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Six Months of the Bush Administration 7/89 [7]

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WHITE HOUSE STAFFING MEMORANDUM

DATE: 7/25/89 **ACTION/CONCURRENCE/COMMENT DUE BY:** 12:00 NOON, 7/26/89

SUBJECT: SIX MONTHS OF THE BUSH ADMINISTRATION

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☑	MCCLURE	☑	☐
SUNUNU	☐	☑	NEWMAN	☐	☐
SCOWCROFT	☑	☐	PORTER	☑	☐
DARMAN	☑	☐	STUDDERT	☑	☐
BATES	☑	☐	UNTERMEYER	☐	☐
BREEDEN	☑	☐	Bennett	☑	☐
CARD	☑	☐	Boskin	☑	☐
CICCONI	☐	☑	Petersmeyer	☑	☐
DEMAREST	☑	☐	Rogers	☑	☐
FITZWATER	☐	☑	Winston	☑	☐
GRAY	☑	☐	Pinkerton	☑	☐
HAGIN	☐	☐	_____	☐	☐

REMARKS:

Please provide your comments/recommendations directly to Chriss Winston (Rm. 122, Ext. 2930) with an info copy to my office no later than 12:00 NOON, WEDNESDAY, JULY 26, 1989. Please note that TWO DOCUMENTS are attached. Thank you.

89 JUL 28 AB: 12

RESPONSE:

July 28, 1989

TO: CHRISS WINSTON

NSC concurs with the six-month summary of the Bush Administration with the changes indicated.

Brent Scowcroft

cc: James W. Cicconi

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

((Grant))
July 21, 1989
Draft two
A:sixmonth

BUILDING A BETTER AMERICA

SIX MONTHS OF THE BUSH ADMINISTRATION

SUMMARY

As the Bush Administration passes the six-month mark, Americans know that the President has set the agenda on a number of fronts domestically -- from the environment and education to the fight against drugs and crime. The economy is strong, with the current economic expansion continuing to set new records. Meanwhile, America is standing tall in the international arena, after President Bush's leadership at two multilateral summits paved the way for greater understanding among the allies and improved relations with the Soviet Union and the Eastern Bloc nations.

KEEPING THE ECONOMY STRONG

- **Record expansion:** During the current economic expansion -- now in its 79th month as of June -- nearly 20 million jobs have been created and the unemployment rate has fallen to levels not seen in 15 years. Income levels ~~continue to set records, and~~ have risen sharply during this expansion. The growth in industrial output is nearly double that of Western

Europe. Consumer price inflation has remained under 5 percent for the past 7 years.

- **Budget agreement:** The President has put forth a budget which restrains overall growth of spending and meets the Gramm-Rudman-Hollings targets -- with no new taxes in fiscal year 1990. The President and Congress announced on April 14 a budget plan to reduce the estimated fiscal year 1990 deficit by about $64 billion below fiscal year 1989.

- **Savings and Loans:** The Administration's proposal to solve the savings and loan crisis was passed by the House and Senate and is currently in conference.

- **Third World debt:** The Administration has ~~taken the lead in finding a way to reduce the debt burden of developing countries. With the Administration's encouragement,~~ the IMF and World Bank have set aside funds to ~~aid~~ debt reduction.

- **Capital gains tax cut:** The President has sent to the Congress a proposal ~~which would re-establish a~~ capital gains ~~differential will~~ encourage capital formation, saving, and job formation.

- **Minimum wage:** The President, by vetoing the across-the-board increase in the minimum wage proposed by Congress, preserved

job opportunities for the disadvantaged and blunted the adverse economic impact such a move would have had.

- **International Trade:** The Bush Administration ~~successfully broke a stalemate in international~~ has moved the Uruguay Round forward by bringing ~~of~~ multilateral trade talks ~~and advanced its proposal to correct and prevent trade distortions in agriculture.~~ Round's mid-term review to a successful conclusion. The Administration is working hard to complete the Round by December 1990. It is also engaged in bilateral trade talks with important trading partners to encourage them to open their markets ~~to our exports.~~

SEIZING INTERNATIONAL OPPORTUNITIES FOR PEACE

- **"Europe Whole and Free":** In a series of major speeches ~~in April and May~~ throughout 1989, the President outlined a vision of a new Europe -- secure, prosperous, whole and free -- vindicating four decades of Western policies and seizing an historic opportunity to move toward ending the postwar division of Europe.

- **Poland and Hungary:** The President signalled his strong support for ~~the people of~~ democratic change in Hungary and Poland ~~as they move toward more democratic reforms~~ -- by visiting those nations and offering political and moral support as well as economic and trade incentives.

- **Economic Summit:** ~~The unity of the industrial democracies was demonstrated at~~ Under President Bush's leadership, the Paris Economic Summit ~~as President Bush~~ made further progress on key US economic and political objectives. Economic policy coordination was enhanced, the strengthened debt strategy was strongly endorsed, there was renewed commitment to a successful completion of the Uruguay Round by December 1990, and protection of the environment was highlighted as an urgent issue for international cooperation.

On political issues, our allies agreed ~~took the lead in encouraging our allies~~ to support Polish and Hungarian economic reforms. Cooperation against international terrorism was reinforced, and the Summit Seven also reinforced their mutual efforts to combat the scourge of narcotics.

- **"Beyond Containment":** The President has responded to great changes in the Soviet Union ~~with his policy to move~~ by moving "beyond containment" to a policy that seeks to integrate ~~by integrating~~ the Soviet Union into the ~~world~~ community of nations ~~order~~.

- **Arms Control/NATO Summit:** In arms control, the pace of negotiations with the Soviet Union ~~has accelerated~~ the President has accelerated, with new American initiatives on reducing Conventional Forces in Europe ~~(which the President unveiled at~~ endorsed by the NATO Summit), on ~~banning~~ "Open Skies," ~~chemical weapons,~~ and on strategic arms reduction.

- **~~Soviet Relations:~~** The US-Soviet Dialogue: The US-Soviet dialogue on conflicts in regions of the Third World has resumed intensively, and a US-Soviet dialogue has begun on a new range of global problems which require global cooperation, such as terrorism, the environment, and narcotics.

- **China:** In response to the suppression of the democratic movement in China, the President signalled that we cannot condone repression while he worked to preserve the basic elements of a strategically important relationship.

- Japan: The President made his first overseas trip as Chief Executive to the funeral of the Showa Emperor, a gesture that symbolizes the enormous importance of the US-Japan relationship. The President also ordered a through interagency review of the proposed FSX fighter project with Japan, and subsequently approved it, insuring that it suited the broad interests of the U.S. and Japan.

- The Philippines: The President set in train a Multilateral Aid Initiative for the Philippines, to help keep that struggling democracy on its renewed course of political and economic progress.

(Here, or on p. 10)

- **Central American accord:** The President and Congressional leaders agreed on March 24 on a bipartisan strategy for peace and democracy in Central America.

- Strengthening Our Strategic Deterrent: After thorough review of US defense strategy, the President submitted to Congress a defense budget that will modernize our ability to deter war. The rail-garrison Peacekeeper ICBM and mobile Small ICBM will insure that our ICBM force can survive Soviet attack. The B-2 bomber is a revolutionary advance. And the Strategic Defense Initiative holds the promise of strengthening deterrence through defenses instead of relying solely on the threat of nuclear retaliation.

INVESTING IN OUR FUTURE

- **Education:** The President proposed and sent to the Congress a comprehensive education package, **The Educational Excellence Act of 1989,** which includes seven initiatives on merit and magnet schools, alternative certification of teachers, excellence awards for teachers, emergency grants to help urban schools to fight drugs, new funding for endowments at Historically Black Colleges, and a National Science Scholars program.

- **Natural Gas Deregulation:** On July 26, the President signed into law the **Wellhead Decontrol Act of 1989,** which ~~ends all remaining price controls on natural gas. This~~ will phase out all federal price controls on natural gas.

- **Clean Air Act revisions:** On July 21, President Bush transmitted to the Congress the first revisions to the **Clean Air Act** since 1977. His legislation is designed to

drastically reduce three major threats to the nation's environment: acid rain, urban air pollution, and toxic air emissions.

- **Hazardous waste:** The President announced he will be seeking new legislation to ban all exports of hazardous waste except where an agreement already exists with the receiving country to provide for its safe handling.

- **Ozone depletion:** The President has called for a total worldwide phaseout of CFCs by the year 2000, provided safe substitutes are available, in order to prevent further damage to the earth's protective ozone layer.

- **Clean water:** The EPA has started a tracking system for medical wastes and the Justice Department has started a task force to prosecute these abuses -- the first step in a comprehensive program to help keep our beaches clean. The President is committed to end ocean dumping of sewage sludge by 1991.

- **Wetlands:** The President is committed to "no net loss of wetlands" and is directing his agencies to work toward that goal. He has also proposed $206 million in his budget to expand our parks and wildlife refuges.

- **Combatting Violent Crime:** President Bush transmitted to Congress **The Comprehensive Crime Control Act of 1989** to combat violent crime. Measures will augment enforcement and prosecution, strengthen current law, control certain semi-automatic weapons, and expand prison capacity.

- **Fighting Drug Abuse:** The Administration is requesting $6 billion in funding for FY 1990 to fight the drug war, increasing outlays by nearly $1 billion for drug education, treatment and enforcement.

- **Drug Czar:** The Office of National Drug Control Policy has responded to the drug emergency in the District of Columbia by expanding the Metropolitan Area Task Force, working for more prisons, providing support in enforcement, and providing assistance to local treatment efforts.

- **Space:** The President announced a three step commitment to establish America's preeminence in space -- Space Station Freedom, a permanent presence on the Moon, and a manned mission to Mars.

- **Public Housing:** The Bush Administration is working to make public housing drug free, to protect the rights of the vast majority of decent, law-abiding public housing residents.

WORKING FOR A KINDER, GENTLER AMERICA

- **Child Care:** The President has transmitted to the Congress a child care package, the **Working Family Child Care Assistance Act of 1989** which provides a new refundable child care tax credit of up to $1000 per child under four, for low and moderate income working families. This legislation will make the existing Child and Dependent Care Tax Credit refundable, and does not discriminate against religious- and family-based child care.

- **Head Start:** The President has also transmitted legislation to the Congress which would increase the FY 1990 authorization for Head Start by $250 million; this will pay for enrollment of up to 95,000 more four-year-olds in the program.

- **National Service:** The President spearheaded a movement to encourage national service, and announced the formation of a foundation called the **Points of Light Initiative** to identify, enlarge and recreate those community service initiatives which are working.

- **Welfare Reform:** The Administration issued proposed rules on April 18 to **implement the major provisions of the Family**

Support Act of 1988, as a step toward welfare reform. The Administration is proposing to spend $3.3 billion over the next five years implementing the JOBS program. The changes will help reduce the number of individuals on welfare.

- **Medicaid:** On April 18, the Administration forwarded to Congress proposed legislation to make federal Medicaid programs better serve pregnant women, infants and children.

- **Homelessness:** President Bush has called for fully funding the McKinney Homeless Assistance Act and for a new $50 million matching grant program to promote public/private partnerships to assist homeless families and the mentally ill.

- **Enterprise Zones:** President Bush asked Congress to enact labor and capital-based incentives -- through urban enterprise zones -- to create jobs and entrepreneurial activity in our most distressed communities.

- **Campaign Finance Reform:** The President's comprehensive campaign finance proposal is designed to lessen the power of special economic interests and restore competition to American Congressional elections.

- **Ethics:** President Bush sent comprehensive ethics legislation to the Congress on April 12th, and he issued an Executive Order announcing ethical principles for the conduct of executive branch employees.

- **Whistleblower Protection:** On April 10, the President signed S. 20, the **"Whistleblower Protection Act of 1989."** This law will strengthen the protections and procedural rights available to those federal employees who report misdeeds and mismanagement.

- **Civil Rights:** The Administration has taken a number of actions to protect the civil rights of all Americans, including several court actions in key civil rights cases.

# # #

BUILDING A BETTER AMERICA

SIX MONTHS OF THE BUSH ADMINISTRATION

KEEPING THE ECONOMY STRONG

Maintaining the current expansion with low inflation is the key to improving standards of living, increasing job opportunities for all Americans, and increasing investment in productive capacity. Economic performance during this expansion has been very good, and the policies proposed by the Bush Administration are designed to preserve this strong record.

- **Record peacetime expansion:** The current expansion reached 79 months in June.

- **Job creation:** Nearly 20 million new jobs have been created during this expansion, and the unemployment rate fell to levels not seen in 15 years. During this decade, America has created more new jobs than Japan and the nations of Western Europe combined.

- **Record income:** Real per capita disposable personal income -- personal income after taxes and inflation -- has risen 19 percent during this expansion. Real median family income -- the level of income after inflation ~~which splits the family~~

~~income distribution in half~~ -- set a new record in 1987, the last year for which data are available.

- **Industrial output:** During this expansion, American industrial output has grown almost 41 percent compared with overall economic growth of 29 percent. This is almost double Western Europe's growth rate in industrial output.

- **Higher national saving and investment:** During the first eight months of fiscal year 1989, the Federal Government budget deficit is less than during the same period in the previous fiscal year. Partly due to the discipline of GRH, the Federal deficit has declined from 5.4 percent of GNP in fiscal year 1985 to about 2.9 percent this fiscal year. The personal saving rate has risen to 5.4 percent in the first quarter of 1989 from its recent low of 2.2 percent in the second quarter of 1987. Business fixed investment as a percent of real GNP has risen from a recent low of 11.1 percent in the first quarter of 1987 to 12.3 percent in the first quarter of 1989.

- **Inflation under control:** Consumer price inflation has remained under 5 percent for the past 7 years, and the recent slowing in economic growth to a sustainable rate will lessen price pressures in the near future. The

Administration and the Federal Reserve share the goal of ultimately achieving price stability.

ACTION BY THE ADMINISTRATION:

- **Presenting a budget:** The President put forth a budget which addresses our fundamental obligations for the protection of national security and support of the needy, while providing sufficient funds to advance high-priority initiatives. The President's budget restrains overall growth of spending and meets the Gramm-Rudman-Hollings targets -- with no new taxes in fiscal year 1990.

- **Reaching a budget agreement with Congress:** The President and Congress announced on April 14 a budget plan to reduce the estimated fiscal year 1990 deficit by about $64 billion below fiscal year 1989. The deficit will be reduced to $99.4 billion, as required by the Gramm-Rudman-Hollings law. **This is the first budget agreement reached before the start of the budget year and not framed in the context of crisis.**

- **Savings and Loan reform:** The Administration's proposal to solve the savings and loan crisis was passed by the House and Senate and is currently in conference. The proposal included provisions to:

-- Assure the financial integrity of deposit insurance by raising the annual premium rate for both commercial banks and S&Ls.

-- Resolve the status of existing insolvent banks in an orderly fashion.

-- Improve supervisory control by bringing S&Ls up to the same standards applied to commercial banks.

-- Enhance the enforcement of bank fraud provisions.

o **Solution of the international debt problem:** The Administration has ~~taken the lead in finding a way to reduce the debt burden of developing countries. With the Administration's encouragement,~~ the IMF and World Bank have set aside funds to aid debt reduction in conjunction with their ongoing programs to promote investment, growth, and the return of flight capital to these countries.

o **Capital gains tax rate cut:** The re-establishment of a capital gains differential will encourage capital formation, saving, and job formation. The President has sent to the Congress a proposal which includes:

-- A 45 percent capital gains exclusion for qualified capital gains, making the maximum capital gains tax rate 15 percent.

-- A phased-in increase in the qualifying holding period from one year to three years.

-- An exemption from the capital gains tax for families earning under $20,000.

o **Minimum wage proposal:** The President believes in keeping job opportunities available for youth and for those seeking to enter the economic mainstream. The across-the-board increase in the minimum wage which was proposed by Congress would have had an adverse economic impact and cut job opportunities drastically. Because of this, he vetoed the bill passed by Congress.

o **International Trade:** The Administration is forcefully promoting the opening of world markets. ~~It successfully broke a stalemate in international trade talks and advanced its proposal to correct and prevent trade distortions~~ in agriculture. It is engaged in bilateral trade talks with important trading partners to encourage them to open their markets to our exports. Together these efforts should greatly expand opportunities for U.S. exports.

o **Agricultural initiatives:** The Administration has announced additional advance deficiency payments of 10 percent available to producers of wheat, feed grains, rice and upland cotton. In addition, a top-level Working Group on Rural Development was established by the President to focus on an action-oriented agenda.

- **Clean Air:** The Administration transmitted to the Congress on July 21 a Clean Air Act which will harness the power of the marketplace in achieving the goals of the act in the most cost-effective manner possible.

SEIZING INTERNATIONAL OPPORTUNITIES FOR PEACE

President Bush is committed to a strong American role of world leadership and sees in present global trends an unprecedented opportunity for strengthening both world peace and the cause of freedom. He has taken the initiative to seize that opportunity.

ACTION BY THE ADMINISTRATION:

- **"Europe Whole and Free":** In a series of major speeches in April and May, the President outlined a vision of a new Europe -- secure, prosperous, whole and free -- vindicating four decades of Western policies and seizing historic opportunities to move toward ending the postwar division of Europe.
  - -- **Western Europe:** As the European Community heads toward a single market in 1992, and also develops its political institutions and a more coordinated approach to foreign policy, the President welcomed these developments and proposed new mechanisms for consultation ~~has pledged his support for close cooperation~~ with the EC and its Commission member states. ~~We~~ Seeing the resurgence of Western Europe

The President also endorsed steps the West Europeans are taking to enhance their defense cooperation -- through the Western European Union, French-German cooperation, and other means.

-- At a triumphal NATO Summit, the President's vision of Europe, as well as a new initiative on conventional arms reduction, helped restore Alliance unity and confidence and helped the allies to redefine the Alliance's future agenda.

--Overcoming the Division of Europe: Consistent with his vision of a Europe reunited by common values, the President has called for the 35-nation Conference on Security + Cooperation in Europe (CSCE) to set standards for free elections, reaffirmed the 1987 Allied initiative for making Berlin a more open city, and outlined a program for East-West environmental cooperation.

as a triumph of Western values and principles. We welcome its success, confident that a mature partnership will serve mutual interests.

-- **Eastern Europe:** As Poland and Hungary take unprecedented steps ~~of reform, permitting first steps~~ toward pluralism, democracy, and market economic policies, the United States has signaled its strong support. Offering political and moral support as well as economic ~~incentives~~ assistance, the President proposed:

These offer historic opportunities not only for a democratic transition in these two countries but also for a broader process of European reconciliation.

-- **Poland:** Following up on the program the President announced earlier this year in Hamtramck, Michigan, he called for action to declare Poland a beneficiary country under the U.S. Generalized System of Preferences. OPIC will be authorized to operate in Poland, and the US is proposing a private business agreement that will promote contacts between the private sectors of both countries. The President will ask Congress to provide a $100 million fund to help capitalize and invigorate the Polish private sector, and encourage the World Bank to move ahead with new loans to help Polish agriculture and industry. Finally, he will ask Congress for $15 million in a cooperative venture with Poland to help fight air and water pollution in Krakow. He has encouraged ~~our friends in~~ other members of the Paris Club to provide more liberalized terms in rescheduling Polish debt.

-- **Hungary:** The President will ask the Congress to authorize a $25 million fund as a source of new capital to invigorate the Hungarian private sector. ~~Pending the passage of~~ When ~~in~~ has passed new emigration legislation the Hungarian Parliament, the President will inform Congress that Hungary ~~has been released from~~ is in full compliance with the restrictions of the Jackson-Vanik Amendments, ~~allowing more liberal access to the American market.~~ of the 1974 Trade Act, making Hungary eligible for Most-Favored-Nation tariff treatment for the maximum period allowable under the law. The President also declared Hungary a beneficiary country under our ~~The President also offered access to the~~ Generalized System of Preferences, which will allow duty-free entry of Hungarian products into the US market. He called for OPIC to operate in Hungary, and ~~called~~ for greater scientific, technical, educational and cultural exchanges between the US and Hungary. The President ~~said that the US will open an American House in Budapest, and~~ will seek to establish an International Environmental Center for Central and Eastern Europe, in Budapest as well. Finally, he announced that the Peace Corps would operate in Hungary -- the first time in a European country.

legislation to allow

-- **The Economic Summit in Paris:** The mission of the President's historic visit to Poland and Hungary in ~~early July,~~ and ~~of the President's~~ his successful effort at the Paris Economic Summit was to promote concerted actions ~~in areas of mutual concern~~ among the industrial democracies in the economic and political arenas. The unity of the industrial democracies was demonstrated, as they dealt with a variety of issues on the international economic agenda, including particularly the environment. ~~from the economy to East-West strategies to~~

The Administration is already working with the EC Commission to develop a partnership among the EC, the Summit 7, and other countries toward concerted action in support of democratic change in Eastern Europe.

global environmental issues. Similarly, the solidarity of the democracies was demonstrated earlier at the NATO summit, as the North Atlantic allies dealt with arms control initiatives.

-- Throughout the trip, the President declared that we face a historic opportunity to lower the barriers that have kept Europe divided. The Cold War began over Eastern Europe, and if it is to end, it must end there as well.

o **"Beyond Containment":** Seeing a historic process of change also in the Soviet Union, the President has declared his intention to move beyond the successful policy of containment of Soviet power to a new policy whose goals is integrating the Soviet Union into the world community as a constructive partner. Constructive changes so far in Soviet policies -- in human rights, economic reforms, and settlement of some international conflicts -- need to be encouraged and broadened. The United States will be ready to respond to such further developments. Already:

-- The US-Soviet dialogue on conflicts in regions of the Third World has resumed intensively, with regular meetings at the level of Assistant Secretary of State.

-- A US-Soviet dialogue has begun on a new range of global problems which require global cooperation, such as terrorism, the environment, and narcotics.

-- As a true test of Soviet openness, the President has challenged the USSR to join in an Open Skies regime, opening the airspace of NATO and Warsaw Pact countries to frequent unarmed surveillance flights by the other side.

-- In arms control, the pace of negotiations ~~has accelerated~~ the President has accelerated with new American initiatives on reducing conventional forces in Europe ~~(which the President unveiled at the NATO Summit)~~ endorsed by ~~, on banning chemical weapons,~~ and on strategic arms reduction. US initiatives also aim at early progress on verification issues, which will facilitate early agreement on strategic arms reductions.

o **China:** In response to the tragic suppression of the democratic movement in China, the President ordered the suspension of all government-to-government sales and commercial exports of weapons, suspension of visits between US and Chinese military leaders, sympathetic review of requests by Chinese students in the United States to extend their stay, and review of other aspects of US-PRC bilateral relations. The President's policy is to signal that we cannot condone repression, but also to preserve the basic elements of a relationship that has itself played a major part in China's recent policy of reform and openness as well as being of enormous strategic importance.

o **Bipartisan Accord on Central America:** The President and Congressional leaders agreed on March 24 on a bipartisan strategy for peace and democracy in Central America:

-- Regional peace: The President and Congress agreed that the region's democracies deserve our support, that Nicaragua's subversion of its neighbors must end, and

New tick

o Latin America: The President has established a close working relationship with our Latin American neighbors, to foster a new partnership on hemispheric problems, including democracy, debt, and drugs. Relations with Mexico are closer than at any time in recent memory. The US has worked with members of the Organization of American States to develop a hemispheric consensus that Panamanian strongman Noriega leave power.

that Soviet support for violence and subversion in the hemisphere must also end.

