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## INSIDE WASHINGTON

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**Moderator:** Gordon Peterson. **Panel:** Charles Krauthammer, Strobe Talbott, Elizabeth Drew and Carl Rowan.

### On David Souter:

**Drew:** ...Because of recent history the President feels that he must nominate someone who has no record and almost no personal life. He's virtually a monk. That has to do with the problems they've had with prior nominees. I don't believe that they are at the White House completely blank on where he might rule on the question of abortion. What I don't know is whether they were smart enough to figure out that the last thing George Bush needs politically is to have named a Supreme Court justice who overturns Roe v. Wade....

**Talbott:** He's not a complete unknown. Whatever the faults of the process that produced this nomination,...it seems to have produced somebody who has real intellect, integrity, a record as a jurist that a lot of people all across the spectrum find admirable, and the arithmetic indicates that if he lasts on the court as long as his predecessor, Justice Brennan did, he could be there until the year 2024. And I suspect because he has been so careful about hiding where he's likely to come out on certain controversial issues, the Administration may be in for some surprises....

**Rowan:** We've had a Stealth fighter and the stealth bomber, and now we have a stealth candidate for the U.S. Supreme Court. And they aren't conning me. I cannot believe that John Sununu does not know where Souter stands on most of the great social issues. But the simple fact is the pro-choice people, the pro-life people, they're all demanding that they learn more about where this man stands before he goes on the Supreme Court, and it will not be smooth sailing....

**Talbott:** By the way, Thurgood Marshall's performance, which I found just downright embarrassing, suggests that there may be another vacancy to fill before too very long. This is an associate justice who is clearly losing his judiciousness, if not more....

**Krauthammer:** ...When Souter was nominated it was clear that Bush was hiding on the major issues. When Bork was nominated if you wanted to learn anything about him you'd read his books. With Souter the networks had to go up and talk to his fishing partners. I think it's a great pity.

**Drew:** ...There was a little fumbling that went on, because in order to appease the right the White House appeared to make a big thing of the other possible choice, Edith Jones, a woman from Texas, a conservative of strong law and order record, with the result that this is who the conservatives and many of the political operatives wanted him to choose, thinking that he would at least give them some good issues. And they aren't at all mollified.

## THE McLAUGHLIN GROUP

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**Moderator:** John McLaughlin. **Panel:** Pat Buchanan, Fred Barnes, Morton Kondracke and Jack Germond.

### On whether David Souter was a good choice:

**Buchanan:** There's no question that Souter is an excellent judge. He's got outstanding academic credentials, and anyone who's been appointed by...John Sununu...is probably a first-rate character. My guess is, I'd say two cheers for Judge Souter. He's going to get through and I think he's a good man, but what does it tell us about George Bush? It tells us A, he doesn't want to fight, B, he wants a judge who has no paper trail; he wants a judge who has not been involved in any of the philosophical or judicial battles of the last 30 years. It really suggests that George Bush wants a minimalist presidency, but Souter, I say two cheers.

**Barnes:** Not only does he want it but he's got it. The important thing though is Souter, nobody really knows whether he's going to be a moderate or a conservative, somewhere on the center to the right of the spectrum. The important thing is Brennan's departure. That's what's going to be the big change on the court.... The important guy at the Supreme Court is not going to be Judge Souter. It's going to be Antonin Scalia, who's going to be the heavyweight on the court and one of the most important people in America.

**Germond:** The thing that impresses me about Souter is the people that he has who say so many kind things about him in New Hampshire. I know a lot of these people.... He's a very good political choice for Bush....

**Kondracke:** ...[President Bush ducked the issue] in this case. Here the Republican Party spent all these years carefully mining the abortion issue to try to build up support among Southern Democrats and so on, southern whites, and now, ironically, abortion is the key issue facing us and Bush has got to duck it because it's turned against him. He doesn't want to be responsible if this guy comes out against abortion, and he doesn't want to be responsible if he comes out in favor of abortion....

**Buchanan:** ...Mr. Bush has got to stand up and lead our side in this national debate if he wants to be a national leader. He seems to want to avoid making choices, and that isn't leadership....

**Barnes:** ...If they think they're going to get [Souter] through the Senate hearings ducking everything, that's crazy....

**McLaughlin:** Will there be a fallout from Thurgood Marshall's appearance on ABC's "Prime Time?"

**Buchanan:** There'll be some. He was pathetic. I think Justice Marshall should resign,...because I think Justice Marshall, is, to put it kindly, over-the-hill....

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

June 29, 1990

PRESS CONFERENCE  
BY THE PRESIDENT

The Briefing Room

9:32 A.M. EDT

THE PRESIDENT: Good morning, everybody. I'm leaving in a few hours and will be gone from Washington for several days. Congress is about to close up shop for the Fourth of July holidays, and so I thought it would be a good idea to bring you up to date on a wide array of current topics and respond to your questions.

During the next two weeks the U.S. will join its allies in considering a number of crucial political, security and international economic issues. And seldom in the last 40 years have such questions had such direct impact on the lives of all Americans. Today in the U.S. we are carefully examining the historic changes in Eastern Europe, size of our military forces, our ability to compete in world markets, the assistance that we provide to help emerging democracies, and the size and priorities of our own budget; and how to continue the 90 months of economic expansion that we've enjoyed.

These issues are not abstract. Every American has a stake in how we as a nation address these very complex questions. On July 5th and 6th in London the NATO Alliance will gather to forge a new direction for the future. And at the Houston economic summit we will press progress in the Uruguay round of trade negotiations, discuss economic support for various countries, and review progress on the environment.

These international concerns are reflected in many of the decisions I made just this week. First, we're doing what is necessary to assure continuation of the economic expansion, now in its 90th month, and we want to keep it going.

We now estimate a deficit of over \$150 billion in Fiscal 1991, not counting the costs of the savings and loan cleanup. And this means that unless Congress acts, there will be a cutoff in October of nearly \$100 billion in government services under the sequester provisions of the Gramm-Rudman-Hollings. The potential results: Draconian cuts in defense, student grants and a wide array of other necessary domestic services.

To avoid this, tough decisions must be made. Leadership is needed, and that is exactly what administration officials are seeking to provide and, indeed, in these talks, I believe, are providing. The budget negotiations now underway are a make or break effort at responsible government. The congressional budgeting process must succeed. The negotiators are facing tough questions about where to make cuts and where to raise the revenues.

These are not decisions that anyone relishes. They are decisions that Democrats and Republicans alike have got to face with candor and courage. Frankly, I believe that ultimately good politics is rooted in good government. I'm optimistic that we can get a budget agreement legislated which not only tells the world that America puts its fiscal house in order, but also will garner the full support of the American people.

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Secondly, this week we reached an agreement with the Japanese on a structural impediments initiative that's going to help to open markets and create new opportunities for business and commerce. Next, we took an important step toward increasing jobs, opportunity and economic prosperity throughout our own hemisphere -- Enterprise for the Americas -- an innovative and, I think, visionary plan for increased trade and investment with Latin America and the Caribbean. The response from south of our border has been overwhelmingly positive.

This included a new proposal on official debt in the hemisphere which will help our neighbors in Latin America and the Caribbean resume the process of growth. We developed a plan for protecting our coastal resources, this OCS decision, while also endeavoring to protect energy independence.

As I leave for the Fourth of July holiday and then from there to the NATO summit, and then to the Houston economic summit, I just wanted to assure you that America will squarely face the challenges of leadership that are before us, both domestically and in terms of international affairs.

Q Mr. President, I'd like to ask you about your reversal on no new taxes. Do you consider that a betrayal of your promise? And what do you say to Republicans who complain that you've robbed them of the same campaign issue that helped get you elected?

THE PRESIDENT: I think -- what I consider it is a necessary step to get stalled budget negotiations moving. I am very encouraged with the approach taken now by Republicans and Democrats in these important discussions that are going on. I'm not going to discuss details -- what I'll accept and what I won't accept -- but things are moving, and I think that much more important today is getting this deficit down, continuing economic expansion and employment in this country. So that's the way I'd respond to it.

Q What do you say -- can people trust politicians if they make statements and are willing to break them?

THE PRESIDENT: You know, I recall a previous flurry when I was Vice President, and there was some economic plans proposed back in '82 that caused a furor -- something like we're hearing now. And the President, in my view, did what was right. And so I think that we're on the right track. I think that the arrows have been flying -- front, back, sideways -- but that's what I get paid for. I think we're on the right track now. I think we'll have strong support from both sides of the aisle.

Q Mr. President, but do you believe it will hurt your credibility?

THE PRESIDENT: No, not in the long run.

Q Why not? People are already questioning --

THE PRESIDENT: Because what people are interested in are jobs, economic growth. People know this deficit is bad. People know that we're going to have to take some action. And that's why I think not.

Q What will you say to American people who said you made a promise no new taxes, now you've --

THE PRESIDENT: I'd say I take a look at a new situation. I see an enormous deficit. I see a savings and loan problem out there that has to be resolved. And like Abraham Lincoln said, I'll think anew. I'm not violating or getting away from my fundamental conviction on taxes, anything of that nature -- not in the least. But what I've said is on the table and let's see where we go. But

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we've got a different -- we've got a very important national problem, and I think the President owes the people his judgment at the moment he has to address that problem. And that's exactly what I'm trying to do.

Look, I knew I'd catch some flak on this decision -- just those two words -- but I've got to do what I think is right and then I'll ask the people for support. But more important than posturing now or even negotiating is the result. Do we continue to provide jobs for the American people and do we continue to provide economic growth and do we try to stop saddling the generations on the way up, the young people, with absolutely unacceptable deficits?

Q What will you do with the savings and loan situation? Is there any way to do a budget with that still coming out of general revenue or do you have to push the whole issue off to the side?

THE PRESIDENT: We can't push it off to the side. We've got to solve the problem. My interest on that one, incidentally, is to protect the depositor, put the people that broke the law in jail. And that is exactly what the policy that we proposed did. We came in here and 18 days after taking office initiated a very important savings and loan policy. And the size of the savings and loan problem is terrible. And we're trying very hard to go after the criminals and to have in place rules and regulations so that this will never happen again and to protect the depositors. Those are the three key elements of what I'm trying to do.

Q But where do you pay for it? Is it out of the taxes the government takes in every year from the American taxpayer?

THE PRESIDENT: Well, we have to. People are going to have to pay for it. And that's -- it goes as a part of all our expenditures I'm talking about. There has got to be a remedy.

