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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

March 1, 1989

REMARKS BY THE PRESIDENT
TO THE SMALL BUSINESS LEGISLATIVE COUNCIL

The East Room

2:41 P.M. EST

THE PRESIDENT: Thank you all for that welcome and thank you all for being here and to Secretary Mosbacher and other dignitaries here and all of you, I am grateful for this opportunity.

Before beginning to talk a little bit about the area that brings us together -- business climate, business community, emphasis small business, entrepreneurship, I want to make a statement on a matter -- comment on an issue of particular currency in Washington. Three guesses. (Laughter.)

No, the debate over John Tower's nomination as Defense Secretary should clearly be based on principle and on policy, and it ought not to be based on rumor and innuendo. And no one denies that Senator Tower is well-qualified, hard-nosed, tough, experienced. No one denies that he knows the Pentagon well and he knows the Congress. Those are the facts.

And Americans, whatever their policies -- and I'll bet all of you agree with this -- and whatever their politics, are committed to the concept of fair play and are committed to decency. And all I am asking in the name of fair play is that the man be judged on the facts, not on misperceptions. And this is a tough town -- a lot of rumors out there. Public service is not made easier by claims that cannot be substantiated. It's made tougher.

Proceedings are starting in the Senate, as they should, and I've made my call. I've looked at the record. I've known this man since 1959, and my support is unequivocal. And John Tower is, in my view, the best man for this job. And so my pitch -- my appeal to the senators has been, look, do what you've got to do, but remember, fair play, remember decency and honor, and then remember also historically the concept of advise and consent where reasonable doubt is given historically to the President of the United States who, after all, is responsible for the Executive Branch of this government.

So that matter -- I want to just speak to you on it. I know it's a matter that obviously concerns everyone because it's dominating the news.

competitors have always enjoyed.

In a few minutes, I'm going to have a suggestion for those who argue in favor of protectionist intervention. You know, there are some who say that Asia could become the economic center of the world. Some even suggest that America's power is on the wane. And, well, for them I have news. The 21st century can well be the next American century -- if we understand the challenges before us, and move together to meet them.

More than ever, the world is connected, interdependent, changing rapidly. Barbara and I lived in China 14 years ago for a year and a half, and I've been back there -- this is the fifth time since leaving China, and some of you have been there. But you just -- every time you go, you feel it, you feel the movement and you feel the change. And that's just one part of this highly complex, highly interconnected world. More than any point in our human history, societies and economies rely upon one another.

So competitiveness, which is on everybody's minds these days, takes on a challenging new angle, and it means more than just market share and earned income. And it's more than a zero-sum, winner-take-all game.

Since 1980, the world trade volume is up nearly 40 percent, and almost a fifth of our industrial production is now in exports. Goods and services circle the globe overnight. Nick Brady told me just a while ago over in the Oval Office that clearing in the world markets every night is a trillion dollars worth of securities. A trillion dollars one single evening. Instant transfers of funds around the world. Capital, as I say, changes hands in seconds.

In a world like that, all nations stand to benefit from the growth of their trading partners, and as long as markets are free and open. So I have two key priorities -- to promote economic growth through low tax rates and to encourage the kind of free trade that makes all nations better off. General Brent Scowcroft is here with me and he was on this trip with me, and at every stop we made the point to some weary interlocutors, I might add, that the need for keeping these markets open. The goal of competitiveness is not simply to disadvantage the competition. It's to better deploy the advantages that we have and to create new ones.

And that's why the work that you all do is so important. American small business has always been our most creative source of innovation and economic growth. And you, we, have created 19 million new jobs in this country since the recovery began. Relative to population, that's more than twice the number of jobs created in Japan. And in the U.S. private sector, small businesses are responsible for two out of three jobs created. Two out of three. Businesses like yours make America work.

By creating jobs, you create opportunity, and while I am President, government won't interfere with that. We've got to do more in the field where Richard Breeden spent several years of his life trying to simplify the regulatory process. I'm going to try hard. We will assure you that you have the freedom you need to do what you do best. And I am still determined -- I have not changed my

jobs is greatest, and we will cut your federal tax rates. We will create these enterprise zones which I think would be the best antidote to poverty in the inner city. After all, you'll be saving the government money by reducing the need for items like welfare and subsidized housing. And you'll help us bring urban enterprise zones to life in cities all across this country.

You know, decisions made -- and actions taken -- at the local level very often better serve the interests of those involved. What I'm talking about, here, is a fundamental American freedom: the freedom to choose, make up your own mind.

And that's the driving principle behind the proposal I've made on child care. We want to establish a new, refundable Children's Tax Credit for low-income parents -- and make the existing child care tax credit refundable as well. We mean to avoid burdensome federal standards and regulation that would limit family, limit church, and limit community-based care. We will examine the liability insurance barriers for businesses interested in providing child care options. We've got to do something about this liability menace, you might say, which has gotten out of hand. And we need some advice from you on how to accomplish this. We've got some good ideas on proposals that can well be made.

We would like to put solutions -- and dollars -- in the hands of parents. We intend to promote choice. And this one is very important with me. As I look at urban America and I look at the complexity of society today, it's right back to the basics: strengthen the family. Strengthen the community. Strengthen the churches and other groups that are out there trying to help.

You know, flexibility can also promote risk-taking. It's always been the basis for real achievements in business. And so we need to find new ways to encourage men and women to take risks. We need entrepreneurs who will invest their time, talents, and resources to build the businesses. Unlock new markets. Unleash new technologies. Create new jobs. People who bring to the marketplace competitive products and quality services that are second to none in the world -- they need to be encouraged.

You know what the challenges are.

Last year a large survey of CEOs suggested that while American business leaders are inherently optimistic, they're aware that we have new and important work to do. Ninety percent of them said that American business is still too short-term oriented.

And, along with many here -- I better not start telling you my war stories about business or you'll tell me yours, and we'll be here all night. (Laughter.) But I have helped build a business from scratch. I happen to think that's a good criterion for being President of the United States, as a matter of fact, and I know that it can be extraordinarily tough. And I understand the pressures, I think, from having been there in a tiny little business many years ago the pressures that you face. So you don't need a lecture on the importance of savings and long-term investment. You need government that enables you to do what's good for business and good for America. And often, that means kind of getting out of the way.

And so I call on anyone who talks about protectionism to consider this: By taxing capital gains, we impede our own progress -- and we turn the playing field into an uphill climb.

Restoring the capital gains differential would be a powerful incentive for businesses to invest, to innovate, to grow, and to create jobs. The Treasury estimates that the cut that I have proposed will add \$4.8 billion a year to the revenue side of the ledger. So let those out there charge me of taxes that are favoring the rich. I know that in proposing a capital gains differential, I am favoring innovation and risk-taking. And in the process, I am favoring jobs. And that's what it's all about. (Applause.) I'm committed to government policies that will allow business to invest with an eye toward the long term to assure our competitive future.

In my budget, I've proposed a 13 percent increase for science and technology programs in 1990. And we intend to stay on track in our effort to double the National Science Foundation budget by 1993, to develop engineering and scientific computing research centers -- and to build the right links between university, government, and these industry labs.

We're recommending a permanent extension of the research and experimentation -- that R&E -- research and experimentation tax credit, to keep us at the forefront of technological innovation -- especially when it comes to basic research.

And we want to encourage more domestic research by multinationals, by stabilizing the R&E expense allocation rules. The uncertainty brought on by expiring temporary rules has gone on for two decades. Hard to plan when you don't know what the rules of the ballgame are. Businesses should be able to make long-term research plans in a stable climate. And creating that climate is something that -- because of the tremendous taxing power of the government, creating that climate is something government can, should and will do.

We're determined to bring down this budget deficit with my pledge on no new taxes. And we've proposed a major budget reform to put our fiscal policy on a sound footing once and for all. We need to do away with this wonderland concept of "current services budgeting" -- a land of expanding baselines, where programs are assumed immortal, and "cuts" are actually increases. Federal policy should not start out with the presumption that the government spending should go up and up and up.

Senator Rudman -- I was riding with him the other day and he described the Washington wonderland very well. He said, Washington is the only city where I've ever seen -- for a fellow who's making \$20,000, goes to his boss, asks for a \$10,000 raise. The boss says, no, you can have a \$5,000 raise. And the story says, "Man Gets \$5,000 Cut." (Laughter and applause.) And that's the way you look at it now in terms of these programs. (Applause.) But the most important investment that we can make, to assure this competitive future, is in training and education.

Jobs are becoming more demanding. You all know that.

vanished -- not a trace of it -- one-third of our assets. And I knew that whenever you consider an investment, you rightly tend to focus on the risks that are involved. But technology moved forward and now the risks are much less. Where training and education are concerned, the biggest risk is to not get involved.

American public education needs more of our support. All of us -- teachers, parents, administrators, local officials and, yes, private industry. All of us have a responsibility to ensure that our educational system is second to none. We should look to the vitality of our system -- and work to build strength through diversity.

Successful schools happen everywhere -- from rural communities to inner city neighborhoods. And they're shaped by people with high expectations, from both the public and private sector, who work within the schools to bring about the needed improvements.

