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CHILD AND FAMILY WELFARE

November 1991

The American Enterprise Institute maintains an active program of research on issues of social welfare and welfare policy. AEI research is concerned with measuring trends in material and social well-being; reforming federal and state assistance programs; and reducing welfare dependency by strengthening families, local communities, and private associations that promote citizenship and self-reliance.

AEI scholars working in the area include Douglas Besharov (child and family policy), Nick Eberstadt (infant mortality), Marvin Kosters (trends in poverty and income distribution), Charles Murray (author of the landmark study, *Losing Ground: American Social Policy, 1950-1980*), Carolyn Weaver (disability and social security policies), and Karl Zinsmeister (family stability and its relation to other aspects of social well-being). These and other social scientists from AEI and elsewhere formed the Working Seminar on Family and American Welfare Policy, chaired by AEI's Michael Novak. Their influential report, *The New Consensus on Family and Welfare* (AEI Press, 1987), helped shape the welfare reform debate in the late 1980s and the landmark 1988 Family Support Act.

AEI's major social welfare initiative in 1991-1992 is a project on policies towards disadvantaged children and families, directed by Mr. Besharov, in collaboration with senior members of the Bush administration and Congress. Called the AEI/White House Consultation on Integrated Services for Children and Families, the project aims to improve our understanding of the problems faced by poor families with young children and the deficiencies of current public and private efforts to address these problems. It will produce a series of research reports and specific recommendations for legislative reform.

In addition to the AEI/White House project and other research and publications, the Institute organizes frequent meetings bringing together experts from other research institutions, welfare officials from all levels of government, and legislators. For example, under the leadership of Douglas Besharov, the Institute hosts a monthly discussion seminar on welfare issues for the members of the Human Resources Subcommittee of the House Ways and Means Committee, and a quarterly dinner meeting for Secretary of Health and Human Services Louis Sullivan.

A detailed description of the AEI/White House project is attached (Attachment A), along with a bibliography of Mr. Besharov's publications (Attachment B). The project's annual budget is approximately \$400,000 and is supported by grants from foundations and corporations. Further information on this project and other AEI research on welfare policy issues may be obtained from Mr. Besharov at 202-862-5904 or from Christine Myers, AEI director of development, at 202-862-5844.

Attachments



ATTACHMENT A

**AEI/WHITE HOUSE CONSULTATION
ON INTEGRATED SERVICES
FOR CHILDREN AND FAMILIES**

In collaboration with the White House, the American Enterprise Institute is exploring how federal social welfare programs could be restructured to provide a more integrated approach to the problems of disadvantaged children and families.

At AEI's recent Seminar for Senior Government Officials in Williamsburg, Virginia, one of the recurrent themes was the need for integrated services for disadvantaged children and families, to be accomplished through a decategorization of various federal funding streams. There are many ways to label and describe the problem, but it comes down to the following:

The problems facing disadvantaged children and families are deeply rooted in an interconnected mix of social and personal forces. To be effective, a social intervention must be powerful enough to overcome these forces, that is, it must be intensively focused on achieving planned change in the lives of clients.

Current federal funding policies, through their emphasis on categorical programs for specific social problems, ignore this basic reality.

It is easy to be in favor of "integrated" or "comprehensive" services; after all, the idea is akin to motherhood. And yet, categorical programs continue to grow in number and size. This suggests that there are strong reasons in favor of a categorical approach and that any effort to develop integrated services should be preceded by a fundamental examination of the issues involved. As a follow-up to the Williamsburg Seminar, the White House has asked AEI to help conduct such a study.

The project has three major phases: (1) consultation with scholars, practitioners, members of Congress, and senior administration officials through a "Working Seminar on Integrated Services for Children and Families," (2) preparation of reports containing specific programmatic and legislative recommendations, and (3) dissemination activities, including a possible White House conference for high-level policy makers.

Working Seminar

The Seminar will operate much along the lines of AEP's Working Seminar on the Family and American Welfare Policy. Pooling the energies and ideas of a bipartisan group of policy experts, the Working Seminar issued a report, A Community of Self-Reliance: The New Consensus on Family and Welfare, which helped shape the 1988 Family Support Act and its implementation. We attribute the report's success to the strength of its substantive analysis and the philosophical breadth of its co-signers.

The Working Seminar on Integrated Services for Children and Families will provide a forum for a focused interchange among federal officials, state program managers, local services providers, and academics. Through commissioned papers¹ and visiting experts, members of the Working Seminar will examine the problems currently facing disadvantaged children and families, the strengths and weaknesses of the existing categorical system, the possibilities for a more integrated approach, and the obstacles to change. The Seminar will meet about six times over the course of a year.

The membership of the Working Seminar is composed of one-third high-level officials from the administration, one-third committee chairs and ranking minority members of Congress with jurisdiction over social programs, and one-third members of the expert community. In addition, we have established two committees of the Working Seminar. The Data Committee will be responsible for coordinating a series of national and state-level data analysis projects. The Budget Committee will ensure that all recommendations developed under the project meet the requirements of the current budget resolution. (See attached list.)

Approach

We have identified the broad outlines of two approaches to services integration that could guide the discussions of the Working Seminar and the content of the final recommendations.

The first focuses on reducing the inefficiencies and fragmentation of the current categorical approach through what we call "subdecategorization" --the consolidation of different funding streams within broad program areas such as child welfare/foster care, child care/early childhood development, job training, and health care. The goal of this approach is to convert the

¹ In addition to papers by outside experts, each departmental participant will present a paper describing the current categorical programs under his or her jurisdiction, the advantages and disadvantages of separate funding streams, and the opportunities that would be presented by more flexible, decategorized funding streams.

existing hodge-podge of narrow, piece-meal programs into more coherent and strategic funding systems without having to radically restructure the federal bureaucracy. For example, even in the absence of system-wide integration, simply reducing the existing catalog of over 20 federal child care funding streams to a smaller number of more flexible, pooled funds would go a long way toward helping local service providers.

The AEI/White House project will try to draw a picture of what new, partially consolidated federal funding streams would look like within each of the broad policy areas. We will seek to determine which existing programs would be more effective in combination and which would be better left alone.

The second approach focuses on targeted, population-based services designed to leverage change in individual lives. This approach is based on a hypothesis: that certain populations with similar problems absorb a substantial share of current social welfare services and should be the focus of any system-wide reform. A series of national and state-level data analysis projects will help us test this hypothesis.

For example, we are interested in exploring the problems and needs of unwed teenage mothers. These mothers and their children clearly comprise a target group at high risk of physical, emotional, educational, and economic trouble. Their problems tend to be chronic and deeply interconnected. Yet the vast array of services available to deeply troubled young families--AFDC, Medicaid, WIC, JOBS and other employment training programs, Food Stamps, home visitors, family planning, and child care and early childhood development programs, among others--is fragmented and often inconsistent. It does not add up to a clear vision of where we want a teen mother and her child to be in five years. The missing element in the existing social welfare system is not "one-stop shopping." What is missing is a strategic, integrated plan for changing the lives and behaviors of individuals at risk.

The AEI/White House project will develop models of strategic service packages for several different target populations, including unwed teen mothers, youth in need of job training and educational services, and children with health problems or disabilities. These models would be designed to serve as guides for states and localities as they build their own tailored, integrated programs.

These two approaches seek to spur innovation in the treatment of multi-problem families and provide states and localities with the flexibility to design tailored, integrated programs to meet their particular needs. There are many different service strategies and interventions that could be termed integrated or comprehensive, from those that emphasize early intervention (such as the various Zero-to-Three and Home Visitor Programs) to those which focus on community or neighborhood change (such as the

various community/school partnership programs). Some will make more sense in certain states or communities than in others. For this reason, as currently envisioned, the AEI/White House project will resist the temptation to draw a detailed blueprint of the ultimate integrated services structure.

Instead, the project is likely to propose a menu of approaches that states could adopt to pool various federal funding streams. We envision a series of demonstrations in which states would develop their own tailored systems of integrated services using a combination of existing federal funding streams and state dollars. This strategy will hinge on a mechanism for waiving certain federal regulations and requirements similar to the waiver process used to develop the work, training, and education programs contained in the Family Support Act.

Since an important objective of the process will be to learn what works best under different conditions, we will recommend that the state demonstrations be rigorously evaluated. The results of the evaluations will provide invaluable information about how to institutionalize this kind of program flexibility and local decision making. In the long run, the results of the waiver experiments may persuade Congress to create a more permanent statutory and programmatic structure with which states could combine funding streams to finance integrated services for disadvantaged children and families.

Reports

Based on the Seminar's deliberations, we will prepare a book-length, final report describing the problems facing disadvantaged children and families, the range of largely uncoordinated public and private services designed to address these problems, and the need for a more integrated approach.

Four interim reports will be released prior to the final report. Each will examine the possibilities for integration and decategorization within the targeted policy areas:

- child welfare/foster care,
- school readiness and two-generational programs,
- job training, and
- health care.

The final report will bring together roughly two years of work on target populations and models of strategic intervention to develop a state-of-the-art information base and a policy framework for services integration.

Although we cannot predict the exact contents of the project's final recommendations or the final report, we can describe their general shape. As currently envisioned, the final report will advance the consensus on services integration in four ways.

First, it will draw upon the results of several data analyses projects now getting underway to paint detailed portraits of the current system's high-need families and the multiple problems they experience. Second, it will cull from the interim reports those conceptual and programmatic models of integration that appear most promising for states and localities. Third, it will present alternative combinations of existing federal funding streams in the four policy areas listed above to show what a system of flexible, decategorized programs could look like. Finally, it will propose a combination of federal waivers, state demonstrations, and new, more flexible funding vessels to give state and local administrators the tools they need to serve disadvantaged children and families more effectively. (The report will detail the specific legislative and administrative steps needed to implement a waiver/evaluation process and establish new funding structures.)

Dissemination

The project's interim and final reports will establish the importance of integrated service responses--and the concomitant need for the decategorization of selected federal funding streams. We plan to disseminate the reports and their findings through the various means available to AEI, including seminars for government officials, briefings for journalists, articles in professional and popular publications, and presentations at academic and policy forums.

We hope that the centerpiece of this dissemination will be a White House conference of policy makers and service providers where the report's recommendations are presented and debated. After the first session, participants would be bused to a suitable conference facility outside of Washington for two and one-half days of deliberations, after which they would again convene at the White House for a closing session.

We think that there has been a meeting of the minds about the general shape of the project's ultimate recommendations, with the Working Seminar being assigned the responsibility of shaping them into a programmatically realistic and politically acceptable package. There is, nevertheless, always a possibility that there has not been a meeting of the minds or that priorities will change. Obviously, we would be extremely disappointed not to have the administration's support for our ultimate recommendations. But we still think that the effort would lend shape and credibility to the emerging interest in services integration.

Even if the final report is not endorsed by the administration, the participation of so many high-level administration officials--as well as senior congressional staff and outside scholars and practitioners--will give it great weight. Our 1987 welfare reform report helped shape thinking in the administration and the Congress even though it was not "adopted" by the administration. And, of course, we hope that the force of our analysis will make this new report equally influential.

Funding

The Pew Charitable Trusts and the Carnegie Corporation have generously provided the primary support for the project. In addition, grants have been received from the W.T. Grant, Hearst, Robert Wood Johnson, Joyce, J.M., Rockefeller, and Smith Richardson Foundations.

INTEGRATED SERVICES: WHAT ARE THE QUESTIONS?

Without actually beginning the process, no one is able to predict, let alone answer, all the questions that will arise in creating an integrated service system for disadvantaged children and their families. Therefore, the project will not seek to develop a detailed blueprint for the ultimate structure of an integrated service system. Instead, it will seek to establish the policy framework--and a state-based demonstration strategy--for such a system by identifying the potential target populations, intervention strategies, community-level service systems, state and local administrative structures, and costs.

In keeping with this approach, the project will explore the following questions:

1. What is wrong with the current system? Any real move toward decategorized funding streams will cut funding to some current programs and will also disrupt the current service system. Thus, as a first step, it is important that we clearly understand what is bad--and what is good--about categorical services.

For example, experts debate the question of which would be more expensive, an integrated system or a categorical system. Richard Nathan, Director of the Rockefeller Institute of Government, State University of New York-Albany, argues that total funding for a collection of many different categorical programs is greater than what there would be for one all-purpose program, because each program's constituency fights to increase the funding of its own program. This is probably true, but there are countervailing considerations. For example, families might be served for longer periods of time under an integrated services system which, presumably, would not be as time-limited as current categorical programs, and this would drive up costs. Moreover, integrated services funded at somewhat lower levels might be more effective than categorical ones.

One clear virtue of the existing system is the fact that categorical programs ensure that particular problems get addressed. However, this is also one of its major drawbacks: Assigning resources to treat a specific manifestation of broader social problems can lead to distorted service priorities and poorly oriented interventions.

This basic flaw in the categorical system strikes us as fundamental. The problem seems to boil down to a basic mismatch between the nature of the social welfare challenge and the shape of the system created to meet it. While the problems of the most disadvantaged children and families are chronic and deeply interconnected, the services these clients receive are often fragmented and one-dimensional. Too many social service programs--from those that protect children to those that shelter the

homeless--are oriented toward managing emergencies, rather than achieving long-term change in people's lives.

HEW Secretary Elliot Richardson aptly named the problem in the early 1970s; he called it "hardening of the categories."² More recent examples illustrate Richardson's point. In the case of the child welfare system, for example, Wade Horn, Commissioner of the Administration for Children, Youth, and Families, has explained how the highly prescriptive, categorical nature of federal funding streams ties the hands of state and local administrators and diminishes their ability to respond quickly to changing needs and new client populations.³ According to some, this lack of flexibility is to blame for the system's inadequate response to the "crack baby" epidemic of the mid- to late-1980s. Not until FY 1991, half a decade after the problem first appeared, did the Congress begin to develop proposals for significant new federal initiatives to combat prenatal drug abuse. While states have been scurrying to piece together a remedy--using substance abuse, Medicaid, child welfare, and other federal funds as well as state funds--the federal response has been too little too late.

Gordon Berlin of MDRC has described a slightly different problem with the current federal-state arrangement: the inordinate amount of time that social workers and local officials must spend navigating eligibility requirements (often a different set of requirements for each categorical program), documenting compliance with complex federal regulations, preparing for federal audits, and fighting disallowances of reimbursement claims when they occur.⁴ In such a bureaucratic environment, little time is left for strategic planning and quality casework.

The need for a more unified approach seems plain. And yet, many observers see the present structure as an inevitable product of our political system and, perhaps, as better than any likely alternative. These complex issues bear close examination.

2. What problems, exactly, are we seeking to address? What populations should be targeted for attention? Many people hope that integrated services will be developed as a general family support program. But for the present, such a broad service is politically unattainable--because it would be prohibitively expensive. There are, sadly, simply too many

² Inspector General, Department of Health and Human Services, Services Integration: A Twenty-Year Retrospective, January 1991, p. 3.

³ Wade Horn. "Federal Child Welfare Programs: A Structural Roadblock to Reform?," Background Paper for AEI Seminar on Child Welfare Reform Experiments, February 1991.

⁴ Gordon Berlin. "The New Poverty Among Families: A Service Categorization Response," in Raising Children for the Twenty-First Century, AEI Seminar Report, 1990.

potentially eligible clients. For now, advocates of integrated services will have to target client populations more specifically.

What, then, should be the primary focus of integrated services? Poverty? Welfare dependency? Teen pregnancy? Or, poor child rearing? Drug abuse? Child abuse? The focus could be even narrower. For example, the Downey-Johnson proposal for a decategorized child welfare services experiment has as its only goal the prevention of foster care placements.

To a large extent, the choice of the target population will be driven by the potential costs involved. But it will also be shaped by the perceived seriousness of the problem, the amount of public and media attention it has received, and the apparent effectiveness of available interventions. The project will explore the possible target populations within the context of such considerations.

3. What is the intervention strategy? Policy makers often assume that "services" are "services"; that all we need to do is channel additional funding to social agencies, and that the rest will happen automatically. This is not so.

There are different intervention (or service) strategies and--once serious planning begins--we should expect heated disagreements about the components of an integrated service structure. Different views of the causes of the problems being addressed are likely to shape this debate. For example, people who believe that family dysfunction is predominantly caused by underlying economic conditions take a very different approach to prevention and treatment than do those who think that it is primarily caused by personality disturbances.

The intervention selected also depends on the perceived effectiveness of the possible options. Policy makers are justifiably hesitant to address a problem, no matter how serious, if it is not susceptible to a cost-effective solution.

Hence, the project will explore the various causal explanations for the problems facing disadvantaged children and families and the effectiveness of the possible service approaches. Of course, it is likely that a number of interventions will appear promising, but specifically identifying them will be an important step in designing the needed funding and administrative support structure.

The project will proceed with the understanding that there is more than one way to restructure services and that an integrated service system could take a number of forms. Therefore, the project will seek to identify the various feasible models or approaches--together with their respective advantages and disadvantages--so that policy makers can choose which approach seems best to them.

4. How would it look at the ground level? Too often, programs are designed from Washington with little understanding of how they would fit into the existing mosaic of public and private services. A decategorized funding stream cannot be simply dropped into a community.

Some of the most important social services are privately funded and, even under the most ambitious policy of decategorization, many public social welfare programs will continue to operate independently. A central question for the project, therefore, will be how any decategorized funding stream for children and families should be channeled so that it meshes with--and enhances--the services already in a community.

5. How would it look at the state and federal level? Administration is an often neglected aspect of social welfare policy making.

Establishing the right balance between local priorities, control, and flexibility on the one hand and federal fiscal and programmatic accountability on the other hand is probably the most important administrative issue. The use of outcome-based performance standards in place of the usual, highly prescriptive regulations and mandates (or other mechanisms for gaining flexibility and preserving accountability) will be a central topic of discussion for the Working Seminar.

Additional administrative issues include the more mundane considerations of funding formulae, reimbursement rules, and administrative responsibility. These and other issues will be explored from local, state, and national perspectives.

6. How much would it cost? This is the big question. Although some would say that we should do whatever is needed to help children and families, the fact is that budget constraints and competing programmatic priorities place very real limitations on the amount of additional funding that realistically can be expected.

Policy makers rightly will want to know the approximate size of the financial commitment they are being asked to make. Although it is impossible to be exact about costs, the project will attempt to develop at least ballpark estimates to guide decision makers.

7. What existing streams of funding legitimately could be tapped? It has become a truism that old programs (even obsolete ones) never die; new ones just grow up alongside them. But that will not work here.

Any major initiative capable of making a difference in people's lives will cost a great deal of money. Given the current fiscal atmosphere, this means that at least some of the funding for integrated services will have to come out of current expenditures for existing programs.

Yet, it clearly would be inappropriate to combine all existing human services funding or even all means-tested programs. A careful selection--based on both substantive needs and political realities--will be needed.

8. What are the political possibilities and obstacles? The most obvious obstacle to integrated services is the shared jurisdiction of competing congressional committees which are unlikely to cede control over their particular turf (a.k.a. a "categorical program"). But there are more subtle obstacles, such as the vested interests of already established service and advocacy constituencies, the nature of professional segmentation and training, the lack of treatment technology, and the competition between states and localities for control of federal funds.

To be realistic, right now there is not enough public interest in this subject to overcome these obstacles. "Integrated services" and "decategorization" are, unfortunately, not slogans behind which people will mobilize. (One reason for categorical programs is their emotional appeal. Almost everyone thinks that we should have a program against child abuse, for example.) Thus, a real issue for the project will be whether a more exciting or compelling label can be developed for the concept. For example, the program could be called a "unified service for unwed mothers and their children," based on the recognition that this group now absorbs the majority of categorical resources. Other possibilities will also be examined.

9. What protections are needed to ensure that the politically weak are not ignored? The trick to services integration will be to provide the flexibility needed to tailor programs to local conditions while still protecting the underlying goals of assorted categorical programs. At one point, the Reagan Administration proposed what was, in effect, one big block grant for all means-tested programs. This proposal had many weaknesses, but one of its most serious was the failure to provide any assurance that states would continue to serve the various target populations and meet the human needs now specified by categorical programs. Thus, we see the project recommending a number of protections to ensure that the process of integration and decategorization does not neglect the needs of the politically weak.

10. Where do we go from here? Beginning steps may be taken toward services integration immediately. In particular, certain federal programs could be combined without major disruptions and, using existing waiver authority, federal agencies could tackle certain cases of conflicting rules and requirements on a state-by-state basis.

However, it is unlikely that Congress will be convinced to adopt a full-scale integrated service program on the basis of current knowledge. Therefore, the project is expected to recommend a menu of approaches that states could adopt to pool various federal funding streams. We envision a

series of demonstrations in which states would develop their own tailored systems of integrated services using a combination of existing federal funding streams and state dollars. This strategy will hinge on a mechanism for waiving certain federal regulations and requirements similar to the waiver process used to develop the work, training, and education programs contained in the Family Support Act.

Since an important objective of the process will be to learn what works best under different conditions, we will recommend that the state demonstrations be rigorously evaluated. The results of the evaluations will provide invaluable information about how to institutionalize this kind of program flexibility and local decision making. In the long run, the results of the waiver experiments may persuade Congress to create a more permanent statutory and programmatic structure with which states could combine funding streams to finance integrated services for disadvantaged children and families.

**WORKING SEMINAR ON INTEGRATED SERVICES
FOR CHILDREN AND FAMILIES**

Membership

Administration

The Honorable Charles Kolb, Deputy Assistant to the President for Domestic Policy

The Honorable James Pinkerton, Deputy Assistant to the President for Policy Planning

The Honorable Constance J. Horner, Deputy Secretary, Department of Health and Human Services (to be replaced)

The Honorable David Kearns, Deputy Secretary, Department of Education

The Honorable JoAnne Barnhart, Assistant Secretary for Children and Families, Department of Health and Human Services

The Honorable S. Anna Kondratas, Assistant Secretary for Community Planning and Development, Department of Housing and Urban Development

The Honorable Catherine A. Bertini, Assistant Secretary for Food and Consumer Services, Department of Agriculture

The Honorable Jimmy Gurule, Assistant Attorney General, Office of Justice Programs, Department of Justice

The Honorable Steven Schlesinger, Director, Office of Policy Development, Department of Justice

The Honorable Robert R. Davila, Assistant Secretary for Special Education and Rehabilitative Services, Department of Education

The Honorable Betsy Brand, Assistant Secretary for Vocational and Adult Education, Department of Education

The Honorable Roberts T. Jones, Assistant Secretary for Employment and Training, Department of Labor

Congressional

Senate Committee on Finance

The Honorable Lloyd Bentsen (TX), Chairman
Staff Representative: Marina Weiss

The Honorable Robert W. Packwood (OR), Ranking Member
Staff Representative: Douglas Frederick

Senate Committee on Labor and Human Resources

The Honorable Edward M. Kennedy (MA), Chairman
Staff Representative: Michael Iskowitz

The Honorable Orrin G. Hatch (UT), Ranking Member *
Proposed Staff Representative: Kris Iverson

House Committee on Agriculture

The Honorable E. de la Garza (TX), Chairman
Staff Representative: Anita Brown

The Honorable Tom Coleman (MO), Ranking Member
Staff Representative: Lynn Gallagher

House Committee on Education and Labor

The Honorable William D. Ford (MI), Chairman
Staff Representative: Alan Lopatin

The Honorable William F. Goodling (PA), Ranking Member
Staff Representative: Andrew Hartman

House Committee on Energy and Commerce

Subcommittee on Health and the Environment

The Honorable Henry A. Waxman (CA), Chairman *

The Honorable William E. Dannemeyer (CA), Ranking Member
Staff Representative: Paul Mero

* Invited; participation not confirmed.

House Committee on Ways and Means

**The Honorable Dan Rostenkowski (IL), Chairman
Staff Representative: Wendell Primus**

**The Honorable Bill Archer (TX), Ranking Member
Staff Representative: Ron Haskins**

Non-Federal

**The Honorable John Ashcroft, Governor of Missouri and
Vice-Chairman, National Governors' Association**

**The Honorable James C. Greenwood, Senator, Commonwealth of
Pennsylvania and Vice-Chairman, Assembly on the Legislature of the
National Conference of State Legislatures**

Drew Altman, President, Kaiser Family Foundation

Barbara Blum, President, Foundation for Child Development

Ruby Hearn, Vice President, Robert Wood Johnson Foundation

**Sharon L. Kagan, Associate Director, Bush Center on Child
Development and Social Policy, Yale University**

Leslie Lenkowsky, President, Hudson Institute

Ruth Massinga, Chief Executive, Casey Family Fund

**Richard Nathan, Director, Rockefeller Institute of Government, State
University of New York, Albany**

**Kate O'Beirne, Vice President, Government Relations, The Heritage
Foundation**

Isabel Sawhill, Senior Fellow, Urban Institute

Budget Committee

Robert D. Reischauer, Director, Congressional Budget Office

The Honorable Thomas A. Scully, Associate Director for Human Resources, Veterans, and Labor, Office of Management and Budget

Data Committee

The Honorable Herbert H. Kohl, U.S. Senate

The Honorable Martin H. Gerry, Assistant Secretary for Planning and Evaluation, Department of Health and Human Services

Harold Beebout, Senior Vice President, Mathematica Policy Research

November 1991

Attachment B

Douglas J. Besharov SELECTED PUBLICATIONS

Books

- Measuring Poverty: Scientific and Political Controversy* (forthcoming 1992)
- Recognizing Child Abuse: A Guide for the Concerned* (1990)
- Family Violence: Research and Public Policy Issues* (1990)
- Legal Services for the Poor: Time for Reform* (1990)
- What We Know About Child Support Enforcement*, with Paul N. Tramontozzi (1990)
- Protecting Children from Abuse and Neglect: Policy and Practice* (1988)
- Representing Parents Accused of Child Abuse and Neglect* (1987)
- Child Abuse and Neglect Law: A Canadian Perspective* (1986)
- The Vulnerable Social Worker: Liability for Serving Children and Families* (1985)
- The Maltreated Child*, with Vincent J. Fontana, M.D., rev. ed. (1982)
- The Abused and Neglected Child: Multidisciplinary Court Practice* (1978)
- Juvenile Justice Advocacy* (1974)
- Children, Parents, and the Courts*, with Surrogate Millard L. Midonick (1972)

Articles, Chapters, and Monographs (1986-1991)

- “Police and Child Abuse: New Policies for Expanded Responsibilities,” *Issues and Practices Series*, with Susan Martin, National Institute of Justice (1991)
- “Operation Domestic Storm,” *The Washington Post* (April 1991)
- “Whose Life Is It Anyway,” *National Law Journal* (March 1991); reprinted as
“Protecting Addicted Babies, but Help Moms Too,” *Newsday* (April 1991)
- “Reducing Unfounded Reports,” *Journal of Interpersonal Violence* (March 1991)

“Representing Parents: Effective Advocacy Can Make a Difference,” *Clearinghouse Review* (1990)

“Combating Child Abuse: Guidelines for Cooperation Between Law Enforcement and Child Protective Services” (1990)

“Crack Children in Foster Care: Re-examining the Balance Between Children’s Rights and Parents’ Rights,” *Children Today* (July/August 1990)

“Raising Children for the Twenty-first Century: Conference Proceedings” (1990)

“Mandatory Reporting of Child Abuse and Research on the Effects of Prenatal Drug Exposure,” paper presented at the NIDA Technical Review meeting on Methodological Issues in Epidemiological, Prevention, and Treatment Research on Drug-Exposed Women and Their Children (July 1990)

“The Feminization of Poverty: Has Legal Services Failed to Respond?,” *Clearinghouse Review* (July 1990)

“Family Violence: Research and Public Policy Issues for the 1990s,” *Response* (1990)

“The McMartin Case: Protecting the Innocent,” *National Review* (February 1990)

“Lessons from the McMartin Case,” *Christian Science Monitor* (February 1990)

“Gaining Control Over Child Abuse Reports,” *Public Welfare* (Winter 1990)

“Politics of Foster Care,” *The American Enterprise* (January 1990)

“Children of Crack,” *Public Welfare* (Fall 1989)

“The Tragedy of Child Abuse,” *St. Petersburg Times* (September 1989)

“Let’s Give Crack Babies A Way Out of Addict Families,” *New York Newsday* (September 1989)

“Get the Message Out: Crack and Pregnancy Don’t Mix,” *Philadelphia Inquirer* (August 1989)

“Crack Babies: The Worst Threat Is Mom Herself,” *The Washington Post* (August 1989)

“Legal Services Corp. Is Alive and Ailing,” *The Wall Street Journal* (June 1989)

“Fixing the Child Care Credit: Hidden Policies Lead to Regressive Policies,” *Harvard Journal of Legislation* (Summer 1989)

“Behind the Tower Debacle,” *Los Angeles Times* (May 1989)

“Crack and Kids,” *Philanthropy* (May 1989)

“The Government’s Child Care Dilemma,” *Who Will Rock the Cradle?*, P. Schlafly, ed. (1989)

“Targeting Long-Term Welfare Recipients,” *Welfare Policy for the 1990s*, P. Cottingham and D. Ellwood, eds. (1989)

“The Central Dilemma: Protecting Abused Children While Protecting Innocent Parents,” *Accusations of Child Sexual Abuse*, H. Wakefield and R. Underwager, eds. (1988)

“Federal Child Care Assistance: Growing Middle-Class Entitlement,” with Paul N. Tramontozzi, *Journal of Policy Analysis and Management* (1989)

“Child Care Credit Is Test of Bush’s Kindness,” with Paul N. Tramontozzi, *The Los Angeles Times* (November 1988)

“The Politics of Day-Care,” *The Wall Street Journal* (August 1988)

“The Child Abuse Numbers Game,” *The Wall Street Journal* (August 1988)

“How Child Abuse Programs Hurt Poor Children: The Misuse of Foster Care,” *Clearinghouse Review* (July 1988)

“Child Care Subsidies: Mostly for the Middle Class,” with Paul N. Tramontozzi, *The Washington Post* (May 1988)

“The Cost of Federal Child Care Assistance,” with Paul N. Tramontozzi, American Enterprise Institute Occasional Papers (April 1988)

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To Speech
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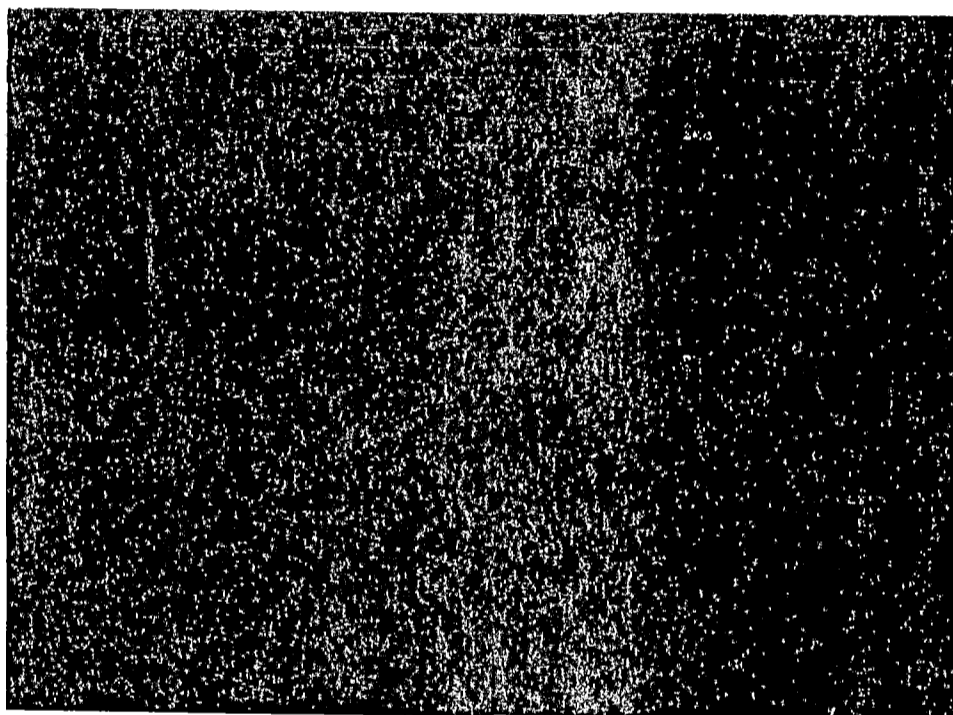
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Information Guide

1991 Edition

Individual Taxes

A Worldwide Summary



Price Waterhouse



Japan

Territoriality and residence

Nonresident taxpayers are taxed only on their Japan source income. Nonpermanent resident taxpayers are taxed on Japan source income plus that part of non-Japan source income that is paid in and/or remitted to Japan. Permanent resident taxpayers are taxed on their worldwide income. Expatriate taxpayers are generally classified as nonpermanent resident taxpayers for the initial 60 months of residency, unless their Japan assignment period is limited to less than 12 months (if limited to less than 12 months, they are classified as nonresident). After five years, the expatriate becomes a permanent resident taxpayer.

