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THE WHITE HOUSE

WASHINGTON

MEMO FOR: AGENCY PUBLIC AFFAIRS HEADS
FROM: CHRISS WINSTON *cw*
DATE: MARCH 22

Enclosed please find a fact sheet on President Bush's Minimum Wage proposal. Floor action is expected in the House today and tomorrow on the minimum wage legislation reported out of the Rules Committee yesterday. I hope you will find this information helpful.

FACT SHEET

PRESIDENT BUSH'S PROPOSAL ON THE MINIMUM WAGE

The President's Proposal

- o A 27 percent increase in the minimum wage over three years to \$4.25 for most workers.
- o Maintaining the current \$3.35 minimum for all new employees of a firm on the job for less than six months, regardless of age or previous employment.
- o An increase in the small business exemption to include all firms, not just retail and service establishments, with gross sales under \$500,000, up from the current \$362,500.
- o An increase in the tip credit from 40 percent to 50 percent.

Fundamental Principles Guiding the President's Proposal

- o Provide higher earnings for long-term minimum wage employees.
- o Minimize the adverse economic impact of an across-the-board increase in the minimum wage.
- o Maximize job opportunities for those who need it most, particularly young people, those with limited work experience or skills, and members of minority groups.
- o Provide sensible exemptions to minimize the burden of the minimum wage on small businesses and on service firms where tips are an important part of compensation.

Why Not Increase the Minimum Wage to \$4.65?

- o TO SAVE JOBS. An increase in the minimum wage to \$4.65 would cost 650,000 job opportunities.
- o The President's Proposal would save well over 400,000 of these job opportunities.
 - The smaller increase, to \$4.25, saves 200,000 job opportunities.
 - The training wage saves up to an additional 170,000 job opportunities.
 - The tip credit and small business changes save 54,000 job opportunities.

What Other Economic Effects Would Result From a \$4.65 Minimum Wage?

- o The 40 cent increase between \$4.25 and \$4.65 would mean a \$0.6 billion increase in the federal deficit.
- o The 40 cent increase between \$4.25 and \$4.65 would increase costs to the consumer by \$6.5 billion.
- o Chairman Greenspan of the Federal Reserve has stated that raising the minimum wage would make the battle against inflation more difficult. A higher minimum wage could result in higher interest rates.
- o A higher minimum wage would raise production costs, thus reducing the competitiveness of American manufacturers in international markets.
- o A higher minimum wage would have an additional effect on employment costs as many fringe benefits costs are tied to wages.

Why Have a Six Month Training Wage?

- o TO SAVE JOBS. Under the President's proposal, the six-month training wage could save 170,000 job opportunities.
- o A three month training wage would save only half as many job opportunities.

- o An increase in the minimum wage without an adequate training wage provision means that many potential workers will have much greater difficulty getting their feet on the ladder of economic opportunity. Employers would be discouraged from creating new jobs at a higher wage for inexperienced workers.
- o Those hurt the most without a training wage are the poor, many of whom are young, and minorities.

Why Not Have the Training Wage Apply Only to a Worker's First Job Instead of Each New Job?

- o TO SAVE JOBS. A new hire training wage, such as the President proposed, could save four times as many job opportunities as would a first job training wage: 170,000 vs. 40,000.
- o New jobs require new skills. Someone who may have spent a few months on a different job may need time to learn new skills.

Why Not Limit the Training Wage to Teenagers?

- o TO SAVE JOBS. Many new workers, including people trying to escape from welfare, are in their twenties or older.
- o The President's universal approach is administratively simpler and less likely to foster compliance problems.

Won't An Even Higher Minimum Wage Help Cure Poverty?

- o The minimum wage population and the poverty population are composed largely of different people. 60% of those earning the minimum wage are young people; 66% work part time, 72% are single.
- o Only 336,000 heads of households living in poverty earned the minimum wage. That is less than 2 percent of the working-age poverty population.

- o The job opportunity losses from a universal \$4.65 minimum wage may actually increase poverty by denying jobs to members of families living in poverty. Poor families would also be forced to pay the higher consumer and other costs associated with a higher minimum wage.

