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Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: Speechwriting, White House Office of
Series: Speech File Draft Files
Subseries: Chron File, 1989-1993

OA/ID Number: 13593
Folder ID Number: 13593-001

Folder Title:
American Enterprise Institute Luncheon 12/4/91 [OA 6040]

Stack:	Row:	Section:	Shelf:	Position:
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BUSH PRES. RECORDS
OFFICE OF SPEECHWRITING

Speech File - Drafts

American Enterprise Institute
Luncheon
12/4/91
[OA 6040]

through

Chicago Board of Trade
12/10/91
[OA 6040] Box 120

WHITE HOUSE STAFFING MEMORANDUM

91 NOV 2 P5:58

DATE: 12/3/91 ACTION/CONCURRENCE/COMMENT DUE BY: ---

PRESIDENTIAL REMARKS: AMERICAN ENTERPRISE INSTITUTE LUNCHEON
WEDNESDAY, DEC. 4, 1991 - 12:45 p.m.

SUBJECT: _____

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HORNER	<input type="checkbox"/>	<input type="checkbox"/>
SUNUNU	<input type="checkbox"/>	<input type="checkbox"/>	MCCLURE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SCOWCROFT	<input type="checkbox"/>	<input type="checkbox"/>	PETERSMEYER	<input type="checkbox"/>	<input type="checkbox"/>
DARMAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	PORTER	<input type="checkbox"/>	<input checked="" type="checkbox"/>
BRADY	<input type="checkbox"/>	<input checked="" type="checkbox"/>	ROGICH	<input type="checkbox"/>	<input checked="" type="checkbox"/>
BROMLEY	<input type="checkbox"/>	<input type="checkbox"/>	SMITH	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CARD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>BOSKIN</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
DEMAREST	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>MCBRIDE</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
FITZWATER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>SNOW</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
GRAY	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HOLIDAY	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

The attached has been forwarded to the President.

RESPONSE:

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

THE WHITE HOUSE
WASHINGTON

01 DEC 3 P4:53

December 3, 1991

MEMORANDUM FOR THE PRESIDENT

THROUGH: DAVE DEMAREST
TONY SNOW *TS*

FROM: DAN MC GROARTY *DMG*

SUBJECT: PROPOSED REMARKS FOR THE AMERICAN ENTERPRISE
INSTITUTE LUNCHEON

I. SUMMARY

On Wednesday, December 4, 1991 at 12:45 p.m. you will deliver remarks to an audience of 200 at the American Enterprise Institute Luncheon in the Ballroom at The Willard Hotel, Washington, D.C.

II. DISCUSSION

Your remarks (approximately 18 minutes / teleprompter) focus on our long- and short-term economic strategies, as well as the challenges of formulating policy in the post-Cold war era. The remarks also highlight AEI's contributions to the study of American politics and salute Irving Kristol, recipient of AEI's 1991 Francis Boyer Award.

#

McGroarty/Bunton
December 3, 1991
11:45 am
[AEI]

PRESIDENTIAL REMARKS: AMERICAN ENTERPRISE INSTITUTE LUNCHEON
THE WILLARD HOTEL
DECEMBER 4, 1991
12:45 P.M.

Thank you, Chris [DeMuth, AEI President], for those warm words. [Introductory acknowledgements.] Finally, let me salute Irving Kristol -- honored by AEI with this year's Francis Boyer Award -- for the abundance of insight he brings to the study of American politics, the American system, and American society. // Irving has devoted much of his effort the past three decades to making the world safe for democratic capitalism. [[That message now opens new worlds from Moscow to Warsaw. I just wish we could say the same of Washington.]] //

Irving also runs one of America's most formidable one-man talent agencies. Not only his own son, Bill, who so ably serves this Administration -- but legions of proteges in every corner of the political and intellectual worlds open doors by saying, "Irving sent me." ///

I'm pleased to have this opportunity to speak to all of you today. AEI epitomizes something quintessentially American -- the engaged intellectual. Many of you have served in government -- and lived to tell about it. //

AEI encourages the ideal of the citizen-scholar -- a kind of modern-day Cincinnatus: ready to answer your country's call, and when your work is done -- content to return to your word processors. //

For the past three years you've been especially gracious in offering me advice on all manner of issues. I thank you for your support -- and yes, for what I'll call your // "constructive criticism."

In the short space of those three years, we've seen our world transformed. The collapse of communism, / the Cold War's end, / the triumph of the democratic idea: each epoch-making event swept away the challenges, the conflicts that defined the world we knew. Each opened up a new era -- a new world of possibilities. //

As I've said before, the Cold War was -- in its decisive aspect -- a war of ideas: A clash between two systems speaking to the deepest dreams and desires of man. The fact that the battle was won by Western ideals -- the fact that in the nations of the old Warsaw Pact and even within the Soviet Union free governments and free markets are taking root -- stands as a tribute to the ideas and ideals that guide AEI. //

Our new era brings with it a need for new guideposts -- for solutions and approaches that keep pace with the times. The fact that at long last we celebrate a world transformed inevitably means change here at home. //

Right now, the focus here in Washington and across the country is on the economy. / Yesterday I was in Bradenton, Florida and Meridian, Mississippi, meeting with working Americans, listening to what's on their minds -- the same way I've listened to people across America -- 48 states to be exact -

- for three years now. / These are tough times. Many Americans are worried. They're looking for a sign from Washington that someone cares -- understands what's happening. I hope I've made clear that I do.

These people won't feel comforted by a weighty discourse on the difficulties of divided government. // They know that, whatever the leading economic indicators might say, for a person who's lost his job -- the unemployment rate is 100%. // They are impatient, tired of excuses. They want action -- and they can't understand the political gridlock that too often paralyzes Washington, D.C. //

But governing requires more than action for action's sake. [[The scholars of American history here today can vouch for the fact that I'm not the only one who fears our basic liberties are not safe so long as Congress is in session.]] I made a promise some time back that I owe it to the American taxpayer never to leave Congress "home alone." //

You see, too many in Congress make the easy assumption that when polls tell us about dissatisfaction with Washington -- it means they want government to do more, take more power to itself. But that notion simply doesn't square with my sense of what people want. Look back over the 60's and 70's -- over a generation of creeping centralism -- every inch of the road paved by good intentions. / Yes, the American people want government to act -- but not to build new bureaucracies or create more red tape. Across America, we see a demand for greater freedom of

action. A public weary of mandates, regulations and taxes wants to reverse the flow of government power -- to restore authority to the people. //

In the political and social sphere, this new demand for freedom of action means policies that enhance the power of the individual -- strengthen the family. You can see those ideas translated into action in this Administration's stand against quotas -- and for real equality of opportunity; in our child care bill, a victory against the forces that saw this issue as a chance to build a brave new child care bureaucracy. You can see it in our HOPE program's emphasis on turning tenants into homeowners. //

Take a look at our education strategy, America 2000. What worries "the edu-crats" -- the defenders of the status quo who are more comfortable here inside the Beltway than in front of the blackboard -- isn't that our plan won't work. They worry that it will. // They look at America 2000 with about the same enthusiasm that candle makers looked at Edison's light bulb. [[And think of all the firemen that put out of work!]] // They know that choice, competition and community involvement are revolutionary concepts -- capable of literally re-inventing the American school. //

In the economic sphere, the demand for freedom of action means policies that promote market-based solutions: The kind we fought for in the amendments to the Clean Air Act, and built into our energy strategy. //

Let me focus in more detail about what this means given our current economic situation. / No one should be complacent about the sluggish economy or stubborn unemployment rates. / We need to be candid about the fact that hasty government intervention in the economy is likely to do more harm than good. We need to resist feel-good solutions that would tilt a listless recovery back into recession. Rather, we need to keep our focus on the fundamentals -- on the underlying factors that propel our economy toward growth.

