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THE AMERICAN BUSINESS CONFERENCE
THE DEPARTMENT OF COMMERCE
TUESDAY APRIL 9, 1991
2 P.M.

THANK YOU, BOB, FOR THAT INTRODUCTION AND FOR
LENDING US A MEETING ROOM TODAY. AND I ALSO WANT TO
SALUTE THE AMERICAN BUSINESS CONFERENCE'S LEADER, JIM
JONES. WHAT A JOB HE'S DOING! WE ALSO HAVE SOME HEAVY
HITTERS IN THE FRONT ROW: RICHARD BREEDON, BILL
SEIDMAN, SEN. DOMENICI.

IT'S ALWAYS GREAT TO TALK TO THE AMERICAN BUSINESS
CONFERENCE. I'VE BEEN HERE FOUR TIMES IN RECENT YEARS,
AND I'VE LANDED AT LEAST TWO OF YOUR LEADERS -- BOB
MOSBACHER AND ARTHUR LEVITT. //

IT'S AN HONOR AND A PLEASURE TO TALK TO A GROUP
THAT STANDS FOR SUCCESS -- A GROUP THAT ADMITS ONLY
MEDIUM SIZED COMPANIES THAT THRIVE IN THE MARKETPLACE.

BUT I'VE GOT TO TELL YOU, I FEEL A LITTLE FUNNY
BEING HERE. AFTER ALL, I'M THE CEO OF AN OUTFIT THAT
HAS LOST MONEY FOR 33 OF THE LAST 35 YEARS. //

BUT IN KEEPING WITH TODAY'S THEME -- CHARTING ECONOMIC GROWTH IN THE 90'S -- I'D LIKE TO TALK ABOUT THIS ADMINISTRATION'S PLAN FOR GENERATING MORE AMERICAN SUCCESS STORIES LIKE YOURS./

OUR RECENT SUCCESS IN THE GULF HAS RENEWED AMERICANS' BELIEF IN THEMSELVES. IN JUST THE PAST COUPLE OF MONTHS, CONSUMER CONFIDENCE HAS SOARED. THE STOCK MARKET HAS BEEN CLIMBING TOWARD THE 3,000 MARK. MOST ECONOMISTS PREDICT THAT THE RECESSION SOON WILL GIVE WAY TO A NEW CYCLE OF GROWTH.

BUT WE CAN'T REST ON OUR LAURELS: THERE'S AN ENTIRE WORLD OF COMPETITION OUT THERE. THE ADMINISTRATION'S ECONOMIC GROWTH PACKAGE IS DESIGNED TO LET PEOPLE LIKE YOU DO WHAT YOU DO BEST -- CREATE JOBS, CREATE NEW OPPORTUNITIES, CREATE WEALTH.

LET'S START WITH AN ISSUE WE ALL WILL HAVE TO ADDRESS IN THE NEXT MONTH, THE ISSUE OF FREE AND FAIR TRADE.

AS YOU KNOW, I HAVE ASKED CONGRESS TO EXTEND THE "FAST-TRACK" TRADE AUTHORITY.

FAST-TRACK IS ANOTHER TERM FOR "GOOD FAITH." IT GUARANTEES THAT CONGRESS WILL ACCEPT OR REJECT THE VERY SAME AGREEMENTS THAT OUR NEGOTIATORS AND THEIR COUNTERPARTS HAVE WORKED OUT. THIS DOESN'T WEAKEN CONGRESS' POWER TO REVIEW AGREEMENTS; IT SIMPLY PREVENTS ELEVENTH HOUR CHANGES THAT WOULD FORCE NEGOTIATORS FROM ALL COUNTRIES TO START FROM SCRATCH.

OUR TRADING PARTNERS CONSIDER FAST TRACK A VITAL TEST OF OUR RELIABILITY. IF WE DO NOT RETAIN THE FAST-TRACK PROCESS, WE JEOPARDIZE THREE CRITICAL TRADE INITIATIVES: THE URUGUAY ROUND OF TRADE TALKS, THE NORTH AMERICAN FREE TRADE AGREEMENT, AND THE ENTERPRISE FOR THE AMERICAS INITIATIVE.

AMERICANS UNDERSTAND THE BENEFITS OF FREE TRADE. IN THE LAST FOUR YEARS, EXPORTS FROM THE U.S. HAVE INCREASED 55 PERCENT, MORE THAN TWICE THE RATE OF IMPORT GROWTH. AND EXPORT BUSINESS HAS GROWN MORE RAPIDLY THAN THE REST OF OUR ECONOMY.

THIS TRADE BOOM HAS HELPED EVERYONE INVOLVED. A NORTH AMERICAN FREE TRADE AGREEMENT WOULD PLACE US IN THE LARGEST INTEGRATED MARKET ON EARTH: 360 MILLION PEOPLE, \$6 TRILLION OF ANNUAL OUTPUT. IT WOULD ALSO GIVE OUR NEIGHBORS ACCESS TO THE TECHNOLOGIES AND PRODUCTS THEY NEED TO IMPROVE THEIR STANDARDS OF LIVING / FURTHER CLEAN THEIR ENVIRONMENTS / AND CREATE A TRUE COMMUNITY OF NATIONS ON OUR CONTINENT.

WE ALSO BELIEVE STRONGLY IN PROMOTING TRADE. I HAVE ASKED BOB MOSBACHER TO LEAD A GOVERNMENT-WIDE EFFORT TO HELP SMALL- AND MEDIUM-SIZED COMPANIES SELL THEIR GOODS AND SERVICES ABROAD.

I KNOW YOU SUPPORT FREE TRADE, WHICH IS WHY I WANT YOUR HELP IN PERSUADING CONGRESS TO EXTEND THE FAST-TRACK PROCESS. WITHOUT IT, WE WILL SURRENDER OUR CHANCE TO SHAPE THE EMERGING WORLD ECONOMY. WITHOUT IT, WE RISK SETTING OFF THE KIND OF PROTECTIONIST WARFARE THAT HELPED PRODUCE THE GREAT DEPRESSION. WITH IT, AMERICAN WORKERS AND BUSINESSES WILL BE ABLE TO DEMONSTRATE THEIR STRENGTH IN A NEW AND VIBRANT WORLD MARKET.

THIS BRINGS ME TO A SECOND PART OF OUR GROWTH PACKAGE: CREATING AN EDUCATED, INNOVATIVE WORKFORCE.

OUR BUDGET EMPHASIZES THE IMPORTANCE OF BUILDING AN AMERICA THAT IS READY TO TAKE ITS PLACE IN AN EMERGING WORLD ECONOMY.

IT STRESSES THE ABSOLUTE NECESSITY OF AN EDUCATED NATION. WE WANT TO REINVENT THE AMERICAN SCHOOL, TO CREATE A NATION OF STUDENTS, TO MAKE SURE THAT EDUCATION OFFERS OPPORTUNITY TO EVERYONE.

OUR EDUCATION STRATEGY STARTS WITH SOME OBVIOUS TRUTHS: THAT SCHOOLS SUCCEED WHEN TEACHERS TEACH,

WHEN PARENTS SUPPORT THE SCHOOLS / WHEN SCHOOLS ACCEPT HELP FROM PEOPLE WITH SKILLS -- LOCAL BUSINESSES, COMMUNITY COLLEGES, THAT HUGE POOL OF UNTAPPED TALENT, OUR RETIREES /

WHEN COMMUNITIES FIGHT HARDER TO RIP DOWN BARRIERS THAT PREVENT EFFECTIVE TEACHING -- BARRIERS SUCH AS CRIME, DRUGS AND COMMUNITY INDIFFERENCE.

WE ALSO WANT TO ENCOURAGE ENTREPRENEURSHIP IN EDUCATION. WE WILL SUPPORT RESEARCH INTO THE BEST TEACHING METHODS AND TECHNIQUES. WE WANT TO HELP WORKERS IMPROVE THEIR KNOWLEDGE AND SKILLS. YOUR VITAL LINK PROGRAM OFFERS A GREAT WAY TO ACHIEVE THIS GOAL. AND WE WANT TO ENSURE THAT THE AMERICAN PEOPLE ARE THE BEST EDUCATED, BEST MOTIVATED IN THE WORLD. //

OUR ECONOMIC PROPOSALS ALSO SWEEP AWAY OBSTACLES TO FREE ENTERPRISE. THEY TRY TO UNLEASH THE POWER OF THE AMERICAN IMAGINATION.

YOUR ORGANIZATION UNDERSTANDS THAT RUNAWAY GOVERNMENT SPENDING STEALS OPPORTUNITY FROM PRIVATE CITIZENS. LAST YEAR'S BUDGET AGREEMENT PLACED REAL AND STRINGENT CAPS ON CONGRESSIONAL SPENDING. IF CONGRESS WANTS TO SPEND MORE MONEY ON CERTAIN PROGRAMS, IT WILL HAVE TO MAKE HARD CHOICES. IT WILL HAVE TO RAISE TAXES OR TAKE THE MONEY FROM OTHER PROGRAMS.

THIS YEAR, FOR THE FIRST TIME IN YEARS, FEDERAL SPENDING WILL ACTUALLY INCREASE LESS RAPIDLY THAN INFLATION. AND I CAN PROMISE YOU THAT IF CONGRESS SENDS ME SPENDING BILLS THAT BREAK THIS BUDGET, I WILL SEND THEM BACK -- WITH A VETO MESSAGE! //

BUT WE IN GOVERNMENT MUST DO MORE. AS VICE PRESIDENT, I HEADED THE TASK FORCE ON REGULATORY RELIEF. AS PRESIDENT, I REMAIN COMMITTED TO WEEDING OUT REGULATIONS THAT PREVENT PEOPLE FROM CREATING JOBS AND OPPORTUNITIES.

LAST YEAR REGULATIONS COST THE ECONOMY AT LEAST \$185 BILLION, OR \$1,700 FOR EVERY TAXPAYER. THE GOVERNMENT GENERATED MORE THAN 5.3 BILLION HOURS OF PAPERWORK LAST YEAR. THAT'S ENOUGH TO KEEP 2 MILLION PEOPLE BUSY DOING NOTHING BUT FILLING OUT FORMS.

OUR COUNCIL ON COMPETITIVENESS, CHAIRED BY THE VICE PRESIDENT, ATTACKS THE SCOURGE OF UNNECESSARY REGULATION. WE WANT TO LET PEOPLE TURN THEIR ATTENTION TO THE MORE IMPORTANT AND REWARDING WORK OF BUILDING A PROSPEROUS FUTURE.

WE HAVE FOLLOWED THE SAME APPROACH IN LOOKING AT OUR TAX CODE. WE WANT A TAX SYSTEM THAT REWARDS ENTERPRISE. I HAVE REPEATEDLY ASKED CONGRESS TO CUT OUR HIGH CAPITAL GAINS TAX.

I CAN'T THINK OF ANY ISSUE THAT'S BEEN MORE BADLY MISREPRESENTED THAN THIS ONE. OUR CRITICS SAY A CAPITAL GAINS CUT HELPS ONLY THE RICH. THEY'RE DEAD WRONG.

HERE ARE THE FACTS: MORE THAN A QUARTER OF ALL FAMILIES WHO FILE CAPITAL GAINS HAVE ANNUAL INCOMES OF LESS THAN TWENTY THOUSAND DOLLARS A YEAR. MORE THAN THREE-QUARTERS OF ALL FAMILIES WHO DECLARED MAKE LESS THAN MEMBERS OF CONGRESS. A CAPITAL GAINS CUT ISN'T A SOP TO THE RICH. IT REWARDS PEOPLE WHO TURN GOOD IDEAS INTO GOODS AND SERVICES THAT PEOPLE NEED.

WHEN TAXES ON ENTREPRENEURSHIP ARE HIGH, INVESTORS HAVE NO INCENTIVE TO RISK MONEY ON UNTRIED BUSINESSES AND ENTREPRENEURS. BEFORE CONGRESS CUT THE CAPITAL GAINS RATE IN 1978, THE POOL FOR START-UP BUSINESSES HAD VIRTUALLY DRIED UP. AFTER THE CUT, WE EXPERIENCED AN INVESTMENT BOOM. BETWEEN 1978 AND 1986, THE NUMBER OF INITIAL PUBLIC OFFERINGS INCREASED NEARLY 1,600 PERCENT, FROM 45 TO 719. THE AMOUNT OF INVESTMENT SEED MONEY INCREASED A HUNDREDFOLD, FROM \$250 MILLION TO \$22-AND-A-HALF BILLION. CAPITAL GAINS PAYMENTS TO THE FEDERAL GOVERNMENT QUADRUPLED. THIS IS WHAT HAPPENS WHEN YOU REDUCE THE COST OF CAPITAL.

WE MUST ENCOURAGE SAVINGS AND DISCOURAGE DEBT. FOR THE PAST FOUR YEARS, WE HAVE TAXED CAPITAL GAINS LIKE ANY OTHER FORM OF INCOME. AT THE SAME TIME, WE HAVE ENCOURAGED PEOPLE TO TAKE ON DEBT. NOT SURPRISINGLY, PEOPLE HAVE BORROWED MORE, INVESTED LESS. HOME EQUITY LINES OF CREDIT OFFER A PERFECT EXAMPLE. THESE DEVICES, WHICH LET HOMEOWNERS BORROW AGAINST THEIR INCREASED HOME VALUES, HAVE NEARLY TRIPLED IN VOLUME SINCE TAX REFORM.

NO OTHER MAJOR INDUSTRIAL POWER TAXES CAPITAL GAINS AT NEARLY THE RATE WE DO. GERMANY AND JAPAN ENJOY MUCH HIGHER SAVINGS AND INVESTMENT RATES IN PART BECAUSE THEY DON'T PUNISH SUCCESSFUL INVESTMENT.

MY POINT IS SIMPLE: TAXES ON GROWTH ARE TAXES ON THE AMERICAN DREAM. WE SHOULD CLEAR AWAY OBSTACLES TO THE AMERICAN DREAM.

SIMILARLY, WE SHOULD FOSTER INNOVATION WHEREVER WE CAN. OUR BUDGET ADVOCATES INCREASED FEDERAL SUPPORT FOR RESEARCH AND DEVELOPMENT IN BASIC AND APPLIED SCIENCE. IT ALSO ENCOURAGES PRIVATE-SECTOR INNOVATION BY EXTENDING THE RESEARCH AND EXPERIMENTATION TAX CREDIT. THIS ADMINISTRATION UNDERSTANDS THE POWER OF KNOWLEDGE, AND WE WANT THE TAX CODE TO REWARD PEOPLE WHO TURN THEIR BIG DREAMS INTO REVOLUTIONARY NEW GOODS AND SERVICES.

FINALLY, THIS ADMINISTRATION BELIEVES IN PROTECTING WORKERS' EARNINGS AND SAVINGS.

OUR BANKING REFORM PROPOSALS TRY TO MODERNIZE THE LAWS THAT AFFECT OUR BANKING SYSTEM. LET'S FACE IT: 1930'S REGULATIONS AND RESTRICTIONS JUST DON'T CUT IT IN THE 1990'S. TO PICK JUST ONE EXAMPLE, UNDER OUR CURRENT LAWS, A CALIFORNIA BANK CAN OPEN A BRANCH IN BIRMINGHAM, ENGLAND, BUT NOT IN BIRMINGHAM, ALABAMA.

THINK OF THE BANKING SYSTEM AS AN IRRIGATION NETWORK FOR THE ECONOMY. WHEN IT WORKS PROPERLY, IT NOURISHES THE SEEDS OF ECONOMIC GROWTH. WHEN IT DOESN'T, COMPANIES LIKE THE ONES REPRESENTED HERE CAN WITHER AND DIE.

OUR REFORM PACKAGE TRIES IN A COMPREHENSIVE WAY TO MAKE OUR BANKING SYSTEM MORE COMPETITIVE, UP-TO-DATE, SAFE, AND SOUND.

**WE ALSO BELIEVE IN PROTECTING RETIREES FROM UNDUE
HARDSHIP. EIGHT YEARS AGO, CONGRESS ADOPTED MEASURES
TO GUARANTEE THE SHORT-TERM SOLVENCY AND LONG-TERM
STABILITY OF THE SOCIAL SECURITY SYSTEM. CONGRESS
SHOULD RESIST ANY TEMPTATION TO UNDERMINE THAT
STABILITY BY PERMITTING RAIDS ON THE TRUST FUND
BALANCES. WE NEED TO HONOR OUR PROMISES TO WORKERS AND
RETIRES.**

**I KNOW I HAVE COVERED A LOT OF GROUND TODAY, BUT I
WANTED TO MAKE A POINT: OUR GROWTH PACKAGE ADDRESSES
THE CHALLENGES POSED BY A NEW / EXCITING / RAPIDLY
CHANGING WORLD. OUR THEMES:**

WE WANT TO PROMOTE GROWTH.

WE WANT TO CREATE JOBS FOR ALL AMERICANS.

**WE WANT TO UNLEASH THE POWER OF AMERICAN
IMAGINATION.**

**WE WANT TO IGNITE PEOPLE'S AMBITIONS, RATHER THAN
INCITING THEIR FEARS.**

**MANY PEOPLE CALL THE 20TH CENTURY "THE AMERICAN
CENTURY." WELL, WE SHOULD NOT BE CONTENT WITH THAT.**

**THE STUNNING COLLAPSE OF COMMUNISM IN 1989 WAS NO
ACCIDENT. DURING THE 1980'S THE COMMUNIST WORLD LEARNED
THAT NO WALL, NO BARRIER CAN FEND OFF POWERFUL IDEAS.
IT SAW OUR PROSPERITY AND OUR VITALITY. IT SAW THAT
OUR WAY IS BETTER. THE PROSPERITY OF THE 1980'S --
WHICH BEGAN WITH TAX CUTS AND PRO-GROWTH POLICIES IN
THE UNITED STATES -- TRANSFORMED THE WORLD.**

**OUR CHALLENGE NOW IS TO SHAPE THE REVOLUTION WE
STARTED, TO MAKE THE 21ST CENTURY THE NEXT AMERICAN
CENTURY.**

**I ASK YOUR HELP IN THAT QUEST. TOGETHER, WE CANNOT
FAIL.**

THANK YOU, AND GOD BLESS THIS GREAT NATION.

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

April 9, 1991

REMARKS BY THE PRESIDENT
TO THE AMERICAN BUSINESS CONFERENCE

The Department of Commerce
Washington, D.C.

2:07 P.M. EDT

THE PRESIDENT: Thank you very, very much. And, Bob, thank you, sir, for that introduction and for letting this distinguished group use this meeting room today. It's always a pleasure to be back here.

Let me also salute the ABC's leader, Jim Jones. What a job he's doing. But I remember his effectiveness in the leadership role in the Congress and I'm glad that those energies that he has are being used and shared by all of you. We have many distinguished visitors with us today, and I won't single them out. I was told that Bill Seidman and Richard Breedon were here. But as I look around, unless they're basking way back in anonymity somewhere, they may not have made it.

But in any event, I'm delighted to see this group. Great to talk to the American Business Conference. We did a little homework on this. And I've been here four times in recent years. And then, of course, we're privileged to have two of your own with us in the administration, Bob Mosbacher and Arthur Levitt.

And it's an honor and a pleasure to, as Bob says, talk to a group that stands for success -- a group that admits only medium-sized companies that thrive in the marketplace.