Won't A Higher Minimum Wage Increase Job Opportunities and Wages?

- o Since 1982, with no increase in the minimum wage, the economy has added more than 19 million jobs. Yet, the number of minimum wage jobs has declined by 2.6 million or 40 percent.
- o In the last 7 years, 18.4 million jobs (an increase of 80 percent) paying more than \$10.00 per hour have been added. Five million jobs paying between \$5.00 and \$10.00 have been added. The number of jobs paying less than \$5.00 per hour has declined by 30 percent.
- o With a constant minimum wage the unemployment rate has been reduced to 5.1 percent, the lowest in 15 years.
- o A higher minimum wage hurts small business the most. These firms are the key to future employment growth and opportunity for the economy.

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TALKING POINTS -- SAVINGS AND LOAN PLAN

"Our solution must ensure the least possible disruption to local markets -- and at the same time keep costs to a minimum ... I sent the Congress a bill that will enable us to take action to halt the dollar drain, and move forward on stabilizing our S & L system. It's a sound a comprehensive plan -- and it has been well received. I want to see that bill passed with its central provisions intact. There's no excuse for further delay."

-- President Bush, Forum Club of Houston, March 16, 1989

The President has taken quick and decisive action on the Savings and Loan crisis, and announcing a comprehensive set of proposals less than three weeks after taking office. He has guaranteed that insured depositors are not at risk, and will continued to be protected by the U.S. government.

AN OVERVIEW OF THE S & L CRISIS:

- o For more than a half century, the United States has operated a deposit insurance program that provides direct government protection to the savings of our citizens. This program has enabled tens of millions of Americans to save with confidence. In all the time since creation of deposit insurance, savers have not lost one dollar of insured deposits. The President is determined that they never will.
- o Deposit insurance has always been intended to be self-funded. This means that the banks, savings and loans and credit unions that are insured pay a small portion of their assets each year into a fund that is used to protect depositors. In every case these funds are spent to protect the depositors, not the institutions that fail.
- o Financial difficulties have led to a continuous erosion of the strength of the Federal Savings and Loan Insurance Corporation ("FSLIC"). Because of the accumulation of losses at hundreds of thrift institutions, additional resources must be devoted to cleaning up this problem. We intend to restore our entire deposit insurance system to complete health.
- o While the issues are complex, and the difficulties manifold, we will make the hard choices, not run from them. We will see that the guarantee to depositors is forever honored, and we will see to it that the system is reformed comprehensively so that this situation is not repeated ever again.

THE FOUR MAJOR POINTS OF THE ADMINISTRATION'S PLAN:

- o First, currently insolvent savings institutions will be placed under the joint management of the FDIC and FSLIC pursuant to existing law. This will enable us to control future risk-taking, and to begin reducing ongoing losses.
- o Second, the regulatory mechanism will be substantially overhauled to enable it to more effectively limit risk-taking.
 - The FDIC would become the insurance agency for both banks and thrifts under this system. The insurer will have the authority to set minimum standards for capital and accounting.
 - Uniform disclosure standards would also be implemented.
 - The chartering agency for thrifts would come under the general oversight of the Secretary of the Treasury.
- o Third, we will create a financing corporation to issue \$50 billion in bonds to finance the cost of resolving failed institutions, which will supplement approximately \$40 billion that has already been spent.
 - All of the principal of these bonds, and a portion of the interest on them, will be paid from industry sources.
 - However, the balance would be paid from on-budget outlays of general revenues. Hopefully some of these revenues will be recovered in the future through sales of assets and recovery of funds from wrongdoers.
- o Fourth, we plan to increase the budget of the Justice Department by approximately \$50 million per year to enable it to create a nationwide program to seek out and punish those that have committed wrongdoing in the management of the failed institutions.

THE PRINCIPLES GUIDING THE PRESIDENT'S DECISION:

- o The President does not support any new fee on depositors.
- o We should preserve the overall federal budget structure, and not allow the misdeeds and wrongdoing of savings and loan executives and the inadequacy of their regulation to significantly alter our overall budget priorities.
- o This proposal, once enacted by the Congress, will enable our system to prevent any repetition of this situation.