Q Mr. President, on another subject. Prime Minister Shamir has sent you --

THE PRESIDENT: Good, Michael. I was hoping we'd get to another one. (Laughter.)

Q We can go back and do taxes later. Prime Minister Shamir has sent you what appears to be a pretty tough letter ruling out flatly talks with any Palestinians with any sort of authority. Do you feel the peace process is deadlocked and are you concerned that the hardliners, the voices of extremism, now have the upper hand throughout the region?

THE PRESIDENT: I'm concerned about a deadlock in the peace process. We have received the Shamir letter; came over to me late last night. The analysis process between NSC and State has just started, so I can't give you or provide the American people with a response to that letter. But, yes, I am very concerned about a high centering of the peace process.

And we've had a plan and it is a sound plan, and I want to see it go forward. So we will be analyzing the Shamir response very, very carefully. And hopefully, then go back and say -- find some way -- find some material in the response that permit us to get these talks going again. It is essential. The status quo is unacceptable to everybody. But I can't give you right now whether I think the letter is negative or positive or something of that nature.

Q Well, can you see any way to get this peace process going unless the Israelis show some willingness to talk to Palestinians with some authority?

THE PRESIDENT: I think there has got to be discussion with Palestinians. And that has to happen. And we will push and

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find ways to make it happen if we can. We're halfway across the world. But we are not going to give up on that kind of solution to this problem. We have to do that. But if we get totally stiff-armed on the Baker approach or what was the Shamir plan, Mubarak's help on it -- he could have his name on it -- then we go back to the drawing board because we're not going to sit here and do nothing.

Q Mr. President, I'm sorry, but I'd like to go back to taxes.

THE PRESIDENT: Lesley, I thought you'd want to get back to that.

Q I'm sorry. I know it's hard for you, I can tell it is and it's difficult.

THE PRESIDENT: It's not hard.

Q Okay, if it's not hard, could you clarify what seems to be a fuzzing up of the issues by some Republicans who are trying to say that your new statement isn't new? Are you telling the American people that this budget outcome is going to be higher taxes?

THE PRESIDENT: I'm telling the people that there are negotiations going on right now -- there are no preconditions -- and everything is on the table. We will see where we come out. And when we get an agreement that is supported by Democrats and Republicans alike -- and if I think it's a good agreement -- I will then tell the American people clearly why they need to support it. What's at stake for them in terms of jobs, continued growth in this economy.

Q You're not saying it. You're not saying we have to raise taxes. Why aren't you saying those words?

THE PRESIDENT: I'll tell you -- sorry I missed your point. We've agreed with the Democratic leaders that we would not discuss the details of what's going on in these discussions. And we're not going to do that. If and when we come up with a program that raises revenues -- and our original budget talked about that -- and if there are taxes in it, why, then I will go out there and advocate strong bipartisan support for this.

But if I get into going into each kind of tax that's discussed or each kind of budget reform or each kind of spending cut, I will be doing something that I have asked our negotiators and the Congress not to do.

Q Yes, but when you say in your statement tax revenues are required, is that the same as taxes?

THE PRESIDENT: And I say budget reforms are required and I say spending cuts are required. So let's see where we come out on that.

Q Is it taxes?

THE PRESIDENT: Is what taxes?

Q What you're saying. Are you saying higher taxes are required?

THE PRESIDENT: Lesley, I've told you what I've said, and I can't help you anymore. Nice try.

Q You said we needed candor.

THE PRESIDENT: You've got it. You've got it. You've seen the arrows coming my way and that's fine. But let people interpret it anyway --

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Q A lot of people --

THE PRESIDENT: Well, I want to leave it the way I said I would so the negotiators are free to discuss a wide array of options, including tax increases. Does that help?

Q No. (Laughter.)

Q Mr. President, you mentioned a couple of times that you're getting arrows from all directions. One newspaper headline that declared "read my lips -- I lied" -- is this kind of criticism justified? Is it fair? Do you deserve it?

THE PRESIDENT: Well, I expected it, but I think the deserving of it -- the proof of the pudding is going to be in the eating and how it comes out. Because I think the American people recognize that the budget is greater than we had predicted and the Democrats had predicted. The economy has been slower. And so we'll just wait and see how we come out. But, no, I can't say I didn't expect to hear some campaign words played back to me, and it's been fairly intense.

But I'll tell you -- I've been more relaxed about it than I thought it would be. I went back into history and took a look at what others have had to go through in this job. So it hasn't been as tense. You know, we had some congressional candidates over there yesterday -- people running. And they don't want to see tax increases. Some of them -- I could see them -- how are we going to handle this? We don't want to be rude to the President, but we feel strongly. So one or two of them, a couple of them spoke up. And I could totally empathize with what they were going through. But I -- we didn't have time because it was about a 45-second handshake -- but if we had, I'd have said, now, look, you've got to look at the big picture here. Stay with your position. Advocate what you believe and what you tell your constituents what you'll try to do. Then just stay a little bit open-minded so when we get an agreement -- and I hope we will -- that is good for the country that you can say, well, we can accept this. Because we're going to need support from Republicans and Democrats alike, to say nothing of the American people.

But I think the people will support it. I think they want to see jobs and economic growth. And that is what is at stake here.

Q But within hours after you released the statement, some of your staff members -- Chief of Staff John Sununu, for one -- was up on the Hill trying to assure conservative Republicans that nothing's changed. At this point, whose lips should the American people believe?

THE PRESIDENT: I think what he was talking about is that everything is on the table. Nothing's changed. I saw a lot of interpretations of what he said, but I've not seen a statement or anything of that nature. You've got various interpretations from various political factions. You've seen the Democratic study group has put out a mandate of what has to happen to have it just exactly their way. We have people that feel very strongly on our side. And so this we expected. We expected members of Congress who have strong convictions on how to approach this problem to weigh in. We expected editorial comment. We expected, as I say, some of the slings and the arrows.

But I just have a comforting feeling after two or three days now that if I do my job right -- and that is to help facilitate the negotiations -- and then we can get a bipartisan agreement. And then I can go to the American people and say, look, we've all had to give or take a little on this, but this agreement is going to be good for future generations, it's going to be good for the economy, it's going to be good for jobs -- then people will say, look, we support

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the President.

Q Mr. President, can you walk us through your thinking just a little bit? Was there one particular moment when you realized you were going to have these campaign promises played back at you all day?

THE PRESIDENT: The minute I decided that we would go forward on a joint statement, which I felt was necessary to get the budget process moving. But I'd had a preview of coming attractions because when we said no preconditions -- maybe that wasn't the exact word -- but no preconditions, arrows started flying. And I understand this. I've been in the political wars. But I am also President, and I've got to try now to look at the big picture and the welfare of this country, and put it ahead of my own strongly-held preferences and everything else. And that's exactly what's happening. The process has started to move forward as a result of that statement with a seriousness that I applaud.

Q Could you talk a little bit about what led you to feel that you needed to --

THE PRESIDENT: Is this a third follow-up? That's unfair.

Q No, a second. Second for me.

Q Lesley got eight follow-ups.

Q But could you talk more about what led you to believe that that statement was necessary? Was there some moment of epiphany? Was there any particular bit of data that -- (laughter.)

THE PRESIDENT: You mean, did I suddenly get hit with the lightening? No, I suddenly was presented with the fact from Democrats and Republicans and our three able negotiators in whom I have tremendous confidence, we've got to do something to get the process going for it. But I don't recall any -- because I'm not changing my view on taxes. I'm just saying what -- everything's on the table. We may have to do something here. But if I were going to go back and say, do it my way, we'd figure out a way that would be somewhat less controversial than this approach has been.

Q Mr. President, if it were so comforting and good for the country, why didn't you do it a year ago?

THE PRESIDENT: Because we've got a problem that of far greater magnitude today because we've had a much slower economy than anybody predicted. And that has meant revenue shortfalls. And that means bigger budget deficits. And that means more burden for future generations of Americans and unacceptably high interest rates. And so that is why I --

Q Are you saying the economy is in some kind of trouble now that these problems --

THE PRESIDENT: I'm saying the economy is sluggish. And I think a deficit package that is seen to be a real one will have an ameliorating effect on that and, hopefully, will result in lower interest rates and thus have a more vibrant, a more robust economy.

Q You talked about the next NATO summit as a milestone. Next Friday, what are we going to see? Are we going to see a totally different NATO? How different will it be?

THE PRESIDENT: No, but we're going to see a NATO that makes very clear to the world, one, that it's purely defensive and, two, it has a broadened agenda beside just military -- building on Article II of the NATO document, the founding document. That's what you'll see. I can't help you with the details because we obviously

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haven't even met yet.

Q Will there been any American proposals there at NATO -- something entirely new?

THE PRESIDENT: I was asked the other day at a meeting with some foreign journalists whether there would be -- I don't know that they used the word "bombshells," but big surprises. I don't anticipate that. But let's wait and see what happens when we get there. The NATO goal at this juncture should be to convince President Gorbachev that a reconstituted NATO with Germany as a full member is not a threat to the Soviet Union, but rather provides stability for Europe and thus will guarantee the continuance of the longest peace that Europe has had in its history.

Q Mr. President, you're a great student of the American electorate. Have you concluded that the American public is more willing to consider and accept new taxes to deal with the deficit?

THE PRESIDENT: Not particularly. If you say to a guy, do you want to pay more taxes, I haven't found anybody that would say that. But I think if we do our job properly and they understand the magnitude of the problem at hand in terms of this deficit, and then we make a proposal that is fair on the revenue side, on the spending side, and then on the reform side so that we don't get in this mess again -- and I'm going to restrain myself from putting the blame on Congress -- (laughter) -- because it's hard to constrain spending, so we need some reforms -- then I think if they see all three of these things and they see it's fair, that people will support this.

Q Would you, under any circumstances, consider increasing income tax rates?

THE PRESIDENT: I've said and told the leaders that I'm not going to go into the details. They are not going into the details of what they will or won't accept. And the only way to accomplish a negotiation is to keep faith with that approach. And they are doing that, Republicans as well as Democrats, so I'm not going to go into the details.

Q Income taxes are on the table, too?

THE PRESIDENT: I'm not saying what's on or off. I've made my statements on that, and I'm just going to go forward. I've got preferences -- strongly-held preferences that people are familiar with. But I'm not going to reiterate them, because more important than my posturing or protecting from arrows coming from one direction is getting a deal that's fair and good for the American people.