-- Humanitarian aid: Congress agreed to support the Administration's request for continued humanitarian assistance for the Nicaraguan Democratic Resistance at current levels through the elections in Nicaragua scheduled for February 1990.

-- Democracy: The Communist Sandinistas are being put to the test ~~next February~~ -- to permit a real democratic contest for political power, fulfilling the promises of democratic pluralism that they have made (and broken) so often before.

o **Middle East ~~Peace Process~~:** The Administration is ~~supporting~~ ~~the Middle East parties in efforts to launch a peace process~~. Our approach is based on ~~the concept of~~ Palestinian elections in the occupied territories, which we believe can be a step toward a comprehensive peace settlement that assures Israel's security and the legitimate political rights of the Palestinians.

o **Initiative on Third World Debt:** The President's initiative to strengthen the international strategy on Third World debt has already received broad support from both industrial and developing countries. The approach is designed to promote sustained growth in developing countries by:

-- Emphasizing sound market-oriented economic policies in debtor countries, particularly measure to promote investment and repatriation of flight capital;
-- Increasing the focus on debt and debt service reduction to complement new lending by commercial banks;
-- Using resources from the World Bank and IMF to catalyze voluntary debt and debt service reduction by the commercial banks.

o **GATT:** In the Uruguay Round of GATT trade negotiations, progress has been made toward a multilateral agreement reducing trade barriers to exports.

o **Bilateral Meetings:** The President has met with a total of XXX foreign leaders while in office, including 18 bilateral meetings during the trip to Emperor Hirohito's funeral, XX during the NATO Summit, and XX on the trip to Poland, Hungary, the Netherlands, and the Economic Summit.

A STRONG DEFENSE

(over)

INVESTING IN OUR FUTURE

EDUCATION

The President's actions to improve education are guided by **four key principles:** that **excellence** and success in education should be recognized and rewarded; that federal funding should be targeted to those who **need** it most; that **choice and flexibility** -

(over - p. 12)

A STRONG DEFENSE

- The President proposed to Congress a two-missile plan to maintain a strong, modernized strategic deterrent. The plan to deploy the rail-mobile Peacekeeper and the road-mobile Small ICBM will also give the US momentum in strategic arms control negotiations.
- The President proposed to Congress an integrated, package approach to strategic modernization that also capitalizes on the revolutionary potential of the B-2, that will modernize the third leg of the Triad now is thereby essential also to our arms control positions.
- The President thoroughly reviewed the goals of the Strategic Defense Initiative and found them essential. He requested a funding level of $4.6 billion in order to support an informed development and deployment decision within the next 4 years.

- for educators, parents and students -- are important to educational reform and to achieving excellence; and finally, that greater **accountability** is needed in the education system to assure that students are actually receiving the highest quality education.

ACTION BY THE ADMINISTRATION:

o The President proposed and sent to the Congress a comprehensive education package, **The Educational Excellence Act of 1989** which includes seven initiatives:

-- **The Presidential Merit Schools program** -- to reward schools that have made substantial progress in raising students' educational achievement, creating a safe and drug-free school environment, and reducing the drop-out rate.

-- **A new Magnet Schools of Excellence program** -- to support the establishment, expansion or enhancement of magnet schools, increasing parental choice and improving quality education.

-- **The Alternative Certification of Teachers and Principals program** -- to assist States interested in broadening the pool of talent from which to recruit teachers and principals.

-- **President's Awards for Excellence in Education** -- to be awarded to public and private school teachers in every state who meet the highest standards of excellence.

-- **Drug-free Schools Urban Emergency Grants** -- to provide special assistance to selected urban school districts that are disproportionately affected by drug trafficking and abuse.

-- **A National Science Scholars program** -- to provide college scholarships to high school seniors who have excelled in the sciences and mathematics.

-- **Additional Funding Authorization for Endowment Matching Grants at Historically Black Colleges and Universities** to strengthen HBCUs by building endowments, an especially effective way to create financial strength and long-term security.

THE ENVIRONMENT

President Bush, a long-time environmentalist, has taken strong action to protect the environment. He is working closely ~~shoulder-to-shoulder~~ with Interior Secretary Lujan, Energy Secretary Watkins, and EPA Administrator Reilly on a number of fronts.

ACTION BY THE ADMINISTRATION:

- **Natural Gas Decontrol:** On July 26, the President signed into law the **Wellhead Decontrol Act of 1989**, which ~~ends all remaining price controls on natural gas. This~~ will phase out all federal price controls on natural gas.

- **Clean Air legislation:** President Bush transmitted to the Congress a sweeping program to ensure clean air for all Americans. The President's plan, transmitted to Congress on July 21, 1989, calls for the first revisions to the Clean Air Act since 1977 and is designed to curb three major threats to the nation's environment: acid rain, urban air pollution, and toxic air emissions.
  - -- **Acid Rain:** Sulfur dioxide emissions that cause acid rain will be cut in half, by ten million tons, and nitrogen oxide levels cut by two million tons -- by the end of this century. Companies will be allowed to trade credits among themselves for reductions they make, so that they can decide how to bring aggregate emissions down as cost-effectively as possible.
  - -- **Urban Air Pollution:** By employing a mix of federal measures and state initiatives, this legislation will sharply cut air pollution in our cities. The federal measures alone will cut hydrocarbon emissions -- which contribute to urban ozone -- virtually in half.

Currently, 81 cities don't meet Federal air quality standards. This legislation will bring clean air to all but 25 cities by 1995 -- and within 20 years, even to Los Angeles, Houston and New York.

In the nine urban areas with the greatest smog problems, smog will be cut through alternative fuels and clean-fueled vehicles. The President is calling for the phased in introduction of a half a million clean-fueled vehicles in 1995, building up to a million in 1997, through 2007.

To the maximum extent feasible, automobile and fuel companies will be allowed to trade reduction credits among themselves.

-- **Toxic Air Emissions:** All categories of airborne toxic chemicals should be cut by 75 percent by the year 2000. In its first phase, this initiative should eliminate about three-quarters of the needless deaths from cancer that are suspected to have been caused by toxic industrial air emissions.

Until now, because of an unworkable law, the EPA has been able to regulate only seven of the 280 known air toxics. These reforms will allow EPA to do its job better, and will apply the most advanced industrial technology available to control these airborne poisons. The legislation promises certifiable progress in

regulating sources of toxic air emissions on a set schedule.

- **Alaskan oil spill:** A Cabinet-level team was sent to assess the Alaskan oil spill, and a joint federal-state resource recovery team was convened. The National Transportation Safety Board is investigating the accident itself. Exxon has accepted responsibility for paying for the cleanup, and for employing local civilian personnel necessary to control further damage. EPA Administrator Reilly is coordinating the long-range planning to restore the environment of Prince William Sound, and the President has ordered a review of existing contingency plans for accidents such as this.
  - -- The President has set up a special task force to address environmental concerns about oil and gas drilling off the coasts of California and Florida.
  - -- The Administration transmitted to the Congress a comprehensive oil spill liability bill, to XXX (call Transoportation)

- **Cleaning up hazardous wastes:** The President announced he will be seeking new legislation to give the United States Government authority to ban all exports of hazardous waste except where an agreement exists with the receiving country providing for the safe handling and management of those wastes.

- Also, Secretary of Energy Watkins has put forth a plan of action to identify and prioritize clean up of defense and civilian radioactive waste.

- **Superfund:** The President is reinvigorating the Superfund hazardous waste clean-up program by directing EPA to take a number of actions, including more aggressive action to force private parties to clean up sites, stepped-up cost recovery, and better use of existing emergency cleanup authorities. EPA is also now finishing a priority review of Superfund to improve its operation.

- **Ozone depletion:** The President has called for a total worldwide phaseout of CFCs by the year 2000, provided safe substitutes are available, in order to prevent further damage to the earth's protective ozone layer.

- **Clean water and coastlines:** The EPA has started a tracking system for medical wastes and the Justice Department has started a task force to prosecute these abuses -- the first step in a comprehensive program to help keep our beaches clean. The President is committed to end ocean dumping of sewage sludge by 1991.

- **Wetlands:** The President is committed to "no net loss of wetlands" and is directing his agencies to work toward that goal. He has also proposed $206 million in his budget to expand our parks and wildlife refuges.

COMBATTING VIOLENT CRIME

The President is working to strengthen the nation's criminal justice system and the Federal, state, and local law enforcement partnership.

Four principles underlie the goals of our criminal justice system and the means for accomplishing them: First, to protect citizens and their property; to hold those who commit violent crimes accountable for their actions; to have as the objective of our criminal justice system the swift and certain apprehension, prosecution and incarceration of those who break the law; and finally, to ensure a sustained, cooperative effort by Federal, State and local law enforcement authorities.

ACTION BY THE ADMINISTRATION:

- On May 15, 1989, President Bush transmitted to Congress **The Comprehensive Crime Control Act of 1989** to combat violent crime. Elements of the legislation include:

-- **Strengthening Current Laws:** The President is calling on Congress to double the mandatory minimum penalties -- from five years to ten years in Federal prison -- for the use of semi-automatic weapons in violent crimes or drug felonies.

In addition, the Attorney General has been directed to advise America's prosecutors to end plea bargaining for violent Federal firearms offenses.

President Bush called on Congress to enact the steps necessary to implement the death penalty for the most serious Federal crimes, and urged state Governors to match these Federal initiatives -- new mandatory sentencing, tougher rules on plea bargaining, and implementing the death penalty -- in the States.

-- **Controlling Certain Semi-Automatic Weapons:** The President also announced that the Administration has made permanent the temporary suspension on the importation of any semi-automatic weapons which fail to meet the criteria specified in the Gun Control Act of 1968; he also called for the closing of loopholes which allow access to such guns by certain classes of criminals. The President introduced legislation prohibiting the importation, manufacture, sale or transfer of gun magazines of more than 15 rounds.

-- **Augmenting Enforcement:** The President has directed the Attorney General and the Treasury Secretary, working

together with state and local authorities, to launch a comprehensive, coordinated offensive against America's most violent criminals.

President Bush requested funding for hiring 825 new Federal agents and staff -- 375 at the Bureau of Alcohol, Tobacco and Firearms; 300 at the FBI; and 150 Deputy U.S. Marshals. This offensive, including State and local enforcement authorities, will target violent criminals and repeat offenders.

-- **Enhancing Prosecution:** The President proposed increased funds for the U.S. Attorneys Offices to support 1,600 new prosecutors and staff, and increased funds for the Justice Department Criminal Division to support 168 new positions, to handle drug cases, weapons offenses and other priority matters.

-- **Expanding Prison Capacity:** The President proposed an additional $1 billion for Federal prison construction, bringing the total FY 1990 budget to over $1.5 billion. This will add 24,000 new Federal prison beds to the current 31,000 beds, an increase of nearly 80%.

FIGHTING DRUG ABUSE

We have begun a new war on drugs in this country. The President believes a **four-pronged approach** is key: **education, rehabilitation, interdiction and enforcement.** The policy of

this Administration is **"zero tolerance."** No amount of illegal drug use is acceptable. This means dealing with both supply and demand.

ACTION BY THE ADMINISTRATION:

- **Budget:** The Administration is requesting $6 billion in funding for FY 1990 to fight the drug war, increasing outlays by nearly $1 billion for drug education, treatment and enforcement.

- **Education:** 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.

- **Rehabilitation:** Funding for drug abuse treatment will be increased 18 percent. The Administration is proposing over $700 million to expand the nation's capacity to provide treatment, particularly to the indigent, disadvantaged, youth, and expectant mothers.

- **Interdiction and enforcement:** 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.

Substantial increases are requested in funding to strengthen inspection, interdiction, intelligence efforts and crop eradication programs, such as Operation Polar Cap, a federally led effort which broke up a $1.2 billion drug money-laundering operation. The President strongly supports the death penalty for drug kingpins who commit drug-related murders, and will appoint judges who will strongly enforce the drug penalty laws.

- **Public housing:** The Bush Administration is working to make public housing drug free, to protect the rights of the vast majority of decent, law-abiding public housing residents. The Department of Housing and Urban Development has acted:
  - -- To modify its lease and grievance procedures to facilitate eviction of those involved in drug related criminal activity;
  - -- To make drug use and trafficking a lease violation subject to eviction proceedings;
  - -- To target federal assistance to anti-drug security measures;
  - -- To revoke federal housing subsidies from those dealing in drugs;
  - -- To involve the private and voluntary sectors in efforts to rid public housing of drugs and give residents, especially young people, a stake in their communities and their futures.

- In addition, **the Office of National Drug Control Policy has responded to the drug emergency in the District of Columbia** by expanding the Metropolitan Area Task Force, working for more prisons, providing FBI support in enforcement, and providing the assistance of the National Institute on Drug Abuse to local treatment efforts. The Department of Education will provide the District with 50 percent more funds for drug prevention programs in city schools. The Department of Labor will provide support for employee assistance programs and work with the business community to increase job training for youth.

Insert o

WORKING FOR A KINDER, GENTLER AMERICA

CHILD CARE

The changing nature of American society heightens the need for quality, affordable, accessible child care. President Bush wants to put **choice** in the hands of parents so that they -- not government -- have the power to select the best and safest environment for their children.

o Vienna Convention on Drugs and Psychotropic Substances (Dec. 1988): The President has transmitted to the Senate for advice and consent this highly comprehensive and important convention, which calls upon many nations to enact laws, adopt procedures, and agree to cooperate fully on many crucial aspects of drug law enforcement, such as money laundering, chemical precursor control, etc. The Attorney General signed this convention for the United States in December and the Administration strongly supports it.

ACTION BY THE ADMINISTRATION:

- **Child care:** The President has transmitted to the Congress a child care package, the **Working Family Child Care Assistance Act of 1989** which:
  - -- Provides a new refundable child care tax credit of up to $1000 per child under four, for low and moderate income working families.
  - -- Makes the existing Child and Dependent Care Tax Credit refundable.
  - -- Does not discriminate against religious- and family-based child care.

- The President has directed Secretary of Labor Dole to study the market for liability insurance to determine if liability issues impair child care.

- **Head Start:** The President has also transmitted legislation to the Congress which would increase the FY 1990 authorization for Head Start by $250 million; this will pay for enrollment of up to 95,000 more four-year-olds in the program.

NATIONAL SERVICE

The President's strategy for overcoming the disintegration of communities across America -- not through a federal government program, but a nationwide service movement -- has three facets: First, to issue a call to action; second, to identify, enlarge and recreate what is working; and third, to discover and encourage new leaders.

ACTION BY THE ADMINISTRATION:

- **The Call to Action:**
  - -- President Bush called on **all Americans and all American institutions,** large and small, to make service of central value in their daily life and work;
  - -- **All heads of business and professional firms** to include community service among the factors considered in making hiring, compensation and promotion decisions;
  - -- **Newspapers, magazines, radio and television stations, cable systems, and other media institutions** to identify service opportunities, spotlight successful service initiatives and profile outstanding community leaders regularly;
  - -- **All state and local education boards** to uphold the value of service and to encourage students, faculty and personnel to serve others;

-- **College and university presidents** to recognize the value of community service in considering applicants, and to encourage and uphold the value of community service;

-- and **not-for-profit service organizations** to build the capacity to absorb increasing numbers of volunteers in purposeful roles.

o **Identifying, Enlarging, and Recreating What is Working:** The President announced the formation of a foundation called the **Points of Light Initiative,** of which he will serve as Honorary Chairman. Formed to identify and build upon what is working, the Foundation will be a magnet for the best ideas and brightest programs in community service. The Administration will ask Congress for $25 million annually to support this Initiative, which will, in turn, seek matching funds from the private sector. The President has also encouraged all governors and mayors nationwide to join the movement by forming State and local Points of Light working groups composed of outstanding leaders.

-- Through a Foundation initiative called the **ServNet Project,** professional firms, corporations, unions, schools, religious, civic and not-for-profit groups will be asked to donate the services of some of their most talented and promising people for a period of time. Peer-to-peer working groups will be formed to

bring examples of successful initiatives and providing training, technical assistance and other support to enable other institutions to devise similar initiatives.

-- Another Foundation initiative, the **ServLink Project**, will help improve existing methods of matching would-be volunteers with purposeful service opportunities. ServLink will stimulate the development through private sector resources of "technology links" between those who wish to serve and those needing service in the inquirer's own community.

-- The Foundation will also recognize successful community initiatives and outstanding leaders through two new Presidential Awards:

  -- The **National Service Youth Leadership Awards** will be given each year to individuals.

  -- The **President's Build a Community Awards** will honor those people and institutions who have worked together to rebuild families or to revitalize communities.

WELFARE REFORM

The Administration has developed a major new education and job training program to help recipients of Aid to Families with Dependent Children move off welfare and become economically self-sufficient.

ACTION BY THE ADMINISTRATION:

- **Welfare reform:** The Administration issued proposed rules on April 18 to **implement the major provisions of the Family Support Act of 1988.** The proposed rules are designed to:
  - -- **Target job training assistance** to those who are most likely to benefit and who are most at risk for long-term welfare dependency.
  - -- Provide **maximum level of flexibility** to AFDC parents in obtaining the type of **child care** that best suits their needs, consistent with the Administration's legislative proposals on child care.

- **JOBS Program:** The Administration is proposing to spend $3.3 billion over the next five years implementing the JOBS program. The changes will pay benefits in the future by reducing the number of individuals on welfare. It is estimated that 138,000 families will be able to leave

welfare rolls over the next five years as a result of this program.

EXPANSION OF MEDICAID

The Administration is committed to health care for the disadvantaged, calling for full funding of Medicaid, $37.6 billion for FY 1990, an increase of $3.3 billion, or 9.6 percent over the FY 1989 level.

ACTION BY THE ADMINISTRATION:

- **Expanding Medicaid:** On April 18, the Administration forwarded to Congress proposed legislation to make federal programs better serve pregnant women, infants and children. The legislation would expand the population Medicaid serves, making Medicaid available to 1.9 million more women when they became pregnant. The legislation would:
  - -- Increase by 374,000 the number of pregnant women and children eligible for Medicaid.
  - -- Foster greater participation in Medicaid by eligible pregnant women by providing services to pregnant women who are presumed eligible for Medicaid before a formal eligibility determination is made; and by requiring States to operate outreach programs in areas of high infant mortality.

-- Entitle all children under age 6 who are receiving Food Stamps to Medicaid coverage for immunizations.

-- Make the Federal match rate for State administration expenses a uniform 50 percent by gradually reducing special administrative match rates ranging from 75 to 100 percent. The savings that would result would allow the legislative eligibility changes proposed by the President to be implemented within the current program's spending level.

HOUSING/HOMELESSNESS

President Bush has taken a number of steps to create an "opportunity society" of jobs, growth, housing and hope for Americans in need of a helping hand.

ACTION BY THE ADMINISTRATION:

o **Homelessness:** ((In his FY 1990 budget)), the President has proposed to provide over $1 billion in federal resources to help end homelessness and pave the way to jobs, permanent housing, health care and human dignity. President Bush's proposal calls for fully funding the McKinney Homeless Assistance Act and for a new $50 million matching grant

program to promote public/private partnerships to assist homeless families and the mentally ill.

- **Enterprise zones:** President Bush has called for enactment of enterprise zone legislation, to give urban and rural areas the opportunity for jobs and hope for the future. President Bush asked Congress to enact labor and capital-based incentives to create jobs and entrepreneurial activity in our most distressed communities.

- **Affordable housing:** President Bush is committed to making housing more affordable for low-income families, and to provide homeownership opportunities to the disadvantaged and to young families. President Bush proposes to assist 109,000 new families in need of low-income housing, and has pledged to maintain assistance to those families already being helped. President Bush has also signalled his commitment to helping poor residents in public housing to become homeowners through resident management and ownership programs.

ETHICS AND CIVIL RIGHTS

High ethical standards and civil rights for all Americans are central to this Administration, and we will enforce them --

strictly, comprehensively, fairly, and to the letter and spirit of the law.

ACTION BY THE ADMINISTRATION:

- **Campaign Finance Reform:** The President's comprehensive campaign finance proposal is designed to lessen the power of special economic interests and restore competition to American Congressional elections. The package, which seeks to increase the role of individuals and political parties in the electoral process, has four facets:
  - -- **Eliminating political action committees (PACs)** supported by corporations, unions or trade associations, and prohibiting such entities from paying for the overhead or administrative costs of any independent PAC.
  - -- **Strengthening political parties by increasing the amounts they can spend on behalf of congressional candidates.** This source of funds would permit legislators to spend less time fundraising, would ensure that challengers have greater resources with which to challenge incumbents, and would further limit the role of special economic interests in elections.
  - -- Addressing the problem of the "permanent Congress" by **reforms designed to reduce the unwarranted advantages of incumbency.** Specifically, the proposals would

prohibit the personal use of excess campaign funds, drastically **reduce Congressional mailings under the frank, ban the rollover of campaign funds** from one election cycle to the next, and **legislate fair neutral criteria for the redistricting** of Congressional and legislative lines that will follow the 1990 census.

-- **Fully disclosing all soft money** spent by the political parties and all labor unions, corporations and trade associations to influence a federal election.

o **Ethics:** The President issued an **Executive Order** creating the **President's Commission on Federal Ethics Law Reform.** On March 9, the Commission filed its report and its recommendations to the President. **Legislation was sent April 12th to the Congress, and the President issued an Executive Order announcing ethical principles for the conduct of executive branch employees.** The President's proposals include:

-- **A ban on outside earned income** for non-career Presidential appointees in the executive branch, including all employees in the immediate White House Office.

-- **Expanded financial disclosure** for all three branches of government.

-- **Prohibition of the conversion of political contributions** for personal or office use.

-- **Deferral of tax liability** when an individual is required by his or her agency to divest assets in order to avoid conflicts of interest.

-- Strengthened **rules against abusing the revolving door for private gain at the expense of the public trust.** These rules also apply to the legislative branch.

-- **A 25 percent pay raise for federal judges** was proposed in separate legislation submitted April 12, while the ethics reform legislation restricts their acceptance of honoraria. President Bush believes that **honoraria** for Members of Congress should be banned; however, the President will not formalize that proposal until after he consults with Congress on that issue and their pay raise. He will include in that discussion the question of a **pay increase for certain executive branch positions.**

-- The extension of the **Independent Counsel statute to cover the Congress.**

-- The extension of the federal statute that prohibits employees from taking actions that enhance their own financial interest to cover legislative and judicial branch employees.