Gross income

Employee gross income/Salary, foreign service premiums, cost-of-living allowances, tax reimbursements, and other benefits-in-kind (except for certain tax-exempt items) are classified as taxable remuneration (employment income). Japan source employment income is dependent on whether or not the taxpayer's services are performed in Japan rather than on where the remuneration is paid.

Reasonable relocation expenses, including expenses for a spouse and children, that are borne by the employer do not constitute taxable income. A reasonable amount of airfare for home leave, including airfare for family members, is not taxable. Where an employer provides housing, the amount of the taxable benefit is determined on a formula basis and, provided the housing arrangements are structured properly, generally is relatively small. In the case of housing provided for a director (a board member) of a domestic or foreign company, the taxable value would generally be 50% (35% if it can be said that the house is also used for business purposes by the employer) of the actual rent.

Interest on bank deposits and/or certain designated financial instruments is subject to a 15% national withholding tax and a 5% local inhabitants withholding tax (20% combined). Taxation of such interest is fully realized by tax withholding so that resident individuals are not required to aggregate such interest income with other income.

Capital gains and investment income/Capital gains are, in principle, aggregated with other sources of income after deductions for necessary expenses and after a statutory deduction of a maximum of ¥500,000. If the transferred assets were owned for more than five years, the gain is regarded as a long-term capital gain and the taxable basis is reduced to 50% of the net capital gain.

Capital gains arising from sales (made on or after April 1, 1989) of certain designated securities (including shares in corporations, convertible debentures, etc., but excluding bonds and/or ordinary corporate debentures, etc.) are taxed at a flat tax rate of 26% (combination of national tax of 20% and local inhabitants tax of 6%) separately from other sources of income. A taxpayer may opt to be taxed on the gains at a flat rate of 1% on gross sale proceeds via withholding of the tax through securities companies, etc., provided such designated securities are sold to or through securities companies operating in Japan. Special taxation measures may be applicable to the taxation of capital gains derived from a transfer of real property (land, building and structure).

A nonresident's income from Japan source (interest, dividends, rents, and royalties is subject to local a 20% (15% in the case of interest on bank deposits and/or certain designated financial instruments) rate (or lower treaty rates) via a withholding tax at source.

Deductions

Business deductions/Business salary earner. An employer's moving expenses, travel expenses, income to the employee, plus the employer.

Instead of being allowed a permanent and/or nonpermanent income relief that is computed. Where the taxable salary is the sum of ¥2,095,000 plus. A self-employed taxpayer's expenses, provided the taxpayer's salary in order to earn income.

Nonbusiness expenses/International Japanese social security contributions. Irrespective of where they were incurred, the Ministry of Finance in Japan deducts to the extent of 10%.

Personal allowances/Permanent ¥350,000 personal deduction for each of their other dependents. deduction is ¥300,000 per dependent. In general, a nonresident is not eligible.

Tax credits

Resident taxpayers can credit their national and local inhabitants tax liability against income tax in Japan. A taxpayer's withholding tax on Japan source income is credited against the taxpayer's annual tax liability. A taxpayer's tax withheld on dividends received is credited for local inhabitants tax purposes.

Other taxes

Social security taxes/An employer, including a Japanese employer, pay a share of social security taxes. An expatriate is covered by an employer's share. The rate will be reduced to 1/3 of the share of monthly premiums if the employer is not deductible.

Local taxes on income/Japanese governments) levy local inhabitants tax on residents of Japan as of January 1. For purposes, an equalization "premium" of ¥2,200 and a maximum rate of 1% if the taxpayer resides.

General note

The following information is based on actual and proposed legislation as of January 1, 1991. It is assumed the proposed legislation will become law.

Territoriality and residence

Individuals resident in Canada are subject to Canadian income taxes on their worldwide income. Credits or deductions are available for foreign taxes paid on income derived from non-Canadian sources. Nonresident individuals employed in Canada, carrying on business in Canada, or who have disposed of taxable Canadian property are also subject to Canadian income taxes in respect of their Canadian source income. Taxable Canadian property includes real estate situated in Canada, capital property used in carrying on a business in Canada and shares of a private corporation resident in Canada. Individuals resident in Canada for only part of a tax year generally are taxable in Canada on their world income only for the period during which they were resident. However, a person who remains in Canada for 183 days or more in a calendar year is considered to be resident in Canada for the entire tax year.

Gross income

Employee gross income/Salaries, wages, commissions, directors' fees, and all other remuneration received by an officer or employee are included in income from employment. There are no special concessions for foreigners working temporarily or permanently in Canada. Canadian residents are taxable on worldwide income whether or not remitted to Canada. Also, most fringe benefits received or enjoyed in connection with employment are taxed as employment income.

Capital gains and investment income/If aliens are resident, they are taxed on worldwide income at graduated rates. Dividends from Canadian corporations are grossed up by one-quarter for inclusion in income. A credit may then be claimed for 16.67% of the dividend before the gross-up. Accrued interest income on most debt obligations must be reported annually. Three-quarters of capital gains (two-thirds before 1989) are included in net income; however, a deduction is available in calculating taxable income. Net capital gains realized after 1984 are deductible to a lifetime limit of Can\$100,000 of capital gains.

The exemption available to an individual in a given year is reduced by the individual's "cumulative net investment loss" at the end of the year. Cumulative net investment loss at the end of the year is the amount by which investment expenses for years ending after 1987 exceed investment income for years ending after 1987. The exemption applies to all capital property, both Canadian and foreign; qualified farm property or shares of a small business corporation may be eligible for an additional lifetime exemption of Can\$400,000.

Only individuals resident in Canada are eligible for the lifetime capital gains exemption. For purposes of establishing eligibility for the exemption, individuals resident in Canada for only part of a year are treated as being residents of Canada throughout that year if they were residents throughout the immediately preceding or immediately following tax year.

A nonresident alien's income from Canadian source interest, dividends, rents, and royalties is subject to 25% tax (or lower treaty rates), usually withheld at source, but such income is not subject to graduated rates. A nonresident alien can elect to

report rental income from real property in Canada, or a timber royalty net of expenses, and therefore be subject to tax at graduated rates.

Deductions

Business deductions/In computing income from employment, an individual may claim only very limited, specified deductions. Taxes and interest (except interest related to the earning of business and property income), most life insurance premiums and casualty losses are not deductible. Allowable deductions in computing employment income include traveling and certain other expenses of officers or employees where required as a condition of employment, and contributions to a registered pension plan of the employer, within certain limits.

Nonbusiness expenses/Deductible nonbusiness expenses include contributions to various registered savings plans, certain child care expenses, alimony and maintenance payments, certain moving expenses for relocation within Canada (usually in connection with a change of employment), and carrying charges on investment income.

Personal allowances/Personal allowances take the form of tax credits. The following credits are for 1991.

Personal allowance credits (Notes 1 and 4)

	Can\$
Basic personal	1,068
Married	890
Dependents (Note 2):	
First two under age 18—Each	69
Each such additional	138
Infirm, age 18 and over	262
Disability	576
Age—Persons age 65 and over	576

Other credits

Pension income	17% of eligible pension income (maximum, Can\$170)
Tuition fees	17% of eligible fees
Education	Can\$10 per month (Note 3)
Medical expenses	17% of amount by which eligible expenses exceed lesser of Can\$1,570 or 3% of net income
Charitable donations	Up to a maximum of 20% of net income: 17% of first Can\$250 29% of the excess
Government pension plan and unemployment insurance plan contributions	17% of amount payable

Notes:

1. Personal credits are adjusted annually for inflation in excess of 3%.
2. The credit for dependents may be reduced or eliminated depending on their income level.
3. For full-time attendance at a designated educational institution.
4. For 1991 taxpayers with net income above Can\$51,765 must repay all or a portion of Old Age Security benefits received during the year.

Tax credits

Personal allowances take the form of tax credits—See above.

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Hong Kong

Territoriality and residence

Residence, domicile and citizenship are not relevant to tax liability except for Commonwealth income tax relief (see "Tax credits" below). All individuals, resident or nonresident, are subject to tax on Hong Kong source employment income, Hong Kong income from an office and Hong Kong pensions, as shown below.

1. Employment income—The determination of the situs of employment income depends on various factors, such as the place where the employment contract was negotiated, concluded, and is enforceable; residence of the employer; and the territory where the remuneration was paid. If the source of employment income is in Hong Kong, it is all taxable unless all of the services were rendered outside Hong Kong. However, to provide unilateral relief for Hong Kong source employments, income referable to services rendered outside Hong Kong will not be taxed in Hong Kong if the employee is chargeable to and has paid tax of a similar nature to Hong Kong tax in the territory where the services are rendered.
2. Non-Hong Kong employment income is apportioned so that only the part attributable to services rendered in Hong Kong is taxable. When deciding whether or not all employment services are rendered outside Hong Kong, no account is taken of services rendered in Hong Kong during visits not exceeding a total of 60 days in a tax year ending March 31. Income from an office and pensions does not rank for the apportionment basis and exclusion of income under the 60-day rule.
3. Income from an office (such as directors' fees)—The source of such fees is determined by reference to the place where the company is managed and controlled.
4. Pensions—Pensions are taxable if the funds out of which the payment is made are situated in Hong Kong.

Gross Income

Employee gross income/Taxable income includes any wages, leave pay, fee, commission, bonus, gratuity, perquisite, and allowance, subject to certain exemptions.

1. Benefits in kind not convertible to cash and not representing a third-party liability of the employee are normally not taxable.
2. Cash allowances for holiday warrants and transportation of personal effects for such travel are exempt.
3. Housing allowance is taxed only on the rental value computed as a percentage of total income.

	%
Hotel, one room	4
Hotel, not more than two rooms	8
Other accommodations	10

4. Any sum received by way of commutation of pension under an approved retirement scheme or the Pensions Ordinance is exempt.

Capital gains and investment income/All capital gains, dividends and interest on bank deposits are not taxable in Hong Kong.

both are either citizens

employers file returns on a
not file returns.

income. A taxpayer who
is to make quarterly

Tax on Column 1	Percentage on excess
—	Exempt
—	9
900	12
4,500	14
11,500	21
32,500	27
113,500	34
283,500	40

tax on amounts from
the tax; on amounts over

he earns all the income.

.....	<u>L160,000</u>
Surcharge	Total tax
(10%)	payable
—	Exempt
—	L 11,500
L 1,260	13,860
<u>L 1,260</u>	<u>L 25,360</u>

a).

Territoriality and residence

All individuals in Korea are classified as listed below for income tax purposes.

1. **Citizen**—Korean national.
2. **Resident**—Non-Koreans having a domicile or residence within Korea for one year or more, individuals having an occupation that would generally require them to reside in Korea for one year or more, or individuals whose family accompanies them to Korea and who retain substantial assets in Korea. Generally, residency is determined on a "facts and circumstances" test, evaluated on an individual basis.
3. **Nonresident**—An individual who is not deemed to be a resident.

Korean citizens and individuals considered as residents for tax purposes are subject to Korean income tax on worldwide income. An expatriate who is deemed to be a nonresident is taxed only on Korean source income (see "Tax rates" below). A nonresident is not allowed all the personal deductions granted to residents.

Gross Income

Employee gross income/Individual income can be categorized as taxable, nontaxable or tax exempt. Taxable income includes global income, capital gains and severance pay, each of which is subject to tax on a unique tax rate structure. There are certain elements of income on which the government has waived its taxing rights, whether or not an application for nontaxation is filed by an individual. There are other items of income for which a taxpayer can submit an application for tax exemption.

Global income is subject to global taxation and includes earned income (salaries, wages, bonuses, and other amounts received for personal services rendered), interest income, dividend income, rental income, personal business income, and other income (prize winnings, royalties, rewards, etc.).

Korean tax law segregates earned income into Class A or Class B income, depending on the income source.

1. **Class A earned income** is employment income received from a domestic (Korean) corporation or a Korean branch office of a foreign corporation for services rendered in Korea. Such income is subject to payroll withholding taxes by the employer on a monthly basis.
2. **Class B earned income** is employment income received in a foreign currency from a foreign corporation outside Korea. However, even if foreigners who work in Korea are paid their wages overseas, the wages are considered Class A earned income rather than Class B earned income where the wage is deducted as an expense in calculating the taxable income of a permanent establishment of the foreign corporation in Korea.

The employer is not required to withhold Korean taxes at the time of payment of Class B income; however, the individual is required to declare this income annually and pay income taxes thereon on a voluntary basis. Alternatively, the individual may elect to pay Class B income taxes through a licensed taxpayers' association, which collects and remits such taxes on a monthly basis. Taxpayers who join such a taxpayers' association are eligible to receive a 20% reduction in the amount of income tax payable. PW Associates, Inc. in Seoul operate such an association.

Capital gains and investment income/Gains arising from the disposal of capital assets are included in an individual's taxable income, but are taxed separately from

global income. Certain capital gains are specifically exempted from tax, such as gains from certain transfers of farmland and other real estate; gains from the transfer of one house, including land, per household; and gains from the transfer of listed stock (corporate equity share certificates).

Capital losses are deductible only against capital gains. Unused losses, if accepted by the Tax authorities, may be carried forward for five years.

Interest income earned on other than National Savings Association deposits and dividend income received from both domestic and foreign corporations is taxable. Most interest and dividend income earned from Korean sources is subject to a 20.15% tax withholding at source. Certain interest and dividends subject to tax withholding can be excluded from taxable income, since the amount of tax withheld is considered to be the total tax thereon. Resident taxpayers are required to include any interest and dividends received from non-Korean sources in global income, and pay taxes thereon at ordinary rates.

Nontaxable income/Some elements of employee income are nontaxable.

1. Housing and related costs paid by an employer directly to a landlord on behalf of an expatriate employee. However, utility costs paid by an employer are taxable to the employee.
2. Reimbursement of business expenses, including social membership costs and entertainment expenses incurred by an employee for business purposes.
3. Cost of an automobile and driver and related maintenance and insurance expenses provided by an employer, if the automobile is registered in the name of the employer and the driver is on the employer's payroll register.
4. Reimbursement of operating costs for a personal automobile used for business purposes up to ₩200,000 per month.
5. Relocation and moving expense reimbursements.
6. Reasonable amounts of employer-reimbursed home leave travel for expatriate employees.

Special exclusion for overseas expatriate allowances/Overseas service allowances received by an expatriate employed in Korea in excess of the regular salary he would be paid while working in his home country, such as cost-of-living allowances, hardship provisions, housing, transportation, education, utilities, domestic help, security service, and other costs, can be excluded from taxable income. The total amount of such allowances considered to be nontaxable is limited to 20% of the expatriate's monthly base salary or one-sixth of the total monthly compensation, including taxable allowances, whichever is greater.

Tax-exempt income/There are certain types of income (specified below) for which an individual can request tax-exempt treatment by submitting through his employer an application to the appropriate Tax authorities.

1. Wages received by a foreigner sent to Korea under a specific government agreement.
2. Wages and various allowances received by a foreigner furnishing services under a high-technology inducement contract prescribed under the Foreign Capital Inducement Law, for a period of five years from the acceptance date of the technical service agreement.
3. Wages received by a qualified foreign technician/engineer providing services in Korea to a domestic entity in a designated industry for five years from the date

Singapore

Territoriality and residence

Income is taxable when it accrues in or is derived from Singapore, whether or not the individual is resident in Singapore. Income derived from sources outside Singapore is only taxable if it is received in Singapore by a resident individual.

Individuals are resident in Singapore if they reside there except for such temporary absence therefrom as may be reasonable and not inconsistent with a claim to be resident in Singapore. Individuals who are physically present or who exercise an employment (other than as a director of a company) in Singapore for 183 days or more during the year preceding the year of assessment are treated as resident for that year of assessment. Individuals who are in Singapore for some temporary purpose only and not with any intent to establish that residence there and who have not actually resided there for periods equal in the whole to six months in the year of assessment are not resident in Singapore.

Gross income

Employee gross income/Employment income is treated as earned in Singapore and is, therefore, taxable in Singapore, if the employment is exercised in Singapore. The country of the employer, of payment and of the beneficiary of those services are irrelevant in determining the country of source of employment income.

Employment income includes salaries, bonuses, allowances, perquisites, and benefits-in-kind. Most minor benefits are valued at standard scale rates that may be less than the actual cost to the employer. The benefit of rent-free housing is normally calculated as the lesser of 10% of the assessable emoluments and the annual (rental) value of the property. By concession, only 20% of the cost of home leave passage is assessed on the employee. The amount of tax borne by the employer is treated as additional income of the employee for the same year as the original income.

Short-term visiting employees are not subject to tax on income from an employment exercised in Singapore if the employment does not exceed 60 days. This exemption, however, does not apply to a public entertainer or to a company director.

Area representatives of nonresident companies who reside in and use Singapore as a base for activities extending to other countries are assessed on the remuneration relating to the time actually spent in Singapore or on the remuneration received in Singapore, whichever is greater.

Capital gains and investment income/There is no capital gains tax in Singapore. Where an individual enters into a series of capital transactions, however, the Tax authorities may take the view that the individual is carrying on a business and assess that person to income tax accordingly.

Income from interest, dividends, rents, royalties, etc., derived from Singapore is taxable whether or not the individual is resident in Singapore. However, interest on deposit with an approved bank received by a nonresident individual is exempt from income tax. Investment income derived from sources outside Singapore is only taxable in the hands of resident individuals and only if it is received in Singapore.

Deductions

Business deductions/Where an individual carries on a trade, business, profession, or vocation, deductions are allowed for all outgoings and expenses wholly and

exclusively incurred in the production of income. Deductions are allowed for capital allowances (fiscal depreciation) on land and nonindustrial buildings. An employee is allowed a deduction for the maintenance of that employee's duties.

Nonbusiness expenses/An individual is not allowed a deduction for contributions to a professional institute or society if the contribution is made as a condition of employment. A deduction is allowed for contributions to approved charities. Interest expense is deductible wholly and exclusively in the production of income, but only deductible where the property is used only for the production of income. No deductions are allowed for household expenditure.

All contributions made to national or international organizations are deductible to the limit prescribed in the Constitution. The maximum deductible contribution for an individual employee's taxable income is 5% of the employee's assessable income. Only where the individual claim any life insurance policy is the total deduction (i.e., contribution plus interest) exceed S\$5,000.

Personal allowances/For year of assessment, the following amounts are deductible from an individual to arrive at the income tax base:

1. Personal allowance—S\$2,000
2. Wife allowance—Excess of S\$2,000 over S\$1,000
3. Earned income allowance—Under 65; increased for individuals aged 65 and over
4. Child allowance:
 - a. Individuals having more than one child—S\$1,000 for the second and third child
 - b. Individuals having fewer than two children—S\$1,000 for the second and third child
 - c. Incapacitated child—S\$1,000
 - d. Where a child is undergoing education abroad—Allowance up to S\$1,000 per child may be allowed, subject to the conditions of the Education Allowance Act
 - e. Increased child allowance—Relief for each of the first three children above 12, the percentage of the mother's income is 5%, 10% and 15%, respectively. For a child below 12, the percentage of the mother's income is 5% and 10% for the second and fourth child are 5% for each child of S\$15,000 after 1986.
 - f. A S\$20,000 tax rebate for individuals with a dependent child plus a 15% tax rebate for each additional dependent child

United Kingdom

Territoriality and residence

The United Kingdom taxes its residents on their worldwide income and capital gains and taxes nonresidents on their U.K. income (but not generally on capital gains). The non-U.K. investment income and capital gains of a person not domiciled in the United Kingdom are, however, taxed only if they are received in the United Kingdom.

A person's domicile is the country or state in which that person has his permanent home. However, for inheritance tax purposes only, individuals are also regarded as domiciled in the United Kingdom at any time if they have been resident in the United Kingdom for tax purposes for not less than 17 out of the 20 tax years before that time, or were domiciled in the United Kingdom during the three years before that time.

Subject to double tax treaties, persons are resident in the United Kingdom for a particular tax year if they are present for more than 183 days in that year or have made regular and extended visits or have otherwise established a regular presence in the United Kingdom.

Gross income

Employee gross income/A non-U.K. domiciled but U.K. resident individual is taxable on worldwide emoluments (salary, personal expense allowances and reimbursements, and benefits) except in the instances noted below.

1. A short-term resident is taxable on emoluments for work performed outside the United Kingdom only if they are received in the United Kingdom.
2. Other residents are taxable on the emoluments of a separate employment carried on wholly outside the United Kingdom for a nonresident employer only if the emoluments are received in the United Kingdom.

A non-U.K. domiciled person who is not resident in the United Kingdom is taxable only on emoluments for work performed in the United Kingdom but may be exempted by a double tax treaty.

Capital gains and investment income/Capital gains are taxable on persons resident in the United Kingdom and on nonresidents if the gains are realized on U.K. trading assets. Generally, gains realized on non-U.K. assets by a U.K. resident but non-U.K. domiciled person are taxable only if the gains are received in the United Kingdom. Capital gains are taxed at rates equivalent to the rates of income tax that would apply if gains were treated as the top slice of the individual's income, but there are numerous reliefs available, including allowances for inflation; annual exemptions; exemptions for certain assets, including a principal private residence; deferrals for certain types of gifts; etc.

Gains and losses arising on the disposal of assets held on March 31, 1982 are computed on the basis that such assets were acquired at their market value on that date. The costs that are to be deducted from gross proceeds on the disposal of an asset are the market value of the asset on March 31, 1982 or the costs of acquisition or improvement of the asset, if made after March 31, 1982, indexed by a deduction based on the percentage rise (if any) in the U.K. retail prices index (RPI) over the period of ownership (or from March 1982 if the asset was held at that date). See the note to "Capital gains tax" below. There are various exceptions to these rules, in particular where using market value produces a greater gain or a greater loss than arising from using historical cost.

(cont.) United Kingdom

A non-U.K. domiciled individual resident in the United Kingdom is taxable on all U.K. interest, dividends, rents, and royalties, and on any overseas investment income received in the United Kingdom. The tax liability on U.K. investment income of a non-U.K. domiciled individual not resident in the United Kingdom is normally reduced or eliminated by a double tax treaty.

Deductions

Business deductions/Necessary business expenses (restrictively defined) can be deducted from employment income and are not taxable if paid for or reimbursed by the employer. Travel to and from work is not regarded as a business expense.

Allowances and reimbursements for business entertainment and for reasonable removal expenses are not normally taxable.

A U.K. resident person working outside the United Kingdom may be entitled to a deduction of 100% of his overseas earnings, depending upon the length of absence.

Nonbusiness expenses/Contributions to qualifying employee pension schemes of up to 15% of total earnings are eligible for tax relief. However, for these purposes, where a scheme is set up on or after March 14, 1989 or a new member joins an existing scheme after May 31, 1989, earnings in excess of a permitted maximum are disregarded so that there is no relief for contributions in excess of 15% of the limit. For the year to April 5, 1991, the permitted maximum is £64,800 and is increased annually in line with the retail prices index. For those not in pensionable employment and who contracted a qualifying retirement annuity policy prior to July 1, 1988, tax relief is available for premiums up to a limit of 17.5% of total earnings (higher limits apply for those over 50). Whether they are in pensionable employment or not, since June 30, 1988 individuals may alternatively make contributions to personal pension schemes for which, generally, contributions up to a limit of 17.5% of total earnings are eligible for tax relief; higher limits apply for contributions made by those over 35, but in all cases tax relief for contributions made to personal pension schemes is subject to the permitted maximum of earnings of £64,800.

Interest relief is available on loans of up to £30,000 used to purchase a private residence in the United Kingdom.

Relief is available for gifts to U.K. charities under approved payroll deduction schemes and also by way of outright money gifts of not less than £600 nor more than £5 million in any tax year, and charitable payments made under deeds of covenant.

No relief is available for medical expenses, social security contributions, local community charges (poll taxes), other U.K. taxes, or insurance premiums (except for qualifying life insurance premiums on policies issued before March 14, 1984).

Personal allowances/Personal allowances are deductible in determining taxable income. Every individual who is under 65 throughout a year of assessment is entitled to a tax allowance of £3,005; those over 65 but under 75 at any time during a tax year, £3,670; those 75 and over at any time during a tax year, £3,820. Married men are also entitled to a married couple's allowance of £1,700 where they or their wives are both under 65 during the tax year. Where either is 65 or over but under 75, the allowance is £2,145; and where either is 75 or over, £2,185. The increased age-related allowances are reduced by £1 for every £2 of income in excess of £12,300. (Children are taxable in their own right unless their income derives from gifts by the parent.) A parent can claim one allowance of £1,720 for a child (or

Spain

General note

This entry also covers the Canary Islands.

Territoriality and residence

Persons are liable to Spanish income tax either as residents or nonresidents.

1. Resident—Persons who reside in Spain for more than 183 days in a calendar year are considered to be resident for tax purposes. A person can also be liable to tax because the family unit is in Spain and the members opt for the joint taxation system. In such cases, worldwide income capital gains and wealth are subject to tax. Joint taxation is maintained as the basic system for the taxation of the members of the family unit. Notwithstanding, this system is no longer compulsory and it is possible for each individual to be taxed separately.

2. Nonresident—Persons who do not reside in Spain for more than 183 days in a calendar year are not considered to be resident for tax purposes. In such cases, Spanish source income and capital gains and wealth in Spain are subject to tax.

For the purpose of calculating the period of residence, temporary absences abroad are not taken into consideration unless it can be proved that the period of absence will be in excess of three years.

Gross Income

Employee gross income/Taxable income includes all types of remuneration, such as salary, living allowances, housing allowances, bonuses, tax reimbursements, and remuneration in kind, such as rent-free housing, schooling, etc. Withholdings are required on wages and salaries. Leaving indemnities as stipulated by law are not taxable.

Capital gains and investment income/Capital gains can arise on all transfers whether inter vivos or mortis causa. Fixed assets are generally taxed on the basis of the difference between original acquisition cost multiplied by a revaluation coefficient and disposal value.

The gain is taxed as irregular income and, for purposes of arriving at the rate of tax to be applied, can be spread over the years in which the income arises. Under these provisions, if a gain accrues over a period of three years, one year's accrual of such gain is added to the taxpayer's other net income for the year to determine the effective rate. The effective rate so determined will be applied to the remaining two-thirds of the gain. The measure thus effectively freezes the progressive scale rates on capital gains. In the case of gifts mortis causa, the rate of 8% is applied to gains. If inter vivos, the rate is 20%.

Capital gains or losses arising on inheritance, between persons in a family unit, are not taxed.

Capital gains from the sale of fixed assets used for business purposes are exempt if the total amount realized is reinvested in similar assets within two years. The capital gain obtained from the sale of the taxpayer's home is exempt in the same proportion that the amount received is reinvested in a new home, provided the new home is purchased within two years.

The following are taxable: dividends, interest, pensions, notional rent, royalties, fees, actual rent, annuities, and alimony. The amount declared is generally the gross amount of the receipt. Any withholding at source is available as a tax credit against the final tax liability.

Income.	
.....	R 178,320
.....	2,500
.....	10,000
.....	190,820
.....	10,000
.....	2,000
.....	12,000
.....	178,820
.....	500
.....	13,374
.....	13,874
.....	R 164,946
.....	R 25,800
.....	37,376
.....	63,176
.....	2,100
.....	200
.....	(2,300)
.....	R 60,876



AEI Annual Policy Conference

December 3–4, 1991

Willard Intercontinental, Washington, D.C.

PRELIMINARY AGENDA

Tuesday, December 3

8 a.m. **Registration** Ante Lobby behind concierge desk

9 a.m. **Welcome** Pierce Room, Ballroom level
Christopher DeMuth, President, AEI

9:15–12 noon **Regulation Resurgent** Pierce Room
Chairman: Christopher DeMuth, AEI

Papers:

- Broadcasting and Communications Regulation
J. Gregory Sidak, Covington & Burling
- Environmental Regulation
Robert Hahn, AEI
- Financial Regulation
Jonathan R. Macey, Cornell Law School
- Food and Drug Regulation
John E. Calfee, Boston University

Commentary:

C. Boyden Gray, Counsel to the President
Irwin Stelzer, AEI

9:15 –12 noon **Disarmament and Weapons Proliferation: The New Defense Paradigm**
Buchanan Room, Ballroom level

Chairman: Patrick Glynn, AEI

Panel:

Anthony Cordesman, Office of Senator John McCain
Richard Perle, AEI

Leonard Spector, Carnegie Endowment for International Peace (invited)
Paul Wolfowitz, Undersecretary of Defense for Policy (invited)

12:15–2 p.m. **Luncheon** Crystal Room
Speaker: Richard G. Darman, Director, Office of Management and Budget

2–5 p.m. **Election Watch: 1992 and Beyond** Pierce Room, Ballroom level
Chairman: Norman J. Ornstein, AEI

Panel:

Karlyn Keene, AEI
William Schneider, AEI
Ben J. Wattenberg, AEI

2–5 p.m. **Asian End Game: China, Korea, and Indochina**
Buchanan Room, Ballroom level

Chairman: Joshua Muravchik, AEI

Panel:

- China
Thomas Robinson and Lin Zhiling, AEI
Chong Pin Lin, AEI
- Korea
Nicholas Eberstadt, AEI
- Indochina
Karl Jackson, National Security Adviser to the Vice President

Wednesday, December 4

8 a.m. **Registration** Ante Lobby behind concierge desk

8:30–9:30 a.m. **The Budget and the Economy** Buchanan Room, Ballroom level
Chairman: Herbert Stein, AEI

Presentations:

Michael J. Boskin, Chairman, Council of Economic Advisers
David A. Stockman, former Director, Office of Management and Budget

9:45–12:15 p.m. **The 1990 Budget Agreement: Real Restraint or Fiscal Fiasco?**
Buchanan Room, Ballroom level

Chairman: Marvin H. Kosters, AEI

Papers:

- Budget Trends and Prospects
John Makin, AEI
- Economic Implications
Rudolph G. Penner, The Urban Institute

- Politics, Procedures, and the Budget
Allen Schick, University of Maryland
- The Goals and Political Economy of Budgeting
Allan H. Meltzer, AEI and Carnegie-Mellon University

Commentary:

Robert Reischauer, Congressional Budget Office
William Niskanen, Cato Institute

9:45–12:15 p.m. **Health Care Reform: What Changes Can Congress Tolerate?**
Buchanan Room, Ballroom level

Chairman: Robert B. Helms, AEI

Panel:

Mark V. Pauly, The University of Pennsylvania
John Hoff, Swidler & Berlin
Judith Feder, Georgetown University Center for Health Policy Studies
Norman J. Ornstein, AEI

12:30–2 p.m. **Luncheon** The Crystal Ballroom

A Debate: *Is American Culture Subverting The American Way?*

Robert H. Bork, John M. Olin Scholar in Legal Studies, AEI
versus
Ben J. Wattenberg, Senior Fellow, AEI

2–4 p.m. **Communist Societies after Communism**
Pierce Room, Ballroom level

Panel:

Jeane J. Kirkpatrick, AEI
Mark Falcoff, AEI
Chong-Pin Lin, AEI
Joshua Muravchik, AEI

6 –12 midnight **The Francis Boyer Lecture and Annual Dinner** (black tie)
The Washington Hilton Hotel, 1919 Connecticut Avenue, N.W.

6 p.m. **Reception** The Terrace

7 p.m. **FRANCIS BOYER LECTURE** International Ballroom

Lecturer: IRVING KRISTOL, John M. Olin Distinguished Fellow, AEI

8 p.m. **Dinner and Dancing** Music by Vince Giordano's Nighthawks

AEI's Francis Boyer Lecture is presented each year by a political leader, business executive, or scholar who has made significant contributions concerning the relationship between the nation's public and private sectors.