From the first, we've built our long-term growth strategy on several key elements: unleashing capital and reducing tax burdens; keeping inflation in check -- and sustaining the policies that helped bring interest rates to these historic low levels.

Second, we recognize the need to keep American business competitive: to slash red tape and regulations wherever possible -- draw the line against government mandates that handcuff the American entrepreneur. [[Chris DeMuth and Bill Kristol -- with his involvement in the Competitiveness Council -- can tell you stories that will make your hair curl.]] And true competitiveness includes real tort reform -- capping these crippling sky's-the-limit liability awards, which exert such a strong "chilling effect" on entrepreneurs ready to bring new products to market. It also requires unshackling our Nation's banks, allowing them to compete across state lines and product lines.

Third, as a nation, we've got to make good on our commitment to quality education and job training, to ensure a workforce ready for the challenges a new century will bring.

Fourth, we've got to control the deficit. Keep spending down -- and avoid driving interest rates up again. //

And finally, we've got to make certain American businesses compete on an equal footing -- and that means a government committed to the principles of free and fair trade. We've fought to advance those principles from the EC to East Asia -- in the Uruguay Round and with our promising Enterprise for the Americas Initiative. //

We feel the benefits of foreign trade right here at home. Each additional billion dollars in manufactured trade means another 20,000 American jobs. And yet in spite of the fact that last year alone, manufacturing exports accounted for nearly all of this nation's economic growth -- a new breed of isolationists seem to think domestic policy ends at the water's edge. //

[[Thank God they weren't around back in 1492 -- imagine the hard time they'd have given Columbus.]] Voices on the Right and Left are working right now to breathe new life into that old Flat-Earth theory of "America First." // But there is no going back to the old isolationism. Our new world is far smaller -- our horizons stretch much farther with each generation. This is 1991 -- not 1791: A horse-and-buggy attitude won't carry us into the next century. //

On certain issues -- many in the foreign policy sphere -- the President possesses all the authority he needs to advance an ambitious agenda. But there are things no President can do unilaterally -- times when the need for action finds the President and Congress pulling in different directions. I don't approach the problem of divided government as a political scientist. The ideal solution to divided government remains a government united in pursuit of the public good. [[In other words, my preferred solution to divided government is a Republican Congress.]] // In the meanwhile, I'll keep pushing Congress -- reaching out when I can, giving a kinder, gentler poke now and again when necessary -- to work with me to get the job done. //

I called on Congress to join me in responsible action long before our economy began to struggle. / I said back in 1989 -- during the longest peacetime recovery on record -- that America could not rest easy, that we needed to look to the long-term, put in place policies that would sustain growth and create jobs. I offered then the first of three economic growth packages. Three sessions of Congress have come and gone. Everyone knows the result: Plenty of pontificating -- precious little action. //

Every one of the proposals I've sent up to Capitol Hill serves the single standard of generating growth -- and that includes the capital gains tax cut my opponents have labeled "controversial." // My opponents like to treat capital gains as a code word for class warfare -- even at the very same time

they're learning to pay lip service to a concept called competitiveness. I wonder whether they realize the U.S. is saddled with capital gains tax rates far higher than our key international competitors? In the end, these higher costs for capital cripple competitiveness -- and cost American jobs. //

When I deliver my State of the Union message in January, I'll call on Congress to set aside politics and focus on the public interest: I'll challenge them to enact a common-sense set of economic reforms. / If we do our work promptly, we'll still have plenty of time left in 1992 for partisan politics. //

In the meantime, there is a great deal we can do in the Executive Branch to foster economic growth without waiting for Congress to act. We will move forward to implement important elements of our National Energy Strategy. We will continue to do all we can to drive down barriers to trade and open foreign markets to American goods. We will continue to seek ways to lift the burden of federal regulation without compromising public health or safety. As I said Monday, we will move quickly to implement the job-intensive transportation bill -- and I have ordered federal agencies to review the effectiveness of a full range of programs: from small business loans to job placement and job training, to the process for getting unemployment checks out to the workers and families waiting for them. // None of these actions can substitute for effective Congressional action - - but each can help move the economy along. //

I'm confident we can act to advance America's interests -- and I'm certain we must, because our world demands it. The challenge now is to keep pace with change -- to shed the old, out-dated ways of thinking and seize this moment we've created: to help the U.S. meet and master the challenges of the international economy -- to help America forge a new world order: peaceful, prosperous and free. ///

I'm confident we'll meet the challenges thrown open in this new world, because I remain convinced America's "fundamentals" are sound -- not just the economic indicators I mentioned a few moments ago, but the broad fundamentals that sustain American society: Faith and family. The fellow feeling that leads millions of Americans to help neighbors in need -- without looking to Washington for guidance. And of course, the cornerstone of our American idea: the bedrock belief in freedom that led us forward from Valley Forge to Desert Storm to the new world now unfolding around us. //

Look out on the horizon: To the America the rest of the world looks to for leadership. To the America that exalts enterprise and sweat -- the hands that work and the unlimited power of the human mind. To the America whose very name means freedom for millions around the world. / That America possesses a power that does not owe its strength to government -- an appeal that begins and ends in the living example of its people. //

Once again, I thank all of you for this warm welcome -- and may God bless the United States of America.

THE WHITE HOUSE
WASHINGTON

December 3, 1991

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Once again, I thank all of you for this warm welcome -- and may God bless the United States of America.

WHITE HOUSE STAFFING MEMORANDUM

91 NOV 1 48:54

DATE: November 29, 1991 ACTION/CONCURRENCE/COMMENT DUE BY: 3:00 P.M., MON., 12/02

PRESIDENTIAL REMARKS: AMERICAN ENTERPRISE INSTITUTE LUNCHEON THE WILLARD HOTEL -- DECEMBER 4, 1991

SUBJECT:

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HORNER	<input type="checkbox"/>	<input type="checkbox"/>
SUNUNU	<input type="checkbox"/>	<input type="checkbox"/>	MCCLURE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SCOWCROFT	<input type="checkbox"/>	<input type="checkbox"/>	PETERSMEYER	<input type="checkbox"/>	<input type="checkbox"/>
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BROMLEY	<input type="checkbox"/>	<input type="checkbox"/>	SMITH	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McBRIDE	<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"/>	BOSKIN	<input checked="" 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 your comments directly to Tony Snow, Rm. 122, x2930, with a copy to this office NO LATER THAN, 3:00 P.M., MONDAY, DECEMBER 2.

Thank you.