But I've got to tell you, I feel a little funny being here. After all, I'm the CEO now of an outfit that's lost money for 33 of the last 35 years. (Laughter.)

But in keeping with today's theme -- Charting Economic Growth in the '90s -- I'd like to talk about our administration's plan for generating more American success stories like your own.

Our recent success in the Gulf has renewed America's belief -- Americans' belief in themselves. In just the past couple of months, consumer confidence has soared. And the stock market, of course, has been climbing toward that 3,000 mark. Most economists predict that the recession soon will give way to a new cycle of growth. And, incidentally, our -- we agree with that assessment, inside.

But we can't rest on our laurels. There's an entire world of competition out there. The administration's economic growth package is designed to let people like you do what you do best -- create jobs, create new opportunities, create wealth.

Let's start with an issue that we all have to address in the next month. And I think Bob just talked about it -- Jim has been participating in a meeting with me in the Cabinet Room at the White House about it -- I'm talking about the issue of free and fair trade.

As you know, I have asked Congress to extend the Fast-Track trade authority.

Fast-Track, in my view, is another term for good faith. It guarantees that Congress will accept or reject the very same

MORE

agreements that our negotiators and their counterparts have worked out. And this doesn't weaken the Congress' power to review agreements; it simply prevents eleventh-hour changes that would force negotiators from all countries to start over -- to start from scratch.

Our trading partners consider Fast-Track a vital test of our reliability. And if we do not retain the Fast-Track process, we jeopardize three critical foreign trade initiatives: the Uruguay Round of trade talks, the North American Free Trade Agreement, and the Enterprise for the Americas Initiative.

Americans understand the benefits of free trade. In the last four years, exports from the United States have increased 55 percent, more than twice the rate of import growth. And export business has grown more rapidly than the rest of our economy.

This trade boom has helped everyone involved. A North American Free Trade Agreement would place us in the largest integrated market on earth: 360 million people, \$6 trillion of annual output. It would also give our neighbors access to the technologies and products that they need to improve their standards of living; further clean their environments; and create a true community of nations on our continent.

We also believe strongly in promoting trade. I have asked Bob Mosbacher to lead a government-wide effort to help small- and medium-sized companies sell their goods and services abroad. I know you support free trade, which is why I want to help you in persuading Congress to extend the Fast-Track process. Without it, we will surrender our chance to shape the emerging world economy. Without it, we risk setting off the kind of protectionist warfare that helped produce the Great Depression. And with it, American workers and businesses will be able to demonstrate their strength in a new and vibrant world market.

Let me say that we are approaching this Fast-Track process on the Hill in a totally nonpartisan manner. The Democratic leaders, several of the key Democratic leaders, are as enthusiastic about this Fast-Track authority granting as I am. And we're approaching it strictly because we believe that it is best for the United States of America. And I also know that it's good for our trading partners as well.

This brings me, then, to a second part of our growth package: creating an educated, innovative work force.

Our budget emphasizes the importance of building an America that is ready to take its place in an emerging world economy.

It stresses the absolute necessity of an educated nation. We want to reinvent the American school, to create a nation of students, to make sure that education offers opportunity to everyone.

Our education strategy starts with some very obvious truths: that schools succeed when teachers teach. When parents support the schools. When schools accept help from people with skills -- local businesses, community colleges -- that huge pool of untapped talent, our retirees. When communities fight harder to rip down barriers that prevent effective teaching, barriers such as crimes and drugs and community indifference.

And we also want to encourage entrepreneurship in education. We will support research into the best teaching methods and techniques. We want to help workers improve their knowledge and skills. Your Vital Link program offers a great way to achieve this goal. And we want to ensure that the American people are the best educated, best motivated in the entire world.

Our economic proposals also sweep away obstacles to free enterprise. What we're trying to do, we're trying to unleash the power of American imagination.

Your organization understands, I'd say better than most, that runaway government spending steals opportunity from private citizens. Last year's budget agreement -- controversial though it was -- placed real and stringent caps on congressional spending. If Congress wants to spend money now, more money on certain programs, it'll have to make the hard choices. It'll have to raise taxes or take the money from other programs.

This year, for the first time in years, federal spending will actually increase less rapidly than the inflation. And I can promise you that if Congress sends me these spending bills that break this budget, I will send them back, with a veto message. (Applause.)

But there's lots more to do. We in government must do more. As vice president, I headed the Task Force on Regulatory Relief. And as President, I remain committed to weeding out regulations that prevent people from creating jobs and opportunities. (Applause.) I see some know what over-regulation means. (Laughter.) But we're going to continue to do this and we must.

Last year regulations -- here's why -- last year regulations cost the economy at least \$185 billion or \$1,700 for every taxpayer. The government generated more than 5.3 billion hours of paperwork last year. And that's enough to keep 2 million people busy doing nothing but filling out forms.

Our Council on Competitiveness, as chaired by Vice President Quayle, attacks the scourge of unnecessary regulation. We want to let people turn their attention to the more important and rewarding work of building a prosperous future.

We've followed the same approach in looking at our tax code. We want a tax system that rewards enterprise. I have repeatedly asked the United States Congress to cut our high capital gains tax.

And I can't think of any issue that's been more badly misrepresented than this one. Our critics say that a capital gains cut helps only the rich. And in my view, they are dead wrong.

Here are the facts on it. More than a quarter of all families who file capital gains have annual incomes of less than \$20,000 a year. More than three-quarters of all families who declared make less than members of Congress. A capital gains cut isn't a sop to the rich. It rewards people who turn good ideas into goods and services -- goods and services that people need.

When taxes on entrepreneurship are high, investors have no incentive to risk money on untried businesses and entrepreneurs. Before Congress cut the capital gains rate in 1978, the pool for start-up businesses had virtually dried up. And after the cut, we experienced an investment boom. Between 1978 and 1986, the number of initial public offerings increased nearly 1600 percent from 45 to 719. The amount of investment seed money increased nearly a hundredfold, from \$250 million to \$22.5 billion. Capital gains payments to the federal government quadrupled. This is what happens when you reduce the cost of capital.

We must encourage savings and discourage debt. And for the past four years we've taxed capital gains like any other form of income. And at the same time, we have encouraged people to take on debt. Not surprisingly, people have borrowed more and invested less. Home equity lines of credit offer a perfect example. These devices, which let homeowners borrow against their increased home values have nearly tripled in volume since tax reform.

No other major industrial power taxes capital gains at nearly the rate we do. Germany and Japan enjoy much higher savings and investment rates in part because they don't punish successful investment.

My point is simple: Taxes on growth are taxes on the American dream. We should clear away obstacles to the American dream. And similarly, we should foster innovation wherever we can.

Our budget advocates increased federal support for R & D, for research and development, in basic and applied science. It also encourages private-sector innovation by extending the Research and Experimentation Tax Credit. Our administration understands the power of knowledge, and we want the tax code to reward people who turn their big dreams into revolutionary new goods and services.

And finally, this administration believes in protecting workers' earnings and savings. Our banking reform proposals -- they try to modernize the laws that affect our banking system. Let's face it: 1930's regulations and restrictions don't cut it in the 1990s.

To pick just one example, under our current laws, a California bank can open a branch in Birmingham, England, but not in Birmingham, Alabama. Think of the banking system as an irrigation network for the economy. When it works properly, it nourishes the seeds of economic growth. And when it doesn't, companies like the ones represented here can wither and die.

Our reform package tries in a very comprehensive way to make our banking system more competitive, up to date, safe and sound.

We also believe in protecting retirees from undue hardship. Eight years ago, Congress adopted measures to guarantee the short-term solvency and long-term stability of the Social Security system. Congress should resist any temptation to undermine that stability by permitting raids on the trust fund balances. We need to honor our promises to the workers and retirees. I know we've got a fight on this one. But I believe we're going to prevail.

I know I have covered a lot of ground, a lot of different -- touching on a lot of different issues here, but I wanted to make a point: Our growth package addresses the challenges posed by a new, exciting, rapidly changing world. Our themes: We want to promote growth. We want to create jobs for all Americans. We want to unleash the power of American imagination. We want to ignite people's ambitions, rather than inciting their fears.

Many people call the 20th century "The American Century." Well, we shouldn't be content with that.

The stunning collapse of communism in 1989 was no accident. During the 1980s the communist world learned that no wall, no barrier can fend off powerful ideas. It saw our prosperity and our vitality. It saw that our way is better. The prosperity of the 1980s, which began with tax cuts and pro-growth policies in the United States, transformed the entire world.

Our challenge now is to shape the revolution that we started to make the 21st century the next American Century.

And so I ask your help in that quest. Together, with business working cooperatively with government, we cannot fail.

Thank you all very much for coming to Washington. And may God bless our great country.

END

2:26 P.M. EDT

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Document No. ~~906080~~

91 APR 5 5:48 WHITE HOUSE STAFFING MEMORANDUM

DATE: 04/05/91 ACTION/CONCURRENCE/COMMENT DUE BY: 11:00 a.m. Monday 04/08

SUBJECT: PRESIDENTIAL REMARKS: THE AMERICAN BUSINESS CONFERENCE - (04/05 5:00 p.m. draft one)

| | ACTION FYI | | | ACTION FYI | |
|--|-------------------------------------|-------------------------------------|-------------------|-------------------------------------|-------------------------------------|
| VICE PRESIDENT | <input type="checkbox"/> | <input checked="" type="checkbox"/> | MCCLURE <i>MC</i> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| SUNUNU | <input type="checkbox"/> | <input type="checkbox"/> | NEWMAN | <input type="checkbox"/> | <input type="checkbox"/> |
| <i>Don Deal 3622</i> SCOWCROFT <i>NC bottles</i> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | PORTER | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| DARMAN | <input checked="" type="checkbox"/> | <input type="checkbox"/> | ROGICH <i>N/D</i> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
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| <i>Walker</i> GRAY | <input checked="" type="checkbox"/> | <input type="checkbox"/> | | <input type="checkbox"/> | <input type="checkbox"/> |
| HOLIDAY | <input checked="" type="checkbox"/> | <input type="checkbox"/> | | <input type="checkbox"/> | <input type="checkbox"/> |

REMARKS:

Please forward your comments directly to Tony Snow, Rm. 122, x2930, no later than 11:00 a.m. on Monday, 04/08, with a copy to this office. Thanks.

RESPONSE:

PHILLIP D. BRADY Assistant to the President and Staff Secretary Ext. 2702

91 APR -5 PM 4:55

Snow/Simon
ABC
Draft One
April 5, 1991
5 p.m.

**ADDRESS BY THE PRESIDENT: THE AMERICAN BUSINESS CONFERENCE
THE DEPARTMENT OF COMMERCE
TUESDAY APRIL 9, 1991
2 p.m.**

[Introductory acknowledgments].

It's always great to talk to the American Business Conference. I've been here four times in recent years, and I've hired away at least two of your leaders -- Bob Mosbacher and Alan Levitt. I wish I'd had that much luck fishing in Florida last week. //

It's an honor and a pleasure to talk to a group that stands for success -- a group that admits only small to medium sized companies that succeed in the marketplace.

But I've got to tell you, I feel a little funny being here. After all, I work for a huge corporation that has lost money for 33 of the last 35 years. //

At any rate, in keeping with today's theme -- Charting Economic Growth in the 90s -- I'd like to talk about this administration's plan for generating more Great American Success Stories like yours./

Our recent success in the Gulf has renewed Americans' belief in themselves. In just the past couple of months, consumer

confidence has soared. The stock market has begun climbing toward the 3,000 mark. Most economists predict that the recession soon will give way to a new cycle of growth.

But we can't rest on laurels: There's an entire world of competition out there. The administration's economic growth package is designed to let people like you do what you do best - create jobs, create new opportunities, create wealth. Its four pillars can help America take its rightful place in a new global economy.

Let's start with a first pillar, the capital gains tax.

I can't think of any issue that's been more badly misrepresented than this one. Our critics say a capital gains cut helps only the rich. They're dead wrong.

Here are the facts: More than a quarter of all capital gains are declared by people with annual incomes of less than twenty thousand dollars a year. More than three-quarters are declared by families who make less than members of Congress. A capital gains cut isn't a sop to the rich. It's a lifeline to the poor and middle class.

Consider what a capital gains cut can do:

A capital gains tax cut helps people in need.

When times get tough, people of modest means must sell things to make ends meet. They move into smaller houses. Sell off furniture, heirlooms, stocks and bonds. Yet they can't get around to paying their bills until they've paid the taxman. And lots of times, they are being taxed on so-called gains that only reflect the effects of inflation. In the end, they sell precious possessions, and get to keep only pennies.

I recently got a letter from a woman in Virginia whose husband has suffered a stroke -- whose fourth child suffers Downs syndrome -- whose family needs to move into a less expensive home because they can't pay both their mortgage and their medical bills.

Yet because of the capital gains tax, they can't afford to sell their home. Once they have paid their taxes / their realtor's commissions / their lawyer's fees / their settlement fees / they don't have enough left for even a modest down payment.

She wrote: "Please tell Congress for me that a cut in the capital gains tax will not benefit big business. It will enable a once-middle-income family suffering two major catastrophes to 'buy down' to a lower cost of living // and enable a disabled husband to support his wife and four children."

The capital gains tax punishes people who live paycheck to paycheck, and suddenly run into financial trouble. A cut in the capital gains rates gives them a chance to survive tough times.

Here's a second advantage of a capital gains cut: It rewards people who turn good ideas into good deeds.

It makes the American dream accessible to people who DON'T have lots of money, but who DO have good ideas.

Consider the effects of the cuts enacted in 1978 -- in part because of the efforts of Jim Jones here. Jim, you helped lead a bipartisan effort back then; we need more people like you now. //

Before that tax cut took effect our tax code actually punished people who risked money on new businesses. The government didn't insulate investors from risks, but it did siphon off much of the reward.

After the capital gains cut, investors could make money on wise risks. They suddenly had good reason to provide the seed money for fledgling businesses and industries. The pool of money for new businesses grew almost tenfold in ten years -- and that's after you take inflation into account.

Most of this money went to small start-up companies, like many of yours. These companies supplied 80 percent of the new jobs during our recent economic boom. As those firms thrived, investors made money. As investors made money, they paid capital gains taxes. Federal capital gains receipts also increased nearly tenfold during this period.

This is not unusual. Every time in our history that we have cut capital gains taxes, new companies have blossomed and capital gains receipts have increased.

Another advantage: A capital gains cut will encourage savings and discourage debt.

For the past four years, we have taxed capital gains like any other form of income. At the same time, we have encouraged people to take on debt. Not surprisingly, people have borrowed more, invested less. If you want an obvious example of this phenomenon, think about the home equity loan. The overall volume of home equity lines of credit doubled in the first year after tax reform, from 40 billion dollars to 75 billion dollars. Right now, Americans have taken out nearly 125 billion dollars in home equity lines of credit.

These loans give people access to the increased value of their homes without forcing them to shell out capital gains taxes. Since we don't tax these loans and we let people deduct the interest payments, our tax law actually encourages people to buy debt.

Our preference for borrowing hurts lots of people. The construction industry suffers. Potential small businesses go wanting for help. The economy just doesn't grow as much as it could.

This leads us to another point: A capital gains cut can slash the cost of saving our financial industry.

An increasing number of studies show that a reduction in the capital gains rate will restore hundreds of billions of dollars in commercial and residential property values. That jump would improve the balance sheets of lending institutions, including troubled savings and loans -- and increase the value of institutions up for sale. In this way, a capital gains rate cut immediately would chop billions of dollars from the cost of rescuing the savings and loan industry. As property values grew, the long-term costs of recovery would shrink even more.

A capital gains cut will make us more competitive in the new world economy.

None of our major competitors imposes a high tax on capital gains. Japan and Germany enjoy higher savings rates than we do in part because they tax capital gains at a much lower rate than they tax wages and other income.

East Germany has abolished the capital gains tax entirely, and Hungary and Czechoslovakia are thinking about doing the same. That's because they want to promote savings and economic enterprise.

So let's take stock:

If we want to compete effectively in a world marketplace, we should cut the capital gains tax.

If we want to encourage savings and investment, rather than debt and hoarding, we should cut the capital gains tax.

If we want to reward enterprise, not envy, we should cut the capital gains tax.

The point is simple: Capital gains taxes are taxes on the American dream.

They punish the people who stand to gain the most from growth, the poor, the middle class. They encourage the well-to-do to hoard their wealth, rather than investing it.

This is the real fairness problem.

If we want to unleash the creative power of the American people, we should ignore those who would rather be righteous than right.//

We should cut the tax on the American Dream.

Now, let's turn to a second pillar of growth -- free trade.

As you know, I have asked Congress to extend my "fast-track" trade authority.

Fast-track is another term for "good faith." It guarantees that Congress will accept or reject the very same agreements that

our negotiators and their counterparts have adopted. This doesn't weaken Congress' power to review agreements; it simply prevents 11th hour changes that would force negotiators from all countries to return to the table and start from scratch.

Our trading partners consider fast track a vital test of our reliability. And three impending trade initiatives could stand or fall depending on whether Congress permits the fast track process to continue. The North American Free Trade Agreement, the Enterprise for the Americas Initiative and the Uruguay Round of trade talks all depend on fast track.

I know you support free trade. But we can't take full advantage of our opportunities without fast-track. Today I ask your help in getting Congress to join us in reaching out to this new and vibrant world.

I also need your support in a third crucial element of our growth package -- banking reform.

In many ways, our banking industry strains under the weight of ancient regulations and restrictions. We want Congress to help modernize our banking system, make it safer for consumers, and increase its competitive strength.

Let me touch just a few of our reform proposals:

Our package would limit the liability of insured deposits to no more than \$100,000 per person per institution, and retirement

savings to \$100,000 per person per institution. This restriction obviously protects small savers.

Our package would discourage wheeling and dealing by charging insurance premiums based on risk. Good institutions would pay lower rates than unsound ones. We also would alter the current "too big to fail" policy. We want institutions to know that they no longer can rely on government to bail them out when they behave foolishly.

Our package would prevent unsound institutions from offering "new" banking services. It would prevent unfair banking practices. It would pay for a larger, better focused team of regulators.

Our package would authorize nationwide banking for bank holding companies, after a three year phase-in period.

In brief, our reforms try to strip away incentives for irresponsible behavior. Our comprehensive package strives to make our banking system more competitive / up to date / safe / and sound.

Think of the banking system as an irrigation system for the economy. When it works properly, it cultivates the seeds of economic growth. When it doesn't, companies like the ones represented here can wither and die.

This brings me to the fourth pillar of our growth package: Investing in the future.

Our budget emphasizes the importance of looking ahead, of building an America that is ready and eager to take its place in an emerging world economy.

It stresses the importance of educational reform. Our new Education Secretary, Lamar Alexander, has outlined a reform strategy that involves common sense.

It starts with the assumptions that schools succeed when teachers teach,

When parents support the schools/

When schools welcome help from people with skills -- businesses, industries, academics, retirees/

When communities eliminate the barriers -- crime, corruption, inefficiency, -- to education.

Your Vital Link program offers a perfect example of the kind of partnership Lamar seeks to build with industry, and I'm sure he'll be seeking out your advice and help in the future.

Our invest in the future strategy also recognizes the importance of preventive health care -- staying fit, staying healthy.

It encourages research and development in basic and applied science.

It seeks to improve our transportation system -- the roads, airports, and railways that take people to and from work.

It strives to reward stewardship of our natural resources without choking off economic growth.