- o This plan attacks the problem head-on, with every available resource of this government. Because it is a national problem, the combined resources of our federal agencies will be brought together in a team effort to resolve the problem.
- o Banks and thrifts should pay the real cost of providing the deposit insurance protection. The price the FDIC charges banks for their insurance has not been increased since 1935. We propose to increase the bank insurance premium by less than seven cents per \$100 of insurance protection they receive. Every penny collected would be used to strengthen the FDIC so that the taxpayers will not be called on to rescue it a few years from now.

IN CONCLUSION:

- o The United States Government has stood behind the safety of insured deposits before, it does today, and it will do so at all times in the future. Every insured deposit will be backed by the full faith and credit of the United States of America, which means that it will absolutely be protected.
- o For the future, we will seek to achieve a safe, sound and profitable banking system. However, integrity and prudence must share an equal position with competition in our financial markets. Clean markets are an absolute prerequisite to a free economy, and to the public confidence that is its most important ingredient.
- o The President has called on Congress to join him in a determined effort to resolve this threat to the American financial system permanently, and to enact his legislative proposals without delay.

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

March 21, 1989

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March 6, 1989

TALKING POINTS

EASTERN AIRLINES STRIKE

No justifiable reason exists to support the creation of an Emergency Board at this time.

- o Labor and management must work together to resolve their disputes. Eastern and the Machinists, without anyone else, should be allowed to resolve collective bargaining disputes in an orderly fashion without unwarranted government intervention or the use of secondary boycotts.
- o The strike by Eastern's machinists, and even its pilots and flight attendants, will not seriously disrupt interstate commerce to a degree such as to deprive any section of the country of essential transportation service. Eastern carries 6 percent of air traffic in the United States. Eastern's competitors should be able to accommodate most displaced passengers. There will be passenger inconvenience, but that does not justify an Emergency Board.
- o An Emergency Board would only delay the resolution of this bitter eighteen-month-old dispute. The differences between the parties are vast. We have no reason to believe that the 60-day period provided by the empaneling of an Emergency Board would bring the parties any closer together. Instead, 60 more days of suspense could well drive the parties farther apart.

Secondary boycotts should not be permitted to extend this dispute to unrelated businesses.

- o The Machinists should not be allowed to deprive the American people of essential transportation services by spreading the Eastern dispute to other airlines and the railroads through secondary boycotts.
- o Airline and railroad labor unions are able to spread strikes through the use of secondary boycotts only because of an unfortunate legal anomaly. Secondary boycotts are peculiar to these two industries. They have been outlawed in other industries because they unfairly permit the concerns of a handful of employees to hold hostage large segments of American commerce.
- o This President cannot, and will not, condone the use of secondary boycotts in response to the Eastern situation. If necessary, he will submit to the Congress legislation to ensure that the American people are never again injured by secondary boycotts. The onus will then be on the Congress to prevent this disruption from occurring.

The Federal Aviation Administration is fully carrying out its responsibilities with regard to the strike at Eastern.

- o Assuming that Eastern continues to fly, FAA's role will be to ensure continued safe operations. The FAA is prepared to monitor Eastern's operations closely (and the operations of other airlines that may be affected by the strike) for safety, airworthiness, and compliance with applicable Federal air safety regulations.
- o The FAA has increased the number of inspections and has examined Eastern's contingency plans. FAA is poised to investigate any allegations of unsafe conditions resulting from Eastern's own practices or disruptions caused by the strike and will take immediate action, if necessary, to ensure that the health and safety of Eastern's passengers are not threatened.
- o FAA has told Eastern that newly hired personnel must meet the same job qualifications and undergo the same training as those hired before the strike. The agency will not waive any requirements or approve any shortcuts.
- o FAA has assigned inspectors to monitor any independent repair stations under contract to Eastern to ensure that the quality of work meets all agency standards.