Yes, Maureen. Then we'll go to the back. The middle -- sorry.

Q Mr. President, I wonder if you can try to explain today why you made the no new taxes promise in the first place? At the time, the deficit was absolutely horrendous, the savings and loan situation was absolutely horrendous, and most people greeted your promise with a fair amount of cynicism, saying taxes were eventually going to be needed to bring down the deficit. Can you sort of blame people for now looking back --

THE PRESIDENT: No, I don't want to blame anybody --

Q No, I'm just saying can you blame people for looking back and saying, well, maybe he didn't really mean it the whole time?

THE PRESIDENT: I can understand people saying that. I think it's wrong, but I can understand it. I'm presented with new facts. I'm doing like Lincoln did -- think anew. And I'm thinking anew. I've still got the principles that underline my political

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philosophy. It hasn't changed my view about whether -- you know, taxes. But we've got a major problem facing this country. I have the responsibility, leading the Executive Branch, to get things moving to get a solution.

The budget deficit is bigger, far bigger. I had thought I could do a better job on getting spending down and perhaps getting the reforms of the budget process that I also talked about. So we're not talking about just in the campaign talking about one aspect. I was talking about reform, I was talking about spending constraints and not having everything go exactly my way. Now we've got to address ourselves to a worse problem, Maureen, than any of us visualized back then.

Q Mr. President, throughout the '88 campaign, you kept saying -- and this was a quote -- "The surest way to kill economic growth in this country is to raise taxes." Now you're telling us that the reason you're thinking anew about raising taxes is to make sure that you sustain economic growth. And yet, you also told us that you're not changing your views about taxes. Exactly what are your views about taxes?

THE PRESIDENT: Wait until you see the agreement that comes out. That will be my view as what has to happen, hopefully within a month of 1990. That will be my views, faced with a problem very different than the problem facing the presidency in the end of 1988.

Q Well, can you just say, do you believe that taxes kill economic growth, or do you believe that higher taxes --

THE PRESIDENT: I think taxes wrongly applied can kill economic growth. And, yes, I do think that. So I think we've got to be very careful as to how we get this formula to see that we don't kill off economic growth. You've got to look at the overall gross national product when you talk about that, too.

Q Why didn't you say that during the campaign, Mr. President?

THE PRESIDENT: Well, I don't think anybody did such a good, penetrating job of questioning, and because the problem is different. The problem is quite different, Owen, today than it was then.

Tom and John. Patience is what it is.

Q Some members of Congress and some members of your own staff are saying that your three able negotiators, as you just described them, have signaled one important possible deal. And that is, if the Democrats will give you your capital gains tax cut, you're prepared to go along with eliminating the bubble on the high end of the tax rates scale.

THE PRESIDENT: We're going to leave all --

Q Is that a fair --

THE PRESIDENT: No, it's not a fair -- I'm not sure your dope is correct, either. But I just don't want to violate this concept of confidentiality while we're in the negotiating stage, and so I can't respond to it. But I wouldn't put too much trust in that one.

Q Mr. President, if your statement here this morning represents your latest thinking, why is it that a whole flock of conservative Republicans have already disavowed your position, considering it a tacit request that taxes will be increased?

THE PRESIDENT: For the same reason that that same

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response occurred in 1982, John. We have people who feel very strongly on this question, and I'm one of them. But I've got to make the case for the broader addressing ourselves of this problem here. But I can understand that.

Q It doesn't give you any pause that this fall you're going to be out campaigning for Republican candidates who disagree with you on taxes --

THE PRESIDENT: No.

Q -- as well as abortion and perhaps other issues?

THE PRESIDENT: No. We've always had differences with me on all those issues, one way or another, one side or another. But we also have a matrix of a party that is opposed to tax and spend, who wants to constrain spending and who wants reform. I still feel a fundamental part of that, even though we're talking now about an agreement that will hopefully cover all three aspects of that. If it doesn't, there won't be an agreement, I guess.

Q Mr. Secretary -- (laughter) -- Mr. President.

THE PRESIDENT: Do you have a message for me?  
(Laughter.) This is going to work out. This is going to work out, don't worry about it. (Laughter.)

Q Yesterday, the Secretary of State Mr. Baker seemed to duck a question that encompassed two of your dilemmas. One is the specter of taxes, but the other is the pressure from the allies which you'll see in NATO and then again at Houston to help the Soviet Union to give them some -- actually more than technical aid. Have you changed your thinking? Are you moving toward some sort of agreement with the allies?

THE PRESIDENT: We have some differences in the Alliance on this question. Are you talking about just strictly the aid to the Soviet Union? I've tried to be very frank and up front not only with the allies, but with the Soviets, on the difficulties we have at this juncture, because there has got to be economic reform there, market reform and all kinds of changes that I believe Gorbachev wants to see take place. But they have to be in place for the United States to go forward. Then we have a political agenda that we've tried to be very frank about. Secretary Baker has presented it in considerable detail to Mr. Shevardnadze, and I had a chance to touch on it with President Gorbachev.

You see, it is hard for the American people to say, why put X-billions of dollars of money into the Soviet economy when it's not reformed, when they're spending 18 percent of their gross national product on military, and when they're spending an estimated \$5 billion in Cuba? Some of our allies might not be as concerned about that last point as we are. I'm very concerned about it.

So we want to try to be of assistance in reform. We can do a lot in terms of helping institutionally. The EBRD in which we are a partner -- a participant now has in place some facility for future lending. But I don't want to misrepresent this to our allies, nor to the Soviets. And that's why I say we've got difficulties with this that perhaps transcend the difficulties that others have.

Q And you will not oppose the allies giving direct aid, though?

THE PRESIDENT: I want to talk to them about it, but I don't think we should tell Mr. Kohl what his lending policy or finance policy should be. It's understandable. He's a neighbor. They've got quite different problems with the Soviet Union than we do. But normally, it's best to have the Alliance act in concert. And I expect we'll be talking about this not only at Houston, but

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perhaps at the summit at NATO.

Q Mr. President, do you believe that we reporters are being somewhat naive when we suggest in our stories that --

THE PRESIDENT: Yes, because I didn't recognize you. I recognized him. (Laughter.) I'll come back to it, Frank.

Q A senior economic advisor in the last administration was fond of telling us that economic expansions don't die, bad policies kill them. Now that you're admitting that the economy is growing sluggish enough that tax revenue increases are needed, what policies went wrong? Why do we need this budget agreement so badly now?

THE PRESIDENT: In theory I'm not sure I disagree with that. In practice, provided everything is kept in proper perspective in terms of the total GNP, revenue increase would not kill off economic growth. You've got to see what the size of it is, what form it takes, whether it's accompanied by incentives for growth -- something I'm very much interested in. So you can't look at one piece of the package at this point as we're talking about solving a major deficit problem.

And you also have to consider the total size of the deficit as it relates to our economy.

Q Well, sir, what I was asking is what went wrong, why is it necessary now? Is this --

THE PRESIDENT: Yes. I think we got slower economic growth than had been anticipated, and thus, fewer revenues, thus a bigger deficit. We have a law requiring us to get the deficit down to certain levels. And so you've got a combination: the discipline that the Gramm-Rudman-Hollings causes and economic growth not being as robust as we predicted. And that is why we've got to do something right now.

Frank, yes.

Q Mr. President, in your research of what's happened to others have you concluded that we're naive to suggest that the public takes campaign promises seriously?

THE PRESIDENT: No. I think people are smarter than a lot of us think they are, including me. And I think they're fair. And I go back to the experiences of previous people that have been in this office who say one thing in a campaign, come in and keep that pledge, if you're talking about taxes, for quite a while, and then see that there's an enormous problem facing the nation that requires a bipartisan answer. And if I had control of this Congress, both Houses, we might not even be talking about this today. But there's a different feeling here, and I've got to see the country go forward. And I've got to take the heat that comes from certain quarters, political and other, and I'm prepared to do that. Because I think I'm on the right track and I think in the final analysis the American people will understand that.

Q And you think the public understands this and takes this into account when they hear campaign pledges?

THE PRESIDENT: Well, I've seen polling figures that indicate that. But I don't want to suggest that all politicians are cynical. Certainly when I was making comments of that nature. I was convinced that I could stay the course. And we did for a long time. And we may now, but let's see where we go on this negotiation. Because more important than how people look at what I've said is what happens to the economy, what happens to jobs, what happens to economic growth.

MORE

So when you make a change that people see as a dramatic shift, you've got to batten down the hatches and take the heat. But I really am not trying to misrepresent my position. I feel comfortable about that, because I've gone back and done a little research and seen these firestorms come and go. People who feel just as strongly on one side or another of an issue as I do and haven't gotten their way exactly. That's the American system. And I've got to work with it. Congress can -- they can go out, everybody up there can go out and take a position, but it's only the President that has the responsibility for the whole Executive Branch approach to it.

Couple more and then I'm going.

Q Mr. President, how do you explain to the country why you're treating this as essentially a Washington insider's game right now? Why not explain to the public what your list of priorities are within the spending and tax issues? Are there no longer any lines to be drawn in the sand based on your convictions on these areas?

THE PRESIDENT: Yes and they will be drawn in the negotiations. And then I'm going to do exactly what you're talking about. I'm going to tell the American people why this bipartisan agreement, which I'm still hopeful we'll get, is essential to the national interest.

Q The Republicans have gotten a lot of mileage in the last several elections out of what the Democrats think has been shameless demagoguery on the tax issue. By assuming that you get this bipartisan agreement, haven't you basically undercut that argument for your party? Hasn't your party now lost that issue?

THE PRESIDENT: Some will say so, but not if I go out and do my part and if I remind them of history. Take a look at the reaction in 1982, and it didn't have that kind of an adverse effect.

Sarah. Sarah, you thought I'd never --

Q Here's a way, sir, I think you can solve your problems. (Laughter.) Research shows -- you're going to NATO and you're going to try to reform it -- research shows that you could save a \$150 billion to \$160 billion by cutting out the support that we give to other foreign countries by paying for their defense of Europe. Now, why, in the name of God, don't you cut down the spending that you're putting on NATO when we're really paying this for other countries that are going to the summit with you?

THE PRESIDENT: Because I believe that a strong NATO is in the national security interest of the United States. I think it is in our interest that Europe has kept the peace for 40-some years, that it is going more and more the democratic route. And we have a stake in it. Every taxpayer in the United States has a stake in world peace, and that's why I feel as I do about it.

Last one.