RESPONSE:

Don see comments

I would use some insight to strengthen our upcoming travel more + add examples of jobs + cap gains (home equity)

- MASTER -
+ OCA comments

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

McGroarty/Bunton
November 29, 1991
4:00 pm
[AEI]

91 NOV 29 P5: 22

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Right now, the focus here in Washington and across the country is on the economy. / Yesterday I was in ^{Bradenton, Florida} ~~Miami~~ and Meridian, Mississippi, meeting with working Americans, listening to what's on their minds -- the same way I've listened to people across America for three years now. ^{- 48 states to be exact -} / ^{these are some tougher times} ~~People are hurting.~~ ^{a many (Rogich)} ~~They're~~ worried. ^{understands what's happening.} They're looking for some sign from Washington that someone cares. I hope I've made clear that I do.

These people won't feel comforted by a weighty discourse on the difficulties of divided government. These people are impatient, tired of excuses. They want action -- and they can't understand the political gridlock that ^{too often} ~~paralyzes~~ ^{Washington D.C.} ~~us~~.

But governing requires more than action for action's sake. A respectable body of thought, tracing back to America's founding era, warns that our basic liberties are not safe so long as Congress is in session. ^{I've sometimes quipped it's hard to "leave the country knowing Congress is home alone".} // ^{in Congress} Too many ~~critics~~ ^{you see,} make the easy assumption that when polls tell us ^{about} ~~people feel~~ ^{action} dissatisfied with Washington -- it means they want government to do more, take more power to itself. But that notion simply doesn't square with my sense of what people want. Look back over the ^{sixties and seventies} ~~past twenty-five years~~ -- over a generation of

Put this way, instead of as a joke, this sounds really extreme. (JG)

delete p; too harsh, shrill (Rogich)

creeping centralism -- every inch of the road paved by good intentions. Yes, the American people want government to act -- but not to build new bureaucracies or create more red tape. Across America, we see a demand for greater freedom of action. A public weary of mandates, regulations and taxes wants to reverse the flow of government power -- to restore authority to the people. //

In the political and social sphere, this new demand for freedom of action means policies that enhance the power of the individual -- strengthen the family. You can see those ideas translated into action in our stand against quotas -- and for real equality of opportunity; in our child care bill, a victory against the forces that saw this issue as a chance to build a brave new child care bureaucracy -- in our HOPE program's emphasis on turning tenants into homeowners. //

Take a look at our education strategy, America 2000. What worries "the educrats" -- the defenders of the status quo who are more comfortable here inside the Beltway than in front of the blackboard -- isn't that our plan won't work. They worry that it will. // They look at America 2000 with about the same enthusiasm that candle makers looked at Edison's light bulb. [[And think of all the firemen put out of work.]] // They know that choice, competition and community involvement will literally re-invent the American school. //

In the economic sphere, the demand for freedom of action means policies that promote market-based solutions: The kind we

fought for in the amendments to the Clean Air Act, and built into our energy strategy. //

Let me focus in more detail about what this means given our current economic situation. / No one should be complacent about the sluggish economy or stubborn unemployment rates. / We need to be candid about the fact that ^{ill-conceived or panicky} government intervention in the economy ^{is likely to} ~~can often do~~ more harm than good. We need to resist ^{best-good solutions} ~~well-intended actions~~ that would tilt a ^{listless} fragile recovery back into recession. ^{Rather} Finally, we need to keep our focus on the fundamentals -- on the underlying factors that propel our economy toward growth.

[[In the words of one renowned AEI scholar: "We must have the courage to face the truth -- no matter how pleasant it is."]]
Inflation -- the stealth tax that hits every American right in the pocketbook -- remains under control. Interest rates have tumbled to their lowest levels in years. Each of these key factors points in a positive direction, and sustaining these conditions for growth remains government's central challenge. //

From the first, we've built our long-term growth strategy on several key elements: unleashing capital and reducing tax burdens; keeping inflation in check -- and sustaining the policies that helped bring interest rates to these historic low levels.

Second, we recognize the need to keep American business competitive: to slash red tape and regulations wherever possible -- draw the line against government mandates that handcuff the

American entrepreneur. [[Chris DeMuth and Bill Kristol -- with his involvement in the Competitiveness Council -- can tell you stories that will make your hair curl.]] And true competitiveness includes real tort reform -- capping these crippling sky's-the-limit liability awards.

Third, as a nation, we've got to make good on our commitment to quality education and job training, to ensure a workforce ready for the challenges a new century will bring.

Fourth, we've got to control the deficit. No one believes the budget agreement is perfect -- but it's the only thing that keeps Congress' hands out of the cookie jar. //

And finally, we've got to make certain American businesses compete on an equal footing -- and that means a government committed to the principles of free and fair trade. We've fought to advance those principles from the Uruguay Round to the EC, from East Asia to our promising Enterprise for the Americas Initiative. // In spite of the fact that last year alone, manufacturing exports accounted for nearly all of this nation's economic growth -- *a new breed of isolationists* many of my critics seem to think domestic policy ends at the water's edge. / [[Thank God they weren't around back in 1492 -- imagine the hard time they'd have given Columbus.]] // Our new world is far smaller -- our horizons stretch much farther with each generation. This is 1991 -- not 1791: A horse-and-buggy attitude won't get us to the next century. //

X → Nice stat on trade, but doesn't it also show how bad the domestic economy is? (JG)

X Add # of jobs p/10 million (Ragch)

See
Council

Then why haven't we used it!!! This really exposes us - where are the Exec. orders, administrative measures, etc.

On certain issues - many in the foreign policy sphere, etc. (36)
In many cases, the President possesses all the authority he

needs to advance an ambitious agenda.) But there are things no President can do unilaterally -- times when the need for action finds the President and Congress pulling in different directions.

/ I don't approach the problem of divided government as a political scientist. The ideal solution to divided government remains a government united in pursuit of the public good. [[In other words, ^{my} the preferred solution to divided government is a Republican Congress.]] // In the meanwhile, I'll keep pushing Congress -- reaching out when I can, giving a kinder, gentler poke now and again when necessary -- to work with me to get the job done. //

Can we have a speech like a previous one?

I've called on Congress to join me in responsible action long before our economy began to struggle. / I said back in 1989 -- during the longest peacetime recovery on record -- that America could not rest easy, that we needed to look to the long-term, put in place policies that would sustain opportunity and growth. I offered then the first of three economic growth packages. Three sessions of Congress have come and gone. Everyone knows the result: Plenty of accusations -- precious little action. //

postification - righteous and otherwise

Every one of the proposals I've sent up to Capitol Hill serves the single standard of generating growth -- and that includes the capital gains tax cut my opponents have labelled "controversial." // My opponents like to treat capital gains as a code word for class warfare -- even at the very same time

K-7 How does one "reform" the economy? If these are growth measures, let's call them that

they're learning to pay lip service to a concept called competitiveness. I wonder whether they realize the U.S. is saddled with capital gains tax rates far higher than our key international competitors?