Registration for the lecture and annual dinner, which is separate from the rest of the conference, is \$300 per person.



November 25, 1991

Christopher C. DeMuth
President

Memorandum

For: Tony Snow

From: Chris DeMuth 

I am enclosing several things of possible use in preparing President Bush's remarks for the AEI luncheon on Wednesday, December 4th -- our annual report and current newsletter; an agenda for our annual policy conference December 3-4 of which the luncheon is a part; a sketch of Irving Kristol, who will receive our Francis Boyer Award at the AEI annual dinner the evening December 4th; a recent op-ed by me attacking the credit card rate control proposals; a recent Karlyn Keene op-ed on the "no domestic agenda" business; and a description of an AEI project on reforming child and family welfare programs (one of several current projects where the Administration and AEI are collaborating).

Here are several background points:

- President Bush was active member of AEI advisory groups during the 1976-1980 period.
- President Bush last spoke at AEI precisely five years ago, as vice president, at our annual policy conference luncheon in December 1986 (it was an emphatic and highly successful account of his role in the Iran-contra business). As it happens, that was the day I was appointed president of AEI. (Incidentally, I worked for Vice President Bush in the early Reagan years, as executive director of the Task Force on Regulatory Relief which he chaired).
- Several Administration officials are appearing at our annual policy conference sessions -- Mike Boskin, Dick Darman, Boyden Gray, and Paul Wolfowitz
- One subject of current importance *not* on the conference program is the Middle East, although the resumed peace conference will of course be opening in Washington on December 4th. I don't think it makes any difference to the subject of the president's talk, but I should mention that Middle East policy is an area where Administration policy and the views of people at AEI differ pretty sharply.

Memorandum to Tony Snow
November 25, 1991
Page 2

- Irving Kristol will receive our annual Francis Boyer Award and deliver the Boyer Lecture (entitled "The Capitalist Future") at our annual dinner December 4th. Some reference to Irving's great intellectual influence over the past forty years would be, for him and us, a very nice thing. (By the way, I hope you will come to the dinner.)

The President's audience will be several hundred people, including AEIers and most of our trustees (back page of our annual report) as well as D.C. business reps, local academics and journalists, and people from the Administration and Congress. Greeting the President with me will be Paul Oreffice, chairman of the AEI Board of Trustees and of The Dow Chemical Company.

I am hoping the President will take a few questions following his talk, and will put in a formal request to this effect.

Please call if I can be of help. My home number is 703-821-0039.

Attachments

About Irving Kristol

Described as "the most politically influential man of letters writing on American politics," Irving Kristol was born in New York City in 1920, graduated from the City College of New York in 1940, and served as a Staff Sergeant in the armored infantry in Europe in World War II.

He was managing editor of *Commentary* magazine from 1947-1952, co-founder and editor of *Encounter* magazine from 1953-1958, editor of *The Reporter* magazine from 1959-1960, executive vice president of Basic Books from 1961-1969, and Professor of Social Thought at the New York University Graduate School of Business from 1969-1988. He has written a monthly column as a member of the Board of Contributors of *The Wall Street Journal* since 19??.[GET DATE FROM IRVING]

Mr. Kristol is also among the founders of the two most important policy journals of the post-war era, *The Public Interest* and *The National Interest*. He has served continuously as co-editor of *The Public Interest* (first with Daniel Bell, more recently with Nathan Glazer) since its founding in 1965, and as publisher of *The National Interest* (edited by Owen Harries and Robert Tucker) since its founding in 1985.

Mr. Kristol's essays have been appearing in these and other prominent journals and magazines for fifty years. Three collections of his essays have appeared to date: *On the Democratic Idea in America* (1972), *Two Cheers for Capitalism* (1978), and *Reflections of a Neoconservative* (1983).

Irving Kristol is now John M. Olin Distinguished Fellow at the American Enterprise Institute. The Francis Boyer Award he receives tonight is inscribed:



American Health Policy: Critical Issues for Reform

Members of Congress, industry representatives, and health policy experts met October 3–4 at AEI's conference, "American Health Policy: Critical Issues for Reform." The conference, organized by Resident Scholar Robert Helms, was supported by a major grant from Smith-Kline Beecham, with additional support from the CIGNA Companies, Prudential Insurance Company of America, New York Life Insurance Company, the Principal Financial Group, and Glaxo Inc.

In his keynote address, Secretary of Health and Human Services Louis W. Sullivan rejected calls for a centrally administered health care system as well as a more radical free-market approach, saying that Americans appreciate the current mixture of public and private health care options. But he called for greater experimentation by the private sector and state governments to reduce costs and to improve access.

"What we've got is manifestly not working," said Richard Kronick, professor of community and family medicine, University of California at San Diego, describing the need for managed competition in private health insurance. He called for the creation of nonprofit health insurance purchasing corporations to pool the purchasing power of small businesses.

Michael A. Morrisey, professor of health care administration, University of Alabama at Birmingham, presented a study



Senator David Durenberger and Representative Willis Gradison

of mandated benefits plans and the financial incentives of workers and employers under various reform options. "When a law requires that a labor contract include a specified level of

health insurance," Mr. Morrisey said, "then wages, other benefits, and working conditions will spiral downward until the value of the goods and services pro-
(continued on next page)

AEI-White House Working Seminar

The first meeting of the AEI-White House Working Seminar on Integrated Services for Children and Families, organized by Resident Scholar Douglas J. Besharov, was held October 17 at the White House.

The seminar examined the problems facing disadvantaged children and families and considered ways to integrate categorical programs for specific social problems such as child welfare, job training, and health care. Participants included members of Congress and their staff, senior White House and executive agency officials, and social policy experts from AEI



Douglas J. Besharov and AEI President Christopher C. DeMuth and other research institutes.

The group will meet bimonthly and will issue a series of reports with specific program and legislative recommendations.

(continued from the previous page)

duced by the worker is again equal to compensation.”

But Catherine G. McLaughlin, professor of public health, University of Michigan, replied that “some public intervention, either through subsidies or some form of ‘pay or play’ tax program, seems inevitable if policy makers want to reach low-income workers.”

Karen Davis, professor of health policy and management, Johns Hopkins University, urged policy makers to use Medicare’s prospective payment system as a basis for payments for the care of all patients. That system “created a major incentive for hospitals to increase efficiency, eliminate unnecessary services,

and discharge patients as soon as possible,” Ms. Davis argued. But an unfortunate side effect of partial payer cost controls, she said, is that low-income and uninsured workers are squeezed out of the health care system.

Patricia M. Danzon, professor of health care systems and insurance, University of Pennsylvania, replied that hidden costs of such budget-constrained systems may be at least as great as observable overhead costs in the U.S. system.

“Americans want a lot from government, but they are also concerned about costs,” said Resident Fellow Karlyn H. Keene. At a time when many voters believe that as much as fifty cents of every tax dollar is wasted, policy makers will need

to consider carefully the total financial burden when considering additional government spending on health, she said.

“We should promise only what we can pay for,” agreed Sen. David Durenberger (R-Minn.) who predicted that the United States would not move toward a Canadian-type health system.

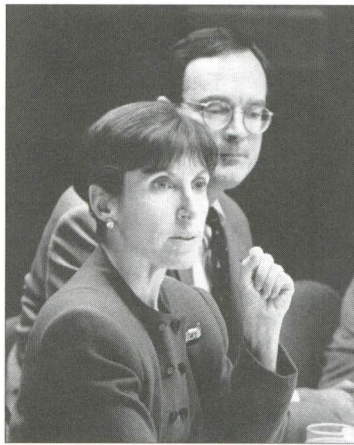
Rep. Willis Gradison (R-Ohio) said that, while Americans expect immediate care and perfect outcomes, they also engage in behaviors — like smoking and drinking— that have huge medical costs. “We will end up with something typically American,” he concluded. “It will be very complicated and very expensive.”

The Politics of Scandal

Resident Scholar Suzanne Garment discussed her new book *Scandal: The Culture of Mistrust in American Politics* (Times Books/Random House) with reporters and columnists from the *Washington Post*, *U.S. News & World Report*, *Fortune*, *Time*, and other publications at an AEI luncheon on October 9.

An unprecedented wave of corruption seems to afflict contemporary American politics, Mrs. Garment said. But, she asked, how much of it is new, and how much of it is truly corrupt? And what are the consequences for the American political system of a relentless search for the ethical lapses of government officials?

The current preoccupation with scandals emerged at the same time that great efforts were made to reduce or to eliminate corruption in politics, Mrs. Garment noted. New campaign fi-



Suzanne Garment and Christopher C. DeMuth

nance laws in the 1970s and 1980s, for example, limited political contributions and required the disclosure of donors’ names and campaign expenditures. So-called sunshine laws required government to operate as openly as possible. Procurement laws limited the discretion of government managers to make purchasing decisions. Still the suspicion of official wrongdoing kept teams of special prosecutors (and now, independent counsels) busy throughout the decade.

At the same time, reporters who once ignored the personal lives of government officials if there was no direct connection between private acts and public duties came to consider virtually every aspect of an official’s life as a legitimate area of journalistic scrutiny. Investigative reporters staked out the homes of subjects and searched household trash for clues about a person’s character. Their findings, Mrs. Garment said, often did little to illuminate public policy despite the high costs to personal and professional reputations.

Scandal has also become a weapon of choice for interest groups that have lost in the political arena, she said, referring to several particularly vicious personal attacks that accompanied Senate confirmation battles in the 1980s and 1990s.

Because of the risk of deterring good people from government service and contributing to even greater public cynicism, Mrs. Garment asked, “Is it worth it?”

AEI Annual Policy Conference

Tuesday, December 3 Willard Intercontinental Hotel, Washington, D.C.

- 9:15–12 noon **Regulation Resurgent**
Chairman: Christopher C. DeMuth, AEI
Papers: Broadcasting and Communications Regulation, J. Gregory Sidak, Covington & Burling; Environmental Regulation, Robert W. Hahn, AEI; Financial Regulation, Jonathan R. Macey, Cornell University School of Law; Food and Drug Regulation, John E. Calfee, Boston University
Commentary: C. Boyden Gray, Counsel to the President; Irwin M. Stelzer, AEI
- 9:15–12 noon **Disarmament and Weapons Proliferation: The New Defense Paradigm**
Chairman: Patrick Glynn, AEI
Panel: Anthony Cordesman, Office of Senator John McCain; Richard N. Perle, AEI; Leonard F. Spector, Carnegie Endowment for International Peace (invited); Paul B. Wolfowitz, Under Secretary of Defense for Policy (invited)
- 12:15–2 p.m. **Luncheon**
Speaker: Richard G. Darman, Director, Office of Management and Budget
- 2–5 p.m. **Election Watch: 1992 and Beyond**
Chairman: Norman J. Ornstein, AEI
Panel: Karlyn H. Keene, William Schneider, and Ben J. Wattenberg, AEI
- 2–5 p.m. **Asian End Game: China, Korea, and Indochina**
Chairman: Joshua Muravchik, AEI
Panel: Thomas W. Robinson, Zhiling Lin, Chong-Pin Lin, and Nicholas N. Eberstadt, AEI; Karl D. Jackson, Assistant to the Vice President for National Security Affairs

Wednesday, December 4 Willard Intercontinental Hotel, Washington, D.C.

- 8:30–9:30 a.m. **The Budget and the Economy**
Chairman: Herbert Stein, AEI
Presentations: Michael J. Boskin, Chairman, Council of Economic Advisers; David A. Stockman, former Director, Office of Management and Budget
- 9:45–12:15 p.m. **The 1990 Budget Agreement: Real Restraint or Fiscal Fiasco?**
Chairman: Marvin H. Kosters, AEI
Papers: Budget Trends and Prospects, John H. Makin, AEI; Economic Implications, Rudolph G. Penner, Urban Institute; Politics, Procedures, and the Budget, Allen Schick, University of Maryland; The Goals and Political Economy of Budgeting, Allan H. Meltzer, AEI and Carnegie-Mellon University
Commentary: Robert D. Reischauer, Congressional Budget Office; William Niskanen, Cato Institute
- 9:45–12:15 p.m. **Health Care Reform: What Changes Can Congress Tolerate?**
Chairman: Robert B. Helms, AEI
Panel: Mark V. Pauly, University of Pennsylvania; John S. Hoff, Swidler & Berlin; Judith Feder, Georgetown University Center for Health Policy Studies; Norman J. Ornstein, AEI
- 12:30–2 p.m. **Luncheon Debate: Is American Culture Subverting the American Way?**
Robert H. Bork, John M. Olin Scholar in Legal Studies, AEI, *versus* Ben J. Wattenberg, Senior Fellow, AEI
- 2–4 p.m. **Communist Societies after Communism**
Panel: Jeane J. Kirkpatrick, Mark Falcoff, Chong-Pin Lin, and Joshua Muravchik, AEI
- 6–12 midnight **THE FRANCIS BOYER LECTURE and Annual Dinner** Washington Hilton Hotel
Lecturer: IRVING KRISTOL, John M. Olin Distinguished Fellow, AEI

For more information or a conference brochure, call Hilary Laytham, 202/862-5830.

AEI People



Carolyn L. Weaver

Resident Scholar **Carolyn L. Weaver** discussed the future of social security at a seminar on aging sponsored by the National Press Foundation and the American Association of Retired Persons on October 31. She also presented proposals for vocational rehabilitation vouchers in a National Public Radio interview on October 23.

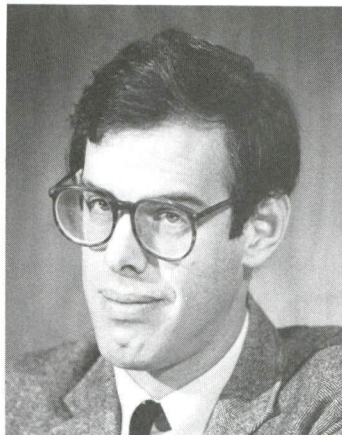
Senior Fellow **Jeane J. Kirkpatrick** delivered the keynote address, "After Communism, What?" at a United States Information Agency conference, "Toward a Post-Communist World," on October 22. Other AEI scholars who spoke at the event include **Joshua Muravchik** and **Mark Falcoff**, who served as panel discussants, and **Thomas W. Robinson**, who spoke on "Modernization and Revolution in Asia."

In "The Day Castro Dies" (*International Economy*, September/October 1991), Mr. Falcoff discounted predictions of Cuban prosperity by describing the damage done to that nation's economy by thirty years of communism: "Intoxicated by Castro and his tinfoil dreams of becoming a great power in his own right, Cuba discarded its chance to become a genuine

first-world country."

Mr. Falcoff also discussed the growing problem of Latin American patent infringement in "Caribbean Piracy" (*Barron's*, October 21). Reviewing Clark Clifford's *Counsel to the President* (Simon and Schuster, 1991) in the October issue of *Commentary*, Mr. Falcoff called it "one of the more interesting memoirs to emerge from Washington in some time," despite the fact that its author believes that "Democrats are responsible for all of the good things that have happened in this country over the past fifty years."

Mr. Muravchik's review of *Washington Post* reporter E. J. Dionne's book *Why Americans Hate Politics* (*Commentary*, October) concluded that the author "has written an essay which he believes is about the American people's frustration with politics, but I believe it is about his frustration with the politics of the American people."



Nicholas N. Eberstadt

Visiting Scholar **Nicholas N. Eberstadt** grappled with "America's Infant-Mortality Puzzle" in *The Public Interest* (Fall 1991). He found that behavioral factors, such as maternal smoking, frequency of prenatal medical visits, and marital status of parents, had a strong influence on infant mortality, even when controlling for

family income.

"If parental life styles and family-formation patterns play a direct and important role in determining infant survival chances, the prospects for reducing American infant-mortality rates through government income support and health care policies may be less substantial than is sometimes supposed," he concluded.

George Frederick Jewett Scholar **Michael Novak** discussed human rights and U.S. foreign policy in an interview with John Harter in the *Foreign Service Journal* (September 1991). In "Looking Back, Looking Forward" (*Crisis*, October) Mr. Novak reflected on the ten years since he and Ralph McInerney founded the monthly journal that focuses on the religious dimension of public life.

Comparing Mr. Novak's latest book, *This Hemisphere of Liberty: A Philosophy of the Americas* (AEI, 1990) to Pope John Paul II's *Centesimus Annus* (1991) in the *Freeman* (October), Jeffrey A. Tucker wrote, "It is impossible to overlook the similarity in themes and language between the Pope's encyclical and Novak's work. One can fairly speculate that some of the passages of the encyclical are directly drawn from Novak."

Resident Scholar **Michael A. Ledeen's** article, "Leftist Liars and Ideological Suicide" (*American Spectator*, October), described "a systematic campaign to rewrite American history." In "Casey's Final Mission" (*American Spectator*, November), Mr. Ledeen revealed for the first time how the late director of Central Intelligence recruited Mikhail Gorbachev to destroy the Soviet Union from within.

Articles and papers mentioned in this newsletter are available from Tom Skladony, 202/862-5914.

Was 1492 a Mistake? Or, Did Columbus Go Too Far?

Resident Scholar Mark Falcoff delivered the first in AEI's third annual Bradley Lecture Series October 16 in Washington. Excerpts follow.

Until recently, Columbus's arrival in the New World was regarded as one of the most important—and fortuitous—events of history. Though we have not quite entered the quincentennial year, Columbus and his legacy have already come under attack. The struggle began with the Columbus Quincentenary Commission's decision that we are not to regard the events of 1492 as a "discovery," but as an "encounter." "Encounter"—as in, "My car has encountered a large truck going eighty miles per hour."

Clearly, this struggle masks deeper and more vehement emotions. The American Library Association classifies the entire period of the European discovery and colonization as the "Native American holocaust." Author Kirkpatrick Sale condemns the Great Mariner for ecocide—the destruction of the balance between man and nature that presumably existed before his arrival.

Last year a full page advertisement in the *New York Times* soliciting funds for a National Museum of the American Indian attributed to the Chippewas, the Apaches, the Iroquois, and the Sioux "insight into the delicate balance between man and nature. ... Their systems of governance paralleled many of the concepts used to frame the Constitution."

What we know about some of the Indian societies is not particularly reassuring. The Aztecs were an imperial race who waged relentless war upon their neighbors to extract victims for human sacrifice. We have re-

cently learned that the Mayans were every bit as aggressive as the Aztecs.

The Indians of North America were far less sophisticated than the Aztecs or the Mayans, but it cannot be said that they were particularly respectful of the environment. Because of their small numbers and their



Mark Falcoff

primitive technology, however, they could cause only minimal damage. Nor were they respectful of other Indian peoples, whom they viewed as every bit as alien as the white man. It is not possible to be historically honest and credit them—even in a parallel fashion—with the achievements of our Founders.

Nothing we know will ever justify to critics the conquest of other peoples—no matter how primitive or brutal. But to debate these issues as if they were contemporary upsets the appercart of context. To morally repeal the work of five centuries is quite a project. But revisionists rush ahead, following their argument to its logical (or illogical) conclusion: we must all mount our boats and return from whence we came.

How seriously can we take accusations of genocide, ecocide, and other disasters, when the publicly proposed remedies—

such as reading lists on the "Native American holocaust" or the repatriation of Moctezuma's armor from the Vienna Museum—are so meliorative and incremental? The best that the more serious minded can manage is a yearlong program of reflection, repentance, and promises to sin no more.

These and other incongruities do not trouble Columbus's critics, because they are not interested in what happened in 1492. Their distemper is with today's world. Having failed to sell their political agenda—slow growth or no growth, an income policy based on imagined grievances, and redistribution of resources based on racial spoils—they are trying to bludgeon it home on the cultural battlefield by intimidating university administrators, museum directors, and librarians. But will they succeed in their larger objective—to change the way we feel about ourselves, our country, and Western civilization? Not bloody likely.

It is not merely useless to question the goodness of Spanish colonization; it is logically incoherent, since it calls upon us to compare two objects that are inherently unequal. What we are celebrating this year is not the arrival to these shores of the fifteenth-century version of Western civilization, but what it has become since, and what it may become still yet.

After all, the Americas were the birthplace of the revolutionary idea—of political self-determination and the economic autonomy of the individual. Admittedly, this is not what Columbus had in mind when he set sail. But without his journey the history of humanity would have been very different—and, I submit, very much darker.



American Enterprise Institute for Public Policy Research

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1991–1992 Bradley Lecture Series

November 13 **Two Paths to Black Power: The Conflicting Visions of Booker T. Washington and W. E. B. DuBois**

Glenn C. Loury, professor of economics, Boston University, will deliver the second in AEI's 1991–1992 Bradley Lecture Series. Mayflower Hotel, East Room, 1127 Connecticut Avenue, N.W., 5:30 p.m. \$30.00 for the series; \$5.00 for individual lecture, if space is available.

December 10 **Carol Iannone**
Is there a Women's
Perspective in Literature?

January 14 **Irwin Stelzer**
Thatcherism: The Social
Aspects of an Economic
Revolution

February 11 **Thomas Pangle**
The Spirit of Post-Modern
Politics

March 3 **Bernard Lewis**
Continents and Compass
Points: How Asia, Africa, and
America Were Discovered

April 14 **Hillel Fradkin**
What Is Man that Thou Art
Mindful of Him? Religion
and Western Civilization

May 11 **Eugene D. Genovese**
The Collapse of Socialism:
A View from the Left

June 9 **George Will**
The "Machiavellian
Moment" and Term Limits

Plastic Populism

Christopher DeMuth¹
November 18, 1991

The congressional stampede to impose price controls on credit card interest rates, encouraged by President Bush and promptly rattling the financial markets, is the latest example of a new bipartisan populism in American politics. The idea is to beguile voters with the promise that the government can reduce the price of some widely used good or service, one whose price seems to be increasing relative to prices of other things (other populist targets are automobile insurance and prescription drugs). *Why* price is increasing is a question almost never asked. The answer is usually straightforward but exposes the futility of controls. Relative prices increase because costs of supply increase, and supply costs increase as a result of quality improvements, changes in consumer demand, or legal developments (e.g. expanded tort liability).

Price controls cannot abolish these relationships. What they can do, and have done in an unbroken string of policy failures stretching back dozens of centuries (one of the great constants in the history of government), is to cause inefficient repricing of uncontrolled terms of trade, reductions in the quantity and quality of supply, and arbitrary redistributions of income among consumers and producers. The credit card proposals fit the pattern perfectly.

¹ Mr. DeMuth is president of the American Enterprise Institute for Public Policy Research. His article, "The Case Against Credit Card Interest Rate Regulation," appears in 3 *Yale Journal on Regulation* 201 (1986). A shorter version of this paper appeared in *The Wall Street Journal*, November 19, 1991.

Interest Rate Controls

Interest rate controls are among the most ancient of price controls. Pre-modern church and civil law forbade charging *any* interest on money loans until the rise of modern commerce made the ban untenable. In America, state "usury laws" limited interest rates on consumer loans until the early 1980s -- when they too fell victim to economic progress. The new proposals for a national ceiling on credit card interest rates (to be set, under the Senate's bill, at 4 percent over the IRS's interest charge on overdue taxes) are far more objectionable than earlier usury laws, however, precisely because they would roll back the recent economic advances generated by credit card technology.

Thanks to the emergence of the general-purpose credit card, the supply of consumer credit is today a highly competitive national market. Dominant local banks and other lenders may once have enjoyed a degree of pricing power justifying rate controls, but this is no longer the case. Thousands of banks, retailers, telephone companies, and others offer credit cards with a profusion of interest rate, annual fee, purchase discount and warranty, and other features. The behemoth of the credit card industry, Citicorp, holds about 4 percent of the consumer installment credit market, and only three other firms (Sears Roebuck, General Electric Capital, and Chase Manhattan) hold as much as 1 percent. There is not the remotest chance that any credit card issuer could set rates higher than its costs of service, or could permit its costs to escalate without suffering a disastrous loss of business. (Individual banks, not Visa and MasterCard, set interest rates and other credit card terms. Visa and

MasterCard operate the payment settlement systems that link member banks and retailers and provide related services such as maintaining account numbering systems.)

And the modern credit card, which has provided people of all incomes with stupendous advances in convenience and material welfare, in turn owes its success to the recent wave of state interest-rate *deregulation* which the national controls would reverse in a stroke.

Twenty years ago credit cards were generally available only to the affluent and could be used only in local markets or with a single retailer. Young families and people of modest means were obliged to bear the costs of keeping relatively large amounts of cash on hand, and their borrowing was limited to finance companies, lay-away plans, pawnbrokers, or family and friends. The now-ubiquitous credit card has changed all this. It is better than cash for purchases of a few dollars or several thousand dollars at establishments everywhere in the nation; it permits nationwide telephone purchasing and reservations; it provides instant credit that may be drawn upon and repaid largely at the discretion of the borrower. And it is available to essentially everyone who is not very poor and who is credit-worthy. Substantially more than half of American households with annual incomes of \$10,000 - \$20,000 have a credit card, and usage increases sharply at higher but still modest income levels.

These benefits would have been impossible before recent technological advances in data processing and communications, and related business advances in marketing credit and managing credit risks among consumers with modest but steady incomes. Yet these advances, powerful as they were, would have led nowhere so long as state

usury laws were in place: the laws generally capped interest rates at levels that made it worthwhile for banks, retailers, and other lenders to lend only to low-risk local clients whom they knew personally and who had well-established credit records.

Fortunately, the Supreme Court held in 1978 (in *Marquette National Bank v. First of Omaha Service Corp.*) that interstate loans by nationally chartered banks are governed by the interest rate ceiling of the bank's home state, not the borrower's state - a decision that opened the door to interstate consumer lending and ignited a healthy round of state policy competition. A year later South Dakota abolished its interest rate controls on consumer credit; New York's Citibank moved its credit card operations there and pioneered the business of the mass-market bank card, invading regulated local credit markets from coast to coast with unregulated South Dakota credit. In the next five years, one-third of the states repealed their interest rate controls and another one-third substantially relaxed their controls. The number of active U.S. Visa and MasterCard accounts grew over 40% during this period, far outstripping the 9% growth in the adult population. A substantial share of the new accounts were working class families, recent college graduates, and others who had never been able to obtain credit cards before -- a trend that has accelerated in the years since.

The Results of State Deregulation

In 1986, I was commissioned by the American Bankers Association to do a study of the likely consequences of credit card interest rate controls. (Then as now, short-term commercial rates had been falling while credit card rates had been holding steady at higher levels, 18-19 percent on average, prompting a spate of proposals in the

Congress to set card rates at a fixed margin over commercial rates.) It was a dream assignment, because the recent wave of state deregulation provided an opportunity economists usually lack for testing the consequences of alternative policies through direct observation. Congressional wrath was focused, of course, on the highest credit card rates, which were being charged by banks in states that had repealed their rate controls. At the same time, those states that continued to enforce strict rate controls had laws that looked very much like, and indeed were the model for, the proposed national controls. "If Arkansas (the strictest control state) can hold down credit card charges for the benefit of its citizens," the congressional proponents asked, "why shouldn't we provide the same benefits for everyone?"

My research revealed, however, that these benefits were an illusion. Consumers themselves -- the putative beneficiaries of rate controls -- had been flocking by the millions to *unregulated* credit, and had been doing so precisely at a time (like the present one) when falling commercial interest rates were widening the spread between regulated and unregulated consumer rates. For example, from 1980 through mid-1985, a period in which U.S. consumer credit on Visa cards more than doubled, banks in states with no rate controls increased their Visa business over 27 percent faster than the national average -- aggressively marketing cards with a variety of features appealing to different income groups, and soliciting new accounts among riskier demographic groups such as students and blue collar workers with no credit history. During the same period, banks in states with strict controls lost 23 percent of the national Visa market. In general, banks in states with the strictest controls -- most like the proposed national

controls -- fell furthest behind the national trend, and those in a few states even experienced absolute declines during a period of explosive national growth. The advocates of national rate controls were proposing that Congress follow the losers rather than the winners in the state policy competition.

My research turned up additional information pertinent to the national control proposals. At the time, many in the banking industry assumed that controls would lead to extensive "repricing" -- as banks compensated for lower interest rates by raising annual fees, eliminating initial interest-free periods on purchase balances, and making other adjustments. The evidence suggested, however, that repricing opportunities were limited, and that the dominant effect would be a contraction in the availability of credit card credit and its restriction to local markets and more affluent groups. Bank card programs in strict usury states were a poor model for the national control advocates: they tended to be highly restrictive and limited to banks' longstanding local depositors and executives of firms that were commercial clients.

The Stability of Credit Card Rates

Interest rates on credit card credit are higher than commercial rates and those for some forms of well-secured consumer credit such as automobile loans; they have also been much more stable over time, averaging 18-19 percent throughout the 1980s. That credit card rates are higher is no surprise, since their features are distinctive and more costly to provide. (Borrowing costs constitute less than half the costs of operating a credit card program; administrative costs, which have not been declining, dominate.) And the extent of the rate difference has been exaggerated in almost all accounts of the

credit card debate: when one takes account of the initial one-month "free period" on most credit cards and the average time periods in which credit balances are paid off, the effective interests rates cardholders pay are generally several points lower than the published rates.

Short-term commercial interest rates are nevertheless a significant part of the costs of providing credit card credit, so the *stability* of card rates during periods of rapidly declining commercial rates may be regarded as something of a puzzle. This puzzle is surely the reason why credit card rate control proposals have come to the fore at times of declining commercial rates (such as the present and the early 1980s), and it is probably why many fair-minded people have taken such proposals more seriously than they otherwise would.

The answer to the puzzle, however, turns out to be another angle on the credit card success story, and another way of seeing the damage that national rate controls would inflict. Although short-term commercial rates were falling during most periods since the emergence of the mass-market credit card in the early 1980s, the *demand* for credit cards was growing explosively during these same periods. Faced with declining costs and increasing demand, banks and other issuers responded exactly as an economics text would predict: not by reducing price, but by expanding output, improving service quality (e.g. deploying instant purchase approval networks), and extending their business to newer (and costlier) markets. The result has been an increase in the administrative costs of supplying credit cards throughout recent years -- including, as

credit has been extended to new and riskier demographic groups, an increase in the costs of managing delinquent accounts and writing off uncollectible ones.

In one important respect the stability of average credit card rates is an illusion, masking temporal rate reductions or quality improvements in relevant sectors of the market. The stable card rates published by government agencies are volume-weighted averages of numerous individual rates charged by banks and other suppliers, but the individual rates included in the averages have become more dispersed over time as the variety of card programs has increased. Some of the largest card issuers, such as Chase and Citicorp, have successfully specialized in marketing cards to younger, less well-off, and riskier consumers who were not in the market at all five or ten years ago; as a result their current rates are higher than average. But these and other banks have also concentrated on more affluent groups who were in the market from the beginning -- offering them either lower rates than were generally available in the past or "premium" cards with special features at higher rates.

Conclusion

Banks and other credit card issuers would be seriously damaged by interest rate controls: they would lose business, and their facilities specialized in the supply of cards would lose value in the same manner as rent-controlled apartment buildings. But Congress has made plain in recent years its indifference about the decline of the American banking industry, and these new government-imposed losses, coming on top of so many others, cannot be expected to affect the credit card debate. As a result, banking executives are quite properly emphasizing the consumer's side of the issue,

warning that controls would lead to a prompt and substantial restriction in the availability of credit cards and the size of credit lines, and a consequent drop in retail spending.

The evidence and arguments presented here support these predictions, and point to the further consideration that the restrictions would not be evenly distributed. The contraction in consumer credit would not be some kind of aggregate tightening affecting everyone a little bit. Rather it would be highly focused on young and working class families and those who are less well-off and less well-connected -- those who have been the principal beneficiaries of the credit card boom of the past decade.

In the late 1970s and early 1980s Democrats and Republicans joined forces to enact a series of sweeping measures deregulating large sectors of the U.S. economy. It was a marvelous era, not only because of the economic benefits it provided but because it drew upon and strengthened the noblest traditions of each party -- the Republicans' concern for individual liberty and economic growth, and the Democrats' concern for improving the welfare of average citizens. No doubt it was too good to last. Still, it is disheartening to see the situation not only ended but reversed, with both parties scrambling for middle-class votes with tawdry appeals such as consumer price controls, and in the process abandoning their commitments to liberty on the one hand and equality on the other.