And this way of looking at it means that we are all accountable for the quality of our schools. We need to strengthen incentives to do better and we have a mandate to do just exactly that. I want to expand Head Start, reward schools that improve, recognize outstanding teachers right here in the White House. We're going to establish a National Science Scholars Program. We're going to work to free our schools -- we've got to, all of us -- from the pestilence of drugs.

And we're going to be looking to you for help and guidance because good schools are good for business. Many of you are already involved with your own local schools, doing important work for the future of your communities, and your country. But my pitch -- more can be done. More must be done. And I know you'll be there when your community, your state, your country really needs you. To compete successfully abroad, many of you will find yourselves competing for workers at home. I know managers who are seriously starting to worry about shortages of talented people.

And there is a larger, untapped source of talent in this country. Such people are to be found and fostered among the young and the underskilled, who need training. The older and more experienced, who need retraining. The disadvantaged, whose lives can be turned to advantage. Disabled workers, who ask only for a chance to prove their ability. Dual career families, who need options.

Opportunity doesn't necessarily knock on the door. It may be leaning against the wall or standing on the streetcorner, needing only to be seen for what it is. And in this, we need your leadership. The very heart of our ability to compete may depend on how well we enlist those who have, until now, been on the outskirts of economic growth. They will be needed. Together we can build businesses that outwit, outmaneuver, outproduce, and outperform the competition.

We can achieve the kind of competitive advantage that comes from collective will. And we can make sure that the words "Made in the United States of America" simply mean "the best that there is." (Applause.)

GB
(Lange)
February 28, 1989
10:30 a.m.

PRESIDENTIAL REMARKS: SMALL BUSINESS LEGISLATIVE COUNCIL
 WASHINGTON, D.C.
 WEDNESDAY, MARCH 1, 1989

Thank you, [Bob]. It is good to be with you this afternoon. As you may know, I just finished a tour through several countries in the Pacific Rim.

They say that travel teaches tolerance. And it is true -- my hosts abroad were certainly tolerant of my experiments with their languages.

I think one of my toasts might as well have been translated by the interpreter as: "Laugh politely at the peculiar American humor."

This afternoon you've heard from Gregg Petersmeyer, Richard Breeden, and [Elizabeth Dole / Robert Mosbacher] -- three key members of the team here in Washington.

And now that you have a feeling for their ideas and priorities, let me encourage you to work with them. Tell them what you're thinking. They know how to work with the private

sector -- and they are looking for ways to make this a responsive government, a government by and for the people.

While I was in Asia, I had a chance to think seriously about what sets our trading partners apart from us. I realized that we may have erected a barrier to our own success -- and deprived ourselves of vital long-term investment that our competitors have always enjoyed.

In a few minutes, I'm going to have a suggestion for those who argue in favor of protectionist intervention, in the name of fair trade.

You know, there are some who say that Asia could become the economic center of the world. Some even suggest that America's power is on the wane. Well, for them, I have news. The 21st century can be the next American century -- if we understand the challenges before us, and move to meet them together.

More than ever, the world is interconnected; interdependent; and changing rapidly. More than at any point in human history, our societies and economies rely one upon the other.

So competitiveness -- which is on everybody's mind these days -- takes on a challenging new angle. It means more than just market share and earned income. And it's more than

a zero-sum, winner-take-all game.

Since 1980, world trade volume has nearly doubled. Almost a fifth of our industrial production is now in exports. Goods and services circle the globe overnight. Capital changes hands in seconds.

In a world like that, all nations stand to benefit from the growth of their trading partners -- as long as markets are free and open.

This means that the goal of competitiveness is not simply to disadvantage the competition. It is to better deploy the advantages we have -- and to create new ones.

And that is why the work you do is so important. American small business has always been our most creative source of innovation and economic growth.

We've created 19 million new jobs in this country since the recovery began. Relative to population, that's more than twice the number of jobs created in Japan. In the U.S. private sector, small businesses are responsible for eight out ten jobs created. Businesses like yours make America work.

By creating jobs, you create opportunity. And while I'm President, government won't interfere with that. We will assure that you have the freedom you need, to do what you do best.

Competitiveness demands two things: flexibility in the marketplace, and the right kind of investment at home.

So we want to give employers and employees the flexibility to work out their own solutions, on issues like parental leave and health insurance. And we intend to promote the kind of investment that will allow every American to share in prosperity, and help to create more of it.

Decisions made -- and actions taken -- at the local level very often better serve the interests of those involved. What I'm talking about, here, is a fundamental American freedom: the freedom to choose.

That's the driving principle behind our proposal on child care. We want to establish a new, refundable Children's Tax Credit for low-income parents -- and make the existing child care tax credit refundable as well. We mean to avoid burdensome federal standards and regulation that would limit family, church, and community-based care. We will examine the liability insurance barriers for businesses interested in providing child care options.

We would like to put solutions -- and dollars -- in the hands of parents. We intend to promote choice in childcare.

Flexibility can also promote risk-taking. It's always been the basis for real achievements in business. So we need to find new ways to encourage men and women to take risks. We need entrepreneurs who will invest their time, talents, and resources to build businesses. Unlock new markets. Unleash new technologies. And create new jobs. People who bring to the marketplace competitive products and quality services that are second to none in the world.

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I've built a business. Let me tell you, I know how tough it is. I understand the pressures you face. You don't need a lecture on the importance of savings and long-term investment. You need government that enables you to do what's good for business, and good for America.

Competitiveness demands the right kind of investment, yes. For a long time now I have been saying that we must have a competitive capital gains tax rate. If we are to retain the American edge, we must give entrepreneurs and small businesspeople the incentive to keep dreaming, keep risking -- and keep creating good jobs for Americans.

I see a capital gains cut as an important way to free up American businesses, without distorting world markets. The economies of the Pacific Rim -- the "four dragons" of Hong Kong, Singapore, Taiwan, and South Korea -- all exempt capital gains entirely from tax. Japan also had no tax on capital gains during its meteoric rise to economic power.

I call on anyone who talks about intervention in the name of fair trade, to consider this:

By taxing capital gains, we impede our own progress -- and we turn the playing field into an uphill climb.

Restoring the capital gains differential would be a powerful incentive for businesses to invest, to innovate, to grow, and to create jobs.

For managers, it would ease some of the relentless pressure of quarterly reporting -- and allow them to focus on longer-term goals and operations, get a leg up in new markets, and apply new techniques and technologies. For workers, it means more jobs, at better wages. For all Americans, it means a real, competitive difference in the world marketplace.

I am committed to government policies that will allow business to invest with an eye toward the long term to assure our competitive future.

We have proposed a 13 percent increase for science and technology programs in 1990. And we intend to stay on track in our effort to double the National Science Foundation's budget by 1993, to develop engineering and scientific computing research centers -- and to build the right links between university, government, and industry labs.

We are recommending a permanent extension of the R&D tax credit, to keep us at the forefront of technological innovation -- especially in basic research.

And we want to encourage more domestic research by multinationals, by stabilizing the R&E expense allocation rules. The uncertainty brought on by expiring temporary rules has gone on for two decades. Businesses should be able to make long-term

research plans in a stable climate. Creating that climate is something government can -- should -- and will do.

We are determined to bring the deficit down -- with no new taxes. We have proposed a major budget reform to put our fiscal policy on a sound footing once and for all. We need to do away with the wonderland concept of "current services budgeting" -- a land of expanding baselines, where programs are assumed immortal, and "cuts" are actually increases. Federal policy should not start out with the presumption that government spending should go up and up.

But the most important investment we can make, to assure a competitive future, is in training and education.

Jobs are becoming more demanding. The competition is getting tougher. Labor markets are getting tighter. So we'll need to do more to develop a highly-skilled, motivated, educated workforce.

You know, when I was building an oil business, we invested heavily in what was then a new technology -- off-shore drilling. Early on, we lost a drilling rig to a storm off the coast of Texas. I knew that whenever you consider an investment, you rightly tend to focus on the risks involved.

But where training and education are concerned, the biggest risk is to not get involved.

American public education needs more of our support. All of us -- teachers, parents, administrators, local officials, private industry -- all of us have a responsibility to ensure that our educational system is second to none.

We should look to the vitality of our system -- and work to build strength through diversity.

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We will expand Head Start, reward schools that improve, and recognize outstanding teachers. We will establish a National Science Scholars Program. We will work to free our schools from the pestilence of drugs.

And we will be looking to you for help and guidance -- because good schools are good for business. Many of you are already involved with local schools, doing important work for the future of your communities, and your country. More can be done. And I know you'll be there when we need you.

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Thank you. And God bless you.

MASTER
II

Document No. 010588

WHITE HOUSE STAFFING MEMORANDUM

DATE: 2/28/89 ACTION/CONCURRENCE/COMMENT DUE BY: -----

SUBJECT: PRESIDENTIAL REMARKS: SMALL BUSINESS LEGISLATIVE COUNCIL

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VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	MCCLURE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SUNUNU	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NEWMAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SCOWCROFT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	PORTER	<input type="checkbox"/>	<input checked="" type="checkbox"/>
DARMAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	STUDDERT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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BREEDEN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	ROGERS	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CARD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	WINSTON	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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REMARKS: The attached has been forwarded to the President.