-- The establishment of an **independent ethics office for the Congress**, to be headed by a clearly nonpartisan official, confirmed by both houses.

-- The application of the existing **one-year post-employment "cooling-off" period** for senior executive-branch employees to the legislative and judicial branches.

o **Whistleblower protection:** The President supports public servants who revere the trust placed in them by the American people. On April 10, the President signed S. 20, the **"Whistleblower Protection Act of 1989."** This law will strengthen the protections and procedural rights available to those federal employees who report misdeeds and mismanagement.

-- This new law will enhance the authority of the Office of Special Counsel, and whistleblowers will also now be allowed to take their cases to the Merit Systems Protection Board.

-- The statute alters the legal burdens of proof, making it easier for employees to be vindicated when they are wrongfully penalized by their supervisors for whistleblowing activities.

- **Civil rights:** The Administration has taken a number of actions to protect the civil rights of all Americans, including several court actions in key civil rights cases.
  - -- On March 8, the Department of Justice endorsed the objectives of the Hate Crimes Bill and voiced no opposition to the bill's enactment. The Hate Crimes Bill provides for the collection of data about crimes motivated by race, religion, ethnicity or sexual orientation.
  - -- On March 13, Attorney General Thornburgh announced the filing of Federal housing discrimination lawsuits seeking monetary damages and civil penalties under the expanded enforcement authority of the Fair Housing Amendments Act of 1988.

# # #

Document No. 056919 SS

WHITE HOUSE STAFFING MEMORANDUM

DATE: 7/25/89 **ACTION/CONCURRENCE/COMMENT DUE BY:** 12:00 NOON, 7/26/89

SUBJECT: SIX MONTHS OF THE BUSH ADMINISTRATION

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☑	MCCLURE	☑	☐
SUNUNU	☐	☑	NEWMAN	☐	☐
SCOWCROFT	☑	☐	PORTER (Malonley)	☐	☐
DARMAN	☑	☐	STUDDERT	☑	☐
BATES	☑	☐	UNTERMEYER	☐	☐
BREEDEN	☑	☐	Bennett	☑	☐
CARD	☑	☐	Boskin	☑	☐
CICCONI	☐	☑	Petersmeyer	☑	☐
DEMAREST	☑	☐	Rogers	☑	☐
FITZWATER	☐	☑	Wilkerson	☑	☐
GRAY	☑	☐	Pinkerton	☑	☐
HAGIN	☐	☐	_____	☐	☐

REMARKS:

Please provide your comments/recommendations directly to Chriss Winston (Rm. 122, Ext. 2930) with an info copy to my office no later than 12:00 NOON, WEDNESDAY, JULY 26, 1989. Please note that TWO DOCUMENTS are attached. Thank you.

RESPONSE:

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

((Grant))
July 21, 1989
Draft two
A:sixmonth

BUILDING A BETTER AMERICA

SIX MONTHS OF THE BUSH ADMINISTRATION

SUMMARY

As the Bush Administration passes the six-month mark, Americans know that the President has set the agenda on a number of fronts domestically -- from the environment and education to the fight against drugs and crime. The economy is strong, with the current economic expansion continuing to set new records. Meanwhile, America is standing tall in the international arena, after President Bush's leadership at two multilateral summits paved the way for greater understanding among the allies and improved relations with the Soviet Union and the Eastern Bloc nations.

KEEPING THE ECONOMY STRONG

- **Record expansion:** During the current economic expansion -- now in its 79th month as of June -- nearly 20 million jobs have been created and the unemployment rate has fallen to levels not seen in 15 years. Income levels continue to set records, and industrial output is nearly double that of

Europe. Consumer price inflation has remained under 5 percent for the past 7 years.

- **Budget agreement:** The President has put forth a budget which restrains overall growth of spending and meets the Gramm-Rudman-Hollings targets -- with no new taxes in fiscal year 1990. The President and Congress announced on April 14 a budget plan to reduce the estimated fiscal year 1990 deficit by about $64 billion below fiscal year 1989.

- **Savings and Loans:** The Administration's proposal to solve the savings and loan crisis was passed by the House and Senate and is currently in conference.

- **Third World debt:** The Administration has taken the lead in finding a way to reduce the debt burden of developing countries. With the Administration's encouragement, the IMF and World Bank have set aside funds to aid debt reduction.

- **Capital gains tax cut:** The President has sent to the Congress a proposal which would re-establish a capital gains differential will encourage capital formation, saving, and job formation.

- **Minimum wage:** The President, by vetoing the across-the-board increase in the minimum wage proposed by Congress, preserved

job opportunities for the disadvantaged and blunted the adverse economic impact such a move would have had.

- **International Trade:** The Bush Administration successfully broke a stalemate in international trade talks and advanced its proposal to correct and prevent trade distortions in agriculture. It is engaged in bilateral trade talks with important trading partners to encourage them to open their markets to our exports.

SEIZING INTERNATIONAL OPPORTUNITIES FOR PEACE

- **"Europe Whole and Free":** In a series of major speeches in April and May, the President outlined a vision of a new Europe -- secure, prosperous, whole and free -- vindicating four decades of Western policies.

- **Poland and Hungary:** The President signalled his strong support for the people of Hungary and Poland as they move toward more democratic reforms -- by visiting those nations and offering political and moral support as well as economic and trade incentives.

- **Economic Summit:** The unity of the industrial democracies was demonstrated at the Paris Economic Summit, as President Bush

took the lead in encouraging our allies to support Polish and Hungarian economic reforms.

- **"Beyond Containment":** The President has responded to great changes in the Soviet Union with his policy to move "beyond containment" by integrating the Soviet Union into the world order.

- **Arms Control/NATO Summit:** In arms control, the pace of negotiations with the Soviet Union has accelerated, with new American initiatives on Conventional Forces in Europe (which the President unveiled at the NATO Summit), on banning chemical weapons, and on strategic arms reduction.

- **Soviet Relations:** The US-Soviet dialogue on conflicts in regions of the Third World has resumed intensively, and a US-Soviet dialogue has begun on a new range of global problems which require global cooperation, such as terrorism, the environment, and narcotics.

- **China:** In response to the suppression of the democratic movement in China, the President signalled that we cannot condone repression while he worked to preserve the basic elements of a strategically important relationship.

- **Central American accord:** The President and Congressional leaders agreed on March 24 on a bipartisan strategy for peace and democracy in Central America.

INVESTING IN OUR FUTURE

- **Education:** The President proposed and sent to the Congress a comprehensive education package, **The Educational Excellence Act of 1989,** which includes seven initiatives on merit and magnet schools, alternative certification of teachers, excellence awards for teachers, emergency grants to help urban schools to fight drugs, new funding for endowments at Historically Black Colleges, and a National Science Scholars program.

- **Natural Gas Deregulation:** On July 26, the President signed into law the **Wellhead Decontrol Act of 1989,** which ends all remaining price controls on natural gas. This will phase out all federal price controls on natural gas ~~by 1993.~~ no later than January 1, 1993

- **Clean Air Act revisions:** On July 21, President Bush transmitted to the Congress the first revisions to the **Clean Air Act** since 1977. His legislation is designed to

See attachment for additional bullets behind this page

drastically reduce three major threats to the nation's environment: acid rain, urban air pollution, and toxic air emissions.

- **Hazardous waste:** The President announced he will be seeking new legislation to amend the Resource Conservation and Recovery Act (RCRA) in order to ban all exports of hazardous waste ~~except where~~ unless an agreement ~~already~~ exists with the receiving country to provide for its safe handling.

- **Ozone depletion:** The President has called for a total worldwide phaseout of CFCs by the year 2000, provided safe substitutes are available, in order to prevent further damage to the earth's protective ozone layer.

- ~~**Clean water:**~~ The EPA has ~~started~~ begun a tracking system for medical wastes and the Justice Department has started a task force to prosecute ~~these abuses~~ Those who deliberately dump medical wastes into the nations waters -- the first step in a comprehensive program to help keep our beaches clean. The President is committed to end ocean dumping of sewage sludge by 1991.

- **Wetlands:** The President is committed to "no net loss of wetlands" and is directing his agencies ~~to work toward that goal~~ through an inter-agency task force, to make recommendations to him for implementing that goal. ~~He~~ The President has also proposed $206 million in his budget to expand our parks and wildlife refuges.

- Parks and wildlife refuges: (separate bullet)

- **Combatting Violent Crime:** President Bush transmitted to Congress **The Comprehensive Crime Control Act of 1989** to combat violent crime. Measures will augment enforcement and prosecution, strengthen current law, control certain semi-automatic weapons, and expand prison capacity.

- **Fighting Drug Abuse:** The Administration is requesting $6 billion in funding for FY 1990 to fight the drug war, increasing outlays by nearly $1 billion for drug education, treatment and enforcement.

- **Drug Czar:** The Office of National Drug Control Policy has responded to the drug emergency in the District of Columbia by expanding the Metropolitan Area Task Force, working for more prisons, providing support in enforcement, and providing assistance to local treatment efforts.

- **Space:** The President announced a three step commitment to establish America's preeminence in space -- Space Station Freedom, a permanent presence on the Moon, and a manned mission to Mars.

- **Public Housing:** The Bush Administration is working to make public housing drug free, to protect the rights of the vast majority of decent, law-abiding public housing residents.

WORKING FOR A KINDER, GENTLER AMERICA

- **Child Care:** The President has transmitted to the Congress a child care package, the **Working Family Child Care Assistance Act of 1989** which provides a new refundable child care tax credit of up to $1000 per child under four, for low and moderate income working families. This legislation will make the existing Child and Dependent Care Tax Credit refundable, and does not discriminate against religious- and family-based child care.

- **Head Start:** The President has also transmitted legislation to the Congress which would increase the FY 1990 authorization for Head Start by $250 million; this will pay for enrollment of up to 95,000 more four-year-olds in the program.

- **National Service:** The President spearheaded a movement to encourage national service, and announced the formation of a foundation called the **Points of Light Initiative** to identify, enlarge and recreate those community service initiatives which are working.

- **Welfare Reform:** The Administration issued proposed rules on April 18 to implement the major provisions of the Family

Support Act of 1988, as a step toward welfare reform. The Administration is proposing to spend $3.3 billion over the next five years implementing the JOBS program. The changes will help reduce the number of individuals on welfare.

- **Medicaid:** On April 18, the Administration forwarded to Congress proposed legislation to make federal Medicaid programs better serve pregnant women, infants and children.

- **Homelessness:** President Bush has called for fully funding the McKinney Homeless Assistance Act and for a new $50 million matching grant program to promote public/private partnerships to assist homeless families and the mentally ill.

- **Enterprise Zones:** President Bush asked Congress to enact labor and capital-based incentives -- through urban enterprise zones -- to create jobs and entrepreneurial activity in our most distressed communities.

- **Campaign Finance Reform:** The President's comprehensive campaign finance proposal is designed to lessen the power of special economic interests and restore competition to American Congressional elections.

- **Ethics:** President Bush sent comprehensive ethics legislation to the Congress on April 12th, and he issued an Executive Order announcing ethical principles for the conduct of executive branch employees.

- **Whistleblower Protection:** On April 10, the President signed S. 20, the **"Whistleblower Protection Act of 1989."** This law will strengthen the protections and procedural rights available to those federal employees who report misdeeds and mismanagement.

- **Civil Rights:** The Administration has taken a number of actions to protect the civil rights of all Americans, including several court actions in key civil rights cases.

# # #

BUILDING A BETTER AMERICA

SIX MONTHS OF THE BUSH ADMINISTRATION

KEEPING THE ECONOMY STRONG

Maintaining the current expansion with low inflation is the key to improving standards of living, increasing job opportunities for all Americans, and increasing investment in productive capacity. Economic performance during this expansion has been very good, and the policies proposed by the Bush Administration are designed to preserve this strong record.

- **Record peacetime expansion:** The current expansion reached 79 months in June.

- **Job creation:** Nearly 20 million new jobs have been created during this expansion, and the unemployment rate fell to levels not seen in 15 years. During this decade, America has created more new jobs than Japan and the nations of Western Europe combined.

- **Record income:** Real per capita disposable personal income -- personal income after taxes and inflation -- has risen 19 percent during this expansion. Real median family income -- the level of income after inflation which splits the family

income distribution in half -- set a new record in 1987, the last year for which data are available.

- **Industrial output:** During this expansion, American industrial output has grown almost 41 percent compared with overall economic growth of 29 percent. This is almost double Europe's growth rate in industrial output.

- **Higher national saving and investment:** During the first eight months of fiscal year 1989, the Federal Government budget deficit is less than during the same period in the previous fiscal year. Partly due to the discipline of GRH, the Federal deficit has declined from 5.4 percent of GNP in fiscal year 1985 to about 2.9 percent this fiscal year. The personal saving rate has risen to 5.4 percent in the first quarter of 1989 from its recent low of 2.2 percent in the second quarter of 1987. Business fixed investment as a percent of real GNP has risen from a recent low of 11.1 percent in the first quarter of 1987 to 12.3 percent in the first quarter of 1989.

- **Inflation under control:** Consumer price inflation has remained under 5 percent for the past 7 years, and the recent slowing in economic growth to a sustainable rate will lessen price pressures in the near future. The

Administration and the Federal Reserve share the goal of ultimately achieving price stability.

ACTION BY THE ADMINISTRATION:

- **Presenting a budget:** The President put forth a budget which addresses our fundamental obligations for the protection of national security and support of the needy, while providing sufficient funds to advance high-priority initiatives. The President's budget restrains overall growth of spending and meets the Gramm-Rudman-Hollings targets -- with no new taxes in fiscal year 1990.

- **Reaching a budget agreement with Congress:** The President and Congress announced on April 14 a budget plan to reduce the estimated fiscal year 1990 deficit by about $64 billion below fiscal year 1989. The deficit will be reduced to $99.4 billion, as required by the Gramm-Rudman-Hollings law. **This is the first budget agreement reached before the start of the budget year and not framed in the context of crisis.**

- **Savings and Loan reform:** The Administration's proposal to solve the savings and loan crisis was passed by the House and Senate and is currently in conference. The proposal included provisions to:

- -- Assure the financial integrity of deposit insurance by raising the annual premium rate for both commercial banks and S&Ls.
- -- Resolve the status of existing insolvent banks in an orderly fashion.
- -- Improve supervisory control by bringing S&Ls up to the same standards applied to commercial banks.
- -- Enhance the enforcement of bank fraud provisions.

o **Solution of the international debt problem:** The Administration has taken the lead in finding a way to reduce the debt burden of developing countries. With the Administration's encouragement, the IMF and World Bank have set aside funds to aid debt reduction in conjunction with their ongoing programs to promote investment, growth, and the return of flight capital to these countries.

o **Capital gains tax rate cut:** The re-establishment of a capital gains differential will encourage capital formation, saving, and job formation. The President has sent to the Congress a proposal which includes:

- -- A 45 percent capital gains exclusion for qualified capital gains, making the maximum capital gains tax rate 15 percent.
- -- A phased-in increase in the qualifying holding period from one year to three years.

-- An exemption from the capital gains tax for families earning under $20,000.

- **Minimum wage proposal:** The President believes in keeping job opportunities available for youth and for those seeking to enter the economic mainstream. The across-the-board increase in the minimum wage which was proposed by Congress would have had an adverse economic impact and cut job opportunities drastically. Because of this, he vetoed the bill passed by Congress.

- **International Trade:** The Administration is forcefully promoting the opening of world markets. It successfully broke a stalemate in international trade talks and advanced its proposal to correct and prevent trade distortions in agriculture. It is engaged in bilateral trade talks with important trading partners to encourage them to open their markets to our exports. Together these efforts should greatly expand opportunities for U.S. exports.

- **Agricultural initiatives:** The Administration has announced additional advance deficiency payments of 10 percent available to producers of wheat, feed grains, rice and upland cotton. In addition, a top-level Working Group on Rural Development was established by the President to focus on an action-oriented agenda.

- **Clean Air:** The Administration transmitted to the Congress on July 21 a Clean Air Act which will harness the power of the marketplace in achieving the goals of the act in the most cost-effective manner possible.

SEIZING INTERNATIONAL OPPORTUNITIES FOR PEACE

President Bush is committed to a strong American role of world leadership and sees in present global trends an unprecedented opportunity for strengthening both world peace and the cause of freedom. He has taken the initiative to seize that opportunity.

ACTION BY THE ADMINISTRATION:

- **"Europe Whole and Free":** In a series of major speeches in April and May, the President outlined a vision of a new Europe -- secure, prosperous, whole and free -- vindicating four decades of Western policies.
  - **Western Europe:** As the European Community heads toward a single market in 1992, and also develops its political institutions and a more coordinated approach to foreign policy, the President has pledged his support for close cooperation with the EC and its member states. We see the resurgence of Western Europe

as a triumph of Western values and principles. We welcome its success, confident that a mature partnership will serve mutual interests.

-- **Eastern Europe:** As Poland and Hungary take unprecedented steps of reform, permitting first steps toward pluralism, democracy, and market economic policies, the United States has signaled its strong support. Offering political and moral support as well as economic incentives, the President proposed:

-- **Poland:** Following up on the program the President announced earlier this year in Hamtramck, Michigan, he called for action to declare Poland a beneficiary country under the U.S. Generalized System of Preferences. OPIC will be authorized to operate in Poland, and the US is proposing a private business agreement that will promote contacts between the private sectors of both countries. The President will ask Congress to provide a $100 million fund to help capitalize the Polish private sector, and encourage the World Bank to move ahead with new loans to help Polish agriculture and industry. Finally, he will ask Congress for $15 million in a cooperative venture with Poland to help fight air and water pollution in Krakow. He has encouraged our friends in the Paris Club to provide more liberalized terms in rescheduling Polish debt.

-- **Hungary:** The President will ask the Congress to authorize a $25 million fund as a source of new capital to invigorate the Hungarian private sector. Pending the passage of new emigration legislation in the Hungarian Parliament, the President will inform Congress that Hungary has been released from the restrictions of the Jackson-Vanik Amendments, allowing more liberal access to the American market. The President also offered access to the Generalized System of Preferences. He called for OPIC to operate in Hungary, and called for greater scientific, technical, educational and cultural exchanges between the US and Hungary. The President said that the US will open an American House in Budapest, and will seek to establish an International Environmental Center for Central and Eastern Europe, in Budapest as well. Finally, he announced that the Peace Corps would operate in Hungary -- the first time in a European country.

-- **The Economic Summit in Paris:** The mission of the President's historic visit to Poland and Hungary in early July, and of the President's successful effort at the Paris Economic Summit was to promote concerted actions in areas of mutual concern among the industrial democracies. The unity of the industrial democracies was demonstrated, as they dealt with a variety of issues from the economy to East-West strategies to

global environmental issues. Similarly, the solidarity of the democracies was demonstrated earlier at the NATO summit, as the North Atlantic allies dealt with arms control initiatives.

-- Throughout the trip, the President declared that we face a historic opportunity to lower the barriers that have kept Europe divided. The Cold War began over Eastern Europe, and if it is to end, it must end there as well.

o **"Beyond Containment":** Seeing a historic process of change also in the Soviet Union, the President has declared his intention to move beyond the successful policy of containment of Soviet power to a new policy whose goals is integrating the Soviet Union into the world community as a constructive partner. Constructive changes so far in Soviet policies -- in human rights, economic reforms, and settlement of some international conflicts -- need to be encouraged and broadened. The United States will be ready to respond to such further developments. Already:

-- The US-Soviet dialogue on conflicts in regions of the Third World has resumed intensively, with regular meetings at the level of Assistant Secretary of State.

-- A US-Soviet dialogue has begun on a new range of global problems which require global cooperation, such as terrorism, the environment, and narcotics.

-- In arms control, the pace of negotiations has accelerated, with new American initiatives on Conventional Forces in Europe (which the President unveiled at the NATO Summit), on banning chemical weapons, and on strategic arms reduction.

o **China:** In response to the tragic suppression of the democratic movement in China, the President ordered the suspension of all government-to-government sales and commercial exports of weapons, suspension of visits between US and Chinese military leaders, sympathetic review of requests by Chinese students in the United States to extend their stay, and review of other aspects of US-PRC bilateral relations. The President's policy is to signal that we cannot condone repression, but also to preserve the basic elements of a relationship that has itself played a major part in China's recent policy of reform and openness as well as being of enormous strategic importance.

o **Bipartisan Accord on Central America:** The President and Congressional leaders agreed on March 24 on a bipartisan strategy for peace and democracy in Central America:

-- Regional peace: The President and Congress agreed that the region's democracies deserve our support, that Nicaragua's subversion of its neighbors must end, and

that Soviet support for violence and subversion in the hemisphere must also end.

-- Humanitarian aid: Congress agreed to support the Administration's request for continued humanitarian assistance for the Nicaraguan Democratic Resistance at current levels through the elections in Nicaragua scheduled for February 1990.

-- Democracy: The Communist Sandinistas are being put to the test next February -- to permit a real democratic contest for political power, fulfilling the promises of democratic pluralism that they have made (and broken) so often before.

o **Middle East Peace Process:** The Administration is supporting the Middle East parties in efforts to launch a peace process. Our approach is based on the concept of Palestinian elections in the occupied territories, which we believe can be a step toward a comprehensive peace settlement that assures Israel's security and the legitimate political rights of the Palestinians.

o **Initiative on Third World Debt:** The President's initiative to strengthen the international strategy on Third World debt has already received broad support from both industrial and developing countries. The approach is designed to promote sustained growth in developing countries by:

-- **Emphasizing sound market-oriented economic policies in debtor countries, particularly measure to promote investment and repatriation of flight capital;**
-- **Increasing the focus on debt and debt service reduction to complement new lending by commercial banks;**
-- **Using resources from the World Bank and IMF to catalyze voluntary debt and debt service reduction by the commercial banks.**

o **GATT:** In the Uruguay Round of GATT trade negotiations, progress has been made toward a multilateral agreement reducing trade barriers to exports.

o **Bilateral Meetings:** The President has met with a total of XXX foreign leaders while in office, including 18 bilateral meetings during the trip to Emperor Hirohito's funeral, XX during the NATO Summit, and XX on the trip to Poland, Hungary, the Netherlands, and the Economic Summit.

INVESTING IN OUR FUTURE

EDUCATION

The President's actions to improve education are guided by four **key principles:** that **excellence** and success in education should be recognized and rewarded; that federal funding should be targeted to those who **need** it most; that **choice and flexibility** -

- for educators, parents and students -- are important to educational reform and to achieving excellence; and finally, that greater accountability is needed in the education system to assure that students are actually receiving the highest quality education.