If the parties should return to their senses and wish to do something truly helpful for the American consumer, the recent experience of state interest rate deregulation points the way. The national law permitting free interstate consumer lending is an all-

too-rare phenomenon in American federalism, and could usefully be extended to many other areas of finance and commerce. For instance, the provision of health, life, automobile, and other casualty and liability insurance is seriously encumbered by state regulators who enjoy policy monopolies over the consumers in their states. The harmful effects range from populist rate roll-backs (automobile insurance in California and New Jersey) to the larding of health insurance policies with mandatory "benefits" that primarily benefit politically influential provider groups. Insurance companies can avoid these regulations by taking their business elsewhere, but consumers cannot. If national law provided that insurance contracts, like credit card contracts, were governed by the supplier's rather than the consumer's state, state insurance regulators would operate in a competitive policy environment and the economic consequences of their controls, for good or for ill, would be plain for all to see.

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

December 4, 1991

REMARKS BY THE PRESIDENT
TO THE AMERICAN ENTERPRISE INSTITUTE ANNUAL POLICY CONFERENCE

The Willard Hotel
Washington, DC

12:53 P.M. EST

THE PRESIDENT: Thank you all very, very much. And, Chris, thank you for that warm introduction. And let me also single out my tennis opponent the other day, Paul Orrefice, your Chairman, and thank him for his service to this outstanding institution, which I was privileged to serve in a brief period of time back in the '70s. And I want to say how pleased I am that Nick Brady, our Secretary of the Treasury is with us today.

And then finally, to salute Irving Kristol, honored by AEI with this year's Francis Boyer Award. He's out here somewhere, and it hasn't been actually handed to him, but I'm told I'm not blowing the cover by -- here he is over here. Irving, congratulations, sir. (Applause.) And our gratitude for the abundance of insight that you bring to the study of American politics, the American system, and, indeed, American society. Irving has devoted so much of his effort the past three decades to making the world safe for democratic capitalism. That message now opens new worlds from Moscow to Warsaw. And I just wish we could say the same thing of Washington, D.C. (Laughter.)

Irving also runs one of America's most formidable one-man talent agencies. Not only his own son, Bill, who so ably serves this administration, but legions of proteges in every corner of the political and intellectual worlds open doors by saying, "Irving sent me." (Laughter.)

And I am pleased to -- very pleased -- when Chris invited me over here to have this chance to speak to all of you today. For me, AEI epitomizes something quintessentially American -- the engaged intellectual. And Chris referred to this, but many of you have served in government -- and lived to tell about it. (Laughter.)

AEI encourages the ideal of the citizen-scholar -- a kind of modern-day Cincinnatus: ready to answer your country's call, and when your work is done -- content to return to your word processors.

For the past three years you have been, and, again, Chris alluded to this, very gracious in offering me advice on all manners of issues. And I thank you for your support -- and, yes, for what I'll call your constructive criticism.

In the short space of those three years, we've seen our world literally transformed. The collapse of communism, the Cold War's end, the triumph of the democratic idea: each epoch-making event swept away the challenges, the conflicts, that defined the world we knew. Each opened up a new era -- a new world of possibilities.

MORE

And as I've said before, the Cold War was -- in its decisive aspect -- a war of ideas, a clash between two systems speaking to the deepest dreams and desires of man. And that battle was won by Western ideals. And the fact that in the nations of the old Warsaw Pact and even within the Soviet Union, free governments and free markets are now taking root, stands as a tribute to the ideas and ideals that guide this institution -- guide AEI.

Our new era brings with it a need for new guideposts for solutions and approaches that keep pace with the times. The fact that at long last we celebrate a world transformed inevitably means change here at home.

Right now, the focus here in Washington and across our country is on the economy. Yesterday I was in Bradenton, Florida, and then we flew over to Meridian, Mississippi, meeting with working Americans, listening to what's on their minds -- the same way I've tried to listen to people across America -- 48 states, as a matter of fact -- I've been to 48 states to be exact over the three years. And these are tough times we're in. And many Americans are worried. And they're looking for a sign from Washington that someone cares, understands what's happening. And I hope I've made clear that I do.

These people won't feel comforted by a weighty discourse on the difficulties of divided government. They know that whatever the Leading Economic Indicators might say, for a person who's lost the job, the unemployment rate is 100 percent. And they are impatient, tired of excuses. They want action, and they can't understand the political gridlock that too often paralyzes Washington, D.C.

But government and governing requires more than action for action's sake. You see, too many in Congress make the easy assumption that when polls tell us about dissatisfaction with Washington -- it means they want government to do more, take more power to itself. But that notion simply does not square with my sense of what people want. Yes, the American people want government to act -- but not to build new centralized bureaucracies or create more red tape. Across America, we see a demand for greater freedom of action. A public weary of mandates, regulations and taxes, that public wants to reverse the flow of government power -- to restore authority to the people.

In the political and social sphere, this new demand for freedom of action means policies that enhance the power of the individual and strengthen the family. You can see those ideas translated into action in this administration's stand against quotas and for real equality of opportunity; in our child care bill, a victory against the forces that saw this issue as a chance to build a brave new child care bureaucracy. You can see it in our HOPE program's emphasis on turning tenants into home owners -- and, indeed, in education where choice is an essential part of our America 2000 strategy.

Take a look at that strategy. What worries our critics -- the defenders of the status quo in the education establishment -- isn't that our plan won't work. They worry that it will work. They know that choice, competition and community involvement are revolutionary concepts -- capable of literally reinventing the American school. But that's what we want to do. That's what we're trying to do. That's what we must do.

In the economic sphere, the demand for freedom of action means policies that promote market-based solutions: The kind we fought for in the amendments to the Clean Air Act, and built into our energy strategy.

Let me focus in more detail about what this means given our current economic situation. No one should be complacent about the sluggish economy or stubborn unemployment rates. But we must not discount the fundamentals -- the underlying factors that propel our economy toward growth.

From the first, we've built our long-term growth strategy on several key elements: unleashing capital and reducing tax burdens; keeping inflation in check -- and interests rates down.

Second, we recognize the need to keep American business competitive: to slash red tape and regulations wherever possible, draw the line against government mandates that handcuff the American entrepreneur.

Chris DeMuth and Irving's son, Bill -- Bill Kristol -- with his involvement in the Competitiveness Council and Chris's past experience in doing a superb job on deregulation -- they both can tell you stories that will make your hair curl. True competitiveness includes also real tort reform -- capping these crippling sky's-the-limit liability awards, which exert such a strong chilling effect on entrepreneurs ready to bring new products to market.

Third, as a nation, we've got to make good on our commitment to quality education and job training, to ensure a workforce ready for the challenges a new century will bring.

Fourth, we've got to control the deficit. The American people need to understand that right now we spend \$286 billion dollars a year -- that's three-quarters of a billion dollars a day -- just to pay interest on the national debt. We've got to try to hold spending down -- and avoid driving interest rates up again.

And finally, we've got to make certain American businesses compete on an equal footing -- and that means a government committed to the principles of free and fair trade. We've fought to advance those principles from the EC to East Asia -- in the Uruguay Round and with our promising Enterprise for the Americas Initiatives.

We feel the benefits of foreign trade right here at home. Each additional billion dollars in manufactured goods and trade means another 20,000 American jobs. And yet in spite of the fact that last year alone, total gross exports accounted for virtually all of this nation's economic growth -- a new breed of isolationists seem to think domestic policy ends at the water's edge.

Well, thank God they weren't around back in 1492 -- imagine the hard time they'd have given Columbus. Voices on the right and left are working right now to breathe life into those old flat-Earth theories of protectionism, of isolationism. But there is no going back. Our new world is far smaller, communications far more instant. Our horizons stretch much farther with each generation. This is 1991 -- not 1791; a horse-and-buggy attitude won't carry us into the next century.

On certain issues -- many in the foreign policy sphere -- the President possesses all the authority he needs to advance an ambitious agenda. But there are things no President can do unilaterally -- times when the need for action finds the President and Congress pulling in different directions. I don't approach the problem of divided government as a political scientist. The ideal solution, in my view, to divided government remains a government united in pursuit of the public good. In other words, to be candid, my preferred solution to divided government is a Republican Congress. (Applause.) In the meanwhile, I'm going to keep pushing Congress -- and I mean this. It is important because of what I told you I feel

about this economy -- reaching out when I can, giving a kinder and gentler poke now and again when necessary -- to get up with Congress to work with me to get the job done.

I called on Congress to join me in responsible action -- I think history will show this to be an accurate statement -- long before our economy began to struggle. I said back in 1989 -- during the longest peacetime recovery on record -- that America could not rest easy, that we needed to look to the long-term, put in place policies that would sustain growth and would create jobs. And I offered then the first of three economic growth packages. Three sessions of Congress have come and gone, and everyone knows the result: precious little action.

Every one of the economic proposals that I've sent up to Capitol Hill serves the single standard of generating growth -- and that includes, yes, the capital gains tax cut that my opponents have labeled as controversial. My opponents like to treat capital gains as a code word for class warfare -- even at the very same time they're learning to pay lip service to a concept called competitiveness. And I wonder seriously whether they realize the United States is saddled with capital gains tax rates far higher than our key international competitors? Germany -- take a look at Germany: zero percent. No capital gains tax at all on assets held longer than six months. Or Japan. An entrepreneur who sells the company he's built from scratch pays a tax of one percent. And it's time we see and understand that higher costs for capital cripple competitiveness -- and cost American jobs. (Applause.)

When I deliver the next State of the Union message -- when I deliver my State of the Union message in January, I will go to Congress with a new action program, and I'll call on Congress to set aside politics -- I know we're in an election year then -- and focus on the public interest. And I'll challenge them to enact a common-sense set of economic reforms. And if we do our work promptly -- and we can; Congress can act fast when they want to -- we'll still have plenty of time left in 1992 for partisan politics.

In the meantime, there is a great deal we can do in the Executive Branch to foster economic growth without waiting for Congress to act. And we're going to continue doing all we can to drive down barriers to trade, open foreign markets to American goods. We will seek ways to lift the burden of federal regulation without compromising public health or safety. And as I said Monday, we will move quickly to implement the job-intensive transportation bill that has just been passed. And I have ordered federal agencies to review the effectiveness of a full range of programs -- from small business loans to job placement, job training, to the process for getting unemployment checks out to the workers and families waiting for them. None of these actions can substitute for effective Congressional action, but each can help move the economy along.

So let me repeat. We have had a comprehensive economic growth strategy from the beginning, encompassing every aspect of policy: deficit reduction to lower interest rates; tax incentives to spur saving and entrepreneurship; regulatory reform; increased and more efficient investment in our public infrastructure; education reform to enhance America's human capital; tort reform to ease the costly litigation that saps the very productivity of this country; and banking reform to make our financial system safer and more internationally competitive -- and a trade policy aimed at opening the new markets that mean more American jobs.

I'm confident that we can act to advance America's interests -- and I'm absolutely certain we must, because our world demands it. I'm confident because I remain convinced America's fundamentals are sound -- not just the economic indicators that I mentioned a few moments ago, but the broad fundamentals that sustain American society: faith and family. The feeling of fellowship that leads millions of Americans to help neighbors in need -- without

looking to Washington for guidance. And of course, the cornerstone of our American idea -- the bedrock belief in freedom that led us from Valley Forge to Desert Storm to the new world now unfolding around us.

Look out on the horizon to the America the entire world now looks to for leadership. It is our country. To the America that exalts enterprise and sweat -- the hands that work and the unlimited power of the human mind. To the America whose very name means freedom for millions around the world. That America possesses a power that does not owe its strength to government. Its power begins and ends in the living example of its people.

Once again, I thank all of you for this opportunity to speak before your most prestigious board, your wonderful organization, and may God bless the United States of America. Thank you very much. (Applause.)

END

1:14 P.M. EST

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▲ VP COUNCIL ON COMPETITIVENESS
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 Tony Valente
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- Fred Nutt

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Canada 22%

Who to see
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 chief economist for Commerce

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Dues Dec. 6~~

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all interest rates at historic low

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Carol Aarhus pulled up on News May 1, 89 Chamber Speech on cap gains

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Remarks at the Annual Meeting of the United States Chamber
of Commerce

25 Weekly Comp. Pres. Doc. 644

May 1, 1989

*Competitiveness
Council
6222*

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Thank you, ladies and gentlemen. I want to thank Bill Kanaga for those kind words and commend you on the fine job that you've done as Chairman. And I also want to congratulate the Chamber's incoming Chairman, John Clendenin, and of course say hello to the Chamber's long-time President, media star -- [laughter] -- household word around DC, Dick Leshner. What a job he does for the Chamber.

And I also want to thank the Chamber for providing me a chance to deliver a May Day message American-style. On May Day, I always think about the celebration in the Soviet Union -- all those red banners, the big military parade. Even the Economic Planning Ministry had a unit in the parade: 200 economists marching along yelling, "May Day, May Day." [Laughter] Today taht is beginning to change. Even the Socialist world is beginning to see that socialism isn't just another economic system: It's the death of economics. And there is a new breeze blowing. Nations the world over are coming to realize and recognize that free enterprise is the wave of the future, and that's a promising forecast for prosperity and for world peace.

In the United States -- let me just say in that regard, though, whenever in the world there is economic reform, the United States should be hoping that that reform succeeds. Economic reform, with its emphasis on incentive and market economics, leads to more freedom. You know, I made clear to Mr. Gorbachev up there in New York -- Governors Island, when we met -- that we wanted to see perestroika succeed in the Soviet Union. And likewise, we want to see success for the economic reforms in China. Incentive, economic reforms, market economies, private ownership are indeed replacing Socialist dogma in many countries, large and small. And that is an exciting trend, and in my view, it will continue.

In the United States, the single most significant economic indicator of this decade is up today. We've enjoyed 77 full months of the longest peacetime economic expansion in American history. Without a doubt, this long-running economic expansion has been good for American business and for the American worker. In the past 77 months -- and the Chamber has been very helpful getting this message out -- we've added nearly 20 million new jobs. And more Americans have moved up on the pay scale. Since 1982 the number of jobs paying less than \$5 an hour is down 25 percent, while jobs paying \$10 or more an hour have increased by 95 percent. Unemployment is at its lowest point in the past 15 years. During the economic expansion, America's industrial output is up 33 percent, overall growth up 26 percent. For those with an eye on the international competition, that's more than double Europe's industrial output growth. And the expansion has been just as good to the average American family. Per capita personal income is up 19 percent, and that's take-home, after tax pay, adjusted for inflation. Real median family income has reached a new high, and that's quite an economic success story.



25 Weekly Comp. Pres. Doc. 644

Our challenge now is to keep it going. We can, and we will. We've all heard the nay-sayers. I think there are a few out there whose predictions of economic disaster are now in their 78th straight month. [Laughter] And the nay-sayers are wrong. But why? What they've underestimated is the resilience, the remarkable responsiveness of the free enterprise system. And you can focus on government so long that you forget that it's the private sector that's home to the innovation and the economic creativity that powers this expansion.

I've been a small businessman, starting out with an idea and then working with others and building it into a successful business. And I know the risks and the rewards and the payoff in pride when you succeed. Entrepreneurs know this simple truth: Nothing wagered, nothing won. And that's why I want a government that prompts entrepreneurs to take risks, not a government that forces them to take refuge. That doesn't mean that government's only job is simply to stand back and step out of the way. There's plenty for the Government to do to make sure commerce is free and fair and to maintain a climate where free enterprise can take place and prosper.

And today the Federal Government's number one economic priority is dealing with the deficit. We've made a good start. The budget agreement Congress and my administration concluded 2 weeks ago can keep the Federal deficit below the Gramm-Rudman target. And we haven't sacrificed our social or national security responsibilities in the process. The budget level we've agreed on will allow us to discharge the critical duties of government. We'll be able to provide for our national security, meet the needs of the disadvantaged, and fund high-priority programs. Our agreement is a first, important step. It sends a signal to the American people and to our trading partners: We're serious about getting that deficit down. And the deficit is coming down not only in straight dollar terms but as a percentage of our annual gross national product. You know, by the end of this fiscal year, we will have cut the deficit in half, from 6.3 percent of gross national product in 1983 to an estimated 3.1 percent in 1989. I urge the two Houses of Congress to pass the bipartisan budget resolution so we can keep the deficit coming on down.

One word more about the budget agreement for 1990. We've agreed to \$5.3 billion in new revenues as part of the deal. And let me say a word about that \$5.3 billion. I mean to live by what I've said: No new taxes. And let me tell you what my favorite source of new revenue is -- three guesses for this crowd. We don't have to raise taxes. We have to release the energies of free enterprise. In a growing economy, tax revenues will take care of themselves. In fiscal 1990 alone, thanks to the expanding economic activity, the Treasury will take in more than \$80 billion in increased revenues not through higher taxes but under the existing tax structure -- \$80 billion more in 1 year.

So, let's not be hunting for ways to wring another dollar in taxes out of our economy. Let's concentrate on creating conditions for continued growth. And that's why I've called on Congress to restore the capital gains differential. I am absolutely convinced that in 1990 alone this step would bring an extra \$4.8 billion into the Treasury, and that doesn't count increased economic activity that is spurred by a lower tax rate. That \$4.8 billion is the lion's share of the \$5.3 billion we need in the way of new revenues under our budget agreement.

Let's take a look at what our competitors are doing. Canada's maximum capital gains rate is about half of the U.S. rate. And how about Japan's rate? For entrepreneurs who built their businesses from scratch, a scant 1

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25 Weekly Comp. Pres. Doc. 644

percent. West Germany exempts all long-term capital gains on securities from any tax whatever. And the newly industrialized economies of the Pacific Rim -- Singapore, Hong Kong, South Korea -- have no capital gains tax at all. Among our competitors, those low rates contribute to low capital costs. Cutting our own capital gains rate would encourage productive investment in addition to generating the new revenues that we need to meet our deficit reduction agreement.

*esp.
Japan
Germany
esp.*

I think the case for a capital gains cut is a strong one, but there are several other economic issues that I want to discuss here today. First, a pressing problem with important consequences for our long-term fiscal health, and that is the S&L situation -- savings and loan. This administration recognized the immediate need to take action to stabilize the S&L system, and less than 3 weeks after taking office, we proposed a comprehensive S&L reform plan, one designed to stop the dollar drain and deal with the insolvent thrifts and restore confidence in the S&L system. The Senate passed an S&L package with a resounding majority. I think it was 91-8. I urge the House to move quickly to give us the tools we need to reform the savings and loan system by passing my bill quickly with its central provisions intact.

Now, I have a second message for the Congress as it debates an increase in the minimum wage. I've indicated my support for increasing the wage over 3 years to \$4.25 an hour. I also want to establish a 6-month training wage for new workers at the current \$3.35 rate and expand the exemption for minimum wage requirements for all small businesses with annual sales under a half a million dollars. It's time for those who want a higher wage to move out beyond the rhetoric and take a look at the consequences. We all know the studies that show that each 10-percent increase in the minimum wage will cost America between 100,000 and 200,000 jobs, and they're jobs for those who need them the most. What happens when minimum-wage workers open that pay envelope expecting a fatter paycheck and find a pink slip instead? An irresponsible increase in the minimum wage will cost jobs, as employers cut back to compensate for increased costs -- \$4.25 is as far as I can go. It is my first and final offer. And I repeat that here today.

We must guard against conferring benefits by government mandate and leaving employers to cope with the costs. I share your concerns about legislative efforts to mandate medical and parental leave. I also believe that choice in child care is best made by parents and not by government. And I know, because I've talked to Dick Leshner and others, that the Chamber supports the concept of choice. There are some child-care initiatives up on Capitol Hill -- well-intentioned, I would readily concede -- well-intentioned initiatives that would increase government intervention and crowd out parental choice.

You know, as I look at government, I feel an obligation to look at every piece of legislation to see that it strengthens rather than weakens the family unit in this country. Now, cost is yet another issue. We're determined to hold the line on government spending, so it is important that money allocated for child-care assistance goes for child-care assistance. Under the ABC bill, for example, much of the money would be used to set up another Federal bureaucracy instead of getting financial help directly to parents. The child-care tax credit initiatives that I've proposed to preserve choice, letting parents decide whether to place their child in the care of a relative or in a church-run center or in a public day care facility or in their own home. Let's let parents decide what's right for themselves.



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And finally, I'll close with a brief comment on an issue I know is vital to those of you here today, vital, in fact, to all Americans in our evolving economy; and I'm talking about international trade. The global economy is a fact of life. It is no longer possible to draw a sharp line between domestic and international markets. This administration is committed to securing an open and fair world trading system because fair trade provides opportunities for America's competitiveness to come to the fore. We have the ingenuity to be preeminent. We have the drive to succeed. Entrepreneurs like you are our ace in the hole. Our challenge, then, is to make the most of this competitive edge. And that's why we will work vigorously to break down barriers abroad while keeping markets open here at home. If any country, including the United States, is fooled into thinking that a closed market can be a prosperous one, they're wrong. Closed markets mean closed doors to opportunity, and that means less prosperity. The Chamber of Commerce has always stood for economic freedom, and I know you share my view that there is no surer route to prosperity and progress than the system of free enterprise.

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

Thank you. God bless you all. And God bless the United States of America. Thank you all very much.

Note: The President spoke at 10:20 a.m. at DAR Constitution Hall.

FMI -- 4 December 1991 9:15 a.m.

AEI speech

ACKS: / CHRIS MYERS @ AEI $\hat{=}$ DAN RENBERG LEAD ADVANCE

Paul Orrefice, AEI Chairman of the Board
No Cabinet, No Congress

Irving Kristol's wife Bea will be there [Gertrude Himmelfarb]

Cap Gains Rates:

JAPAN 20% or 1% of sales price

GERMANY 0% for assets held over 6 months

CANADA 22%

Info from Fred Nutt in Tony Viliamilles' (Chief Economist for Commerce) office per Fred Nutt, assistant to the CE. Fred got the info from Tax Analysis at Treasury.



AEI EVENT
THE WILLARD (WIDC)

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Bernie Murray	USSS/WFO	202/435-6600/5200
JOHN WISLER/RUB CANILLA	MILITARY AIDES	202/395-1747
BOB STEWART	USSS-WFO	435 6994

competitive: to slash red tape and regulations wherever possible -- draw the line against government mandates that handcuff the American entrepreneur. [[Chris DeMuth and Bill Kristol -- with his involvement in the Competitiveness Council -- can tell you stories that will make your hair curl.]] And true competitiveness includes real tort reform -- capping these crippling sky's-the-limit liability awards, which exert such a strong "chilling effect" on entrepreneurs ready to bring new products to market.

Third, as a nation, we've got to make good on our commitment to quality education and job training, to ensure a workforce ready for the challenges a new century will bring.

Fourth, we've got to control the deficit. / The American people need to understand that, right now, we spend [\$200] billion dollars a year -- that's three-quarters of a billion dollars a day -- just to pay interest on the national debt. We've got to keep spending down -- and avoid driving interest rates up again. //

And finally, we've got to make certain American businesses compete on an equal footing -- and that means a government committed to the principles of free and fair trade. We've fought to advance those principles from the EC to East Asia -- in the Uruguay Round and with our promising Enterprise for the Americas Initiative. //

We feel the benefits of foreign trade right here at home. Each additional billion dollars in manufactured trade means

27 ADV. WALK THROUGH

[OFFICIAL]

[will be in rm.]
[when Pina speaks]

AEI LUNCH / PINA KEYNOTE

AMERICAN ENTERPRISE INST.

(TELEPHONER -> 10mins.) call Charles North

Speak at lunch, 300 attendees (CEOs)

Mr. Demuse

[At Willard in Apr. or May]

Burke - Rm. - why.

Don Rimborg - lead program - Trip coordinator

Jim the ball - AEI
Chris Myers

am. 12:45 Weds

Annual Policy conference - Policy issues (Friday event)
North also happens @ luncheon

* Don Demuse event

group photo opp ~ 20 people (Buchanan)
(Garfield Rm.)

Program →
Mr. Chris DeMuth
Pres. Chamberlain (Don Chern)
Jeffrey W/Gen Wilford

(in stage 12:55)

seated @ rounds
- Perry on dais/platform
- No leaf table

De Muth with fins
De Muth / Orehic on stage

10 min remarks / Q&A

[White conference is policy]

[Ballroom] award given [from platform]

[AEI Dinner]

[Stage on stage]

non-pugil

[policy speech in Washington]
is he speaks on Middle East

[peace talks] Jordanian Delegation

Judge Bank - a sr. fellow

List attendees
from release re Fran Capth toward

Main Pavilion (not mine)

Mural Kennedy Green and Gray → Charlesher

Jeanne

NO VIPS!
on stage - [

Announcement on w/ DeMuth
Paul Ore Office - Chair Bd. (Dow)

Photo opp - mix & mingle
(NO Q & A)

McGroarty/Bunton
December 3, 1991
9:00 am
[AEI]

NOT FINAL

PRESIDENTIAL REMARKS: AMERICAN ENTERPRISE INSTITUTE LUNCHEON
THE WILLARD HOTEL
DECEMBER 4, 1991
12:45 P.M.

Thank you, Chris [DeMuth, AEI President], for those warm words. ([Introductory acknowledgements.]) Finally, let me salute Irving Kristol -- honored by AEI with this year's Francis Boyer Award -- for the abundance of insight he brings to the study of American politics, the American system, and American society. // Irving has devoted much of his effort the past three decades to making the world safe for democratic capitalism. [[That message now opens new worlds from Moscow to Warsaw. I just wish we could say the same of Washington.]] //

Irving also runs one of America's most formidable one-man talent agencies. Not only his own son, Bill, who so ably serves this Administration -- but legions of proteges in every corner of the political and intellectual worlds open doors by saying, "Irving sent me." ///

I'm pleased to have this opportunity to speak to all of you today. AEI epitomizes something quintessentially American -- the engaged intellectual. Many of you have served in government -- and lived to tell about it. //

AEI encourages the ideal of the citizen-scholar -- a kind of modern-day Cincinnatus: ready to answer your country's call, and when your work is done -- content to return to your word processors. //

For the past three years you've been especially gracious in offering me advice on all manner of issues. I thank you for your support -- and yes, for what I'll call your // "constructive criticism."

In the short space of those three years, we've seen our world transformed. The challenges, the conflicts that defined a the world we knew: The collapse of communism, the Cold War's end and the triumph of the democratic idea: Epoch-making events made possible by many of the men and women in this room. //

As I've said before, the Cold War was -- in its decisive aspect -- a war of ideas: A clash between two systems speaking to the deepest dreams and desires of man. The fact that the battle was won by Western ideals -- the fact that in the nations of the old Warsaw Pact and even within the Soviet Union, free governments and free markets are taking root -- stands as a tribute to the ideas and ideals that guide AEI. //

A new era brings with it a need for new guideposts -- for solutions and approaches that keep pace with the times. The fact that at long last we celebrate a world transformed inevitably means change here at home. //

Right now, the focus here in Washington and across the country is on the economy. / Yesterday I was in Bradenton, Florida and Meridian, Mississippi, meeting with working Americans, listening to what's on their minds -- the same way I've listened to people across America -- 48 states to be exact - for three years now. / These are tough times. Many Americans

sounds like he would listen to a states

are worried. They're looking for a sign from Washington that someone cares -- understands what's happening. I hope I've made clear that I do.

These people won't feel comforted by a weighty discourse on the difficulties of divided government. // They know that, whatever the leading economic indicators might say, for a person who's lost his job -- the unemployment rate is 100%. // They are impatient, tired of excuses. They want action -- and they can't understand the political gridlock that too often paralyzes Washington, D.C. //

But governing requires more than action for action's sake. [[The scholars of American history here today can vouch for the fact that I'm not the only one who fears our basic liberties are not safe so long as Congress is in session.]] I made a promise some time back that I owe it to the American taxpayer never to leave Congress "home alone." //

You see, too many in Congress make the easy assumption that when polls tell us about dissatisfaction with Washington -- it means they want government to do more, take more power to itself. But that notion simply doesn't square with my sense of what people want. Look back over the 60's and 70's -- over a generation of creeping centralism -- every inch of the road paved by good intentions. / Yes, the American people want government to act -- but not to build new bureaucracies or create more red tape. Across America, we see a demand for greater freedom of action. A public weary of mandates, regulations and taxes wants

to reverse the flow of government power -- to restore authority to the people. //

In the political and social sphere, this new demand for freedom of action means policies that enhance the power of the individual -- strengthen the family. You can see those ideas translated into action in this Administration's stand against quotas -- and for real equality of opportunity; in our child care bill, a victory against the forces that saw this issue as a chance to build a brave new child care bureaucracy. You can see it in our HOPE program's emphasis on turning tenants into homeowners. //

Take a look at our education strategy, America 2000. What worries "the educrats" -- the defenders of the status quo who are more comfortable here inside the Beltway than in front of the blackboard -- isn't that our plan won't work. They worry that it will. // They look at America 2000 with about the same enthusiasm that candle makers looked at Edison's light bulb.

[[And think of all the firemen that put out of work!]] // They know that choice, competition and community involvement are revolutionary concepts -- capable of literally re-inventing the American school. //

In the economic sphere, the demand for freedom of action means policies that promote market-based solutions: The kind we fought for in the amendments to the Clean Air Act, and built into our energy strategy. //

*parallel of
putting people
out of work?*

Let me focus in more detail about what this means given our current economic situation. / No one should be complacent about the sluggish economy or stubborn unemployment rates. / We need to be candid about the fact that hasty government intervention in the economy is likely to do more harm than good. We need to resist feel-good solutions that would tilt a listless recovery back into recession. Rather, we need to keep our focus on the fundamentals -- on the underlying factors that propel our economy toward growth.

From the first, we've built our long-term growth strategy on several key elements: unleashing capital and reducing tax burdens; keeping inflation in check -- and sustaining the policies that helped bring interest rates to these historic low levels.

Second, we recognize the need to keep American business competitive: to slash red tape and regulations wherever possible -- draw the line against government mandates that handcuff the American entrepreneur. [[Chris DeMuth and Bill Kristol -- with his involvement in the Competitiveness Council -- can tell you stories that will make your hair curl.]] And true competitiveness includes real tort reform -- capping these crippling sky's-the-limit liability awards, which exert such a strong "chilling effect" on entrepreneurs ready to bring new products to market.

Third, as a nation, we've got to make good on our commitment to quality education and job training, to ensure a workforce ready for the challenges a new century will bring.