RESPONSE: _____

James W. Cicconi
Assistant to the President
and Deputy to the Chief of Staff
Ext. 2702

(Lange)
February 28, 1989
10:30 a.m.

1989 FEB 28 AM 10:40

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research plans in a stable climate. Creating that climate is something government can -- should -- and will do.

We are determined to bring the deficit down -- with no new taxes. We have proposed a major budget reform to put our fiscal policy on a sound footing once and for all. We need to do away with the wonderland concept of "current services budgeting" -- a land of expanding baselines, where programs are assumed immortal, and "cuts" are actually increases. Federal policy should not start out with the presumption that government spending should go up and up.

But the most important investment we can make, to assure a competitive future, is in training and education.

Jobs are becoming more demanding. The competition is getting tougher. Labor markets are getting tighter. So we'll need to do more to develop a highly-skilled, motivated, educated workforce.

You know, when I was building an oil business, we invested heavily in what was then a new technology -- off-shore drilling. Early on, we lost a drilling rig to a storm off the coast of Texas. I knew that whenever you consider an investment, you rightly tend to focus on the risks involved.

But where training and education are concerned, the biggest risk is to not get involved.

American public education needs more of our support. All of us -- teachers, parents, administrators, local officials, private industry -- all of us have a responsibility to ensure that our educational system is second to none.

We should look to the vitality of our system -- and work to build strength through diversity.

Successful schools happen everywhere -- from rural communities to inner city neighborhoods. They are shaped by people with high expectations, from both the public and private sector, who work within the schools to bring about needed improvements.

This way of looking at it means that we are all accountable for the quality of our schools. We need to strengthen incentives to do better -- and we have a mandate to do just that.

We will expand Head Start, reward schools that improve, and recognize outstanding teachers. We will establish a National Science Scholars Program. We will work to free our schools from the pestilence of drugs.

And we will be looking to you for help and guidance -- because good schools are good for business. Many of you are already involved with local schools, doing important work for the future of your communities, and your country. More can be done. And I know you'll be there when we need you.

To compete successfully abroad, many of you will find yourselves competing for workers at home. I know managers who are seriously starting to worry about shortages of talented people.

There is a larger, untapped source of talent in this country. Such people are to be found and fostered among the young and underskilled, who need training. The older and more experienced, who need re-training. The disadvantaged, whose lives can be turned to advantage. Disabled workers, who ask only for a chance to prove their ability. Dual career families, who need options.

Opportunity doesn't necessarily knock on the door. It may be leaning against the wall or standing on the streetcorner, needing only to be seen for what it is.

In this, we need your leadership. The very heart of our ability to compete may depend on how well we enlist those who

have, until now, been on the outskirts of economic growth. They will be needed.

Together we can build businesses that outwit, outmaneuver, outproduce, and outperform the competition.

We can achieve the kind of competitive advantage that comes from collective will. And we can make sure the words "Made in the U.S.A." simply mean "the best there is."

Thank you. And God bless you.

MASTER I

Document No. 010588

WHITE HOUSE STAFFING MEMORANDUM

DATE: 2/23/89 ACTION/CONCURRENCE/COMMENT DUE BY: 3:00 PM 2/27/89

SUBJECT: PRESIDENTIAL REMARKS: SMALL BUSINESS LEGISLATIVE COUNCIL

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	MCCLURE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SUNUNU	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NEWMAN	<input type="checkbox"/>	<input type="checkbox"/>
SCOWCROFT	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PORTER <i>Bill Faper</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DARMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	STUDDERT	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BATES	<input checked="" type="checkbox"/>	<input type="checkbox"/>	UNTERMAYER	<input type="checkbox"/>	<input type="checkbox"/>
BREEDEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ROGERS	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CARD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	WINSTON	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
CICCONI	<input type="checkbox"/>	<input checked="" type="checkbox"/>	PINKERTON	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DEMAREST	<input checked="" type="checkbox"/>	<input type="checkbox"/>	BOSKIN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FITZWATER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>Gardner-Pinkerton</u>	<input type="checkbox"/>	<input type="checkbox"/>
GRAY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HAGIN	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

Please forward any comments/recommendations to Chriss Winston, Rm. 122, x2930, by 3:00 PM, Monday, February 27, 1989, with an info copy to my office. Thank you.

RESPONSE:

James W. Cicconi
Assistant to the President
and Deputy to the Chief of Staff
Ext. 2702

(Lange)
February 23, 1989
4:30 p.m.

1989 FEB 24 11:20

PRESIDENTIAL REMARKS: SMALL BUSINESS LEGISLATIVE COUNCIL
WASHINGTON, D.C.
WEDNESDAY, MARCH 1, 1989

(Lange)
Thank you, [Bob]. It is good to be with you this afternoon.
As you may ~~have heard~~ ^{know}, I just finished a tour through several
countries in the Pacific Rim.

(1)
They say that travel teaches tolerance. And it is true --
my hosts abroad were certainly tolerant of my experiments with
their language.

I think one of my toasts might as well have been translated
by the interpreter as: "Laugh politely at the peculiar American
humor."

Maybe I should have asked **them** to read my lips.

This afternoon you've heard from Gregg Petersmeyer, Richard
Breedon, and [Elizabeth Dole / Robert Mosbacher] -- three key
members of the team here in Washington.

And now that you have a feeling for their ideas and
priorities, let me encourage you to work with them. Tell them

experienced men and women who know how to work
what you're thinking. They are ~~civil servants in the truest~~
with the private sector sense -- and they are looking for ways to make this a responsive government, a government by the people.

While I was in Asia, I had a chance to think seriously about what sets our trading partners apart from us. I realized that, ~~in subtle ways,~~ we may have erected a barrier to our own success -- and deprived ourselves of vital long-term investment that our competitors have always enjoyed.

In a few minutes, I'm going to have a suggestion for those who say that we ~~have to "level the playing field."~~

economic center of the world.
You know, there are some who say that ~~the sun is rising in the Far East.~~ Some even suggest that ~~it's setting here at home.~~ *Asia could become the economic center of the world. (Gard.)*
~~that America's power is on the wane.~~
Well, for them, I have news. The 21st century can be the next American century -- if we understand the challenges before us, and move to meet them together.

More than ever, the world is interconnected; interdependent; and changing rapidly. More than at any point in human history, our societies and economies rely one upon the other.

So competitiveness -- which seems to be on everybody's mind these days -- takes on a challenging new angle. It means more

than just market share and earned income. And it's more than a zero-sum, winner-take-all game.

Since 1980, world trade volume has nearly doubled. Almost a fifth of our industrial production is now in exports. Goods and services circle the globe overnight. Capital changes hands in seconds.

In a world like that, all nations stand to benefit from the growth of their trading partners -- as long as markets are free and open.

This means that the goal of competitiveness is not simply to disadvantage the competition. It is to better deploy the advantages we have -- and to create new ones.

And that is why the work you do is so important. American small business has always been our most creative source of innovation and economic growth.

We've created 19 million new jobs in this country since the recovery began. That's five times the number of jobs created in Japan -- and small businesses are responsible for eight out of ten of them. Operations like yours make America work.

By creating jobs, you create opportunity. And while I'm President, government won't interfere with that. We will assure that you have the freedom you need, to do what you do best.

Competitiveness demands two things: flexibility in the marketplace, and the right kind of investment at home.

So we want to give employers and employees the flexibility to work out their **own** solutions, on issues like parental leave and health insurance. And we intend to promote the kind of investment that will allow every American to share in prosperity, and help to create more of it.

*education
ref.*

Americans are a diverse people. They don't want generic solutions, when a problem is best solved at its source. Government's creed should be to do no harm -- and to act only when there is clear evidence that its interference will make things better for people.

Decisions made -- and actions taken -- at the local level very often better serve the interests of those involved. What I'm talking about, here, is a fundamental American freedom: the freedom to choose.

That's the driving principle behind our proposal on child care. We want to create a system of refundable tax credits,

focused particularly on low-income parents. We mean to avoid burdensome federal standards and regulation that would limit family, church, and community-based care. We will examine the liability insurance barriers for businesses interested in providing child care options.

We would like to put solutions -- and dollars -- in the hands of parents. We intend to promote choice in childcare.

Flexibility promotes creativity. It's always been the basis for real achievements in business. So we need to find new ways to encourage men and women to take risks. We need entrepreneurs who will invest their time, talents, and resources to build businesses. Unlock new markets. Unleash new technologies. And create new jobs. People who bring to the marketplace competitive products and quality services that are second to none in the world.

You know what the challenges are.

Last year a large survey of CEOs suggested that while American business leaders are inherently optimistic, they're aware that we have new and important work to do. Ninety percent of them said that American business is still too short-term oriented.

I've built a business. Let me tell you, I know how tough it is. I understand the pressures you face. You don't need a lecture on the importance of savings and long-term investment. You need government that enables you to do what you know how to do.