ACTION BY THE ADMINISTRATION:

- The President proposed and sent to the Congress a comprehensive education package, **The Educational Excellence Act of 1989** which includes seven initiatives:
  - **The Presidential Merit Schools program** -- to reward schools that have made substantial progress in raising students' educational achievement, creating a safe and drug-free school environment, and reducing the drop-out rate.
  - **A new Magnet Schools of Excellence program** -- to support the establishment, expansion or enhancement of magnet schools, increasing parental choice and improving quality education.
  - **The Alternative Certification of Teachers and Principals program** -- to assist States interested in broadening the pool of talent from which to recruit teachers and principals.

-- **President's Awards for Excellence in Education** -- to be awarded to public and private school teachers in every state who meet the highest standards of excellence.
-- **Drug-free Schools Urban Emergency Grants** -- to provide special assistance to selected urban school districts that are disproportionately affected by drug trafficking and abuse.
-- **A National Science Scholars program** -- to provide college scholarships to high school seniors who have excelled in the sciences and mathematics.
-- **Additional Funding Authorization for Endowment Matching Grants at Historically Black Colleges and Universities** to strengthen HBCUs by building endowments, an especially effective way to create financial strength and long-term security.

THE ENVIRONMENT

President Bush, a long-time environmentalist, has taken strong action to protect the environment. He is working shoulder-to-shoulder with Interior Secretary Lujan, Energy Secretary Watkins, and EPA Administrator Reilly on a number of fronts.

ACTION BY THE ADMINISTRATION:

- **Natural Gas Decontrol:** On July 26, the President signed into law the **Wellhead Decontrol Act of 1989**, which ends all remaining price controls on natural gas. This will phase out all federal price controls on natural gas.

- **Clean Air legislation:** President Bush transmitted to the Congress a sweeping program to ensure clean air for all Americans. The President's plan, transmitted to Congress on July 21, 1989, calls for the first revisions to the Clean Air Act since 1977 and is designed to curb three major threats to the nation's environment: acid rain, urban air pollution, and toxic air emissions.
  - -- **Acid Rain:** Sulfur dioxide emissions that cause acid rain will be cut in half, by ten million tons, and nitrogen oxide levels cut by two million tons -- by the end of this century. Companies will be allowed to trade credits among themselves for reductions they make, so that they can decide how to bring aggregate emissions down as cost-effectively as possible.
  - -- **Urban Air Pollution:** By employing a mix of federal measures and state initiatives, this legislation will sharply cut air pollution in our cities. The federal measures alone will cut hydrocarbon emissions -- which contribute to urban ozone -- virtually in half. ✓ by the year 2000.

Currently, 81 cities don't meet Federal air quality standards. This legislation will bring clean air to all but ~~25~~ 3 cities by ~~1995~~ 2000 -- and within 20 years, even to Los Angeles, Houston and New York.

In the nine urban areas with the greatest smog problems, smog will be cut through alternative fuels and clean-fueled vehicles. The President is calling for the phased in introduction of a half a million clean-fueled vehicles in 1995, building up to a million in 1997, through 2007.

To the maximum extent feasible, automobile and fuel companies will be allowed to trade reduction credits among themselves.

-- **Toxic Air Emissions:** All categories of airborne toxic chemicals should be cut by 75 percent by the year 2000. In its first phase, this initiative should eliminate about three-quarters of the needless deaths from cancer that are suspected to have been caused by toxic industrial air emissions.

Until now, because of an unworkable law, the EPA has been able to regulate only seven of the 280 known air toxics. These reforms will allow EPA to do its job better, and will apply the most advanced industrial technology available to control these airborne poisons. The legislation promises certifiable progress in

regulating sources of toxic air emissions on a set schedule.

- **Alaskan oil spill:** A Cabinet-level team was sent to assess the Alaskan oil spill, and a joint federal-state resource recovery team was convened. The National Transportation Safety Board is investigating the accident itself. Exxon has accepted responsibility for paying for the cleanup, and for employing local civilian personnel necessary to control further damage. EPA Administrator Reilly is coordinating the long-range planning to restore the environment of Prince William Sound, and the President has ordered a review of existing contingency plans for accidents such as this.
  - -- The President has set up a special task force to address environmental concerns about oil and gas drilling off the coasts of California and Florida.
  - -- The Administration transmitted to the Congress a comprehensive oil spill liability bill, to XXX (call Transoportation)

- **Cleaning up hazardous wastes:** The President announced he will be seeking new legislation to give the United States Government authority to ban all exports of hazardous waste except where an agreement exists with the receiving country providing for the safe handling and management of those wastes.

- **Also, Secretary of Energy Watkins has put forth a plan of action to identify and prioritize clean up of defense and civilian radioactive waste.**

- **Superfund:** The President is reinvigorating the Superfund hazardous waste clean-up program by directing EPA to take a number of actions, including more aggressive action to force private parties to clean up sites, stepped-up cost recovery, and better use of existing emergency cleanup authorities. EPA is also now finishing a priority review of Superfund to improve its operation.

- **Ozone depletion:** The President has called for a total worldwide phaseout of CFCs by the year 2000, provided safe substitutes are available, in order to prevent further damage to the earth's protective ozone layer.

- **Clean water and coastlines:** The EPA has started a tracking system for medical wastes and the Justice Department has started a task force to prosecute ~~these abuses~~ -- the first step in a comprehensive program to help keep our beaches clean. The President is committed to end ocean dumping of sewage sludge by 1991.

Those who deliberately dump ~~the~~ medical wastes into our nations waters --

o **Wetlands:** The President is committed to "no net loss of wetlands" and is directing his agencies to work toward that goal. He has also proposed $206 million in his budget to expand our parks and wildlife refuges.

Seperate bullet - see p. 6.

COMBATTING VIOLENT CRIME

The President is working to strengthen the nation's criminal justice system and the Federal, state, and local law enforcement partnership.

Four principles underlie the goals of our criminal justice system and the means for accomplishing them: First, to protect citizens and their property; to hold those who commit violent crimes accountable for their actions; to have as the objective of our criminal justice system the swift and certain apprehension, prosecution and incarceration of those who break the law; and finally, to ensure a sustained, cooperative effort by Federal, State and local law enforcement authorities.

ACTION BY THE ADMINISTRATION:

o On May 15, 1989, President Bush transmitted to Congress **The Comprehensive Crime Control Act of 1989** to combat violent crime. Elements of the legislation include:

-- **Strengthening Current Laws:** The President is calling on Congress to double the mandatory minimum penalties -- from five years to ten years in Federal prison -- for the use of semi-automatic weapons in violent crimes or drug felonies.

In addition, the Attorney General has been directed to advise America's prosecutors to end plea bargaining for violent Federal firearms offenses.

President Bush called on Congress to enact the steps necessary to implement the death penalty for the most serious Federal crimes, and urged state Governors to match these Federal initiatives -- new mandatory sentencing, tougher rules on plea bargaining, and implementing the death penalty -- in the States.

-- **Controlling Certain Semi-Automatic Weapons:** The President also announced that the Administration has made permanent the temporary suspension on the importation of any semi-automatic weapons which fail to meet the criteria specified in the Gun Control Act of 1968; he also called for the closing of loopholes which allow access to such guns by certain classes of criminals. The President introduced legislation prohibiting the importation, manufacture, sale or transfer of gun magazines of more than 15 rounds.

-- **Augmenting Enforcement:** The President has directed the Attorney General and the Treasury Secretary, working

together with state and local authorities, to launch a comprehensive, coordinated offensive against America's most violent criminals.

President Bush requested funding for hiring 825 new Federal agents and staff -- 375 at the Bureau of Alcohol, Tobacco and Firearms; 300 at the FBI; and 150 Deputy U.S. Marshals. This offensive, including State and local enforcement authorities, will target violent criminals and repeat offenders.

-- **Enhancing Prosecution:** The President proposed increased funds for the U.S. Attorneys Offices to support 1,600 new prosecutors and staff, and increased funds for the Justice Department Criminal Division to support 168 new positions, to handle drug cases, weapons offenses and other priority matters.

-- **Expanding Prison Capacity:** The President proposed an additional $1 billion for Federal prison construction, bringing the total FY 1990 budget to over $1.5 billion. This will add 24,000 new Federal prison beds to the current 31,000 beds, an increase of nearly 80%.

FIGHTING DRUG ABUSE

We have begun a new war on drugs in this country. The President believes a **four-pronged approach** is key: **education, rehabilitation, interdiction and enforcement.** The policy of

this Administration is "zero tolerance." No amount of illegal drug use is acceptable. This means dealing with both supply and demand.

ACTION BY THE ADMINISTRATION:

- **Budget:** The Administration is requesting $6 billion in funding for FY 1990 to fight the drug war, increasing outlays by nearly $1 billion for drug education, treatment and enforcement.

- **Education:** 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.

- **Rehabilitation:** Funding for drug abuse treatment will be increased 18 percent. The Administration is proposing over $700 million to expand the nation's capacity to provide treatment, particularly to the indigent, disadvantaged, youth, and expectant mothers.

- **Interdiction and enforcement:** 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.

Substantial increases are requested in funding to strengthen inspection, interdiction, intelligence efforts and crop eradication programs, such as Operation Polar Cap, a federally led effort which broke up a $1.2 billion drug money-laundering operation. The President strongly supports the death penalty for drug kingpins who commit drug-related murders, and will appoint judges who will strongly enforce the drug penalty laws.

- **Public housing:** The Bush Administration is working to make public housing drug free, to protect the rights of the vast majority of decent, law-abiding public housing residents. The Department of Housing and Urban Development has acted:
  - -- To modify its lease and grievance procedures to facilitate eviction of those involved in drug related criminal activity;
  - -- To make drug use and trafficking a lease violation subject to eviction proceedings;
  - -- To target federal assistance to anti-drug security measures;
  - -- To revoke federal housing subsidies from those dealing in drugs;
  - -- To involve the private and voluntary sectors in efforts to rid public housing of drugs and give residents, especially young people, a stake in their communities and their futures.

- In addition, **the Office of National Drug Control Policy has responded to the drug emergency in the District of Columbia** by expanding the Metropolitan Area Task Force, working for more prisons, providing FBI support in enforcement, and providing the assistance of the National Institute on Drug Abuse to local treatment efforts. The Department of Education will provide the District with 50 percent more funds for drug prevention programs in city schools. The Department of Labor will provide support for employee assistance programs and work with the business community to increase job training for youth.

WORKING FOR A KINDER, GENTLER AMERICA

CHILD CARE

The changing nature of American society heightens the need for quality, affordable, accessible child care. President Bush wants to put **choice** in the hands of parents so that they -- not government -- have the power to select the best and safest environment for their children.

ACTION BY THE ADMINISTRATION:

- **Child care:** The President has transmitted to the Congress a child care package, the **Working Family Child Care Assistance Act of 1989** which:
  - -- Provides a new refundable child care tax credit of up to $1000 per child under four, for low and moderate income working families.
  - -- Makes the existing Child and Dependent Care Tax Credit refundable.
  - -- Does not discriminate against religious- and family-based child care.

- The President has directed Secretary of Labor Dole to study the market for liability insurance to determine if liability issues impair child care.

- **Head Start:** The President has also transmitted legislation to the Congress which would increase the FY 1990 authorization for Head Start by $250 million; this will pay for enrollment of up to 95,000 more four-year-olds in the program.

NATIONAL SERVICE

The President's strategy for overcoming the disintegration of communities across America -- not through a federal government program, but a nationwide service movement -- has three facets: First, to issue a call to action; second, to identify, enlarge and recreate what is working; and third, to discover and encourage new leaders.

ACTION BY THE ADMINISTRATION:

- **The Call to Action:**
  - -- President Bush called on **all Americans and all American institutions**, large and small, to make service of central value in their daily life and work;
  - -- **All heads of business and professional firms** to include community service among the factors considered in making hiring, compensation and promotion decisions;
  - -- **Newspapers, magazines, radio and television stations, cable systems, and other media institutions** to identify service opportunities, spotlight successful service initiatives and profile outstanding community leaders regularly;
  - -- **All state and local education boards** to uphold the value of service and to encourage students, faculty and personnel to serve others;

-- **College and university presidents** to recognize the value of community service in considering applicants, and to encourage and uphold the value of community service;

-- and **not-for-profit service organizations** to build the capacity to absorb increasing numbers of volunteers in purposeful roles.

o **Identifying, Enlarging, and Recreating What is Working:** The President announced the formation of a foundation called the **Points of Light Initiative,** of which he will serve as Honorary Chairman. Formed to identify and build upon what is working, the Foundation will be a magnet for the best ideas and brightest programs in community service. The Administration will ask Congress for $25 million annually to support this Initiative, which will, in turn, seek matching funds from the private sector. The President has also encouraged all governors and mayors nationwide to join the movement by forming State and local Points of Light working groups composed of outstanding leaders.

-- Through a Foundation initiative called the **ServNet Project,** professional firms, corporations, unions, schools, religious, civic and not-for-profit groups will be asked to donate the services of some of their most talented and promising people for a period of time. Peer-to-peer working groups will be formed to

bring examples of successful initiatives and providing training, technical assistance and other support to enable other institutions to devise similar initiatives.

-- Another Foundation initiative, the **ServLink Project**, will help improve existing methods of matching would-be volunteers with purposeful service opportunities. ServLink will stimulate the development through private sector resources of "technology links" between those who wish to serve and those needing service in the inquirer's own community.

-- The Foundation will also recognize successful community initiatives and outstanding leaders through two new Presidential Awards:

  -- The **National Service Youth Leadership Awards** will be given each year to individuals.

  -- The **President's Build a Community Awards** will honor those people and institutions who have worked together to rebuild families or to revitalize communities.

WELFARE REFORM

The Administration has developed a major new education and job training program to help recipients of Aid to Families with Dependent Children move off welfare and become economically self-sufficient.

ACTION BY THE ADMINISTRATION:

- **Welfare reform:** The Administration issued proposed rules on April 18 to **implement the major provisions of the Family Support Act of 1988.** The proposed rules are designed to:
  - -- **Target job training assistance** to those who are most likely to benefit and who are most at risk for long-term welfare dependency.
  - -- Provide **maximum level of flexibility** to AFDC parents in obtaining the type of **child care** that best suits their needs, consistent with the Administration's legislative proposals on child care.

- **JOBS Program:** The Administration is proposing to spend $3.3 billion over the next five years implementing the JOBS program. The changes will pay benefits in the future by reducing the number of individuals on welfare. It is estimated that 138,000 families will be able to leave

welfare rolls over the next five years as a result of this program.

EXPANSION OF MEDICAID

The Administration is committed to health care for the disadvantaged, calling for full funding of Medicaid, $37.6 billion for FY 1990, an increase of $3.3 billion, or 9.6 percent over the FY 1989 level.

ACTION BY THE ADMINISTRATION:

- **Expanding Medicaid:** On April 18, the Administration forwarded to Congress proposed legislation to make federal programs better serve pregnant women, infants and children. The legislation would expand the population Medicaid serves, making Medicaid available to 1.9 million more women when they became pregnant. The legislation would:
  - -- Increase by 374,000 the number of pregnant women and children eligible for Medicaid.
  - -- Foster greater participation in Medicaid by eligible pregnant women by providing services to pregnant women who are presumed eligible for Medicaid before a formal eligibility determination is made; and by requiring States to operate outreach programs in areas of high infant mortality.

-- **Entitle all children under age 6 who are receiving Food Stamps to Medicaid coverage for immunizations.**

-- **Make the Federal match rate for State administration expenses a uniform 50 percent by gradually reducing special administrative match rates ranging from 75 to 100 percent. The savings that would result would allow the legislative eligibility changes proposed by the President to be implemented within the current program's spending level.**

HOUSING/HOMELESSNESS

President Bush has taken a number of steps to create an "opportunity society" of jobs, growth, housing and hope for Americans in need of a helping hand.

ACTION BY THE ADMINISTRATION:

o **Homelessness:** ((In his FY 1990 budget)), the President has proposed to provide over $1 billion in federal resources to help end homelessness and pave the way to jobs, permanent housing, health care and human dignity. President Bush's proposal calls for fully funding the McKinney Homeless Assistance Act and for a new $50 million matching grant

program to promote public/private partnerships to assist homeless families and the mentally ill.

- **Enterprise zones:** President Bush has called for enactment of enterprise zone legislation, to give urban and rural areas the opportunity for jobs and hope for the future. President Bush asked Congress to enact labor and capital-based incentives to create jobs and entrepreneurial activity in our most distressed communities.

- **Affordable housing:** President Bush is committed to making housing more affordable for low-income families, and to provide homeownership opportunities to the disadvantaged and to young families. President Bush proposes to assist 109,000 new families in need of low-income housing, and has pledged to maintain assistance to those families already being helped. President Bush has also signalled his commitment to helping poor residents in public housing to become homeowners through resident management and ownership programs.

ETHICS AND CIVIL RIGHTS

High ethical standards and civil rights for all Americans are central to this Administration, and we will enforce them --

strictly, comprehensively, fairly, and to the letter and spirit of the law.

ACTION BY THE ADMINISTRATION:

- **Campaign Finance Reform:** The President's comprehensive campaign finance proposal is designed to lessen the power of special economic interests and restore competition to American Congressional elections. The package, which seeks to increase the role of individuals and political parties in the electoral process, has four facets:
  - -- **Eliminating political action committees (PACs)** supported by corporations, unions or trade associations, and prohibiting such entities from paying for the overhead or administrative costs of any independent PAC.
  - -- **Strengthening political parties by increasing the amounts they can spend on behalf of congressional candidates.** This source of funds would permit legislators to spend less time fundraising, would ensure that challengers have greater resources with which to challenge incumbents, and would further limit the role of special economic interests in elections.
  - -- Addressing the problem of the "permanent Congress" by **reforms designed to reduce the unwarranted advantages of incumbency.** Specifically, the proposals would

prohibit the personal use of excess campaign funds, drastically reduce Congressional mailings under the frank, ban the rollover of campaign funds from one election cycle to the next, and **legislate fair neutral criteria for the redistricting** of Congressional and legislative lines that will follow the 1990 census.

-- **Fully disclosing all soft money** spent by the political parties and all labor unions, corporations and trade associations to influence a federal election.

o **Ethics:** The President issued an **Executive Order** creating the **President's Commission on Federal Ethics Law Reform.** On March 9, the Commission filed its report and its recommendations to the President. **Legislation was sent April 12th to the Congress, and the President issued an Executive Order announcing ethical principles for the conduct of executive branch employees.** The President's proposals include:

-- **A ban on outside earned income** for non-career Presidential appointees in the executive branch, including all employees in the immediate White House Office.

-- **Expanded financial disclosure** for all three branches of government.

-- **Prohibition of the conversion of political contributions** for personal or office use.

-- **Deferral of tax liability** when an individual is required by his or her agency to divest assets in order to avoid conflicts of interest.

-- Strengthened **rules against abusing the revolving door for private gain at the expense of the public trust.** These rules also apply to the legislative branch.

-- **A 25 percent pay raise for federal judges** was proposed in separate legislation submitted April 12, while the ethics reform legislation restricts their acceptance of honoraria. President Bush believes that **honoraria** for Members of Congress should be banned; however, the President will not formalize that proposal until after he consults with Congress on that issue and their pay raise. He will include in that discussion the question of a **pay increase for certain executive branch positions.**

-- The extension of the **Independent Counsel statute to cover the Congress.**

-- The extension of the federal statute that prohibits employees from taking actions that enhance their own financial interest to cover legislative and judicial branch employees.

-- **The establishment of an independent ethics office for the Congress**, to be headed by a clearly nonpartisan official, confirmed by both houses.

-- The application of the existing **one-year post-employment "cooling-off" period** for senior executive-branch employees to the legislative and judicial branches.

o **Whistleblower protection:** The President supports public servants who revere the trust placed in them by the American people. On April 10, the President signed S. 20, the **"Whistleblower Protection Act of 1989."** This law will strengthen the protections and procedural rights available to those federal employees who report misdeeds and mismanagement.

-- This new law will enhance the authority of the Office of Special Counsel, and whistleblowers will also now be allowed to take their cases to the Merit Systems Protection Board.

-- The statute alters the legal burdens of proof, making it easier for employees to be vindicated when they are wrongfully penalized by their supervisors for whistleblowing activities.

- **Civil rights:** The Administration has taken a number of actions to protect the civil rights of all Americans, including several court actions in key civil rights cases.
  - -- On March 8, the Department of Justice endorsed the objectives of the Hate Crimes Bill and voiced no opposition to the bill's enactment. The Hate Crimes Bill provides for the collection of data about crimes motivated by race, religion, ethnicity or sexual orientation.
  - -- On March 13, Attorney General Thornburgh announced the filing of Federal housing discrimination lawsuits seeking monetary damages and civil penalties under the expanded enforcement authority of the Fair Housing Amendments Act of 1988.

# # #

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

NOTICE:

Enclosed are comments from staff members of the Office of Management and Budget (OMB). Such comments do not necessarily represent the official position of the Director of OMB or of the Office of Management and Budget. If you wish to have the Director's personal comments, please let me know -- and contact me if you have any questions.

David J. Haun
Executive Assistant
to the Director

Attached is a replacement page and other material for the staffing request, Six Months of the Bush Administration.

If you have questions, please call x2060.

income distribution in half -- set a new record in 1987, the last year for which data are available.

Al-Sammane x5873

o **Industrial output:** During this expansion, American industrial output has grown almost ~~41~~ 40 percent ~~[compared [with overall economic growth of 29 percent. This is]~~ almost double Europe's growth rate in industrial output.

could compare ind. prod. with GNP

o **Higher national saving and investment:** During the first ~~[eight]~~ NINE months of fiscal year 1989, the Federal Government budget deficit is less than during the same period in the previous fiscal year. Partly due to the discipline of GRH, ~~[~~ dollars ~~]~~ the Federal deficit has declined from 5.4 percent of GNP in fiscal year 1985 to ~~[about]~~ an estimated 2.9 percent this fiscal year. The personal saving rate has risen to 5.4 percent in the ~~[first]~~ second quarter of 1989 from its recent low of 3.2 percent in ~~[the second quarter of]~~ 1987. Business fixed investment as a percent of real GNP has risen from a recent low of 11.8 percent in ~~[the first quarter of]~~ 1987 to 12.4 percent in the ~~[first]~~ second quarter of 1989.

new copy will be sent on this, after GNP revision, per conversation with Chris Winston.