Q Mr. President, going back to the S&L scandal, your son Neil has been involved in one of those failed S&Ls in Colorado. And I'm wondering if you've discussed this issue with him? Are you convinced that he is not guilty of any wrongdoing? And are you convinced, also, that in a government that you head will be able to fairly investigate his role?

THE PRESIDENT: Yes, to your last question. And I have -- what dad wouldn't -- full confidence in the integrity and honor of my son. And I will stay out of anything to do with the investigation, but this is a fine young man. Everyone that knows him and saw him testify feels he's a fine young man. But yet, the system's got to go forward. And I'm convinced that if he has done something wrong the system will so state. And if he hasn't, I hope it's fair enough to say, hey, the boy did nothing wrong.

MORE

Q Have you discussed this issue with him?

THE PRESIDENT: Only in that broad parental way. But making clear -- and he would be the last to ask me in anyway, to get involved in any side or the other. I do think that those that allege misconduct ought to speak up and say what it is. But it's not been easy for him. He's probably the most sensitive of our four boys, maybe second-most sensitive -- I can't quantify this for you with all four of them -- but he's a good kid. And it's not easy. He's held his head up. He, too, has taken a few shots on this. But he's had some good defenders from both sides of the aisle. And the system is going to work, whether it's the President's son or somebody else. And to suggest that it doesn't undermines the basic integrity of the American process, the American system. But it's not easy for him, but he'll do okay.

Q Mr. President, have you seen the Marion Barry tape and what's your reaction?

THE PRESIDENT: I thought I'd get asked that and I am simply not going to get into that matter. It is not appropriate. It's a matter for in the courts. Please forgive me for not commenting on that one.

Thank you all very much.

THE PRESS: Thank you.

END

10:11 A.M. EDT

HOBART ROWEN

# Parties Pass the Blame for S&L Crisis

ROWEN, From H1

paying for the wave of entrepreneurialism that was unleashed in Texas for the next 40 years," says a new report by a congressional coalition representing those states with the heavier tax burden.

The report claims that Texas pays only 7 percent of the nation's taxes, but it is responsible for 59 percent of the cleanup costs as a result of thrifts there offering some of the highest interest rates in the nation.

In a recent speech to a Democratic forum in New Hampshire, Wilder cited a new S&L horror study, one by Stanford University that he said places "the true costs" of the cleanup at \$1.4 trillion over the next four decades, including \$500 billion in the next 10 years. A General Accounting Office report estimates the 30-year cost at \$500 billion, including interest payments.

Wilder called on Bush to create a nonpartisan "Independent National Commission of Inquiry Into the Savings and Loan Scandal." It would sift out the differences in the various price tags that have been put on the cleanup, evaluate origins of the mess and come up with remedies and safeguards for the future.

"There are those who say that while

Republicans must bear the responsibility for this scandal, any honest inquiry may embarrass some influential Democrats as well," Wilder said. "To them, I would say, 'Let the chips fall where they may.'

"The public doesn't care whether those at fault are Republicans or Democrats or independents. All that the people want are the facts. And regardless of who may be implicated, the people are entitled to both . . . truth and justice."

Wilder has got it exactly right. Increasingly, congressional Democrats are coming to understand that as they properly assail the Reagan and Bush administrations for their responsibilities in the S&L mess, there will be political casualties in their own ranks.

There are four Democratic senators among the "Keating Five"—Dennis DeConcini of Arizona, Alan Cranston of California, Don Riegle of Michigan and John Glenn of Ohio. Along with Republican John McCain of Arizona, their conduct in relation to the biggest single S&L failure—Lincoln Savings and Loan of California—is being investigated by their peers.

Another negative consideration for Democrats is the involvement of former House

speaker Jim Wright of Texas with S&L lobbies. And beyond that, it was the Democrats who controlled the banking committees while Reagan sat in the White House.

In particular, key Democrats can be blamed for boosting the deposit-insurance limit from \$40,000 to \$100,000 in 1980. This move encouraged large depositors, through brokers, to seek out high rates from S&Ls. Thrift managers then dumped the money into risky investments, secure in the knowledge that Uncle Sam insured them against losses.

"In effect, the government assumed all the risks for hundreds of insolvent institutions," former Federal Reserve Board governor Sherman J. Maisel told a congressional committee earlier this year. "It was like staking poker players [to] piles of chips while allowing them to keep any winnings, even as the government agreed to pay all the losses."

Unbelievably, that particular barn door is still open. Treasury Secretary Nicholas F. Brady has just boosted the number of remaining S&Ls that likely will be closed by the government. But any depositor can still get \$100,000 worth of insurance for deposits at these "thrift" institutions.

Which party will take the initiative necessary for phasing down the insurance ceiling?

## PROFESSIONAL OPPORTUNITIES

### EXECUTIVE DIRECTOR

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"Our mental orientation toward  
East Germany is so strong that oth-  
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### INVESTMENT ADVISOR FINANCIAL PLANNER FEE BASED

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do not enjoy the same solutions.  
Even Czechoslovakia, which  
boasts relatively advanced industries  
and well-stocked stores, is saddled  
with poisoned land and an over-  
whelming trade dependence on oth-  
See GERMANY, H3, Col. 1

### Computer Store Managers Sales

HOBART ROWEN

## Passing the S&L Blame

In a ceremony the Department of Justice carefully staged for the TV cameras a bit over a week ago, President Bush proposed adding \$50 million to monies requested for bringing savings and loan criminals to justice. It was one more sign that the White House is at long last beginning to take seriously the notion that the S&L mess may put Bush on the defensive in 1992.

Democrats are convinced there is political pay dirt in the issue because the scandal developed on Ronald Reagan's watch. But because their own party's record isn't clean, it's likely to wind up a messy, dirty affair, with enough blame to go around. It is not clear at this point which party—in voters' estimation—will come off worse.

The origins of the crisis can be traced to deregulation at both federal and state levels between 1980 and 1983 that triggered mismanagement and excessive risk-taking, coupled with the fact

that Uncle Sam stood by with \$100,000 in insurance for every deposit.

Instead of facing up to the problem, the Reagan and Bush administrations, with congressional acquiescence, covered up the damage with accounting gimmickry. They keep postponing the day when the bills will have to be paid.

Two Democrats who have spoken out most clearly on Bush's vulnerability are Gov. Mario Cuomo of New York and Gov. L. Douglas Wilder of Virginia. Their states, and others in the East and Midwest, face some of the highest per-capita losses (through higher taxes to finance the cleanup), while states in the Southwest—especially Texas, which had the biggest S&L failures—will reap most of the benefit. (See Regions, Page H2, for breakdown of cleanup costs.)

"Taxpayers in the Northeast-Midwest region will be  
See ROWEN, H6, Col. 1

2

### REGIONS

Figuring out winners and losers in the

3

### THE WOR

Getting th

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# Bush Offers Clean Air Compromise

## Democrats Call Letter a Ploy to Insulate President From Criticism

By Michael Weisskopf  
Washington Post Staff Writer

President Bush, asserting that the House-Senate conference on clean air has "strayed significantly" and is moving too slowly to pass a bill this year, yesterday proposed a compromise package intended to break what he described as a legislative logjam.

"I fear that the slow progress and apparent course of the conference committee may jeopardize enactment of this critically important legislation," Bush said in a letter to conference leaders.

White House officials described the president's intervention in the two-month-old conference as necessary to light a fire under conferees in the dwindling days of the 101st Congress. The lawmakers have agreed on a handful of noncontroversial measures, turning only recently to the more politically loaded issues of automobile pollution, acid rain, alternative motor fuels and airborne toxics.

But Democratic conferees denied that an impasse has developed and called Bush's letter a political ploy to insulate him from criticism if the bill fails to pass before Congress adjourns. Instead of casting blame, they said, Bush should help fend off industry lobbyists whose pleas for concessions cause the delays.

"I have every confidence we're going to get a clean air bill on the president's desk," said Rep. Henry A. Waxman (D-Calif.), a key House conferee. "I don't feel it's helpful to reopen issues where we already know the administration's point of view."

Bush's proposal, laid out in a three-page memo, does not attempt to resolve differences in the House and Senate bills. Rather, it suggests that conferees accept different provisions of each bill.

In most cases, the president recommends adoption of the weakest provision in each bill. Despite his complaint of slow progress, he suggests that conferees reconsider one of their few agreements—the House's strong controls for industrial sources of smog—in favor of the weaker provision passed by the Senate.

Even though the Senate bill represented an agreement with the administration, Bush favored the House provision on controls of auto pollution. It allows an extra year for a first phase of cutbacks in tailpipe emissions and makes a second phase of cutbacks less likely than the Senate measure.

"It's the least-common-denominator clean air bill," Daniel Weiss, of the Sierra Club, said of yesterday's compromise proposal.

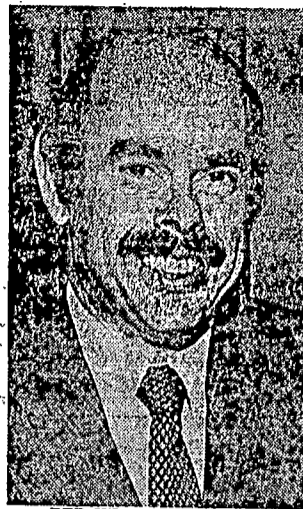
Since he introduced a clean air bill last July, Bush has stressed the need to contain costs, threatening

to veto excessively costly legislation. He reiterated that concern yesterday, warning that any bill presented for his signature "abide by certain principles."

He said he will not accept "extraneous and costly provisions that are unrelated to clean air," which, aides said, include a \$250 million retraining program passed in the House for workers laid off because of the legislation. Another program he opposes is the Senate requirement, estimated to cost \$2.5 billion, that would require autos to limit carbon monoxide emissions in cold weather.

According to Roger Porter, the president's domestic policy adviser, the package would shave \$3 billion from the \$25 billion price tag estimated for both House and Senate bills.


"It would be a terrible shame, and a disservice to the American people, if the prospects for cleaner air were to be scuttled because of a continuing impasse in the conference, or because of the addition by the conference of restrictive and inefficient provisions that saddle the American people with additional costs but yield no additional environmental benefit," the letter said.