Competitiveness demands the right kind of investment, yes. That's one reason I support a differential in the capital gains tax -- cutting it to 15 percent on investments held for a year or more.

I see this as an important way to free up American businesses, without distorting world markets. The economies of the Pacific Rim -- the "four dragons" of Hong Kong, Singapore, Taiwan, and South Korea -- along with West Germany, the most dynamic country in Europe -- all exempt capital gains entirely from tax. Japan also had no tax on capital gains during its meteoric rise.

I call on anyone who talks about "leveling the playing field" with our trading partners, to consider this:

By taxing capital gains, we impede our own progress -- and we turn the playing field into an uphill climb.

Restoring the capital gains differential would be a powerful incentive for businesses to invest, to innovate, to grow, and to create jobs.

For managers, it would ease some of the relentless pressure of quarterly reporting -- and allow them to focus on longer-term goals and operations, get a leg up in new markets, and apply new techniques and technologies. For workers, it means more jobs, at better wages. For all Americans, it means a real, competitive difference in the world marketplace.

I am committed to a program of careful, systematic investment to assure our competitive future. And our budget is an important first step in that investment.

We have proposed a 13 percent increase for science and technology programs in 1990. And we intend to double the National Science Foundation's budget by 1993, to develop engineering and scientific computing research centers -- and to build the right links between university, government, and industry labs.

We are recommending a permanent extension of the R&E tax credit, to keep us at the forefront of technological innovation -- especially in basic research.

And we want to encourage more domestic research by multinationals, by stabilizing the R&E expense allocation rules. The uncertainty brought on by expiring temporary rules has gone on for two decades. Businesses should be able to make long-term research plans in a stable climate. Creating that climate is something government can -- should -- and will do.

We are determined to bring the deficit down -- with no new taxes -- by following Gramm-Rudman-Hollings targets and using actual spending as a frame of reference. You don't run your operations in a wonderland of perpetually expanding baselines -- and neither should government.

But the most important investment we can make, to assure a competitive future, is in training and education.

Jobs are becoming more demanding. The competition is getting tougher. Labor markets are getting tighter. So we'll need to do more to develop a highly-skilled, motivated, educated workforce.

You know, when I was building an oil business, we invested heavily in what was then a new technology -- off-shore drilling. Early on, we lost a drilling rig to a storm off the coast of Texas. I knew that whenever you consider an investment, you

rightly tend to focus on the risks involved.

But where training and education are concerned, the biggest risk is to not get involved.

American public education needs more of our support -- and less of our criticism. It's time to stop blaming the students -- stop blaming the schools -- stop blaming other institutions -- and start getting involved.

We should look to the vitality of our system -- and work to build strength through diversity.

Successful schools happen everywhere -- from rural communities to inner city neighborhoods. They are shaped by people with high expectations, from both the public and private sector, who work within the schools to bring about creative change.

This way of looking at it means that we are all accountable for the quality of our schools. We need to strengthen incentives to do better -- and we have a program to do just that.

We will expand Head Start, reward superior schools, and recognize outstanding teachers. We will establish a National

Science Scholars Program. We will work to free our schools from the pestilence of drugs.

And we will be looking to you for help and guidance -- because good schools are good for business. Many of you are already involved with local schools, doing important work for the future of your communities, and your country. More can be done. And I know you'll be there when we need you.

To compete successfully abroad, many of you will find yourselves competing for workers at home. I know managers who are seriously starting to worry about shortages of talented people.

There is a larger, untapped source of talent in this country. Such people are to be found and fostered among the young and underskilled, who need training. The older and more experienced, who need re-training. The disadvantaged, whose lives can be turned to advantage. Disabled workers, who ask only for a chance to prove their ability. Dual career families, who need options.

Opportunity doesn't necessarily knock on the door. It may be leaning against the wall or standing on the streetcorner, needing only to be seen for what it is.

In this, we need your leadership. The very heart of our ability to compete may depend on how well we enlist those who have, until now, been on the outskirts of economic growth. They will be needed.

Together we can build businesses that outwit, outmaneuver, outproduce, and outperform the competition.

We can achieve the kind of competitive advantage that comes from collective will. And we can make sure the words "Made in America" simply mean "the best there is."

Thank you. And God bless you.

**REMARKS: SMALL BUSINESS LEGISLATIVE COUNCIL
WASHINGTON, D.C.
WEDNESDAY, MARCH 1, 1989**

**THANK YOU, BOB. IT IS GOOD TO BE WITH YOU THIS
AFTERNOON. THIS AFTERNOON YOU'VE HEARD FROM GREGG
PETERSMEYER, RICHARD BREEDEN, AND ROBERT MOSBACHER --
THREE KEY MEMBERS OF THE TEAM HERE IN WASHINGTON.**

- 2 -

**AND NOW THAT YOU HAVE A FEELING FOR THEIR IDEAS AND
PRIORITIES, LET ME ENCOURAGE YOU TO WORK WITH THEM.
TELL THEM WHAT YOU'RE THINKING. THEY KNOW HOW TO WORK
WITH THE PRIVATE SECTOR -- AND THEY ARE LOOKING FOR
WAYS TO MAKE THIS A RESPONSIVE GOVERNMENT, A GOVERNMENT
BY AND FOR THE PEOPLE.**

**WHILE I WAS IN ASIA, I HAD A CHANCE TO THINK
SERIOUSLY ABOUT WHAT SETS OUR TRADING PARTNERS APART
FROM US.**

I REALIZED THAT WE MAY HAVE ERECTED A BARRIER TO OUR OWN SUCCESS -- AND DEPRIVED OURSELVES OF VITAL LONG-TERM INVESTMENT THAT OUR COMPETITORS HAVE ALWAYS ENJOYED.

IN A FEW MINUTES, I'M GOING TO HAVE A SUGGESTION FOR THOSE WHO ARGUE IN FAVOR OF PROTECTIONIST INTERVENTION.

YOU KNOW, THERE ARE SOME WHO SAY THAT ASIA COULD BECOME THE ECONOMIC CENTER OF THE WORLD.

SOME EVEN SUGGEST THAT AMERICA'S POWER IS ON THE WANE. WELL, FOR THEM, I HAVE NEWS. THE 21ST CENTURY CAN BE THE NEXT AMERICAN CENTURY -- IF WE UNDERSTAND THE CHALLENGES BEFORE US, AND MOVE TO MEET THEM TOGETHER.

MORE THAN EVER, THE WORLD IS INTERCONNECTED; INTERDEPENDENT; AND CHANGING RAPIDLY. MORE THAN AT ANY POINT IN HUMAN HISTORY, OUR SOCIETIES AND ECONOMIES RELY ONE UPON THE OTHER.

- 5 -

SO COMPETITIVENESS -- WHICH IS ON EVERYBODY'S MIND THESE DAYS -- TAKES ON A CHALLENGING NEW ANGLE. IT MEANS MORE THAN JUST MARKET SHARE AND EARNED INCOME. AND IT'S MORE THAN A ZERO-SUM, WINNER-TAKE-ALL GAME.

SINCE 1980, WORLD TRADE VOLUME IS UP NEARLY 40 PERCENT. ALMOST A FIFTH OF OUR INDUSTRIAL PRODUCTION IS NOW IN EXPORTS. GOODS AND SERVICES CIRCLE THE GLOBE OVERNIGHT. CAPITAL CHANGES HANDS IN SECONDS.

- 6 -

IN A WORLD LIKE THAT, ALL NATIONS STAND TO BENEFIT FROM THE GROWTH OF THEIR TRADING PARTNERS -- AS LONG AS MARKETS ARE FREE AND OPEN. SO I HAVE TWO KEY PRIORITIES: TO PROMOTE ECONOMIC GROWTH THROUGH LOW TAX RATES; AND TO ENCOURAGE THE KIND OF FREE TRADE THAT MAKES ALL NATIONS BETTER OFF.

YOU SEE, THE GOAL OF COMPETITIVENESS IS NOT SIMPLY TO DISADVANTAGE THE COMPETITION.

IT IS TO BETTER DEPLOY THE ADVANTAGES WE HAVE -- AND TO CREATE NEW ONES.

AND THAT IS WHY THE WORK YOU DO IS SO IMPORTANT. AMERICAN SMALL BUSINESS HAS ALWAYS BEEN OUR MOST CREATIVE SOURCE OF INNOVATION AND ECONOMIC GROWTH.

WE'VE CREATED 19 MILLION NEW JOBS IN THIS COUNTRY SINCE THE RECOVERY BEGAN. RELATIVE TO POPULATION, THAT'S MORE THAN TWICE THE NUMBER OF JOBS CREATED IN JAPAN.

IN THE U.S. PRIVATE SECTOR, SMALL BUSINESSES ARE RESPONSIBLE FOR TWO OUT OF THREE JOBS CREATED.

BUSINESSES LIKE YOURS MAKE AMERICA WORK.

BY CREATING JOBS, YOU CREATE OPPORTUNITY. AND WHILE I'M PRESIDENT, GOVERNMENT WON'T INTERFERE WITH THAT. WE WILL ASSURE THAT YOU HAVE THE FREEDOM YOU NEED, TO DO WHAT YOU DO BEST. WE WILL HOLD THE LINE ON TAXES.