When I deliver my State of the Union message in January, I'll call on Congress to set aside politics and focus on the public interest. I'll challenge them to enact a common-sense set of economic reforms. / If we do our work promptly, we'll still have plenty of time left in 1992 for partisan politics. //

I'm confident we can act to advance America's interests -- and I'm certain we must, because our world demands it. We can celebrate the changes that transformed our world -- the collapse of communism, the Cold War's end and the triumph of the democratic idea: Epoch-making events made possible by many of the men and women in this room. // The challenge now is to keep pace with change -- to seize this moment we've created: to help the U.S. meet and master the challenges of the international economy -- to help America forge a new world order, peaceful, prosperous and free. ///

I'm confident we'll meet the challenges thrown open in this new world, because I remain convinced America's "fundamentals" are sound -- not just the economic indicators I mentioned a few moments ago, but the broad fundamentals that sustain American society: Faith and family. The fellow feeling that leads millions of Americans to help neighbors in need -- without looking to Washington for guidance. And of course, the

we've used reforms in giving speech

?(mel)

X

cornerstone of our American idea: the bedrock belief in freedom that led us forward from Valley Forge to Desert Storm to the new world now unfolding around us. //

Anti?
Look out on the horizon: To the America the rest of the world looks to for leadership. To the America that remains the promised land for millions of immigrants -- welcomed here, when other nations have closed their doors. To the America that exalts enterprise and sweat, the hands that work and the unlimited power of the human mind. To the America whose very name means freedom. // That America possesses a power that does not owe its strength to government -- an appeal that begins and ends in the living example of its people. //

Once again, I thank all of you for this warm welcome -- and may God bless the United States of America.

#

THE WHITE HOUSE
WASHINGTON

Gregory's
Comments

December 3, 1991

MEMORANDUM FOR THE PRESIDENT

THROUGH: DAVE DEMAREST
TONY SNOW TS

FROM: DAN MC GROARTY DMG

SUBJECT: PROPOSED REMARKS FOR THE AMERICAN ENTERPRISE
INSTITUTE LUNCHEON

I. SUMMARY

On Wednesday, December 4, 1991 at 12:45 p.m. you will deliver remarks to an audience of 200 at the American Enterprise Institute Luncheon in the Ballroom at The Willard Hotel, Washington, D.C.

II. DISCUSSION

Your remarks (approximately 18 minutes / teleprompter) focus on our long- and short-term economic strategies, as well as the challenges of formulating policy in the post-Cold war era. The remarks also highlight AEI's contributions to the study of American politics and salute Irving Kristol, recipient of AEI's 1991 Francis Boyer Award.

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#

McGroarty/Bunton
December 3, 1991
11:45 am
[AEI]

PRESIDENTIAL REMARKS: AMERICAN ENTERPRISE INSTITUTE LUNCHEON
THE WILLARD HOTEL
DECEMBER 4, 1991
12:45 P.M.

Thank you, Chris [DeMuth, AEI President], for those warm words. [Introductory acknowledgements.] Finally, let me salute Irving Kristol -- honored by AEI with this year's Francis Boyer Award -- for the abundance of insight he brings to the study of American politics, the American system, and American society. // Irving has devoted much of his effort the past three decades to making the world safe for democratic capitalism. [[That message now opens new worlds from Moscow to Warsaw. I just wish we could say the same of Washington.]] //

Irving also runs one of America's most formidable one-man talent agencies. Not only his own son, Bill, who so ably serves this Administration -- but legions of proteges in every corner of the political and intellectual worlds open doors by saying, "Irving sent me." ///

I'm pleased to have this opportunity to speak to all of you today. AEI epitomizes something quintessentially American -- the engaged intellectual. Many of you have served in government -- and lived to tell about it. //

AEI encourages the ideal of the citizen-scholar -- a kind of modern-day Cincinnatus: ready to answer your country's call, and when your work is done -- content to return to your word processors. //

For the past three years you've been especially gracious in offering me advice on all manner of issues. I thank you for your support -- and yes, for what I'll call your // "constructive criticism."

In the short space of those three years, we've seen our world transformed. The collapse of communism, / the Cold War's end, / the triumph of the democratic idea: each epoch-making event swept away the challenges, the conflicts that defined the world we knew. Each opened up a new era -- a new world of possibilities. //

As I've said before, the Cold War was -- in its decisive aspect -- a war of ideas: A clash between two systems speaking to the deepest dreams and desires of man. The fact that the battle was won by Western ideals -- the fact that in the nations of the old Warsaw Pact and even within the Soviet Union free governments and free markets are taking root -- stands as a tribute to the ideas and ideals that guide AEI. //

Our new era brings with it a need for new guideposts -- for solutions and approaches that keep pace with the times. The fact that at long last we celebrate a world transformed inevitably means change here at home. //

Right now, the focus here in Washington and across the country is on the economy. / Yesterday I was in Bradenton, Florida and Meridian, Mississippi, meeting with working Americans, listening to what's on their minds -- the same way I've listened to people across America -- 48 states to be exact -

- for three years now. / These are tough times. Many Americans are worried. They're looking for a sign from Washington that someone cares -- understands what's happening. I hope I've made clear that I do.

These people won't feel comforted by a weighty discourse on the difficulties of divided government. // They know that, whatever the leading economic indicators might say, for a person who's lost his job -- the unemployment rate is 100%. // They are impatient, tired of excuses. They want action -- and they can't understand the political gridlock that too often paralyzes Washington, D.C. //

But governing requires more than action for action's sake. [[The scholars of American history here today can vouch for the fact that I'm not the only one who fears our basic liberties are not safe so long as Congress is in session.]] I made a promise some time back that I owe it to the American taxpayer never to leave Congress "home alone." //

You see, too many in Congress make the easy assumption that when polls tell us about dissatisfaction with Washington -- it means they want government to do more, take more power to itself. But that notion simply doesn't square with my sense of what people want. Look back over the 60's and 70's -- over a generation of creeping centralism -- every inch of the road paved by good intentions. / Yes, the American people want government to act -- but not to build new bureaucracies or create more red tape. Across America, we see a demand for greater freedom of

action. A public weary of mandates, regulations and taxes wants to reverse the flow of government power -- to restore authority to the people. //

In the political and social sphere, this new demand for freedom of action means policies that enhance the power of the individual -- strengthen the family. You can see those ideas translated into action in this Administration's stand against quotas -- and for real equality of opportunity; in our child care bill, a victory against the forces that saw this issue as a chance to build a brave new child care bureaucracy. You can see it in our HOPE program's emphasis on turning tenants into homeowners. //

Take a look at our education strategy, America 2000. What worries "the edu-crats" -- the defenders of the status quo who are more comfortable here inside the Beltway than in front of the blackboard -- isn't that our plan won't work. They worry that it will. // They look at America 2000 with about the same enthusiasm that candle makers looked at Edison's light bulb. [[And think of all the firemen that put out of work!]] // They know that choice, competition and community involvement are revolutionary concepts -- capable of literally re-inventing the American school. //

In the economic sphere, the demand for freedom of action means policies that promote market-based solutions: The kind we fought for in the amendments to the Clean Air Act, and built into our energy strategy. //

Let me focus in more detail about what this means given our current economic situation. / No one should be complacent about the sluggish economy or stubborn unemployment rates. / We need to be candid about the fact that hasty government intervention in the economy is likely to do more harm than good. We need to resist feel-good solutions that would tilt a listless recovery back into recession. Rather, we need to keep our focus on the fundamentals -- on the underlying factors that propel our economy toward growth.

From the first, we've built our long-term growth strategy on several key elements: unleashing capital and reducing tax burdens; keeping inflation in check -- and sustaining the policies that helped bring interest rates to these historic low levels.