REP. HENRY A. WAXMAN  
... "every confidence" a bill will pass

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*Election*



**90**



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*Speech Cards*

# Agriculture

## **Strengthening America's farmers**

- By pursuing sound fiscal and monetary policies, the administration wants to provide a stable business environment in which farmers can borrow at affordable interest rates.
- The administration supports a 1990 Farm Bill that increases the competitiveness of American farmers and ranchers and maintains a safety net.
- The President's proposed cut in the capital gains tax rate would apply to the sale of farmland. This tax cut can keep American agriculture dynamic and prosperous.
- The President encourages alternative uses of farm products like ethanol and other new fuels.
- The President knows that productive agriculture can be compatible with a sound environment. In 1990, the federal government will spend nearly a third of a billion dollars on research and technical support for farmers that

will help stop the contamination of land and water and make farming practices consistent with environmental protection.

■ The President's "America the Beautiful" initiative will establish a new reforestation program to plant more than a billion trees a year.

■ Many countries subsidize production and export of agricultural commodities or curb imports. The administration has submitted a comprehensive proposal for reforming world agricultural trade. The proposal calls for a worldwide phase-out of export subsidies in five years and other trade-distorting subsidies in ten years.

# Health Care

## **Toward a healthier America**

**“The future health of our citizens is heavily dependent upon our success in four major areas: We must develop an appropriate and effective health policy; we must contain medical costs; we must continue to make advances in biomedical research and biotechnology; and we must encourage increased personal responsibility for health and disease prevention.” — Dr. Louis Sullivan, Secretary of Health and Human Services. (*Roll Call*, 3-26-90, p. 15)**

■ The United States spends more of its gross domestic product (GDP) on health care than any other industrialized country (FY91 Budget, p. 185). We spend 11.2 percent, compared with 8.6 percent in Canada, and 6.8 percent in Japan.

■ In 1970, spending on mandatory health programs took up about 5 percent of federal budget outlays. In 1995, that figure is projected to reach 15 percent.

## **Accelerating the pace of health research**

■ The President supports an expanded program of basic research in the Department of Health and Human Services.

■ The President's budget proposes an 18 percent increase for all federal HIV/AIDS programs.

## **Health care reform**

■ The President proposes to restructure physician payment in the Medicare program and extend use of "prudent purchasing" principles to secure the best value for Medicare beneficiaries and taxpayers alike.

■ The President's policy encourages "managed care," the coordinated delivery of medical services through an organization (such as an HMO or a preferred-provider organization) that assures quality care.

■ The President supports a new program to evaluate medical technologies and strengthen existing quality assurance programs.

# Crime

President Bush has said: "My vision for the '90s is an America where punishment is at least as tough as the crime." (Address to conservative leaders, 4-26-90)

**The President has called upon Congress to pass his four-part crime program, which:**

**I. Strengthens current laws by:**

- Restoring an enforceable death penalty.
- Curbing plea bargaining.
- Toughening penalties for those who commit crimes with firearms.

**II. Strengthens law enforcement by:**

- Hiring additional law enforcement officers.
- Reforming the "exclusionary rule" to allow evidence to be admitted if the searching officers acted in good faith.

**III. Strengthens criminal prosecution by:**

- Hiring additional prosecutors.
- Reforming *habeas corpus* procedures to reduce the strain on federal courts.

**IV. Strengthens the prison system by:**

- Expanding prison construction.
- Converting unused federal property for use as federal prisons or jails.

## **Republican leadership gets tough on criminals**

■ Between 1960 and 1980, liberal policies eroded the justice system. In 1960, there were 299 prison commitments for every 1,000 adult arrests for serious crimes. By 1980, that figure had plunged to 196 (Bureau of Justice Statistics, *Prisoners in 1988*, April 1989, p. 6). Not coincidentally, crime and victimization soared during these two decades.

■ Starting in 1980, the GOP's "get-tough-on-crime" philosophy started to take hold: Result: By 1987, the state prison commitment rate was up to 301 per 1,000 arrests. And the victimization rate had fallen.

## **The American people want to get tougher on crime**

■ Seventy-two percent support the death penalty for murder, up from 54 percent in 1980. (CBS poll concluded 4-2-90)

■ Seventy-nine percent think that criminals currently get off too easily in court. (Gallup poll 6-21-89)

# Community Service

## A Thousand Points of Light

■ In his inaugural address, President Bush said: “I have spoken of a thousand points of light — of all the community organizations that are spread like stars throughout the nation, doing good. ... The old ideas are new again because they are not old, they are timeless: duty, sacrifice, commitment, and a patriotism that finds its expression in taking part and pitching in.”

■ The President aims to build a better America not just through government programs but through a nationwide community service program. The President’s program has three elements:

- Call on all individuals and institutions to take steps to address society’s problems.
- Identify, enlarge and multiply effective volunteer efforts.
- Discover and encourage new leaders.

■ In 1989, President Bush announced the formation of a foundation called the Points of Light Initiative. Each day the foundation recognizes individuals and group efforts that are improving America's communities.

— Through a foundation project called ServNet, groups will be asked to donate the services of some of their most talented people for a period of time.

— Another foundation project, ServLink, will improve existing methods of matching volunteers with service opportunities.

■ Says House Republican Whip Newt Gingrich: "No government bureaucracy will win the war on drugs, or nurture a generation of educated, hard-working citizens in the inner city. Only an outpouring of civic energy and commitment can bring about that level of change in individuals, families, and communities."

■ Between 1980 and 1988, private philanthropy funds increased from \$48.7 billion to \$104.4 billion — a 53 percent increase after inflation. (*1990 Statistical Abstract*, p. 372)

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# Environment

## **A conservationist tradition**

The Republican Party has a long tradition of protecting our nation's environment. Teddy Roosevelt, a great Republican president, was the father of the conservation movement in America. Roosevelt said we should "use [our natural resources], but use them so that as far as possible our children will be richer, and not poorer, because we have lived." Today, we again have a Republican president who is committed to preserving the environment.

## **President Bush's environmental policy: five principles**

- 1) Sound ecology and a strong economy can coexist and, indeed, help one another. We must harness the power of the marketplace in the service of the environment.
- 2) Protecting the environment will take more than just federal action. We must expand creative state, local and private environmental initiatives.
- 3) Preventing pollution is far more efficient than cleaning it up once it's occurred. We must focus on technologies that reduce or prevent pollution.
- 4) Protecting the environment is a global concern. Because pollution respects no borders, international cooperation is essential.
- 5) Environmental laws must be vigorously enforced. Polluters will pay.

## **The Environmental President: President Bush's proud record**

President Bush has already made great strides in fulfilling his pledge to be the environmental president. His administration has:

- Proposed the first major rewrite of the Clean Air Act in 13 years. The new Clean Air Bill will reduce emissions that cause acid rain, smog and air pollution.

- Launched a \$1 billion a year research program on global climate change.

- Proposed to elevate the Environmental Protection Agency to cabinet-level status while expanding its programs by 12 percent.

- Added three quarters of a billion dollars this year alone to clean up hazardous waste at federal facilities.

- Promoted the use of cleaner alternative fuels, which has already prompted several major oil companies to begin marketing reformulated gasoline.

- Proposed a worldwide phase-out of chlorofluorocarbons (CFCs) by the year 2000 to protect the ozone layer.

- Launched the "America the Beautiful" initiative to plant a billion new trees a year in America.

- Banned all U.S.-African ivory imports to help protect the elephant population.

- Set a goal of "no net loss" of wetlands for our country.

## Investing in America

■ Investment is soaring. Between 1980 and 1989, real net private domestic investment rose from \$153 billion to \$216 billion (1982 dollars) — a 41 percent increase. (*Economic Report of the President 1990*, p. 313)

■ Between 1980 and 1989, real business expenditures for new plant and equipment increased from \$333 billion to \$450 billion (1982 dollars) — a 35 percent increase. (*Statistical Abstract 1990*, p. 538)

## Capital gains

■ President Bush proposes to cut the tax rates on capital gains for long-term investments.

■ A cut in the capital gains rate would foster growth and increase competitiveness of American businesses. The tax rate on capital gains in the United States now tops that of any other industrial country except Australia and Great Britain. Both Australia and Great Britain, however, index capital gains for inflation, thus effectively reducing their tax rate.

## Protecting Social Security

■ President Bush is determined to protect the steadily accruing Social Security trust fund from raids on its reserves.

■ Seniors have made progress against poverty. Since 1970, the poverty rate among people age 65 and over has been cut in half. (*Census, Money Income*, p. 60):

1970	24.6%
1980	15.7%
1988	12.0%

■ President Bush has extended the fight against drugs to Latin American trade policy. In November 1989, President Bush proposed the Andean Trade Initiative to orient regional nations away from the drug trade by expanding legitimate trade opportunities.

## **Mexico**

■ President Bush is committed to creating new jobs and opening new markets between the United States and Mexico by negotiating a free-trade pact.

■ President Bush and Mexican President Carlos Salinas will conduct formal talks in December 1990, in Monterey, Mexico. Conclusion of a free-trade pact would coincide with an invitation to Canada to join in the arrangement, creating a North American free-trade zone stretching from the Arctic Circle to Central America.

## **Eastern Europe**

■ President Bush has promoted the transformation of centrally planned economies to market-oriented economies.

■ President Bush's \$938 million economic aid package to Poland and Hungary is a success. In Poland, the switch to a market economy is working. Inflation has dropped from 80 percent in January 1990 to 5 percent in March.

■ Future economic agreements will continue to stimulate and protect new opportunities for U.S. business. The Bush administration has proposed a complete overhaul of the system for controlling high-tech exports to allow access to Western technology.

## **The Republican Record**

The triumph of democracy and the collapse of communism are a result of a decade-long Republican policy of peace through strength. Republican policies of the '80s rebuilt our defenses and made the world a safer place for our children. Accomplishments include:

- The INF treaty. For the first time in history, an entire class of nuclear missiles was eliminated.
- A U.S.-Soviet agreement, in principle, to reduce their respective strategic nuclear arsenals.
- A continuing commitment to the Strategic Defense Initiative (SDI) to protect against a missile attack.
- Negotiations on conventional armed forces (CFE) with the Soviet Union. President Bush has proposed lowering the number of troops in the CFE treaty to 195,000.

■ President Bush's Open Skies initiative, which will allow frequent aerial observation of participating nations, is being negotiated. This is an old policy with a renewed importance, representing unprecedented access to and trust of the Soviet Union.

■ President Bush and Soviet President Gorbachev have signed an agreement to destroy most of the U.S. and Soviet chemical weapons by 2002. Production of such weapons will cease.