- 9 -

BECAUSE IF THE EXPERIENCE OF THE LAST EIGHT YEARS HAS PROVEN ANYTHING, LOWER TAXES MEAN A STRONGER ECONOMY.

COMPETITIVENESS DEMANDS TWO THINGS: FLEXIBILITY IN THE MARKETPLACE, AND THE RIGHT KIND OF INVESTMENT AT HOME.

SO WE WANT TO GIVE EMPLOYERS AND EMPLOYEES THE FLEXIBILITY TO WORK OUT THEIR OWN SOLUTIONS, ON ISSUES LIKE PARENTAL LEAVE AND HEALTH INSURANCE.

- 10 -

AND WE INTEND TO PROMOTE THE KIND OF INVESTMENT THAT WILL ALLOW EVERY AMERICAN TO SHARE IN PROSPERITY, AND HELP TO CREATE MORE OF IT.

THAT'S THE IDEA BEHIND A NEW PROPOSAL OF MINE. I BELIEVE THAT, WITH THE PROPER INCENTIVES, SMALL BUSINESS CAN LEAD AMERICA'S URBAN RENEWAL. SO TO THE ENTREPRENEUR, I SAY THIS: START YOUR BUSINESS IN THE INNER CITY, WHERE THE NEED FOR JOBS IS GREATEST -- AND WE WILL CUT YOUR FEDERAL TAX RATES.

- 11 -

AFTER ALL, YOU'LL BE SAVING THE GOVERNMENT MONEY BY REDUCING THE NEED FOR ITEMS LIKE WELFARE AND SUBSIDIZED HOUSING. AND YOU WILL HELP US BRING URBAN ENTERPRISE ZONES TO LIFE IN CITIES ACROSS THE COUNTRY.

DECISIONS MADE -- AND ACTIONS TAKEN -- AT THE LOCAL LEVEL VERY OFTEN BETTER SERVE THE INTERESTS OF THOSE INVOLVED. WHAT I'M TALKING ABOUT, HERE, IS A FUNDAMENTAL AMERICAN FREEDOM: THE FREEDOM TO CHOOSE.

- 12 -

THAT'S THE DRIVING PRINCIPLE BEHIND OUR PROPOSAL ON CHILD CARE. WE WANT TO ESTABLISH A NEW, REFUNDABLE CHILDREN'S TAX CREDIT FOR LOW-INCOME PARENTS -- AND MAKE THE EXISTING CHILD CARE TAX CREDIT REFUNDABLE AS WELL. WE MEAN TO AVOID BURDENSOME FEDERAL STANDARDS AND REGULATION THAT WOULD LIMIT FAMILY, CHURCH, AND COMMUNITY-BASED CARE. WE WILL EXAMINE THE LIABILITY INSURANCE BARRIERS FOR BUSINESSES INTERESTED IN PROVIDING CHILD CARE OPTIONS.

WE WOULD LIKE TO PUT SOLUTIONS -- AND DOLLARS -- IN THE HANDS OF PARENTS. WE INTEND TO PROMOTE CHOICE IN CHILDCARE.

FLEXIBILITY CAN ALSO PROMOTE RISK-TAKING. IT'S ALWAYS BEEN THE BASIS FOR REAL ACHIEVEMENTS IN BUSINESS. SO WE NEED TO FIND NEW WAYS TO ENCOURAGE MEN AND WOMEN TO TAKE RISKS. WE NEED ENTREPRENEURS WHO WILL INVEST THEIR TIME, TALENTS, AND RESOURCES TO BUILD BUSINESSES.

UNLOCK NEW MARKETS. UNLEASH NEW TECHNOLOGIES. AND CREATE NEW JOBS. PEOPLE WHO BRING TO THE MARKETPLACE COMPETITIVE PRODUCTS AND QUALITY SERVICES THAT ARE SECOND TO NONE IN THE WORLD.

YOU KNOW WHAT THE CHALLENGES ARE.

LAST YEAR A LARGE SURVEY OF CEOs SUGGESTED THAT WHILE AMERICAN BUSINESS LEADERS ARE INHERENTLY OPTIMISTIC, THEY'RE AWARE THAT WE HAVE NEW AND IMPORTANT WORK TO DO.

- 15 -

NINETY PERCENT OF THEM SAID THAT AMERICAN BUSINESS IS STILL TOO SHORT-TERM ORIENTED.

I'VE HELPED BUILD A BUSINESS FROM SCRATCH. I KNOW HOW TOUGH IT CAN BE. I UNDERSTAND THE PRESSURES YOU FACE. YOU DON'T NEED A LECTURE ON THE IMPORTANCE OF SAVINGS AND LONG-TERM INVESTMENT. YOU NEED GOVERNMENT THAT ENABLES YOU TO DO WHAT'S GOOD FOR BUSINESS, AND GOOD FOR AMERICA.

- 16 -

COMPETITIVENESS DEMANDS THE RIGHT KIND OF INVESTMENT, YES. FOR A LONG TIME NOW I HAVE BEEN SAYING THAT WE MUST HAVE A COMPETITIVE CAPITAL GAINS TAX RATE. IF WE ARE TO RETAIN THE AMERICAN EDGE, WE MUST GIVE ENTREPRENEURS AND SMALL BUSINESSPEOPLE THE INCENTIVE TO KEEP DREAMING, KEEP RISKING -- AND KEEP CREATING GOOD JOBS FOR AMERICANS.

I SEE A CAPITAL GAINS RATE CUT AS AN IMPORTANT WAY TO FREE UP AMERICAN BUSINESSES, WITHOUT DISTORTING WORLD MARKETS. THE ECONOMIES OF THE PACIFIC RIM -- THE "FOUR DRAGONS" OF HONG KONG, SINGAPORE, TAIWAN, AND SOUTH KOREA -- ALL EXEMPT LONG-TERM CAPITAL GAINS FROM TAX. JAPAN ALSO HAD NO TAX ON CAPITAL GAINS DURING ITS METEORIC RISE TO ECONOMIC POWER.

I CALL ON ANYONE WHO TALKS ABOUT PROTECTIONISM TO CONSIDER THIS:

BY TAXING CAPITAL GAINS, WE IMPEDE OUR OWN PROGRESS -- AND WE TURN THE PLAYING FIELD INTO AN UPHILL CLIMB.

RESTORING THE CAPITAL GAINS DIFFERENTIAL WOULD BE A POWERFUL INCENTIVE FOR BUSINESSES TO INVEST, TO INNOVATE, TO GROW, AND TO CREATE JOBS. THE TREASURY ESTIMATES THAT THIS CUT WILL ADD \$4.8 BILLION PER YEAR TO THE REVENUE SIDE OF THE LEDGER THIS YEAR.

- 19 -

FOR MANAGERS, IT WOULD EASE SOME OF THE RELENTLESS PRESSURE OF QUARTERLY REPORTING -- AND ALLOW THEM TO FOCUS ON LONGER-TERM GOALS AND OPERATIONS, GET A LEG UP IN NEW MARKETS, AND APPLY NEW TECHNIQUES AND TECHNOLOGIES. FOR WORKERS, IT MEANS MORE JOBS, AT BETTER WAGES. FOR ALL AMERICANS, IT MEANS A REAL, COMPETITIVE DIFFERENCE IN THE WORLD MARKETPLACE.

- 20 -

I AM COMMITTED TO GOVERNMENT POLICIES THAT WILL ALLOW BUSINESS TO INVEST WITH AN EYE TOWARD THE LONG TERM TO ASSURE OUR COMPETITIVE FUTURE.

IN MY BUDGET, I HAVE PROPOSED A 13 PERCENT INCREASE FOR SCIENCE AND TECHNOLOGY PROGRAMS IN 1990. AND WE INTEND TO STAY ON TRACK IN OUR EFFORT TO DOUBLE THE NATIONAL SCIENCE FOUNDATION'S BUDGET BY 1993, TO DEVELOP ENGINEERING AND SCIENTIFIC COMPUTING RESEARCH

- 21 -

CENTERS -- AND TO BUILD THE RIGHT LINKS BETWEEN UNIVERSITY, GOVERNMENT, AND INDUSTRY LABS.

WE ARE RECOMMENDING A PERMANENT EXTENSION OF THE RESEARCH AND EXPERIMENTATION (OR R&E) TAX CREDIT, TO KEEP US AT THE FOREFRONT OF TECHNOLOGICAL INNOVATION -- ESPECIALLY IN BASIC RESEARCH.

AND WE WANT TO ENCOURAGE MORE DOMESTIC RESEARCH BY MULTINATIONALS, BY STABILIZING THE R&E EXPENSE ALLOCATION RULES.

- 22 -

THE UNCERTAINTY BROUGHT ON BY EXPIRING TEMPORARY RULES HAS GONE ON FOR TWO DECADES. BUSINESSES SHOULD BE ABLE TO MAKE LONG-TERM RESEARCH PLANS IN A STABLE CLIMATE. CREATING THAT CLIMATE IS SOMETHING GOVERNMENT CAN -- SHOULD -- AND WILL DO.

