking prompt corrective action to address under-capitalized banks.

Third, we will make banks more competitive by modernizing outdated laws. Technological advances and other innovations in financial markets have put banks at a competitive disadvantage -- at home and abroad -- that has weakened the system and hurt the economy. Changes will allow banks to engage in a broader range of financial services and to operate nationwide.

Fourth, we will strengthen the banking system by making the regulatory structure more efficient. Currently, overlapping regulatory responsibilities lead to confusion and uneven results.

RECOMMENDATIONS

PART ONE: DEPOSIT INSURANCE AND BANKING REFORM

The Administration's deposit insurance recommendations go well beyond the narrow issue of deposit insurance and encompass the entire range of safety, soundness and competitiveness issues facing the banking system. They form a balanced, integrated package that must be considered as a whole. No single recommendation will be effective by itself, and indeed, could be counterproductive if adopted in isolation.

I. Strengthen the Role of Capital

The single most powerful tool to make banks safer is capital. Capital standards need not be raised, but the role of capital can be strengthened. This will discourage excessive risk-taking, reduce the possibility of bank failure, and provide a cushion to absorb losses ahead of the insurance fund and, ultimately, the taxpayer.

Well-capitalized banks are better able to keep lending, rather than shrinking loans to build capital ratios, during economic declines. And they are better able to meet competitive challenges and to take advantage of new opportunities.

Specific Recommendations:

Capital-based supervision, capital-based deposit insurance premiums and capital-based expanded activities (each described further in other sections of the report) will provide incentives for banks to build and maintain strong capital bases and make bank franchises more attractive. In addition, interest rate risk will be added to credit risk as a criterion for risk-based capital standards.

II. Reduce the Overextended Scope of Deposit Insurance

Deposit insurance, originally intended to protect small depositors who could not protect themselves, has been expanded so that large, sophisticated investors receive unneeded protection. This has increased the exposure of taxpayers to possible losses and decreased market discipline on risky banks.

By returning deposit insurance to its original purpose, we

can reduce the possibility that taxpayer funds will be needed to cover depositor losses, while simultaneously reintroducing market discipline that will help curb excessive risk.

Specific Recommendations:

Insured deposits:

"Pass-through" coverage of many types will be eliminated, reducing government protection for large, sophisticated institutional investors.

Brokered insured deposits will be eliminated, ending a practice that has given banks access to large pools of below-market-rate funds that are deposited without concern on the part of the depositor about the safety of the investment.

Individual insurance coverage will be limited to \$100,000 per institution after a two-year phase-in period, plus another \$100,000 per institution for a retirement account. This change will reduce taxpayer exposure to losses from coverage for wealthier individuals with multiple accounts, including individual, joint and revocable trusts, in a single failed institution.

The FDIC will be required to undertake an 18-month study of the costs and benefits of moving toward a systemwide \$100,000 per person insurance limitation. This would more effectively limit taxpayer exposure to losses resulting from coverage of multiple accounts, but should not be implemented until it can be shown that the benefits would outweigh the potentially large administrative costs.

Uninsured deposits:

The government must preserve its ability to protect the banking system and the economy in genuine systemic risk circumstances. But protection of uninsured deposits as a matter of course both expands taxpayer exposure and encourages excessive risk-taking by banks. To limit coverage of uninsured depositors, the FDIC will be permitted to cover uninsured deposits only if that would be the least costly approach. To protect the system in rare instances of systemic risk, the Treasury and Federal Reserve could step in and order that uninsured deposits be covered. This policy would be implemented after three years to allow for an appropriate transition.

Non-deposit creditors:

While protecting uninsured deposits should be the rare exception, coverage of non-deposit creditors should be eliminated.

III. Risk-Based Deposit Insurance

Flat-rate premiums subsidize high-risk, poorly run institutions at the expense of well-run institutions and the taxpayer. There is a perverse incentive to take risks because there is no cost to offset the upside potential.

Specific Recommendations:

First, in the short-term, premiums based on capital levels will reward institutions that build capital to act as a buffer ahead of the insurance fund. In the longer term, a demonstration project may lead to premiums set by private insurance.

