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Series: Speech File Draft Files
Subseries: Chron File, 1989-1993

OA/ID Number: 13477
Folder ID Number: 13477-005

Folder Title:
Small Business Legislative Council, 3/1/89 [2]

Stack:	Row:	Section:	Shelf:	Position:
G	25	6	1	4

THE WHITE HOUSE

WASHINGTON

February 27, 1989

MEMORANDUM FOR CHRISS WINSTON
DEPUTY ASSISTANT TO THE PRESIDENT
FOR COMMUNICATIONS

FROM: NELSON LUND *NL*
ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT: Presidential Remarks: Small Business
Legislative Council

At the request of James W. Cicconi, Counsel's Office has reviewed the captioned remarks. We have no objections.

We appreciate the opportunity to review these remarks.

Attachment

cc: James W. Cicconi

THE WHITE HOUSE
WASHINGTON

✓

February 27, 1989

MEMORANDUM FOR CHRISS WINSTON

FROM: WILLIAM L. ROPER *wlr*
SUBJECT: Small Business Legislative Council Speech

The draft remarks for the Small Business Legislative Council cover the President's key themes: flexibility in the marketplace and the need for investment.

I would recommend bringing these themes together more vividly in the conclusion.

I have suggested language to be more specific on the issue of "a level playing field" with our trading partners, on pages 2 and 6.

I have added several further editorial comments on the text itself.

If you have any questions, please let me know.

cc: James W. Cicconi

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"/>
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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:

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

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

1000 FEB 24 11:11:20

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 their ideas and priorities, let me encourage you to work with them. Tell them

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 ^{to help assure} ~~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

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.

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.

For us to be competitive in international trade, we need a ~~I call on anyone who talks about "leveling the~~ playing field" with our trading partners, ~~to consider this~~ One area in which we most assuredly do not have such a level,

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

playing field
is the taxation
of capital gains

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 *for research and experimentation* 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~~ ^{that improve} 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.

Action: Carol Kitti
cc: Steve
TGM
MB

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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BREEDEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ROGERS	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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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:

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See notes on p.3 & p.6 - some are corrections of fact.

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 11:11:20

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WASHINGTON, D.C.
WEDNESDAY, MARCH 1, 1989

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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 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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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.

NB: GATT data from OECD

1970

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.

X

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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~~ ^{two-thirds} ~~ten~~ of them. Operations like yours make America work.

X

NB- 65% according to SBA

Note: very misleading - Japan has a smaller population and workforce, hence we have if economies perform the same way we should have much higher job growth; more sensible: Relative to the size of the labor force, Had's more than twice that of Japan

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.

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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.

Note - the holding period is gradually phased up to 3 yr. to promote long term investment

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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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.

2

February 27, 1989

MEMORANDUM FOR JIM CICCONI

FROM; DENISE SCHWARZ
OFFICE OF CABINET AFFAIRS

SUBJECT; PRESIDENTIAL REMARKS: SMALL BUSINESS LEGISLATIVE
COUNCIL #010588

We have reviewed the remarks and have marked the changes on the attached copy of the speech. I have transmitted the changes directly to Chriss Winston.

Attachment

cc: Chriss Winston

WHITE HOUSE STAFFING MEMORANDUM

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RESPONSE:

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

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

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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.

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. *It does no good to sit around and complain only to allow for mediocrity to continue.*

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.

✓ Revised
2/27/89
5:50 P.M.

February 27, 1989

MEMORANDUM FOR JIM CICCONI

FROM; DENISE SCHWARZ
OFFICE OF CABINET AFFAIRS

SUBJECT; PRESIDENTIAL REMARKS: SMALL BUSINESS LEGISLATIVE
COUNCIL #010588

We have reviewed the remarks and have marked the changes on the attached copy of the speech. I have transmitted the changes directly to Chriss Winston.

Attachment

cc: Chriss Winston

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"/>
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 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"/>	_____	<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

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

1000 FEB 24 11:23

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 their ideas and priorities, let me encourage you to work with them. Tell them

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

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~~ ^{increased about 35%.} 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.

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 ^{long term investments} ~~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.

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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. *It does no good to sit around and complain only to allow for mediocrity to continue.*

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 ^{the U.S.A.} America" simply mean "the best there is."

Thank you. And God bless you.

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"/>
DARMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	STUDDERT	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BATES	<input checked="" type="checkbox"/>	<input type="checkbox"/>	UNTERMEYER	<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 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"/>	_____	<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:

Jim - I made some comments. You have a black copy of in your in box.