WE ARE DETERMINED TO BRING THE DEFICIT DOWN -- WITH NO NEW TAXES. WE HAVE PROPOSED A MAJOR BUDGET REFORM TO PUT OUR FISCAL POLICY ON A SOUND FOOTING ONCE AND FOR ALL.

WE NEED TO DO AWAY WITH THE WONDERLAND CONCEPT OF "CURRENT SERVICES BUDGETING" -- A LAND OF EXPANDING BASELINES, WHERE PROGRAMS ARE ASSUMED IMMORTAL, AND "CUTS" ARE ACTUALLY INCREASES. FEDERAL POLICY SHOULD NOT START OUT WITH THE PRESUMPTION THAT GOVERNMENT SPENDING SHOULD GO UP AND UP.

WARREN RUDMAN HAS DESCRIBED THE WASHINGTON WONDERLAND VERY WELL.

HE'S SAID THAT "WASHINGTON IS THE ONLY CITY I'VE EVER SEEN WHERE A FELLOW'S MAKING \$20,000, GOES TO HIS BOSS AND ASKS FOR A \$10,000 RAISE -- THE BOSS SAYS NO, YOU CAN HAVE A \$5,000 RAISE, AND THE GUY SAYS HE GOT A \$5,000 CUT."

BUT THE MOST IMPORTANT INVESTMENT WE CAN MAKE, TO ASSURE A COMPETITIVE FUTURE, IS IN TRAINING AND EDUCATION.

JOBS ARE BECOMING MORE DEMANDING.

- 25 -

THE COMPETITION IS GETTING TOUGHER. LABOR MARKETS ARE GETTING TIGHTER. SO WE'LL NEED TO DO MORE TO DEVELOP A HIGHLY-SKILLED, MOTIVATED, EDUCATED WORKFORCE.

YOU KNOW, WHEN I WAS IN THE OIL BUSINESS, WE INVESTED HEAVILY IN WHAT WAS THEN A NEW TECHNOLOGY -- OFF-SHORE DRILLING. EARLY ON, WE LOST A DRILLING RIG TO A STORM OFF THE COAST OF TEXAS. I KNEW THAT WHENEVER YOU CONSIDER AN INVESTMENT, YOU RIGHTLY TEND TO FOCUS ON THE RISKS INVOLVED.

- 26 -

BUT WHERE TRAINING AND EDUCATION ARE CONCERNED, THE BIGGEST RISK IS TO NOT GET INVOLVED.

AMERICAN PUBLIC EDUCATION NEEDS MORE OF OUR SUPPORT. ALL OF US -- TEACHERS, PARENTS, ADMINISTRATORS, LOCAL OFFICIALS, PRIVATE INDUSTRY -- ALL OF US HAVE A RESPONSIBILITY TO ENSURE THAT OUR EDUCATIONAL SYSTEM IS SECOND TO NONE.

WE SHOULD LOOK TO THE VITALITY OF OUR SYSTEM -- AND WORK TO BUILD STRENGTH THROUGH DIVERSITY.

SUCCESSFUL SCHOOLS HAPPEN EVERYWHERE -- FROM RURAL COMMUNITIES TO INNER CITY NEIGHBORHOODS. THEY ARE SHAPED BY PEOPLE WITH HIGH EXPECTATIONS, FROM BOTH THE PUBLIC AND PRIVATE SECTOR, WHO WORK WITHIN THE SCHOOLS TO BRING ABOUT NEEDED IMPROVEMENTS.

THIS WAY OF LOOKING AT IT MEANS THAT WE ARE ALL ACCOUNTABLE FOR THE QUALITY OF OUR SCHOOLS. WE NEED TO STRENGTHEN INCENTIVES TO DO BETTER -- AND WE HAVE A MANDATE TO DO JUST THAT.

WE WILL EXPAND HEAD START, REWARD SCHOOLS THAT IMPROVE, AND RECOGNIZE OUTSTANDING TEACHERS. WE WILL ESTABLISH A NATIONAL SCIENCE SCHOLARS PROGRAM. WE WILL WORK TO FREE OUR SCHOOLS FROM THE PESTILENCE OF DRUGS.

AND WE WILL BE LOOKING TO YOU FOR HELP AND GUIDANCE -- BECAUSE GOOD SCHOOLS ARE GOOD FOR BUSINESS. MANY OF YOU ARE ALREADY INVOLVED WITH LOCAL SCHOOLS, DOING IMPORTANT WORK FOR THE FUTURE OF YOUR COMMUNITIES, AND YOUR COUNTRY. MORE CAN BE DONE.

- 29 -

AND I KNOW YOU'LL BE THERE WHEN WE NEED YOU.

TO COMPETE SUCCESSFULLY ABROAD, MANY OF YOU WILL FIND YOURSELVES COMPETING FOR WORKERS AT HOME. I KNOW MANAGERS WHO ARE SERIOUSLY STARTING TO WORRY ABOUT SHORTAGES OF TALENTED PEOPLE.

THERE IS A LARGER, UNTAPPED SOURCE OF TALENT IN THIS COUNTRY. SUCH PEOPLE ARE TO BE FOUND AND FOSTERED AMONG THE YOUNG AND UNDERSKILLED, WHO NEED TRAINING. THE OLDER AND MORE EXPERIENCED, WHO NEED RE-TRAINING.

- 30 -

THE DISADVANTAGED, WHOSE LIVES CAN BE TURNED TO ADVANTAGE. DISABLED WORKERS, WHO ASK ONLY FOR A CHANCE TO PROVE THEIR ABILITY. DUAL CAREER FAMILIES, WHO NEED OPTIONS.

OPPORTUNITY DOESN'T NECESSARILY KNOCK ON THE DOOR. IT MAY BE LEANING AGAINST THE WALL OR STANDING ON THE STREETCORNER, NEEDING ONLY TO BE SEEN FOR WHAT IT IS.

IN THIS, WE NEED YOUR LEADERSHIP.

- 31 -

THE VERY HEART OF OUR ABILITY TO COMPETE MAY DEPEND ON HOW WELL WE ENLIST THOSE WHO HAVE, UNTIL NOW, BEEN ON THE OUTSKIRTS OF ECONOMIC GROWTH. THEY WILL BE NEEDED.

TOGETHER WE CAN BUILD BUSINESSES THAT OUTWIT, OUTMANEUVER, OUTPRODUCE, AND OUTPERFORM THE COMPETITION.

WE CAN ACHIEVE THE KIND OF COMPETITIVE ADVANTAGE THAT COMES FROM COLLECTIVE WILL.

- 32 -

AND WE CAN MAKE SURE THE WORDS "MADE IN THE U.S.A." SIMPLY MEAN "THE BEST THERE IS."

THANK YOU. AND GOD BLESS YOU.

PROPOSED TOWER INSERT (REVISED)
ADDRESS TO THE SMALL BUSINESS LEGISLATIVE COUNCIL
MARCH 1, 1989

BEFORE I BEGIN I'D LIKE TO TAKE THIS OPPORTUNITY TO COMMENT ON AN ISSUE OF PARTICULAR CURRENCY.

THE DEBATE OVER JOHN TOWER'S NOMINATION AS DEFENSE SECRETARY SHOULD BE BASED UPON PRINCIPLE AND POLICY. IT SHOULD NOT BE BASED ON RUMOR AND INNUENDO.

- 2 -

NO ONE DENIES THAT JOHN TOWER IS WELL QUALIFIED, HARD-NOSED, AND TOUGH. NO ONE DENIES THAT HE KNOWS THE PENTAGON AND HE KNOWS THE CONGRESS. THOSE ARE THE FACTS. AMERICANS, WHATEVER THEIR POLITICS, ARE COMMITTED TO FAIR PLAY AND DECENCY. ALL I AM ASKING, IN THE NAME OF FAIRNESS, IS THAT THIS MAN BE JUDGED ON THE FACTS, NOT ON MISPERCEPTION.

I'VE MADE MY DECISION. AND IT'S UNEQUIVOCAL. JOHN TOWER IS THE BEST MAN FOR THE JOB.

PROPOSED TOWER INSERT
ADDRESS TO THE SMALL BUSINESS LEGISLATIVE COUNCIL
MARCH 1, 1989

BEFORE I BEGIN I'D LIKE TO TAKE THIS OPPORTUNITY TO COMMENT ON AN ISSUE OF PARTICULAR CURRENCY.

THE DEBATE OVER JOHN TOWER'S NOMINATION AS DEFENSE SECRETARY SHOULD BE BASED UPON PRINCIPLE AND POLICY, BUT INSTEAD IT HAS BEEN BASED UPON INTRIGUE AND INNUENDO. THIS IS WASHINGTON AT ITS WORST.

- 2 -

NO ONE DENIES THAT JOHN TOWER IS UNIQUELY QUALIFIED. NO ONE DENIES THAT HE'S HARD-NOSED AND TOUGH. NO ONE DENIES THAT HE KNOWS THE PENTAGON AND HE KNOWS THE CONGRESS. THOSE ARE THE UNDISPUTED FACTS. YET THOSE FACTS ARE TAKING A BACKSEAT TO FICTION, AND UNPROVEN SLURS ARE EQUATED WITH TRUTH.