IV. Improved Supervision

Even with deposit insurance limits, the insurance fund and the taxpayer remain exposed to possible bank losses. Effective bank supervision can help. Capital standards need not be increased. But because well-capitalized institutions are the safest, regulation should be reoriented towards a system of capital-based supervision that provides rewards and penalties that encourage banks to hold adequate capital.

The rewards of capital-based supervision would be much greater regulatory freedom for well-capitalized banks to expand and engage in new financial activities. The sanctions of capital-based supervision would involve "prompt corrective action" to address problems as capital levels decline, well in advance of insolvency.

Specific Recommendations:

Capital-based supervision would establish five zones for banks based on their capital levels. Those with capital in excess of minimum requirements will be eligible to engage in a broad range of new financial services. Those with less than minimum capital would be subject to increasingly stringent corrective action -- including dividend cuts or even forced sale of the bank -- aimed at preventing failure.

V. Restrictions on Risky Activities

State-chartered banks with federal deposit insurance may be authorized by charter to engage in risky activities that are precluded for national banks. It is important to protect federal taxpayers from such excessive risks while maintaining state regulatory responsibilities under the dual banking system.

Specific Recommendations:

Federal deposit insurance qualifications would prohibit direct investment activities by state banks and limit activities not permitted for national banks.

VI. Nationwide Banking and Branching

Nationwide banking and branching would lead to safer, more efficient and more competitive banks, decreasing taxpayer exposure to losses. The U.S. is the only major industrialized country without a truly national banking system. After 1992, members of the European Community will permit international banking throughout the EC. Not only do we put our banks at an international competitive disadvantage, but we also forego significant safety, efficiency and consumer benefits.

Already, 33 states permit nationwide banking and another 13 permit regional banking. Only four prohibit all interstate banking. So the trend is clearly toward interstate banking. Yet there is almost no authority for interstate branching. Given the cost savings and efficiency arguments for interstate branching, the advantages to consumers and taxpayers of interstate branching are clear.

Specific Recommendations:

Full nationwide banking will be authorized for bank holding companies following a three-year delay. Interstate branching will be authorized for national banks in any state in which the bank's holding company could acquire a bank. Thus, after the three-year delay, full nationwide branching will be permitted.

VII. Modernized Financial Services Regulation

Banks are no longer the protected and steadily profitable businesses they once were. Technological advances and innovations by competing financial services providers have ended their monopoly on transaction accounts and certain types of business credit. They no longer enjoy protected access to low-cost funds from interest rate controls. And old laws that once protected them from competition have become barriers that impede banks from responding to changing market conditions. The result has been declining profitability and increasing bank failures. The losers are not just banks, but also depositors, taxpayers and the overall strength of the economy.

Out-of-date laws must be adapted to permit well-capitalized banks to reclaim the competitive opportunities they have lost to changing markets. Banks with expertise in other financial

services should be allowed to provide them for consumers, and other financial services companies with natural synergies with banking should be allowed to invest in banks. This will provide new sources of capital for the banking system and help promote safe, strong, well-capitalized banks.

The proposed changes will be accompanied by safeguards to prevent exposure of the federal deposit insurance fund to these new activities.

Specific Recommendations:

In order to strengthen the banking system, new rules will permit financial affiliates for well-capitalized banks. A new financial services holding company structure will permit a single company to own affiliates engaging in banking, securities, mutual funds and insurance. The new rules will allow commercial firms to own financial services holding companies.

To protect the deposit insurance fund and the taxpayer, only well-capitalized banks will be permitted to engage in new financial activities. Only the bank will have access to deposit insurance, strict regulation will be focused on the bank, and the new financial activities will be in separately capitalized affiliates.

VIII. Credit Union Reforms

The law required a study of adequacy of capital in the credit union industry and insurance fund and of the regulatory structure governing the credit union industry.

Specific Recommendations:

To ensure adequate capitalization of the credit union insurance fund, the double counting of fund assets will be eliminated over 12 years. To provide Administration accountability for credit union regulation, the federal banking regulator will serve on the National Credit Union Administration Board.

PART TWO -- REGULATORY RESTRUCTURING

The current regulatory structure is complicated, overlapping and confusing. Individual institutions often are supervised by several regulators, and bank holding companies rarely have the same regulator as their subsidiary banks.