March 27, 1989

TALKING POINTS ON ANTI-DRUG ABUSE EFFORTS

- o The President is committed to ending illegal drug use in America. He has met with students, parents, community leaders and law enforcement officials involved in the fight against drugs --and has **urged a united effort** in countering drug use and its related devastation.
- o The President is working shoulder-to-shoulder with America's first **Director of National Drug Control Policy, Bill Bennett**.
- o The policy of this Administration is **"zero tolerance."** No amount of illegal drug use is acceptable. This means dealing with both supply and demand.
- o In his February 9 address to the joint session of Congress, **the President requested \$6 billion in FY 1990 to fight drugs**, increasing outlays by nearly \$1 billion for drug education, treatment and enforcement. This is a 21 percent increase over 1989, and 47 percent over 1988.
- o The Administration has launched a **four-pronged attack** in fighting the flow of drugs: education, rehabilitation, interdiction and enforcement.
- o **Education:**
 - o We must establish "zero tolerance" as an attitude and a way of life by educating our children at home and at school on the dangers of experimenting with drugs.
 - o All schools should develop anti-drug programs for the classroom, and adopt tough "no use" disciplinary policies to show that drug use will not be tolerated.
 - o The Administration is requesting nearly \$1.1 billion for education and prevention efforts. This is a 16 percent increase over 1989, and includes funding for ongoing programs and new initiatives.
- o **Rehabilitation:**
 - o Those who fail to heed the signals and do use drugs should be encouraged to seek treatment -- the aim is to reclaim lives, not abandon them. The President's policy balances firmness with compassion.
 - o Funding for drug abuse treatment will be increased 18 percent, including new grants to reduce the waiting periods for admittance into drug treatment programs.

- o The Administration is proposing over \$700 million to expand the nation's capacity to provide drug abuse treatment, particularly for the indigent, disadvantaged, youth, and expectant mothers.
- o **Interdiction and Enforcement:**
 - o Eradicating drugs at the source, interdicting them before they cross our borders, and destroying the trafficking cartels that profit so richly from drug addiction are important steps in fighting this insidious foe.
 - o The Administration is proposing over \$4.1 billion for law enforcement programs in 1990, a 10 percent increase over 1989. This constitutes about 70 percent of President Bush's proposed drug budget.
 - o Substantial funding increases are requested for the Drug Enforcement Administration, the Customs Service, the State Department's Bureau of International Narcotics Matters, and the U.S. Coast Guard drug interdiction program -- to strengthen inspection, interdiction, intelligence efforts and crop eradication programs.
 - o The Justice Department will receive funding for grants to local law enforcement agencies and for additional U.S. Attorney prosecutorial staff, as well as for FBI investigations and local law enforcement training. The Department of Justice anticipates distribution of \$175 million to state and local law enforcement agencies out of the asset forfeit fund.
 - o Policies are aimed at stepping up the pressure on the suppliers of illegal drugs by providing grants to State and local law enforcement, beefing up the Federal enforcement agencies, and enhancing our drug prosecution, detention and intelligence capabilities.
 - o The President supports strict application of the tough new penalties of the Anti-Drug Abuse Act of 1988, which calls for the death penalty for those who commit drug-related murders and for increased prison sentences for other drug-related crimes.
 - o The President will appoint judges who will strongly enforce the drug penalty laws. He encourages the judiciary to strictly apply the law to convicted drug offenders, and particularly supports severe sentences for dealers who hire children to carry or sell their drugs, and those who sell near schools.

RECENT ACTIONS:

- o On March 14, the Administration ordered a temporary ban on the import of certain semi-automatic weapons. The President said, "A secure community is the right of every American. Toward that end guns can be imported under current law, only if they are adaptable for sporting purposes. We've recently taken a step and temporarily suspended the import of AKS-47 type and certain other semi-automatic weapons into this country as we continue to search for a solution to this difficult and complex problem."

- o Attorney General Thornburgh traveled in early March to South America, where he met with the top officials of Columbia, Bolivia and Peru. The topic of their discussions was curbing drug production as well as the destruction of the trafficking cartels. The Attorney General reported that the leaders share our commitment to enhance cooperative efforts at all levels. The President is committed to removing obstacles that inhibit certain Latin American nations from substituting profitable, legitimate crops for coca.

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