It tries to create real competition in all areas of government service -- education, health care, housing, employment. It lets people choose the best way of pursuing their dreams.

Now, I know I have covered a lot of ground here. But our growth package incorporates some powerful, simple themes.

We want to promote growth.

We want to unleash the power of American imagination.

We want Americans to think in terms of their capabilities, not their disabilities.

Many people call the 20th Century The American Century. Well, we should not be content with that. Our growth package will help make the 21st Century the Next American Century. We can help our sons and daughters continue the American tradition of excellence if we give them the freedom to excel.

This is a great nation because men and women like you believed in yourselves. Believed in your ideas. And trusted the public to choose wisely.

These same virtues can propel us to future greatness as a nation. I ask your help in pursuing that quest. Together, we cannot fail.

Thank you, and God bless this great nation.

226797

Document No. ~~226797~~

WHITE HOUSE STAFFING MEMORANDUM

DATE: 04/05/91

ACTION/CONCURRENCE/COMMENT DUE BY: 04/08 11:00 a.m. Monday

SUBJECT: PRESIDENTIAL REMARKS: THE AMERICAN BUSINESS CONFERENCE
(04/05 5:00 p.m. draft one)

| | ACTION FYI | | | ACTION FYI | |
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| VICE PRESIDENT | <input type="checkbox"/> | <input checked="" type="checkbox"/> | MCCLURE | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
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| GRAY | <input checked="" type="checkbox"/> | <input type="checkbox"/> | | <input type="checkbox"/> | <input type="checkbox"/> |
| HOLIDAY | <input checked="" type="checkbox"/> | <input type="checkbox"/> | | <input type="checkbox"/> | <input type="checkbox"/> |

REMARKS:

Please forward your comments directly to Tony Snow, Rm. 122, x2930, no later than 11:00 a.m. on Monday, 04/08, with a copy to this office. Thanks.

RESPONSE:

ok
S.E.

PHILLIP D. BRADY
Assistant to the President
and Staff Secretary
Ext. 2702

91 APR -5 PM 4:55

Snow/Simon
ABC
Draft One
April 5, 1991
5 p.m.

**ADDRESS BY THE PRESIDENT: THE AMERICAN BUSINESS CONFERENCE
THE DEPARTMENT OF COMMERCE
TUESDAY APRIL 9, 1991
2 p.m.**

[Introductory acknowledgments].

It's always great to talk to the American Business Conference. I've been here four times in recent years, and I've hired away at least two of your leaders -- Bob Mosbacher and Alan Levitt. I wish I'd had that much luck fishing in Florida last week. //

It's an honor and a pleasure to talk to a group that stands for success -- a group that admits only small to medium sized companies that succeed in the marketplace.

But I've got to tell you, I feel a little funny being here. After all, I work for a huge corporation that has lost money for 33 of the last 35 years. //

At any rate, in keeping with today's theme -- Charting Economic Growth in the 90s -- I'd like to talk about this administration's plan for generating more Great American Success Stories like yours./

Our recent success in the Gulf has renewed Americans' belief in themselves. In just the past couple of months, consumer

confidence has soared. The stock market has begun climbing toward the 3,000 mark. Most economists predict that the recession soon will give way to a new cycle of growth.

But we can't rest on laurels: There's an entire world of competition out there. The administration's economic growth package is designed to let people like you do what you do best - create jobs, create new opportunities, create wealth. Its four pillars can help America take its rightful place in a new global economy.

Let's start with a first pillar, the capital gains tax.

I can't think of any issue that's been more badly misrepresented than this one. Our critics say a capital gains cut helps only the rich. They're dead wrong.

Here are the facts: More than a quarter of all capital gains are declared by people with annual incomes of less than twenty thousand dollars a year. More than three-quarters are declared by families who make less than members of Congress. A capital gains cut isn't a sop to the rich. It's a lifeline to the poor and middle class.

Consider what a capital gains cut can do:

A capital gains tax cut helps people in need.

When times get tough, people of modest means must sell things to make ends meet. They move into smaller houses. Sell off furniture, heirlooms, stocks and bonds. Yet they can't get around to paying their bills until they've paid the taxman. And lots of times, they are being taxed on so-called gains that only reflect the effects of inflation. In the end, they sell precious possessions, and get to keep only pennies.

I recently got a letter from a woman in Virginia whose husband has suffered a stroke -- whose fourth child suffers Downs syndrome -- whose family needs to move into a less expensive home because they can't pay both their mortgage and their medical bills.

Yet because of the capital gains tax, they can't afford to sell their home. Once they have paid their taxes / their realtor's commissions / their lawyer's fees / their settlement fees / they don't have enough left for even a modest down payment.

She wrote: "Please tell Congress for me that a cut in the capital gains tax will not benefit big business. It will enable a once-middle-income family suffering two major catastrophes to 'buy down' to a lower cost of living // and enable a disabled husband to support his wife and four children."

The capital gains tax punishes people who live paycheck to paycheck, and suddenly run into financial trouble. A cut in the capital gains rates gives them a chance to survive tough times.

Here's a second advantage of a capital gains cut: It rewards people who turn good ideas into good deeds.

It makes the American dream accessible to people who DON'T have lots of money, but who DO have good ideas.

Consider the effects of the cuts enacted in 1978 -- in part because of the efforts of Jim Jones here. Jim, you helped lead a bipartisan effort back then; we need more people like you now. //

Before that tax cut took effect our tax code actually punished people who risked money on new businesses. The government didn't insulate investors from risks, but it did siphon off much of the reward.

After the capital gains cut, investors could make money on wise risks. They suddenly had good reason to provide the seed money for fledgling businesses and industries. The pool of money for new businesses grew almost tenfold in ten years -- and that's after you take inflation into account.

Most of this money went to small start-up companies, like many of yours. These companies supplied 80 percent of the new jobs during our recent economic boom. As those firms thrived, investors made money. As investors made money, they paid capital gains taxes. Federal capital gains receipts also increased nearly tenfold during this period.

This is not unusual. Every time in our history that we have cut capital gains taxes, new companies have blossomed and capital gains receipts have increased.

Another advantage: A capital gains cut will encourage savings and discourage debt.

For the past four years, we have taxed capital gains like any other form of income. At the same time, we have encouraged people to take on debt. Not surprisingly, people have borrowed more, invested less. If you want an obvious example of this phenomenon, think about the home equity loan. The overall volume of home equity lines of credit doubled in the first year after tax reform, from 40 billion dollars to 75 billion dollars. Right now, Americans have taken out nearly 125 billion dollars in home equity lines of credit.

These loans give people access to the increased value of their homes without forcing them to shell out capital gains taxes. Since we don't tax these loans and we let people deduct the interest payments, our tax law actually encourages people to buy debt.

Our preference for borrowing hurts lots of people. The construction industry suffers. Potential small businesses go wanting for help. The economy just doesn't grow as much as it could.

This leads us to another point: A capital gains cut can slash the cost of saving our financial industry.

An increasing number of studies show that a reduction in the capital gains rate will restore hundreds of billions of dollars in commercial and residential property values. That jump would improve the balance sheets of lending institutions, including troubled savings and loans -- and increase the value of institutions up for sale. In this way, a capital gains rate cut immediately would chop billions of dollars from the cost of rescuing the savings and loan industry. As property values grew, the long-term costs of recovery would shrink even more.

A capital gains cut will make us more competitive in the new world economy.

None of our major competitors imposes a high tax on capital gains. Japan and Germany enjoy higher savings rates than we do in part because they tax capital gains at a much lower rate than they tax wages and other income.

East Germany has abolished the capital gains tax entirely, and Hungary and Czechoslovakia are thinking about doing the same. That's because they want to promote savings and economic enterprise.

So let's take stock:

If we want to compete effectively in a world marketplace, we should cut the capital gains tax.

If we want to encourage savings and investment, rather than debt and hoarding, we should cut the capital gains tax.

If we want to reward enterprise, not envy, we should cut the capital gains tax.

The point is simple: Capital gains taxes are taxes on the American dream.

They punish the people who stand to gain the most from growth, the poor, the middle class. They encourage the well-to-do to hoard their wealth, rather than investing it.

This is the real fairness problem.

If we want to unleash the creative power of the American people, we should ignore those who would rather be righteous than right.//

We should cut the tax on the American Dream.

Now, let's turn to a second pillar of growth -- free trade.

As you know, I have asked Congress to extend my "fast-track" trade authority.

Fast-track is another term for "good faith." It guarantees that Congress will accept or reject the very same agreements that

our negotiators and their counterparts have adopted. This doesn't weaken Congress' power to review agreements; it simply prevents 11th hour changes that would force negotiators from all countries to return to the table and start from scratch.

Our trading partners consider fast track a vital test of our reliability. And three impending trade initiatives could stand or fall depending on whether Congress permits the fast track process to continue. The North American Free Trade Agreement, the Enterprise for the Americas Initiative and the Uruguay Round of trade talks all depend on fast track.

I know you support free trade. But we can't take full advantage of our opportunities without fast-track. Today I ask your help in getting Congress to join us in reaching out to this new and vibrant world.

I also need your support in a third crucial element of our growth package -- banking reform.

In many ways, our banking industry strains under the weight of ancient regulations and restrictions. We want Congress to help modernize our banking system, make it safer for consumers, and increase its competitive strength.

Let me touch just a few of our reform proposals:

Our package would limit the liability of insured deposits to no more than \$100,000 per person per institution, and retirement

savings to \$100,000 per person per institution. This restriction obviously protects small savers.

Our package would discourage wheeling and dealing by charging insurance premiums based on risk. Good institutions would pay lower rates than unsound ones. We also would alter the current "too big to fail" policy. We want institutions to know that they no longer can rely on government to bail them out when they behave foolishly.

Our package would prevent unsound institutions from offering "new" banking services. It would prevent unfair banking practices. It would pay for a larger, better focused team of regulators.

Our package would authorize nationwide banking for bank holding companies, after a three year phase-in period.

In brief, our reforms try to strip away incentives for irresponsible behavior. Our comprehensive package strives to make our banking system more competitive / up to date / safe / and sound.

Think of the banking system as an irrigation system for the economy. When it works properly, it cultivates the seeds of economic growth. When it doesn't, companies like the ones represented here can wither and die.

This brings me to the fourth pillar of our growth package: Investing in the future.

Our budget emphasizes the importance of looking ahead, of building an America that is ready and eager to take its place in an emerging world economy.

It stresses the importance of educational reform. Our new Education Secretary, Lamar Alexander, has outlined a reform strategy that involves common sense.

It starts with the assumptions that schools succeed when teachers teach,

When parents support the schools/

When schools welcome help from people with skills -- businesses, industries, academics, retirees/

When communities eliminate the barriers -- crime, corruption, inefficiency, -- to education.

Your Vital Link program offers a perfect example of the kind of partnership Lamar seeks to build with industry, and I'm sure he'll be seeking out your advice and help in the future.

Our invest in the future strategy also recognizes the importance of preventive health care -- staying fit, staying healthy.

It encourages research and development in basic and applied science.

It seeks to improve our transportation system -- the roads, airports, and railways that take people to and from work.

It strives to reward stewardship of our natural resources without choking off economic growth.

It tries to create real competition in all areas of government service -- education, health care, housing, employment. It lets people choose the best way of pursuing their dreams.

Now, I know I have covered a lot of ground here. But our growth package incorporates some powerful, simple themes.

We want to promote growth.

We want to unleash the power of American imagination.

We want Americans to think in terms of their **capabilities**, not their **disabilities**.

Many people call the 20th Century The American Century. Well, we should not be content with that. Our growth package will help make the 21st Century the **Next American Century**. We can help our sons and daughters continue the American tradition of excellence if we give them the freedom to excel.

This is a great nation because men and women like you believed in yourselves. Believed in your ideas. And trusted the public to choose wisely.

These same virtues can propel us to future greatness as a nation. I ask your help in pursuing that quest. Together, we cannot fail.

Thank you, and God bless this great nation.

REVISED

Document No. 2521 REVISED

WHITE HOUSE STAFFING MEMORANDUM

91 APR 8 AM 10:02

APR 8 P4:40

DATE: 4/8/91 ACTION/CONCURRENCE/COMMENT DUE BY: 2:00 TODAY

SUBJECT: REVISED PRESIDENTIAL REMARKS: AMERICAN BUSINESS CONFERENCE

| | ACTION FYI | | | ACTION FYI | |
|----------------|-------------------------------------|-------------------------------------|------------|-------------------------------------|-------------------------------------|
| VICE PRESIDENT | <input type="checkbox"/> | <input checked="" type="checkbox"/> | MCCLURE | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
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| HOLIDAY | <input checked="" type="checkbox"/> | <input type="checkbox"/> | | <input type="checkbox"/> | <input type="checkbox"/> |

REMARKS: Please forward any comments directly to Tony Snow, Rm. 122, x2930, no later than 2:00 TODAY with a copy to this office. Thank you.

RESPONSE:

TO: TONY SNOW April 8, 1991

NSC concurs with the attached, as revised.

Brent Scowcroft

cc: Phillip Brady

PHILLIP D. BRADY Assistant to the President and Staff Secretary Ext. 2702

REVISED

91 APR -8 AM 10:28

Snow/Simon
ABC
Draft Two (a)
April 8, 1991
9 a.m.

**ADDRESS BY THE PRESIDENT: THE AMERICAN BUSINESS CONFERENCE
THE DEPARTMENT OF COMMERCE
TUESDAY APRIL 9, 1991
2 p.m.**

[Introductory acknowledgments].

It's always great to talk to the American Business Conference. I've been here four times in recent years, and I've hired away at least two of your leaders -- Bob Mosbacher and Alan Levitt. I wish I'd had that much luck fishing last week. //

It's an honor and a pleasure to talk to a group that stands ^{whose members} for success ~~[a group that admits only medium sized companies that] thrive in the marketplace.~~

But I've got to tell you, I feel a little funny being here. After all, I work for a huge corporation that has lost money for 33 of the last 35 years. //

But in keeping with today's theme -- Charting Economic Growth in the 90s -- I'd like to talk about this administration's plan for generating more American Success Stories like yours./

Our recent success in the Gulf has renewed Americans' belief in themselves. In just the past couple of months, consumer confidence has soared. The stock market has begun climbing toward the 3,000 mark. Most economists predict that the recession soon will give way to a new cycle of growth.

But we can't rest on laurels: There's an entire world of competition out there. The administration's economic growth package is designed to let people like you do what you do best - - create jobs, create new opportunities, create wealth.

Let's start with an issue we all will have to address in the next month, the issue of free and fair trade.

As you know, I have asked Congress to extend my "fast-track" trade authority.

Fast-track is another term for "good faith." It guarantees that Congress will accept or reject the very same agreements that our negotiators and their counterparts have worked out. This doesn't weaken Congress' power to review agreements; it simply prevents 11th hour changes that would force negotiators from all countries to start from scratch.

Our trading partners consider fast track a vital test of our reliability. If we do not retain the fast-track process, we could lose three critical trade initiatives: The North American Free Trade Agreement, the Enterprise for the Americas Initiative and the Uruguay Round of trade talks.

Americans understand the benefits of free trade. In the last four years, exports from the U.S. have increased 59 percent, more than twice the rate of import growth. And export business has grown more rapidly than the rest of our economy.

This trade boom has helped everyone involved. A North American Free Trade Agreement would place us in the largest integrated market on earth: 360 million people, \$6 billion of

annual output. It also would give our neighbors access to the technologies and products they need to improve their standards of living / further clean their environments / and create a true community of nations on our continent.

I know you support free trade. Congress must vote by June 1 on whether to preserve fast-track. Without it, we will surrender our chance to shape the emerging world economy. We also will risk setting off the kind of protectionist warfare that helped produce the Great Depression.

We cannot afford to squander this opportunity. Today I ask your help in getting Congress to join us in reaching out to this new and vibrant world.

This brings me to a second part of our growth package:
Creating an educated, innovative workforce.

Our budget emphasizes the importance of building an America that is ready to take its place in an emerging world economy.

In that regard, it stresses the importance of an educated workforce. Our new Education Secretary, Lamar Alexander, has outlined a reform strategy that involves common sense.

It starts with the obvious truths: That schools succeed when teachers teach,

When parents support the schools /

When schools welcome help from people with skills --
 businesses, academics, retirees /

When communities eliminate the barriers to education --
 barriers such as crime, corruption, inefficiency.

Your Vital Link program offers a perfect example of the kind of partnership Lamar seeks to build with industry, and I'm sure he'll be seeking out your advice and help in the future.

But Lamar also wants to encourage entrepreneurship in education. He has talked about stimulating research into the best teaching methods and techniques. He has stressed the importance of lifelong learning. And he wants to ensure that the American workforce is the best educated, best motivated -- in short, the best -- workforce in the world. //

Our economic proposals also sweep away obstacles to free enterprise. They try to unleash the power of the American imagination.

Your organization understands that runaway government spending steals opportunity from private citizens. Last year's budget agreement finally placed real and stringent caps on Congressional spending. If Congress wants to spend more money on certain programs, it has to raise taxes or to take the money from other programs. This concentrates the mind wonderfully. It forces Congress and the administration to make hard choices, rather than simply to fob problems off on taxpayers.

This year, for the first time in years, federal spending actually will increase less rapidly than inflation. I can promise you that if Congress sends me spending bills that break this budget, I will veto them. //

But we in government must do more. As vice president, I headed the Task Force on Regulatory Relief. As president, I

remain committed to weeding out regulations that prevent people from creating jobs and opportunities.

Last year regulations cost our economy at least \$185 billion, or \$1,700 for every taxpayer. They generated more than 5 billion hours of paperwork each year. That's enough to keep 2 million people busy doing nothing but filling out forms.

We want to put an end to this kind of regulatory creep, and liberate business from unnecessary paperwork. Our banking reform package tries to lift ancient and onerous restrictions that crush the kind of innovation that system needs. An in everything from the pharmaceutical industry to the auto industry, we have tried to clear away regulatory obstacles to growth.

We have followed the same approach in looking at our tax code. We want a tax system that rewards enterprise. I repeatedly have asked Congress to cut our high capital gains tax.

I can't think of any issue that's been more badly misrepresented than this one. Our critics say a capital gains cut helps only the rich. They're dead wrong.

Here are the facts: More than a quarter of all capital gains are declared by people with annual incomes of less than twenty thousand dollars a year. More than three-quarters are declared by families who make less than members of Congress. A capital gains cut isn't a sop to the rich. It's a lifeline to the poor and middle class.

Furthermore, a capital gains tax cut will reward people who turn good ideas into good deeds.

When capital gains taxes are high, investors have no incentive to risk money on untried businesses and entrepreneurs. After we cut capital gains taxes in 1978 and 1981, the amount of investment seed money increased tenfold. Capital gains payments to the federal government quadrupled. And people of modest means suddenly had a chance to turn their dreams into realities.

A capital gains cut also will encourage savings and discourage debt.

For the past four years, we have taxed capital gains like any other form of income. At the same time, we have encouraged people to take on debt. Not surprisingly, people have borrowed more, invested less.

Think about home equity loans. These loans let people gain access to the increased value of their homes, without having to pay capital gains taxes on that new value. We also let people write off the interest payments on these loans. No wonder the overall volume of these loans has more than tripled since tax reform took effect. We have virtually begged people to buy debt, instead of buying homes and goods.