A redesigned structure should reduce duplication and

improve consistency, accountability and efficiency. It should also separate the insurer from the regulator.

Specific Recommendations:

The present four-regulator model (the Federal Reserve, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation and Office of Thrift Supervision) will be simplified to two, with the same regulator responsible for a bank holding company and its subsidiary bank.

The Federal Reserve will supervise all state-chartered banks and their holding companies. A new Federal Banking Agency under Treasury will supervise all national banks and their holding companies. When a holding company owns both state-chartered and national banks, jurisdiction over the entire organization will go to the charterer of the largest subsidiary bank. The Federal Banking Agency will take over OTS responsibilities on the date it completes assigning thrifts to the RTC.

The FDIC will be focussed on insurance and resolution of failed institutions.

PART THREE -- RECAPITALIZATION OF THE BANK INSURANCE FUND

The Bank Insurance Fund (BIF) has experienced losses in each of the last three years due to increasing numbers of bank failures. FDIC projects additional losses over the next two years that, under the most pessimistic assumptions, could exhaust the fund's net worth. The FDIC must exercise the authority given to it in the FDIC Assessment Rate Act of 1990 to recapitalize the BIF fund in the near term. Because the FDIC has the authority and because industry participation is essential, a plan to recapitalize the fund ought to be worked out with the industry by the FDIC within the following parameters:

Goals of Recapitalization

1. The plan should provide sufficient resources.
2. It should take into account any impact on the health of the banking system.
3. It should rely on industry funds.
4. It should use generally accepted accounting principles.

Treasury Record

August 22, 1991

Section 1.5 FINANCIAL SERVICES REFORM

Summary

A sound, internationally competitive banking system is critical to the nation's economic health and the financial well-being of our citizens. Banks provide a safe place for savers to keep their money, and bank lending has traditionally been an important engine for economic growth.

Today, our banking system is under stress. Technology has changed the way financial institutions do business, but U.S. banks are still forced to operate under out-of-date laws; deposit insurance has been extended far beyond its original intent of protecting the small depositor and the regulatory structure has become complicated and burdensome. These factors have weakened the system and increased taxpayer exposure to future bank failures.

Status

In March 1991, the Administration submitted a comprehensive legislative package aimed at modernizing the financial services industry. This legislation was a result of an 18-month study conducted by the Treasury Department in connection with other federal agencies. In June 1991, the House Banking Committee approved Treasury's legislation with some revisions, and in August, the Senate Banking Committee passed its version of the plan. The House Energy and Commerce Committee is now considering the legislation.

The Administration is committed to a comprehensive, long-term solution to the basic problems facing the banking industry, and we will continue to work with Congress to enact legislation for a financial system that is internationally competitive, able to protect depositors and taxpayers, able to serve consumers and strengthen our economy.

Contact: Cheryl Crispen
566-2041

Dingell's
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out
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key
part

August 22, 1991

FINANCIAL SERVICES REFORM

Talking Points

The Need for Reform

- o We need to modernize our financial system to make banks safe, strong and internationally competitive. ←
- o Technological innovations have changed the way banks do business, but out-of-date laws from the 1930s hamper our banking system. ✓
- o Weak banks curtail lending during economic slowdowns, hurting businesses, costing jobs and further slowing the economy. ✓

Benefits of Reform

- o A modern, safe, internationally competitive banking and financial system protects depositors, limits taxpayer exposure, offers consumers a wide range of products, and is essential to a growing economy. ✓
- o A healthy banking system ensures that jobs are preserved and that small businesses can count on banks in bad times as well as good.
- o A world-class financial services system provides a foundation for a world-class economy. ✓

Principles Governing Reform

- o Preserve deposit insurance for small savers while protecting taxpayers by reducing the overextended deposit insurance system.

one has make - my call -
Fed Reserve -

- Overextended scope now protects large, sophisticated savers.
- Comprehensive reform will restore market discipline.
- o Make banks stronger and safer by strengthening the role of capital.
 - Not by raising capital standards but by attracting capital to the industry
- o Make banks more competitive by modernizing outdated laws.
 - Laws date back to 1930s. ✓
 - Banks are at a competitive disadvantage.
 - Allow well-capitalized banks to engage in broader activities and operate nationwide. ✓
- o Strengthen the banking system by making the regulatory structure more efficient.
 - Banks and bank holding companies should be regulated by the same regulator.