Second, we recognize the need to keep American business competitive: to slash red tape and regulations wherever possible -- draw the line against government mandates that handcuff the American entrepreneur. [[Chris DeMuth and Bill Kristol -- with his involvement in the Competitiveness Council -- can tell you stories that will make your hair curl.]] And true competitiveness includes real tort reform -- capping these crippling sky's-the-limit liability awards, which exert such a strong "chilling effect" on entrepreneurs ready to bring new products to market. *It also requires unshackling our Nation's banks, allowing them to compete across state lines and product lines.*

Third, as a nation, we've got to make good on our commitment to quality education and job training, to ensure a workforce ready for the challenges a new century will bring.

Fourth, we've got to control the deficit. Keep spending down -- and avoid driving interest rates up again. //

And finally, we've got to make certain American businesses compete on an equal footing -- and that means a government committed to the principles of free and fair trade. We've fought to advance those principles from the EC to East Asia -- in the Uruguay Round and with our promising Enterprise for the Americas Initiative. //

We feel the benefits of foreign trade right here at home. Each additional billion dollars in manufactured trade means another 20,000 American jobs. And yet in spite of the fact that last year alone, manufacturing exports accounted for nearly all of this nation's economic growth -- a new breed of isolationists seem to think domestic policy ends at the water's edge. //

[[Thank God they weren't around back in 1492 -- imagine the hard time they'd have given Columbus.]] Voices on the Right and Left are working right now to breathe new life into that old Flat-Earth theory of "America First." // But there is no going back to the old isolationism. Our new world is far smaller -- our horizons stretch much farther with each generation. This is 1991 -- not 1791: A horse-and-buggy attitude won't carry us into the next century. //

On certain issues -- many in the foreign policy sphere -- the President possesses all the authority he needs to advance an ambitious agenda. But there are things no President can do unilaterally -- times when the need for action finds the President and Congress pulling in different directions. I don't approach the problem of divided government as a political scientist. The ideal solution to divided government remains a government united in pursuit of the public good. [[In other words, my preferred solution to divided government is a Republican Congress.]] // In the meanwhile, I'll keep pushing Congress -- reaching out when I can, giving a kinder, gentler poke now and again when necessary -- to work with me to get the job done. //

I called on Congress to join me in responsible action long before our economy began to struggle. / I said back in 1989 -- during the longest peacetime recovery on record -- that America could not rest easy, that we needed to look to the long-term, put in place policies that would sustain growth and create jobs. I offered then the first of three economic growth packages. Three sessions of Congress have come and gone. Everyone knows the result: Plenty of pontificating -- precious little action. //

Every one of the proposals I've sent up to Capitol Hill serves the single standard of generating growth -- and that includes the capital gains tax cut my opponents have labeled "controversial." // My opponents like to treat capital gains as a code word for class warfare -- even at the very same time

they're learning to pay lip service to a concept called competitiveness. I wonder whether they realize the U.S. is saddled with capital gains tax rates far higher than our key international competitors? In the end, these higher costs for capital cripple competitiveness -- and cost American jobs. //

When I deliver my State of the Union message in January, I'll call on Congress to set aside politics and focus on the public interest: I'll challenge them to enact a common-sense set of economic reforms. / If we do our work promptly, we'll still have plenty of time left in 1992 for partisan politics. //

In the meantime, there is a great deal we can do in the Executive Branch to foster economic growth without waiting for Congress to act. We will move forward to implement important elements of our National Energy Strategy. We will continue to do all we can to drive down barriers to trade and open foreign markets to American goods. We will continue to seek ways to lift the burden of federal regulation without compromising public health or safety. As I said Monday, we will move quickly to implement the job-intensive transportation bill -- and I have ordered federal agencies to review the effectiveness of a full range of programs: from small business loans to job placement and job training, to the process for getting unemployment checks out to the workers and families waiting for them. // None of these actions can substitute for effective Congressional action - - but each can help move the economy along. //

I'm confident we can act to advance America's interests -- and I'm certain we must, because our world demands it. The challenge now is to keep pace with change -- to shed the old, out-dated ways of thinking and seize this moment we've created: to help the U.S. meet and master the challenges of the international economy -- to help America forge a new world order: peaceful, prosperous and free. ///

I'm confident we'll meet the challenges thrown open in this new world, because I remain convinced America's "fundamentals" are sound -- not just the economic indicators I mentioned a few moments ago, but the broad fundamentals that sustain American society: Faith and family. The fellow feeling that leads millions of Americans to help neighbors in need -- without looking to Washington for guidance. And of course, the cornerstone of our American idea: the bedrock belief in freedom that led us forward from Valley Forge to Desert Storm to the new world now unfolding around us. //

Look out on the horizon: To the America the rest of the world looks to for leadership. To the America that exalts enterprise and sweat -- the hands that work and the unlimited power of the human mind. To the America whose very name means freedom for millions around the world. / That America possesses a power that does not owe its strength to government -- an appeal that begins and ends in the living example of its people. //

Once again, I thank all of you for this warm welcome -- and may God bless the United States of America.

THE WHITE HOUSE
WASHINGTON

November 28, 1991

MEMORANDUM FOR TONY SNOW

FROM: GENE C. SCHAERR *GS*
ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT: AEI Remarks, December 4, 1991

I think the draft speech is good, particularly those portions that chastise Congress for failing to enact key elements of the President's domestic agenda. I also think it is important to stress the measures that we can take and are taking within the Executive branch to address the current economic situation. I suggest that a paragraph along the following lines be added after the first full paragraph on page 7:

✓
"In the meantime, there is a great deal we can and will do in the Executive branch to foster economic growth and competitiveness, without legislation. For example, we will move forward aggressively to implement important parts of our National Energy Strategy that do not require congressional action. We will continue to work hard at reducing the trade barriers that keep American goods out of foreign markets. We will do all we can to lighten the burden of federal regulation without compromising health or safety. And, as I indicated Monday, we will move quickly to implement the new transportation bill, and to assure the most effective implementation of existing job placement, job training, unemployment benefits, and small business loan programs. None of these measures is a substitute for congressional action on my domestic economic agenda, but they will help move the economy along."

1065

Bodum via T. Snow

McGroarty/Bunton
November 29, 1991
4:00 pm
[AEI]

PRESIDENTIAL REMARKS: AMERICAN ENTERPRISE INSTITUTE LUNCHEON
THE WILLARD HOTEL
DECEMBER 4, 1991
12:45 P.M.

Thank you, Chris [DeMuth, AEI President], for those warm words. [Introductory acknowledgements: AEI scholars, corporate leaders.] Finally, let me salute Irving Kristol -- honored by AEI with this year's Francis Boyer Award -- for the abundance of insight he brings to the study of American politics, the American system, and American society. // Irving has devoted much of his efforts the past three decades to making the world safe for democratic capitalism. [[That message now opens new worlds from Moscow to Warsaw. I just wish we could say the same of Washington.]] //

Irving also runs one of America's most formidable one-man talent agencies. Not only his own son, Bill, who so ably serves this Administration -- but legions of proteges in every corner of the political and intellectual worlds open doors by saying, "Irving sent me." ///

I'm pleased to have this opportunity to speak to all of you today. AEI epitomizes something quintessentially American -- the engaged intellectual. Many of you have served in government -- and lived to tell about it. //

AEI encourages the ideal of the citizen-scholar -- a kind of modern-day Cincinnatus: ready to answer your country's call, and

when your work's done -- content to return to your word processors. //

For the past three years you've been especially gracious in offering me advice on all manner of issues. I thank you for your support -- and yes, for what I'll call your // "constructive criticism."