Al-Sammane x5873

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Al-Sammane x5-873

Al-Sammane x5-873

o **Inflation under control:** Consumer price inflation has remained under 5 percent for the past 7 years, and the recent slowing in economic growth to a sustainable rate will lessen price pressures in the near future. The

UNITED STATES DEPARTMENT OF
COMMERCE
NEWS
WASHINGTON, D.C. 20230

BUREAU OF
ECONOMIC ANALYSIS

FOR WIRE TRANSMISSION 8:30 A.M. EDT, THURSDAY, JULY 27, 1989

Leo M. Bernstein: (202) 523-0824 (Second Quarter GNP)
Recorded message 898-2451

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BEA 89-33

NATIONAL INCOME AND PRODUCT ACCOUNTS
. SECOND QUARTER 1989 GNP (ADVANCE)
. REVISED ESTIMATES: 1986 THROUGH FIRST QUARTER 1989

Real gross national product -- the nation's output of goods and services -- increased 1.7 percent, or $17.1 billion, in the second quarter of 1989, according to advance estimates released by the Commerce Department's Bureau of Economic Analysis. In the first quarter, real GNP increased 3.7 percent, or $37.4 billion (revised); the return of crop and livestock output to a level not affected by drought conditions in 1988 added about 2.2 percentage points to the first-quarter change in real GNP.

The estimates released today reflect revisions in the national income and product accounts for 1986 through the first quarter of 1989. Revisions are usually made each July, mainly to incorporate new source data and updated seasonal adjustment factors. This release presents revised estimates and the advance second-quarter 1989 estimates for GNP, national income, and personal income.

The July 1989 Survey of Current Business will contain the full set of national income and product accounts tables and an article describing the revisions. The tables are also available for sale in both hard copy and machine readable form. For more information, write to the National Income and Wealth Division (BE-54), Bureau of Economic Analysis, U.S. Department of Commerce, Washington, D.C. 20230, or call 202-523-0669.

NOTE.--Quarterly estimates are expressed, unless otherwise specified, at seasonally adjusted annual rates. Quarter-to-quarter dollar changes are differences between these rates; quarter-to-quarter percent changes are annualized. "Real," or constant-dollar, estimates are in 1982 dollars.

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Gross domestic purchases

Real gross domestic purchases -- the nation's purchases of goods and services--increased 1.4 percent, or $14.7 billion in the second quarter, compared with an increase of 1.8 percent, or $18.6 billion in the first. Gross domestic purchases increases less than GNP when net exports increases.

Disposition of personal income

Current-dollar personal income increased $78.4 billion in the second quarter, compared with an increase of $132.6 billion in the first. Personal tax and nontax payments increased $23.3 billion, compared with an increase of $30.5 billion.

Disposable personal income increased $55.0 billion in the second quarter, compared with an increase of $102.1 billion in the first. Real disposable personal income increased 0.4 percent, or $2.7 billion, in the second quarter, compared with an increase of 6.6 percent, or $45.8 billion, in the first.

Personal outlays increased $57.1 billion in the second quarter, compared with an increase of $59.8 billion in the first. Personal saving decreased $2.0 billion, in contrast to an increase of $42.3 billion. The saving rate -- saving as a percentage of disposable personal income -- decreased from 5.6 percent in the first quarter to 5.4 percent in the second.

Current-dollar GNP

Current-dollar GNP -- the market value of the nation's output of goods and services -- increased 6.6 percent, or $81.8 billion, in the second quarter. In the first quarter, current-dollar GNP increased 7.9 percent, or $95.8 billion.

National income was revised down $24.5 billion, or 0.7 percent, in 1986, and down $13.3 billion, or 0.4 percent in 1987. These downward revisions were mainly due to corporate profits. In 1988, national income was revised up $4.2 billion, or 0.1 percent. The upward revision was more than accounted for by supplements to wages and salaries.

Personal income was revised 0.1 percent in all 3 years -- down $4.9 billion in 1986 and $2.4 billion in 1987 and up $2.4 billion in 1988. Most of the differences in the size of the the revisions in personal income and national income were traceable to the components of corporate profits that are not in personal income.

Disposable personal income (personal income less personal tax and nontax payments) recorded revisions in the same direction as, but somewhat larger than, those in personal income. Personal outlays (mostly PCE) was revised down in 1986 and 1987 and revised up in 1988. Because the revisions in disposable personal income (DPI) and personal outlays were largely offsetting, revisions in personal saving (DPI less personal outlays) were small -- up in 1986, down in 1987, and up in 1988. The personal saving rate (personal saving as a percentage of DPI) was revised up slightly in 1986 to 4.1 percent and was unrevised at 3.2 percent and 4.2 percent in 1987 and 1988, respectively.

Real DPI was revised down 0.2 percent in 1986, revised down 0.4 percent in 1987, and revised up 0.2 percent in 1988. The percent change from the preceding year in real DPI was revised down from 3.9 to 3.6 percent in 1986 and revised down from 1.7 to 1.6 percent in 1987. In 1988, the change was revised up from 3.8 to 4.4 percent.

Source data

Table 12 lists most of the important newly available source data underlying the revision of the current-dollar national income and product accounts estimates. The years shown are the years of the estimates into which these data are directly incorporated. Other newly available source data that were major factors in the revision in 1988 were the following: Revised Census Bureau monthly retail sales (PCE); revised Census Bureau monthly manufacturing and trade inventories (change in nonfarm business inventories); revised Census Bureau monthly construction put in place (residential and nonresidential fixed investment); and annual reports of financial institutions (PCE, corporate profits, net interest, and personal interest income).

Measures of Revision

Quarterly estimates of GNP are released on the following schedule: Advance estimates, based on preliminary and incomplete source data and BEA assumptions about the missing source data, are released in the first month after the end of the quarter; as additional and revised data become available, preliminary and final estimates are released in the second and third months, respectively.

Additional revisions are carried out in each of the following 3 years, usually in July, and in comprehensive (benchmark) revisions, usually every 5 years. The latest estimates, which reflect the results of these revisions, are based on new and revised source data and also reflect updated seasonal factors, improved estimating procedures, shifts in base period, and definitional or classificational changes.

The table below provides summary measures of the amount of revision in past years in quarterly percent changes in current-dollar GNP and real GNP. These measures can be used to assess the likely size of future revisions. For example, two-thirds of the revisions between the quarterly change in the advance estimate of real GNP and that in the final estimate was within a range of -0.5 to +1.2 percentage points. Thus, based on past experience, it is likely that the second-quarter change in real GNP, now estimated at 1.7 percent at an annual rate, will not be revised below 1.2 or above 2.9 percent.

Revision in Quarter-to-Quarter Percent Changes at Annual Rate

Quarterly estimates compared	Average without regard to sign	Range	
		Two-thirds of Revisions	Nine-tenths of Revisions
	Current-dollar GNP		
Advance to final.....	0.9	-0.8 to 1.1	-1.0 to 2.4
Preliminary to final...	.5	- .4 to .8	- .7 to 1.0
Advance to latest.....	1.8	- .9 to 2.5	-2.9 to 4.2
Preliminary to latest..	1.6	-1.5 to 2.5	-3.1 to 3.2
Final to latest.....	1.6	-1.8 to 2.2	-3.1 to 3.2
	Real (constant-dollar) GNP		
Advance to final.....	.7	- .5 to 1.2	-1.1 to 1.7
Preliminary to final...	.4	- .3 to .6	- .8 to .9
Advance to latest.....	1.8	-1.9 to 2.8	-2.6 to 4.1
Preliminary to latest..	1.7	-1.7 to 2.0	-3.2 to 4.0
Final to latest.....	1.8	-1.8 to 1.9	-2.7 to 3.5

NOTE.--Measures are based on the period from 1976 to 1986.

Table 2.--Real Gross National Product and Related Measures: Level and Percent Change from Preceding Period

				Seasonally adjusted at annual rates				
	1986	1987	1988	II 88	III 88	IV 88	I 89	II 8
	Level (billions of 1982 dollars)							
Gross national product (GNP).....	3,717.9	3,853.7	4,024.4	4,010.7	4,042.7	4,069.4	4,106.8	4,123.
Less: Exports of factor income 1/.....	75.6	81.1	94.7	90.8	95.3	100.0	104.0	106.
Plus: Imports of factor income 2/.....	45.1	54.5	66.6	65.2	68.2	71.4	75.7	77.
Equals: Gross domestic product (GDP).....	3,687.4	3,827.2	3,996.3	3,985.1	4,015.6	4,040.8	4,078.5	4,095.
Less: Exports of merchandise and services other than factor income.....	321.5	369.8	435.4	428.9	436.6	451.4	465.7	478.
Plus: Imports of merchandise and services other than factor income.....	481.8	512.1	538.4	527.1	538.6	553.8	549.0	559.
Equals: Gross domestic purchases.....	3,847.6	3,969.4	4,099.3	4,083.3	4,117.6	4,143.2	4,161.8	4,176.
Personal consumption expenditures.....	2,446.4	2,513.7	2,598.4	2,586.8	2,608.1	2,627.7	2,641.0	2,648.
Gross private domestic investment.....	639.6	674.0	715.8	713.5	733.6	709.1	721.1	720.
Government purchases of goods and services.....	761.6	781.8	785.1	783.0	775.9	806.4	799.7	807.
Less: Change in business inventories (CBI)	5.6	23.7	27.9	21.5	37.5	18.3	24.5	22.
Equals: Final sales to domestic purchasers	3,842.1	3,945.8	4,071.4	4,061.8	4,080.1	4,124.9	4,137.3	4,154.
Addenda:								
Final sales (GNP less CBI).....	3,712.4	3,830.0	3,996.5	3,989.2	4,005.2	4,051.0	4,082.3	4,101.
Final sales excluding Commodity Credit Corporation inventory change (CCC).....	3,704.5	3,833.9	4,012.1	4,008.8	4,025.3	4,053.2	4,085.7	4,100
Current dollar measures:								
GDP.....	4,197.2	4,493.8	4,847.3	4,808.4	4,894.7	4,982.9	5,078.5	5,159
Gross domestic purchases.....	4,329.0	4,636.8	4,954.3	4,913.4	4,993.1	5,088.1	5,167.1	5,247
Final sales to domestic purchasers....	4,322.1	4,607.6	4,923.7	4,884.1	4,948.5	5,069.5	5,139.4	5,214
Final sales.....	4,224.8	4,495.0	4,850.0	4,809.2	4,882.3	4,998.7	5,085.4	5,162
	Percent change from preceding period (percent)							
GNP.....	2.7	3.7	4.4	3.7	3.2	2.7	3.7	1
GDP.....	2.9	3.8	4.4	4.3	3.1	2.5	3.8	1
Gross domestic purchases.....	3.3	3.2	3.3	3.0	3.4	2.5	1.8	1
Final sales to domestic purchasers.....	3.5	2.7	3.2	4.4	1.8	4.5	1.2	1
Final sales.....	2.8	3.2	4.3	5.0	1.6	4.7	3.1	1
Final sales less CCC.....	3.0	3.5	4.6	4.9	1.7	2.8	3.2	1
Addendum:								
GNP in current dollars.....	5.4	6.9	7.9	8.6	7.5	7.5	7.9	6
Price indexes (fixed weights)								
GNP.....	2.7	3.6	4.2	4.8	5.2	4.3	4.6	5
GDP.....	2.7	3.4	4.2	5.0	5.3	4.2	4.6	5
Gross domestic purchases.....	2.6	4.1	4.2	4.7	4.3	4.5	5.5	5
Final sales to domestic purchasers.....	2.5	4.1	4.2	4.7	4.3	4.5	5.5	5
Final sales.....	2.7	3.6	4.2	4.8	5.2	4.4	4.6	5
Addenda:								
GNP price index (chained weights).....	2.5	3.5	3.7	4.3	4.4	4.1	4.6	5
Implicit price deflator for GNP.....	2.6	3.1	3.3	4.7	4.1	4.8	4.0	4

1. Consists primarily of receipts by U.S. residents of interest and dividends and reinvested earnings of foreign affiliates of U.S. corporations.
2. Consists primarily of payments to foreign residents of interest and dividends and reinvested earnings of U.S. affiliates of foreign corporations.

Table 3.--Gross National Product, Disposition of Personal Income, and Prices--Continued
[Billions of dollars]

					Seasonally adjusted at annual rates							
					1985				1986			
	1985	1986	1987	1988	I	II	III	IV	I	II	III	IV
Net exports of goods and services	-78.0	-97.4	-112.6	-73.7	-53.1	-74.3	-81.2	-103.2	-87.1	-92.7	-100.8	-108.9
Exports	370.9	396.5	448.6	547.7	376.8	372.6	365.1	369.2	395.5	390.7	397.3	402.4
Merchandise	220.8	224.4	255.1	322.0	225.0	222.2	218.3	217.7	221.2	221.4	224.8	230.4
Agricultural products	29.6	27.4	29.5	38.1	33.0	30.1	26.9	28.2	28.7	26.1	26.6	28.0
Nonagricultural products	191.2	197.1	225.5	283.8	192.0	192.1	191.4	189.4	192.5	195.3	198.2	202.4
Services	150.1	172.0	193.5	225.7	151.8	150.4	146.7	151.5	174.4	169.2	172.5	172.0
Factor income 1/	89.7	87.1	96.6	116.7	90.3	90.5	87.6	90.2	91.4	87.5	85.9	83.5
Other	60.5	84.9	97.0	108.9	61.6	59.9	59.1	61.3	83.0	81.7	86.5	88.5
Imports	448.9	493.8	561.2	621.3	429.9	446.9	446.2	472.4	482.7	483.4	498.0	511.3
Merchandise	340.9	367.8	412.4	449.0	324.4	338.9	338.8	361.4	357.1	359.1	373.1	381.8
Petroleum and products	51.3	34.4	42.9	39.3	44.1	53.5	50.0	57.4	41.6	31.4	32.1	32.5
Nonpetroleum products	289.6	333.4	369.5	409.7	280.3	285.4	288.7	304.1	315.5	327.8	341.0	349.3
Services	108.0	126.1	148.8	172.3	105.5	108.0	107.5	111.0	125.5	124.2	124.9	129.5
Factor income 1/	48.9	52.7	66.1	83.4	49.0	49.5	49.0	48.2	51.0	55.2	50.3	54.1
Other	59.1	73.4	82.7	88.9	56.6	58.5	58.4	62.8	74.5	69.0	74.6	75.4
Government purchases of goods and services	820.8	872.2	926.1	968.9	784.4	801.7	840.2	856.7	850.3	869.3	880.3	888.9
Federal	355.2	366.5	381.6	381.3	336.1	339.6	368.4	376.6	358.5	368.7	369.9	368.8
National defense	259.1	277.8	294.8	298.0	249.6	252.9	265.4	268.6	266.8	277.1	286.5	280.7
Nondefense	96.0	88.7	86.8	83.3	86.5	86.7	102.9	108.0	91.7	91.6	83.4	88.1
Commodity Credit Corporation inventory change	11.2	5.4	-3.3	-15.6	3.8	3.5	13.4	24.2	7.7	7.7	-0.4	6.5
Other	84.8	83.4	90.2	98.9	82.8	83.1	89.5	83.8	84.0	83.9	83.9	81.6
State and local	465.6	505.7	544.5	587.6	448.3	462.1	471.8	480.1	491.8	500.6	510.4	520.1
Disposition of personal income												
Personal income	3325.3	3526.2	3777.6	4064.5	3263.0	3307.6	3331.7	3399.1	3457.0	3509.9	3540.2	3597.8
Less: Personal tax and nontax payments	486.6	512.9	571.7	586.6	498.4	456.8	491.7	499.6	497.8	503.5	515.9	534.4
Equals: Disposable personal income	2838.7	3013.3	3205.9	3477.8	2764.6	2850.7	2840.0	2899.5	2959.2	3006.5	3024.3	3063.4
Less: Personal outlays	2713.3	2888.5	3104.1	3333.1	2635.8	2682.9	2746.8	2787.7	2823.3	2851.5	2917.7	2961.4
Equals: Personal saving	125.4	124.9	101.8	144.7	128.7	167.8	93.3	111.7	135.9	155.0	106.6	102.0
Personal saving as a percentage of disposable personal income	4.4	4.1	3.2	4.2	4.7	5.9	3.3	3.9	4.6	5.2	3.5	3.3
Index numbers, 1982=100	Price indexes, (fixed weights)											
GNP	111.9	115.0	119.1	124.1	110.6	111.5	112.3	113.2	113.8	114.5	115.3	116.2
Personal consumption expenditures	112.2	115.3	120.7	125.9	110.6	111.7	112.6	113.8	114.3	114.4	115.6	116.7
Durable goods	105.2	106.5	110.3	112.9	105.0	105.1	105.1	105.4	105.7	106.0	106.9	107.5
Nondurable goods	107.9	107.8	112.6	117.2	106.6	107.7	108.1	109.1	108.4	106.8	107.7	108.3
Services	117.2	123.1	129.4	135.5	115.0	116.4	117.9	119.5	120.8	122.2	123.8	125.4
Nonresidential fixed investment	101.9	104.2	105.4	109.0	101.1	101.5	102.2	102.8	103.3	104.1	104.4	104.8
Structures	100.7	101.6	101.7	107.1	99.9	100.3	101.0	101.7	101.5	101.9	101.4	101.2
Producers' durable equipment	102.6	105.9	107.8	110.2	101.8	102.3	102.9	103.5	104.5	105.6	106.4	107.0
Residential fixed investment	108.3	110.9	115.9	119.5	107.9	107.9	108.2	109.0	109.7	110.3	111.2	112.1
Exports of goods and services	103.7	103.9	105.9	111.6	103.8	103.9	103.5	103.4	103.9	103.8	103.6	103.7
Imports of goods and services	95.7	94.0	101.2	106.3	95.2	95.6	95.3	96.8	95.9	92.5	92.9	94.7
Government purchases of goods and services	113.2	115.5	119.6	125.1	112.1	112.8	113.4	114.4	114.9	115.1	115.4	116.6
Federal	110.4	110.6	113.3	117.9	110.4	109.9	110.0	111.0	110.9	110.5	110.0	110.7
State and local	115.3	119.2	124.3	130.4	113.4	114.9	115.8	117.0	117.8	118.4	119.4	121.0

Table 3.--Gross National Product, Disposition of Personal Income, and Prices--Continued
[Billions of dollars]

	Seasonally adjusted at annual rates									
	1987				1988				1989	
	I	II	III	IV	I	II	III	IV	I	II
Net exports of goods and services	-106.0	-114.4	-115.3	-114.6	-82.8	-74.9	-66.2	-70.8	-54.0	-52.4
Exports	416.5	437.4	458.0	482.6	521.6	532.5	556.8	579.7	605.6	625.2
Merchandise	234.2	245.4	261.9	278.9	305.0	314.4	327.5	341.0	358.7	370.9
Agricultural products	26.2	28.4	32.2	31.5	36.1	37.6	39.7	39.2	43.1	44.2
Nonagricultural products	208.0	217.1	229.7	247.4	268.9	276.8	287.8	301.9	315.6	326.7
Services	182.3	192.0	196.1	203.7	216.6	218.1	229.3	238.6	246.9	254.3
Factor income 1/	89.0	94.5	98.1	104.7	112.1	111.3	118.1	125.5	131.9	136.9
Other	93.3	97.5	98.0	99.0	104.5	106.9	111.2	113.2	115.1	117.4
Imports	522.5	551.8	573.4	597.2	604.3	607.5	623.0	650.5	659.6	677.5
Merchandise	386.8	403.5	422.4	436.9	439.0	439.5	448.8	468.8	469.8	479.8
Petroleum and products	35.5	40.4	51.0	44.9	40.3	41.0	39.1	36.9	43.4	54.7
Nonpetroleum products	351.4	363.2	371.4	392.0	398.8	398.5	409.7	432.0	426.4	425.1
Services	135.6	148.3	150.9	160.2	165.3	168.0	174.2	181.6	189.8	197.8
Factor income 1/	57.0	65.5	68.4	73.2	75.6	81.3	85.9	91.0	97.3	101.3
Other	78.6	82.7	82.5	87.0	89.7	86.7	88.3	90.6	92.5	96.5
Government purchases of goods and services	906.9	916.8	933.2	947.5	945.7	960.1	958.6	1011.4	1016.0	1031.4
Federal	375.6	378.2	384.5	388.1	374.1	377.1	367.5	406.4	399.0	403.9
National defense	288.0	294.0	300.2	296.8	297.4	298.0	296.1	300.5	298.7	302.4
Nondefense	87.5	84.2	84.3	91.3	76.7	79.1	71.4	105.9	100.4	101.5
Commodity Credit Corporation inventory change	1.8	-6.8	-6.9	-1.5	-19.0	-21.5	-25.9	4.1	-3.8	-3.0
Other	85.8	91.0	91.2	92.8	95.8	100.5	97.3	101.8	104.2	104.5
State and local	531.4	538.6	548.7	559.4	571.6	583.0	591.0	604.9	617.0	627.5
Disposition of personal income										
Personal income	3673.6	3732.7	3795.5	3908.7	3948.5	4026.6	4097.6	4185.2	4317.8	4396.2
Less: Personal tax and nontax payments	530.8	594.6	572.0	589.2	572.2	590.7	585.9	597.8	628.3	651.6
Equals: Disposable personal income	3142.8	3138.1	3223.5	3319.4	3376.4	3435.9	3511.7	3587.4	3689.5	3744.5
Less: Personal outlays	3006.9	3082.1	3149.9	3177.6	3244.4	3301.9	3362.1	3424.0	3483.8	3540.9
Equals: Personal saving	135.9	55.9	73.6	141.8	131.9	134.0	149.6	163.4	205.7	203.7
Personal saving as a percentage of disposable personal income	4.3	1.8	2.3	4.3	3.9	3.9	4.3	4.6	5.6	5.4
Index numbers, 1982=100	**Price indexes, (fixed weights)**									
GNP	117.4	118.6	119.7	120.8	121.9	123.4	124.9	126.3	127.7	129.3
Personal consumption expenditures	118.5	120.2	121.4	122.8	123.6	125.1	126.6	128.1	129.6	131.6
Durable goods	108.7	109.8	110.9	111.6	111.9	112.4	113.2	114.1	114.7	116.8
Nondurable goods	110.4	112.4	113.3	114.3	114.7	116.6	118.1	119.4	121.0	124.5
Services	127.0	128.5	130.2	131.9	133.2	134.7	136.2	138.1	139.8	141.2
Nonresidential fixed investment	105.1	105.2	105.4	106.0	107.5	108.6	109.3	110.5	111.8	112.8
Structures	101.1	101.2	101.9	102.7	105.1	106.5	107.9	109.1	110.5	111.7
Producers' durable equipment	107.6	107.7	107.7	108.1	109.1	109.9	110.2	111.5	112.7	113.6
Residential fixed investment	113.2	114.9	117.4	118.2	119.2	119.3	119.3	120.1	121.8	123.9
Exports of goods and services	104.5	105.4	106.2	106.9	108.5	110.4	113.1	113.8	113.9	114.6
Imports of goods and services	97.9	100.4	101.9	103.3	104.5	106.1	106.2	107.3	109.5	111.2
Government purchases of goods and services	118.0	119.0	120.2	121.3	123.1	124.4	125.9	126.9	129.4	130.5
Federal	112.1	113.0	113.6	114.5	116.3	117.4	118.7	119.3	122.3	122.7
State and local	122.3	123.5	125.1	126.4	128.1	129.6	131.2	132.6	134.7	136.4