Now, no other major industrial power taxes capital gains at nearly the rate we do. This is a competitiveness issue: Germany and Japan enjoy much higher savings and investment rates than we do because they don't punish successful investment.

My point is simple: **Capital gains taxes are taxes on the American dream.** When we debate this issue, we have to make a choice: We can listen to those who would rather stir envy than

encourage enterprise, who would rather be righteous than right. Or we can commit ourselves to creativity and productivity. If we want to unleash the creative power of the American people, we should cut our capital gains rate.

Similarly, we want to invest in research and development in basic and applied science, and to encourage private-sector innovation by extending the Research and Experimentation Tax Credit. This administration understands the power of knowledge, and we want the tax code to reward people who dare to turn their big dreams into revolutionary new goods and services.

I know I have covered a lot of ground today, but I wanted to make a point: Our growth package addresses the challenges posed by a new / exciting / rapidly changing world. Our themes are simple.

We want to promote growth.

We want to unleash the power of American imagination.

We want to highlight Americans' capabilities, not their disabilities.

Many people call the 20th Century The American Century. Well, we should not be content with that.

The stunning collapse of communism in 1989 didn't happen by accident. During the 1980s the communist world learned that no wall, no barrier fend off powerful ideas. People in that world saw our prosperity and our vitality. They saw that our way was better. The prosperity of the 1980s -- a prosperity that began

with tax cuts and pro-business policies in the United States -- changed the entire world.

Our challenge now is to shape the revolution we started. The administration's growth package wrestles with the changing and fascinating world around us. It works to ensure that the 21st Century will be the Next American Century.

This is a great nation because men and women like you believed in yourselves. Believed in your ideas. And trusted the public to choose wisely.

These same virtues can propel us to future greatness as a nation. I ask your help in pursuing that quest. Together, we cannot fail.

Thank you, and God bless this great nation.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 04/08/91 ACTION/CONCURRENCE/COMMENT DUE BY: ----

SUBJECT: PRESIDENTIAL REMARKS: THE AMERICAN BUSINESS CONFERENCE
(04/08 5:00 p.m. draft)

| | ACTION FYI | | | ACTION | FYI |
|----------------|--------------------------|-------------------------------------|---------------|--------------------------|-------------------------------------|
| VICE PRESIDENT | <input type="checkbox"/> | <input checked="" type="checkbox"/> | MCCLURE | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| SUNUNU | <input type="checkbox"/> | <input type="checkbox"/> | NEWMAN | <input type="checkbox"/> | <input type="checkbox"/> |
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| CARD | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <u>ROGERS</u> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| DEMAREST | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <u>SNOW</u> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| FITZWATER | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <u>BOSKIN</u> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
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REMARKS:

The attached has been forwarded to the President.

RESPONSE:

PHILLIP D. BRADY
 Assistant to the President
 and Staff Secretary
 Ext. 2702

91 APR -8 PM 4:32

Snow/Simon
ABC
Draft Four
April 8, 1991
5 p.m.

**ADDRESS BY THE PRESIDENT: THE AMERICAN BUSINESS CONFERENCE
THE DEPARTMENT OF COMMERCE
TUESDAY APRIL 9, 1991
2 p.m.**

[Introductory acknowledgments].

It's always great to talk to the American Business Conference. I've been here four times in recent years, and I've landed at least two of your leaders -- Bob Mosbacher and Arthur Levitt. I wish I'd had that much luck fishing last week. //

It's an honor and a pleasure to talk to a group that stands for success -- a group that admits only medium sized companies that thrive in the marketplace.

But I've got to tell you, I feel a little funny being here. After all, I'm the CEO of a corporation that has lost money for 33 of the last 35 years. //

But in keeping with today's theme -- Charting Economic Growth in the 90s -- I'd like to talk about this administration's plan for generating more American Success Stories like yours./

Our recent success in the Gulf has renewed Americans' belief in themselves. In just the past couple of months, consumer confidence has soared. The stock market has been climbing toward the 3,000 mark. Most economists predict that the recession soon will give way to a new cycle of growth.

But we can't rest on our laurels: There's an entire world of competition out there. The administration's economic growth package is designed to let people like you do what you do best - create jobs, create new opportunities, create wealth.

Let's start with an issue we all will have to address in the next month, the issue of free and fair trade.

As you know, I have asked Congress to extend my "fast-track" trade authority.

Fast-track is another term for "good faith." It guarantees that Congress will accept or reject the very same agreements that our negotiators and their counterparts have worked out. This doesn't weaken Congress' power to review agreements; it simply prevents eleventh hour changes that would force negotiators from all countries to start from scratch.

Our trading partners consider fast track a vital test of our reliability. If we do not retain the fast-track process, we jeopardize three critical trade initiatives: The Uruguay Round of trade talks, the North American Free Trade Agreement, and the Enterprise for the Americas Initiative.

Americans understand the benefits of free trade. In the last four years, exports from the U.S. have increased 59 percent, more than twice the rate of import growth. And export business has grown more rapidly than the rest of our economy.

This trade boom has helped everyone involved. A North American Free Trade Agreement would place us in the largest integrated market on earth: 360 million people, \$6 trillion of

annual output. It also would give our neighbors access to the technologies and products they need to improve their standards of living / further clean their environments / and create a true community of nations on our continent.

We also believe strongly in promoting trade. I have asked Bob Mosbacher to lead a government-wide effort to help small- and medium-sized companies sell their goods and services abroad. I'll be in Boston soon, addressing one of these National Export Initiative Conferences.

I know you support free trade, which is why I want your help in persuading Congress to preserve the fast-track process. Without it, we will surrender our chance to shape the emerging world economy. Without it, we risk setting off the kind of protectionist warfare that helped produce the Great Depression. With it, American workers and businesses will be able to demonstrate their strength in a new and vibrant world market.

**This brings me to a second part of our growth package:
Creating an educated, innovative workforce.**

Our budget emphasizes the importance of building an America that is ready to take its place in an emerging world economy.

It stresses the absolute necessity of an educated nation. We want to reinvent the American school, to create a nation of students, to make sure that education offers opportunity to everyone.

Our education strategy starts with some obvious truths: That schools succeed when teachers teach,

When parents support the schools /

When schools accept help from people with skills --
local businesses, community colleges, or that huge pool of
untapped talent, our retirees /

When communities fight harder to rip down barriers that
prevent effective teaching -- barriers such as crime, drugs and
community indifference.

We also want to encourage entrepreneurship in education. We
want to encourage research into the best teaching methods and
techniques. We want to help workers improve their knowledge and
skills. (Your Vital Link program offers a great way to achieve
this goal.) And we want to ensure that the American people are
the best educated, best motivated in the world. //

Our economic proposals also sweep away obstacles to free
enterprise. They try to unleash the power of the American
imagination.

Your organization understands that runaway government
spending steals opportunity from private citizens. Last year's
budget agreement placed real and stringent caps on Congressional
spending. If Congress wants to spend more money on certain
programs, it will have to make hard choices. It will have to
raise taxes or take the money from other programs.

This year, for the first time in years, federal spending
actually will increase less rapidly than inflation. And I can
promise you that if Congress sends me spending bills that break
this budget, I will send them back -- with a veto message! //

But we in government must do more. As vice president, I headed the Task Force on Regulatory Relief. As president, I remain committed to weeding out regulations that prevent people from creating jobs and opportunities.

Last year regulations cost our economy at least \$106 billion, or \$1,000 for every taxpayer. They generated more than 5.3 billion hours of paperwork each year. That's enough to keep 2 million people busy doing nothing but filling out forms.

Our Council on Competitiveness, chaired by the vice president, attacks the scourge of unnecessary paperwork. We want to let people turn their attention to the more important and rewarding work of building a prosperous future.

We have followed the same approach in looking at our tax code. We want a tax system that rewards enterprise. I repeatedly have asked Congress to cut our high capital gains tax.

I can't think of any issue that's been more badly misrepresented than this one. Our critics say a capital gains cut helps only the rich. They're dead wrong.

Here are the facts: More than a quarter of all capital gains are declared by families with annual incomes of less than twenty thousand dollars a year. More than three-quarters are declared by families who make less than members of Congress. A capital gains cut isn't a sop to the rich. It rewards people who turn good ideas into goods and services that people need.

When capital gains taxes are high, investors have no incentive to risk money on untried businesses and entrepreneurs.

Before Congress cut the capital gains rate in 1978, the pool for start-up businesses had virtually dried up. In the decade following the cut, the amount of investment seed money increased tenfold. Capital gains payments to the federal government quadrupled. This is what happens when you reduce the cost of capital.

A capital gains cut also will encourage savings and discourage debt. For the past four years, we have taxed capital gains like any other form of income. At the same time, we have encouraged people to take on debt. Not surprisingly, people have borrowed more, invested less. Home equity loans, a perfect example of this trend, have tripled in volume since we raised that capital gains rate four years ago. They let people gain access to the increased value of their homes without having to pay a capital gains duty.

No other major industrial power taxes capital gains at nearly the rate we do. Germany and Japan enjoy much higher savings and investment rates than we do in part because they don't punish successful investment.

My point is simple: Capital gains taxes are taxes on the American dream. If we want to build on our natural strengths as a nation, we should cut this burdensome tax.

Similarly, we should foster innovation wherever we can. Our budget advocates increased federal support for research and development in basic and applied science. It also encourages private-sector innovation by extending the Research and

Experimentation Tax Credit. This administration understands the power of knowledge, and we want the tax code to reward people who turn their big dreams into revolutionary new goods and services.

Finally, this administration believes in protecting workers' earnings and savings.

Our banking reform proposals try to free our banking system from 1940s regulations and restrictions that just don't cut it in the 1990s.

We want a deposit insurance system that protects that average depositor and forces banks to take responsibility for their behavior. We want to improve supervision, so that we address problems before banks fail.

In short, our comprehensive reform proposals aim to make our banking system more competitive, up-to-date, safe and sound.

We also believe in protecting retirees from undue hardship. Eight years ago, Congress adopted measures to guarantee the short-term solvency and long-term stability of the social security system. Congress should resist any temptation to undermine that stability by permitting raids on the trust fund balances. We need to honor our promises to workers and retirees.

I know I have covered a lot of ground today, but I wanted to make a point: Our growth package addresses the challenges posed by a new / exciting / rapidly changing world. Our themes:

We want to promote growth.

We want to create jobs for all Americans.

We want to unleash the power of American imagination.

We want to ignite people's ambitions, rather than inciting their fears.

Many people call the 20th Century "The American Century." Well, we should not be content with that.

The stunning collapse of communism in 1989 was no accident. During the 1980s the communist world learned that no wall, no barrier can fend off powerful ideas. It saw our prosperity and our vitality. It saw that our way is better. The prosperity of the 1980s -- which began with tax cuts and pro-growth policies in the United States -- transformed the world.

Our challenge now is to shape the revolution we started, to make the 21st Century will be the Next American Century.

I ask your help in that quest. Together, we cannot fail.

Thank you, and God bless this great nation.

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REVISED

Document No. _____

91 APR 8 11:12 AM WHITE HOUSE STAFFING MEMORANDUM

DATE: 4/8/91 ACTION/CONCURRENCE/COMMENT DUE BY: 2:00 TODAY

SUBJECT: REVISED PRESIDENTIAL REMARKS: AMERICAN BUSINESS CONFERENCE

| | ACTION FYI | | | ACTION FYI | |
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| VICE PRESIDENT | <input type="checkbox"/> | <input checked="" type="checkbox"/> | MCCLURE | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
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REMARKS: Please forward any comments directly to Tony Snow, Rm. 122, x2930, no later than 2:00 TODAY with a copy to this office. Thank you.

RESPONSE:

PHILLIP D. BRADY
Assistant to the President
and Staff Secretary
Ext. 2702

REVISED

91 APR -8 AM 10:28

Snow/Simon
ABC
Draft Two (a)
April 8, 1991
9 a.m.

**ADDRESS BY THE PRESIDENT: THE AMERICAN BUSINESS CONFERENCE
THE DEPARTMENT OF COMMERCE
TUESDAY APRIL 9, 1991
2 p.m.**

[Introductory acknowledgments].

It's always great to talk to the American Business Conference. I've been here four times in recent years, and I've hired away at least two of your leaders -- Bob Mosbacher and Alan Levitt. I wish I'd had that much luck fishing last week. //

It's an honor and a pleasure to talk to a group that stands for success -- a group that admits only medium sized companies that thrive in the marketplace.

But I've got to tell you, I feel a little funny being here. After all, I work for a huge corporation that has lost money for 33 of the last 35 years. //

But in keeping with today's theme -- Charting Economic Growth in the 90s -- I'd like to talk about this administration's plan for generating more American Success Stories like yours./

Our recent success in the Gulf has renewed Americans' belief in themselves. In just the past couple of months, consumer confidence has soared. The stock market has begun climbing toward the 3,000 mark. Most economists predict that the recession soon will give way to a new cycle of growth.

But we can't rest on laurels: There's an entire world of competition out there. The administration's economic growth package is designed to let people like you do what you do best - - create jobs, create new opportunities, create wealth.

Let's start with an issue we all will have to address in the next month, the issue of free and fair trade.

As you know, I have asked Congress to extend my "fast-track" trade authority.

Fast-track is another term for "good faith." It guarantees that Congress will accept or reject the very same agreements that our negotiators and their counterparts have worked out. This doesn't weaken Congress' power to review agreements; it simply prevents 11th hour changes that would force negotiators from all countries to start from scratch.

Our trading partners consider fast track a vital test of our reliability. If we do not retain the fast-track process, we could lose three critical trade initiatives: The North American Free Trade Agreement, the Enterprise for the Americas Initiative and the Uruguay Round of trade talks.

Americans understand the benefits of free trade. In the last four years, exports from the U.S. have increased 59 percent, more than twice the rate of import growth. And export business has grown more rapidly than the rest of our economy.

This trade boom has helped everyone involved. A North American Free Trade Agreement would place us in the largest integrated market on earth: 360 million people, \$6 billion of

annual output. It also would give our neighbors access to the technologies and products they need to improve their standards of living / further clean their environments / and create a true community of nations on our continent.

I know you support free trade. Congress must vote by June 1 on whether to preserve fast-track. Without it, we will surrender our chance to shape the emerging world economy. We also will risk setting off the kind of protectionist warfare that helped produce the Great Depression.

We cannot afford to squander this opportunity. Today I ask your help in getting Congress to join us in reaching out to this new and vibrant world.

**This brings me to a second part of our growth package:
Creating an educated, innovative workforce.**

Our budget emphasizes the importance of building an America that is ready to take its place in an emerging world economy.

In that regard, it stresses the importance of an educated workforce. Our new Education Secretary, Lamar Alexander, has outlined a reform strategy that involves common sense.

It starts with the obvious truths: That schools succeed when teachers teach,

When parents support the schools /

When schools welcome help from people with skills --
businesses, academics, retirees /

When communities eliminate the barriers to education --
barriers such as crime, corruption, inefficiency.

Your Vital Link program offers a perfect example of the kind of partnership Lamar seeks to build with industry, and I'm sure he'll be seeking out your advice and help in the future.

But Lamar also wants to encourage entrepreneurship in education. He has talked about stimulating research into the best teaching methods and techniques. He has stressed the importance of lifelong learning. And he wants to ensure that the American workforce is the best educated, best motivated -- in short, the best -- workforce in the world. //

Our economic proposals also sweep away obstacles to free enterprise. They try to unleash the power of the American imagination.

Your organization understands that runaway government spending steals opportunity from private citizens. Last year's budget agreement finally placed real and stringent caps on Congressional spending. If Congress wants to spend more money on certain programs, it has to raise taxes or to take the money from other programs. This concentrates the mind wonderfully. It forces Congress and the administration to make hard choices, rather than simply to fob problems off on taxpayers.

This year, for the first time in years, federal spending actually will increase less rapidly than inflation. I can promise you that if Congress sends me spending bills that break this budget, I will veto them. //

But we in government must do more. As vice president, I headed the Task Force on Regulatory Relief. As president, I

remain committed to weeding out regulations that prevent people from creating jobs and opportunities.

Last year regulations cost our economy at least \$185 billion, or \$1,700 for every taxpayer. They generated more than 5 billion hours of paperwork each year. That's enough to keep 2 million people busy doing nothing but filling out forms.

We want to put an end to this kind of regulatory creep, and liberate business from unnecessary paperwork. Our banking reform package tries to lift ancient and onerous restrictions that crush the kind of innovation that system needs. An in everything from the pharmaceutical industry to the auto industry, we have tried to clear away regulatory obstacles to growth.

We have followed the same approach in looking at our tax code. We want a tax system that rewards enterprise. I repeatedly have asked Congress to cut our high capital gains tax.

I can't think of any issue that's been more badly misrepresented than this one. Our critics say a capital gains cut helps only the rich. They're dead wrong.

Here are the facts: More than a quarter of all capital gains are declared by people with annual incomes of less than twenty thousand dollars a year. More than three-quarters are declared by families who make less than members of Congress. A capital gains cut isn't a sop to the rich. It's a lifeline to the poor and middle class.

Furthermore, a capital gains tax cut will reward people who turn good ideas into good deeds.

When capital gains taxes are high, investors have no incentive to risk money on untried businesses and entrepreneurs. After we cut capital gains taxes in 1978 and 1981, the amount of investment seed money increased tenfold. Capital gains payments to the federal government quadrupled. And people of modest means suddenly had a chance to turn their dreams into realities.

A capital gains cut also will encourage savings and discourage debt.

For the past four years, we have taxed capital gains like any other form of income. At the same time, we have encouraged people to take on debt. Not surprisingly, people have borrowed more, invested less.

Think about home equity loans. These loans let people gain access to the increased value of their homes, without having to pay capital gains taxes on that new value. We also let people write off the interest payments on these loans. No wonder the overall volume of these loans has more than tripled since tax reform took effect. We have virtually begged people to buy debt, instead of buying homes and goods.

Now, no other major industrial power taxes capital gains at nearly the rate we do. This is a competitiveness issue: Germany and Japan enjoy much higher savings and investment rates than we do because they don't punish successful investment.

My point is simple: **Capital gains taxes are taxes on the American dream.** When we debate this issue, we have to make a choice: We can listen to those who would rather stir envy than

encourage enterprise, who would rather be righteous than right. Or we can commit ourselves to creativity and productivity. If we want to unleash the creative power of the American people, we should cut our capital gains rate.

Similarly, we want to invest in research and development in basic and applied science, and to encourage private-sector innovation by extending the Research and Experimentation Tax Credit. This administration understands the power of knowledge, and we want the tax code to reward people who dare to turn their big dreams into revolutionary new goods and services.

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with tax cuts and pro-business policies in the United States -- changed the entire world.

Our challenge now is to shape the revolution we started. The administration's growth package wrestles with the changing and fascinating world around us. It works to ensure that the 21st Century will be the Next American Century.

This is a great nation because men and women like you believed in yourselves. Believed in your ideas. And trusted the public to choose wisely.

These same virtues can propel us to future greatness as a nation. I ask your help in pursuing that quest. Together, we cannot fail.

Thank you, and God bless this great nation.

Letter from
Rob Portman -
(this is an unsigned
copy - but the
way it went
when signed)
4/8/91

WHITE HOUSE
WASHINGTON
April 8, 1991

I understand you intend to introduce legislation next week to repair the "firewall" established in last year's budget agreement to protect social security. I am heartened to learn that both Republicans and Democrats will support your legislation. Such bipartisanship was necessary to reach last year's agreement, and will be necessary to ensure that its provisions are honored.