Right now, the focus here in Washington and across the country is on the economy. / Yesterday I was in Miami and Meridian, Mississippi, meeting with working Americans, listening to what's on their minds -- the same way I've listened to people across America for three years now. / People are hurting. They're worried. They're looking for some sign from Washington that someone cares. I hope I've made clear that I do.

These people won't feel comforted by a weighty discourse on the difficulties of divided government. These people are impatient, tired of excuses. They want action -- and they can't understand the political gridlock that paralyzes us.

But governing requires more than action for action's sake. A respectable body of thought, tracing back to America's founding era, warns that our basic liberties are not safe so long as Congress is in session. //

Too many critics make the easy assumption that when polls tell us people feel dissatisfied with Washington -- it means they want government to do more, take more power to itself. But that notion simply doesn't square with my sense of what people want. Look back over the past twenty-five years -- over a generation of

creeping centralism -- every inch of the road paved by good intentions. Yes, the American people want government to act -- but not to build new bureaucracies or create more red tape. Across America, we see a demand for greater freedom of action. A public weary of mandates, regulations and taxes wants to reverse the flow of government power -- to restore authority to the people. //

In the political and social sphere, this new demand for freedom of action means policies that enhance the power of the individual -- strengthen the family. You can see those ideas translated into action in our stand against quotas -- and for real equality of opportunity; in our child care bill, a victory against the forces that saw this issue as a chance to build a brave new child care bureaucracy -- in our HOPE program's emphasis on turning tenants into homeowners. //

Take a look at our education strategy, America 2000. What worries "the educrats" -- the defenders of the status quo who are more comfortable here inside the Beltway than in front of the blackboard -- isn't that our plan won't work. They worry that it will. // They look at America 2000 with about the same enthusiasm that candle makers looked at Edison's light bulb. [[And think of all the firemen put out of work.]] // They know that choice, competition and community involvement will literally re-invent the American school. //

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fought for in the amendments to the Clean Air Act, and built into our energy strategy. //

Let me focus in more detail about what this means given our current economic situation. / No one should be complacent about the sluggish economy or stubborn unemployment rates. / We need to be candid about the fact that government intervention in the economy can often do more harm than good. We need to resist well-intended actions that would tilt a fragile recovery back into recession. Finally, we need to keep our focus on the fundamentals -- on the underlying factors that propel our economy toward growth.

Proskir - take out

~~[[In the words of one renowned AEI scholar: "We must have the courage to face the truth -- no matter how pleasant it is."]]~~

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Fourth, we've got to control the deficit. ~~No one believes the budget agreement is perfect -- but it's the only thing that keeps Congress' hands out of the cookie jar.~~ //

And finally, we've got to make certain American businesses compete on an equal footing -- and that means a government committed to the principles of free and fair trade. We've fought to advance those principles from the Uruguay Round to the EC, from East Asia to our promising Enterprise for the Americas Initiative. // In spite of the fact that last year alone, manufacturing exports accounted for nearly all of this nation's economic growth -- many of my critics seem to think domestic policy ends at the water's edge. / [[Thank God they weren't around back in 1492 -- imagine the hard time they'd have given Columbus.]] // Our new world is far smaller -- our horizons stretch much farther with each generation. This is 1991 -- not 1791: A horse-and-buggy attitude won't get us to the next century. //

✓
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again

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I'm confident we can act to advance America's interests -- and I'm certain we must, because our world demands it. We can celebrate the changes that transformed our world -- the collapse of communism, the Cold War's end and the triumph of the democratic idea: Epoch-making events made possible by many of the men and women in this room. // The challenge now is to keep pace with change -- to seize this moment we've created: to help the U.S. meet and master the challenges of the international economy -- to help America forge a new world order, peaceful, prosperous and free. ///

I'm confident we'll meet the challenges thrown open in this new world, because I remain convinced America's "fundamentals" are sound -- not just the economic indicators I mentioned a few moments ago, but the broad fundamentals that sustain American society: Faith and family. The fellow feeling that leads millions of Americans to help neighbors in need -- without looking to Washington for guidance. And of course, the

cornerstone of our American idea: the bedrock belief in freedom that led us forward from Valley Forge to Desert Storm to the new world now unfolding around us. //

Look out on the horizon: To the America the rest of the world looks to for leadership. To the America that remains the promised land for millions of immigrants -- welcomed here, when other nations have closed their doors. To the America that exalts enterprise and sweat, the hands that work and the unlimited power of the human mind. To the America whose very name means freedom. // That America possesses a power that does not owe its strength to government -- an appeal that begins and ends in the living example of its people. //

Once again, I thank all of you for this warm welcome -- and may God bless the United States of America.

#

talk about our economic system

DARMAN, w/o pp. 5-6

McGroarty/Bunton
November 29, 1991
4:00 pm
[AEI]

31 NOV 29 P5:22

PRESIDENTIAL REMARKS: AMERICAN ENTERPRISE INSTITUTE LUNCHEON
THE WILLARD HOTEL
DECEMBER 4, 1991
12:45 P.M.

Thank you, Chris [DeMuth, AEI President], for those warm words. [Introductory acknowledgements: AEI scholars, corporate leaders.] Finally, let me salute Irving Kristol -- honored by AEI with this year's Francis Boyer Award -- for the abundance of insight he brings to the study of American politics, the American system, and American society. // Irving has devoted much of his efforts the past three decades to making the world safe for democratic capitalism. [[That message now opens new worlds from Moscow to Warsaw. I just wish we could say the same of Washington.]] //

Irving also runs one of America's most formidable one-man talent agencies. Not only his own son, Bill, who so ably serves this Administration -- but legions of proteges in every corner of the political and intellectual worlds open doors by saying, "Irving sent me." ///

I'm pleased to have this opportunity to speak to all of you today. AEI epitomizes something quintessentially American -- the engaged intellectual. Many of you have served in government -- and lived to tell about it. //

AEI encourages the ideal of the citizen-scholar -- a kind of modern-day Cincinnatus: ready to answer your country's call, and

2

when your work's done -- content to return to your word processors. //

For the past three years you've been especially gracious in offering me advice on all manner of issues. I thank you for your support -- and yes, for what I'll call your // "constructive criticism."

Right now, the focus here in Washington and across the country is on the economy. / Yesterday I was in Miami and Meridian, Mississippi, meeting with working Americans, listening to what's on their minds -- the same way I've listened to people across America for three years now: / People are hurting. They're worried. They're looking for some sign from Washington that someone cares. I hope I've made clear that I do.

These ^D people ^{who are hurting} won't feel comforted by a weighty discourse on the difficulties of divided government. These people are impatient, ~~tired~~ of excuses. ~~They~~ want action -- and they can't understand the political gridlock that paralyzes us.