## **The future**

■ The fundamental U.S. security goal is to preserve our freedom. As recent events have reduced the threat of a Soviet/Warsaw Pact attack in Europe, both President Bush and Defense Sec. Dick Cheney are carefully planning a transition to peacetime defense. Sec. Cheney has cautioned, "Intentions can change overnight — defense capabilities last a long time."

■ A strong America is essential to global stability. The Bush administration will work to continue successful arms control negotiations. A six-year program will realign the defense budget. This year's defense plan will produce

savings of over \$35 billion and will guarantee protection of America and her allies.

## **Germany and NATO**

■ The United States supports the reunification of East and West Germany and its continued membership in NATO. The alliance must remain as a cornerstone of free nations of the West.

## **President Bush's housing policy: providing HOPE**

The President's forward-looking plan for housing is called HOPE — Home ownership and Opportunity for People Everywhere. HOPE encompasses four principles:

*1. Empowering poor families to achieve self-sufficiency and have a stake in their communities.*

■ President Bush is proposing HOPE grants to provide funds for resident management and home ownership in public housing, government-held vacant and foreclosed properties and financially distressed properties.

■ President Bush seeks to increase funding for the Urban Homesteading program, which turns over government-held properties to cities that then provide them at nominal cost to moderate-income families.

*2. Expanding housing opportunities for moderate-to-low income families and young families just starting out.*

■ The HOPE initiative would allow first-time home buyers to withdraw funds from their IRAs without penalty.

■ HOPE includes Housing Opportunity Zones, a program to target federal incentives to those distressed communities that best remove tax and regulatory barriers to affordable housing.

### *3. Helping end the tragedy of homelessness.*

■ The President supports full funding of the McKinney Act, which provides for a wide variety of programs of aid to the homeless.

■ The President proposes a new "Shelter Plus Care" program to help the homeless mentally ill or recovering substance abusers.

### *4. Creating jobs and economic opportunities in distressed inner cities and rural areas.*

■ HOPE would create 50 enterprise zones to encourage job creation and attract seed capital for business development. It will provide for a zero capital gains tax rate on tangible investments in enterprise zones.

## **Liberal fictions about housing and homelessness**

**Fiction:** Housing assistance was cut during the 1980s.

**Fact:** Between 1980 and 1990, outlays for housing assistance increased from \$5.6 billion to \$16.3 billion — more than an 80 percent increase after inflation. (FY90 Historical Tables, p. 70; FY91 Budget, p. A-296)

**Fiction:** There are as many as 5 million homeless people.

**Fact:** One homeless person is one too many. In 1980, the National Academy of Sciences estimated the number at 650,000, the Urban Institute found 570,000, and the General Accounting Office — an arm of Congress — put the number between 300,000 to 600,000. (Warren Brookes column, *The Washington Times*, 10-3-89)

# Child Care

## **President Bush on child care:**

“My philosophy with respect to child care is to put choice in the hands of parents not in the hands of the state. ... I will build a policy around parental choice. Particularly we must find a way to put a greater range of choices in the hands of low-income parents — because they face the greatest difficulty in meeting the demands of work and family.” (“Building a Better America,” 2-9-89)

## **The President’s proposal**

- A new refundable Child Care Tax Credit for low-income working families of up to \$1,000 for each child younger than age four.
- Refundability of the current Child Care and Dependent Care tax credit.

## **Principles of the President’s proposal**

### ***Parents know best***

Parents are best able to make decisions about their children’s care and should have the discretion to make these decisions. New federal support for child care should go directly to parents.

### ***Federal policy should not discriminate against parents who work at home.***

Federal policy now neglects the contributions

and sacrifices made by two-parent families in which one parent stays at home to care for the children.

***Parental choice must increase.***

Federal policy should increase, not decrease, the range of child-care choices available to parents. Parents should be free to select care from relatives, neighbors, churches, schools, employers or other sources.

***We must target families most in need.***

Poor families should receive benefits commensurate with their needs.

***Most child care is family care. (FY91 Budget, P. 194)***

■ In families with an employed parent, 43 percent of children younger than six are cared for by mothers who do not work outside the home.

■ Of under-five children whose mothers do work outside the home, 48 percent are cared for by relatives. "Family day care homes" account for 24 percent. Child care centers, including preschools, enroll only 22 percent of these children.

**President Bush scores  
Democratic "alternatives"**

"I will not see the option of religious-based child care restricted or eliminated. We're going to

fight against that. [The House Democrats' bill] would cost nearly \$30 billion, three times our original proposal, and force, compel many states to change their rules. ... So let's expand the horizons of our kids, not the budget of the bureaucracy, and through tax incentives give families the help that they need to solve their child care problems themselves." (Address to conservative leaders, 4-26-90)

## Investing In Competitiveness

### Keeping America's scientific lead

■ In 1988, American government and industry spent a total of \$132 billion on research and development — more than the combined R&D spending of France, West Germany, Britain and Japan. In relation to their overall economies, however, these countries and the U.S. each spent about the same, roughly 2 1/2 percent of their GNP.

■ Industry accounted for half of America's R&D spending in the 1980s. R&D had a direct rate of return of 30 percent — three times higher than for physical capital.

### Encouraging private research and development

President Bush believes that research yields new knowledge, products and processes that make America more competitive in international markets, foster economic growth, and improve the quality of life for all Americans. The President is taking the lead on three fronts:

■ Proposing to make permanent the 20 percent tax credit targeted to encourage research and experimentation.

■ Pursuing better international protection of intellectual property.

■ Endorsing changes in product liability laws to help restore balance to the tort system, increase

competitiveness, reduce uncertainty and provide incentives to produce safe products.

### **Increasing federal research and development**

- The President is committed to doubling the budget of the National Science Foundation by 1993.
- The President is working to continue American leadership in space exploration, including:
  - Funding of further Space Shuttle flights;
  - Development of Space Station Freedom; and
  - Planning exploration of the Moon and Mars.

### **Strengthening federal science and technology policy**

- On April 20, 1989, the President established the National Space Council, chaired by Vice President Quayle.
- The President established the Council on Competitiveness, also chaired by Vice President Quayle, to oversee regulatory and other competitiveness issues.

### **Manned mission to Mars**

- The President has lifted the sights of the space program with his call for a manned mission to Mars. He is:
  - supporting greater efforts for launching robotic science missions;
  - accelerating the technology and advanced launch systems to support planetary exploration; and

— proceeding with technology development for the National Aerospace Plane.

### **Industrial policy: another misguided liberal dream**

- Some liberal Democrats have called for an “industrial policy” in which the federal government picks specific technologies for special tax treatment or subsidy.
- The Bush administration believes the best way to support the development of civilian technology is by improving private incentives, not by trying the impossible job of second-guessing consumer decisions.

## **The President's commitment to a better America**

“And our challenge today is to take this democratic system of ours — a system second to none — and make it better. A better America ... where every one of us enjoys the same opportunities to live, to work, and to contribute to society. And where, for the first time, the American mainstream includes all of our disabled citizens. (President's 1990 State of the Union Address)

## **Protecting the civil rights of all Americans**

- The President called upon Congress to reauthorize the Commission on Civil Rights. Following congressional action, the President signed legislation reauthorizing the Commission through FY 91.
- The President endorsed and signed the Hate Crimes Bill, which provides for the collection of data about crimes based on prejudice.
- Attorney General Thornburgh filed federal housing discrimination lawsuits seeking monetary damages and civil penalties under the Fair Housing Amendments of 1988.
- The President is committed to policies that would extend civil rights protection to disabled Americans.
- Because of President Bush's policies, two-thirds of black Americans approve of the way he is doing his job. (NBC poll, April 1990)

## Opportunity and progress

■ Between 1986 and 1988, black enrollment in independent colleges and universities increased by 7.1 percent (U.S. Department of Education figures, reported by *The New York Times*, (3-30-90).

■ Since the beginning of the economic recovery, black employment has grown by more than two million. (*Economic Report of the President 1990*, p. 333)

■ President Bush, has appointed more Asian Americans to senior administration jobs — at least 30 — than any previous administration. — Between 1980 and 1988, according to the Census Bureau, the Asian population of the United States grew by 70 percent. Asian-Americans numbered about 6.5 million in 1988, up from 3.8 million eight years earlier. (*The New York Times*, 3-2-90)

■ In 1989, the first Cuban-American was elected to Congress: Republican Ileana Ros-Lehtinen of Florida.

## The Republican Record

■ Without the support of key Republicans in the '60s such as Senate Minority Leader Everett Dirksen, crucial civil rights legislation would not have become law.

■ As a Texas congressman, George Bush was one of a handful of Southern lawmakers to vote for the fair housing law of 1968.

■ Republican Senator Edward Brooke of Massachusetts, the only black member of the U.S. Senate during the 20th century, sponsored

the 1968 fair housing law in the Senate.

■ As Vice President, George Bush supported the Fair Housing Amendments of 1988, which strengthened anti-discrimination housing laws.

## Economic progress

■ Since the beginning of the economic expansion in 1982, the median income of black households has increased 11.8 percent after inflation. The median income of Latino households has increased 9.4 percent. (*1990 Statistical Abstract*, p. 444)

■ Since 1982, the percentage of black households making more than \$50,000 a year (1988 constant dollars) has doubled — from 4.9 percent to 9.9 percent. (U.S. Census, *Monday Income*, p.24)

# Savings and Loans

## **President Bush acts**

■ To protect the savings of millions of Americans, President Bush led the effort to pass the Financial Institutions Reform, Recovery and Enforcement Act of 1989. The law sets tough standards to ensure that such a crisis never happens again.

■ President Bush has reaffirmed his commitment to tough action against S&L fraud: "We will not rest until the cheats and the chisellers and the charlatans spend a large chunk of their lives behind the bars of a federal prison." (*Washington Post*, June 23, 1990)

■ The Department of Justice has achieved results in its war on financial institution fraud, including 791 major fraud convictions in 1989.

■ President Bush supports legislation to provide additional enforcement tools that will allow the government to step up the attack on financial institution fraud. A total of 220 agents are being added to the battle, and the President has asked Congress for an additional \$25 million for the IRS and Justice Department for investigators and prosecutors.

## **Congress had the responsibility**

■ Before 1989, Congress had provided that every major regulator, except the Comptroller of the Currency, be independent of the president and accountable primarily to Congress.