Last fall, when all parties to the budget summit agreed to take social security both off the budget and out of the deficit calculations, we realized that this might lead to attempts to reduce the social security trust fund balances. For this reason, more stringent procedures were agreed to that were intended to protect social security. In particular, we agreed that a super-majority of 60 votes would be needed to raid the trust fund balances.

It now appears that there is a loophole in those procedures as they would apply to the Senate. The loophole was not agreed to by all parties to the budget summit -- and, indeed, was apparently not known to many until recently. Your legislation will close this loophole and restore the law to its intended and agreed-upon form, thus restoring the "firewall" that I believe is required as long as social security is not afforded the protections of normal budget discipline.

Eight years ago, after much debate which created fear among senior citizens, Congress adopted measures to ensure the short-term solvency and the long-term stability of the social security system. Congress should resist any temptation now to undermine that stability by permitting raids on

the trust fund balances. Both current beneficiaries and workers who will become beneficiaries must remain confident that the system will continue to meet its promises.

I commend you on your efforts to repair the social security "firewall", and strongly urge Congress to adopt your legislation.

Sincerely,

The Honorable Pete V. Domenici
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

91 APR 8 10:12

April 8, 1991

MEMORANDUM FOR TONY SNOW
DIRECTOR OF SPEECHWRITING

FROM: C. BOYDEN GRAY *CB*
COUNSEL TO THE PRESIDENT

SUBJECT: Presidential Remarks: The American Business
Conference

The speech looks very good. I recommend one addition on p. 10:
at the end of the second sentence, ("has outlined a reform
strategy that involves common sense") add the phrase "and is
critical to promoting equal opportunity for all Americans."

cc: Phil Brady

TALKING POINTS FOR THE VICE PRESIDENT
ADDRESS TO BUSINESS GOVERNMENT RELATIONS COUNCIL

- o Before I go on let me just comment on the Persian Gulf war.
- o It was not another Vietnam. It was fast and decisive.
- o For anyone who watched the T.V. news, you know it was our technology, and even more so our people, who got the job done.
- o Just as technology development, training and education were key factors in the war -- they are the key factors in maintaining our economic competitiveness.
- o One way to meet those goals is to remove the roadblocks of over regulation.

AL

Per your request
Quelays

o As most of you know, President Bush, as Vice President, chaired the Task Force on Regulatory Relief. Last June, the Competitiveness Council was directed by the President to assume that same role in this Administration.

o The President asked the Council to put an end to "regulatory creep" in the Federal government, and, with that charge, we have begun to re-assert the Bush legacy of regulatory relief.

o The President is right on target, because the insidious encroachment of regulations is one of the biggest threats to our economic competitiveness:

- last year regulations cost our economy at least \$185 billion (that's 3.5% of GNP; or, an example even closer

to home, that's \$1,700 for every taxpayer)

- EPA regulations alone are approaching \$100 billion

o Government regulations generate more than 5 billion hours of paperwork -- enough to employ 2 million people year round doing nothing but filling out government forms.

o First, let me give you a brief overview of what we've already done, then I'll give you a preview of what we have in store, ...

o Our accomplishments include:

PRODUCT LIABILITY

- our product liability laws are a self-imposed burden on our ability to compete: U.S. firms face product liability costs about 15 times higher than in Japan, and 20 times higher than Europe

- the costs of product liability suits total \$80 billion

-- that's an amount equal to the profits of the entire

~~①~~ ~~②~~ ~~③~~ ~~④~~ ~~⑤~~ ~~⑥~~ ~~⑦~~ ~~⑧~~ ~~⑨~~ ~~⑩~~ FORTUNE 200

PRODUCT LIABILITY

- last year we got the Kasten bill out of the Commerce Committee, but never got it to the floor. This year, we will be working with all of you in both the Senate and the House Judiciary Committee.

C.A.F.E.

- the Council assumed the lead in opposing legislation to raise the Corporate Average Fuel Economy (CAFE) standards.

- the Bryan bill to raise CAFE standards would be the death of the auto industry -- the net cost of saving oil through the Bryan bill equals about \$90 per barrel.

- but worse than it's effect on the auto industry, though, would be it's effect on America's motorists -- conservative estimates say the Bryan bill would result in between 600 up to 1,140 more highway deaths each year

MUNICIPAL WASTE COMBUSTORS

- the Council met to review a proposal that 25% of all waste

headed for municipal waste combustors be recycled -- regardless of content or affect on air emissions.

- this type of inflexible regulation is costly and ineffective -- the kind of unbending approach that we rejected with the new Clean Air Act.

- the Council's consensus on removing this rule is projected to save more than \$200 million annually.

NOISE

- Congress enacted an eight year noise phase-out bill for airplane noise that could cost as much as \$1.3 billion.

- the Council ensured that this measure will include flexibility and noise emissions standards that can at least cut this cost in half -- if not more.

ORPHAN DRUGS

- the Council developed principles for Orphan Drug legislation - the President vetoed Congress' bill that did not satisfy those principles; and that veto helped add to the 45,000 lives that have been saved so far by orphan drugs

- already there are 30 orphan drugs for AIDS related diseases.

TAX FORMS

- the Council worked with the IRS to initiate a new pilot program to reduce the 1040 EZ form to three steps: as easy as 1,2,3 - this will save filers 60 percent of their time.

FERC

- currently, the Council has added a supplement to the National Energy Strategy that calls for the restructuring of FERC -- transferring it's authority to a new administration within the Energy Department.

- this is the first new proposal to eliminate an independent government agency since 1981.

- having FERC as an independent agency makes it difficult for the President to coordinate broad energy policy.

BIOTECHNOLOGY

- the Council has also just released a report on National Biotechnology Policy.

- biotech is a \$2 billion industry that is projected to grow to more than \$50 billion by the end of the decade.

- biotech holds promise for improving agriculture, protecting our environment, and saving lives through new cures and medical treatments;

- all these potential benefits, however, stand the chance of being choked-off by over-regulation -- and by conflicting regulations that are issued by the USDA, EPA, and FDA.

o On the Council's upcoming agenda is ...

CLEAN AIR IMPLEMENTATION

- the Council will devote a great deal of attention to monitoring the regulations that result from the Clean Air legislation.

- let's put the importance of this task in perspective -
- a regulation is deemed "major" if it costs more than \$100 million. The Clean Air bill has the potential to generate more than 100 major regulations in the next five years.

CIVIL LITIGATION REFORM

- we will look into reform for litigation so that, like product liability, we can reduce the "Lawyers' Tax" on society.

- this lawyer' tax is paid in terms of foregone research, innovation, and productivity as our nation's more than 18 million annual lawsuits divert resources from productive pursuits to settling disputes

DRUG APPROVAL PROCESS

- we will be studying ways to improve and speed-up the drug approval process -- like the orphan drug process, an efficient approval process will save lives.

- we hope to report on our findings in May.

o We'll look into other areas as well -- maybe telecommunication, homeworkers, and other issues that will keep America competitive in the 1990's and beyond.

REVISED

Document No. _____

WHITE HOUSE STAFFING MEMORANDUM

51 APR 8 12:57

DATE: 4/8/91

ACTION/CONCURRENCE/COMMENT DUE BY: 2:00 TODAY

SUBJECT: REVISED PRESIDENTIAL REMARKS: AMERICAN BUSINESS CONFERENCE

| | ACTION FYI | | | ACTION FYI | |
|----------------|-------------------------------------|-------------------------------------|------------|-------------------------------------|-------------------------------------|
| VICE PRESIDENT | <input type="checkbox"/> | <input checked="" type="checkbox"/> | MCCLURE | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| SUNUNU | <input type="checkbox"/> | <input type="checkbox"/> | NEWMAN | <input type="checkbox"/> | <input type="checkbox"/> |
| SCOWCROFT | <input checked="" type="checkbox"/> | <input type="checkbox"/> | PORTER | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| DARMAN | <input checked="" type="checkbox"/> | <input type="checkbox"/> | ROGICH | <input type="checkbox"/> | <input type="checkbox"/> |
| BRADY | <input type="checkbox"/> | <input checked="" type="checkbox"/> | UNTERMEYER | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| CARD | <input type="checkbox"/> | <input checked="" type="checkbox"/> | ROGERS | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| DEMAREST | <input checked="" type="checkbox"/> | <input type="checkbox"/> | SNOW | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| FITZWATER | <input type="checkbox"/> | <input checked="" type="checkbox"/> | _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| GRAY | <input checked="" type="checkbox"/> | <input type="checkbox"/> | _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| HOLIDAY | <input checked="" type="checkbox"/> | <input type="checkbox"/> | _____ | <input type="checkbox"/> | <input type="checkbox"/> |

REMARKS: Please forward any comments directly to Tony Snow, Rm. 122, x2930, no later than 2:00 TODAY with a copy to this office. Thank you.

RESPONSE: See comments. Thanks.
Nolly Williamson
4-8-91

PHILLIP D. BRADY
Assistant to the President
and Staff Secretary
Ext. 2702

REVISED

91 APR -3 AM 10:28

Snow/Simon
ABC
Draft Two (a)
April 8, 1991
9 a.m.

ADDRESS BY THE PRESIDENT: THE AMERICAN BUSINESS CONFERENCE
THE DEPARTMENT OF COMMERCE
TUESDAY APRIL 9, 1991
2 p.m.

[Introductory acknowledgments].

It's always great to talk to the American Business Conference. I've been here four times in recent years, and I've hired away at least two of your leaders -- Bob Mosbacher and Alan Levitt. I wish I'd had that much luck fishing last week. //

Sec. Mosbacher is introducing the President.
Commerce

It's an honor and a pleasure to talk to a group that stands for success -- a group that admits only medium sized companies that thrive in the marketplace.

But I've got to tell you, I feel a little funny being here. After all, I work for a huge corporation that has lost money for 33 of the last 35 years. //

But in keeping with today's theme -- Charting Economic Growth in the 90s -- I'd like to talk about this administration's plan for generating more American Success Stories like yours./

Our recent success in the Gulf has renewed Americans' belief in themselves. In just the past couple of months, consumer confidence has soared. The stock market has begun climbing toward the 3,000 mark. Most economists predict that the recession soon will give way to a new cycle of growth.

But we can't rest on laurels: There's an entire world of competition out there. The administration's economic growth package is designed to let people like you do what you do best - - create jobs, create new opportunities, create wealth.

Let's start with an issue we all will have to address in the next month, the issue of free and fair trade.

As you know, I have asked Congress to extend my "fast-track" trade authority.

Fast-track is another term for "good faith." It guarantees that Congress will accept or reject the very same agreements that our negotiators and their counterparts have worked out. This doesn't weaken Congress' power to review agreements; it simply prevents 11th hour changes that would force negotiators from all countries to start from scratch.

Our trading partners consider fast track a vital test of our reliability. If we do not retain the fast-track process, we could lose three critical trade initiatives: ~~the~~ North American Free Trade Agreement, ^{and the} the Enterprise for the Americas Initiative, ^{OCA} and ~~the~~ ^{the} Uruguay Round of trade talks.

Americans understand the benefits of free trade. In the last four years, exports from the U.S. have increased 59 percent, more than twice the rate of import growth. And export business has grown more rapidly than the rest of our economy.

This trade boom has helped everyone involved. A North American Free Trade Agreement would place us in the largest integrated market on earth: 360 million people, \$6 ^{trillion} ~~billion~~ of

Always should be #1.

✓ USTR (total annual output of Canada, Mexico + US)

annual output. It also would ^{reinforce} give our neighbors ^{① efforts} access to ^{obtain} the technologies and products they need to improve their standards of living / further clean their environments / and create a true community of nations on our continent.

I know you support free trade. Congress must vote by June 1 on whether to preserve fast-track. Without it, we will surrender our chance to shape the emerging world economy. We also will risk setting off the kind of protectionist warfare that helped produce the Great Depression.

We cannot afford to squander this opportunity. Today I ask your help in getting Congress to join us in reaching out to this new and vibrant world.

This brings me to a second part of our growth package: **Creating an educated, innovative workforce.**

Our budget emphasizes the importance of building an America that is ready to take its place in an emerging world economy.

In that regard, it stresses the importance of an educated workforce. Our new Education Secretary, Lamar Alexander, has outlined a reform strategy that involves common sense.

✓ Sec. Alexander

} Shouldn't we include the POTUS?

It starts with the obvious truths: That schools succeed when & that teachers teach, it is the

When parents support the schools /

When schools welcome help from people with skills --

businesses, academics, retirees /

~~When communities eliminate the barriers to education --~~
Schools become more accountable for student achievement --
and insist on higher standards,
~~barriers such as crime, corruption, inefficiency.~~

Pres' reform strategy -- or the Admin's reform strategy?

✓ OCA
most people recognize declining standards as the problem, rather than crime & corruption.

Your Vital Link program offers a perfect example of the kind of partnership Lamar seeks to build with industry, and I'm sure he'll be seeking out your advice and help in the future.

But Lamar also wants to encourage entrepreneurship in education. He has talked about stimulating research into the best teaching methods and techniques. He has stressed the importance of lifelong learning. And he wants to ensure that the American workforce is the best educated, best motivated -- in short, the best -- workforce in the world. //

✓ OCA
to help reach our six national ed. goals.

Our economic proposals also sweep away obstacles to free enterprise. They try to unleash the power of the American imagination.

Your organization understands that runaway government spending steals opportunity from private citizens. Last year's budget agreement finally placed real and stringent caps on Congressional spending. If Congress wants to spend more money on certain programs, it has to raise taxes or to take the money from other programs. This concentrates the mind wonderfully. It forces Congress and the administration to make hard choices, rather than simply to fob problems off on taxpayers.

This year, for the first time in years, federal spending actually will increase less rapidly than inflation. I can promise you that if Congress sends me spending bills that break this budget, I will veto them. //

But we in government must do more. As vice president, I headed the Task Force on Regulatory Relief. As president, I

Jonny - please see the 2 general Cap: gains comments from Sec. Kemp. (attached at the back)

remain committed to weeding out regulations that prevent people from creating jobs and opportunities.

Last year regulations cost our economy at least \$185 billion, or \$1,700 for every taxpayer. They generated more than 5 billion hours of paperwork each year. That's enough to keep 2 million people busy doing nothing but filling out forms.

We want to put an end to this kind of regulatory creep, and liberate business from unnecessary paperwork. Our banking reform package tries to lift ancient and onerous restrictions that crush the kind of innovation that system needs. An in everything from the pharmaceutical industry to the auto industry, we have tried to clear away regulatory obstacles to growth.

We have followed the same approach in looking at our tax code. We want a tax system that rewards enterprise. I repeatedly have asked Congress to cut our high capital gains tax.

I can't think of any issue that's been more badly misrepresented than this one. Our critics say a capital gains cut helps only the rich. They're dead wrong.

Here are the facts: More than a quarter of all ~~are declared by people with~~ annual incomes of less than twenty thousand dollars a year. More than three-quarters ~~are declared~~

~~by families who~~ make less than members of Congress. A capital gains cut isn't a sop to the rich. It ~~benefits~~ the poor and middle class.

Furthermore, a capital gains tax cut will reward people who turn good ideas into good deeds.

See Treasury insert (attached at back)

see Treasury insert for Draft one of this speech.

It will be a missed opportunity to reduce the banking reform to this small mention

families with capital gains

Please note: "families" is the what the statistics are based on. It's not just an editorial change -- Treasury says the other way is factually incorrect.

Treasury

of the families with capital gains

Treasury

When capital gains taxes are high, investors have no incentive to risk money on untried businesses and entrepreneurs.

After we cut capital gains taxes in 1978 and 1981, the amount of investment seed money increased tenfold ^{over the next decade. Over the same period,} capital gains payments to the federal government quadrupled. And people of modest means suddenly had a chance to turn their dreams into realities.

✓ Treasury
(mistake in the other way.)

A capital gains cut also will encourage savings and discourage debt.

For the past four years, we have taxed capital gains like any other form of income. At the same time, we have encouraged people to take on debt. ~~Not surprisingly, people have borrowed more, invested less.~~

✓ Treasury
The savings rate has increased since 1986, so you need to delete this sentence.

~~Think about home equity loans. These loans let people gain access to the increased value of their homes, without having to pay capital gains taxes on that new value. We also let people write off the interest payments on these loans. No wonder the overall volume of these loans has more than tripled since tax reform took effect. ~~We have virtually begged people to buy debt~~~~

✓ Treasury
Thanks you should delete this paragraph - does more for the deductibility of home equity loans, + not necessarily more favorable argument for Cap. gain

✓ Treasury
This sentence in particular is incorrect - you can't get a home equity loan without a home. And you can also buy goods w/ the loans.

~~instead of buying homes and goods.~~

Now, no other major industrial power taxes capital gains ^{at} ~~income as we do, nearly the rate we do.~~

This is a competitiveness issue: Germany and Japan enjoy much higher savings and investment rates than we do because they don't punish successful investment.

✓ Treasury

My point is simple: Capital gains taxes are taxes on the American dream. When we debate this issue, we have to make a choice: We can listen to those who would rather stir envy than

Treasury notes that Japan & Germany definitely don't tax capital gains, but ^{with} some of the other leading countries it is less clear. Sometimes ex. decisions affect the rate. (UK + Italy are a little different)

Tony - please note if you want to talk to the tax people at Treasury - let me know. I'll be in the office. Thank you.

encourage enterprise, who would rather be righteous than right. Or we can commit ourselves to creativity and productivity. If we want to unleash the creative power of the American people, we should cut our capital gains rate.

Similarly, we want to invest in research and development in basic and applied science, and to encourage private-sector innovation by extending the Research and Experimentation Tax Credit. This administration understands the power of knowledge, and we want the tax code to reward people who dare to turn their big dreams into revolutionary new goods and services.

I know I have covered a lot of ground today, but I wanted to make a point: Our growth package addresses the challenges posed by a new / exciting / rapidly changing world. Our themes are simple.

We want to promote growth.

We want to unleash the power of American imagination.

We want to highlight Americans' capabilities, not their disabilities.

Many people call the 20th Century The American Century. Well, we should not be content with that.

The stunning collapse of communism in 1989 didn't happen by accident. During the 1980s the communist world learned that no wall, no barrier fend off powerful ideas. People in that world saw our prosperity and our vitality. They saw that our way was better. The prosperity of the 1980s -- a prosperity that began

with tax cuts and pro-business policies in the United States -- changed the entire world.

Our challenge now is to shape the revolution we started. The administration's growth package wrestles with the changing and fascinating world around us. It works to ensure that the 21st Century will be the Next American Century.

This is a great nation because men and women like you believed in yourselves. Believed in your ideas. And trusted the public to choose wisely.

These same virtues can propel us to future greatness as a nation. I ask your help in pursuing that quest. Together, we cannot fail.

Thank you, and God bless this great nation.

Jon - please see Commerce 's Suggested
insert (attached at the back)
on promoting Trade. Thx, NW

Treasury
Insert ABC
Speech

I also need your support in a third crucial element of our growth package -- banking reform.

Today our banking system strains under the weight of 50-year old regulations and restrictions, making banks less strong and less efficient. Weak banks have had to turn away good customers and inefficient banks have had to charge more for loans. We want Congress to join us in modernizing our banking system, making it safe for consumers, and better able to support our businesses and fuel economic growth.