Reform must be comprehensive

- o Though some have indicated a need to merely recapitalize the Bank Insurance Fund without comprehensive reform, this narrow approach is the wrong way to go.
 - There is ample time to do the job right.
- o All five regulators agree comprehensive reform is the best approach.
 - Greenspan, Breeden, Seidman, Clarke, Ryan. Taylor
- o We must reform the fundamental problems in the banking industry, not just fund them.
 - We must fix the problem, not just feed it.
- o Without comprehensive reforms now, we are likely to be back again in a few years recapitalizing BIF -- next time perhaps with taxpayer money.

###

August 22, 1991

FINANCIAL SERVICES REFORM

Background

Deposit Insurance

In response to the Great Depression, Federal deposit insurance was established in the early 1930s. At the time, unemployment stood at record levels, bank failures were common and panic withdrawals were widespread. The Federal guarantee of small deposits was implemented with the creation of the Federal Deposit Insurance Corporation (FDIC) in 1933 and the Federal Savings and Loan Insurance Corporation (FSLIC) in 1934. Its fundamental goal was to re-establish confidence in America's financial system.

The early years of the FDIC were marked by relatively conservative bank behavior. Bankers who survived the Depression were cautious. Nevertheless, the FDIC handled 370 bank failures from 1934 to 1942. Most of these failures were small banks, and the FDIC realized losses of only about \$23 million as a result.

Beginning with the Carter Administration, commercial bank deposits became much more expensive, and risk exposure increased. Reasons for the dramatic increase in insurance costs include: economic downturns in oil, agriculture and real estate; increased interest-rate volatility; and fundamental changes in the financial marketplace.

It became increasingly apparent that deposit insurance had the potential to impose enormous costs on society. Nine of the ten largest bank holding companies in Texas were reorganized with FDIC or other outside assistance. From 1987 through the end of 1990, the FDIC fund was cut in half -- from over \$18 billion to about \$9 billion. There were more bank failures in the U.S. in 1989 (206) than there were from 1942-1980 (198).

Financial Services

To a large extent, the development of financial services in the United States revolves around the evolution of the commercial banking system. Over time, the competitive advantage of the commercial banking system has eroded. Laws passed in the 1930s have not kept pace with the ongoing changes in the marketplace.

Due to the illiquidity problems of the post-Civil War banking system, the Federal Reserve Act of 1913 was passed. The Act created the Federal Reserve System primarily to stop banking panics. It directed the Federal Reserve to provide "an elastic currency" and be a "lender of last resort." It was not until the Banking Acts of 1933 and 1935 that the Federal Reserve received authority to engage in monetary policy.

One of the earliest controversies involving the banking system concerned the geographic reach of banking operations. In response, Congress adopted the McFadden Act in 1927, which after amendment in 1933, effectively placed control of branching in the hands of the states. The Act authorized a national bank to branch only within its home state and then only as permitted for state banks by state law. The law remains in place today.

Commercial banks emerged in the late 1800s and early 1900s as significant participants in the underwriting and distribution of securities. The securities activities of the banks were curtailed by the financial stresses of the late 1920s. Because of large scale bank failures and the role banks played in the stock market had increased, Congress began a series of investigations aimed at reforming the banking system. As a result, the Securities Act of 1933 and the Securities Exchange Act of 1934 were passed. Both were designed to end the issuing and trading abuses and manipulation that had made the market unfair.

In addition, there was concern regarding questionable activities engaged in by banks and their financial services affiliates. Rather than attempt to restrict or prohibit specific practices, Congress took the extreme step of separating commercial banking from investment banking in the Banking Act of 1933 (the Glass-Steagall Act). The Glass-Steagall Act prohibits any depository institution from directly engaging in most securities activities.

Within the traditional framework, commercial banks and other depository institutions prospered well into the 1970s. Their markets, although restricted, were reasonably well defined and protected from both product and geographic competition. But the environment for commercial banks has changed dramatically during the past two decades. High inflation, volatile interest rates, technological innovation and the vigorous competition from insured and noninsured financial institutions have worked against the competitiveness of commercial banks.