But governing requires more than action for action's sake. A respectable body of thought, tracing back to America's founding era, warns that our basic liberties are not safe so long as Congress is in session. //

Too many critics make the easy assumption that when polls tell us people feel dissatisfied with Washington -- it means they want government to do more, take more power to itself. But that notion simply doesn't square with my sense of what people want. Look back over the past twenty-five years -- over a generation of

Is this true?

creeping centralism -- every inch of the road paved by good intentions. Yes, the American people want government to act -- but not to build new bureaucracies or create more red tape. Across America, we see a demand for greater freedom of action. A public weary of mandates, regulations and taxes wants to reverse the flow of government power -- to restore authority to the people. //

In the political and social sphere, this new demand for freedom of action means policies that enhance the power of the individual -- strengthen the family. You can see those ideas translated into action in our stand against quotas -- and for real equality of opportunity; in our child care bill, a victory against the forces that saw this issue as a chance to build a brave new child care bureaucracy -- in our HOPE program's emphasis on turning tenants into homeowners. //

Take a look at our education strategy, America 2000. What worries "the educrats" -- the defenders of the status quo who are more comfortable here inside the Beltway than in front of the blackboard -- isn't that our plan won't work. They worry that it will. // They look at America 2000 with about the same enthusiasm that candle makers looked at Edison's light bulb. [[And think of all the firemen put out-of-work.]] // They know that choice, competition and community involvement will literally re-invent the American school. //

In the economic sphere, the demand for freedom of action means policies that promote market-based solutions: The kind we

4

fought for in the amendments to the Clean Air Act, and built into our energy strategy. //

Let me focus in more detail about what this means given our current economic situation. / No one should be complacent about the sluggish economy or stubborn unemployment rates. / We need to be candid about the fact that government intervention in the economy can often do more harm than good. We need to resist well-intended actions that would tilt a fragile recovery back into recession. Finally, we need to keep our focus on the fundamentals -- on the underlying factors that propel our economy toward growth.

[[In the words of one renowned AEI scholar: "We must have the courage to face the truth -- no matter how pleasant it is."]] ~~Inflation -- the stealth tax that hits every American right in the pocketbook -- remains under control. Interest rates have tumbled to their lowest levels in years. Each of these key factors points in a positive direction, and sustaining these conditions for growth remains government's central challenge. //~~

From the first, we've built our long-term growth strategy on several key elements: unleashing capital and reducing tax burdens; keeping inflation in check -- and sustaining the policies that helped bring interest rates to these historic low levels.

Second, we recognize the need to keep American business competitive: to slash red tape and regulations wherever possible -- draw the line against government mandates that handcuff the

7

they're learning to pay lip service to a concept called competitiveness. I wonder whether they realize the U.S. is saddled with capital gains tax rates far higher than our key international competitors?

When I deliver my State of the Union message in January, I'll call on Congress to set aside politics and focus on the public interest: I'll challenge them to enact a common-sense set of economic reforms. / If we do our work promptly, we'll still have plenty of time left in 1992 for partisan politics. //

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#

WHITE HOUSE STAFFING MEMORANDUM

91 NOV 1 P3:55

DATE: November 29, 1991 ACTION/CONCURRENCE/COMMENT DUE BY: 3:00 P.M., MON., 12/02

PRESIDENTIAL REMARKS: AMERICAN ENTERPRISE INSTITUTE LUNCHEON
THE WILLARD HOTEL -- DECEMBER 4, 1991

SUBJECT: _____

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HORNER	<input type="checkbox"/>	<input type="checkbox"/>
SUNUNU	<input type="checkbox"/>	<input type="checkbox"/>	MCCLURE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SCOWCROFT	<input type="checkbox"/>	<input type="checkbox"/>	PETERSMEYER	<input type="checkbox"/>	<input type="checkbox"/>
DARMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PORTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BRADY	<input type="checkbox"/>	<input checked="" type="checkbox"/>	ROGICH	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BROMLEY	<input type="checkbox"/>	<input type="checkbox"/>	SMITH	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McBRIDE	<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"/>	BOSKIN	<input checked="" 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 your comments directly to Tony Snow, Rm. 122, x2930, with a copy to this office NO LATER THAN, 3:00 P.M., MONDAY, DECEMBER 2.

Thank you.

RESPONSE: Comments from Cabinet Affairs are attached.

Thanks,
EL
Elizabeth Luttig

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

McGroarty/Bunton
November 29, 1991
4:00 pm
[AEI]

91 NOV 29 P5:22

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*Academics?
(Treachery?)*

These people won't feel comforted by a weighty discourse on the difficulties of divided government. These people are impatient, tired of excuses. They want action -- and they can't understand the political gridlock that paralyzes us.

But governing requires more than action for action's sake. A respectable body of thought, tracing back to America's founding era, warns that our basic liberties are not safe so long as Congress is in session. //

Too many critics make the easy assumption that when polls tell us people feel dissatisfied with Washington -- it means they want government to do more, take more power to itself. But that notion simply doesn't square with my sense of what people want. Look back over the past twenty-five years -- over a generation of

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Take a look at our education strategy, America 2000. What worries "the educrats" -- the defenders of the status quo who are more comfortable here inside the Beltway than in front of the blackboard -- isn't that our plan won't work. They worry that it will. // They look at America 2000 with about the same enthusiasm that candle makers looked at Edison's light bulb. [[And think of all the firemen put out of work.]] // They know that choice, competition, ^{standards and testing} and community involvement will literally re-invent the American school. //

In the economic sphere, the demand for freedom of action means policies that promote market-based solutions: The kind we

Move to later in the speech after shift on the economy (C)

X

Jobs.

fought for in the amendments to the Clean Air Act, and built into our energy strategy. //

more

Let me focus in more detail about what this means given our current economic situation. / No one should be complacent about the sluggish economy or stubborn unemployment rates. / We need to be candid about the fact that government intervention in the economy can often do more harm than good. We need to resist ~~well-intended actions~~ ^{temporary fixes and fiscal tricks} that would ^{actually} tilt a fragile recovery back into recession. Finally, we need to keep our focus on the fundamentals -- on the underlying factors that propel our economy toward growth.

X

[[In the words of one renowned AEI scholar: "We must have the courage to face the truth -- no matter how pleasant it is."]]



Inflation -- the stealth tax that hits every American right in the pocketbook -- ~~remains under control~~ ^{has fallen to very low levels (OCB)}. Interest rates have

tumbled to their lowest levels in ^{years}. Each of these key factors points in a positive direction, and sustaining these conditions for growth remains government's central challenge.

Making the American dream, a home, even more affordable.

From the first, we've built our long-term growth strategy on

several key elements: unleashing capital and reducing tax burdens; keeping inflation in check -- and sustaining the policies that helped bring interest rates to these historic low levels.

Export 20,000 Billion

Second, we recognize the need to keep American business competitive: to slash red tape and regulations wherever possible -- draw the line against government mandates that handcuff the

// Lower rates put money in ~~the~~ consumer's pockets through lower mortgage payments, auto payments and lower investment costs for businesses (CP)

Alle: keep up w/ progress / activities

American entrepreneur. [[Chris DeMuth and Bill Kristol -- with his involvement in the Competitiveness Council -- can tell you stories that will make your hair curl.]] And true

competitiveness includes real tort reform -- capping these crippling sky's-the-limit liability awards, which frighten entrepreneurs from innovating and developing new products. (OCA)

Third, as a nation, we've got to make good on our commitment to quality education and job training, to ensure a workforce ready for the challenges a new century will bring.