Let me touch on a few of our reform proposals:

Most states allow interstate banking today, but in a costly, inefficient way. Our package would allow the efficiency of interstate branching, after a three year phase-in period. Customers will get the convenience of dealing with their bank wherever they go. And the benefits of efficient operations will translate into lower interest rates and transaction charges.

Our package will make our deposit insurance system safe for depositors and taxpayers by returning deposit insurance to its original purpose -- protecting the average depositor. We will not provide deposit insurance to brokered deposits or to large pension funds with professional managers. And we will limit

2

deposit insurance for individuals in an institution to \$100,000 plus another \$100,000 for retirement savings. We, as taxpayers, should not be on the hook for unlimited deposit insurance.

Our package would provide stronger supervision that takes charge before banks fail. We would discourage wheeling and dealing by charging insurance premiums based on risk. Good institutions would pay lower rates than unsound ones. And we would cut way back on the current "too big to fail" policy. We want institutions to know they no longer can rely on government to bail them out when they behave foolishly.

Our package would allow banks to provide their customers with a wider range of services. But only totally sound institutions could offer these new services and depositor funds could not back them. We don't want to repeat the mistakes of the S&Ls.

In brief our reforms would provide broader, lower-priced services to customers and strip away incentives for irresponsible banks. Our comprehensive package aims to make our banking system more competitive, up to date, safe, and sound.

3

Think of the banking system as irrigation system for the economy. When it works properly, it cultivates the seeds of economic growth. When it doesn't, companies like the ones represented here can wither and die.

Commerce

April 8, 1991

I'd also like to stress the importance of promoting trade. That is why I asked Bob Mosbacher to chair a government-wide effort to encourage exports by small-and medium-sized companies in cities around the country. I'll be addressing one of these National Export Initiative Conferences in Boston to talk about the opportunities for America's quality goods and services in the world marketplace.

TONY: PLEASE NOTE THAT COMMMERCE WOULD LIKE VERY MUCH TO INCLUDE THE ABOVE INSERT. BECAUSE THIS EVENT IS TAKING PLACE AT THE DEPT. OF COMMERCE AND SEC. MOSBACHER IS INTRODUCING THE PRESIDENT, IT WOULD SEEM APPROPRIATE AND VERY MUCH APPRECIATED.

THANKS. Holly Williamson
x 6630



HUD

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410

April 8, 1991

TO: HOLLY WILLIAMSON
OFFICE OF CABINET AFFAIRS

FROM: MARY BRUNETTE *Mary Brunette*
ASSISTANT SECRETARY FOR PUBLIC AFFAIRS

RE: PRESIDENTIAL REMARKS: AMERICAN BUSINESS CONFERENCE

Secretary Kemp has reviewed the draft speech^{#1} and offers two suggestions. The first suggestion is to mention the positive impact that a cut in the capital gains tax would have not only on federal revenues (as is mentioned on the top of page five), but also on state tax revenues. The second suggestion is to use the word "entrepreneurship" somewhere on page four as part of the discussion of the impact of a cut in the capital gains tax rate on business start-ups.

Thank you.

REVISED

Document No. _____

APR 8 P5:32

WHITE HOUSE STAFFING MEMORANDUM

DATE: 4/8/91

ACTION/CONCURRENCE/COMMENT DUE BY: 2:00 TODAY

SUBJECT: REVISED PRESIDENTIAL REMARKS: AMERICAN BUSINESS CONFERENCE

| | ACTION FYI | | | ACTION FYI | |
|----------------|-------------------------------------|-------------------------------------|------------|-------------------------------------|-------------------------------------|
| VICE PRESIDENT | <input type="checkbox"/> | <input checked="" type="checkbox"/> | MCCLURE | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| SUNUNU | <input type="checkbox"/> | <input type="checkbox"/> | NEWMAN | <input type="checkbox"/> | <input type="checkbox"/> |
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| CARD | <input type="checkbox"/> | <input checked="" type="checkbox"/> | ROGERS | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| DEMAREST | <input checked="" type="checkbox"/> | <input type="checkbox"/> | SNOW | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| FITZWATER | <input type="checkbox"/> | <input checked="" type="checkbox"/> | | <input type="checkbox"/> | <input type="checkbox"/> |
| GRAY | <input checked="" type="checkbox"/> | <input type="checkbox"/> | | <input type="checkbox"/> | <input type="checkbox"/> |
| HOLIDAY | <input checked="" type="checkbox"/> | <input type="checkbox"/> | | <input type="checkbox"/> | <input type="checkbox"/> |

REMARKS:

Please forward any comments directly to Tony Snow, Rm. 122, x2930, no later than 2:00 TODAY with a copy to this office. Thank you.

RESPONSE:

No comment

PHILLIP D. BRADY
Assistant to the President
and Staff Secretary
Ext. 2702

REVISED

91 APR -8 AM10:28

Snow/Simon
ABC
Draft Two (a)
April 8, 1991
9 a.m.

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TUESDAY APRIL 9, 1991
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Furthermore, a capital gains tax cut will reward people who turn good ideas into good deeds.

When capital gains taxes are high, investors have no incentive to risk money on untried businesses and entrepreneurs. After we cut capital gains taxes in 1978 and 1981, the amount of investment seed money increased tenfold. Capital gains payments to the federal government quadrupled. And people of modest means suddenly had a chance to turn their dreams into realities.

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Think about home equity loans. These loans let people gain access to the increased value of their homes, without having to pay capital gains taxes on that new value. We also let people write off the interest payments on these loans. No wonder the overall volume of these loans has more than tripled since tax reform took effect. We have virtually begged people to buy debt, instead of buying homes and goods.

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My point is simple: **Capital gains taxes are taxes on the American dream.** When we debate this issue, we have to make a choice: We can listen to those who would rather stir envy than

encourage enterprise, who would rather be righteous than right. Or we can commit ourselves to creativity and productivity. If we want to unleash the creative power of the American people, we should cut our capital gains rate.

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with tax cuts and pro-business policies in the United States -- changed the entire world.

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These same virtues can propel us to future greatness as a nation. I ask your help in pursuing that quest. Together, we cannot fail.

Thank you, and God bless this great nation.

fifth pillar

Draft Deregulation Paragraph

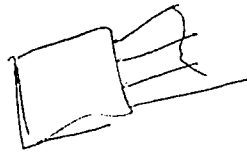
April 8, 1991

paperwork alone 

I am committed to cut ^{ing} back on burdensome government regulations. Last year 106 billion dollars and 5.3 billion man hours were wasted on regulations. Freedom is the foundation of America and the free enterprise system is the corner stone of the American economy. Regulation should never tie the hands of American businesses or hinder American ingenuity. As an entrepreneur and later as Chairman of the Task Force on Regulatory Relief I learned first hand how regulatory barriers can crush American entrepreneurship. I am proud of the work the Vice President is doing with the Council on Competitiveness and have directed the Council to take the lead in cutting back government regulations.

Room 122

4860



*Cost of filling out
paperwork to comply with
REGS was \$106 b
(5.3 bill man hours @ 20⁰⁰
per hour)*

*at least \$185 b is cost to
economy overall
(cost to consumers,
disincentive to innovation,
lack of competition of
products
in market etc*

91 APR -8 PM 4:32

Snow/Simon
ABC
Draft Four
April 8, 1991
5 p.m.

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THE DEPARTMENT OF COMMERCE
TUESDAY APRIL 9, 1991
2 p.m.

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But we can't rest on our laurels: There's an entire world of competition out there. The administration's economic growth package is designed to let people like you do what you do best - create jobs, create new opportunities, create wealth.

Let's start with an issue we all will have to address in the next month, the issue of free and fair trade.

As you know, I have asked Congress to extend ~~my~~ ^{the} "fast-track" trade authority.

Fast-track is another term for "good faith." It guarantees that Congress will accept or reject the very same agreements that our negotiators and their counterparts have worked out. This doesn't weaken Congress' power to review agreements; it simply prevents eleventh hour changes that would force negotiators from all countries to start from scratch.

Our trading partners consider fast track a vital test of our reliability. If we do not retain the fast-track process, we jeopardize three critical trade initiatives: The Uruguay Round of trade talks, the North American Free Trade Agreement, and the Enterprise for the Americas Initiative.

Americans understand the benefits of free trade. In the last four years, exports from the U.S. have increased 59 percent, more than twice the rate of import growth. And export business has grown more rapidly than the rest of our economy.

This trade boom has helped everyone involved. A North American Free Trade Agreement would place us in the largest integrated market on earth: 360 million people, \$6 trillion of

annual output. It also would give our neighbors access to the technologies and products they need to improve their standards of living / further clean their environments / and create a true community of nations on our continent.

We also believe strongly in promoting trade. I have asked Bob Mosbacher to lead a government-wide effort to help small- and medium-sized companies sell their goods and services abroad. I'll be in Boston soon, addressing one of these National Export Initiative Conferences.

I know you support free trade, which is why I want your help in persuading Congress to preserve the fast-track process. Without it, we will surrender our chance to shape the emerging world economy. Without it, we risk setting off the kind of protectionist warfare that helped produce the Great Depression. With it, American workers and businesses will be able to demonstrate their strength in a new and vibrant world market.

**This brings me to a second part of our growth package:
Creating an educated, innovative workforce.**

Our budget emphasizes the importance of building an America that is ready to take its place in an emerging world economy.

It stresses the absolute necessity of an educated nation. We want to reinvent the American school, to create a nation of students, to make sure that education offers opportunity to everyone.

Our education strategy starts with some obvious truths: That schools succeed when teachers teach,

4

When parents support the schools /
when schools accept help from people with skills --
local businesses, community colleges, or that huge pool of
untapped talent, our retirees /

When communities fight hard to rip down barriers that
prevent effective teaching -- barriers such as crime, drugs and
community indifference.

We also want to encourage entrepreneurship in education. We
want to encourage research into the best teaching methods and
techniques. We want to help workers improve their knowledge and
skills. (Your Vital Link program offers a great way to achieve
this goal.) And we want to ensure that the American people are
the best educated, best motivated in the world. //

Our economic proposals also sweep away obstacles to free
enterprise. They try to unleash the power of the American
imagination.

Your organization understands that runaway government
spending steals opportunity from private citizens. Last year's
budget agreement placed real and stringent caps on Congressional
spending. If Congress wants to spend more money on certain
programs, it will have to make hard choices. It will have to
raise taxes or take the money from other programs.

This year, for the first time in years, federal spending
actually will increase less rapidly than inflation. And I can
promise you that if Congress sends me spending bills that break
this budget, I will send them back -- with a veto message! //

5

But we in government must do more. As vice president, I headed the Task Force on Regulatory Relief. As president, I remain committed to weeding out regulations that prevent people from creating jobs and opportunities.

Last year regulations cost our economy at least \$106 billion, or \$1,000 for every taxpayer. They generated more than 5.3 billion hours of paperwork each year. That's enough to keep 2 million people busy doing nothing but filling out forms.

Our Council on Competitiveness, chaired by the vice president, attacks the scourge of unnecessary paperwork. We want to let people turn their attention to the more important and rewarding work of building a prosperous future.

We have followed the same approach in looking at our tax code. We want a tax system that rewards enterprise. I repeatedly have asked Congress to cut our high capital gains tax.

I can't think of any issue that's been more badly misrepresented than this one. Our critics say a capital gains cut helps only the rich. They're dead wrong.

Here are the facts: More than a quarter of all capital gains are declared by families with annual incomes of less than twenty thousand dollars a year. More than three-quarters are declared by families who make less than members of Congress. A capital gains cut isn't a sop to the rich. It rewards people who turn good ideas into goods and services that people need.

When capital gains taxes are high, investors have no incentive to risk money on untried businesses and entrepreneurs.

6

Before Congress cut the capital gains rate in 1978, the pool for start-up businesses had virtually dried up. In the decade following the cut, the amount of investment seed money increased tenfold. Capital gains payments to the federal government quadrupled. This is what happens when you reduce the cost of capital.

A capital gains cut also will encourage savings and discourage debt. For the past four years, we have taxed capital gains like any other form of income. At the same time, we have encouraged people to take on debt. Not surprisingly, people have borrowed more, invested less. Home equity loans, a perfect example of this trend, have tripled in volume since we raised that capital gains rate four years ago. They let people gain access to the increased value of their homes without having to pay a capital gains duty.

No other major industrial power taxes capital gains at nearly the rate we do. Germany and Japan enjoy much higher savings and investment rates than we do in part because they don't punish successful investment.

My point is simple: capital gains taxes are taxes on the American dream. If we want to build on our natural strengths as a nation, we should cut this burdensome tax.

Similarly, we should foster innovation wherever we can. Our budget advocates increased federal support for research and development in basic and applied science. It also encourages private-sector innovation by extending the Research and

Experimentation Tax Credit. This administration understands the power of knowledge, and we want the tax code to reward people who turn their big dreams into revolutionary new goods and services.

Finally, this administration believes in protecting workers' earnings and savings.

Our banking reform proposals try to free our banking system from 1940s regulations and restrictions that just don't cut it in the 1990s.

We want a deposit insurance system that protects that average depositor and forces banks to take responsibility for their behavior. We want to improve supervision, so that we address problems before banks fail.

In short, our comprehensive reform proposals aim to make our banking system more competitive, up-to-date, safe and sound.

We also believe in protecting retirees from undue hardship. Eight years ago, Congress adopted measures to guarantee the short-term solvency and long-term stability of the social security system. Congress should resist any temptation to undermine that stability by permitting raids on the trust fund balances. We need to honor our promises to workers and retirees.

I know I have covered a lot of ground today, but I wanted to make a point: Our growth package addresses the challenges posed by a new / exciting / rapidly changing world. Our themes:

We want to promote growth.

We want to create jobs for all Americans.

We want to unleash the power of American imagination.

We want to ignite people's ambitions, rather than inciting their fears.

Many people call the 20th Century "The American Century." Well, we should not be content with that.

The stunning collapse of communism in 1989 was no accident. During the 1980s the communist world learned that no wall, no barrier can fend off powerful ideas. It saw our prosperity and our vitality. It saw that our way is better. The prosperity of the 1980s -- which began with tax cuts and pro-growth policies in the United States -- transformed the world.

Our challenge now is to shape the revolution we started, to make the 21st Century will be the Next American Century.

I ask your help in that quest. Together, we cannot fail.

Thank you, and God bless this great nation.

#

Snow/Simon
ABC
Draft One
April 5, 1991
5 p.m.

**ADDRESS BY THE PRESIDENT: THE AMERICAN BUSINESS CONFERENCE
THE DEPARTMENT OF COMMERCE
TUESDAY APRIL 9, 1991
2 p.m.**

[Introductory acknowledgments].

It's always great to talk to the American Business Conference. I've been here four times in recent years, and I've hired away at least two of your leaders -- Bob Mosbacher and Alan Levitt. I wish I'd had that much luck fishing in Florida last week. //

It's an honor and a pleasure to talk to a group that stands for success -- a group that admits only small to medium sized companies that succeed in the marketplace.

But I've got to tell you, I feel a little funny being here. After all, I work for a huge corporation that has lost money for 33 of the last 35 years. //

At any rate, in keeping with today's theme -- Charting Economic Growth in the 90s -- I'd like to talk about this administration's plan for generating more Great American Success Stories like yours./

Our recent success in the Gulf has renewed Americans' belief in themselves. In just the past couple of months, consumer

confidence has soared. The stock market has begun climbing toward the 3,000 mark. Most economists predict that the recession soon will give way to a new cycle of growth.

But we can't rest on laurels: There's an entire world of competition out there. The administration's economic growth package is designed to let people like you do what you do best - - create jobs, create new opportunities, create wealth. Its four pillars can help America take its rightful place in a new global economy.

Let's start with a first pillar, the capital gains tax.

I can't think of any issue that's been more badly misrepresented than this one. Our critics say a capital gains cut helps only the rich. They're dead wrong.

Here are the facts: More than a quarter of all capital gains are declared by people with annual incomes of less than twenty thousand dollars a year. More than three-quarters are declared by families who make less than members of Congress. A capital gains cut isn't a sop to the rich. It's a lifeline to the poor and middle class.

Consider what a capital gains cut can do:

A capital gains tax cut helps people in need.

When times get tough, people of modest means must sell things to make ends meet. They move into smaller houses. Sell off furniture, heirlooms, stocks and bonds. Yet they can't get around to paying their bills until they've paid the taxman. And lots of times, they are being taxed on so-called gains that only reflect the effects of inflation. In the end, they sell precious possessions, and get to keep only pennies.

I recently got a letter from a woman in Virginia whose husband has suffered a stroke -- whose fourth child suffers Downs syndrome -- whose family needs to move into a less expensive home because they can't pay both their mortgage and their medical bills.

Yet because of the capital gains tax, they can't afford to sell their home. Once they have paid their taxes / their realtor's commissions / their lawyer's fees / their settlement fees / they don't have enough left for even a modest down payment.

She wrote: "Please tell Congress for me that a cut in the capital gains tax will not benefit big business. It will enable a **once-middle-income** family suffering **two** major catastrophes to 'buy down' to a **lower** cost of living // and enable a disabled husband to support his wife and four children."

The capital gains tax punishes people who live paycheck to paycheck, and suddenly run into financial trouble. A cut in the capital gains rates gives them a chance to survive tough times.

Here's a second advantage of a capital gains cut: It rewards people who turn good ideas into good deeds.

It makes the American dream accessible to people who DON'T have lots of money, but who DO have good ideas.

Consider the effects of the cuts enacted in 1978 -- in part because of the efforts of Jim Jones here. Jim, you helped lead a bipartisan effort back then; we need more people like you now. //

Before that tax cut took effect our tax code actually punished people who risked money on new businesses. The government didn't insulate investors from risks, but it did siphon off much of the reward.

After the capital gains cut, investors could make money on wise risks. They suddenly had good reason to provide the seed money for fledgling businesses and industries. The pool of money for new businesses grew almost tenfold in ten years -- and that's after you take inflation into account.

Most of this money went to small start-up companies, like many of yours. These companies supplied 80 percent of the new jobs during our recent economic boom. As those firms thrived, investors made money. As investors made money, they paid capital gains taxes. Federal capital gains receipts also increased nearly tenfold during this period.

This is not unusual. Every time in our history that we have cut capital gains taxes, new companies have blossomed and capital gains receipts have increased.

Another advantage: A capital gains cut will encourage savings and discourage debt.

For the past four years, we have taxed capital gains like any other form of income. At the same time, we have encouraged people to take on debt. Not surprisingly, people have borrowed more, invested less. If you want an obvious example of this phenomenon, think about the home equity loan. The overall volume of home equity lines of credit doubled in the first year after tax reform, from 40 billion dollars to 75 billion dollars. Right now, Americans have taken out nearly 125 billion dollars in home equity lines of credit.

These loans give people access to the increased value of their homes without forcing them to shell out capital gains taxes. Since we don't tax these loans and we let people deduct the interest payments, our tax law actually encourages people to buy debt.

Our preference for borrowing hurts lots of people. The construction industry suffers. Potential small businesses go wanting for help. The economy just doesn't grow as much as it could.

This leads us to another point: A capital gains cut can slash the cost of saving our financial industry.

An increasing number of studies show that a reduction in the capital gains rate will restore hundreds of billions of dollars in commercial and residential property values. That jump would improve the balance sheets of lending institutions, including troubled savings and loans -- and increase the value of institutions up for sale. In this way, a capital gains rate cut immediately would chop billions of dollars from the cost of rescuing the savings and loan industry. As property values grew, the long-term costs of recovery would shrink even more.