The Administration's Legislative Package

The Administration submitted to Congress in March 1991 comprehensive legislation to modernize and strengthen our banking and financial services industry.

In June 1991, the House Banking Committee approved Treasury's legislation with some revisions, and in August 1991, the Senate Banking Committee passed its version of the plan. The House Energy and Commerce Committee is now considering the legislation.

The Administration's proposals address three interrelated problems: first, a banking system with reduced competitiveness and financial strength caused by outdated laws that have prevented banks from responding to the evolution of financial markets and technology; second, the overextension of deposit insurance, resulting in increased taxpayer exposure and weakened market discipline for banks; third, a fragmented regulatory structure that has created duplicative rules and often failed to produce timely results.

We propose new, improved laws to address the outmoded, outdated laws that make it difficult for banks to serve customers. Full interstate banking and branching are needed for safer, more profitable banks. We propose new financial activities -- like securities and mutual funds -- for well-capitalized banks. If passed, these proposals will provide new sources of capital for a thinly-capitalized industry.

To deal with the problem of over-extended deposit insurance and increased risk to the taxpayers, the Administration recommended that deposit insurance be limited to \$100,000 per person, per institution plus a separate \$100,000 for retirement savings (although, this proposal has since been dropped from both the current House and Senate bills). We also propose to eliminate insurance for brokered deposits.

Our objective is to pass comprehensive legislation that addresses the problems at their core. Comprehensive reform is necessary to safeguard the interests of the nation, the industry, the consumer and the taxpayer. Because, if we leave the job half done by only recapping the Bank Insurance Fund, we will be back to do it again, sooner rather than later. And the next time, we may have to recapitalize with taxpayer money. Certainly, that is a prospect no one would relish.

###

August 22, 1991

FINANCIAL SERVICES REFORM

Speech Excerpts

President Bush

Remarks to the National Federation of
Independent Businesses
June 3, 1991

"These (banking) reforms are designed to bring our banking system up to date and to make banks, large and small, stronger and better able to serve their customers. The business community...needs strong banks that can provide much needed financing for jobs and for economic growth."

Remarks to the National Retail Federation
May 23, 1991

"Our Financial Services Reform Bill -- and I'm strongly committed to that and I hope you'll help us work through this with Congress -- will help modernize our financial system..."

Letter to House Banking Chairman Gonzalez
May 6, 1991

"I believe the time has come to address the fundamental problems of our banking system. We must have comprehensive legislation to fuel economic growth through stronger, more competitive banks...able to serve customers in good times and bad."

State of the Union Address
January 29, 1991

"We have prepared a detailed series of proposals that include...A banking reform plan to bring America's financial system into the 21st century -- so that our banks remain safe and secure and can continue to make job-creating loans for our factories, businesses and home-buyers."

President Bush
Bank Holding Company Speech
November 29, 1990

"Denying banks the opportunity to enter new markets actually encourages risky ventures that fall within the old rules and regulations."

Secretary Brady
Statement
August 2, 1991

"I applaud the (Senate Banking) Committee's decision to endorse strong new supervisory reforms, nationwide banking and branching, and new affiliations between banks and securities firms, subject to strong safeguards....Our strategy remains to work for comprehensive banking reform legislation that will attract voluntary capital into the banking industry."

Statement
April 26, 1991

"This narrow approach is the wrong way to go. We must reform the fundamental problems in the banking industry, not just fund them. We must fix the problem, not just feed it."

Remarks to the Commonwealth Club
March 18, 1991

"The simple fact is our banks -- large and small -- are being asked to compete in a highly competitive world financial services market with one hand tied behind their backs."

Press Conference to Release Recommendations
February 5, 1991

"There is no doubt that fundamental reform is needed. The banking system is safe, but it is not as efficient and competitive as it ought to be. If we expect to exert world economic leadership in the 21st century, we must have a modern, world-class financial services system in the U.S."