Fourth, we've got to control the deficit. Keep spending down -- and avoid driving interest rates up again. //

And finally, we've got to make certain American businesses compete on an equal footing -- and that means a government committed to the principles of free and fair trade. We've fought to advance those principles from the EC to East Asia -- in the Uruguay Round and with our promising Enterprise for the Americas Initiative. //

We feel the benefits of foreign trade right here at home. Each additional billion dollars in manufactured trade means another 20,000 American jobs. And yet in spite of the fact that last year alone, manufacturing exports accounted for nearly all of this nation's economic growth -- a new breed of isolationists seem to think domestic policy ends at the water's edge. //

[[Thank God they weren't around back in 1492 -- imagine the hard time they'd have given Columbus.]] Voices on the Right and Left are working right now to breathe new life into that old Flat-Earth theory of "America First." // But there is no going back to the old isolationism. Our new world is far smaller -- our horizons stretch much farther with each generation. This is 1991 -- not 1791: A horse-and-buggy attitude won't carry us into the next century. //

On certain issues -- many in the foreign policy sphere -- the President possesses all the authority he needs to advance an ambitious agenda. But there are things no President can do unilaterally -- times when the need for action finds the President and Congress pulling in different directions. I don't approach the problem of divided government as a political scientist. The ideal solution to divided government remains a government united in pursuit of the public good. [[In other words, my preferred solution to divided government is a Republican Congress.]] // In the meanwhile, I'll keep pushing Congress -- reaching out when I can, giving a kinder, gentler poke now and again when necessary -- to work with me to get the job done. //

I called on Congress to join me in responsible action long before our economy began to struggle. / I said back in 1989 -- during the longest peacetime recovery on record -- that America could not rest easy, that we needed to look to the long-term, put in place policies that would sustain growth and create jobs. I offered then the first of three economic growth packages. Three sessions of Congress have come and gone. Everyone knows the result: Plenty of pontificating -- precious little action. //

Every one of the proposals I've sent up to Capitol Hill serves the single standard of generating growth -- and that includes the capital gains tax cut my opponents have labeled "controversial." // My opponents like to treat capital gains as a code word for class warfare -- even at the very same time

they're learning to pay lip service to a concept called competitiveness. I wonder whether they realize the U.S. is saddled with capital gains tax rates far higher than our key international competitors? In the end, these higher costs for capital cripple competitiveness -- and cost American jobs. //

When I deliver my State of the Union message in January, I'll call on Congress to set aside politics and focus on the public interest: I'll challenge them to enact a common-sense set of economic reforms. / If we do our work promptly, we'll still have plenty of time left in 1992 for partisan politics. //

In the meantime, there is a great deal we ^(will) can do in the Executive Branch to foster economic growth without waiting for Congress to act. We will move forward to implement important elements of our National Energy Strategy. We will continue to do all we can to drive down barriers to trade and open foreign markets to American goods. We will continue to seek ways to lift the burden of federal regulation without compromising public health or safety. As I said Monday, we will move quickly to implement the job-intensive transportation bill -- and I have ordered federal agencies to review the effectiveness of a full range of programs: from small business loans to job placement and job training, to the process for getting unemployment checks out to the workers and families waiting for them. // None of these actions can substitute for effective Congressional action - - but each can help move the economy along. //

I'm confident we can act to advance America's interests -- and I'm certain we must, because our world demands it. The challenge now is to keep pace with change -- to shed the old, out-dated ways of thinking and seize this moment we've created: to help the U.S. meet and master the challenges of the international economy -- to help America forge a new world order: peaceful, prosperous and free. ///

I'm confident we'll meet the challenges thrown open in this new world, because I remain convinced America's "fundamentals" are sound -- not just the economic indicators I mentioned a few moments ago, but the broad fundamentals that sustain American society: Faith and family. The fellow feeling that leads millions of Americans to help neighbors in need -- without looking to Washington for guidance. And of course, the cornerstone of our American idea: the bedrock belief in freedom that led us forward from Valley Forge to Desert Storm to the new world now unfolding around us. //

Look out on the horizon: To the America the rest of the world looks to for leadership. To the America that exalts enterprise and sweat -- the hands that work and the unlimited power of the human mind. To the America whose very name means freedom for millions around the world. That America possesses a power that does not owe its strength to government -- an appeal that begins and ends in the living example of its people. //

Once again, I thank all of you for this warm welcome -- and may God bless the United States of America.

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Political Quotations

A Collection of Notable Sayings on Politics from Antiquity through 1989

Daniel B. Baker, Editor

2209. To those waiting with bated breath for that favourite media catch-phrase, the U-turn, I have only one thing to say: you turn if you want to. The lady's not turning. —Margaret Thatcher, speech to the Conservative party annual conference, Oct, 1980
2210. The statesman's duty is to bridge the gap between his nation's experience and his vision. —Henry A. Kissinger, *Years of Upheaval*, 1982
2211. To have striven so hard, to have moulded a public personality out of so amorphous an identity, to have sustained that superhuman effort only to end with every weakness disclosed and every error compounding the downfall—that was a fate of biblical proportions. Evidently the Deity would not tolerate the presumption that all can be manipulated; an object lesson of the limits of human presumption was necessary. —Henry A. Kissinger, on the resignation of Richard Nixon, *Years of Upheaval*, 1982
2212. For some days, people thought that India was shaking. But there are always tremors when a great tree falls. —Rajiv Gandhi, speech following his mother's assassination, *The New York Times*, Nov 20, 1984
2213. If I die a violent death, as some fear and a few are plotting, I know that the violence will be in the thought and the action of the assassins, not in my dying. —Indira Gandhi, handwritten statement found after her death, Oct 31, 1984
2214. I am a leader by default, only because nature does not allow a vacuum. —Desmond Tutu, *Christian Science Monitor*, Dec 20, 1984
2215. If you lead a country like Britain, a strong country, a country which has taken a lead in world affairs in good times and in bad, a country that is always reliable, then you have to have a touch of iron about you. —Margaret Thatcher, on reference to her as the Iron Lady, *Daily Telegraph*, Mar 21, 1986
2216. I do not know anyone who has got to the top without hard work. That is the recipe. It will not always get you to the top, but should get you pretty near. —Margaret Thatcher, *Daily Telegraph*, Mar 21, 1986
2217. What is success? I think it is a mixture of having a flair for the thing that you are doing; knowing that it is not enough, that you have got to have hard work and a certain sense of purpose. —Margaret Thatcher, *Parade*, Jul 13, 1986
2218. It was sheer professionalism and inspiration and the fact that you really cannot have people marching into other people's territory and staying there. —Margaret Thatcher, on the Falklands War, *New Yorker*, Feb 10, 1986
2219. I have been underestimated for decades. I've done very well that way. —Helmut Kohl, *The New York Times*, Jan 25, 1987
2220. There's nothing wrong with having a big ego. It's all right to have a Rolls Royce ego so long as you don't have a bicycle brain. If they coordinate, you can work it out pretty well. —Jesse Jackson, "Meet the Press," NBC-TV, Jun 12, 1988

LEGISLATURES AND LEGISLATION

2221. Parliament is not a congress of ambassadors from different and hostile interests; which interests each must maintain, as an agent and advocate, against other agents and advocates; but parliament is a deliberative assembly of one nation, with one interest, that of the whole. —Edmund Burke, speech to the electors of Bristol, Nov 3, 1774
2222. To render it (legislation) agreeable to good policy, three things are requisite. First, that the necessity of the times requires it; secondly, that it be not the probable source of greater evils than those it pretends to remedy; and lastly, that it have a probability of success. —Alexander Hamilton, "A Full Vindication", Dec 15, 1774

2223. The Commons, faithful to their system, remained in a wise and masterly inactivity. —Sir James Mackintosh, *Vindiciae Gallicae*, 1791
2224. Take a single step beyond the boundaries ... specially drawn around the powers of Congress, is to take possession of a boundless field of power, no longer susceptible of any definition. —Thomas Jefferson, "Opinion on the Constitutionality of the Bill for Establishing a National Bank", Feb 15, 1791
2225. Only make wise and moderate laws. But have them carried out with force and vigor. [*Nir faites que les lois sages et modérées. Faites-les exécuter avec force et énergie.*] —Napoleon I, letter to the provisional government of the Ligurian Republic, Nov 11, 1797
2226. Legislation is not changed every day. [*On ne change pas la législation tous les jours.*] —Napoleon I, decision, Sep 18, 1805
2227. All the public business in Congress now connects itself with intrigues, and there is great danger that the whole government will degenerate into a struggle of cabals. —John Quincy Adams, *Diary*, Jan, 1819
2228. When no limits are set to representative authority, the representatives of the people are not defenders of liberty but candidates for tyranny. —Benjamin Constant de Rebecque, *Course of Constitutional Politics*, 1817-20
2229. That 150 lawyers should do business together is not to be expected. —Thomas Jefferson, on the functioning of Congress, *Autobiography*, Jan 6, 1821
2230. The science of legislation is like that of medicine in one respect: that it is far more easy to point out what will do harm than what will do good. —Charles Caleb Colton, *Lacön*, 1825
2231. We ought to observe that practice which is the hardest of all—especially for young physicians—we ought to throw in no medicine at all—to abstain—to observe a wise and masterly inactivity. —John Randolph of Roanoke, speech in the U.S. Senate, Jan 25, 1828
2232. The great problem of legislation is, so to organize the civil government of a community ... that in the operation of human institutions upon social action, self-love and social may be made the same. —John Quincy Adams, "Society and Civilization", *American Review*, Jul, 1845
2233. That a Parliament, especially a Parliament with Newspaper Reporters firmly established in it, is an entity which by its very nature cannot do work, but can do talk only. —Thomas Carlyle, *Latter-Day Pamphlets*, 1850
2234. Parliament will train you to talk; and above all things to hear, with patience, unlimited quantities of foolish talk. —Thomas Carlyle, *Latter-Day Pamphlets*, 1850
2235. The House of Commons allows itself to be led, but does not like to be driven, and is apt to turn upon those who attempts to drive it. —3rd Viscount Palmerston, letter to William Gladstone, May 16, 1861
2236. No man's life, liberty or property are safe while the Legislature is in session. —Anonymous, quoted by Gideon J. Tucker, *New York Surrogate Reports*, 1866
2237. Let us give our Republic not the best possible laws but the best which they will bear. This is the essence of politics; all the rest is speculation. —Sir William Harcourt, letter to Charles Dilke, 1870
2238. Permissive legislation is the characteristic of a free people. —Benjamin Disraeli, speech in the House of Commons, Jun 18, 1875
2239. If there is a free contract, in open market, between capital and labour, it cannot be right that one of the two contracting parties should have the making of the laws. —Lord Acton, letter to Mary Gladstone, Apr 24, 1881

It could probably be shown by facts and figures that there is no distinctly native American criminal class except Congress. —Mark Twain, *Following the Equator*, 1897

It must be remembered that legislatures are ultimate guardians of the liberties and welfare of the people in quite as great a degree as the courts. —Oliver Wendell Holmes Jr., *Missouri, Kansas and Texas Railway Company v. May*, 1904

It is his jooty to rigorously enforce th' rules iv th' Sinit. There ar're none. Th' Sinit is to be courtesy, like th' longshoreman's union. —Finley Peter Dunne, "The Vice-President", *Cartoons by Mr. Dooley*, 1906

A little group of wilful men (filibustering senators) representing no opinion but their own rendered the great government of the United States helpless and contemptible. —Woodrow Wilson, address to the nation, Mar 4, 1917

Now and then an innocent man is sent to the legislature. —"Kin" Hubbard, saying

Nearly all legislation is the result of compromise. —Joseph G. Cannon, quoted on his retirement, *The Baltimore Sun*, Mar 4, 1923

I may have grown cynical from long service, but ... I sometimes think I'd rather be a dog bay at the moon than stay in the Senate another six years and listen to it. —John Sharp Williams, retirement speech, Mar 4, 1923

When not realities but words are to be discussed Parliament wakes up. Then we are back to the comfortable pre-war world of make-believe. Politics are safe again; hairs are to be split, facts to be faced. Hush! Do not awaken the dreamers. Facts will waken them in time with vengeance. —Sir Oswald Mosley, *Birmingham Town Crier*, Dec 23, 1929

There is good news from Washington today. The Congress is deadlocked and can't act. —Will Rogers, quoted, *Newsweek*, Jun 9, 1975

The legislature, like the executive, has ceased to be even the creature of the people: it is creature of pressure groups, and most of them, it must be manifest, are of dubious wisdom even more dubious honesty. —H.L. Mencken, "The Library", *The American Mercury*, May 1919

If today our action employs among its different weapons that of parliament, that is not any that parliamentary parties exist only for parliamentary ends. For us parliament is not an end in itself, but merely a means to an end. —Adolf Hitler, speech in Munich, Sep 23, 1930

"Do you pray for the Senators, Dr. Hale?" someone asked the chaplain. "No, I look at Senators and pray for the country." —Edward Everett Hale, quoted by Van Wyck Brooks, *England: Indian Summer, 1865-1915*, 1940

One thing the House will NEVER forgive and that is if a Minister misleads it. If you find you have given an answer that isn't true, acknowledge it at once and express your regret. —Stanley Baldwin, letter to Sir John Reith, Jan 31, 1940

The only way to do anything in the American government is to bypass the Senate. —Franklin D. Roosevelt, quoted, on his return from the Yalta Conference, *Chicago Tribune*, May 29, 1977

The great executives have given inspiration and push to the advancement of human society, but it is the legislator who has given stability and continuity to that slow and painful progress. —J. William Fulbright, speech at Univ. of Chicago, 1946

In one sense the House of Commons is the most unrepresentative of representative assemblies. It is an elaborate conspiracy to prevent the real clash of opinion which exists outside in finding an appropriate echo within its walls. It is a social shock absorber placed between privilege and the pressure of popular discontent. —Aneurin Bevan, *In Place of Fear*, 1952

2256. Parliament has joined the monarchy as a dignified, not an effective, element in the Constitution. —Richard Crossman, *Diary*, Mar 19, 1959

2257. Legislators represent people, not trees or acres. Legislators are elected by voters, not farms or cities or economic interests. —Earl Warren, *Reynolds v. Sims*, Jun 15, 1964

2258. If Moses had gone to Harvard Law School and spent three years working on the Hill, he would have written the Ten Commandments with three exceptions and a savings clause. —Charles Morgan Jr., *Rolling Stone*, Jan 15, 1976

2259. If you love the law and you love good sausage, don't watch either of them being made. —Betty Talmadge, *The Reader*, Nov 25, 1977

2260. The Senate is a place filled with goodwill and good intentions, and if the road to hell is paved with them, then it's a pretty good detour. —Hubert H. Humphrey, quoted, *Newsweek*, Jan 23, 1978

2261. (Congress is) functioning the way the Founding Fathers intended—not very well. They understood that if you move too quickly, our democracy will be less responsible to the majority. —Barber B. Conable Jr., *Time*, Oct 22, 1984

2262. Exhaustion and exasperation are frequently the handmaidens of legislative decision. —Barber B. Conable Jr., *Time*, Oct 22, 1984

2263. I don't think it's the function of Congress to function well. It should drag its heels on the way to decision. —Barber B. Conable Jr., *Time*, Oct 22, 1984

2264. This bill is the legislative equivalent of crack. It yields a short-term high but does long-term damage to the system and it's expensive to boot. —Barney Frank, remarks on an anti-drug bill passed by the U.S. House of Representatives, *The New York Times*, Sep 12, 1986

2265. We're in the hands of the state legislature and God, but at the moment, the state legislature has more to say than God. —Edward I. Koch, on budget of New York City, *The New York Times*, Jun 27, 1986

LIBERALISM

2266. I am a moderate liberal, as all rational people are and ought to be, and it is in this spirit that I have tried to act throughout a long life. [*Ein gemässiger Liberale, wie es alle vernünftigen Leute sind und sein sollen, und wie ich selber es bin und in welchem Sinne zu wirken ich während eines langen Lebens nicht bemüht habe.*] —Johann Wolfgang von Goethe, quoted by Johann Peter Eckermann, *Conversations with Goethe*, Feb 30, 1830

2267. Liberalism is trust of the people tempered by prudence; Conservatism is distrust of the people tempered by fear. —William Ewart Gladstone, speech in Plumstead, England, 1878

2268. Liberal institutions straightway cease from being liberal the moment they are soundly established. [*Die liberalen Institutionen hören alsbald auf, liberal zu sein, sobald sie erreicht sind.*] —Friedrich Nietzsche, "Skirmishes in a War with the Age", *Twilight of the Idols*, 1888

2269. The main principle and foundation of liberalism is the rejection of the divine law. ... It rejects and destroys all authority and divine law. —Leo XIII, letter to Archbishop of Bogotá, Apr 6, 1900

2270. A liberal mind is a mind that is able to imagine itself believing anything. —Max Eastman, *Masses*, Sep, 1917

2271. A Liberal is a man who uses his legs and his hands at the behest—at the command—of his head. —Franklin D. Roosevelt, radio address, Oct 26, 1939

2272. It is the duty of the liberal to protect and to extend the basic democratic freedoms. —Chester Bowles, *New Republic*, Jul 22, 1946

- NO CONGRESS AS of 2 Dec. 91
- NO CABINET 11 a.m.

McGroarty/Bunton
November 29, 1991
4:00 pm
[AEI]

PRESIDENTIAL REMARKS: AMERICAN ENTERPRISE INSTITUTE LUNCHEON
THE WILLARD HOTEL
DECEMBER 4, 1991
12:45 P.M.

*expected to attend
11am 2/12/91
Chris Myers*

Thank you, Chris [DeMuth, AEI President], for those warm words. [Introductory acknowledgements: AEI scholars, corporate leaders.] Finally, let me salute Irving Kristol -- honored by AEI with this year's Francis Boyer Award -- for the abundance of insight he brings to the study of American politics, the American system, and American society. // Irving has devoted much of his efforts the past three decades to making the world safe for democratic capitalism. [[That message now opens new worlds from Moscow to Warsaw. I just wish we could say the same of Washington.]] //

Irving also runs one of America's most formidable one-man talent agencies. Not only his own son, Bill, who so ably serves this Administration -- but legions of proteges in every corner of the political and intellectual worlds open doors by saying, "Irving sent me." ///

I'm pleased to have this opportunity to speak to all of you today. AEI epitomizes something quintessentially American -- the engaged intellectual. Many of you have served in government -- and lived to tell about it. //

AEI encourages the ideal of the citizen-scholar -- a kind of modern-day Cincinnatus: ready to answer your country's call, and

when your work's done -- content to return to your word processors. //

For the past three years you've been especially gracious in offering me advice on all manner of issues. I thank you for your support -- and yes, for what I'll call your // "constructive criticism."

Right now, the focus here in Washington and across the country is on the economy. / Yesterday I was in Miami and Meridian, Mississippi, meeting with working Americans, listening to what's on their minds -- the same way I've listened to people across America for three years now. / People are hurting. They're worried. They're looking for some sign from Washington that someone cares. I hope I've made clear that I do.

These people won't feel comforted by a weighty discourse on the difficulties of divided government. These people are impatient, tired of excuses. They want action -- and they can't understand the political gridlock that paralyzes us.

But governing requires more than action for action's sake. A respectable body of thought, tracing back to America's founding era, warns that our basic liberties are not safe so long as Congress is in session. //

Too many critics make the easy assumption that when polls tell us people feel dissatisfied with Washington -- it means they want government to do more, take more power to itself. But that notion simply doesn't square with my sense of what people want. Look back over the past twenty-five years -- over a generation of

Bradenton, Fla.

quote →

creeping centralism -- every inch of the road paved by good intentions. Yes, the American people want government to act -- but not to build new bureaucracies or create more red tape. Across America, we see a demand for greater freedom of action. A public weary of mandates, regulations and taxes wants to reverse the flow of government power -- to restore authority to the people. //

In the political and social sphere, this new demand for freedom of action means policies that enhance the power of the individual -- strengthen the family. You can see those ideas translated into action in our stand against quotas -- and for real equality of opportunity; in our child care bill, a victory against the forces that saw this issue as a chance to build a brave new child care bureaucracy -- in our HOPE program's emphasis on turning tenants into homeowners. //

Take a look at our education strategy, America 2000. What worries "the educrats" -- the defenders of the status quo who are more comfortable here inside the Beltway than in front of the blackboard -- isn't that our plan won't work. They worry that it will. // They look at America 2000 with about the same enthusiasm that candle makers looked at Edison's light bulb. [[And think of all the firemen put out of work.]] // They know that choice, competition and community involvement will literally re-invent the American school. //

In the economic sphere, the demand for freedom of action means policies that promote market-based solutions: The kind we

fought for in the amendments to the Clean Air Act, and built into our energy strategy. //

Let me focus in more detail about what this means given our current economic situation. / No one should be complacent about the sluggish economy or stubborn unemployment rates. / We need to be candid about the fact that government intervention in the economy can often do more harm than good. We need to resist well-intended actions that would tilt a fragile recovery back into recession. Finally, we need to keep our focus on the fundamentals -- on the underlying factors that propel our economy toward growth.

✓ Tom Skladony - AEI

Martin Diamond

[[In the words of one renowned AEI scholar: "We must have the courage to face the truth -- no matter how pleasant it is."]]

Inflation -- the stealth tax that hits every American right in the pocketbook -- remains under control. Interest rates have tumbled to their lowest levels in years. Each of these key factors points in a positive direction, and sustaining these conditions for growth remains government's central challenge. //

↓
ORAC.
NOT W/
PRINT

From the first, we've built our long-term growth strategy on several key elements: unleashing capital and reducing tax burdens; keeping inflation in check -- and sustaining the policies that helped bring interest rates to these historic low levels.

Second, we recognize the need to keep American business competitive: to slash red tape and regulations wherever possible -- draw the line against government mandates that handcuff the

(VPOUS 1034)
Dave Beckwith
says it's a stretch
VLM with to do w/ Council
VP Chief of Staff

American entrepreneur. [[Chris DeMuth and Bill Kristol -- with his involvement in the Competitiveness Council -- can tell you stories that will make your hair curl.]] And true competitiveness includes real tort reform -- capping these crippling sky's-the-limit liability awards.

Third, as a nation, we've got to make good on our commitment to quality education and job training, to ensure a workforce ready for the challenges a new century will bring.

Fourth, we've got to control the deficit. No one believes the budget agreement is perfect -- but it's the only thing that keeps Congress' hands out of the cookie jar. //

And finally, we've got to make certain American businesses compete on an equal footing -- and that means a government committed to the principles of free and fair trade. We've fought to advance those principles from the Uruguay Round to the EC, from East Asia to our promising Enterprise for the Americas Initiative. // In spite of the fact that last year alone, manufacturing exports accounted for nearly all of this nation's economic growth -- many of my critics seem to think domestic policy ends at the water's edge. / [[Thank God they weren't around back in 1492 -- imagine the hard time they'd have given Columbus.]] // Our new world is far smaller -- our horizons stretch much farther with each generation. This is 1991 -- not 1791: A horse-and-buggy attitude won't get us to the next century. //

In many cases, the President possesses all the authority he needs to advance an ambitious agenda. But there are things no President can do unilaterally -- times when the need for action finds the President and Congress pulling in different directions. / I don't approach the problem of divided government as a political scientist. The ideal solution to divided government remains a government united in pursuit of the public good. [[In other words, the preferred solution to divided government is a Republican Congress.]] // In the meanwhile, I'll keep pushing Congress -- reaching out when I can, giving a kinder, gentler poke now and again when necessary -- to work with me to get the job done. //

I've called on Congress to join me in responsible action long before our economy began to struggle. / I said back in 1989 -- during the longest peacetime recovery on record -- that America could not rest easy, that we needed to look to the long-term, put in place policies that would sustain opportunity and growth. I offered then the first of three economic growth packages. Three sessions of Congress have come and gone. Everyone knows the result: Plenty of accusations -- precious little action. //

Every one of the proposals I've sent up to Capitol Hill serves the single standard of generating growth -- and that includes the capital gains tax cut my opponents have labelled "controversial." // My opponents like to treat capital gains as a code word for class warfare -- even at the very same time

they're learning to pay lip service to a concept called competitiveness. I wonder whether they realize the U.S. is saddled with capital gains tax rates far higher than our key international competitors?

When I deliver my State of the Union message in January, I'll call on Congress to set aside politics and focus on the public interest: I'll challenge them to enact a common-sense set of economic reforms. / If we do our work promptly, we'll still have plenty of time left in 1992 for partisan politics. //

I'm confident we ^(will?) can act to advance America's interests -- and I'm certain we must, because our world demands it. We can celebrate the changes that transformed our world -- the collapse of communism, the Cold War's end and the triumph of the democratic idea: Epoch-making events made possible by many of the men and women in this room. // The challenge now is to keep pace with change -- to seize this moment we've created: to help the U.S. meet and master the challenges of the international economy -- to help America forge a new world order, peaceful, prosperous and free. ///

I'm confident we'll meet the challenges thrown open in this new world, because I remain convinced America's "fundamentals" are sound -- not just the economic indicators I mentioned a few moments ago, but the broad fundamentals that sustain American society: Faith and family. The fellow feeling that leads millions of Americans to help neighbors in need -- without looking to Washington for guidance. And of course, the

cornerstone of our American idea: the bedrock belief in freedom that led us forward from Valley Forge to Desert Storm to the new world now unfolding around us. //

Look out on the horizon: To the America the rest of the world looks to for leadership. To the America that remains the promised land for millions of immigrants -- welcomed here, when other nations have closed their doors. To the America that exalts enterprise and sweat, the hands that work and the unlimited power of the human mind. To the America whose very name means freedom. // That America possesses a power that does not owe its strength to government -- an appeal that begins and ends in the living example of its people. //

Once again, I thank all of you for this warm welcome -- and may God bless the United States of America.

#

American Enterprise Institute for Public Policy Research



Fax number: (202)862-7177/78

Transmission Memorandum

Teletcopy to the following number: 456 - 6218

The following document is for:

Name: Jeannie Bunton

Firm: Wit - speechwriting

The document is from:

Name: Chris Myers *call if any questions*

Phone number: 862 - 5844

This transmission memorandum plus 4 pages

Date: 11/27/91 Time: 3:15

Note:

American Enterprise Institute
for Public Policy Research

The American Enterprise Institute is a private research organization dedicated to preserving and improving the institutions of a free society--open and competitive private enterprise, limited and public-spirited government, strong and well-managed defense and foreign policies, and vital cultural and political values.

The Institute sponsors research, conferences, and debates and publishes books and periodicals on major issues of domestic and foreign policy. It takes care that its work is factual, fresh, and authoritative.

AEI is home to some of America's most renowned economists, legal scholars, political scientists, and foreign policy experts; it has been a training ground for many who have gone on to senior positions in government and business.

The Institute is financed by tax-deductible contributions from corporations, foundations, and individuals.

THIS JUST IN!
JR
3:25 p.m.

Chairman and CEO
Pollack Corp.

 **David Gerson**
Executive Vice President

This is for the
 But I thought it might be
 helpful to you

About Irving Kristol

Irving Kristol, who is John M. Olin Distinguished Fellow at the American Enterprise Institute, has been described as the most politically influential man of letters writing on American politics. His essays have been appearing in leading professional and intellectual journals for over fifty years. As editor or publisher of many of these journals, he has been mentor to several generations of younger scholars and social critics.

Mr. Kristol was born in New York City in 1920, graduated from the City College of New York in 1940, and served as a staff sergeant in the armored infantry in Europe in World War II.

He was managing editor of *Commentary* magazine from 1947 to 1952, cofounder of *Encounter* magazine and its editor from 1953 to 1958, editor of *The Reporter* magazine from 1959 to 1960, executive vice president of Basic Books from 1961 to 1969, and professor of social thought at the New York University Graduate School of Business from 1969 to 1988. Since 1972 he has been a member of the board of contributors of *The Wall Street Journal*, writing a monthly column for its editorial page.

Mr. Kristol is a founder of the two most important policy journals of the postwar era, *The Public Interest* and *The National Interest*. He has been coeditor of *The Public Interest* (first with Daniel Bell, more recently with Nathan Glazer) since its founding in 1965 and publisher of *The National Interest* (edited by Owen Harries) since its founding in 1985.

Three collections of Mr. Kristol's essays have appeared to date: *On the Democratic Idea in America* (1972), *Two Cheers for Capitalism* (1978), and *Reflections of a Neoconservative* (1983).

Mr. Kristol's Francis Boyer Award is inscribed:

For Irving Kristol

Who has enlarged the democratic idea in America
 and fathered an intellectual movement
 pursuing the public interest in thought and action

The Francis Boyer Lecture

The Francis Boyer Lecture on Public Policy is intended to illuminate central issues of public policy in contemporary America. The lecturer, selected by the American Enterprise Institute's Council of Academic Advisers, is an eminent thinker who has made notable intellectual or practical contributions to American society.

The Francis Boyer Lecture is delivered annually in Washington. It is made possible through an endowment created by SmithKline Beecham in memory of Mr. Boyer, the former chairman of SmithKline and a distinguished business leader for many decades.



**American
Enterprise
Institute**
for Public Policy Research

Annual Report 1990-1991

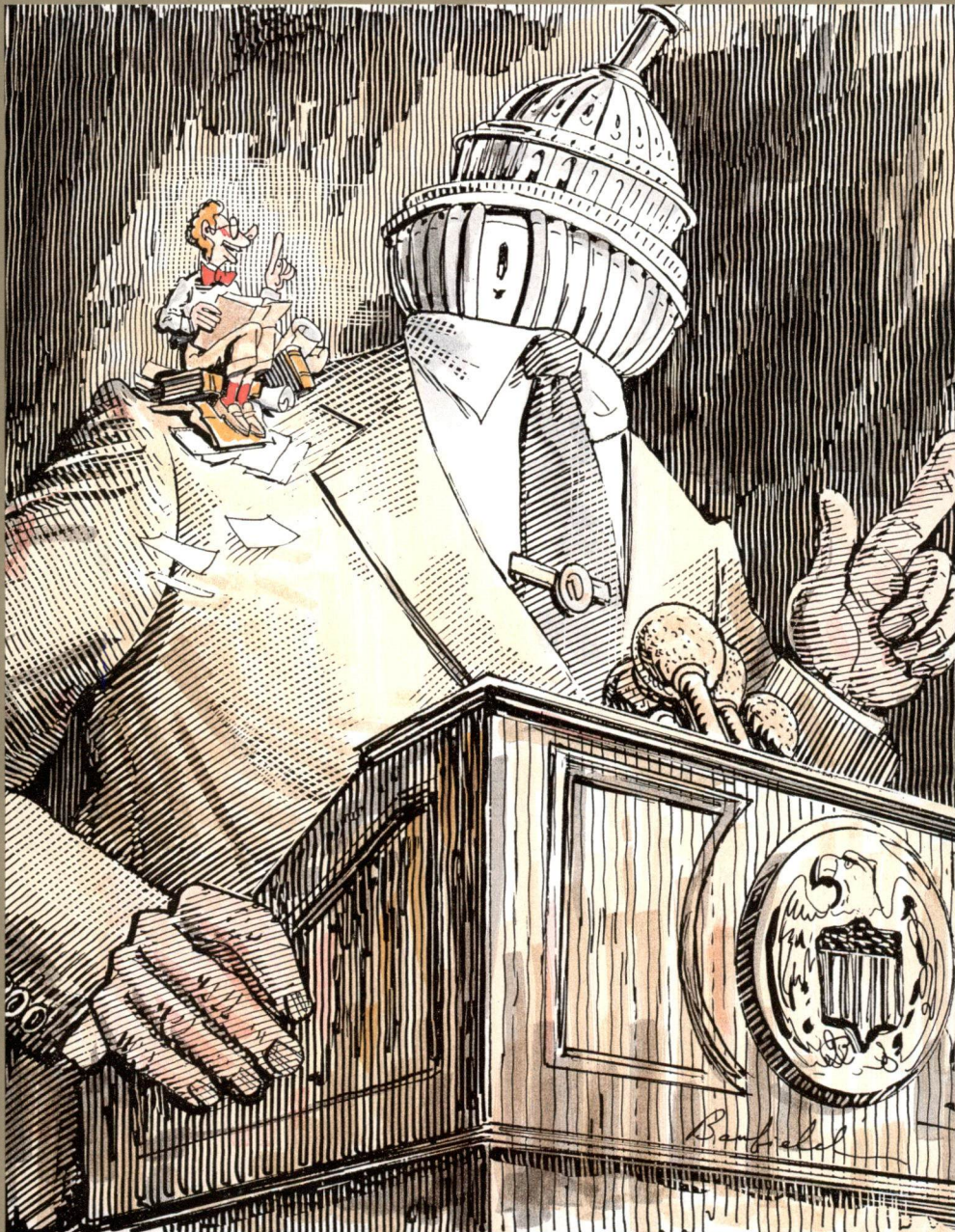
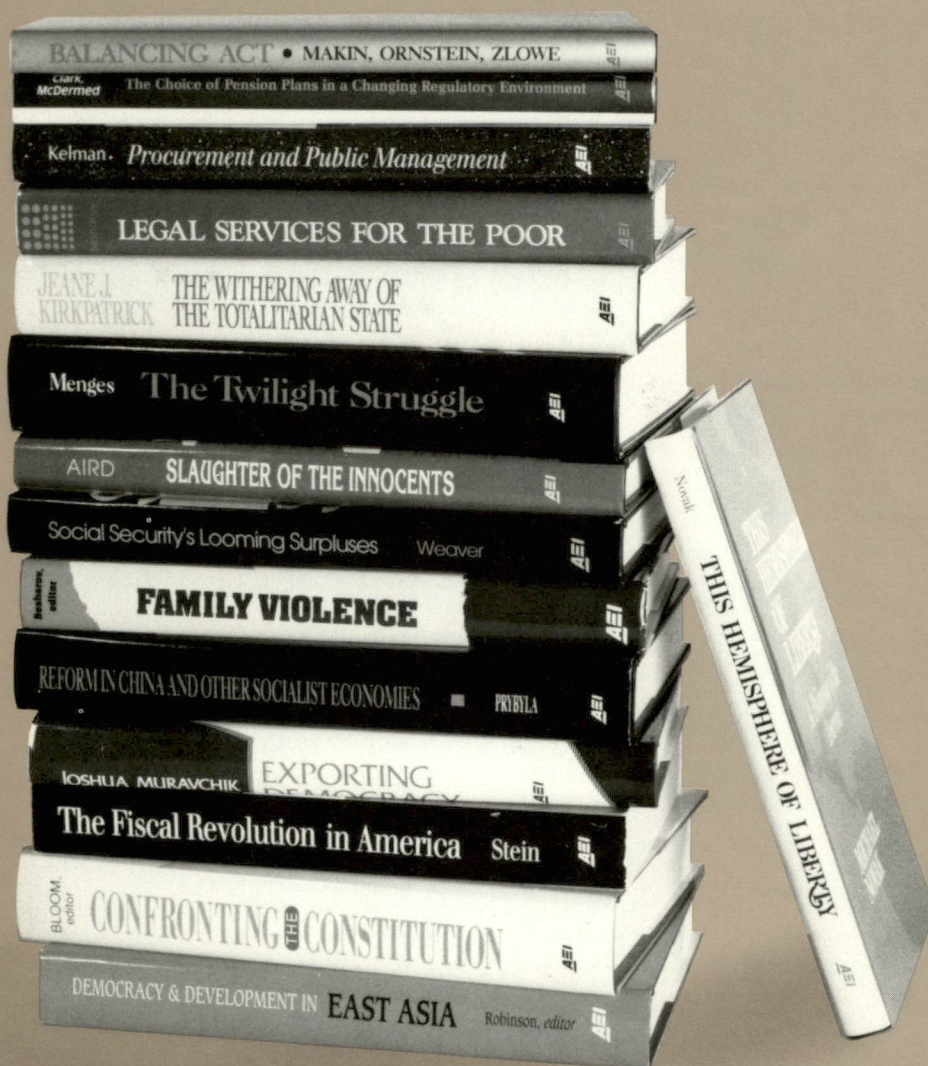


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The American Enterprise Institute, founded in 1943, sponsors original research on government policy, the American economy, and American politics. AEI research aims to preserve and to strengthen the foundations of a free society — limited government, competitive private enterprise, vital cultural and political institutions, and vigilant defense — through rigorous inquiry, debate, and writing. The Institute is home to some of America's most renowned economists, legal scholars, political scientists, and foreign policy specialists. AEI is an independent, nonpartisan organization financed by tax-deductible contributions from corporations, foundations, and individuals.