AS EXECUTIVES YOU KNOW THE VALUE OF HAVING COMPETENT MEN AND WOMEN ON YOUR TEAM.

- 3 -

YOU LOOK FOR THOSE SPECIAL QUALITIES IN THE PEOPLE THAT YOU BRING ON BOARD THAT WILL MAKE YOUR ORGANIZATION EFFECTIVE. YOU WEIGH THEIR TALENTS, THEIR CHARACTER, THEIR EXPERIENCE -- THEN YOU MAKE YOUR DECISION. AND THAT'S THAT.

WELL I'VE MADE MY DECISION. AND IT'S UNEQUIVOCAL. JOHN TOWER IS THE BEST MAN FOR THE JOB. NOW IT'S UP TO THE MEN AND WOMEN IN THE SENATE TO GET BEYOND THE RUMOR AND THE RUCKUS, AND LOOK AT THE FACTS.

- 4 -

I GRANT YOU, THAT MAY TAKE SOME COURAGE IN THE CURRENT CLIMATE, BUT TO DO OTHERWISE WOULD GO AGAINST THE TRADITIONS AND PRINCIPLES OUR GOVERNMENT HAS ALWAYS STOOD FOR.

#

THE WHITE HOUSE

WASHINGTON

March 1, 1989

MEMORANDUM FOR THE PRESIDENT

From: David Demarest *WD for DD*

Subject: Speech change

Director Darman's office requested an addition to the Small Business Legislative Council speech mentioning urban enterprise zones.

Two paragraphs have been added on cards 10 and 11 beginning with the phrase "That's the idea behind a new proposal of mine."

The new language ends with the phrase " And you will help us bring urban enterprise zones to life in cities across the country."

WHITE HOUSE STAFFING MEMORANDUM

DATE: 2/23/89 ACTION/CONCURRENCE/COMMENT DUE BY: 3:00 PM 2/27/89

SUBJECT: PRESIDENTIAL REMARKS: SMALL BUSINESS LEGISLATIVE COUNCIL

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	MCCLURE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SUNUNU	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NEWMAN	<input type="checkbox"/>	<input type="checkbox"/>
SCOWCROFT	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PORTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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DEMAREST	<input checked="" type="checkbox"/>	<input type="checkbox"/>	BOSKIN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FITZWATER	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
GRAY	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
HAGIN	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

Please forward any comments/recommendations to Chriss Winston, Rm. 122, x2930, by 3:00 PM, Monday, February 27, 1989, with an info copy to my office. Thank you.

RESPONSE: MEMORANDUM FOR CHRISS WINSTON February 27, 1989

The NSC staff has no objection to the Presidential Remarks: Small Business Legislative Council.

Brent Scowcroft
Brent Scowcroft

James W. Cicconi
Assistant to the President
and Deputy to the Chief of Staff
Ext. 2702

cc: James W. Cicconi

WHITE HOUSE STAFFING MEMORANDUM

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FITZWATER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
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RESPONSE:

James W. Cicconi
Assistant to the President
and Deputy to the Chief of Staff
Ext. 2702

No mention of: freetrade (p. 3)
Urb. ent. zones (p. 4)

— too long — do they care about science tech?
R+E tax credit?

(Lange)
February 23, 1989
4:30 p.m.
11:20

PRESIDENTIAL REMARKS: SMALL BUSINESS LEGISLATIVE COUNCIL
WASHINGTON, D.C.
WEDNESDAY, MARCH 1, 1989

Thank you, [Bob]. It is good to be with you this afternoon. As you may have heard, I just finished a tour through several countries in the Pacific Rim.

They say that travel teaches tolerance. And it is true -- my hosts abroad were certainly tolerant of my experiments with their language.

I think one of my toasts might as well have been translated by the interpreter as: "Laugh politely at the peculiar American humor."

Maybe I should have asked them to read my lips.

This afternoon you've heard from Gregg Petersmeyer, Richard Breeden, and [Elizabeth Dole / Robert Mosbacher] -- three key members of the team here in Washington.

And now that you have a feeling for ^{my} ~~their~~ ideas and priorities, let me encourage you to work with them. Tell them

that they'll
be working on

what you're thinking. They are civil servants in the truest sense -- and they are looking for ways to make this a responsive government, a government by the people.

While I was in Asia, I had a chance to think seriously about what sets our trading partners apart from us. I realized that, in subtle ways, we may have erected a barrier to our own success -- and deprived ourselves of vital long-term investment that our competitors have always enjoyed. ~~_____~~

In a few minutes, I'm going to have a suggestion for those who say that we have to "level the playing field."

You know, there are some who say that the sun is rising in the Far East. Some even suggest that it's setting here at home. Well, for them, I have news. The 21st century can be the next American century -- if we understand the challenges before us, and move to meet them together.

More than ever, the world is interconnected; interdependent; and changing rapidly. More than at any point in human history, our societies and economies rely one upon the other.

So competitiveness -- which seems to be on everybody's mind these days -- takes on a challenging new angle. It means more

~~In this world,~~

than just market share and earned income. And it's more than a zero-sum, winner-take-all game.

Since 1980, world trade volume has nearly doubled. Almost a fifth of our industrial production is now in exports. Goods and services circle the globe overnight. Capital changes hands in seconds.

In this world, competitiveness depends on the skills & talents of the people -- and thus on the investments we make today to enhance those skills.

In a world like that, all nations stand to benefit from the growth of their trading partners -- as long as markets are free and open.

So ^{the} key priority for me is to promote economic growth -- both here and abroad, through low tax rates. And as markets grow, I will work to fight off the protectionists, and encourage the kind of free trade that makes all nations better off.

~~This means that~~ *you see,* the goal of competitiveness is not simply to disadvantage the competition. It is to better deploy the advantages we have -- and to create new ones.

And that is why the work you do is so important. American small business has always been our most creative source of innovation and economic growth.

We've created 19 million new jobs in this country since the recovery began. That's five times the number of jobs created in Japan -- and small businesses are responsible for eight out of ten of them. Operations like yours make America work.

By creating jobs, you create opportunity. And while I'm President, government won't interfere with that. We will assure that you have the freedom you need, to do what you do best. *We will hold the line on taxes -- because if the experience of the last 8 years has proven anything, it is that lower taxes means a stronger economy.* Competitiveness demands two things: flexibility in the marketplace, and the right kind of investment at home.

So we want to give employers and employees the flexibility to work out their own solutions, on issues like parental leave and health insurance. And we intend to promote the kind of investment that will allow every American to share in prosperity, and help to create more of it.

That's the idea behind a new proposal of mine -- one I'd like to ask for your help with. For 25 years, social planners thought the way to help our cities was to dump money in them; as a result they created a destructive cycle of dependency that destroyed hope. My idea is different. I believe that, with the proper incentives, small business can lead America's urban renewal. The well of new ideas of women looking for the chance to try them is as deep as this country. So what I propose is start your business in the inner city, where the need for jobs is greatest, and you'll get a break on your Federal taxes. After all, you'll be injecting money by reducing the need for welfare, and eventually, I trust, in the long run, you'll be in a better position to pay taxes.

Americans are a diverse people. They don't want generic solutions, when a problem is best solved at its source. Government's creed should be to do no harm -- and to act only when there is clear evidence that its ~~interference~~ *intervention* will make things better for people.

Decisions made -- and actions taken -- at the local level very often better serve the interests of those involved. What I'm talking about, here, is a fundamental American freedom: the freedom to choose.

That's the driving principle behind our proposal on child care. We want to create a system of refundable tax credits,

the need for jobs is greatest, and you'll get a break on your Federal taxes. After all, you'll be injecting money by reducing the need for welfare, and eventually, I trust, in the long run, you'll be in a better position to pay taxes.

focused particularly on low-income parents. We mean to avoid burdensome federal standards and regulation that would limit family, church, and community-based care. We will examine the liability insurance barriers for businesses interested in providing child care options.

We would like to put solutions -- and dollars -- in the hands of parents. We intend to promote choice in childcare.

Flexibility promotes creativity. It's always been the basis for real achievements in business. So we need to find new ways to encourage men and women to take risks. We need entrepreneurs who will invest their time, talents, and resources to build businesses. Unlock new markets. Unleash new technologies. And create new jobs. People who bring to the marketplace competitive products and quality services that are second to none in the world.

You know what the challenges are.

Last year a large survey of CEOs suggested that while American business leaders are inherently optimistic, they're aware that we have new and important work to do. Ninety percent of them said that American business is still too short-term oriented.

I've built a business. Let me tell you, I know how tough it is. I understand the pressures you face. You don't need a lecture on the importance of savings and long-term investment. You need government that enables you to do what you know how to do.

Competitiveness demands the right kind of investment, yes. That's one reason I support a differential in the capital gains tax -- cutting it to 15 percent on investments held for a year or more.