1. See footnotes 1 and 2 of table 2.

Table 4.--Real Gross National Product and Prices--Continued
[Billions of 1982 dollars]

					Seasonally adjusted at annual rates							
					1985				1986			
	1985	1986	1987	1988	I	II	III	IV	I	II	III	I
Net exports of goods and services	-104.3	-129.7	-115.7	-74.9	-81.4	-102.4	-107.9	-125.3	-110.0	-131.2	-142.3	-135.
Exports	367.2	397.1	450.9	530.1	371.2	367.6	362.6	367.4	392.9	389.6	399.6	406.
Merchandise	231.6	245.9	285.7	344.3	232.6	231.4	230.6	231.9	237.6	240.0	248.9	257.
Agricultural products	30.4	30.6	34.9	37.6	32.8	30.1	28.1	30.6	30.1	27.9	30.8	33.
Nonagricultural products	201.2	215.3	250.7	306.7	199.8	201.3	202.5	201.4	207.5	212.1	218.1	223.
Services	135.6	151.2	165.2	185.8	138.6	136.2	132.0	135.4	155.3	149.5	150.8	149.
Factor income 1/	80.0	75.6	81.1	96.7	81.5	81.0	77.9	79.5	80.4	76.4	74.1	71.
Other	55.6	75.6	84.1	91.1	57.1	55.2	54.1	55.9	74.9	73.2	76.7	77.
Imports	471.4	526.9	566.6	605.0	452.6	470.0	470.5	492.6	502.9	520.7	541.9	541.
Merchandise	367.9	413.7	440.5	467.1	350.1	366.0	367.8	387.8	386.6	408.3	431.1	428.
Petroleum and products	60.4	75.5	78.2	86.2	51.4	61.6	60.3	68.1	60.4	74.3	87.7	79.
Nonpetroleum products	307.6	338.1	362.3	380.9	298.7	304.4	307.5	319.7	326.2	334.0	343.4	349.
Services	103.5	113.2	126.1	137.9	102.5	104.1	102.7	104.8	116.2	112.5	110.8	113.
Factor income 1/	43.1	45.1	54.5	66.6	43.8	43.8	43.0	41.9	44.3	47.6	42.7	45.
Other	60.4	68.1	71.5	71.3	58.7	60.2	59.7	62.9	72.0	64.9	68.1	67.
Government purchases of goods and services	731.2	761.6	781.8	785.1	705.5	716.7	749.8	752.7	744.1	761.2	765.2	776.
Federal	326.0	334.1	339.6	328.9	309.0	313.3	340.9	340.6	324.4	335.4	334.2	342.
National defense	237.2	252.1	265.2	261.5	230.0	233.4	244.0	241.4	241.2	251.4	260.0	255.
Nondefense	88.8	82.0	74.4	67.4	79.0	79.9	96.9	99.2	83.3	84.1	74.2	86.
Commodity Credit Corporation inventory change	12.2	7.8	-3.9	-15.6	3.9	4.5	16.0	24.3	8.0	9.4	-0.3	14.
Other	76.6	74.2	78.3	83.0	75.1	75.3	80.9	75.0	75.3	74.6	74.5	72.
State and local	405.2	427.5	442.1	456.2	396.4	403.4	408.9	412.1	419.6	425.7	430.9	433.
Addendum:												
Disposable personal income	2542.8	2635.3	2676.6	2793.2	2509.4	2563.5	2535.4	2562.8	2609.2	2648.6	2637.3	2646.
Index numbers, 1982=100	Implicit price deflators											
GNP	111.0	113.8	117.4	121.3	109.7	110.6	111.3	112.2	112.4	113.2	114.6	115.
Personal consumption expenditures	111.6	114.4	119.8	124.5	110.2	111.2	112.0	113.1	113.4	113.5	114.7	115.
Durable goods	104.8	105.6	108.1	110.1	104.8	104.8	104.9	104.7	105.0	105.1	106.1	106.
Nondurable goods	107.5	107.3	112.1	116.3	106.3	107.4	107.7	108.7	107.9	106.3	107.1	107.
Services	116.8	122.4	129.0	134.9	114.7	116.0	117.4	119.0	120.1	121.6	123.2	124.
Nonresidential fixed investment	97.7	99.3	97.5	98.7	97.7	97.5	97.7	97.9	98.0	99.0	100.1	100.
Structures	102.5	106.9	109.4	114.9	101.1	102.4	102.5	104.0	104.7	107.1	107.7	108.
Producers' durable equipment	95.3	96.1	93.2	93.3	95.9	95.0	95.3	95.0	94.8	95.7	97.0	96.
Residential fixed investment	108.3	111.1	116.2	119.7	107.9	108.0	108.2	109.0	109.8	110.6	111.4	112.
Exports of goods and services	101.0	99.8	99.5	103.3	101.5	101.4	100.7	100.5	100.7	100.3	99.4	99.
Imports of goods and services	95.2	93.7	99.1	102.7	95.0	95.1	94.8	95.9	96.0	92.8	91.9	94.
Government purchases of goods and services	112.3	114.5	118.5	123.4	111.2	111.9	112.1	113.8	114.3	114.2	115.1	114.
Federal	109.0	109.7	112.4	115.9	108.8	108.4	108.1	110.6	110.5	109.9	110.7	107.
State and local	114.9	118.3	123.2	128.8	113.1	114.5	115.4	116.5	117.2	117.6	118.4	120.

Table 4.--Gross National Product, Disposition of Personal Income, and Prices--Continued
Billions of 1982 dollars

	Seasonally adjusted at annual rates									
	1987				1988				1989	
	I	II	III	IV	I	II	III	IV	I	II
Net exports of goods and services	-118.2	-115.9	-118.9	-109.8	-78.2	-72.6	-74.9	-73.8	-55.0	-52.6
Exports	418.7	439.5	461.3	484.1	517.4	519.7	531.9	551.4	569.7	585.1
Merchandise	261.4	275.0	294.5	311.7	335.6	339.0	344.1	358.6	372.5	384.2
Agricultural products	31.2	33.7	38.5	36.3	39.4	38.8	36.2	36.2	40.1	41.5
Nonagricultural products	230.2	241.3	256.0	275.4	296.3	300.2	307.9	322.3	332.4	342.6
Services	157.3	164.5	166.8	172.3	181.8	180.6	187.8	192.8	197.2	200.9
Factor income 1/	75.7	79.6	82.0	87.1	92.7	90.8	95.3	100.0	104.0	106.6
Other	81.6	84.9	84.8	85.3	89.1	89.8	92.5	92.8	93.2	94.3
Imports	536.9	555.4	580.2	593.9	595.6	592.3	606.9	625.2	624.6	637.7
Merchandise	420.3	428.9	452.5	460.4	460.1	456.5	468.3	483.4	477.4	485.6
Petroleum and products	70.7	72.7	88.4	81.2	83.2	84.9	86.4	90.3	87.9	93.9
Nonpetroleum products	349.6	356.3	364.1	379.2	376.9	371.7	381.9	393.1	389.5	391.7
Services	116.7	126.4	127.7	133.5	135.5	135.8	138.5	141.9	147.2	152.1
Factor income 1/	47.7	54.3	56.2	59.8	61.4	65.2	68.2	71.4	75.7	77.8
Other	68.9	72.1	71.5	73.7	74.1	70.5	70.3	70.4	71.6	74.3
Government purchases of goods and services	776.6	774.9	783.5	792.1	775.1	783.0	775.9	806.4	799.7	807.6
Federal	338.1	334.7	340.7	344.9	323.8	327.9	319.8	343.9	335.5	341.3
National defense	259.0	264.6	270.6	266.7	263.0	262.5	258.8	261.6	254.4	256.1
Nondefense	79.1	70.1	70.1	78.2	60.8	65.4	61.0	82.3	81.1	85.1
Commodity Credit Corporation inventory change	4.1	-9.2	-8.9	-1.7	-20.6	-19.6	-20.1	-2.2	-3.3	1.2
Other	75.0	79.3	79.0	79.9	81.4	85.0	81.1	84.5	84.4	83.9
State and local	438.5	440.1	442.8	447.2	451.3	455.1	456.1	462.5	464.2	466.3
Addendum:										
Disposable personal income	2672.3	2632.5	2675.6	2726.2	2757.2	2773.3	2806.4	2835.9	2881.7	2884.4
Index numbers, 1982=100	Implicit price deflators									
GNP	116.0	117.1	117.9	118.6	119.3	120.6	121.9	123.3	124.5	126.0
Personal consumption expenditures	117.6	119.2	120.5	121.8	122.5	123.9	125.1	126.5	128.0	129.8
Durable goods	106.7	107.7	108.8	109.0	109.3	109.6	110.2	111.2	111.2	111.0
Nondurable goods	110.0	111.9	112.8	113.7	114.0	115.9	117.1	118.2	120.0	123.3
Services	126.6	128.2	129.8	131.5	132.7	134.2	135.6	137.3	139.0	140.4
Nonresidential fixed investment	98.4	98.2	96.7	97.0	97.7	97.9	98.4	100.6	100.4	100.3
Structures	107.7	110.0	109.3	110.6	112.6	114.2	115.4	117.4	119.5	120.9
Producers' durable equipment	94.8	93.9	92.1	92.1	92.8	92.5	92.9	95.2	94.4	94.1
Residential fixed investment	113.4	115.2	117.8	118.7	119.5	119.5	119.6	120.4	122.1	124.1
Exports of goods and services	99.5	99.5	99.3	99.7	100.8	102.5	104.7	105.1	106.3	106.9
Imports of goods and services	97.3	99.4	98.8	100.6	101.5	102.6	102.7	104.0	105.6	106.2
Government purchases of goods and services	116.8	118.3	119.1	119.6	122.0	122.6	123.5	125.4	127.1	127.7
Federal	111.1	113.0	112.8	112.5	115.5	115.0	114.9	118.2	118.9	118.4
State and local	121.2	122.4	123.9	125.1	126.7	128.1	129.6	130.8	132.9	134.5

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Table 6.--Corporate Profits
[Billions of dollars]

				Seasonally adjusted at annual rates				
	1986	1987	1988	II 88	III 88	IV 88	I 89	II 89
Corporate profits with inventory valuation and capital consumption adjustments.....	282.1	298.7	328.6	325.3	330.9	340.2	316.3	.....
Profits before tax.....	221.6	266.7	306.8	305.3	314.4	318.8	318.0	.....
Profits tax liability.....	106.3	124.7	137.9	138.4	141.2	143.2	144.4	.....
Profits after tax.....	115.3	142.0	168.9	166.9	173.2	175.6	173.6	.....
Dividends.....	91.3	98.7	110.4	108.6	112.2	115.2	118.5	.....
Undistributed profits.....	24.0	43.3	58.5	58.3	61.1	60.4	55.1	.....
Inventory valuation adjustment.....	6.7	-18.9	-25.0	-28.8	-30.4	-20.1	-38.3	.....
Capital consumption adjustment.....	53.8	50.9	46.8	48.9	46.9	41.5	36.6	.....
Addenda:								
Net cash flow with inventory valuation and capital consumption adjustments.....	370.4	378.4	402.0	397.4	400.7	411.5	388.6	.....
Undistributed profits with inventory valuation and capital consumption adjustments.....	84.5	75.3	80.3	78.3	77.6	81.7	53.4	.....
Capital consumption allowances with capital consumption adjustment.....	285.9	303.1	321.7	319.0	323.1	329.7	335.2	.....
Less: Inventory valuation adjustment.....	6.7	-18.9	-25.0	-28.8	-30.4	-20.1	-38.3	.....
Equals: Net cash flow.....	363.7	397.3	427.0	426.2	431.1	431.6	426.9	.....

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Table 8.--Revisions in Current-Dollar Gross National Product, National Income, and Disposition of Personal Income

	Billions of dollars								
	Revised estimates			Revisions to previously published			Revisions as percent of previously published		
	1986	1987	1988	1986	1987	1988	1986	1987	19
Gross national product (GNP)...	4,231.6	4,524.3	4,880.6	-8.7	-2.4	16.3	-0.2	-0.1	0
Personal consumption expenditures.....	2,797.4	3,010.8	3,235.1	-10.1	-1.3	7.6	-0.4	0.0	0
Durable goods.....	406.0	421.0	455.2	-0.5	-0.9	4.1	-0.1	-0.2	0
Nondurable goods.....	942.0	998.1	1,052.3	-1.6	0.2	5.4	-0.2	0.0	0
Services.....	1,449.5	1,591.7	1,727.6	-7.8	-0.6	-2.0	-0.5	0.0	-0
Gross private domestic investment.....	659.4	699.9	750.3	-6.5	-13.0	-16.2	-1.0	-1.8	-2
Fixed investment.....	652.5	670.6	719.6	2.1	-3.1	1.5	0.3	-0.5	0
Nonresidential.....	435.2	444.3	487.2	1.3	-2.5	-1.2	0.3	-0.6	-0
Structures.....	139.0	133.8	140.3	0.5	-5.7	-2.5	0.4	-4.1	-1
Producers' durable equipment.....	296.2	310.5	346.8	0.8	3.2	1.2	0.3	1.0	0
Residential.....	217.3	226.4	232.4	0.7	-0.5	2.7	0.3	-0.2	1
Change in business inventories (CBI)..	6.9	29.3	30.6	-8.6	-9.9	-17.8	.....	.....	...
Nonfarm.....	8.6	30.5	34.2	-8.8	-10.2	-8.0	.....	.....	...
Farm.....	-1.8	-1.3	-3.6	0.1	0.2	-9.7	.....	.....	...
Net exports of goods and services.....	-97.4	-112.6	-73.7	7.0	10.4	20.9	.....	.....	...
Exports.....	396.5	448.6	547.7	18.1	20.6	28.0	4.8	4.8	5
Imports.....	493.8	561.2	621.3	11.0	10.1	6.9	2.3	1.8	1
Government purchases of goods and services.....	872.2	926.1	968.9	1.0	1.4	4.0	0.1	0.2	0
Federal.....	366.5	381.6	381.3	0.3	-0.4	0.3	0.1	-0.1	0
National defense.....	277.8	294.8	298.0	0.3	-0.5	-0.4	0.1	-0.2	-0
Nondefense.....	88.7	86.8	83.3	0.0	0.1	0.7	0.0	0.1	0
State and local.....	505.7	544.5	587.6	0.7	1.7	3.7	0.1	0.3	0
Addenda:									
GDP.....	4,197.2	4,493.8	4,847.3	-8.2	-3.4	7.9	-0.2	-0.1	0
Gross domestic purchases.....	4,329.0	4,636.8	4,954.3	-15.7	-12.9	-4.6	-0.4	-0.3	-0
Final sales to domestic purchasers....	4,322.1	4,607.6	4,923.7	-7.0	-2.9	13.1	-0.2	-0.1	0
Final sales.....	4,224.8	4,495.0	4,850.0	0.1	7.5	34.1	0.0	0.2	0
Final sales less CCC.....	4,219.4	4,498.4	4,865.6	0.0	7.6	34.3	0.0	0.2	0
National income.....	3,412.6	3,665.4	3,972.6	-24.5	-13.3	4.2	-0.7	-0.4	0
Compensation of employees.....	2,511.4	2,690.0	2,907.6	4.3	6.6	2.9	0.2	0.2	0
Wages and salaries.....	2,094.8	2,249.4	2,429.0	0.8	1.0	-7.9	0.0	0.0	-0
Supplements to wages and salaries.....	416.6	440.7	478.6	3.5	5.7	10.8	0.8	1.3	2
Proprietors' income with inventory valuation and capital consumption adjustments.....	282.0	311.6	327.8	-4.7	-1.3	3.3	-1.6	-0.4	1
Farm.....	34.7	41.6	39.8	-1.7	-1.4	3.5	-4.7	-3.3	9
Nonfarm.....	247.2	270.0	288.0	-3.1	0.0	-0.2	-1.2	0.0	-0
Rental income of persons with capital consumption adjustment.....	11.6	13.4	15.7	-0.8	-5.0	-3.6	-6.5	-27.2	-18
Corporate profits with inventory valuation and capital consumption adjustments.....	282.1	298.7	328.6	-16.8	-11.7	0.2	-5.6	-3.8	0
Net interest.....	325.5	351.7	392.9	-6.4	-1.9	1.4	-1.9	-0.5	0
Disposition of personal income									
Personal income.....	3,526.2	3,777.6	4,064.5	-4.9	-2.4	2.4	-0.1	-0.1	0
Less: Personal tax and nontax payments..	512.9	571.7	586.6	1.5	1.4	-3.7	0.3	0.2	-0
Equals: Disposable personal income.....	3,013.3	3,205.9	3,477.8	-6.3	-3.8	6.0	-0.2	-0.1	0
Less: Personal outlays.....	2,888.5	3,104.1	3,333.1	-9.5	-1.4	5.6	-0.3	0.0	0
Equals: Personal saving.....	124.9	101.8	144.7	3.2	-2.4	0.4	2.6	-2.3	0
Personal saving as a percentage of disposable personal income.....	4.1	3.2	4.2	0.1	0.0	0.0	2.5	0.0	0

Source: U.S. Department of Commerce, Bureau of Economic Analy

Table 10.--Percent Change From Preceding Period in Revised and Previously Published Estimates of Real Gross National Product and Disposable Personal Income

	Seasonally adjusted at annual rates															
				1986				1987				1988				1989
	1986	1987	1988	I	II	III	IV	I	II	III	IV	I	II	III	IV	I
Real gross national product (GNP):																
Revised	2.7	3.7	4.4	6.6	-1.8	0.8	2.3	5.4	4.4	5.3	6.6	4.0	3.7	3.2	2.7	3.7
Previously published	2.8	3.4	3.9	6.4	-0.8	1.0	1.4	4.6	5.0	4.5	6.1	3.4	3.0	2.5	2.4	4.4
Personal consumption expenditures:																
Revised	3.9	2.8	3.4	4.1	3.6	5.4	2.2	0.1	4.8	4.7	-0.7	6.2	2.5	3.3	3.0	2.
Previously published	4.3	2.7	2.8	4.8	4.3	6.3	1.2	0.6	4.3	4.6	-2.1	4.5	3.0	3.9	3.5	1.
Nonresidential fixed investment:																
Revised	-3.3	3.9	8.4	-10.3	-8.5	-6.9	4.5	-4.3	14.4	26.7	-0.1	9.5	12.3	2.6	-6.5	6.
Previously published	-4.5	2.8	9.5	-11.7	-12.0	-6.5	1.6	-8.3	16.8	28.4	1.7	7.6	15.0	4.0	-2.9	7.0
Residential fixed investment:																
Revised	12.2	-0.5	-0.4	14.8	25.4	7.5	0.4	-5.9	1.0	-11.0	-0.4	-5.7	11.2	1.9	6.3	-5.0
Previously published	11.8	0.1	-1.7	14.3	23.9	6.9	1.4	-2.6	-1.6	-10.7	1.3	-6.5	0.2	4.3	10.9	-4.6
Exports of goods and services:																
Revised	8.1	13.5	17.6	30.8	-3.3	10.7	7.1	12.6	21.4	21.4	21.3	30.5	1.8	9.7	15.5	14.0
Previously published	3.1	13.1	18.0	8.0	-2.5	7.7	9.5	7.5	23.6	25.7	17.7	25.7	9.1	14.5	6.5	15.0
Imports of goods and services:																
Revised	11.8	7.5	6.8	8.6	14.9	17.3	0.0	-3.6	14.5	19.1	9.8	1.1	-2.2	10.2	12.6	-0.4
Previously published	9.4	7.9	8.7	-1.9	19.4	15.2	-0.5	-1.9	11.5	23.4	9.9	6.9	-3.7	13.1	13.5	-0.5
Federal Government purchases of goods and services:																
Revised	2.5	1.6	-3.2	-17.7	14.3	-1.4	10.2	-4.9	-4.0	7.4	5.0	-22.3	5.2	-9.5	33.7	-9.4
Previously published	2.3	1.7	-3.0	-19.4	14.2	3.8	4.6	-7.4	-2.3	12.6	6.7	-21.0	4.7	-13.2	20.7	0.4
State and local government purchases of goods and services:																
Revised	5.5	3.4	3.2	7.5	5.9	5.0	2.5	4.6	1.5	2.5	4.0	3.7	3.4	0.9	5.7	1.5
Previously published	5.4	3.3	2.8	7.0	6.0	4.8	3.6	4.6	1.1	0.6	3.8	3.5	3.2	1.1	6.0	2.1
Addenda:																
GDP:																
Revised	2.9	3.8	4.4	6.8	-1.0	0.6	2.9	5.2	4.7	5.2	6.5	3.7	4.3	3.1	2.5	3.8
Previously published	3.0	3.5	4.0	6.6	0.0	0.8	2.0	4.5	5.4	4.7	5.8	4.2	3.1	2.0	2.3	4.5
Gross domestic purchases:																
Revised	3.3	3.2	3.3	4.7	0.5	2.0	1.5	3.4	4.0	5.4	5.5	0.7	3.0	3.4	2.5	1.8
Previously published	3.7	3.0	3.0	5.1	1.8	2.2	0.4	3.4	4.1	4.8	5.4	1.6	1.3	2.5	3.5	2.4
Final sales to domestic purchasers:																
Revised	3.5	2.7	3.2	1.0	4.2	3.4	3.1	-0.7	4.5	6.1	0.4	3.0	4.4	1.8	4.5	1.2
Previously published	3.5	2.5	2.8	1.0	4.2	4.5	1.8	-0.8	4.3	6.5	-0.1	1.7	4.4	2.1	4.6	1.8
Final sales:																
Revised	2.8	3.2	4.3	2.7	2.0	2.3	3.9	1.1	4.9	6.0	1.4	6.5	5.0	1.6	4.7	3.1
Previously published	2.7	2.9	3.7	2.1	1.6	3.3	2.9	0.2	5.3	6.1	0.4	3.6	6.3	2.0	3.5	3.8
Final sales less CCC inventory change:																
Revised	3.0	3.5	4.6	4.6	1.9	3.3	2.3	2.2	6.4	6.0	0.6	8.5	4.9	1.7	2.8	3.2
Previously published	2.8	3.2	4.0	4.1	1.5	3.9	1.6	1.4	6.8	5.6	-0.2	5.6	6.0	2.0	2.8	3.3
Disposable personal income:																
Revised	3.6	1.6	4.4	7.4	6.2	-1.7	1.4	4.0	-5.8	6.7	7.8	4.6	2.4	4.9	4.3	6.6
Previously published	3.9	1.7	3.8	8.3	6.5	-1.8	0.8	4.6	-3.9	4.8	6.9	5.0	0.0	5.6	4.1	6.1
Based on current dollars																
GNP:																
Revised	5.4	6.9	7.9	7.3	1.3	5.7	4.2	8.8	8.2	8.4	9.0	6.5	8.6	7.5	7.5	7.9
Previously published	5.6	6.8	7.5	7.2	2.6	5.9	3.4	8.4	8.7	7.7	8.6	5.4	8.7	7.3	7.6	8.2
Disposable personal income:																
Revised	6.2	6.4	8.5	8.5	6.5	2.4	5.3	10.8	-0.6	11.3	12.4	7.0	7.2	9.1	8.9	11.9
Previously published	6.4	6.3	8.2	9.4	7.1	2.2	4.3	10.7	1.3	9.3	11.8	7.4	5.6	10.4	8.8	11.4

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Table 12.--Major Data Sources for the Current-dollar Revisions, 1986-88

Components	GNP									
	PCE		Nonresidential fixed investment		Residential fixed investment	CBI	Net exports		Government purchases	
Source data	Goods	Services	Structures	PDE			Merchandise	Services	Federal	State and local
Census Bureau annual surveys of merchant wholesale and retail trade	1986r & 1987	....	....	....	....	1987	....	....	....	....
Census Bureau annual survey of services	....	1987r & 1988	....	....	....	....	....	....	....	....
Census Bureau biennial survey of housing	....	1987	....	....	....	....	....	....	....	....
Internal Revenue Service tabulations of tax returns:										
Corporations	....	1986	....	....	....	1986	....	....	....	....
Sole proprietorships and partnerships	....	....	....	....	....	....	....	....	....	....
Individuals	....	....	....	....	....	....	....	....	....	....
Census Bureau value of new construction put in place	....	....	1986-88r	....	1987-88r	....	....	....	....	1986-88r
Census Bureau annnual survey of manufactures	....	....	....	....	....	....	....	....	....	....
U.S. Department of Agriculture farm statistics	1986-88r	1986-88r	1987-88r	....	1987-88r	1986-1988r	....	....	....	....
Bureau of Economic Analysis U.S. international transactions accounts	1986-88r	1986-88r	....	1987-88r	....	....	1986-88r	1986-88r	....	....
Office of Management and Budget Federal budget data	....	....	....	....	....	....	....	....	1987r & 1988	....
Census Bureau surveys of State and local governments	....	....	....	....	....	....	....	....	....	1986-87r
Bureau of Labor Statistics tabulations of employees covered by State unemployment insurance	....	1987r & 1988	....	....	....	....	....	....	....	1987r & 1988
Bureau of Economic Analysis capital stock statistics	....	1986-88r	....	....	....	....	....	....	....	....