A capital gains cut will make us more competitive in the new world economy.

None of our major competitors imposes a high tax on capital gains. Japan and Germany enjoy higher savings rates than we do in part because they tax capital gains at a much lower rate than they tax wages and other income.

East Germany has abolished the capital gains tax entirely, and Hungary and Czechoslovakia are thinking about doing the same. That's because they want to promote savings and economic enterprise.

So let's take stock:

If we want to compete effectively in a world marketplace, we should cut the capital gains tax.

If we want to encourage savings and investment, rather than debt and hoarding, we should cut the capital gains tax.

If we want to reward enterprise, not envy, we should cut the capital gains tax.

The point is simple: **Capital gains taxes are taxes on the American dream.**

They punish the people who stand to gain the most from growth, the poor, the middle class. They encourage the well-to-do to hoard their wealth, rather than investing it.

This is the real fairness problem.

If we want to unleash the creative power of the American people, we should ignore those who would rather be **righteous** than **right.**//

We should cut the tax on the American Dream.

Now, let's turn to a second pillar of growth -- free trade.

As you know, I have asked Congress to extend my "fast-track" trade authority.

Fast-track is another term for "good faith." It guarantees that Congress will accept or reject the very same agreements that

our negotiators and their counterparts have adopted. This doesn't weaken Congress' power to review agreements; it simply prevents 11th hour changes that would force negotiators from all countries to return to the table and start from scratch.

Our trading partners consider fast track a vital test of our reliability. And three impending trade initiatives could stand or fall depending on whether Congress permits the fast track process to continue. The North American Free Trade Agreement, the Enterprise for the Americas Initiative and the Uruguay Round of trade talks all depend on fast track.

I know you support free trade. But we can't take full advantage of our opportunities without fast-track. Today I ask your help in getting Congress to join us in reaching out to this new and vibrant world.

I also need your support in a third crucial element of our growth package -- banking reform.

In many ways, our banking industry strains under the weight of ancient regulations and restrictions. We want Congress to help modernize our banking system, make it safer for consumers, and increase its competitive strength.

Let me touch just a few of our reform proposals:

Our package would limit the liability of insured deposits to no more than \$100,000 per person per institution, and retirement

savings to \$100,000 per person per institution. This restriction obviously protects small savers.

Our package would discourage wheeling and dealing by charging insurance premiums based on risk. Good institutions would pay lower rates than unsound ones. We also would alter the current "too big to fail" policy. We want institutions to know that they no longer can rely on government to bail them out when they behave foolishly.

Our package would prevent unsound institutions from offering "new" banking services. It would prevent unfair banking practices. It would pay for a larger, better focused team of regulators.

Our package would authorize nationwide banking for bank holding companies, after a three year phase-in period.

In brief, our reforms try to strip away incentives for irresponsible behavior. Our comprehensive package strives to make our banking system more competitive / up to date / safe / and sound.

Think of the banking system as an irrigation system for the economy. When it works properly, it cultivates the seeds of economic growth. When it doesn't, companies like the ones represented here can wither and die.

**This brings me to the fourth pillar of our growth package:
Investing in the future.**

Our budget emphasizes the importance of looking ahead, of building an America that is ready and eager to take its place in an emerging world economy.

It stresses the importance of educational reform. Our new Education Secretary, Lamar Alexander, has outlined a reform strategy that involves common sense.

It starts with the assumptions that schools succeed when teachers teach,

When parents support the schools/

When schools welcome help from people with skills -- businesses, industries, academics, retirees/

When communities eliminate the barriers -- crime, corruption, inefficiency, -- to education.

Your Vital Link program offers a perfect example of the kind of partnership Lamar seeks to build with industry, and I'm sure he'll be seeking out your advice and help in the future.

Our invest in the future strategy also recognizes the importance of preventive health care -- staying fit, staying healthy.

It encourages research and development in basic and applied science.

It seeks to improve our transportation system -- the roads, airports, and railways that take people to and from work.

It strives to reward stewardship of our natural resources without choking off economic growth.

It tries to create real competition in all areas of government service -- education, health care, housing, employment. It lets people choose the best way of pursuing their dreams.

Now, I know I have covered a lot of ground here. But our growth package incorporates some powerful, simple themes.

We want to promote growth.

We want to unleash the power of American imagination.

We want Americans to think in terms of their **capabilities**, not their **disabilities**.

Many people call the 20th Century The American Century. Well, we should not be content with that. Our growth package will help make the 21st Century the **Next** American Century. We can help our sons and daughters continue the American tradition of excellence if we give them the freedom to excel.

This is a great nation because men and women like you believed in yourselves. Believed in your ideas. And trusted the public to choose wisely.

These same virtues can propel us to future greatness as a nation. I ask your help in pursuing that quest. Together, we cannot fail.

Thank you, and God bless this great nation.

John Gardner's?
91 APR -8 AM 10:28

Snow/Simon
ABC
Draft Two (a)
April 8, 1991
9 a.m.

**ADDRESS BY THE PRESIDENT: THE AMERICAN BUSINESS CONFERENCE
THE DEPARTMENT OF COMMERCE
TUESDAY APRIL 9, 1991
2 p.m.**

[Introductory acknowledgments].

It's always great to talk to the American Business Conference. I've been here four times in recent years, and I've hired away at least two of your leaders -- Bob Mosbacher and Alan Levitt. I wish I'd had that much luck fishing last week. //

It's an honor and a pleasure to talk to a group that stands for success -- a group that admits only medium sized companies that thrive in the marketplace.

But I've got to tell you, I feel a little funny being here. After all, I work for a huge corporation that has lost money for 33 of the last 35 years. //

But in keeping with today's theme -- Charting Economic Growth in the 90s -- I'd like to talk about this administration's plan for generating more American Success Stories like yours./

Our recent success in the Gulf has renewed Americans' belief in themselves. In just the past couple of months, consumer confidence has soared. The stock market has begun climbing toward the 3,000 mark. Most economists predict that the recession soon will give way to a new cycle of growth.

It fell below 2900 on Friday.

But we can't rest on laurels: There's an entire world of competition out there. The administration's economic growth package is designed to let people like you do what you do best - - create jobs, create new opportunities, create wealth.

Let's start with an issue we all will have to address in the next month, the issue of free and fair trade.

As you know, I have asked Congress to extend my "fast-track" trade authority.

Fast-track is another term for "good faith." It guarantees that Congress will accept or reject the very same agreements that our negotiators and their counterparts have worked out. This doesn't weaken Congress' power to review agreements; it simply prevents 11th hour changes that would force negotiators from all countries to start from scratch.

Our trading partners consider fast track a vital test of our reliability. If we do not retain the fast-track process, we could lose three critical trade initiatives: The North American Free Trade Agreement, the Enterprise for the Americas Initiative and the Uruguay Round of trade talks.

Americans understand the benefits of free trade. In the last four years, exports from the U.S. have increased 59 percent, more than twice the rate of import growth. And export business has grown more rapidly than the rest of our economy.

This trade boom has helped everyone involved. A North American Free Trade Agreement would place us in the largest integrated market on earth: 360 million people, \$6 billion of

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annual output. It also would give our neighbors access to the technologies and products they need to improve their standards of living / further clean their environments / and create a true community of nations on our continent.

I know you support free trade. Congress must vote by June 1 on whether to preserve fast-track. Without it, we will surrender our chance to shape the emerging world economy. We also will risk setting off the kind of protectionist warfare that helped produce the Great Depression.

We cannot afford to squander this opportunity. Today I ask your help in getting Congress to join us in reaching out to this new and vibrant world.

**This brings me to a second part of our growth package:
Creating an educated, innovative workforce.**

Our budget emphasizes the importance of building an America that is ready to take its place in an emerging world economy.

In that regard, it stresses the importance of an educated workforce. Our new Education Secretary, Lamar Alexander, has outlined a reform strategy ^{-- a strategy for excellence in education --} that involves common sense.

It starts with the obvious truths: That schools succeed when teachers teach,

When parents support the schools /

When schools welcome help from people with skills --
businesses, academics, retirees /

When communities eliminate the barriers to education --
barriers such as crime, corruption, inefficiency.

Your Vital Link program offers a perfect example of the kind of partnership Lamar seeks to build with industry, and I'm sure he'll be seeking out your advice and help in the future.

But Lamar also wants to encourage entrepreneurship in education. He has talked about stimulating research into the best teaching methods and techniques. He has stressed the importance of lifelong learning. And he wants to ensure that the American workforce is the best educated, best motivated -- in short, the best -- workforce in the world. //

Our economic proposals also sweep away obstacles to free enterprise. They try to unleash the power of the American imagination.

Your organization understands that runaway government spending steals opportunity from private citizens. Last year's budget agreement finally placed real and stringent caps on Congressional spending. If Congress wants to spend more money on certain programs, it has to raise taxes or to take the money from other programs. This concentrates the mind wonderfully. It forces Congress [and the administration] to make hard choices, rather than simply to fob problems off on taxpayers.

This year, for the first time in years, federal spending actually will increase less rapidly than inflation. I can promise you that if Congress sends me spending bills that break this budget, **I will veto them.** //

But we in government must do more. As vice president, I headed the Task Force on Regulatory Relief. As president, I

remain committed to weeding out regulations that prevent people from creating jobs and opportunities.

Last year regulations cost our economy at least \$185 billion, or \$1,700 for every taxpayer. They generated more than 5 billion hours of paperwork each year. That's enough to keep 2 million people busy doing nothing but filling out forms.

We want to put an end to this kind of regulatory creep, and liberate business from unnecessary paperwork. Our banking reform package tries to lift ancient and onerous restrictions that crush the kind of innovation that system needs. And in everything from the pharmaceutical industry to the auto industry, we have tried to clear away regulatory obstacles to growth.

We have followed the same approach in looking at our tax code. We want a tax system that **rewards** enterprise. I repeatedly have asked Congress to cut our high capital gains tax.

I can't think of any issue that's been more badly misrepresented than this one. Our critics say a capital gains cut helps only the rich. They're dead wrong.

Here are the facts: More than a quarter of all capital gains are declared by people with annual incomes of less than twenty thousand dollars a year. More than three-quarters are declared by families who make less than members of Congress. A capital gains cut isn't a sop to the rich. It's a lifeline to the poor and middle class.

Furthermore, a capital gains tax cut will reward people who turn good ideas into good deeds. ? *Sounds like a charity deduction.*

When? For how long?

When capital gains taxes are high, investors have no incentive to risk money on untried businesses and entrepreneurs. After we cut capital gains taxes in 1978 and 1981, the amount of investment seed money increased **tenfold**. Capital gains payments to the federal government **quadrupled**. And people of modest means suddenly had a chance to turn their dreams into realities.

A capital gains cut also will encourage savings and discourage debt.

For the past four years, we have taxed capital gains like any other form of income. At the same time, we have encouraged people to take on debt. Not surprisingly, people have borrowed more, invested less.

Think about home equity loans. These loans let people gain access to the increased value of their homes, without having to pay capital gains taxes on that new value. We also let people write off the interest payments on these loans. No wonder the overall volume of these loans has more than tripled since tax reform took effect. We have virtually begged people to buy debt, instead of buying homes and goods.

Now, no other major industrial power taxes capital gains at nearly the rate we do. This is a competitiveness issue: Germany and Japan enjoy much higher savings and investment rates than we do because they don't punish successful investment.

My point is simple: **Capital gains taxes are taxes on the American dream.** When we debate this issue, we have to make a choice: We can listen to those who would rather stir envy than

encourage enterprise, who would rather be righteous than right. Or we can commit ourselves to creativity and productivity. If we want to unleash the creative power of the American people, we should cut our capital gains rate.

Similarly, we want to invest in research and development in basic and applied science, and to encourage private-sector innovation by extending the Research and Experimentation Tax Credit. This administration understands the power of knowledge, and we want the tax code to reward people who dare to turn their big dreams into revolutionary new goods and services.

I know I have covered a lot of ground today, but I wanted to make a point: Our growth package addresses the challenges posed by a new / exciting / rapidly changing world. Our themes are simple.

We want to promote growth.

We want to unleash the power of American imagination.

We want to highlight Americans' capabilities, not their disabilities. ? *Could be a bad word to use if not talking about ADA, etc.*

Many people call the 20th Century The American Century.

Well, we should not be content with that.

The stunning collapse of communism in 1989 didn't happen by accident. During the 1980s the communist world learned that no wall, no barrier fend off powerful ideas. People in that world saw our prosperity and our vitality. They saw that our way was better. The prosperity of the 1980s -- a prosperity that began

with tax cuts and pro-business policies in the United States -- changed the entire world.

Our challenge now is to shape the revolution we started. The administration's growth package wrestles with the changing and fascinating world around us. It works to ensure that the 21st Century will be the **Next American Century**.

This is a great nation because men and women like you believed in yourselves. Believed in your ideas. And trusted the public to choose wisely.

These same virtues can propel us to future greatness as a nation. I ask your help in pursuing that quest. Together, we cannot fail.

Thank you, and God bless this great nation.

Snow/Simon
ABC
Draft Two (a)
April 8, 1991
9 a.m.

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THE DEPARTMENT OF COMMERCE
TUESDAY APRIL 9, 1991
2 p.m.**

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It's an honor and a pleasure to talk to a group that stands for success -- a group that admits only medium sized companies that thrive in the marketplace.

But I've got to tell you, I feel a little funny being here. After all, I work for a huge corporation that has lost money for 33 of the last 35 years. //

But in keeping with today's theme -- Charting Economic Growth in the 90s -- I'd like to talk about this administration's plan for generating more American Success Stories like yours./

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I know you support free trade. Congress must vote by June 1 on whether to preserve fast-track. Without it, we will surrender our chance to shape the emerging world economy. We also will risk setting off the kind of protectionist warfare that helped produce the Great Depression.

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But Lamar also wants to encourage entrepreneurship in education. He has talked about stimulating research into the best teaching methods and techniques. He has stressed the importance of lifelong learning. And he wants to ensure that the American workforce is the best educated, best motivated -- in short, the best -- workforce in the world. //

Our economic proposals also sweep away obstacles to free enterprise. They try to unleash the power of the American imagination.

Your organization understands that runaway government spending steals opportunity from private citizens. Last year's budget agreement finally placed real and stringent caps on Congressional spending. If Congress wants to spend more money on certain programs, it has to raise taxes or to take the money from other programs. This concentrates the mind wonderfully. It forces Congress and the administration to make hard choices, rather than simply to fob problems off on taxpayers.

This year, for the first time in years, federal spending actually will increase less rapidly than inflation. I can promise you that if Congress sends me spending bills that break this budget, I will veto them. //

But we in government must do more. As vice president, I headed the Task Force on Regulatory Relief. As president, I

remain committed to weeding out regulations that prevent people from creating jobs and opportunities.

Last year regulations cost our economy at least \$185 billion, or \$1,700 for every taxpayer. They generated more than 5 billion hours of paperwork each year. That's enough to keep 2 million people busy doing nothing but filling out forms.

We want to put an end to this kind of regulatory creep, and liberate business from unnecessary paperwork. Our banking reform package tries to lift ancient and onerous restrictions that crush the kind of innovation that system needs. An in everything from the pharmaceutical industry to the auto industry, we have tried to clear away regulatory obstacles to growth.

We have followed the same approach in looking at our tax code. We want a tax system that rewards enterprise. I repeatedly have asked Congress to cut our high capital gains tax.

I can't think of any issue that's been more badly misrepresented than this one. Our critics say a capital gains cut helps only the rich. They're dead wrong.

Here are the facts: More than a quarter of all capital gains are declared by people with annual incomes of less than twenty thousand dollars a year. More than three-quarters are declared by families who make less than members of Congress. A capital gains cut isn't a sop to the rich. It's a lifeline to the poor and middle class.

Furthermore, a capital gains tax cut will reward people who turn good ideas into good deeds.

When capital gains taxes are high, investors have no incentive to risk money on untried businesses and entrepreneurs. After we cut capital gains taxes in 1978 and 1981, the amount of investment seed money increased tenfold. Capital gains payments to the federal government quadrupled. And people of modest means suddenly had a chance to turn their dreams into realities.

A capital gains cut also will encourage savings and discourage debt.

For the past four years, we have taxed capital gains like any other form of income. At the same time, we have encouraged people to take on debt. Not surprisingly, people have borrowed more, invested less.

Think about home equity loans. These loans let people gain access to the increased value of their homes, without having to pay capital gains taxes on that new value. We also let people write off the interest payments on these loans. No wonder the overall volume of these loans has more than tripled since tax reform took effect. We have virtually begged people to buy debt, instead of buying homes and goods.

Now, no other major industrial power taxes capital gains at nearly the rate we do. This is a competitiveness issue: Germany and Japan enjoy much higher savings and investment rates than we do because they don't punish successful investment.

My point is simple: **Capital gains taxes are taxes on the American dream.** When we debate this issue, we have to make a choice: We can listen to those who would rather stir envy than

encourage enterprise, who would rather be righteous than right. Or we can commit ourselves to creativity and productivity. If we want to unleash the creative power of the American people, we should cut our capital gains rate.

Similarly, we want to invest in research and development in basic and applied science, and to encourage private-sector innovation by extending the Research and Experimentation Tax Credit. This administration understands the power of knowledge, and we want the tax code to reward people who dare to turn their big dreams into revolutionary new goods and services.

I know I have covered a lot of ground today, but I wanted to make a point: Our growth package addresses the challenges posed by a new / exciting / rapidly changing world. Our themes are simple.

We want to promote growth.

We want to unleash the power of American imagination.

We want to highlight Americans' capabilities, not their disabilities.

Many people call the 20th Century The American Century. Well, we should not be content with that.

The stunning collapse of communism in 1989 didn't happen by accident. During the 1980s the communist world learned that no wall, no barrier fend off powerful ideas. People in that world saw our prosperity and our vitality. They saw that our way was better. The prosperity of the 1980s -- a prosperity that began

with tax cuts and pro-business policies in the United States -- changed the entire world.

Our challenge now is to shape the revolution we started. The administration's growth package wrestles with the changing and fascinating world around us. It works to ensure that the 21st Century will be the Next American Century.

This is a great nation because men and women like you believed in yourselves. Believed in your ideas. And trusted the public to choose wisely.

These same virtues can propel us to future greatness as a nation. I ask your help in pursuing that quest. Together, we cannot fail.

Thank you, and God bless this great nation.