I see this as an important way to free up American businesses, without distorting world markets. The economies of the Pacific Rim -- the "four dragons" of Hong Kong, Singapore, Taiwan, and South Korea -- along with West Germany, the most dynamic country in Europe -- all exempt ^{long-term} capital gains entirely from tax. Japan also had no tax on capital gains during its meteoric rise.

(Paul 5044)
Should this be "tigers"?

I call on anyone who talks about "leveling the playing field" with our trading partners, to consider this:

By taxing capital gains, we impede our own progress -- and we turn the playing field into an uphill climb.

Restoring the capital gains differential would be a powerful incentive for businesses to invest, to innovate, to grow, and to create jobs.

For managers, it would ease some of the relentless pressure of quarterly reporting -- and allow them to focus on longer-term goals and operations, get a leg up in new markets, and apply new techniques and technologies. For workers, it means more jobs, at better wages. For all Americans, it means a real, competitive difference in the world marketplace.

I am committed to a program of careful, systematic investment to assure our competitive future. And our budget is an important first step in that investment.

We have proposed a 13 percent increase for science and technology programs in 1990. And we intend to double the National Science Foundation's budget by 1993, to develop engineering and scientific computing research centers -- and to build the right links between university, government, and industry labs.

We are recommending a permanent extension of the R&E tax credit, to keep us at the forefront of technological innovation -- especially in basic research.

For investors, it makes investment in companies more attractive --
that will make the cost of capital from investors lower & reduce the attractiveness of debt.
So it will help slow the wave of debt-financed takeovers a bit.

And we want to encourage more domestic research by multinationals, by stabilizing the R&E expense allocation rules. The uncertainty brought on by expiring temporary rules has gone on for two decades. Businesses should be able to make long-term research plans in a stable climate. Creating that climate is something government can -- should -- and will do.

We are determined to bring the deficit down -- with no new taxes -- by following Gramm-Rudman-Hollings targets and using actual spending as a frame of reference. You don't run your operations in a wonderland of perpetually expanding baselines -- and neither should government.

But the most important investment we can make, to assure a competitive future, is in training and education.

Jobs are becoming more demanding. The competition is getting tougher. Labor markets are getting tighter. So we'll need to do more to develop a highly-skilled, motivated, educated workforce.

You know, when I was building an oil business, we invested heavily in what was then a new technology -- off-shore drilling. Early on, we lost a drilling rig to a storm off the coast of Texas. I knew that whenever you consider an investment, you

rightly tend to focus on the risks involved.

But where training and education are concerned, the biggest risk is to not get involved.

American public education needs more of our support -- and less of our criticism. It's time to stop blaming the students -- stop blaming the schools -- stop blaming other institutions -- and start getting involved.

We should look to the vitality of our system -- and work to build strength through diversity.

Successful schools happen everywhere -- from rural communities to inner city neighborhoods. They are shaped by people with high expectations, from both the public and private sector, who work within the schools to bring about creative change.

This way of looking at it means that we are all accountable for the quality of our schools. We need to strengthen incentives to do better -- and we have a program to do just that.

We will expand Head Start, reward superior schools, and recognize outstanding teachers. We will establish a National

Science Scholars Program. We will work to free our schools from the pestilence of drugs.

And we will be looking to you for help and guidance -- because good schools are good for business. Many of you are already involved with local schools, doing important work for the future of your communities, and your country. More can be done. And I know you'll be there when we need you.

To compete successfully abroad, many of you will find yourselves competing for workers at home. I know managers who are seriously starting to worry about shortages of talented people.

There is a larger, untapped source of talent in this country. Such people are to be found and fostered among the young and underskilled, who need training. The older and more experienced, who need re-training. The disadvantaged, whose lives can be turned to advantage. Disabled workers, who ask only for a chance to prove their ability. Dual career families, who need options.

Opportunity doesn't necessarily knock on the door. It may be leaning against the wall or standing on the streetcorner, needing only to be seen for what it is.

In this, we need your leadership. The very heart of our ability to compete may depend on how well we enlist those who have, until now, been on the outskirts of economic growth. They will be needed.

Together we can build businesses that outwit, outmaneuver, outproduce, and outperform the competition.

We can achieve the kind of competitive advantage that comes from collective will. And we can make sure the words "Made in America" simply mean "the best there is."

Thank you. And God bless you.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 2/23/89

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RESPONSE:

David Demarest

(Lange)
February 23, 1989
4:30 p.m.

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WASHINGTON, D.C.
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what you're thinking. They are civil servants in the truest sense -- and they are looking for ways to make this a responsive government, a government by the people.

While I was in Asia, I had a chance to think seriously about what sets our trading partners apart from us. I realized that, in subtle ways, we may have erected a barrier to our own success -- and deprived ourselves of vital long-term investment that our competitors have always enjoyed.

In a few minutes, I'm going to have a suggestion for those who say that we have to "level the playing field."

You know, there are some who say that the sun is rising in the Far East. Some even suggest that it's setting here at home. Well, for them, I have news. The 21st century can be the next American century -- if we understand the challenges before us, and move to meet them together.

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This means that the goal of competitiveness is not simply to disadvantage the competition. It is to better deploy the advantages we have -- and to create new ones.

And that is why the work you do is so important. American small business has always been our most creative source of innovation and economic growth.

We've created 19 million new jobs in this country since the recovery began. That's five times the number of jobs created in Japan -- and small businesses are responsible for eight out of ten of them. Operations like yours make America work.

By creating jobs, you create opportunity. And while I'm President, government won't interfere with that. We will assure that you have the freedom you need, to do what you do best.

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So we want to give employers and employees the flexibility to work out their own solutions, on issues like parental leave and health insurance. And we intend to promote the kind of investment that will allow every American to share in prosperity, and help to create more of it.

Americans are a diverse people. They don't want generic solutions, when a problem is best solved at its source. Government's creed should be to do no harm -- and to act only when there is clear evidence that its ^{activism} ~~interference~~ will make things better for people.

Decisions made -- and actions taken -- at the local level very often better serve the interests of those involved. What I'm talking about, here, is a fundamental American freedom: the freedom to choose.

That's the driving principle behind our proposal on child care. We want to create a system of refundable tax credits,

focused particularly on low-income parents. We mean to avoid burdensome federal standards and regulation that would limit family, church, and community-based care. We will examine the liability insurance barriers for businesses interested in providing child care options.

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Competitiveness demands the right kind of investment, yes. That's one reason I support a differential in the capital gains tax -- cutting it to 15 percent on investments held for a year or more.

I see this as an important way to free up American businesses, without distorting world markets. The economies of the Pacific Rim -- the "four dragons" of Hong Kong, Singapore, Taiwan, and South Korea -- along with West Germany, the most dynamic country in Europe -- all exempt capital gains entirely from tax. Japan also had no tax on capital gains during its meteoric rise.

I call on anyone who talks about "leveling the playing field" with our trading partners, to consider this:

By taxing capital gains, we impede our own progress -- and we turn the playing field into an uphill climb.

Restoring the capital gains differential would be a powerful incentive for businesses to invest, to innovate, to grow, and to create jobs.

For managers, it would ease some of the relentless pressure of quarterly reporting -- and allow them to focus on longer-term goals and operations, get a leg up in new markets, and apply new techniques and technologies. For workers, it means more jobs, at better wages. For all Americans, it means a real, competitive difference in the world marketplace.

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And we want to encourage more domestic research by multinationals, by stabilizing the R&E expense allocation rules. The uncertainty brought on by expiring temporary rules has gone on for two decades. Businesses should be able to make long-term research plans in a stable climate. Creating that climate is something government can -- should -- and will do.

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We should look to the vitality of our system -- and work to build strength through diversity.

Successful schools happen everywhere -- from rural communities to inner city neighborhoods. They are shaped by people with high expectations, from both the public and private sector, who work within the schools to bring about creative change.

This way of looking at it means that we are all accountable for the quality of our schools. We need to strengthen incentives to do better -- and we have a ^{mandate} ~~program~~ to do just that.

We will expand Head Start, reward superior schools, and recognize outstanding teachers. We will establish a National

Science Scholars Program. We will work to free our schools from the pestilence of drugs.

And we will be looking to you for help and guidance -- because good schools are good for business. Many of you are already involved with local schools, doing important work for the future of your communities, and your country. More can be done. And I know you'll be there when we need you.

To compete successfully abroad, many of you will find yourselves competing for workers at home. I know managers who are seriously starting to worry about shortages of talented people.

There is a larger, untapped source of talent in this country. Such people are to be found and fostered among the young and underskilled, who need training. The older and more experienced, who need re-training. The disadvantaged, whose lives can be turned to advantage. Disabled workers, who ask only for a chance to prove their ability. Dual career families, who need options.

Opportunity doesn't necessarily knock on the door. It may be leaning against the wall or standing on the streetcorner, needing only to be seen for what it is.

In this, we need your leadership. The very heart of our ability to compete may depend on how well we enlist those who have, until now, been on the outskirts of economic growth. They will be needed.

Together we can build businesses that outwit, outmaneuver, outproduce, and outperform the competition.

We can achieve the kind of competitive advantage that comes from collective will. And we can make sure the words "Made in America" simply mean "the best there is."

Thank you. And God bless you.