((Grant))
July 21, 1989
Draft two
A:sixmonth

BUILDING A BETTER AMERICA

SIX MONTHS OF THE BUSH ADMINISTRATION

SUMMARY

As the Bush Administration passes the six-month mark, Americans know that the President has set the agenda on a number of fronts domestically -- from the environment and education to the fight against drugs and crime. The economy is strong, with the current economic expansion continuing to set new records. Meanwhile, America is standing tall in the international arena, after President Bush's leadership at two multilateral summits paved the way for greater understanding among the allies and improved relations with the Soviet Union and the Eastern Bloc nations.

KEEPING THE ECONOMY STRONG

- **Record expansion:** During the current economic expansion -- now in its 79th month as of June -- nearly 20 million jobs have been created and the unemployment rate has fallen to levels not seen in 15 years. Income levels continue to set records, and industrial output is nearly double that of

Europe. Consumer price inflation has remained under 5 percent for the past 7 years.

- **Budget agreement:** The President has put forth a budget which restrains overall growth of spending and meets the Gramm-Rudman-Hollings targets -- with no new taxes in fiscal year 1990. The President and Congress announced on April 14 a budget plan to reduce the estimated fiscal year 1990 deficit by about $64 billion below fiscal year 1989.

- **Savings and Loans:** The Administration's proposal to solve the savings and loan crisis was passed by the House and Senate and is currently in conference.

- **Third World debt:** The Administration has taken the lead in finding a way to reduce the debt burden of developing countries. With the Administration's encouragement, the IMF and World Bank have set aside funds to aid debt reduction.

- **Capital gains tax cut:** The President has sent to the Congress a proposal which would re-establish a capital gains differential will encourage capital formation, saving, and job formation.

- **Minimum wage:** The President, by vetoing the across-the-board increase in the minimum wage proposed by Congress, preserved

job opportunities for the disadvantaged and blunted the adverse economic impact such a move would have had.

- **International Trade:** The Bush Administration successfully broke a stalemate in international trade talks and advanced its proposal to correct and prevent trade distortions in agriculture. It is engaged in bilateral trade talks with important trading partners to encourage them to open their markets to our exports.

SEIZING INTERNATIONAL OPPORTUNITIES FOR PEACE

- **"Europe Whole and Free":** In a series of major speeches in April and May, the President outlined a vision of a new Europe -- secure, prosperous, whole and free -- vindicating four decades of Western policies.

- **Poland and Hungary:** The President signalled his strong support for the people of Hungary and Poland as they move toward more democratic reforms -- by visiting those nations and offering political and moral support as well as economic and trade incentives.

- **Economic Summit:** The unity of the industrial democracies was demonstrated at the Paris Economic Summit, as President Bush

took the lead in encouraging our allies to support Polish and Hungarian economic reforms.

- **"Beyond Containment":** The President has responded to great changes in the Soviet Union with his policy to move "beyond containment" by integrating the Soviet Union into the world order.

- **Arms Control/NATO Summit:** In arms control, the pace of negotiations with the Soviet Union has accelerated, with new American initiatives on Conventional Forces in Europe (which the President unveiled at the NATO Summit), on banning chemical weapons, and on strategic arms reduction.

- **Soviet Relations:** The US-Soviet dialogue on conflicts in regions of the Third World has resumed intensively, and a US-Soviet dialogue has begun on a new range of global problems ~~which~~ that require global cooperation, such as terrorism, the environment, and narcotics.

- **China:** In response to the suppression of the democratic movement in China, the President signalled that we cannot condone repression while he worked to preserve the basic elements of a strategically important relationship.

- **Central American accord:** The President and Congressional leaders agreed on March 24 on a bipartisan strategy for peace and democracy in Central America.

INVESTING IN OUR FUTURE

- **Education:** The President proposed and sent to the Congress a comprehensive education package, **The Educational Excellence Act of 1989,** which includes seven initiatives on merit and magnet schools, alternative certification of teachers, excellence awards for teachers, emergency grants to help urban schools to fight drugs, new funding for endowments at Historically Black Colleges, and a National Science Scholars program.

- **Natural Gas Deregulation:** On July 26, the President signed into law the **Wellhead Decontrol Act of 1989,** which ends all remaining price controls on natural gas. This will phase out all federal price controls on natural gas.

- **Clean Air Act revisions:** On July 21, President Bush transmitted to the Congress the first revisions to the **Clean Air Act** since 1977. His legislation is designed to

split infinitive

drastically reduce three major threats to the nation's environment: acid rain, urban air pollution, and toxic air emissions.

- **Hazardous waste:** The President announced that he will be seeking new legislation to ban all exports of hazardous waste except where an agreement already exists with the receiving country to provide for its safe handling.

- **Ozone depletion:** The President has called for a total worldwide phaseout of CFCs by the year 2000, provided safe substitutes are available, in order to prevent further damage to the earth's protective ozone layer.

- **Clean water:** The EPA has started a tracking system for medical wastes and the Justice Department has started a task force to prosecute these abuses -- the first step in a comprehensive program to help keep our beaches clean. The President is committed to end ocean dumping of sewage sludge by 1991.

doesn't refer back to anything

- **Wetlands:** The President is committed to "no net loss of wetlands" and is directing all executive branch agencies to work toward that goal. He has also proposed $206 million in his budget to expand our parks and wildlife refuges.

- **Combatting Violent Crime:** President Bush transmitted to Congress **The Comprehensive Crime Control Act of 1989** to combat violent crime. Measures will augment enforcement and prosecution, strengthen current law, control certain semi-automatic weapons, and expand prison capacity.

- **Fighting Drug Abuse:** The Administration is requesting $6 billion in funding for FY 1990 to fight the drug war, increasing outlays by nearly $1 billion for drug education, treatment and enforcement.

- **Drug Czar:** The Office of National Drug Control Policy has responded to the drug emergency in the District of Columbia by expanding the Metropolitan Area Task Force, working for more prisons, providing support in enforcement, and providing assistance to local treatment efforts.

- **Space:** The President announced a three step commitment to establish America's preeminence in space -- Space Station Freedom, a permanent presence on the Moon, and a manned mission to Mars.

- **Public Housing:** The Bush Administration is working to make public housing drug free, to protect the rights of the vast majority of decent, law-abiding public housing residents.

This point is more a drug point than a housing point.

WORKING FOR A KINDER, GENTLER AMERICA

- **Child Care:** The President has transmitted to the Congress a child care package, the **Working Family Child Care Assistance Act of 1989** which provides a new refundable child care tax credit of up to $1000 per child under four, for low and moderate income working families. This legislation ~~will~~ would make the existing Child and Dependent Care Tax Credit refundable, and does not discriminate against religious- and family-based child care.

- **Head Start:** The President has also transmitted legislation to the Congress ~~which~~ that would increase the FY 1990 authorization for Head Start by $250 million; this ~~will~~ could pay for enrollment of up to 95,000 more four-year-olds in the program.

- **National Service:** The President spearheaded a movement to encourage national service, and announced the formation of a foundation called the **Points of Light Initiative** to identify, enlarge and recreate those community service initiatives ~~which~~ that are working.

- **Welfare Reform:** The Administration issued proposed rules on April 18 to **implement the major provisions of the Family**

Support Act of 1988, as a step toward welfare reform. The Administration is proposing to spend $3.3 billion over the next five years implementing the JOBS program. The changes will help reduce the number of individuals ~~on~~ who need welfare.

- **Medicaid:** On April 18, the Administration forwarded to Congress proposed legislation to make federal Medicaid programs better serve pregnant women, infants and children. vague

- **Homelessness:** President Bush has called for fully funding the McKinney Homeless Assistance Act and for a new $50 million matching grant program to promote public/private partnerships to assist homeless families and the mentally ill.

- **Enterprise Zones:** President Bush asked Congress to enact labor and capital-based incentives -- through urban enterprise zones -- to create jobs and entrepreneurial activity in our most distressed communities.

- **Campaign Finance Reform:** ~~On June 29,~~ The President's comprehensive campaign finance proposal is designed to lessen the power of special economic interests and restore competition to American Congressional elections.

- **Ethics:** President Bush sent comprehensive ethics legislation to the Congress on April 12th, and he issued an Executive Order announcing ethical principles for the conduct of executive branch employees.

- **Whistleblower Protection:** On April 10, the President signed S. 20, the **"Whistleblower Protection Act of 1989."** This law will strengthen the protections and procedural rights available to those federal employees who report misdeeds and mismanagement.

- **Civil Rights:** The Administration has taken a number of actions to protect the civil rights of all Americans, including several court actions in key civil rights cases.

# # #

BUILDING A BETTER AMERICA

SIX MONTHS OF THE BUSH ADMINISTRATION

KEEPING THE ECONOMY STRONG

Maintaining the current expansion with low inflation is the key to improving standards of living, increasing job opportunities for all Americans, and increasing investment in productive capacity. Economic performance during this expansion has been very good, and the policies proposed by the Bush Administration are designed to preserve this strong record.

seems weaker than the summary version

- **Record peacetime expansion:** The current expansion reached 79 months in June.

continuation of

- **Job creation:** Nearly 20 million new jobs have been created during this expansion, and the unemployment rate fell to levels not seen in 15 years. During this decade, America has created more new jobs than Japan and the nations of Western Europe combined.

- **Record income:** Real per capita disposable personal income -- personal income after taxes and inflation -- has risen 19 percent during this expansion. Real median family income ~~-- the level of income after inflation which splits the family~~

not needed & totally unclear to the lay reader.

income distribution in half -- set a new record in 1987, the last year for which data are available.

Not even remotely attributable to Bush!

- **Industrial output:** During this expansion, American industrial output has grown almost 41 percent compared with overall economic growth of 29 percent. This is almost double Europe's growth rate in industrial output.

- **Higher national saving and investment:** During the first eight months of fiscal year 1989, the Federal Government budget deficit ~~is~~ was less than during the same period in the previous fiscal year. Partly due to the discipline of GRH, the Federal deficit has declined from 5.4 percent of GNP in fiscal year 1985 to about 2.9 percent this fiscal year. The personal saving rate has risen to 5.4 percent in the first quarter of 1989 ~~from its recent low of 2.2 percent in the second quarter of 1987.~~ Business fixed investment as a percent of real GNP has risen ~~from a recent low of 11.1 percent in the first quarter of 1987~~ to 12.3 percent in the first quarter of 1989.

spellout.

why point this out?

- **Inflation under control:** Consumer price inflation has remained under 5 percent ~~for the past 7 years~~, and the recent slowing in economic growth to a sustainable rate will lessen price pressures in the near future. The

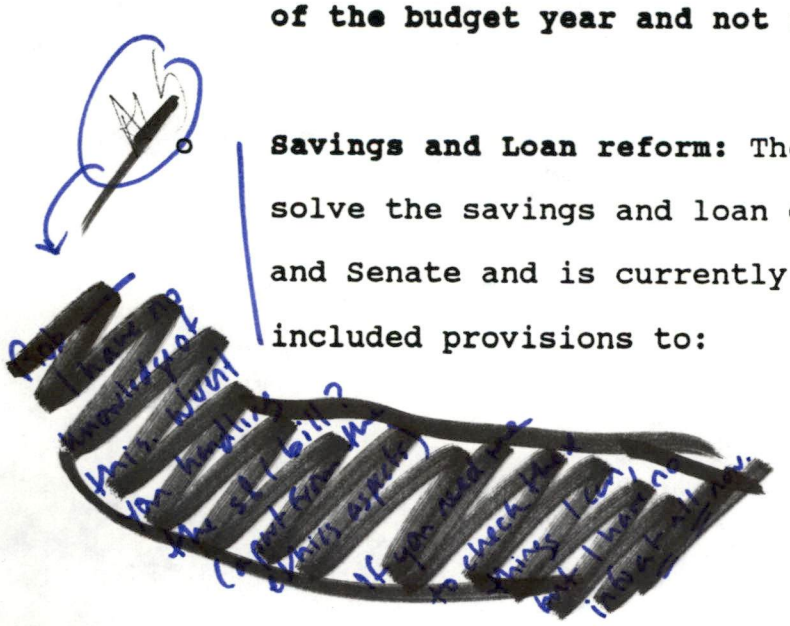
Administration and the Federal Reserve share the goal of ultimately achieving price stability.

ACTION BY THE ADMINISTRATION:

- **Presenting a budget:** The President put forth a budget ~~which~~ that addresses our fundamental obligations for the protection of national security and support of the needy, while providing sufficient funds to advance high-priority initiatives. The President's budget restrains overall growth of spending and meets the Gramm-Rudman-Hollings targets -- with no new taxes in fiscal year 1990.

- **Reaching a budget agreement with Congress:** The President and Congress announced on April 14 a budget plan to reduce the estimated fiscal year 1990 deficit by about $64 billion below the fiscal year 1989 deficit. The deficit will be reduced to $99.4 billion, as required by the Gramm-Rudman-Hollings law. **This is the first budget agreement reached before the start of the budget year and not framed in the context of crisis.**

- **Savings and Loan reform:** The Administration's proposal to solve the savings and loan crisis was passed by the House and Senate and is currently in conference. The proposal included provisions to:



- -- Assure the financial integrity of deposit insurance by raising the annual premium rate for both commercial banks and S&Ls.
- -- Resolve the status of existing insolvent banks in an orderly fashion.
- -- Improve supervisory control by bringing S&Ls up to the same standards applied to commercial banks.
- -- Enhance the enforcement of bank fraud provisions.

o **Solution of the international debt problem:** The Administration has taken the lead in finding a way to reduce the debt burden of developing countries. With the Administration's encouragement, the IMF and World Bank have set aside funds to aid debt reduction in conjunction with their ongoing programs to promote investment, growth, and the return of flight capital to these countries.

o **Capital gains tax rate cut:** The re-establishment of a capital gains differential will encourage capital formation, saving, and job formation. The President has sent to the Congress a proposal which includes:

- -- A 45 percent capital gains exclusion for qualified capital gains, making the maximum capital gains tax rate 15 percent.
- -- A phased-in increase in the qualifying holding period from one year to three years.

-- An exemption from the capital gains tax for families earning under $20,000.

- **Minimum wage proposal:** The President believes in keeping job opportunities available for youth and for those seeking to enter the economic mainstream. The across-the-board increase in the minimum wage which was proposed by Congress would have had an adverse economic impact and cut job opportunities drastically. Because of this, he vetoed the bill passed by Congress.

- **International Trade:** The Administration is forcefully promoting the opening of world markets. It successfully broke a stalemate in international trade talks and advanced its proposal to correct and prevent trade distortions in agriculture. It is engaged in bilateral trade talks with important trading partners to encourage them to open their markets to our exports. Together these efforts should greatly expand opportunities for U.S. exports.

- **Agricultural initiatives:** The Administration has announced additional advance deficiency payments of 10 percent available to producers of wheat, feed grains, rice and upland cotton. In addition, a top-level Working Group on Rural Development was established by the President to focus on an action-oriented agenda.

- **Clean Air:** The Administration transmitted to the Congress on July 21 a Clean Air Act ~~which~~ that will harness the power of the marketplace in achieving the goals of the act in the most cost-effective manner possible.

be more definite — e.g. a cleaner environment

SEIZING INTERNATIONAL OPPORTUNITIES FOR PEACE

President Bush is committed to a strong American role of world leadership and sees in present global trends an unprecedented opportunity for strengthening both world peace and the cause of freedom. He has taken the initiative to seize that opportunity.

ACTION BY THE ADMINISTRATION:

Not a felicitous juxtaposition, I'd delete the whole seize the opportunity sentence.

- **"Europe Whole and Free":** In a series of major speeches in April and May, the President outlined a vision of a new Europe -- secure, prosperous, whole and free -- vindicating four decades of Western policies.
  - -- **Western Europe:** As the European Community heads toward a single market in 1992, and ~~also~~ develops its political institutions and a more coordinated approach to foreign policy, the President has pledged his support for close cooperation with the EC and its member states. ~~We see~~ The resurgence of Western Europe

~~as~~ is a triumph of Western values and principles. ~~We welcome its success, confident that a~~ A mature partnership will serve mutual interests.

-- **Eastern Europe:** As Poland and Hungary take unprecedented steps of reform, permitting first steps toward pluralism, democracy, and market economic policies, the United States has signaled its strong support. Offering political and moral support as well as economic incentives, the President proposed:

-- **Poland:** Following up on the program the President announced earlier this year in Hamtramck, Michigan, he called for action to declare Poland a beneficiary country under the U.S. Generalized System of Preferences. ~~OPIC~~ will be authorized to operate in Poland, and the US is proposing a private business agreement that will promote contacts between the private sectors of both countries. The President will ask Congress to provide a $100 million fund to help capitalize the Polish private sector, and encourage the World Bank to move ahead with new loans to help Polish agriculture and industry. Finally, he will ask Congress for $15 million in a cooperative venture with Poland to help fight air and water pollution in Krakow. He has encouraged our friends in the Paris Club to provide more liberalized terms in rescheduling Polish debt.

-- **Hungary:** The President will ask the Congress to authorize a $25 million fund as a source of new capital to invigorate the Hungarian private sector. Pending the passage of new emigration legislation in the Hungarian Parliament, the President will inform Congress that Hungary has been released from the restrictions of the Jackson-Vanik Amendments, allowing more liberal access to the American market. The President also offered access to the Generalized System of Preferences. He called for OPIC to operate in Hungary, and called for greater scientific, technical, educational and cultural exchanges between the US and Hungary. The President said that the US will open an American House in Budapest, and will seek to establish an International Environmental Center for Central and Eastern Europe, in Budapest as well. Finally, he announced that the Peace Corps would operate in Hungary [-- the first time in a European country.] —significance?

-- **The Economic Summit in Paris:** The mission of the President's historic visit to Poland and Hungary in early July, and of the President's successful effort at the Paris Economic Summit, was to promote concerted actions in areas of mutual concern among the industrial democracies. The ~~unity of the~~ industrial democracies ~~was~~ their unity demonstrated, as they dealt with a variety of issues from the economy to East-West strategies to

global environmental issues. Similarly, the solidarity of the democracies was demonstrated earlier at the NATO summit, as the North Atlantic allies dealt with arms control initiatives.

-- Throughout the trip, the President declared that we face a historic opportunity to lower the barriers that have kept Europe divided. The Cold War began over Eastern Europe, and if it is to end, it must end there as well.

o **"Beyond Containment":** Seeing a historic process of change also in the Soviet Union, the President has declared his intention to move beyond the successful policy of containment of Soviet power to a new policy whose goals is integrating the Soviet Union into the world community as a constructive partner. Constructive changes so far in Soviet policies -- in human rights, economic reforms, and settlement of some international conflicts -- need to be encouraged and broadened. The United States will be ready to respond to such further developments. Already:

-- The US-Soviet dialogue on conflicts in regions of the Third World has resumed intensively, with regular meetings at the level of Assistant Secretary of State.

-- A US-Soviet dialogue has begun on a new range of global problems which require global cooperation, such as terrorism, the environment, and narcotics.

-- In arms control, the pace of negotiations has accelerated, with new American initiatives on Conventional Forces in Europe (which the President unveiled at the NATO Summit), on banning chemical weapons, and on strategic arms reduction.

o **China:** In response to the tragic suppression of the democratic movement in China, the President ordered the suspension of all government-to-government sales and commercial exports of weapons, suspension of visits between US and Chinese military leaders, sympathetic review of requests by Chinese students in the United States to extend their stay, and review of other aspects of US-PRC bilateral relations. The President's policy is to signal that we cannot condone repression, but also to preserve the basic elements of a relationship that has itself played a major part in China's recent policy of reform and openness as well as being of enormous strategic importance.

o **Bipartisan Accord on Central America:** The President and Congressional leaders agreed on March 24 on a bipartisan strategy for peace and democracy in Central America:

-- Regional peace: The President and Congress agreed that the region's democracies deserve our support, that Nicaragua's subversion of its neighbors must end, and

that Soviet support for violence and subversion in the hemisphere must also end.

-- Humanitarian aid: Congress agreed to support the Administration's request for continued humanitarian assistance for the Nicaraguan Democratic Resistance at current levels through the elections in Nicaragua scheduled for February 1990.