## **Asleep at the wheel: The Democratic Congress**

■ William Proxmire, former chairman of the Senate Banking Committee, said that members

of Congress “were just plain lulled to sleep” while the problem was growing. The S&Ls “went down fast, and Congress didn’t react soon enough.” (*St. Louis Post-Dispatch*, May 23, 1989)

■ The result: The Democratic Speaker helped cause one of the greatest financial problems in our history.

## **Republicans called for action**

■ In 1984, the Bush Task Group on Regulation of Financial Services recommended comprehensive reform of the regulatory system.

■ In 1986, the administration asked Congress to replenish the funds of the Federal Savings and Loan Insurance Corporation (FSLIC), which protected savings accounts and which was facing insolvency.

## **Democrats stalled**

■ The Reagan administration proposed legislation to carry out the Bush Task Force reforms, but the Democratic Congress refused to move the legislation.

■ It took Congress two years to enact legislation to protect small savers by shoring up FSLIC.

## **Democratic Leadership: making things worse**

■ As House Majority Leader, Jim Wright, once took the FSLIC bill off the House calendar to pressure the regulators to change their stand on a matter affecting a big Dallas real estate syndicator. Democrat Wright also:

— Sought to have at least two federal regulators removed from office.

— Intervened on behalf of a Democratic Party official who had been banned from the thrift industry for regulatory violations.

## **Administration leads education reform**

President Bush has said that “our progress won’t be measured by bureaucracies built and dollars spent. It will be measured by results, and by what our children learn and accomplish.” (Remarks on Teacher of the Year Award, 4-4-90)

## **President’s education summit sets national goals**

For the first time in U.S. history, a president convened the nation’s governors to address education. In February, President Bush and the nation’s governors agreed that by the year 2000:

- Every child must start school ready to learn.
- The high school graduation rate must top 90 percent.
- Students must show competency in English, math, science, history and geography.
- American students will lead the world in math and science achievement.
- Every adult will know how to read, possess the skills necessary in a competitive global economy, and have the knowledge necessary to exercise the rights and responsibilities of citizenship.
- Every school will be free of drugs and violence and instead offer a disciplined setting for learning.

President Bush has said: “I believe that excellence comes from higher standards, a greater

accountability, and more freedom to move within a school system" (Address to conservative leaders, 4-26-90). President Bush's Educational Excellence Act calls for a restructuring of the educational system by providing:

- Presidential Merit Schools: Awards to schools that make progress in raising achievement, fighting drugs and reducing dropout rates.
- Presidential Awards to excellent teachers.
- Short-term aid to districts establishing magnet schools.
- Alternative teacher certification programs.
- A National Science Scholars program to encourage top high school students to undertake college work in science, math or engineering.
- Sustaining black colleges: Matching funds to historically black college and university endowment fundraising.

### **Spending alone will not solve our problems**

- Between 1963 and 1980, federal spending for elementary and secondary education increased by 328 percent after inflation. (*Historical Tables*, FY90 Budget, pp. 63-65)
- During this time of increasing federal spending, average combined SATs fell from 976 to 890. (*Digest of Education Statistics* 1989, p. 120)
- The increased federal effort failed because American education had strayed from the basics: reading, writing and respect.

### **Recovering from the mistakes of the '60s: Republican leadership points the way**

- SAT scores improve: In 1989, combined SAT scores averaged 903 (*The Washington Post*, 5-3-

90). Most people agree that we need to make further progress, but that score represents an improvement from the 1980 level of 890.

- High School graduation up: In 1988, 76 percent of the population aged 25 and over had completed high school, compared with 69 percent in 1980. (*Digest*, p. 4)

- Teacher salaries improve: Between 1980 and 1988, the average salary (constant 1987-88 dollars) of elementary and secondary teachers increased from \$24,000 to \$28,000. (*Digest*, p. 77)

### **School choice is the wave of the future**

- Educational excellence comes from higher standards, greater accountability and more freedom to move within a school system.

— By a 2-to-1 margin, Americans support letting parents choose which public school their children will attend. (Gallup poll, *The Washington Post*, 8-25-89)

President Bush has said. "Congress needs to provide tough laws to deal with a tough problem. Working together, we can — we will defeat this scourge. America has earned her victories through determination and desire." (Santa Ana, Calif., 3-2-90)

## **President Bush's national drug control strategy**

### *1. Attack the drug market at the source and on the street.*

- Extend the death penalty to:
  - Major drug kingpins;
  - Drug kingpins who attempt to kill to obstruct justice; and
  - Federal drug felons whose crimes result in death.
- Hire additional prosecutors, law enforcement officers and court personnel.
- Help the Andean countries fight drug production.
- Step up efforts to eradicate domestic marijuana.
- Improve interdiction at our borders.

### *2. Treat the drug user.*

- Increase drug treatment grants to the states.
- Triple assistance to "crack babies."

### *3. Prevent drug use through efforts in schools, workplaces and communities.*

- Strengthen drug-free workplace requirements for federal contractors and grant recipients.
- Increase outlays for prevention efforts.

## **Strong public support**

■ Sixty-nine percent of Americans approve of the way President Bush is handling the drug problem. (Gallup poll, 1-17-90)

■ Sixty-three percent say President Bush has made "some" or "a lot of" progress in dealing with the drug problem. (Gallup poll, 1-17-90)

## **Republican leadership points the way to better law enforcement**

Responding to presidential leadership, federal, state and local authorities have started cracking down:

■ In 1989, federal agents seized 181,000 pounds of cocaine — three times the amount they seized in 1986. (*The New York Times*, 4-22-90)

■ In 1988, state and local authorities made 289,000 arrests for sale or manufacture of drugs — more than twice the number of arrests they made in 1984. (Bureau of Justice Statistics, *Drug and Crime Facts* 1989, p. 8)

■ In 1987, 78 percent of suspects in drug cases were prosecuted, up from 73 percent in 1980. This was a higher rate than for any other crime category. (BJS, *Drug and Crime*, p. 9)

■ The number of suspects prosecuted for drug offenses increased from 7,000 in 1980 to 18,000 in 1987 — an increase of 153 percent. (BJS, *Drug and Crime*, p. 9)

## **Progress: drug abuse reduced**

The War on Drugs is not yet won. Any level of drug use is too high. And the crack problem is still causing havoc. But thanks to tougher Republican policies, signs of progress are appearing:

■ In 1989, the proportion of high school seniors who reported using drugs within the last year

dropped to 35.4 percent — still far too high, but the lowest figure since the National Institute on Drug Abuse (NIDA) surveys started in 1975. (*L.A. Times*, 2-14-90)

■ After a continuous increase since 1986, the number of cocaine overdoses reported by hospital emergency rooms in major cities held steady from late 1988 through the third quarter of 1989. (*Baltimore Sun*, 2-8-90)

■ According to the NIDA, 37 million Americans used illicit drugs during 1985. By 1988, that number had fallen to 28 million. (NIDA release, August 1989)

■ The proportion of adults aged 18 to 25 who used marijuana at least five times a month dropped from 18.7 percent in 1977 to 6.9 percent in 1988. (*Morbidity and Mortality Weekly Report*, 4-20-90)

■ Between 1979 and 1988 the proportion of high school seniors aware of the risks of regular marijuana use increased from 42 percent to 77 percent. (*MMWR*, 4-20-90)

## **The triumph of democracy**

Will any of us ever forget the stirring sights of 1989? First, we witnessed peaceful revolutions in Poland and Hungary. Then, the tremors set off by the falling of the Berlin Wall upended communism in East Germany and Czechoslovakia. Now change has come to the Americas — to Panama, to Nicaragua, perhaps to Cuba. These events, which President Bush calls the “Revolution of ’89,” are miraculous, but not accidental. They are, in part, due to steady leadership. It is no accident that under Republican leadership, one billion people of the earth found freedom.

Contrast this to the almost daily humiliations of the era when liberal Democrats were in power — the steady encroachment of Marxist-Leninism in the Americas, the growing tension within the Western alliances.

## **The Republican Record: a safer and more peaceful world**

Successive Republican administrations have promoted peace and freedom around the globe.

■ In 1990, after a decade of Republican leadership, about 3.2 billion (about 66 percent) of the world’s population are free. In January 1979, only about 2.2 billion (about 55 percent) of the world’s population lived free of communist tyranny and military dictatorship.

■ Republican presidents have also cultivated a new, more peaceful relationship with the Soviet Union. The historic INF agreement has eliminated an entire class of nuclear weapons and has paved the way for further arms-reductions agreements.

■ By January 1990, 17 countries in Latin America could be considered democratic. In the 1970s, only seven Latin American and Caribbean nations could boast of open or democratic societies.

## **Panama**

Then there is the restoration of democracy in Panama. On Dec. 20, 1989, President Bush sent U.S. forces to protect American lives, restore the democratic process, preserve the integrity of the Panama Canal Treaties and decapitate the outlaw regime of Manuel Noriega.

■ U.S. Forces were withdrawn less than two weeks after the operation began and Manuel Noriega turned himself over to U.S. forces on Jan. 3, 1990.

## **Nicaragua**

Democracy also triumphed in Marxist Nicaragua. Presidents Reagan and Bush lent their unfailing support to the Nicaraguan freedom fighters, helping to bring about free elections in Nicaragua and a stunning end to the Sandinista regime.

## **Grenada**

With the support of other nations in the region, the United States liberated the island nation of Grenada from communist dictatorship.

## **Libya**

Action was taken against state-sponsored terrorism by raiding Libyan bases in 1986.

## **Eastern Europe**

The "Revolution of 1989," the overthrow of communism in Eastern Europe, was a fundamental victory for Republican foreign policy. Both the Berlin Wall and the Warsaw Pact came tumbling down. In Poland, Czechoslovakia, East Germany, Bulgaria and Romania, people clamored for political and economic freedom.

■ The survival of fledgling democracies is a priority of the Bush Administration. In November 1989, the United States enacted a \$938 million aid package to Poland and Hungary.

## **Camp David Summit**

■ President Bush's June 1990 summit meeting with Soviet President Gorbachev was a successful step toward relaxing tensions and establishing closer relations between the Soviet and American peoples.

■ The Bush administration signed a landmark agreement that will eventually eliminate both nations' chemical weapons stockpiles.

— Other accords between the two nations include agreements on cultural exchange, environmental issues, civil aviation and maritime transportation accords, customs accords and trade agreements, including an accord bolstering U.S. grain sales.

## **German reunification**

President Bush is standing firm for support of a united Germany as a member of NATO.

## **The People's Republic of China**

President Bush is working to preserve America's important relationship with the people of China. Reform will be encouraged through open lines of communication and trade.