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

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

KCCO FEB 24 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 ^{know} ~~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."

→ Equally inappropriate if taken as a signal to Japanese financial markets. ?
(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

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.

factors can [Edward] take this down.]
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.

The President has used this phrase! Please delete!!
In a few minutes, I'm going to have a suggestion for those who say that we have to "level the playing field."

US! sounds like fear of Japanese dominance in fact, many countries in Asia are prosperous. I would
You know, there are some who say that the sun is rising in the Far East. ^{Asia} 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.

rewrite to: "Asia could become the economic center of the world."
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.

the notion of
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~~ ^{work to establish} new ones, *in new industries*.

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 have been
We've created 19 million new jobs in this country since the recovery began. ^{in 1982} 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.

Businesses

Figures we used in the campaign was, I think, 6/10.

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.

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.

*I would rewrite -
the point is that we
need diverse
solutions.*

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,

*a new refundable
children's tax credit for low income
and make the existing
child care tax credit
refundable as well.*

*There is already a tax credit; we'll
make that refundable. We want to
establish another, new credit.*

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. ^

Not a solution here.
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 *also* aware that we have new and important work to do. Ninety percent of them said that American business is still too *much oriented towards the* 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, ^{good for business} you know how to do.

and good for America [Do they really know it if 90% say that business is on the wrong track?]

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 ^{net} 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, ^{to economic power.}

→ ~~see earlier comment.~~

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.

Do we have to paraphrase this?
↑

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.

Why restate the promise from the campaign?
In the budget speech, all we said was →
Stay on track
towards doubling NS

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.

Most people know this as R&D - needs explanation

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.

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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.

NO! In the campaign, we said that everyone in education needs to be more accountable, which implies more - friendly - criticism. *All of* American public education needs more of our support. ~~and~~ *is h* 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 ^{are} ~~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,} ~~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

→ This is still a qualitative shift ^{from} the campaign rhetoric.

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.

Good
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.

I like this, although others may not.

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.

THE WHITE HOUSE

WASHINGTON

2/27/89

MEMORANDUM to Chriss Winston


FROM: Jim Pinkerton 

RE: Comments on SBLC Speech


My comments include input from Andy Card, who called me after he failed to reach Mark Lange.


First, in general, we are concerned that the speech covers too much ground. We suggest a tighter focus on the "lessons from Asia" theme, especially the need for a capital gains tax rate reduction to encourage entrepreneurship and strengthen American competitiveness.


Here are some specific thoughts:


 Page 2, paragraph 1: I think you will lose the audience once you say "civil servants." I'd start instead with "They are experienced men and women who know how to work with the private sector ..."

 Page 2, paragraph 2, line 3: I'd delete "in subtle ways."

 Page 2, paragraphs 3 and 4: I understand that John Gardner has already recommended that you delete the whole "level playing field" argument. I agree with John in view of the fact that the President has also made the argument for "a level playing field." Also, I agree with John about the need to delete the "rising sun" reference.

 Page 4, paragraph 4: I think this is a fuzzy graf that does not really advance the President's argument. I'd either clarify or delete.

 Page 5, last paragraph: As it reads, it tends to put the blame solely on business. I'd add something like this at the tail end: "Government, too, must plan for the long term. We need to set policies that will promote business confidence: holding the line on tax increases, reducing the deficit down to zero, and stopping high inflation and interest rates."

 Page 6, paragraph 2: As Andy said, we should beef up our capital gains message, I'd add this at the end of the graf: "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 and risking and thus keeping the Great American Job Machine running."

✓ Page 6, paragraph 3: West Germany is not "the most dynamic" country in Europe. But you could say it has "the strongest economy."

✓ Page 7, paragraph 3: This graf seems to be hinting at government investment in the economy. I'd rewrite as follows: "I am committed to government policies that will allow business to invest with an eye toward the long term to assume our competitive future."

✓ Page 8, paragraph 2: I think this denunciation of "current services budgeting" is good, but too cursory -- and it doesn't even mention the phrase itself! I'd insert a sentence like "In addition, 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.' Federal policy should not start out with the presumption that government spending should go up and up."

Page 10-11: I think the close is excellent.

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"/>
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 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"/>	_____	<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:

*OK
JWC*

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

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 their ideas and priorities, let me encourage you to work with them. Tell them

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

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.

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

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Thank you. And God bless you.