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DEPARTMENT OF THE TREASURY
WASHINGTON

OFFICE OF THE ASSISTANT SECRETARY
FOR PUBLIC AFFAIRS/PUBLIC LIAISON
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Washington, DC 20220

F A C S I M I L E C O V E R S H E E T

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TO: Bob Simons

ADDRESSEE'S FAX NUMBER: _____

ADDRESSEE'S CONFIRMATION NUMBER: _____

FROM: Claire Ponchan FAX NO. (202) 786-8433

COMMENTS/SPECIAL INSTRUCTIONS:

I understand you and/or Tony Snave
were looking for a paragraph
on banking reform to be added to
a presidential speech. Here's one.
Let me know if you have any q's.

-cls

Our banking system is under stress. And we must act now to reform it. The last major changes to banking laws were almost 50 years ago. Since then, technology has changed the world -- now it's time to allow our banking and financial services industry to catch up to this technological revolution. The financial services industry needs progressive reform which encourages competition and shuns the protection of special interests. Strong banks and financial services firms are a key to the economic health of our country.



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HEADLINE: DID NICARAGUA SAY WHAT U.S. SAYS IT SAID?

DATELINE: WASHINGTON, March 29

BODY:

In a speech last year, President Reagan discounted the Nicaraguan Government's explanations for its military buildup.

The Sandinistas "claim the buildup is in response to American aggression," Mr. Reagan said. "And that is the most cynical lie of all. The truth is, they announced at their first anniversary, in July of 1980, that their revolution was going to spread beyond their borders."

Nicaraguan officials said no such statement was made. And officials at the White House and the State Department said they could not substantiate the President's remarks.

"I think he might have been referring to something said at the second anniversary" of the Sandinista victory, "not the first," a White House official said. "But I'm not sure."

Authenticity Is Uncertain

The President and other Administration officials often cite quotations from Nicaraguan officials. But American officials acknowledge that the authenticity or origin of some of the quotations is uncertain.

For example, in a 1983 speech President Reagan said that the Sandinistas "make no secret of their goal" and that "they preach the doctrine of a 'revolution without frontiers.'"

In testimony in 1983 to the Senate Foreign Relations Committee, Secretary of State George P. Shultz was asked for evidence that "the Nicaraguans are contemplating using massive force outside their borders."

Mr. Shultz responded that "the Communist leaders regularly say what their objectives are" and that "the Government of Nicaragua does not conceal that it wants is a 'revolution without frontiers.'"

In the same year, Representative Edward J. Markey, Democrat of Massachusetts, wrote to Mr. Shultz, asking for the source of the phrase. A State Department officer replied, "Administration officials, while not attributing the phrase to individual Sandinista leaders, have used it to characterize Nicaragua's aggressive policy."



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An Administration official said this week that 'actually we've had problems' with the quotation and could not verify that anyone actually said it.

References to Costa Rica

Recently, officials have quoted Tomas Borge, the Nicaraguan Interior Minister, as saying that Costa Rica would be 'the dessert' in Nicaragua's foreign conquests.

In a speech last week, President Reagan said of the Sandinistas, 'Once in power in Nicaragua, they began working for their revolution without frontiers in which small, democratic, unarmed Costa Rica would be - and I quote their words - 'the dessert.' ''

An Administration official said this week that the quotation was taken from a 1983 opinion-page column in The Wall Street Journal by Huber Matos Jr. Mr. Matos, the son of a prominent Cuban exile, lives in Miami and works for an organization called Independent and Democratic Cuba.

In an interview this week, he said he heard the quotation while in Costa Rica several years ago. 'It was pretty widely known,' he said.

But Mr. Matos acknowledged that he had never heard Mr. Borge use the phrase and had never spoken to anyone else who had heard Mr. Borge use it. A State Department official said that 'we've been trying to find the sourcing on that one.' ''

In general, an official in the State Department Office of Public Diplomacy said this week, 'what has happened is that people have been quoting some of these things from 1981 on, and some of them have become distorted.' ''

SUBJECT: SPEECHES AND STATEMENTS; INTERNATIONAL RELATIONS; UNITED STATES
INTERNATIONAL RELATIONS; WAR AND REVOLUTION

ORGANIZATION: STATE, DEPARTMENT OF

NAME: REAGAN, RONALD WILSON (PRES)

GEOGRAPHIC: NICARAGUA