■ President Bush condemns the repression of the Chinese people and therefore suspended governmental sales and commercial export of weapons.

## Investing in America

■ Investment is soaring. Between 1980 and 1989, real net private domestic investment rose from \$153 billion to \$216 billion (1982 dollars) — a 41 percent increase. (*Economic Report of the President 1990*, p. 313)

■ Between 1980 and 1989, real business expenditures for new plant and equipment increased from \$333 billion to \$450 billion (1982 dollars) — a 35 percent increase. (*Statistical Abstract 1990*, p. 538)

## Capital gains

■ President Bush proposes to cut the tax rates on capital gains for long-term investments.

■ A cut in the capital gains rate would foster growth and increase competitiveness of American businesses. The tax rate on capital gains in the United States now tops that of any other industrial country except Australia and Great Britain. Both Australia and Great Britain, however, index capital gains for inflation, thus effectively reducing their tax rate.

## Protecting Social Security

■ President Bush is determined to protect the steadily accruing Social Security trust fund from raids on its reserves.

■ Seniors have made progress against poverty. Since 1970, the poverty rate among people age 65 and over has been cut in half. (Census, *Money Income*, p. 60):

1970	24.6%
1980	15.7%
1988	12.0%

## Sustaining record growth: longest peacetime expansion

■ Thanks to Republican economic policy, America is enjoying the longest peacetime expansion in history. Unless congressional Democrats scuttle the recovery with their big-spending policies, each month this year will set a new record for the length of peacetime economic growth: July represents the 92nd month of consecutive growth.

■ Between 1980 and 1989, the economy grew by almost a third. Real gross national product (1982 dollars) rose from \$3.187 trillion to \$4.144 trillion — an increase of nearly one trillion dollars. (*Economic Indicators*, April 1990, p. 2)

— The real growth in gross national product has amounted to \$3,800 for every man, woman and child in the United States.

## The great American job machine

■ Since the expansion started in late 1982, the economy has created more than 21 million new jobs. (*Economic Report of the President 1984*, p. 263; *Economic Indicators*, April 1990, p. 14)

— The economic expansion produced five new jobs every minute.

— Inflation hit a 16-year low.

■ In 1989, the civilian unemployment rate was 5.3 percent — the lowest annual average since 1973. In 1980, the last year the Democrats controlled the White House, the unemployment rate was 7.1 percent and rising. (*Economic Report of the President 1990*, p. 339)

— If the Democrats' 1980 unemployment rate had prevailed in 1989, an additional 2.27 million Americans would have been out of work.

## Checking inflation

■ The most common measure of inflation, the consumer price index, rose by a modest 4.8 percent in 1989. In 1980, when Democratic policies were choking the economy, the inflation rate rose to 13.5 percent, nearly three times as large. (*Economic Indicators*, April 1990, p. 24)

— Inflation increased each year the Democrats were last in the White House.

— If the Democratic inflation rate had lasted throughout the 1980s, prices today would be 108 percent higher.

	Republican price	Democratic price
Loaf of Bread	\$0.93	\$ 1.93
Toothbrush	\$1.09	\$ 2.27
Sport Shirt	\$22.00	\$45.76
Color TV	\$300.00	\$624.00
New Car	\$13,000.00	\$27,040.00

## Lower interest rates

■ As Jimmy Carter was cleaning out his desk in December 1980, the prime interest rate hit 21.5 percent. In 1989, the prime averaged 10.87 percent, about half the Democratic level. (*Economic Report of the President, 1984*, p. 299; *Economic Indicators*, April 1990, p. 30)

## Controlling the budget

■ President Bush is facing the budget issue squarely. In May, he began a budget summit with congressional leaders of both parties, with the primary goal of maintaining peace and increasing prosperity.

■ President Bush supports a line-item veto and a balanced-budget amendment.

■ In fiscal 1989, the budget deficit stood at 2.9 percent of GNP — still too high, but less than

half the level of 1983. (CBO, *Economic and Budget Outlook*, January 1990, pp. 33, 123)

■ Article I of the Constitution gives the power of the purse to the House of Representatives, which has been ruled by the Democrats for nearly 36 years.

## Helping families and individuals

■ President Bush endorses Family Savings Accounts. He has proposed that withdrawals made after 7 years should be tax-free.

■ President Bush is helping home buyers. The administration has proposed a waiver of the 10 percent excise tax penalty for early withdrawal of up to \$10,000 from Individual Retirement Accounts. The withdrawn funds would have to be used for first-time home purchases.

■ Democratic policies devastated American families. Between 1978 and 1982, real median family income (1988 dollars) fell from \$32,006 to \$28,727. Republican policies have restored prosperity to the family. Between 1983 and 1988, real median family income increased from \$29,307 to \$32,191. (U.S. Census, *Money Income and Poverty Status in the United States 1988*, p. 11)

■ Between 1980 and 1988, the share of American households with incomes under \$15,000 (1988 dollars) fell from 29.4 percent to 27.3 percent. Meanwhile, more and more Americans climbed into higher income levels. The share of households with incomes over \$50,000 rose from 15.8 percent to 20.8 percent. (U.S. Census, *Money Income*, p. 23)

■ Between 1980 and 1989, real per capita disposable personal income (1982 dollars) rose 20 percent. (*Economic Indicators*, April 1990, p. 6)

■ Although the poverty rate rose in three of the four Carter years, it fell in six of the first eight Republican years.

■ President Bush has extended the fight against drugs to Latin American trade policy. In November 1989, President Bush proposed the Andean Trade Initiative to orient regional nations away from the drug trade by expanding legitimate trade opportunities.

## Mexico

■ President Bush is committed to creating new jobs and opening new markets between the United States and Mexico by negotiating a free-trade pact.

■ President Bush and Mexican President Carlos Salinas will conduct formal talks in December 1990, in Monterey, Mexico. Conclusion of a free-trade pact would coincide with an invitation to Canada to join in the arrangement, creating a North American free-trade zone stretching from the Arctic Circle to Central America.

## Eastern Europe

■ President Bush has promoted the transformation of centrally planned economies to market-oriented economies.

■ President Bush's \$938 million economic aid package to Poland and Hungary is a success. In Poland, the switch to a market economy is working. Inflation has dropped from 80 percent in January 1990 to 5 percent in March.

■ Future economic agreements will continue to stimulate and protect new opportunities for U.S. business. The Bush administration has proposed a complete overhaul of the system for controlling high-tech exports to allow access to Western technology.

## Opening world markets

■ President Bush's trade policy has a clear goal: to create a world where open markets are based on free and fair trade practices.

— Republicans believe that trade wars kill jobs, and free trade creates jobs. With the walls of isolation being torn down around the world, now is *not* the time to build a protectionist wall around the United States — as many liberal Democrats would.

— America needs free trade, fair trade and more trade. Protectionism is a problem, not a solution.

## Highlights: the Republican Record

■ Aggressive Republican leadership has improved our international trade position. With U.S. exports steadily increasing, the trade deficit was cut by 28 percent between 1987 and 1989. (exports minus imports-customs value). (*Economic Indicators*, p. 35 April 1990)

■ The Bush administration has been a leader in tariff negotiations, promoting open markets around the world.

■ President Bush has created an interagency group to assure that U.S. trade interests are represented in the 1992 European Community.

■ The Bush administration has encouraged commercial banks to reduce the debts of developing countries. Mexico, the Philippines and Costa Rica have reached debt-reduction agreements with U.S. banks under President Bush's debt plan.

■ The administration will enforce and use U.S. trade laws to best advance the goals of open markets and fair trade.

■ American competitiveness in the global market place is being promoted by Vice President Dan Quayle as chairman of the Council on Competitiveness.

## **Soviet Union**

■ Both the Malta and Washington summits have improved economic ties between the two superpowers. President Bush will continue to link trade with progress in political and economic reforms.

— The Malta Summit began negotiation of a new trade agreement, including GATT observer status for the Soviet Union. New accords signed at the June 1990 Washington Summit will triple airline capacity between the two nations and increase Soviet purchases of U.S. grain from 9 million tons to 10 million tons annually.

■ President Bush supports genuine efforts to bring fundamental, free-market reforms to the Soviet economy.

— President Bush offered Soviet President Mikhail Gorbachev the opportunity to achieve “Most Favored Nation” status, providing the Soviet government passes liberalized emigration reform laws. The President said:

“I want to see Lithuania have its freedom. We are committed to self-determination for the Baltic states. And although I take great pleasure and joy and am pleased that the emigration of Soviet Jews is at an all-time high, I want to see unfettered emigration.” (*The Washington Times*, 6/8/90)

■ Trade with the Soviet Union has rebounded in the last two years. Bilateral trade soared to over \$4 billion in October 1989, compared with \$2.6 billion during the same period in 1988. Agricultural exports alone tripled during the same period.

## **Canada**

An historic tariff-free zone has been created by U.S.-Canada Free Trade Agreement (FTA) that has stimulated growth, boosted incomes and increased the competitiveness of firms in both nations. During 1989, the first year of the agreement, goods and services trade exceeded \$200 billion.

## **Japan**

President Bush is ensuring that Japan, the world's second largest market, opens to U.S. business and operates competitively. The Bush administration's successful identification of market opening priorities under the 1988 Trade Act has won trade concessions from the Japanese. President Bush has ensured open markets for satellites, supercomputers and forest products. Under President Bush's administration, Japan has been removed from the list of countries with unacceptable trade barriers.

## **China**

■ America's outrage at the tragedy of Tiananmen Square was expressed by Congress and by sanctions promptly enacted by the Bush Administration. These sanctions remain unchanged. Notwithstanding, the President has repeatedly made it clear that these actions were never designed to hurt the Chinese people.

■ The President extended “Most Favored Nation” trade status with China because it was in the best interest of the U.S. and the Chinese people. Discontinuing MFN could cost the U.S. \$6 billion a year in trade as well as inadvertently damage the Hong Kong economy, which stood to lose 20,000 jobs and \$10 billion in trade. Many of our trading partners — including the United Kingdom, Japan, and even Taiwan — urged that MFN be retained.

■ The people of China who trade with the United States are the engine of reform, the opening to the outside world. The President believes: “Our responsibility is best met not by isolating those forces from contact ... but by keeping open the channels of commerce and communications.”

## **Latin America**

■ President Bush has expanded and developed open markets in the Caribbean and Latin America. Brazil, Argentina, Colombia and Venezuela have liberalized their trade policies.