CHAIRMAN'S MESSAGE

This year's war in the Persian Gulf focused attention on policy debates as never before. Total defense expenditures, American technology, political solutions, energy policy, and the economic consequences of war are all subjects in the forefront of the American agenda.

On all these subjects and countless others, the American Enterprise Institute is on the leading edge with timely analyses and thoughtful recommendations for policy improvements.

One of the characteristics that distinguishes democracy from other forms of government is the extraordinary interplay of interests and ideas in the policy-making process. Businesses, the media, and citizens compete for the attention of elected representatives and appointed officials, whose decisions touch their lives and fortunes in so many ways.

To some, it is a confusing process. To others, particularly to those who, like me, have experienced other systems of government, it is one to cherish and to support.

From AEI's Washington offices come up-to-the-minute studies on major domestic and international issues. Distinguished foreign policy scholars like Jeane Kirkpatrick and Richard Perle, working with younger colleagues like Mark Falcoff, Patrick Glynn, and Joshua Muravchik, bring a keen awareness of the vital interests of the United States to their studies of the Soviet Union, the Middle East, and other parts of the globe.

Economists Marvin Kosters, John Makin, Allan Meltzer, Herbert Stein, and Irwin Stelzer write on taxation, fiscal and monetary policy, international trade, and other issues.

Social policy experts and political scientists such as Robert Bork, Irving Kristol, Michael Novak, Norman Ornstein, and Ben Wattenberg study elections, politics, demographics, family policy, and the battle for our common culture.

The range of AEI research is extensive. The focus is sharp and precise. The timing is felicitous. And the professional reputations of its scholars and fellows are unmatched by any comparable institution.



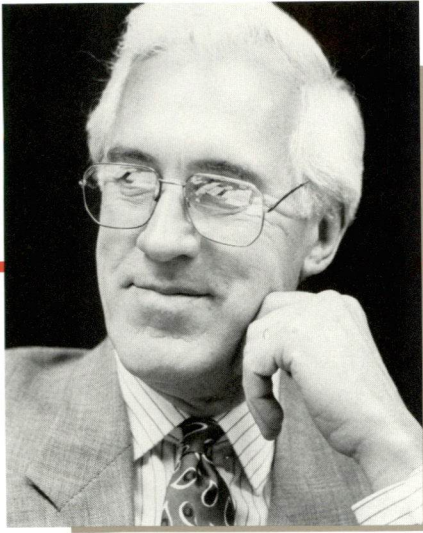
AEI Chairman Paul F. Oreffice, right, presents the Francis Boyer Award to Thomas Sowell, Hoover Institution senior fellow, at AEI's 1990 Annual Dinner.

“One of the characteristics that distinguishes democracy from other forms of government is the extraordinary interplay of interests and ideas in the policy-making process.”

—Paul F. Oreffice



Robert H. Malott, AEI trustee; Akio Morita, chairman, Sony Corporation; and Brent Scowcroft, U.S. national security adviser, at the 1990 World Forum.



*Richard D. Wood
AEI trustee*

Americans today seek diplomatic corollaries to our military success in the Persian Gulf. We want to export democracy to peoples of other lands who yearn for freedom. America continues to be the example that most others want to follow.

Our agenda on the home front is no less ambitious. We want to curb excessive government regulation and to cut wasteful spending and at the same time to educate our children better, to protect our environment, and to strengthen America's competitive edge.

At a time when so many problems crowd the agenda, when our nation operates under such severe financial restraints, we are fortunate indeed to have AEI's scholars concentrating their expertise on these debates.

In 1990 I succeeded Willard C. Butcher as chairman of AEI's Board of Trustees. All of us at AEI are greatly indebted to Bill for his extraordinary years of leadership, and I look forward to his continuing service on the Board. I also extend our sincere thanks to departing trustees Randall Meyer of Exxon, Edmund T. Pratt, Jr. of Pfizer, Mark Shepherd, Jr. of Texas Instruments, and Roger B. Smith of General Motors.

I have already come to appreciate other members of the Board — men whose years of accomplishment in business and public life prepared them well to guide AEI today. I take particular pleasure in welcoming our new trustees: Edwin L. Artzt of Proctor and Gamble, Malcolm S. Forbes, Jr. of Forbes, Inc., Wilson H. Taylor of Cigna, and Charles Wohlstetter of GTE.

Working with them, I intend to see that AEI's scholars have all the resources they need to continue their vital contributions to the democratic debate.

*Paul F. Oreffice
Chairman
AEI Board of Trustees*



David Packard, AEI trustee, and Margaret Thatcher, former British prime minister, meet following her March 1991 address in Washington.



Former AEI Chairman Willard C. Butcher and Paul F. Oreffice at the 1990 World Forum

PRESIDENT'S MESSAGE

It has been an eventful year, even by recent standards of pell-mell historical development. The brilliant success of the American-led forces in the Gulf war vindicated the military build-up of the Reagan years and the character and leadership of George Bush. But above all it vindicated freedom and democratic self-government: it demonstrated anew what free people are capable of when pushed. This is surely the chief lesson the world will draw from this brief, violent episode. The war was new evidence of the widening gulf between liberal democracies and dictatorships on all measures of proficiency, civilization, and well-being.

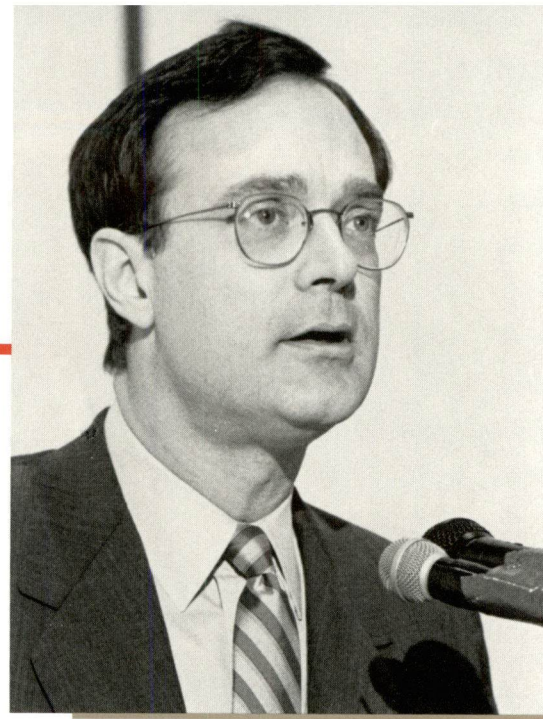
Unfortunately, domestic political developments were not so heartening. The federal budget was placed on autopilot through the 1992 elections with a bipartisan “deficit reduction package” that legislates substantial increases in taxation, spending, and deficits. The surge in federal regulation of virtually all major economic sectors, much of it harmful or counterproductive, was palpable to everyone in Washington and is contributing far more than is generally understood to the economy’s poor performance. Serious long-term problems — especially our huge, demographically

unsustainable income transfers to retired citizens from working-age citizens and their children, and the deep social disorders in our poorest urban communities — continued to be neglected.

Protectionist sentiment waxed strongly in Congress — fueled by increasing protectionist actions in Europe and Asia — leading to genuine apprehension about the future of the international trading order.

On these fronts and others — when our views were advancing and even when they were, for the moment, retreating or stymied — the American Enterprise Institute contributed abundantly to policy and policy debate throughout the year. We sought, as ever, to offer rigorous practical analyses and, where warranted, unflinching criticism; to remain slightly ahead of what was considered politically fashionable in establishment Washington; and to retain a sense of humor (portrayed in Elliott Banfield’s witty cover illustration) about the American political system and AEI’s distinctive role in that system.

Longstanding AEI research interests in the reform of financial market regulation, the promotion of democratic capitalism in Eastern Europe and elsewhere, and “new paradigms” for approaching problems of welfare and dependency emerged at the forefront of policy debate,



AEI President Christopher C. DeMuth

and our scholars and their research were consulted frequently by executive branch officials, members of Congress, business executives, and journalists.

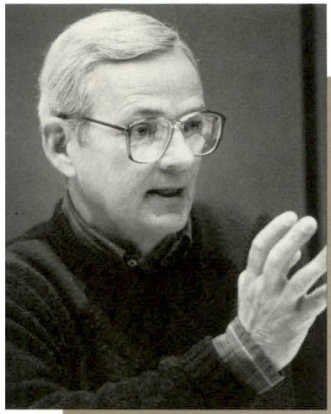
AEI initiated new research in environmental regulation, health care policy, social security reform, and campaign finance that is likely to pay off only slowly over time, but where the policy stakes clearly warrant such long-term intellectual investment.

AEI defense and foreign policy scholars made notable contributions to the Gulf war debate through essays in the national print media, television interviews, and private meetings from the Pentagon to Capitol Hill (a very senior administration official phoned for no other reason than to inform me that AEI had performed a “great national service” during the Gulf campaign).

Our own publications received wider readership than ever before. They included important, well-received new books by Jeane Kirkpatrick, Ben Wattenberg, Joshua Muravchik, and Dinesh D’Souza, and the



Above: Winton M. Blount, AEI trustee and treasurer; Turgut Ozal, president of Turkey, and Mr. DeMuth at AEI's dinner honoring President Ozal



Left: Paul H. O'Neill, AEI trustee

successful first year of our award-winning policy magazine, *The American Enterprise*. Other publications on subjects as diverse as pension regulation, child abuse, and infrastructure investment found their own more specialized audiences.

These and other endeavors are chronicled throughout this report. I would like to highlight our good fortune in attracting to AEI the eminent social scientist Charles Murray, whose position is supported by the Lynde and Harry Bradley Foundation; Robert Helms, who headed AEI health policy research for several productive years in the 1970s and is reestablishing our work in the area; Heather Gradison, former chairman of the Interstate Commerce Commission, who is working with me in initiating several new projects concerned with social and economic regulation; and General Bernard

Schriever, who oversaw the development and deployment of America's ICBMs in less time than it now takes a congressional committee to write a report on a procurement violation, and who is working on defense management and intelligence issues.

D. Gale Johnson of the University of Chicago retired as chairman of our Council of Academic Advisers after years of valuable contributions to AEI research, and he was succeeded by James Q. Wilson of the UCLA Graduate School of Management; the AEI Press will soon be publishing new books by both Gale (on agricultural trade issues) and Jim (on individual character and public policy).

Reflecting these new appointments and research projects, AEI's operating expenses grew 13 percent in 1990. Our research and publications activities actually grew somewhat more than this, as we were able to reduce our administrative expenses for the fourth consecutive year. AEI research continues to focus on the most critical issues affecting individual liberty and responsibility, limited government, and economic prosperity in the United States and the future of democracy and free enterprise around the globe.

AEI's financial performance in 1990 was robust; our revenues were 15 percent higher than the previous year,

reflecting healthy increases in donations from business firms, foundations, and individuals. We were, in addition, greatly honored to receive a major endowment gift from the W.H. Brady Foundation in memory of the late William H. Brady of Milwaukee, whose achievements as an industrialist were matched by his contributions to the conservative intellectual movement throughout his long and successful life. AEI's new W.H. Brady Distinguished Fellowship will be concerned with the cultural and philosophical underpinnings of the free society.

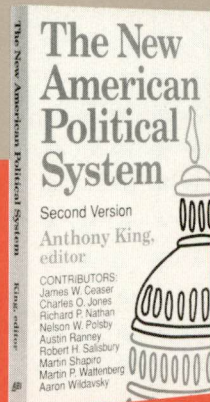
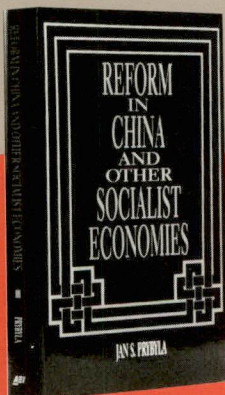
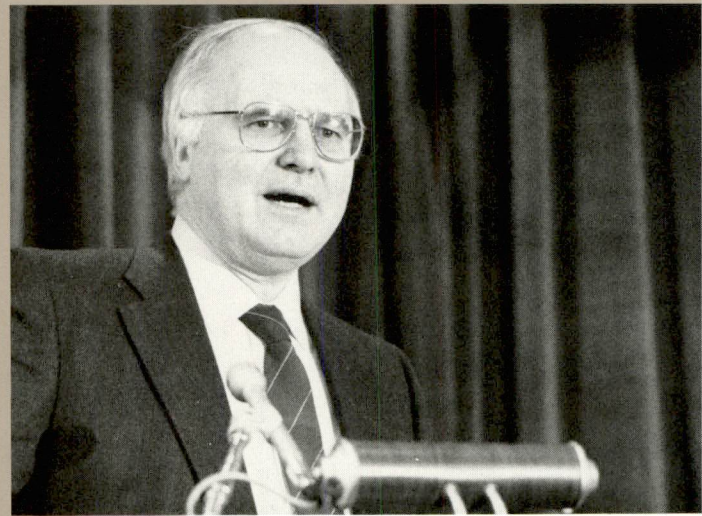
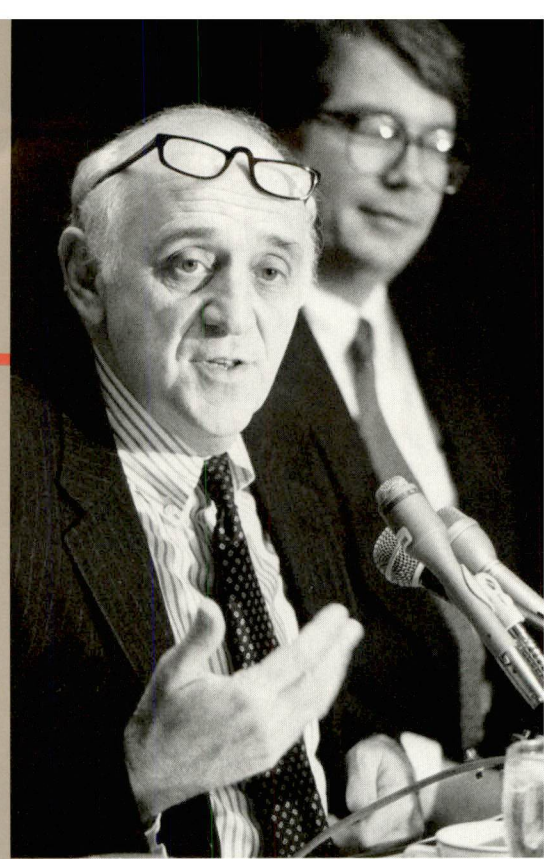
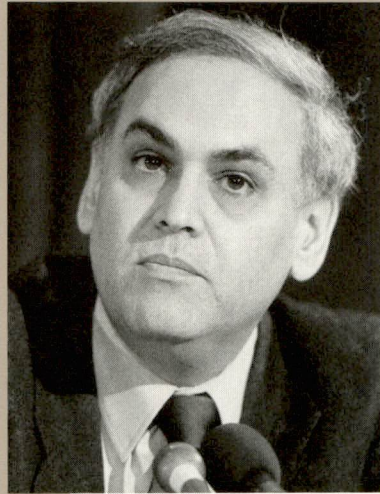
Fundraising for our 1991 program presents new challenges, because of the recession and the changing priorities of some large foundations that have supported AEI over the years. Although we are prepared to meet these challenges, the Institute cannot remain entirely dependent on annual gifts over the long run and requires some permanent endowment. I believe AEI's stature and purposes merit such an endowment, and I will be working with our trustees to attempt to build one as we approach our fiftieth anniversary in 1993.

Christopher C. DeMuth
President
American Enterprise Institute

AEI RESEARCH

AEI's name expresses its purpose. We are for American enterprise — for the maintenance of a free and prosperous economic order, a resolute national defense, and tradition-proven cultural and political values. And we are for public policy research — rigorous, independent research into questions of government policy and politics.

AEI research is concerned with three general subjects: domestic and international economic policy, led by Marvin Kosters; foreign and defense policy, led by Jeane Kirkpatrick; and social and political studies, led by Michael Novak.



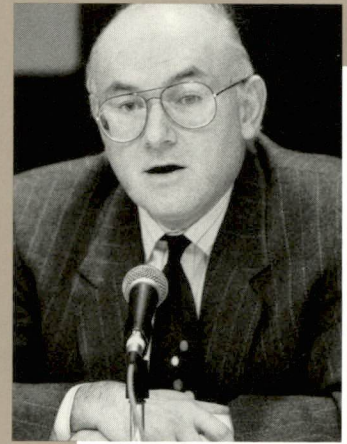
“The political system of the United States has proved itself remarkably flexible and resilient over a period of 200 years, a far longer period than most other systems have survived. There is no reason to suppose that it cannot be adapted to meet a new set of challenges, however unfamiliar.”

—Anthony King

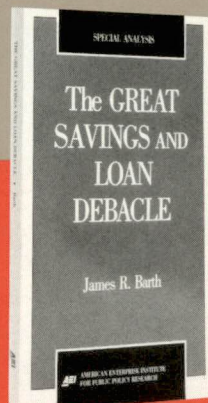
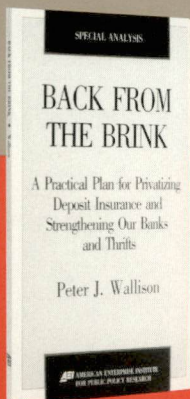


“Real financial reform will not come until large depositors have an incentive to monitor what their banks do, just as they monitor the credit-worthiness of others who owe them money.”

—Allan H. Meltzer



AET's resident faculty includes distinguished scholars and policy experts. Among them (clockwise from top right) are: Jeane J. Kirkpatrick, senior fellow; William Schneider, resident fellow; Allan H. Meltzer, visiting scholar; Michael Novak, George Frederick Jewett Scholar; Richard N. Perle, resident fellow; and Ben J. Wattenberg, senior fellow.

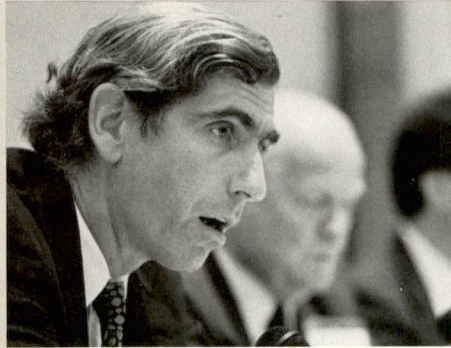


Economic Policy Studies

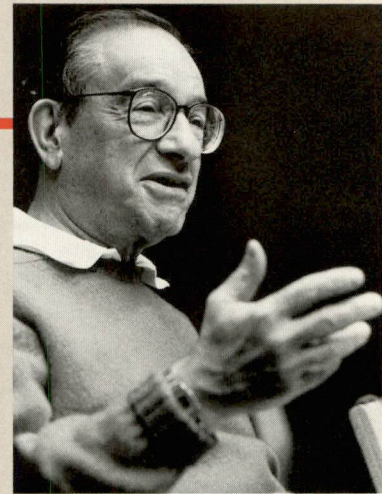
AEI was founded in 1943 mainly to conduct economic policy research. While our interests have broadened through the years, this area remains the core of our work. Our goal is to understand how to preserve the free society, how to solve the problems that arise in a free society, and how to utilize the strengths of a free society. Following are highlights of 1990-1991 economic policy studies.

“What makes the American society so adaptable is that we have an economic system interacting with a political system, each independent and each competitive within itself. Each system disciplines the other, limits its excesses, and acts to correct its deficiencies.”

—Herbert Stein



C. Boyden Gray, counsel to the president, at an AEI seminar



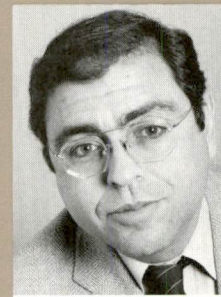
Alan Greenspan, Federal Reserve Board chairman, at the 1990 World Forum



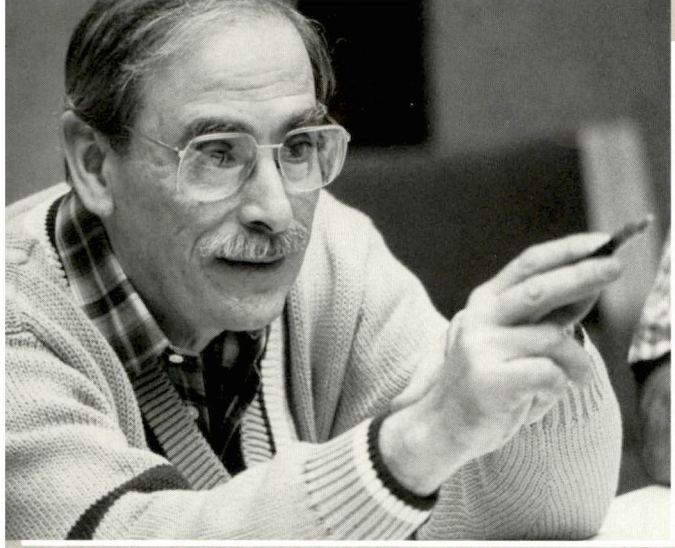
Senior Fellow Herbert Stein discusses the effects of defense spending on the federal budget at an AEI conference.



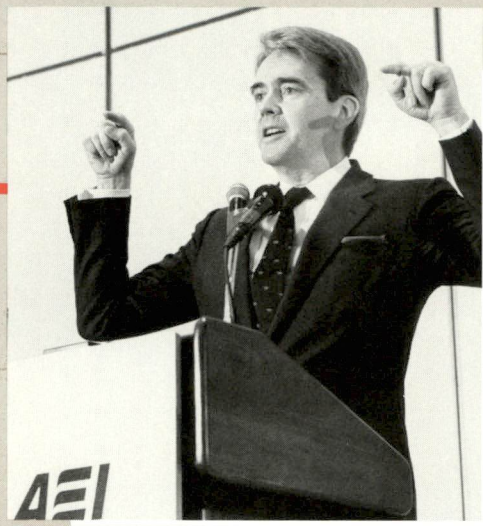
Resident Scholar **Claude E. Barfield** is director of science and technology policy studies at AEI. He writes on international trade and U.S. competitiveness and is director of AEI's Europe 1992 Project. With Mark Perlman Mr. Barfield edited *Industry, Services, and Agriculture: The United States Faces a United Europe* and *Capital Markets and Trade: The United States Faces a United Europe* (both AEI Press, forthcoming).



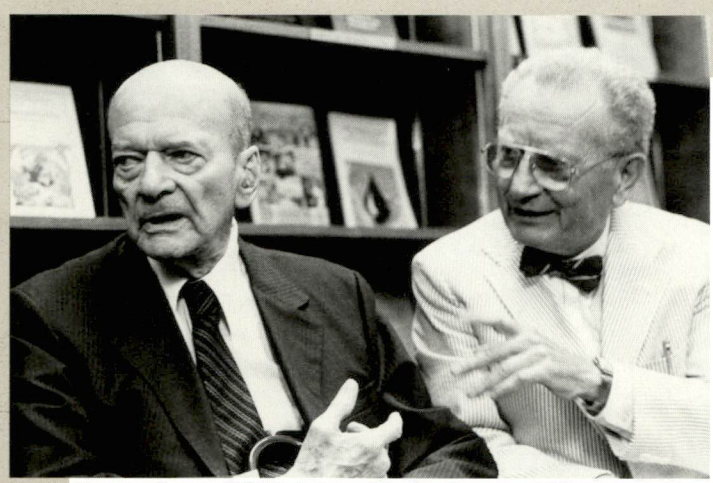
Douglas J. Besharov is resident scholar and director of the Social and Individual Responsibility Project. He is the author of *Recognizing Child Abuse: A Guide for the Concerned* (Free Press, 1990) and editor of *Legal Services for the Poor: Time for Reform, Family Violence: Research and Public Policy Issues*, and *Combating Child Abuse*, all published by AEI in 1990.



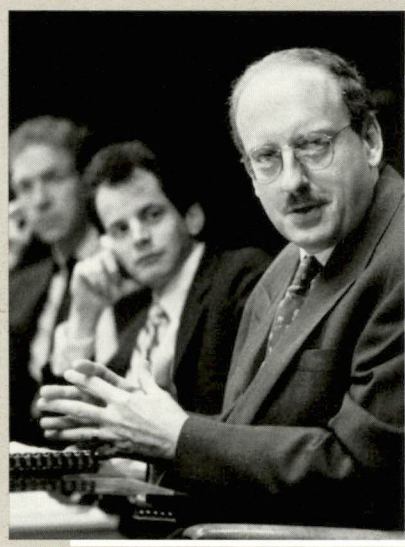
Resident Fellow Irwin M. Stelzer responds to a question at the 1990 World Forum.



William K. Reilly, Environmental Protection Agency administrator, at AEI's June 1990 conference, "Is Environmental Policy Good for Business?"



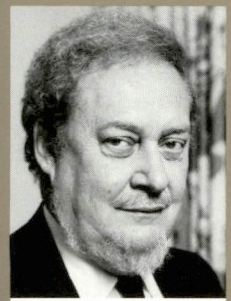
Paul A. Samuelson, Nobel Prize-winning economist (at right), discusses the lifetime contributions to economics of his teacher Gottfried Haberler at a luncheon honoring the AEI resident scholar on his ninetieth birthday in July 1990.



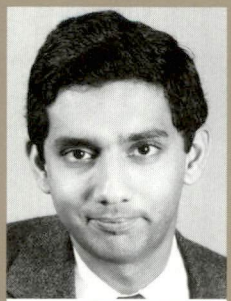
John H. Makin, resident scholar and director of fiscal policy studies at AEI

“Gottfried Haberler is a giant among giants.”

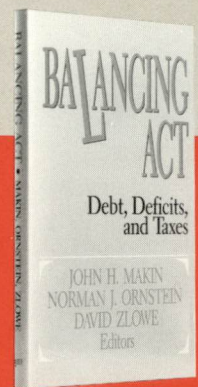
—Paul Samuelson



Robert H. Bork, John M. Olin Scholar in Legal Studies at AEI, writes on politics, legal policy, and constitutional theory. Mr. Bork was a judge on the U.S. Court of Appeals for the District of Columbia Circuit from 1982 to 1983. A paperback edition of his best seller, *The Tempting of America: The Political Seduction of the Law*, was published in 1990 by Simon and Schuster.



Dinesh D'Souza, a research fellow, is the author of *Illiberal Education: The Politics of Race and Sex on Campus* (Free Press, 1991). He was a senior policy analyst at the White House from 1987 to 1988. Mr. D'Souza is editor of *Crisis* magazine.

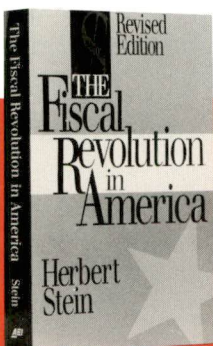


Fiscal and Monetary Policy

- AEI Scholars John H. Makin and Norman J. Ornstein and Research Associate David Zlowe edited *Balancing Act: Debt, Deficits, and Taxes* (AEI Press, 1991), essays on fiscal and tax policies for the 1990s by Rep. Willis Gradison (R-Ohio), Secretary of Housing and Urban Development Jack Kemp, and other economic experts.

- Messrs. Makin and Ornstein are completing *Debt and Taxes: Politics and Fiscal Policy in America* (AEI Press, forthcoming).

- AEI published a revised edition of Senior Fellow Herbert Stein's *The Fiscal Revolution in America*, a classic study of fiscal policy from the Hoover administration to the present day.



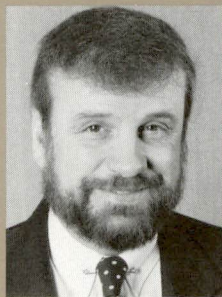
Michael J. Boskin, chairman, Council of Economic Advisers and nine former CEA chairmen reflect on their experiences advising presidents about economic policy—from Eisenhower to Bush—at AEI's 1990 Annual Policy Conference. Seated, from left: AEI Senior Fellow Herbert Stein, Mr. Boskin, Alan Greenspan, AEI Trustee Paul W. McCracken. Standing, from left: Gardner Ackley, Beryl W. Sprinkel, Murray L. Weidenbaum, Raymond J. Saulnier, Martin Feldstein, and Charles L. Schultze.

- Mr. Stein and Visiting Scholar Murray F. Foss began work on *An Illustrated Guide to the U.S. Economy*, an annotated compilation of current economic data. AEI is publishing the book in 1991.

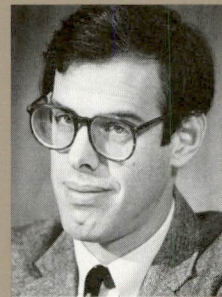
- Visiting Scholar Allan H. Meltzer completed *Money and the Economy* (Cambridge University Press, 1991), a collection of essays written with the late

Karl Brunner of the University of Rochester, and *Political Economy* (Oxford University Press, 1991).

- Chairman of the Council of Economic Advisers Michael J. Boskin and all nine of the living former CEA chairmen reflected on their experiences advising presidents at a special panel discussion at AEI's Annual Policy Conference in December 1990.



Visiting Fellow Anthony R. Dolan is a director of speech writing and chief speech writer for President Ronald Reagan. A Pulitzer Prize-winning journalist, he is writing *Undoing the Evil Empire: How Reagan Won the Cold War* (AEI Press, forthcoming).



Nicholas N. Eberstadt is a visiting scholar at AEI and a visiting fellow at Harvard University's Center for Population Studies. His research interests include international development, demographics, and foreign aid. Mr. Eberstadt is author of *The Tyranny of Numbers* and coeditor of *Comparing the Soviet and American Economies* (both AEI Press, forthcoming).