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CLASSIFICATION



AIR FORCE 1 FAX # 002

HEADQUARTERS 89TH MILITARY AIRLIFT WING
AIR FORCE ONE
ANDREWS AFB, MD 20331-7004
WHCA COMMUNICATIONS CENTER
TELEFAX SECURE # (202) 395-1206/07
TELEFAX ADMIN # (202) 395-5521/22

DATE/TIME: 08 1830

FROM: MR. DEMAREST

TO: TONY SNOW

SITTING ROOM
91 APR 91
PG: 39

REMARKS: TOP: 081845Z

9 PAGES

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Document No. _____

WHITE HOUSE STAFFING MEMORANDUM

DATE: 4/8/91 ACTION/CONCURRENCE/COMMENT DUE BY: 2:00 TODAY

SUBJECT: REVISED PRESIDENTIAL REMARKS: AMERICAN BUSINESS CONFERENCE

| | ACTION FYI | | | ACTION FYI | |
|----------------|-------------------------------------|-------------------------------------|---------------|-------------------------------------|-------------------------------------|
| VICE PRESIDENT | <input type="checkbox"/> | <input checked="" type="checkbox"/> | MCCLURE | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| SUNUNU | <input type="checkbox"/> | <input type="checkbox"/> | NEWMAN | <input type="checkbox"/> | <input type="checkbox"/> |
| SCOWCROFT | <input checked="" type="checkbox"/> | <input type="checkbox"/> | PORTER | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
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| BRADY | <input type="checkbox"/> | <input checked="" type="checkbox"/> | UNTERMAYER | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
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| HOLIDAY | <input checked="" type="checkbox"/> | <input type="checkbox"/> | _____ | <input type="checkbox"/> | <input type="checkbox"/> |

REMARKS: Please forward any comments directly to Tony Snow, Rm. 122, x2930, no later than 2:00 TODAY with a copy to this office. Thank you.

RESPONSE:

*Tony
Some
comments
AD*

PHILLIP C. BRADY
Assistant to the President
and Staff Secretary
Ext. 2702

REVISED

91 APR -3 AM10:28

Snow/Simon
ABC
Draft Two (a)
April 8, 1991
9 a.m.

ADDRESS BY THE PRESIDENT: THE AMERICAN BUSINESS CONFERENCE
THE DEPARTMENT OF COMMERCE
TUESDAY APRIL 9, 1991
2 P.M.

[Introductory acknowledgments].

It's always great to talk to the American Business Conference. I've been here four times in recent years, and I've ~~hired away~~ ^{landed} at least two of your leaders -- Bob Mosbacher and Alan Levitt. I wish I'd had that much luck fishing last week. //

It's an honor and a pleasure to talk to a group that stands for success -- a group that admits only medium sized companies that thrive in the marketplace.

But I've got to tell you, I feel a little funny being here. After all, I work for a huge corporation that has lost money for 33 of the last 35 years. //

But in keeping with today's theme -- Charting Economic Growth in the 90s -- I'd like to talk about this administration's plan for generating more American Success Stories like yours./

Our recent success in the Gulf has renewed Americans' belief in themselves. In just the past couple of months, consumer confidence has soared. The stock market has begun climbing toward the 3,000 mark. Most economists predict that the recession soon will give way to a new cycle of growth.

But we can't rest on laurels: There's an entire world of competition out there. The administration's economic growth package is designed to let people like you do what you do best - create jobs, create new opportunities, create wealth.

Let's start with an issue we all will have to address in the next month, the issue of free and fair trade.

As you know, I have asked Congress to extend my "fast-track" trade authority.

Fast-track is another term for "good faith." It guarantees that Congress will accept or reject the very same agreements that our negotiators and their counterparts have worked out. This doesn't weaken Congress' power to review agreements; it simply prevents 11th hour changes that would force negotiators from all countries to start from scratch.

Our trading partners consider fast track a vital test of our reliability. If we do not retain the fast-track process, we ~~could lose~~ ^{jeopardize} three critical trade initiatives: The North American Free Trade Agreement, the Enterprise for the Americas Initiative and the Uruguay Round of trade talks.

Americans understand the benefits of free trade. In the last four years, exports from the U.S. have increased 59 percent, more than twice the rate of import growth. And export business has grown more rapidly than the rest of our economy.

This trade boom has helped everyone involved. A North American Free Trade Agreement would place us in the largest integrated market on earth: 360 million people, \$6 ^{trillion} billion of

annual output. It also would give our neighbors access to the technologies and products they need to improve their standards of living / further clean their environments / and create a true community of nations on our continent.

I know you support free trade. Congress must vote by June 1 on whether to preserve fast-track. Without it, we will surrender our chance to shape the emerging world economy. ~~We also will~~ *Without it, we* risk setting off the kind of protectionist warfare that helped produce the Great Depression.

We cannot afford to squander this opportunity. Today I ask your help in getting Congress to join us in reaching out to this new and vibrant world.

This brings me to a second part of our growth package: **Creating an educated, innovative workforce.**

Our budget emphasizes the importance of building an America that is ready to take its place in an emerging world economy.

~~In that regard,~~ *absolute necessity* It stresses the importance of an educated workforce. Our new Education Secretary, Lamar Alexander, has outlined a reform strategy that involves common sense.

It starts with the obvious truths: That schools succeed when teachers teach,

When parents support the schools /

When schools welcome help from people with skills *-- from local businesses, academics, retirees* *or the community college, or from that huge pool of untapped talent -- our retired*

When communities *fight harder to eliminate* ~~eliminate~~ the barriers to education -- barriers such as crime, corruption, inefficiency.

Your Vital Link program offers a perfect example of the kind of partnership Lamar seeks to build with industry, and I'm sure he'll be seeking out your advice and help in the future.

But Lamar also wants to encourage entrepreneurship in education. ~~He has talked about~~ stimulating research into the best teaching methods and techniques. ~~He has stressed~~ ^{ins} the importance of lifelong learning. And ~~he~~ ^{Lamar} wants to ensure that the American workforce is the best educated, best motivated -- in short, the best -- workforce in the world. //

Our economic proposals also sweep away obstacles to free enterprise. They try to unleash the power of the American imagination.

Your organization understands that runaway government spending steals opportunity from private citizens. Last year's budget agreement finally placed real and stringent caps on Congressional spending. If Congress wants to spend more money on certain programs, it has to raise taxes or to take the money from other programs. This concentrates the mind wonderfully. It forces Congress and the administration to make hard choices, rather than simply to fob problems off on taxpayers.

This year, for the first time in years, federal spending actually will increase less rapidly than inflation. I can promise you that if Congress sends me spending bills that break this budget, I will veto them. //

But we in government must do more. As vice president, I headed the Task Force on Regulatory Relief. As president, I

remain committed to weeding out regulations that prevent people from creating jobs and opportunities.

Last year regulations cost our economy at least \$185 billion, or \$1,700 for every taxpayer. They generated more than 5 billion hours of paperwork each year. That's enough to keep 2 million people busy doing nothing but filling out forms.

We want to put an end to this kind of regulatory creep, and liberate business from unnecessary paperwork. Our banking reform package tries to lift ancient and onerous restrictions that crush the kind of innovation that system needs. ~~And~~ in everything from the pharmaceutical industry to the auto industry, we have tried to clear away regulatory obstacles to growth.

We have followed the same approach in looking at our tax code. We want a tax system that rewards enterprise. I repeatedly have asked Congress to cut our high capital gains tax.

I can't think of any issue that's been more badly misrepresented than this one. Our critics say a capital gains cut helps only the rich. They're dead wrong.

Here are the facts: More than a quarter of all capital gains are declared by people with annual incomes of less than twenty thousand dollars a year. More than three-quarters are declared by families who make less than members of Congress. ~~A capital gains cut isn't a sop to the rich. It's a lifeline to the poor and middle class.~~

~~Furthermore,~~ ^{So} a capital gains tax cut will reward people who ~~turn good ideas into good deeds.~~ *in middle and lower income brackets.*

Furthermore

When capital gains taxes are high, investors have no incentive to risk money on untried businesses and entrepreneurs. After we cut capital gains taxes in 1978 and 1981, the amount of investment seed money increased tenfold. Capital gains payments to the federal government quadrupled. And people of modest means suddenly had a chance to turn their dreams into realities.

A capital gains cut also will encourage savings and discourage debt.

For the past four years, we have taxed capital gains like any other form of income. At the same time, we have encouraged people to take on debt. Not surprisingly, people have borrowed more, invested less.

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Think about home equity loans. These loans let people gain access to the increased value of their homes, without having to pay capital gains taxes on that new value. We also let people write off the interest payments on these loans. No wonder the overall volume of these loans has more than tripled since tax reform took effect. We have virtually begged people to buy debt, instead of buying homes and goods.

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Now, no other major industrial power taxes capital gains at nearly the rate we do. This is a competitiveness issue: Germany and Japan enjoy much higher savings and investment rates than we do because they don't punish successful investment.

My point is simple: Capital gains taxes are taxes on the American dream. When we debate this issue, we have to make a choice: We can listen to those who would rather stir envy than

encourage enterprise, who would rather be righteous than right. Or we can commit ourselves to creativity and productivity. If we want to unleash the creative power of the American people, we should cut our capital gains rate.

Similarly, we want to invest in research and development in basic and applied science, and to encourage private-sector innovation by extending the Research and Experimentation Tax Credit. This administration understands the power of knowledge, and we want the tax code to reward people who dare to turn their big dreams into revolutionary new goods and services.

I know I have covered a lot of ground today, but I wanted to make a point: Our growth package addresses the challenges posed by a new / exciting / rapidly changing world. Our themes are simple.

We want to promote growth.

We want to unleash the power of American imagination.

~~We want to highlight Americans' capabilities, not their disabilities.~~

Handwritten: Haven't get this up w/ ADT or workforce issues.

Many people call the 20th Century The American Century.

Well, we should not be content with that.

The stunning collapse of communism in 1989 didn't happen by accident. During the 1980s the communist world learned that no wall, no barrier ^{could} fend off powerful ideas. People in that world saw our prosperity and our vitality. They saw that our way was better. The prosperity of the 1980s -- a prosperity that began

with tax cuts and pro-business policies in the United States --
changed the entire world.

Our challenge now is to shape the revolution we started.
The administration's growth package wrestles with the changing
and fascinating world around us. It works to ensure that the
21st Century will be the next American Century.

This is a great nation because men and women like you
believed in yourselves. Believed in your ideas. And trusted the
public to choose wisely.

These same virtues can propel us to future greatness as a
nation. I ask your help in pursuing that quest. Together, we
cannot fail.

Thank you, and God bless this great nation.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

April 9, 1991

REMARKS BY THE PRESIDENT
TO THE AMERICAN BUSINESS CONFERENCE

The Department of Commerce
Washington, D.C.

2:07 P.M. EDT

THE PRESIDENT: Thank you very, very much. And, Bob, thank you, sir, for that introduction and for letting this distinguished group use this meeting room today. It's always a pleasure to be back here.

Let me also salute the ABC's leader, Jim Jones. What a job he's doing. But I remember his effectiveness in the leadership role in the Congress and I'm glad that those energies that he has are being used and shared by all of you. We have many distinguished visitors with us today, and I won't single them out. I was told that Bill Seidman and Richard Breedon were here. But as I look around, unless they're basking way back in anonymity somewhere, they may not have made it.

But in any event, I'm delighted to see this group. Great to talk to the American Business Conference. We did a little homework on this. And I've been here four times in recent years. And then, of course, we're privileged to have two of your own with us in the administration, Bob Mosbacher and Arthur Levitt.

And it's an honor and a pleasure to, as Bob says, talk to a group that stands for success -- a group that admits only medium-sized companies that thrive in the marketplace.

But I've got to tell you, I feel a little funny being here. After all, I'm the CEO now of an outfit that's lost money for 33 of the last 35 years. (Laughter.)

But in keeping with today's theme -- Charting Economic Growth in the '90s -- I'd like to talk about our administration's plan for generating more American success stories like your own.

Our recent success in the Gulf has renewed America's belief -- Americans' belief in themselves. In just the past couple of months, consumer confidence has soared. And the stock market, of course, has been climbing toward that 3,000 mark. Most economists predict that the recession soon will give way to a new cycle of growth. And, incidentally, our -- we agree with that assessment, inside.

But we can't rest on our laurels. There's an entire world of competition out there. The administration's economic growth package is designed to let people like you do what you do best -- create jobs, create new opportunities, create wealth.

Let's start with an issue that we all have to address in the next month. And I think Bob just talked about it -- Jim has been participating in a meeting with me in the Cabinet Room at the White House about it -- I'm talking about the issue of free and fair trade.

As you know, I have asked Congress to extend the Fast-Track trade authority.

Fast-Track, in my view, is another term for good faith. It guarantees that Congress will accept or reject the very same

MORE

agreements that our negotiators and their counterparts have worked out. And this doesn't weaken the Congress' power to review agreements; it simply prevents eleventh-hour changes that would force negotiators from all countries to start over -- to start from scratch.

Our trading partners consider Fast-Track a vital test of our reliability. And if we do not retain the Fast-Track process, we jeopardize three critical foreign trade initiatives: the Uruguay Round of trade talks, the North American Free Trade Agreement, and the Enterprise for the Americas Initiative.

Americans understand the benefits of free trade. In the last four years, exports from the United States have increased 55 percent, more than twice the rate of import growth. And export business has grown more rapidly than the rest of our economy.

This trade boom has helped everyone involved. A North American Free Trade Agreement would place us in the largest integrated market on earth: 360 million people, \$6 trillion of annual output. It would also give our neighbors access to the technologies and products that they need to improve their standards of living; further clean their environments; and create a true community of nations on our continent.

We also believe strongly in promoting trade. I have asked Bob Mosbacher to lead a government-wide effort to help small- and medium-sized companies sell their goods and services abroad. I know you support free trade, which is why I want to help you in persuading Congress to extend the Fast-Track process. Without it, we will surrender our chance to shape the emerging world economy. Without it, we risk setting off the kind of protectionist warfare that helped produce the Great Depression. And with it, American workers and businesses will be able to demonstrate their strength in a new and vibrant world market.

Let me say that we are approaching this Fast-Track process on the Hill in a totally nonpartisan manner. The Democratic leaders, several of the key Democratic leaders, are as enthusiastic about this Fast-Track authority granting as I am. And we're approaching it strictly because we believe that it is best for the United States of America. And I also know that it's good for our trading partners as well.

This brings me, then, to a second part of our growth package: creating an educated, innovative work force.

Our budget emphasizes the importance of building an America that is ready to take its place in an emerging world economy.

It stresses the absolute necessity of an educated nation. We want to reinvent the American school, to create a nation of students, to make sure that education offers opportunity to everyone.

Our education strategy starts with some very obvious truths: that schools succeed when teachers teach. When parents support the schools. When schools accept help from people with skills -- local businesses, community colleges -- that huge pool of untapped talent, our retirees. When communities fight harder to rip down barriers that prevent effective teaching, barriers such as ~~crimes and drugs and violence, indifference~~

And we also want to encourage entrepreneurship in education. We will support research into the best teaching methods and techniques. We want to help workers improve their knowledge and skills. Your Vital Link program offers a great way to achieve this goal. And we want to ensure that the American people are the best educated, best motivated in the entire world.

Our economic proposals also sweep away obstacles to free enterprise. What we're trying to do, we're trying to unleash the power of American imagination.

Your organization understands, I'd say better than most, that runaway government spending steals opportunity from private citizens. Last year's budget agreement -- controversial though it was -- placed real and stringent caps on congressional spending. If Congress wants to spend money now, more money on certain programs, it'll have to make the hard choices. It'll have to raise taxes or take the money from other programs.

This year, for the first time in years, federal spending will actually increase less rapidly than the inflation. And I can promise you that if Congress sends me these spending bills that break this budget, I will send them back, with a veto message. (Applause.)

But there's lots more to do. We in government must do more. As vice president, I headed the Task Force on Regulatory Relief. And as President, I remain committed to weeding out regulations that prevent people from creating jobs and opportunities. (Applause.) I see some know what over-regulation means. (Laughter.) But we're going to continue to do this and we must.

Last year regulations -- here's why -- last year regulations cost the economy at least \$185 billion or \$1,700 for every taxpayer. The government generated more than 5.3 billion hours of paperwork last year. And that's enough to keep 2 million people busy doing nothing but filling out forms.

Our Council on Competitiveness, as chaired by Vice President Quayle, attacks the scourge of unnecessary regulation. We want to let people turn their attention to the more important and rewarding work of building a prosperous future.

We've followed the same approach in looking at our tax code. We want a tax system that rewards enterprise. I have repeatedly asked the United States Congress to cut our high capital gains tax.

And I can't think of any issue that's been more badly misrepresented than this one. Our critics say that a capital gains cut helps only the rich. And in my view, they are dead wrong.

Here are the facts on it. More than a quarter of all families who file capital gains have annual incomes of less than \$20,000 a year. More than three-quarters of all families who declared make less than members of Congress. A capital gains cut isn't a sop to the rich. It rewards people who turn good ideas into goods and services -- goods and services that people need.

When taxes on entrepreneurship are high, investors have no incentive to risk money on untried businesses and entrepreneurs. Before Congress cut the capital gains rate in 1978, the pool for start-up businesses had virtually dried up. And after the cut, we experienced an investment boom. Between 1978 and 1986, the number of initial public offerings increased nearly 1600 percent from 45 to 719. The amount of investment seed money increased nearly a hundredfold, from \$250 million to \$22.5 billion. Capital gains payments to the federal government quadrupled. This is what happens when you reduce the cost of capital.

We must encourage savings and discourage debt. And for ~~the same reason~~ we've taxed capital gains like any other form of income. And at the same time, we have encouraged people to take on debt. Not surprisingly, people have borrowed more and invested less. Home equity lines of credit offer a perfect example. These devices, which let homeowners borrow against their increased home values have nearly tripled in volume since tax reform.

No other major industrial power taxes capital gains at nearly the rate we do. Germany and Japan enjoy much higher savings and investment rates in part because they don't punish successful investment.

My point is simple: Taxes on growth are taxes on the American dream. We should clear away obstacles to the American dream. And similarly, we should foster innovation wherever we can.

Our budget advocates increased federal support for R & D, for research and development, in basic and applied science. It also encourages private-sector innovation by extending the Research and Experimentation Tax Credit. Our administration understands the power of knowledge, and we want the tax code to reward people who turn their big dreams into revolutionary new goods and services.

And finally, this administration believes in protecting workers' earnings and savings. Our banking reform proposals -- they try to modernize the laws that affect our banking system. Let's face it: 1930's regulations and restrictions don't cut it in the 1990s.

To pick just one example, under our current laws, a California bank can open a branch in Birmingham, England, but not in Birmingham, Alabama. Think of the banking system as an irrigation network for the economy. When it works properly, it nourishes the seeds of economic growth. And when it doesn't, companies like the ones represented here can wither and die.

Our reform package tries in a very comprehensive way to make our banking system more competitive, up to date, safe and sound.

We also believe in protecting retirees from undue hardship. Eight years ago, Congress adopted measures to guarantee the short-term solvency and long-term stability of the Social Security system. Congress should resist any temptation to undermine that stability by permitting raids on the trust fund balances. We need to honor our promises to the workers and retirees. I know we've got a fight on this one. But I believe we're going to prevail.

I know I have covered a lot of ground, a lot of different -- touching on a lot of different issues here, but I wanted to make a point: Our growth package addresses the challenges posed by a new, exciting, rapidly changing world. Our themes: We want to promote growth. We want to create jobs for all Americans. We want to unleash the power of American imagination. We want to ignite people's ambitions, rather than inciting their fears.

Many people call the 20th century "The American Century." Well, we shouldn't be content with that.

The stunning collapse of communism in 1989 was no accident. During the 1980s the communist world learned that no wall, no barrier can fend off powerful ideas. It saw our prosperity and our vitality. It saw that our way is better. The prosperity of the 1980s, which began with tax cuts and pro-growth policies in the United States, transformed the entire world.

Our challenge now is to shape the revolution that we started to make the 21st century the next American Century.

And so I ask your help in that quest. Together, with business working cooperatively with government, we cannot fail.

Thank you all very much for coming to Washington. And may God bless our great country.

END

2:26 P.M. EDT