-- Democracy: The Communist Sandinistas are being put to the test next February -- to permit a real democratic contest for political power, fulfilling the promises of democratic pluralism that they have made (and broken) so often before.

o **Middle East Peace Process:** The Administration is supporting the Middle East parties in efforts to launch a peace process. Our approach is based on the concept of Palestinian elections in the occupied territories, which we believe can be a step toward a comprehensive peace settlement that assures Israel's security and the legitimate political rights of the Palestinians.

o **Initiative on Third World Debt:** The President's initiative to strengthen the international strategy on Third World debt has already received broad support from both industrial and developing countries. The approach is designed to promote sustained growth in developing countries by:

-- Emphasizing sound market-oriented economic policies in debtor countries, particularly measures to promote investment and repatriation of flight capital;

-- Increasing the focus on debt and debt service reduction to complement new lending by commercial banks;

-- Using resources from the World Bank and IMF to catalyze voluntary debt and debt service reduction by the commercial banks.

o **GATT:** In the Uruguay Round of GATT trade negotiations, progress has been made toward a multilateral agreement reducing trade barriers to exports.

o **Bilateral Meetings:** The President has met with a total of XXX foreign leaders while in office, including 18 bilateral meetings during the trip to Emperor Hirohito's funeral, XX during the NATO Summit, and XX on the trip to Poland, Hungary, the Netherlands, and the Economic Summit.

INVESTING IN OUR FUTURE

EDUCATION

The President's actions to improve education are guided by **four key principles**: that **excellence** and success in education should be recognized and rewarded; that federal funding should be targeted to those who **need** it most; that **choice and flexibility** -

- for educators, parents and students -- are important to educational reform and to achieving excellence; and finally, that greater **accountability** is needed in the education system to assure that students are actually receiving the highest quality education.

ACTION BY THE ADMINISTRATION:

- The President proposed and sent to the Congress a comprehensive education package, **The Educational Excellence Act of 1989** which includes seven initiatives:
  - -- **The Presidential Merit Schools program** -- to reward schools that have made substantial progress in raising students' educational achievement, creating a safe and drug-free school environment, and reducing the drop-out rate.
  - -- **A new Magnet Schools of Excellence program** -- to support the establishment, expansion or enhancement of magnet schools, increasing parental choice and improving quality education.
  - -- **The Alternative Certification of Teachers and Principals program** -- to assist States interested in broadening the pool of talent from which to recruit teachers and principals.

-- **President's Awards for Excellence in Education** -- to be awarded to public and private school teachers in every state who meet the highest standards of excellence.

-- **Drug-free Schools Urban Emergency Grants** -- to provide special assistance to selected urban school districts that are disproportionately affected by drug trafficking and abuse.

-- **A National Science Scholars program** -- to provide college scholarships to high school seniors who have excelled in the sciences and mathematics.

-- **Additional Funding Authorization for Endowment Matching Grants at Historically Black Colleges and Universities** to strengthen HBCUs by building endowments, an especially effective way to create financial strength and long-term security.

THE ENVIRONMENT

President Bush, a long-time environmentalist, has taken strong action to protect the environment. He is working shoulder-to-shoulder with Interior Secretary Lujan, Energy Secretary Watkins, and EPA Administrator Reilly on a number of fronts.

ACTION BY THE ADMINISTRATION:

- **Natural Gas Decontrol:** On July 26, the President signed into law the **Wellhead Decontrol Act of 1989**, which ends all remaining price controls on natural gas. This will phase out all federal price controls on natural gas.

- **Clean Air legislation:** President Bush transmitted to the Congress a sweeping program to ensure clean air for all Americans. The President's plan, transmitted to Congress on July 21, 1989, calls for the first revisions to the Clean Air Act since 1977 and is designed to curb three major threats to the nation's environment: acid rain, urban air pollution, and toxic air emissions.

  -- **Acid Rain:** Sulfur dioxide emissions that cause acid rain will be cut in half, by ten million tons, and nitrogen oxide levels cut by two million tons -- by the end of this century. Companies will be allowed to trade credits among themselves for reductions they make, so that they can decide how to bring aggregate emissions down as cost-effectively as possible.

  -- **Urban Air Pollution:** By employing a mix of federal measures and state initiatives, this legislation will sharply cut air pollution in our cities. The federal measures alone will cut hydrocarbon emissions -- which contribute to urban ozone -- virtually in half.

Currently, 81 cities don't meet Federal air quality standards. This legislation will bring clean air to all but 25 cities by 1995 -- and within 20 years, even to Los Angeles, Houston and New York.

In the nine urban areas with the greatest smog problems, smog will be cut through alternative fuels and clean-fueled vehicles. The President is calling for the phased in introduction of a half a million clean-fueled vehicles in 1995, building up to a million in 1997, through 2007.

To the maximum extent feasible, automobile and fuel companies will be allowed to trade reduction credits among themselves.

-- **Toxic Air Emissions:** All categories of airborne toxic chemicals should be cut by 75 percent by the year 2000. In its first phase, this initiative should eliminate about three-quarters of the needless deaths from cancer that are suspected to have been caused by toxic industrial air emissions.

Until now, because of an unworkable law, the EPA has been able to regulate only seven of the 280 known air toxics. These reforms will allow EPA to do its job better, and will apply the most advanced industrial technology available to control these airborne poisons. The legislation promises certifiable progress in

regulating sources of toxic air emissions on a set schedule.

- **Alaskan oil spill:** A Cabinet-level team was sent to assess the Alaskan oil spill, and a joint federal-state resource recovery team was convened. The National Transportation Safety Board is investigating the accident itself. Exxon has accepted responsibility for paying for the cleanup, and for employing local civilian personnel necessary to control further damage. EPA Administrator Reilly is coordinating the long-range planning to restore the environment of Prince William Sound, and the President has ordered a review of existing contingency plans for accidents such as this.
  - -- The President has set up a special task force to address environmental concerns about oil and gas drilling off the coasts of California and Florida.
  - -- The Administration transmitted to the Congress a comprehensive oil spill liability bill, to XXX (call Transportation)

- **Cleaning up hazardous wastes:** The President announced he will be seeking new legislation to give the United States Government authority to ban all exports of hazardous waste except where an agreement exists with the receiving country providing for the safe handling and management of those wastes.

- Also, Secretary of Energy Watkins has put forth a plan of action to identify and prioritize clean up of defense and civilian radioactive waste.

- **Superfund:** The President is reinvigorating the Superfund hazardous waste clean-up program by directing EPA to take a number of actions, including more aggressive action to force private parties to clean up sites, stepped-up cost recovery, and better use of existing emergency cleanup authorities. EPA is also now finishing a priority review of Superfund to improve its operation.

- **Ozone depletion:** The President has called for a total worldwide phaseout of CFCs by the year 2000, provided safe substitutes are available, in order to prevent further damage to the earth's protective ozone layer.

- **Clean water and coastlines:** The EPA has started a tracking system for medical wastes and the Justice Department has started a task force to prosecute these abuses -- the first step in a comprehensive program to help keep our beaches clean. The President is committed to end ocean dumping of sewage sludge by 1991.

- **Wetlands:** The President is committed to "no net loss of wetlands" and is directing his agencies to work toward that goal. He has also proposed $206 million in his budget to expand our parks and wildlife refuges.

COMBATTING VIOLENT CRIME

The President is working to strengthen the nation's criminal justice system and the Federal, state, and local law enforcement partnership.

Four principles underlie the goals of our criminal justice system and the means for accomplishing them: First, to protect citizens and their property; to hold those who commit violent crimes accountable for their actions; to have as the objective of our criminal justice system the swift and certain apprehension, prosecution and incarceration of those who break the law; and finally, to ensure a sustained, cooperative effort by Federal, State and local law enforcement authorities.

ACTION BY THE ADMINISTRATION:

- On May 15, 1989, President Bush transmitted to Congress **The Comprehensive Crime Control Act of 1989** to combat violent crime. Elements of the legislation include:

-- **Strengthening Current Laws:** The President is calling on Congress to double the mandatory minimum penalties -- from five years to ten years in Federal prison -- for the use of semi-automatic weapons in violent crimes or drug felonies.

In addition, the Attorney General has been directed to advise America's prosecutors to end plea bargaining for violent Federal firearms offenses.

President Bush called on Congress to enact the steps necessary to implement the death penalty for the most serious Federal crimes, and urged state Governors to match these Federal initiatives -- new mandatory sentencing, tougher rules on plea bargaining, and implementing the death penalty -- in the States.

-- **Controlling Certain Semi-Automatic Weapons:** The President also announced that the Administration has made permanent the temporary suspension on the importation of any semi-automatic weapons which fail to meet the criteria specified in the Gun Control Act of 1968; he also called for the closing of loopholes which allow access to such guns by certain classes of criminals. The President introduced legislation prohibiting the importation, manufacture, sale or transfer of gun magazines of more than 15 rounds.

-- **Augmenting Enforcement:** The President has directed the Attorney General and the Treasury Secretary, working

together with state and local authorities, to launch a comprehensive, coordinated offensive against America's most violent criminals.

President Bush requested funding for hiring 825 new Federal agents and staff -- 375 at the Bureau of Alcohol, Tobacco and Firearms; 300 at the FBI; and 150 Deputy U.S. Marshals. This offensive, including State and local enforcement authorities, will target violent criminals and repeat offenders.

-- **Enhancing Prosecution:** The President proposed increased funds for the U.S. Attorneys Offices to support 1,600 new prosecutors and staff, and increased funds for the Justice Department Criminal Division to support 168 new positions, to handle drug cases, weapons offenses and other priority matters.

-- **Expanding Prison Capacity:** The President proposed an additional $1 billion for Federal prison construction, bringing the total FY 1990 budget to over $1.5 billion. This will add 24,000 new Federal prison beds to the current 31,000 beds, an increase of nearly 80%.

FIGHTING DRUG ABUSE

We have begun a new war on drugs in this country. The President believes a **four-pronged approach** is key: **education, rehabilitation, interdiction and enforcement.** The policy of

this Administration is **"zero tolerance."** No amount of illegal drug use is acceptable. This means dealing with both supply and demand.

ACTION BY THE ADMINISTRATION:

- **Budget:** The Administration is requesting $6 billion in funding for FY 1990 to fight the drug war, increasing outlays by nearly $1 billion for drug education, treatment and enforcement.

- **Education:** 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.

- **Rehabilitation:** Funding for drug abuse treatment will be increased 18 percent. The Administration is proposing over $700 million to expand the nation's capacity to provide treatment, particularly to the indigent, disadvantaged, youth, and expectant mothers.

- **Interdiction and enforcement:** 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.

Substantial increases are requested in funding to strengthen inspection, interdiction, intelligence efforts and crop eradication programs, such as Operation Polar Cap, a federally led effort which broke up a $1.2 billion drug money-laundering operation. The President strongly supports the death penalty for drug kingpins who commit drug-related murders, and will appoint judges who will strongly enforce the drug penalty laws.

- **Public housing:** The Bush Administration is working to make public housing drug free, to protect the rights of the vast majority of decent, law-abiding public housing residents. The Department of Housing and Urban Development has acted:
  - -- To modify its lease and grievance procedures to facilitate eviction of those involved in drug related criminal activity;
  - -- To make drug use and trafficking a lease violation subject to eviction proceedings;
  - -- To target federal assistance to anti-drug security measures;
  - -- To revoke federal housing subsidies from those dealing in drugs;
  - -- To involve the private and voluntary sectors in efforts to rid public housing of drugs and give residents, especially young people, a stake in their communities and their futures.

- In addition, **the Office of National Drug Control Policy has responded to the drug emergency in the District of Columbia** by expanding the Metropolitan Area Task Force, working for more prisons, providing FBI support in enforcement, and providing the assistance of the National Institute on Drug Abuse to local treatment efforts. The Department of Education will provide the District with 50 percent more funds for drug prevention programs in city schools. The Department of Labor will provide support for employee assistance programs and work with the business community to increase job training for youth.

WORKING FOR A KINDER, GENTLER AMERICA

CHILD CARE

The changing nature of American society heightens the need for quality, affordable, accessible child care. President Bush wants to put **choice** in the hands of parents so that they -- not government -- have the power to select the best and safest environment for their children.

ACTION BY THE ADMINISTRATION:

- **Child care:** The President has transmitted to the Congress a child care package, the **Working Family Child Care Assistance Act of 1989** which:
  - -- Provides a new refundable child care tax credit of up to $1000 per child under four, for low and moderate income working families.
  - -- Makes the existing Child and Dependent Care Tax Credit refundable.
  - -- Does not discriminate against religious- and family-based child care.

- The President has directed Secretary of Labor Dole to study the market for liability insurance to determine if liability ~~issues~~ problems? impair child care.

- **Head Start:** The President has also transmitted legislation to the Congress which would increase the FY 1990 authorization for Head Start by $250 million; this will pay for enrollment of up to 95,000 more four-year-olds in the program.

NATIONAL SERVICE

The President's strategy for overcoming the disintegration of communities across America -- not through a federal government program, but a nationwide service movement -- has three facets: First, to issue a call to action; second, to identify, enlarge and recreate what is working; and third, to discover and encourage new leaders.

ACTION BY THE ADMINISTRATION:

o **~~The Call to Action~~:**

-- President Bush called on **all Americans and all American institutions,** large and small, to make service of central value in their daily life and work;

-- **All heads of business and professional firms** to include community service among the factors considered in making hiring, compensation and promotion decisions;

-- **Newspapers, magazines, radio and television stations, cable systems, and other media institutions** to identify service opportunities, spotlight successful service initiatives and profile outstanding community leaders regularly;

-- **All state and local education boards** to uphold the value of service and to encourage students, faculty and personnel to serve others;

-- **College and university presidents** to recognize the value of community service in considering applicants, and to encourage and uphold the value of community service; and

-- **and not-for-profit service organizations** to build the capacity to absorb increasing numbers of volunteers in purposeful roles.

o **Identifying, Enlarging, and Recreating What is Working:** The President announced the formation of a foundation called the **Points of Light Initiative,** of which he will serve as Honorary Chairman. Formed to identify and build upon what is working, the Foundation will be a magnet for the best ideas and brightest programs in community service. The Administration will ask Congress for $25 million annually to support this Initiative, which will, in turn, seek matching funds from the private sector. The President has also encouraged all governors and mayors nationwide to join the movement by forming State and local Points of Light working groups composed of outstanding leaders.

-- Through a Foundation initiative called the **ServNet Project,** professional firms, corporations, unions, schools, religious, civic and not-for-profit groups will be asked to donate the services of some of their most talented and promising people for a period of time. Peer-to-peer working groups will be formed to

bring examples of successful initiatives and providing training, technical assistance and other support to enable other institutions to devise similar initiatives.

-- Another Foundation initiative, the **ServLink Project**, will help improve existing methods of matching would-be volunteers with purposeful service opportunities. ServLink will stimulate the development through private sector resources of "technology links" between those who wish to serve and those needing service in the inquirer's own community.

-- The Foundation will also recognize successful community initiatives and outstanding leaders through two new Presidential Awards:

  -- The **National Service Youth Leadership Awards** will be given each year to individuals.

  -- The **President's Build a Community Awards** will honor those people and institutions who have worked together to rebuild families or to revitalize communities.

WELFARE REFORM

The Administration has developed a major new education and job training program to help recipients of Aid to Families with Dependent Children move off welfare and become economically self-sufficient.

ACTION BY THE ADMINISTRATION:

- **Welfare reform:** The Administration issued proposed rules on April 18 to **implement the major provisions of the Family Support Act of 1988.** The proposed rules are designed to:
  - -- **Target job training assistance** to those who are most likely to benefit and who are most at risk for long-term welfare dependency.
  - -- Provide **maximum level of flexibility** to AFDC parents in obtaining the type of **child care** that best suits their needs, consistent with the Administration's legislative proposals on child care.

- **JOBS Program:** The Administration is proposing to spend $3.3 billion over the next five years implementing the JOBS program. The changes will pay benefits in the future by reducing the number of individuals on welfare. It is estimated that 138,000 families will be able to leave

welfare rolls over the next five years as a result of this program.

EXPANSION OF MEDICAID

The Administration is committed to health care for the disadvantaged, calling for full funding of Medicaid, $37.6 billion for FY 1990, an increase of $3.3 billion, or 9.6 percent over the FY 1989 level.

ACTION BY THE ADMINISTRATION:

- **Expanding Medicaid:** On April 18, the Administration forwarded to Congress proposed legislation to make federal programs better serve pregnant women, infants and children. The legislation would expand the population Medicaid serves, making Medicaid available to 1.9 million more women when they became pregnant. The legislation would:
  - -- Increase by 374,000 the number of pregnant women and children eligible for Medicaid.
  - -- Foster greater participation in Medicaid by eligible pregnant women by providing services to pregnant women who are presumed eligible for Medicaid before a formal eligibility determination is made; and by requiring States to operate outreach programs in areas of high infant mortality.

-- **Entitle all children under age 6 who are receiving Food Stamps to Medicaid coverage for immunizations.**

-- **Make the Federal match rate for State administration expenses a uniform 50 percent by gradually reducing special administrative match rates ranging from 75 to 100 percent. The savings that would result would allow the legislative eligibility changes proposed by the President to be implemented within the current program's spending level.**

HOUSING/HOMELESSNESS

President Bush has taken a number of steps to create an "opportunity society" of jobs, growth, housing and hope for Americans in need of a helping hand.

ACTION BY THE ADMINISTRATION:

o **Homelessness:** ((In his FY 1990 budget)), the President has proposed to provide over $1 billion in federal resources to help end homelessness and pave the way to jobs, permanent housing, health care and human dignity. President Bush's proposal calls for fully funding the McKinney Homeless Assistance Act and for a new $50 million matching grant

program to promote public/private partnerships to assist homeless families and the mentally ill.

- **Enterprise zones:** President Bush has called for enactment of enterprise zone legislation, to give urban and rural areas the opportunity for jobs and hope for the future. President Bush asked Congress to enact labor and capital-based incentives to create jobs and entrepreneurial activity in our most distressed communities.

- **Affordable housing:** President Bush is committed to making housing more affordable for low-income families, and to provide homeownership opportunities to the disadvantaged and to young families. President Bush proposes to assist 109,000 new families in need of low-income housing, and has pledged to maintain assistance to those families already being helped. President Bush has also signalled his commitment to helping poor residents in public housing to become homeowners through resident management and ownership programs.

Relation? Also not really suited to heading (p. 24)

ETHICS AND CIVIL RIGHTS

bizarre juxtaposition

High ethical standards and civil rights for all Americans are central to this Administration, and we will enforce them --

strictly, comprehensively, fairly, and to the letter and spirit of the law.

ACTION BY THE ADMINISTRATION:

RTP

- **Campaign Finance Reform:** The President's comprehensive campaign finance proposal is designed to lessen the power of special economic interests and restore competition to American Congressional elections. The package, which seeks to increase the role of individuals and political parties in the electoral process, has four facets:
  - -- **Eliminating political action committees (PACs)** supported by corporations, unions or trade associations, and prohibiting such entities from paying for the overhead or administrative costs of any independent PAC.
  - -- **Strengthening political parties by increasing the amounts they can spend on behalf of congressional candidates.** This source of funds would permit legislators to spend less time fundraising, would ensure that challengers have greater resources with which to challenge incumbents, and would further limit the role of special economic interests in elections.
  - -- Addressing the problem of the "permanent Congress" by **reforms designed to reduce the unwarranted advantages of incumbency.** Specifically, the proposals would

prohibit the personal use of excess campaign funds, drastically reduce Congressional mailings under the frank, ban the rollover of campaign funds from one election cycle to the next, and **legislate fair neutral criteria for the redistricting** of Congressional and legislative lines that will follow the 1990 census.

-- **Fully disclosing all soft money** spent by the political parties and all labor unions, corporations and trade associations to influence a federal election.

AB

o **Ethics:** The President issued an **Executive Order** creating the **President's Commission on Federal Ethics Law Reform,** which On ~~March 9, the Commission filed its report and~~ submitted its recommendations to the President on March 9. Responding to the Commission's work, the President ~~**Legislation was sent April 12th to the Congress, and the President**~~ **issued an Executive Order announcing ethical principles for the conduct of executive branch employees.** The President's proposals include on April 12 sent to Congress a sweeping ethics bill and simultaneously

Reorder these bullets as noted.

(7) -- **A ban on outside earned income** for non-career Presidential appointees in the executive branch, including all employees in the immediate White House Office.

(1) -- **Expanded financial disclosure** for all three branches of government.

(8) -- **Prohibition of the conversion of political contributions** for personal or office use.

(2) -- **Deferral of tax liability** when an individual is required by his or her agency to divest assets in order to avoid conflicts of interest.

(3) -- Strengthened **rules against abusing the revolving door for private gain at the expense of the public trust.** These rules would also apply for the first time to the legislative branch.

(4) -- **A 25 percent pay raise for federal judges** was proposed in separate legislation submitted April 12, while the ethics reform legislation restricts their acceptance of honoraria. ~~President Bush believes that honoraria for Members of Congress should be banned; however, the President will not formalize that proposal until after he consults with Congress on that issue and their pay raise. He will include in that discussion the question of a pay increase for certain executive branch positions~~.

out of date →

(6) -- The extension of the **Independent Counsel statute to cover the Congress,** and the creation of an independent nonpartisan Congressional Ethics Office.

(5) -- The extension of the federal statute that prohibits employees from taking actions that enhance their own financial interest to cover legislative and judicial branch employees.

-- **The establishment of an independent ethics office for the Congress**, to be headed by a clearly nonpartisan official, confirmed by both houses.

-- The application of the existing **one-year post-employment "cooling-off" period** for senior executive-branch employees to the legislative and judicial branches.

o **Whistleblower protection:** The President supports public servants who revere the trust placed in them by the American people. On April 10, the President signed S. 20, the **"Whistleblower Protection Act of 1989."** This law will strengthen the protections and procedural rights available to those federal employees who report misdeeds and mismanagement.

-- This new law will enhance the authority of the Office of Special Counsel, and whistleblowers will also now be allowed to take their cases to the Merit Systems Protection Board.

-- The statute alters the legal burdens of proof, making it easier for employees to be vindicated when they are wrongfully penalized by their supervisors for whistleblowing activities.

- **Civil rights:** The Administration has taken a number of actions to protect the civil rights of all Americans, including several court actions in key civil rights cases.
  - -- On March 8, the Department of Justice endorsed the objectives of the Hate Crimes Bill and voiced no opposition to the bill's enactment. The Hate Crimes Bill provides for the collection of data about crimes motivated by race, religion, ethnicity or sexual orientation.
  - -- On March 13, Attorney General Thornburgh announced the filing of Federal housing discrimination lawsuits seeking monetary damages and civil penalties under the expanded enforcement authority of the Fair Housing Amendments Act of 1988.

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