Samuel K. Skinner, secretary of transportation, addresses AEI's February 1991 conference, "Infrastructure Needs and Policy Options."

Regulation

- AEI's October 1990 conference, "The Deregulation of Network Industries," examined new approaches to the special problems of industries where monopoly conditions constrain market operations regarding prices and services.

- Resident Scholar Robert H. Hahn wrote studies of regulatory costs and benefits for the academic journals *Public Choice*, *Yale Journal on Regulation*, and *Harvard Journal of Law and Public Policy*.

- AEI published *The Choice of Pension Plans in a Changing Regulatory Environment*, a study of the effects of changes in federal tax law and other regulations on employee pension plans by economists Robert L. Clark and Ann A. McDermed.

- AEI also published *The Great Savings and Loan Debacle* by James L. Barth, a detailed study of the policy errors that led to the S&L bailout crisis, and *Back from the Brink: A Practical Plan for Privatizing Deposit Insurance and Strengthening Our Banks and Thrifts*, by Peter J. Wallison, a plan for averting similar problems in the banking industry.

- Economist Robert B. Helms, former assistant secretary for policy and evaluation of the Department of Health and Human Services from 1981 to 1989, was appointed director of AEI's new Health Policy Studies Program in 1990.



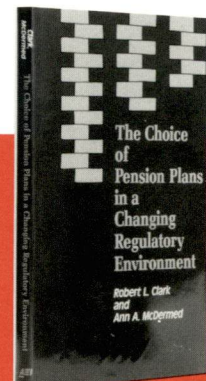
Christopher C. DeMuth, AEI president, greets Clayton Yeutter, then-secretary of agriculture, at AEI's June 1990 conference, "Is Environmental Policy Good for Business?" With them is William K. Reilly, Environmental Protection Agency administrator.



Resident Scholar Mark Falcoff served on the staffs of the Senate Foreign Relations Committee and the Council on Foreign Relations from 1986 to 1988. He writes on Latin American politics, U.S. foreign policy, and intelligence policy. Among his books are *A Tale of Two Policies: U.S. Relations with the Argentine Junta, 1976-1983* (Foreign Policy Research Institute, 1989) and *Modern Chile, 1970-1989* (Transaction Books, 1989).



Suzanne Garment, AEI's DeWitt Wallace Fellow, is author of *Scandal Time*, a study of the politics of Washington scandals (Random House, forthcoming). She was associate editor of the editorial page of the *Wall Street Journal*. Ms. Garment writes on elections, ethics in government, and the media.



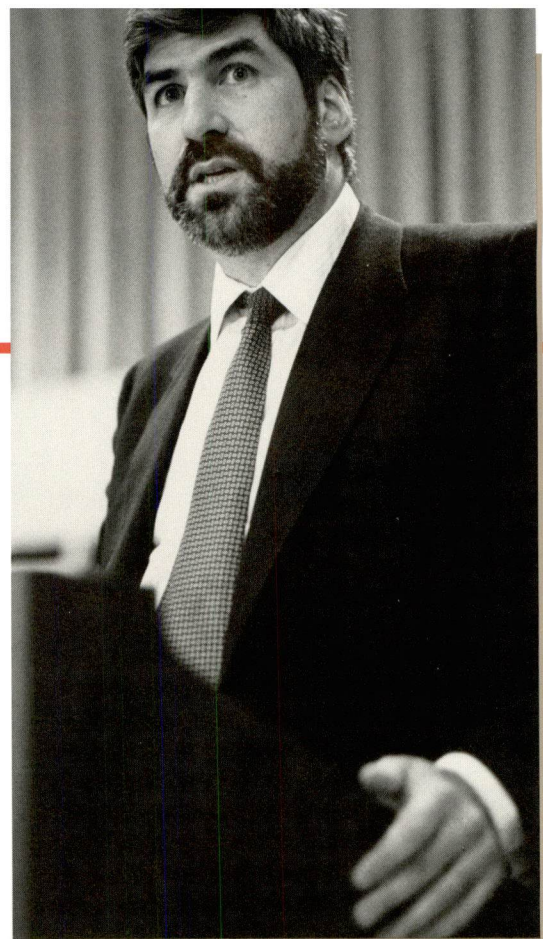
International Trade and Finance

- Resident Fellow Claude E. Barfield and Adjunct Scholar Mark Perlman edited two volumes of papers from AEI's March 1990 conference, "The United States and Europe in the 1990s." AEI will publish one book on the flow of capital and trade and one on industry, services, and agriculture in 1991.

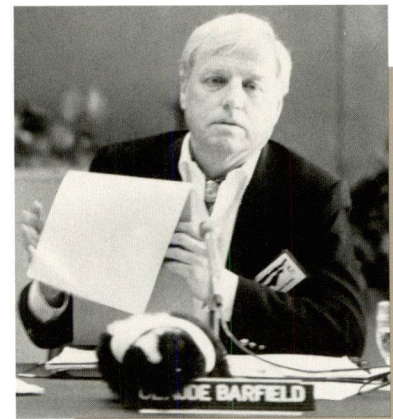
- AEI's September 1990 conference, "Innovation, Intellectual Property, and World Competition," considered the ability of the U.S. copyright and patent system to keep pace with rapid developments in the intellectual property field.

- Papers from AEI's May 1990 conference, "International Competitiveness in Financial Services," were edited by Resident Scholar Marvin H. Koters and Visiting Scholar Allan H. Meltzer and were published in the *Journal of Financial Services Research* in December.

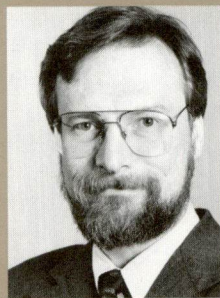
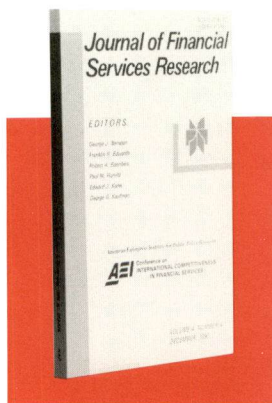
- Visiting Fellow Bernard Schriever and members of AEI's Technology Policy Working Group met during the year to formulate policy recommendations to encourage the timely application of U.S. technological innovations in the commercial marketplace.



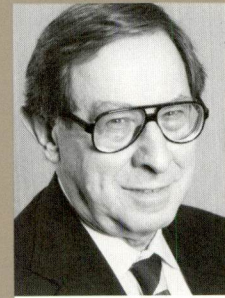
AEI Trustee Bruce Kovner speaks at AEI's May 1990 conference, "International Competitiveness in Financial Services."



Resident Fellow Claude E. Barfield at the 1990 World Forum

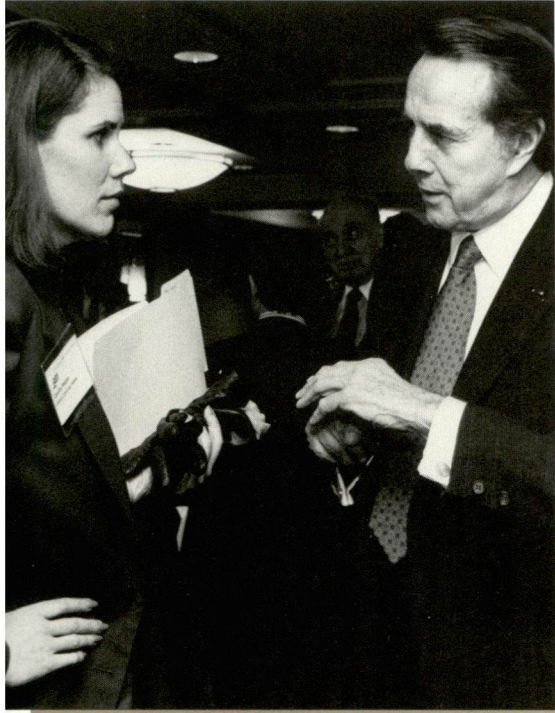


Patrick Glynn, a resident scholar, was special assistant to the director of the Arms Control and Disarmament Agency from 1986 to 1987. His latest book is *Closing Pandora's Box: A Critical History of Arms Control* (New Republic/ Basic Books, forthcoming).



Resident Scholar Robert A. Goldwin, coeditor of ten volumes in AEI's Constitution Project series, is writing a book on the drafting and ratification of the Bill of Rights. AEI published his collection of essays, *Why Blacks, Women, and Jews Are Not Mentioned in the Constitution, and Other Unorthodox Views*, in 1990.

Labor Market and Retirement Studies



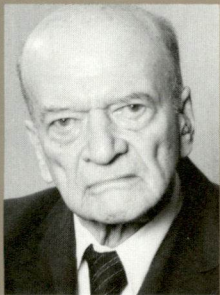
Resident Scholar Carolyn L. Weaver discusses social security legislation with Senate Minority Leader Robert Dole (R-Kan.) at an AEI conference.

- Resident Scholar Marvin H. Koterski edited *Workers and Their Wages: Changing Patterns in the United States*, a collection of essays on changes in wage relationships and the labor force in the 1980s. AEI will publish the book in 1991.

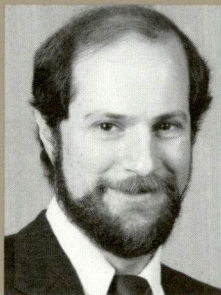
- Resident Scholar Carolyn L. Weaver edited *Social Security's Looming Surpluses: Prospects and Implications* (AEI Press, 1991), a study of the economic consequences of social security trust fund surpluses. Nobel Laureate James Buchanan and Council of Economic Advisers Chairman Michael J. Boskin wrote essays for the volume.

- Ms. Weaver also edited *Disability and Work: Incentives, Rights, and Opportunities*, a critical study of the Americans with Disabilities Act of 1990. AEI will publish the book in 1991.

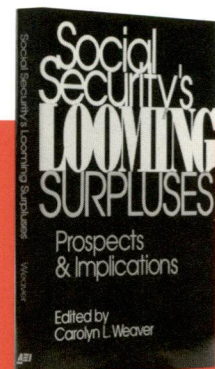
- At an AEI seminar in September 1990 Richard A. Epstein, professor of law at the University of Chicago, discussed the economic effects of civil rights laws intended to help minority workers.



Gottfried Haberler, a resident scholar, is Galen L. Stone Professor of International Trade Emeritus at Harvard University, where he taught from 1936 to 1971. His research interests include U.S. and international monetary policy, exchange rates, and trade.



Resident Scholar **Robert W. Hahn** writes on energy and environmental policy and economic regulation. He was a senior staff economist on the Council of Economic Advisers from 1987 to 1989 and a professor of economics at Carnegie-Mellon University from 1982 to 1987. In 1990 President Bush named Mr. Hahn a cochairman of the U.S. Alternative Fuels Council.



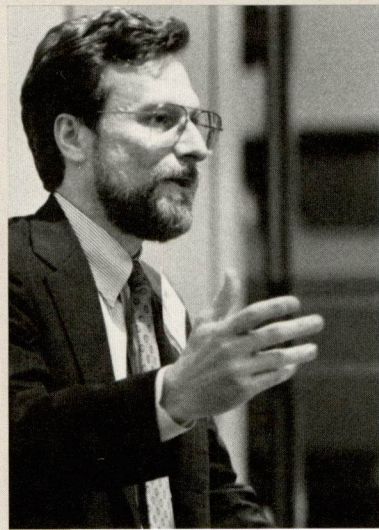
Foreign and Defense Policy Studies

AEI's program in foreign and defense policy seeks to understand how American interests and those of political and economic freedom generally can be advanced in today's rapidly changing world. We are looking specifically at the dramatic changes taking place in the Soviet Union, Eastern Europe, and the Middle East. The

“A brilliant analysis, not just of the practice but of the theory of American foreign policy”

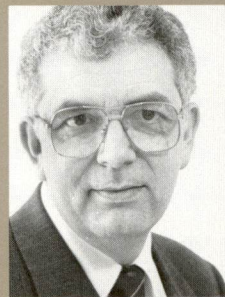
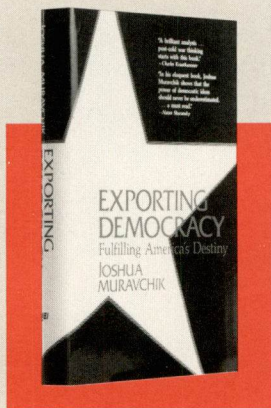
—Charles Krauthammer
The New Republic

program also focuses on the new challenges wrought by the breakdown of bipolar “superpower” politics and on the transition to democracy in developing countries. Following are highlights.

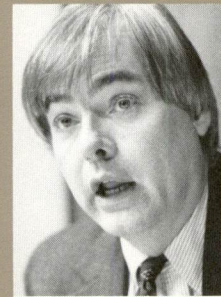


Above: Dick Cheney, secretary of defense, speaks on the U.S. military budget and the Gulf war at AEI's February 1991 conference, "Defending America in the 1990s."

Left: Resident Scholar Patrick Glynn discusses arms control and national security at an AEI conference.



Robert B. Helms is a resident scholar and director of AEI's Health Policy Studies Program. He served as assistant secretary for policy and evaluation of the Department of Health and Human Services from 1981 to 1989 and was executive director of the American Pharmaceutical Institute from 1989 to 1990.



Charles R. Hulten is a visiting scholar and professor of economics at the University of Maryland. His research interests include monetary policy, fiscal policy, and infrastructure issues.



Above: Irving Kristol, John M. Olin distinguished fellow; Joshua Muravchik, resident scholar; and Ben J. Wattenberg, senior fellow, discuss prospects for a new world order at an AEI conference.



Brent Scowcroft, U.S. national security adviser, at the 1990 World Forum

“The triumph of democracy in China and the Soviet Union would mean that democracy would become the global norm. For our nation, this is the opportunity of a lifetime. Our failure to exert every possible effort to assist this outcome would be unforgivable.”

—Joshua Muravchik



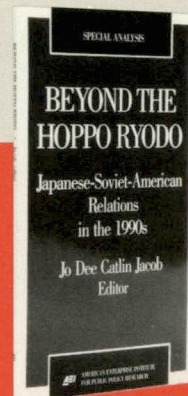
Above: Robert M. Gates, U.S. deputy national security adviser, at an AEI briefing



Resident Fellow Karlyn H. Keene edits AEI's magazine, *The American Enterprise*. She writes on politics, elections, and public opinion for the *Wall Street Journal*, *Christian Science Monitor*, and other publications.



Senior Fellow Jeane J. Kirkpatrick is director of foreign policy and defense studies at AEI and holds the Levey Chair in the Foundations of American Freedom at Georgetown University. She was U.S. permanent representative to the United Nations from 1981 to 1985. Her most recent book is *The Withering Away of the Totalitarian State...and Other Surprises* (AEI Press, 1990), a study of the collapse of communism in the Soviet Union and Eastern Europe.



U.S.–Soviet Relations

- Senior Fellow Jeane J. Kirkpatrick's *The Withering Away of the Totalitarian State...and Other Surprises* (AEI Press, 1990), collected articles on political and military reform in the Soviet Union and Eastern Europe.

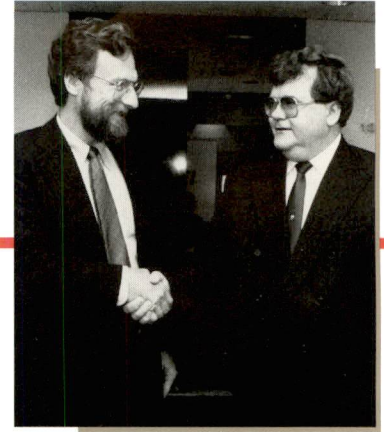
- Resident Scholar Constantine C. Menges completed *The Twilight Struggle: The Soviet Union v. the United States Today*, a study of Soviet efforts to spread communism in Africa, Asia, and Latin America (AEI Press, 1991).

- Visiting Scholar Nicholas N. Eberstadt and Igor Birman edited *Comparing the Soviet and American Economies: Total Output,*

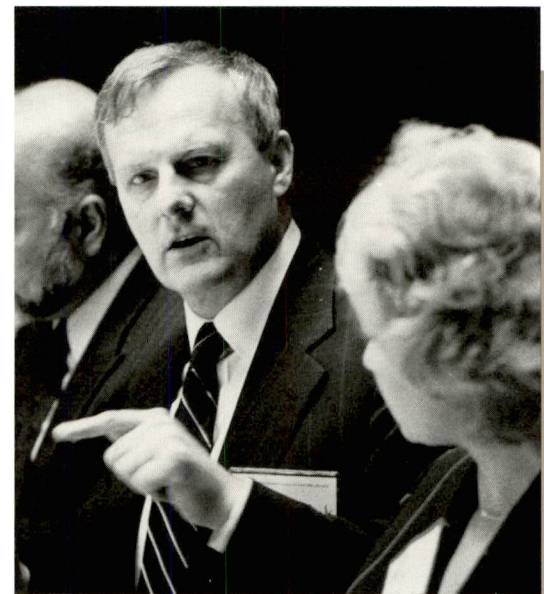
Living Standards, and Military Expenditures, a collection of papers from AEI's April 1990 conference that compared the economic potential, standard of living, and military expenditures of the United States and the Soviet Union. AEI will publish the book in 1991.

- AEI published *Beyond the Hoppe Ryodo: Japanese-Soviet-American Relations in the 1990s*, a special analysis edited by U.S. Navy Commander Jo Dee Catlin Jacob, a 1989–1990 Navy Fellow at AEI.

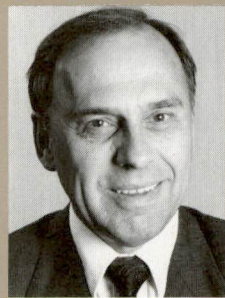
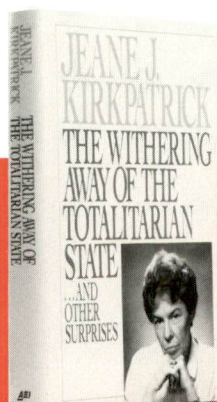
- Anatoly Sobchak, mayor of Leningrad, spoke at AEI in October 1990 about efforts to promote democracy and private enterprise in the Soviet Union.



Patrick Glynn, resident scholar, welcomes Prime Minister Edgar Savisar of Estonia to an AEI forum on political developments in the Baltic States.



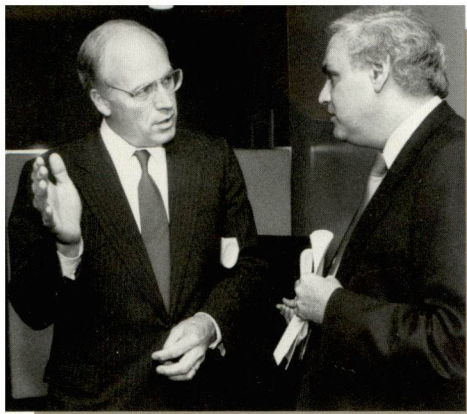
Anatoly Sobchak, mayor of Leningrad, at an AEI luncheon



Resident Scholar Marvin H. Koster is director of economic policy studies at AEI. He writes on regulation, the economy, and labor market issues. Mr. Koster edited *Workers and Their Wages: Changing Patterns in the United States* (AEI Press, 1991) and coedited "International Competitiveness in Financial Services" (*Journal of Financial Services Research*, 1990).



Irving Kristol is the John M. Olin Distinguished Fellow at AEI. He is coeditor of *The Public Interest* and publisher of *The National Interest*. Mr. Kristol's articles on politics, culture, and international relations appear in the *Wall Street Journal*, *Times Literary Supplement*, and numerous other publications.



Dick Cheney, secretary of defense, and Richard N. Perle, resident fellow, at an AEI press seminar

Below: Margaret Thatcher, former British prime minister, addresses a March 1991 luncheon hosted by AEI, the Heritage Foundation, the Hoover Institution, the Manhattan Institute, and National Review magazine.



“Strong defense will continue to be costly, for technology does not stand still. But the only real peace dividend is, quite simply, peace.”

—Margaret Thatcher

Defense and Arms Control

• AEI’s February 1991 research conference, “Defending America in the 1990s,” included presentations by Secretary of Defense Dick Cheney, Senate Republican Leader Robert J. Dole, and other national security and defense experts. AEI will publish the conference proceedings, edited by Resident Scholar Patrick Glynn, in 1991.

• Mr. Glynn continued work on his book, *Closing Pandora’s Box: A Critical History of Arms Control* (New Republic/Basic Books, 1991).

• Margaret Thatcher, former British prime minister, spoke on the future of NATO and the role of the United States in the new Europe at a March

1991 luncheon in Washington sponsored by AEI, *National Review*, the Heritage Foundation, the Hoover Institution, and the Manhattan Institute.

• Resident Fellow Richard N. Perle organized a series of seminars for Washington columnists and bureau chiefs on key national security and foreign policy issues. Guest speakers included Dick Cheney, secretary of defense, and Ahmad Chalabi, Iraqi Shiite opposition leader.

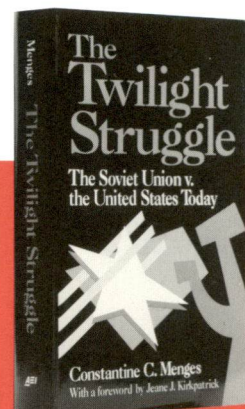
• Mr. Perle edited *Reshaping Western Security: The United States Faces a United Europe*, a collection of essays from AEI’s March 1990 conference, “The United States and Europe in the 1990s.” AEI will publish the book in 1991.



Michael A. Ledeen, a resident scholar, was a consultant to the national security adviser to the president, to the under secretary for political affairs at the State Department, and to the Office of the Secretary of Defense from 1982 to 1986. His most recent book is *Perilous Statecraft: An Insider’s Account of the Iran-Contra Affair* (Scribners, 1988). He is writing a book on the transition to democracy in Spain and Portugal.



Resident Scholar Robert A. Licht is director of AEI’s Constitution Project. He is editor of *The Framers and Fundamental Right* (AEI Press, forthcoming), the first in AEI’s series of books honoring the bicentennial of the Bill of Rights. With Robert Goldwin he edited *Foreign Policy and the Constitution* and *The Spirit of the Constitution: Five Conversations* (both AEI Press, 1990).



China Studies

- Thomas W. Robinson, director of AEI's China Studies Program, organized a January 1991 research conference, "The Chinese and Their Future." More than 250 scholars, diplomats, and journalists attended the two-day event in Washington. AEI will publish the conference papers, edited by Mr. Robinson, later in the year.

- Mr. Robinson and Resident Scholar Joshua Muravchik organized AEI's May 1991 conference, "The Shape of a Democratic China." Participants included scholars and diplomats from the People's Republic of China, Taiwan, Hong Kong, Poland, the Soviet Union, and the United States, as well as the exiled leaders of the Tiananmen Square demonstrations of May-June 1989.

- Mr. Robinson also edited *Democracy and Development*

in East Asia: Taiwan, South Korea, and the Philippines (AEI Press, 1991) and *Asian Security* (AEI Press, forthcoming).

- AEI published *Reform in China and Other Socialist Economies* by economist Jan S. Prybyla. The book compared the state socialist systems of China, the Soviet Union, and Hungary with the market economies of countries such as Hong Kong and Taiwan.

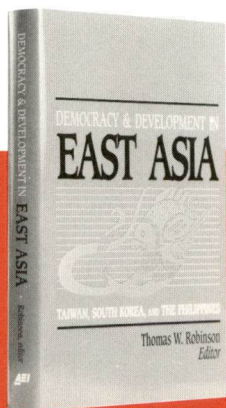
- AEI also published *A Step Toward Democracy: The December 1989 Elections in Taiwan* by Martin L. Lasater and *Slaughter of the Innocents: Coercive Birth Control in China* by John S. Aird, a study of China's efforts to limit population growth through compulsory sterilizations and forced abortions.



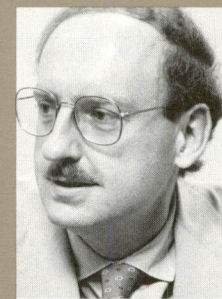
Thomas W. Robinson, director of AEI's China Studies Program



James C.Y. Soong, secretary general, Central Committee of the Kuomintang, Republic of China on Taiwan, at the 1990 World Forum



Chong-Pin Lin is associate director of AEI's China Studies Program and Sun Yat-sen Professor of China Studies at Georgetown University's School of Foreign Service. His research interests include Asian politics and regional security and the Chinese military.



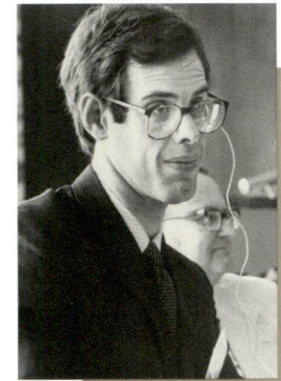
John H. Makin, director of fiscal policy studies at AEI, writes on monetary and fiscal policy and international trade. With Norman J. Ornstein, he is writing *Debt and Taxes: Politics and Fiscal Policy in America* (AEI Press, forthcoming), a study of the politics and economics of the budget process.



“There are no ‘problems’ to be solved in the Middle East, only deeply rooted conditions to be coped with indefinitely.”

—Irving Kristol

Regional and Development Issues



Senior Fellow Jeane J. Kirkpatrick (above left) introduces Israeli Prime Minister Yitzhak Shamir at an AEI press conference.

Visiting Scholar Nicholas N. Eberstadt (left) chairs AEI's conference comparing the Soviet and American economies.



Rep. Stephen J. Solarz (D-N.Y.) at AEI's March 1991 dinner honoring President Turgut Ozal of Turkey

• Resident Scholar Joshua Muravchik completed *Exporting Democracy: Fulfilling America's Destiny* (AEI Press, 1991), a study of the spread of democracy in other countries and the role of idealism in U.S. foreign policy.

• President of Turkey Turgut Ozal spoke on the implications of the Gulf war for NATO and regional security at an AEI dinner during his visit to Washington in March 1991.

• Senior Fellow Jeane J. Kirkpatrick, former president Gerald R. Ford, Resident Fellow Richard N. Perle, and international diplomats discussed the Iraq crisis before the outbreak of war at AEI's Annual Policy Conference in December 1990.

• Resident Scholar Constantine C. Menges wrote *The Future of Germany and the Atlantic Alliance* (AEI Press, 1991).

• Research Associate Jeffrey Gedmin wrote *The Hidden Hand: Gorbachev and the Collapse of East Germany*, a study of the behind-the-scenes diplomatic and political events that contributed to the fall of the Berlin Wall. AEI will publish the book in 1991.

• Jonas Savimbi, president of the National Union for the Total Liberation of Angola, spoke about his fifteen year struggle against the Soviet-backed Communist government of Angola and about prospects for an end to civil war at an October luncheon hosted by Mrs. Kirkpatrick.

• Scholars and journalists from Israel and the United States met in September for a conference on Arab-Israeli-Palestinian relations organized by Mrs. Kirkpatrick and Ambassador Max M. Kampelman.

• Israeli Prime Minister Yitzhak Shamir discussed the security needs of Israel at a December 1990 AEI forum following his White House meeting with President Bush.



Allan H. Meltzer is a visiting scholar at AEI and the University Professor and John M. Olin Professor of Political Economy and Public Policy at Carnegie-Mellon University. His most recent books are *Money and the Economy* (Cambridge University Press, 1991), a collection of essays written with the late Karl Brunner of the University of Rochester, and *Political Economy* (Oxford University Press, 1991).



Resident Scholar Joshua Muravchik writes on U.S. foreign policy, U.S.-Soviet relations, and Eastern Europe. His books include *Exporting Democracy: Fulfilling America's Destiny* (AEI Press, 1991) and *The Uncertain Crusade: Jimmy Carter and the Dilemmas of Human Rights Policy* (AEI Press, 1988).

Social and Political Studies

Freedom and prosperity depend on more than sound government policy: they require healthy cultural and political institutions as well. For in a free society, the people themselves are the ultimate decision makers, and their choices are strongly affected by the values, institutions, and processes that form the foundation of the American experiment.

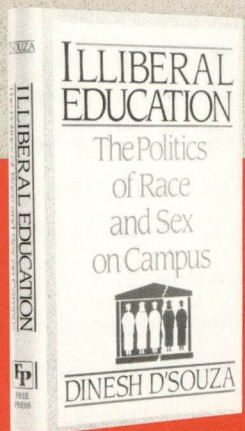
“Whatever your politics, read it.”

—Eugene D. Genovese
The New Republic

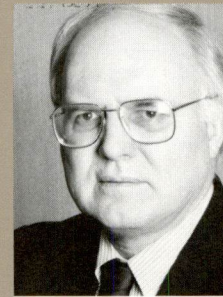
Right: Constance Horner, under secretary, Department of Health and Human Services, addresses an AEI policy seminar on child welfare.



Dinesh D'Souza, research fellow; Lynne V. Cheney, chairman, National Endowment for the Humanities; and William J. Bennett, former secretary of education, discuss the politics of race and sex on campus at an AEI forum marking the release of Mr. D'Souza's best seller, *Illiberal Education*.



Charles Murray, AEI's Bradley Fellow, studies welfare and social policy issues in the United States, Eastern Europe, and the Soviet Union. His books include *Losing Ground: American Social Policy 1950-1980* (Basic Books, 1984) and *In Pursuit: Of Happiness and Good Government* (Simon and Schuster, 1988). He is writing a book on meritocracy and democracy with Richard J. Herrnstein of Harvard University.



Michael Novak is George Frederick Jewett Scholar and director of social and political studies at AEI. He writes on religion, economics, and politics and is a frequent contributor to *Forbes*, *Crisis*, and other publications. His latest book is *This Hemisphere of Liberty: A Philosophy of the Americas* (AEI Press, 1990).



Above: Vice President Dan Quayle speaks on congressional term limitation at AEI's Annual Policy Conference.



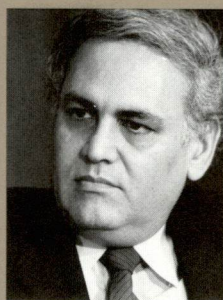
Charles Murray, AEI's Bradley Fellow, discusses efforts to fight persistent poverty at an AEI conference.

“Part of our heritage is the intellectual revolution two centuries ago that let us understand—better than we understand today— how human society can best be constructed. In trying to help the societies of Eastern Europe and the Soviet Union, we can export no technology as valuable as that intellectual heritage and do ourselves no greater favor than to relearn it.”

—Charles Murray



Norman J. Ornstein is a resident scholar specializing in Congress, elections, and political parties. He is an election consultant to CBS News and a political contributor to the “MacNeil/Lehrer News-Hour.” Editor of and contributor to many books on American politics, Mr. Ornstein is writing *Debt and Taxes: Politics and Fiscal Policy in America* with John Makin and is working on a book on political reform.



Resident Fellow **Richard N. Perle** was assistant secretary of defense for international security policy from 1981 to 1987. He writes on international politics and diplomacy and U.S. defense issues for many publications. Mr. Perle is editor of *Reshaping Western Security: The United States Faces a United Europe* (AEI Press, forthcoming). He hosts a regular series of AEI defense policy seminars for Washington bureau chiefs.

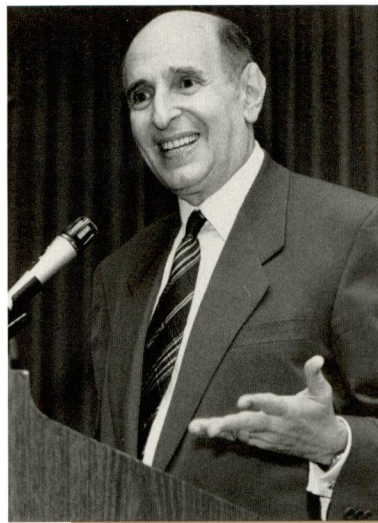
Legal and Constitutional Studies

- Robert H. Bork, AEI's John M. Olin Scholar in Legal Studies, began writing *The War in the Culture*, a study of the clash of radical ideas of family, race, and gender with traditional American values in contemporary religion, social life, and popular culture.

- Robert A. Licht, director of AEI's Constitution Project, organized three symposiums honoring the bicentennial of the Bill of Rights in May 1990, March 1991, and May 1991. AEI will publish papers from the sessions, edited by Mr. Licht, in 1991 and 1992.

- Resident Scholar Robert A. Goldwin continued work on his study of the drafting and ratification of the Bill of Rights.

- Allan Bloom, University of Chicago political theorist, edited *Confronting the Constitution* (AEI Press, 1990), a major collection of essays responding to intellectual challenges to the U.S. Constitution from Marxism, existentialism, and other ideologies.

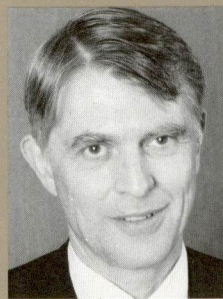
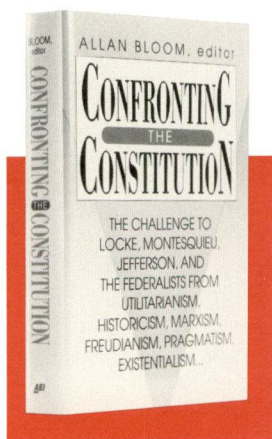


Robert H. Bork, John M. Olin Scholar in Legal Studies, discusses Supreme Court jurisprudence at an AEI briefing.

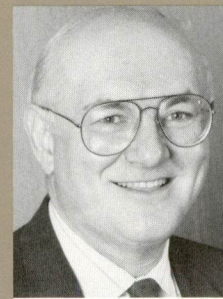
“During 1989–1990 the Supreme Court continued to display many of the drives that have characterized its performance for the past half-century: the aggrandizement of judicial power, changes in established law to benefit favored racial groups, selective application of the free-speech clause of the First Amendment, and a reliance on abstractions at the expense of both history and contemporary reality.”

—Robert Bork

Allan Bloom, University of Chicago political theorist, speaks on politics and literature in AEI's Bradley Lecture series in April 1990.



Thomas W. Robinson, a resident scholar, is director of AEI's China Studies Program. He is the editor of *Democracy and Development in East Asia* (AEI Press, 1991) and *Asian Security* (AEI Press, forthcoming). Before coming to AEI, Mr. Robinson was a professor of China studies, government, and national security at Georgetown University.



Resident Fellow William Schneider is a contributing editor of *National Journal*, *The Atlantic Monthly*, and the *Los Angeles Times*, and writes on American politics, elections, and public opinion. He is completing a book about the transformation of American politics from 1964 to the present.

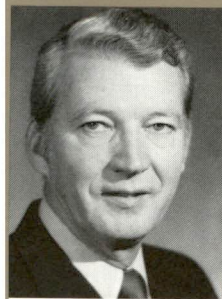
C-SPAN camera focuses on Senior Fellow Ben J. Wattenberg (at right) and Executive Vice President David Gerson at an AEI seminar marking the release of Mr. Wattenberg's book, *The First Universal Nation*.



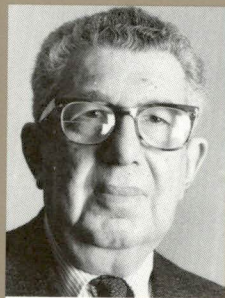
AEI President Christopher C. DeMuth, Resident Scholar Norman J. Ornstein, and Resident Fellow William Schneider debate proposals to limit congressional terms at AEI's Annual Policy Conference.

Political Studies

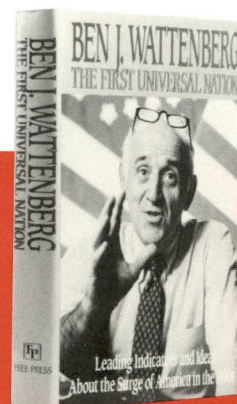
- Senior Fellow Ben J. Wattenberg completed *The First Universal Nation* (Free Press, 1990), a study of America's unique role as the world's only remaining superpower.
- Norman J. Ornstein, Claude E. Barfield, and other AEI scholars participated in a seminar for newly elected members of Congress held every other year in Williamsburg, Virginia.
- Suzanne Garment, AEI's DeWitt Wallace Fellow, completed *Scandal Time*, a study of the politics of Washington scandals. Random House will publish the book in 1991.
- Vice President Dan Quayle and AEI President Christopher C. DeMuth debated proposals to amend the Constitution to limit congressional terms with AEI political scientists Norman J. Ornstein and William Schneider at AEI's Annual Policy Conference in December.
- William A. Schambra, former codirector of AEI's Constitution Project, edited a volume of essays on American government by the late Martin Diamond. AEI will publish the book, *As Far As Republican Principles Will Admit*, in 1991.



Bernard Schriever, retired U.S. Air Force general, joined AEI in 1990 as a visiting fellow in defense and security studies. His research interests include defense policy, military intelligence, and the commercial application of new technologies.



Herbert Stein, a senior fellow, was a member of the President's Council of Economic Advisers from 1969 to 1971 and was chairman from 1972 to 1974. He is a member of the board of contributors of the *Wall Street Journal* and author of "The Washington Economist" column in AEI's magazine, *The American Enterprise*. AEI published a revised edition of his book, *The Fiscal Revolution in America*, in 1990, and will publish his new book on the condition of the U.S. economy in 1991.



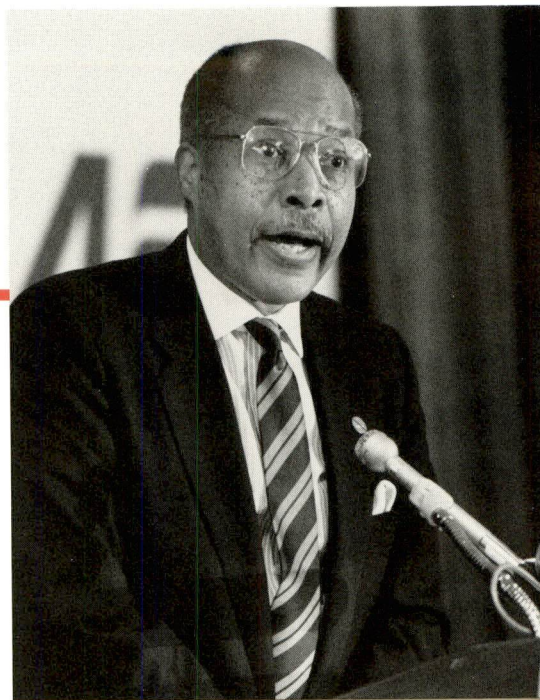
Social and Individual Responsibility

- Resident Scholar Douglas J. Besharov wrote *Recognizing Child Abuse: A Guide for the Concerned* (Free Press, 1990). His monograph, *Combating Child Abuse* (AEI Press, 1990), was distributed to police departments and child welfare agencies nationwide.
- Mr. Besharov also edited *Family Violence: Research and Public Policy Issues* (AEI Press, 1990), a conference volume in which scholars and federal officials examined family violence and assessed the quality of research about it.
- AEI's February 1991 conference, "Child Welfare Reform Experiments," organized by Mr. Besharov, evaluated demonstration projects on child welfare and family preservation.

Conference participants included congressional staff, scholars, government officials, and child service agency personnel.

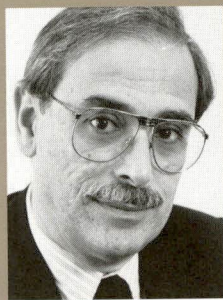
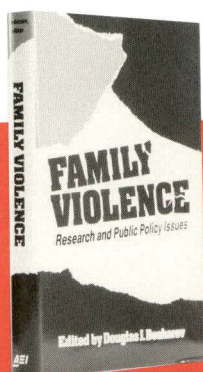
- Political scientist Charles Murray joined AEI as Bradley Fellow in September 1990 to write on welfare and social policy in the United States, the Soviet Union, and Eastern Europe.

- Secretary of Health and Human Services Louis Sullivan, Secretary of Housing and Urban Development Jack Kemp, and other social policy experts discussed "Ways Out of Poverty" at AEI's Annual Policy Conference in December.

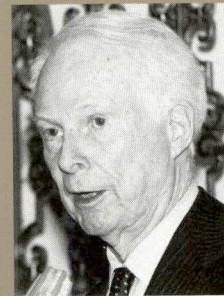


Top: Louis Sullivan, secretary of health and human services, at AEI's Annual Policy Conference.

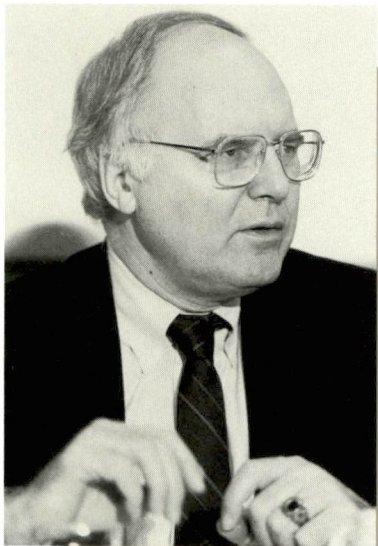
Above: Resident Scholar Douglas J. Besharov, right, discusses child welfare policy with a seminar participant.



Resident Fellow Irwin Stelzer writes on domestic and international regulatory issues and financial markets. He has taught at Cornell University, the University of Connecticut, and New York University. Mr. Stelzer is an economic and political columnist for the *Sunday Times* of London and the *Boston Herald*.



W. Allen Wallis, a resident scholar, studies economic policy and international trade. He served as under secretary of state for economic and agricultural affairs from 1982 to 1989 and was chancellor of the University of Rochester from 1962 to 1982. Mr. Wallis is the author of numerous books and articles on economics, statistics, and higher education.



Michael Novak, George Frederick Jewett Scholar, is director of social and political studies at AEI.

Religion and Philosophy

• Michael Novak, director of social and political studies at AEI, wrote *This Hemisphere of Liberty: A Philosophy of the Americas* (AEI Press, 1990), an application of Catholic social thought to the problems of poverty and political instability in Latin America.

• Mr. Novak also wrote *How to Make a Republic Work*, a collection of lectures on the American Founding. AEI will publish the book in 1991.

• AEI published a revised edition of *Toward a Theology of the Corporation*, Mr. Novak's 1981 essay on democratic capitalism and the moral underpinnings of American business.

• Research Fellow Dinesh D'Souza completed *Illiberal*

Education: The Politics of Race and Sex on Campus (Free Press, 1991), a study of current controversies over preferential admissions, faculty hiring, and curriculum revision at American universities.

• Mr. Novak organized a monthly series of seminars on religion and economics at AEI. Topics covered included the role of labor unions in market economics, the origin of modern rights theory, social justice in the market economy, and Catholic social teaching on cities.

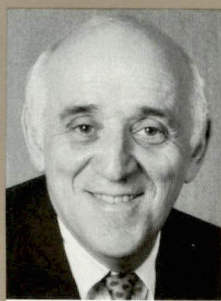
“Many of the same people who want us to send more dollars to Washington to feed the welfare state admire Eastern Europe’s welfare state. In both places they fail to see how big government corrupts.”

—Michael Novak

“An extremely valuable contribution to the ongoing search for authentic progress in this hemisphere.”

—Robert Sirico

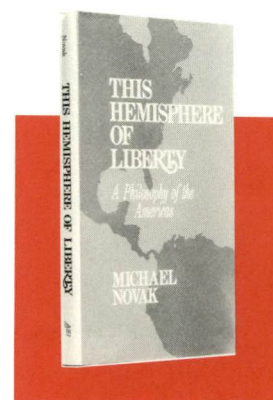
Wall Street Journal



Senior Fellow Ben J. Wattenberg writes on politics, public opinion, and foreign affairs. His study of demographic and social change in the United States, *The First Universal Nation*, was published by the Free Press in 1990. Mr. Wattenberg's current work is concerned with the spread of American culture around the globe.



Carolyn L. Weaver, a resident scholar, is director of AEI's Social Security and Pension Project. She is editor of *Social Security's Looming Surpluses* (AEI Press, 1991) and of *Disability and Work: Incentives, Rights, and Opportunities* (AEI Press, forthcoming), and is writing a book on social security and the economics of retirement.



OUTREACH

AEI research is intended to inform policy debates on current issues of domestic and international concern. To ensure that AEI's best work is known by, and available to, those who make or influence public policy, the Institute each year publishes books, monographs, and magazines and sponsors scores of conferences, lectures, and seminars.

AEI scholars appear frequently before congressional committees and on television and radio and publish widely in the national media. They consult with government officials, speak to business groups, lecture on college campuses, and still find time to publish hundreds of articles in scholarly journals, opinion magazines, and newspapers.

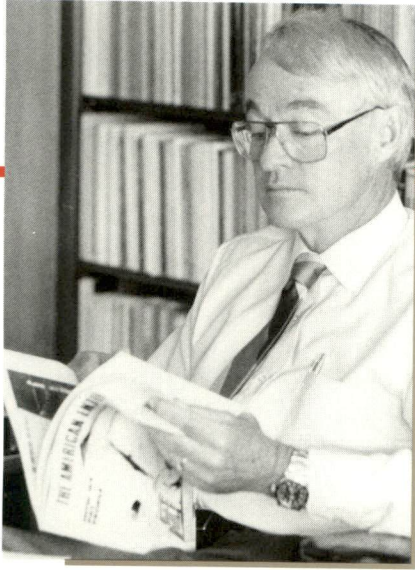
On virtually every major issue of the day, AEI research contributes to sound and informed decision making.



Above: Resident Fellow Karlyn H. Keene, editor of The American Enterprise, interprets public opinion poll data at the 1990 World Forum. At right is AEI Trustee Winton M. Blount.

Below: AEI researchers publish articles and reviews in leading scholarly journals, including those pictured here.





James Q. Wilson, chairman of AEI's Council of Academic Advisers, reviews a recent issue of *The American Enterprise*.

The American Enterprise

AEI's bimonthly magazine, *The American Enterprise*, is edited by Resident Fellow Karlyn H. Keene. Its unique combination of serious policy articles and stunning graphics won the magazine a national award for design excellence in 1990, its first year of publication.

The scope of *The American Enterprise* is as broad as that of AEI itself. Recent issues featured articles on education strategies for the 1990s, presi-

dential veto power, the future of China, women and wages, insider trading, health care costs, U.S. competitiveness, mental illness and the homeless, and U.S.–Soviet relations.

Each issue also includes Senior Fellow Herbert Stein's column, "The Washington Economist" and "Public Opinion and Demographic Report," a twenty-four page section of current poll data compiled by Ms. Keene and Everett Carll Ladd of the Roper Center for Public Opinion Research.

Joining AEI scholars as contributors to *The American Enterprise* are journalists and policy experts from around the world. In recent months they included Robert Shogan, *Los Angeles Times* political reporter; Frank H. Easterbrook, U.S. Court of Appeals judge; Aaron Wildavsky, University of California at Berkeley political scientist; and Kenneth W. Dam, IBM Corporation vice president.

AEI's bimonthly magazine, The American Enterprise, won a national award for design excellence in its first year of publication.



AEI Press

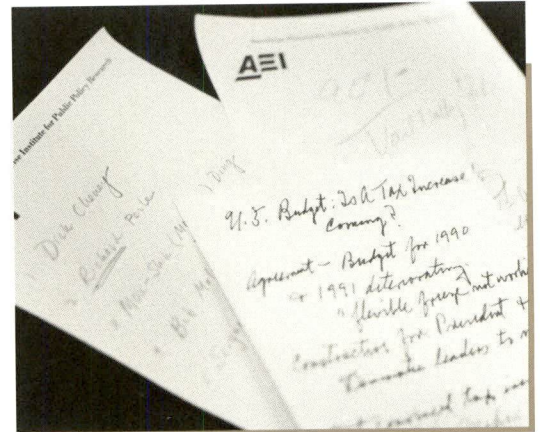
The past year was a busy and productive one for AEI's book publishing program, the AEI Press. New books from senior scholars Jeane Kirkpatrick and Michael Novak, a revised edition of Herbert Stein's classic *Fiscal Revolution in America*, and the final two volumes in AEI's series *A Decade of Study of the Constitution* joined hundreds of other titles on economics, foreign affairs, and domestic public policy in the crowded pages of AEI's book catalog.

The AEI Press published seventeen books in 1990 and another twelve in the early months of 1991 — with at least a dozen more to come through the end of the year. And although AEI's books are written primarily to address contemporary policy concerns, some titles — such as Michael Novak's 1981 essay *Toward a Theology of the Corporation* — were

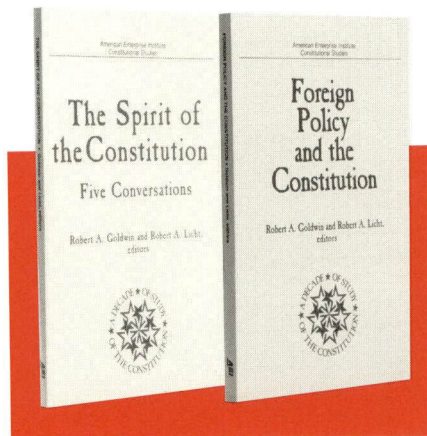
reprinted in 1990 to meet continuing demand.

AEI also strengthened its relationship with other university and trade presses that publish books by its scholars. The Free Press in New York published books by Douglas Besharov, Ben Wattenberg, and Allan Gerson, as well as Dinesh D'Souza's bestselling *Illiberal Education: The Politics of Race and Sex on Campus*. Both Oxford and Cambridge University Presses published books by Allan Meltzer.

AEI's own publishing partner, University Press of America, markets the Institute's books through promotional mailings to scholars and professionals and book displays at academic conferences. Selected AEI titles are also sold through bookstores, including the major national chains, through the National Book Network, UPA's subsidiary.



Whether in college classrooms, congressional offices, or Washington news bureaus, AEI's books are helping to shape the debate on the key issues of the day.



AEI completed its ten-volume series of essays honoring the bicentennial of the Constitution with the publication of *Foreign Policy and the Constitution* and *The Spirit of the Constitution: Five Conversations*, edited by Robert A. Goldwin and Robert A. Licht.



Elaine L. Chao, deputy secretary of transportation, at AEI's February 1990 conference, "Infrastructure Needs and Policy Options"

Conferences

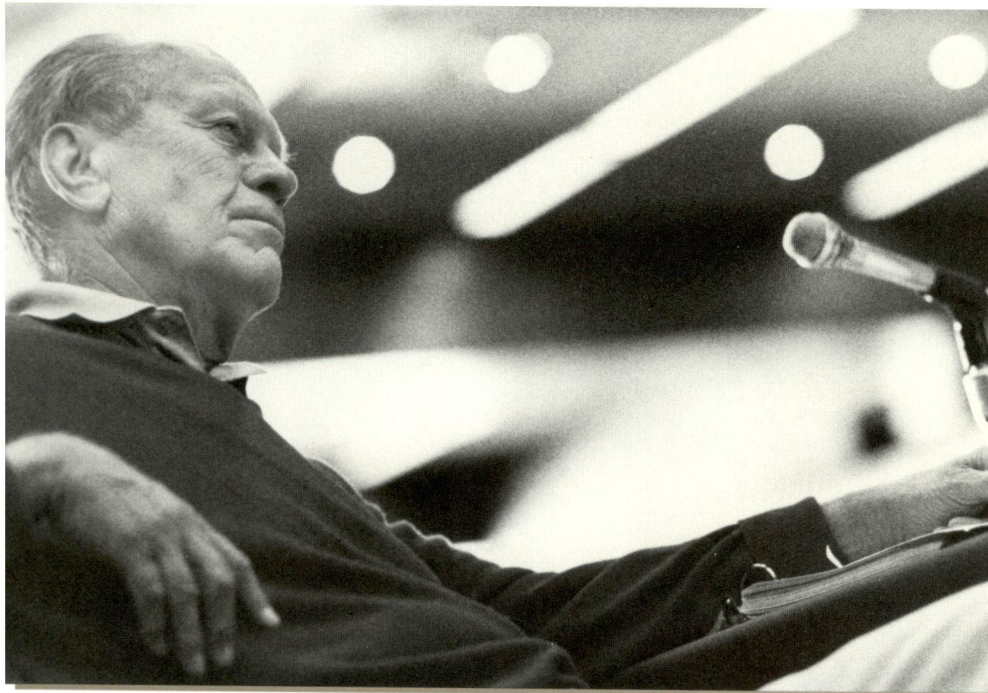
AEI sponsors dozens of conferences, seminars, and lectures throughout the year. Scholars, journalists, business executives, and government officials participate in events designed to promote the serious exchange of ideas and to enhance the understanding of complex issues. Research papers presented at these conferences are often published in AEI books. Frequent C-SPAN, CNN, and other television coverage of AEI events brings them to large audiences beyond the Washington Beltway.

Each December AEI sponsors its Annual Policy Conference on major domestic and international issues. The 1990 conference included a historic gathering of all nine of the living former chairmen of the Council of Academic Advisers, with current chairman Michael J. Boskin, for a discussion of White House economic policy making; a debate on congressional term limitation featuring Vice President Dan Quayle; a review of ways to fight persistent poverty; and an analysis of the events that one month later would lead to war in the Persian Gulf.

Thomas Sowell, Hoover Institution economist, received AEI's 1990 Francis Boyer Award at the Institute's Annual Dinner. At the black-tie affair members of Congress and the cabinet, senior government officials,



Francis Fukuyama, author of The End of History, discusses the East European revolutions of 1989 at AEI's Bradley Lecture series.



Left: Gerald R. Ford, former president and AEI distinguished fellow, chairs the 1990 World Forum.

business representatives, and other invited guests joined AEI scholars and trustees to hear Mr. Sowell's wide-ranging lecture, "Cultural Diversity: A World View," later published in the May/June 1991 issue of *The American Enterprise*. The Francis Boyer Award is presented each year to a scholar, a current or former public official, or a business leader for outstanding accomplishment in serving the public interest.

The AEI World Forum, a three-day conference for chief executives of major international corporations, is held each June in Beaver Creek, Colorado. Gerald R. Ford, former president and a distinguished fellow at AEI, hosts the event, which features discussions on international trade and economics, national security, and social and political issues led by current and former senior government officials and AEI scholars.

Election Watch, AEI's seminar series for Washington business executives, meets monthly during national election years for off-the-record discussions of polls, politics, and policy. AEI's resident election experts are joined by party leaders, campaign officials, and political journalists at the sessions.

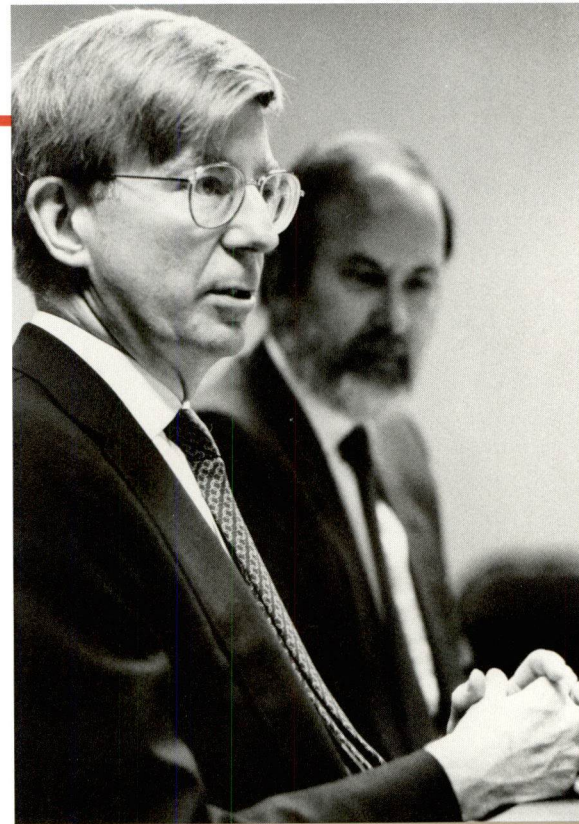
In January 1991, scholars from AEI, the Brookings Institution, and the

Congressional Research Service met with nearly two dozen newly elected members of Congress in Williamsburg, Virginia, for the New Members Seminar, devoted to domestic and foreign policy issues facing Congress.

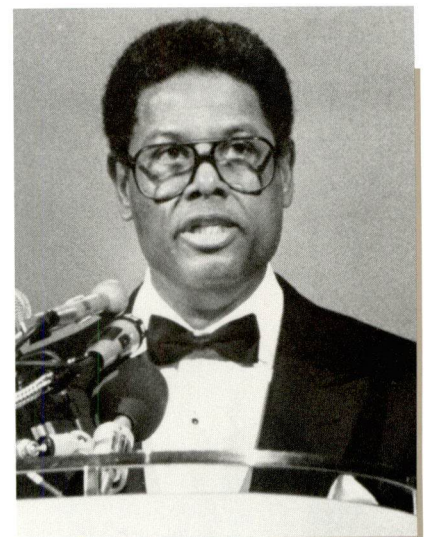
AEI's monthly Bradley Lecture Series, now in its second year, features talks by some of the nation's most accomplished writers and scholars. Their presentations in fields such as literature, philosophy, culture, and religion add a new dimension to the policy debates of workaday Washington.

“Cultural diversity, viewed internationally and historically, is not a static picture of differentness but a dynamic picture of competition in which what serves human purposes more effectively survives while what does not tends to decline or disappear.”

—Thomas Sowell



Syndicated columnist George F. Will speaks at an AEI seminar for business executives organized by Resident Scholar Michael A. Ledeen.



Thomas Sowell, Hoover Institution senior fellow, delivers the Francis Boyer Lecture, entitled "Cultural Diversity: A World View," at AEI's 1990 Annual Dinner.

Media Relations



Above: Senior Fellow Ben J. Wattenberg (seated) prepares to tape an episode of his new PBS series, "Wattenberg: Trends in the 1990s."

AEI scholars write not only for readers of academic books and professional journals — they also write for general readers in leading national newspapers and magazines and appear regularly on television and radio programs.

Jeane Kirkpatrick, Ben Wattenberg, Allan Meltzer, Richard Perle, and Irwin Stelzer prepare regular news analyses for the *New York Times*, *Washington Post*, *Los Angeles Times*, *U.S. News and World Report*, *Sunday Times* of London, and national newspaper syndicates.

Irving Kristol and Herbert Stein appear monthly in the *Wall Street Journal* and are members of its board of contributors.

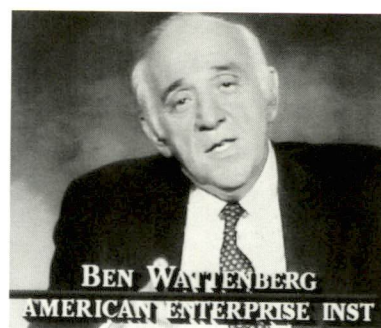
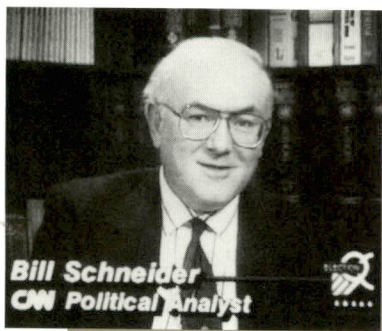
Michael Novak's column, "The Larger Context," appears in each issue of *Forbes*, and William Schneider's political column appears weekly in *National Journal*.

Robert Bork, Joshua Muravchik, Mark Falcoff, Dinesh D'Souza, Michael Ledeen, and others contribute frequently to widely read opinion journals such as *The Public Interest*, *The Atlantic Monthly*, *Commentary*, *National Review*, *The New Republic*, *The National Interest*, and *The American Spectator*.

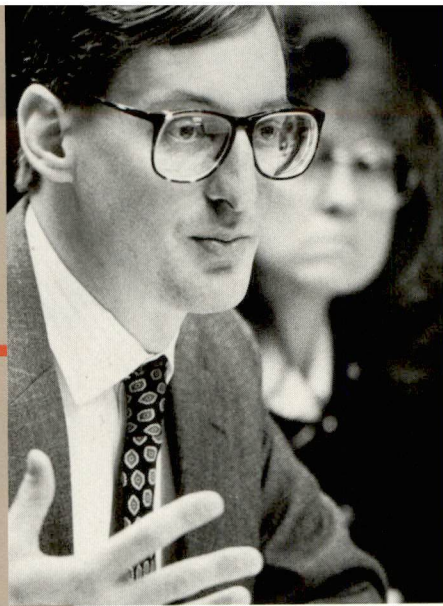
AEI conferences are often transmitted by C-SPAN to viewers nationwide. Several AEI scholars, such as Norman Ornstein, Ben Wattenberg, William Schneider, and Jeane Kirkpatrick, are regular guests on network news broadcasts and public affairs discussion programs.

Every two weeks a selection of current articles by AEI scholars is distributed directly to a national audience of public officials, business leaders, and journalists through the Institute's *AEI on the Issues* reprint series.

Below: AEI political experts (left to right) William Schneider, Karlyn Keene, and Ben J. Wattenberg analyze the 1990 election results on Election Day network news broadcasts.



FINANCES



Executive Vice President David Gerson reviews AEI finances at a Board of Trustees meeting.

AEI enjoyed the best financial performance in its history in 1990. The general (nonendowment) fund balance showed an improvement of more than \$1.3 million, with revenues of \$11.5 million and expenses of \$10.2 million. Also reflecting an improvement of more than \$1.1 million in the endowment fund balance, total revenues exceeded expenses by almost \$2.5 million.

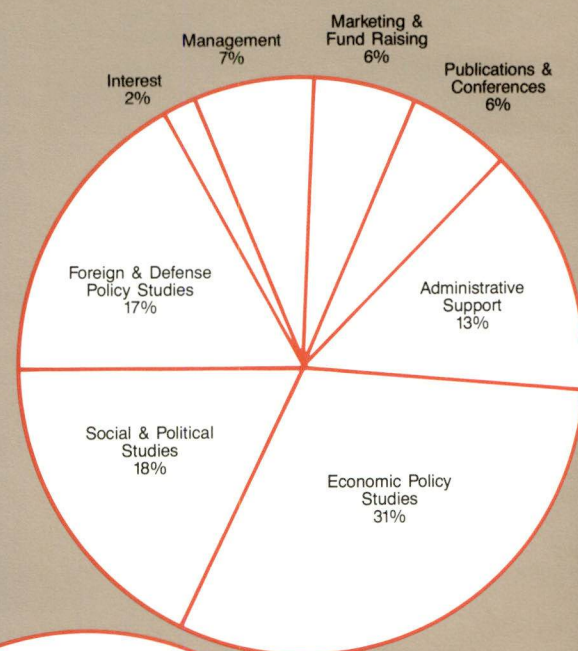
General revenues increased by nearly \$1.5 million over the previous year. Foundation revenues contributed 55 percent of the total increase — rising by more than \$800,000 — and corporate revenues were up 7 percent. Individual contributions were up 48 percent, topping \$1 million for the first time in many years.

Expenditures for research activities increased by 20 percent, or more than \$1.1 million. More than 60 percent of the expenditure growth was attributed to

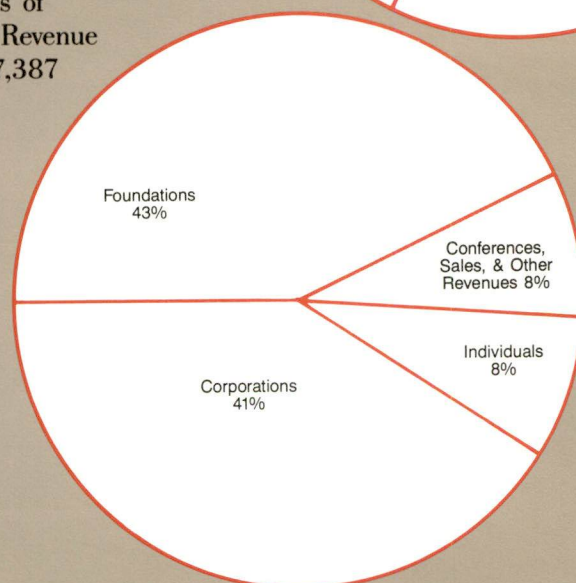
expanded economic policy research. Over the past four years AEI's administrative expenses have declined slightly while our research expenditures have increased by 72 percent.

We are encouraged with the progress represented in this financial report. And we are grateful to our many supporters who made our research, conferences, and publications possible.

1990 AEI Expenses
\$10,150,247



Sources of
1990 AEI Revenue
\$12,607,387



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