Fourth, we've got to control the deficit. No one believes the budget agreement is perfect -- but it's the only thing that keeps Congress' hands out of the cookie jar. // *drop cliché*

And finally, we've got to make certain American businesses compete on an equal footing -- and that means a government committed to the principles of free and fair trade. We've fought to advance those principles ~~from~~ ⁱⁿ the Uruguay Round ~~to the EC,~~ ^{and in (OCA)} ~~from East Asia to~~ our promising Enterprise for the Americas Initiative,

// In spite of the fact that last year alone, manufacturing exports accounted for nearly all of this nation's economic growth -- many of my critics seem to think domestic policy ends at the water's edge. / [[Thank God they weren't

around back in 1492 -- imagine the hard time they'd have given Columbus.]] // Our new world is ^{equally challenging and promising} ~~far smaller~~ -- our horizons stretch much farther with each generation. This is 1991 -- not 1791: A horse-and-buggy attitude won't ^{help us meet the challenges of} ~~get us to~~ the next century. //

more trade means more jobs at home (OCA)

from the European Community to East Asia. (OCA)
We've engaged in promotion of America's exporting companies -- both large and small in an unparalleled effort led by Secretary Masbador.

In many cases, the President possesses all the authority he needs to advance an ambitious agenda. But there are things no President can do unilaterally -- times when the need for action finds the President and Congress pulling in different directions. / I don't approach the problem of divided government as a political scientist. The ideal solution to divided government remains a government united in pursuit of the public good. [[In other words, the preferred solution to divided government is a Republican Congress.]] // In the meanwhile, I'll keep pushing Congress -- reaching out when I can, giving a kinder, gentler poke now and again when necessary -- to work with me to get the job done. //

I've called on Congress to join me in responsible action long before our economy began to struggle. / I said back in 1989 -- during the longest peacetime recovery on record -- that America could not rest easy, that we needed to look to the long-term, put in place policies that would sustain opportunity and growth. I offered then the first of three economic growth packages. Three sessions of Congress have come and gone. Everyone knows the result: Plenty of accusations -- precious little action. //

Every one of the proposals I've sent up to Capitol Hill serves the single ^{goal (CA)} ~~standard~~ of generating growth -- and that includes the capital gains tax cut my opponents have labelled "controversial." // My opponents like to treat capital gains as a code word for class warfare -- even at the very same time

This means our companies face higher financing costs. Just like higher costs of labor, ~~higher~~ these taxes reduce competition and jobs

they're learning to pay lip service to a concept called competitiveness. I wonder whether they realize the U.S. is saddled with capital gains tax rates far higher than our key international competitors? *But they prefer demagoguery to growth.*

When I deliver my State of the Union message in January, I'll call on Congress to set aside politics and focus on the public interest: I'll challenge them to enact a common-sense set of economic reforms. / If we do our work promptly, we'll still have plenty of time left in 1992 for partisan politics. //

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[Note: Perhaps include a quote from AEI Scholar Michael Novak, who has written extensively on religion, the family etc.] oca

→ Add reference to Enterprise Zones w/ zero capital gains. Even many Democrats under that exemption Capital gains provided incentive to job creating investment.

cornerstone of our American idea: the bedrock belief in freedom that led us forward from Valley Forge to Desert Storm to the new world now unfolding around us. //

Look out on the horizon: To the America the rest of the world looks to for leadership. To the America that remains the promised land for millions of immigrants -- welcomed here, when other nations have closed their doors. To the America that exalts enterprise and sweat, the hands that work and the unlimited power of the human mind. To the America whose very name means freedom. // That America possesses a power that does not owe its strength to government -- an appeal that begins and ends in the living example of its people. //

Once again, I thank all of you for this warm welcome -- and may God bless the United States of America.

#

Note: Budget agreement: (1) ^{rein} ~~rein~~ in spending describing improvement
(2) work under long term rates

THE WHITE HOUSE
WASHINGTON

December 2, 1991

COMMENT ON AEI SPEECH

On page 5, the paragraph about free trade offers an important opportunity to show how the President's agenda is distinct from that of his critics on both the left and the right.

AEI is the home of the free-trade, anti-isolationist conservative. The President should use this speech to show how his conservative philosophy of free trade and international leadership makes him different from both Gephardt and Mitchell on the one hand, and Buchanan and Duke on the other. In short, the message should be that Bush is the thinking man's conservative.

WHITE HOUSE STAFFING MEMORANDUM

91 NOV 1 AIO: 02

DATE: November 29, 1991 ACTION/CONCURRENCE/COMMENT DUE BY: 3:00 P.M., MON., 12/02

PRESIDENTIAL REMARKS: AMERICAN ENTERPRISE INSTITUTE LUNCHEON
THE WILLARD HOTEL -- DECEMBER 4, 1991

SUBJECT: _____

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HORNER	<input type="checkbox"/>	<input type="checkbox"/>
SUNUNU	<input type="checkbox"/>	<input type="checkbox"/>	MCCLURE <i>N/c</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SCOWCROFT	<input type="checkbox"/>	<input type="checkbox"/>	PETERSMEYER	<input type="checkbox"/>	<input type="checkbox"/>
DARMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PORTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BRADY	<input type="checkbox"/>	<input checked="" type="checkbox"/>	ROGICH	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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CARD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McBRIDE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
DEMAREST	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SNOW	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
FITZWATER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	BOSKIN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GRAY <i>Schaer 207</i>	<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:

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Thank you.

RESPONSE:

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Assistant to the President
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Ext. 2702

McGroarty/Bunton
November 29, 1991
4:00 pm
[AEI]

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American entrepreneur. [[Chris DeMuth and Bill Kristol -- with his involvement in the Competitiveness Council -- can tell you stories that will make your hair curl.]] And true competitiveness includes real tort reform -- capping these crippling sky's-the-limit liability awards.

Third, as a nation, we've got to make good on our commitment to quality education and job training, to ensure a workforce ready for the challenges a new century will bring.

Fourth, we've got to control the deficit. No one believes the budget agreement is perfect -- but it's the only thing that keeps Congress' hands out of the cookie jar. //

And finally, we've got to make certain American businesses compete on an equal footing -- and that means a government committed to the principles of free and fair trade. We've fought to advance those principles from the Uruguay Round to the EC, from East Asia to our promising Enterprise for the Americas Initiative. // In spite of the fact that last year alone, manufacturing exports accounted for nearly all of this nation's economic growth -- many of my critics seem to think domestic policy ends at the water's edge. / [[Thank God they weren't around back in 1492 -- imagine the hard time they'd have given Columbus.]] // Our new world is far smaller -- our horizons stretch much farther with each generation. This is 1991 -- not 1791: A horse-and-buggy attitude won't get us to the next century. //

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Once again, I thank all of you for this warm welcome -- and may God bless the United States of America.

#

WHITE HOUSE STAFFING MEMORANDUM

91 NOV 1 P6:04

DATE: November 29, 1991 ACTION/CONCURRENCE/COMMENT DUE BY: 3:00 P.M., MON., 12/02

PRESIDENTIAL REMARKS: AMERICAN ENTERPRISE INSTITUTE LUNCHEON
THE WILLARD HOTEL -- DECEMBER 4, 1991

SUBJECT: _____

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HORNER	<input type="checkbox"/>	<input type="checkbox"/>
SUNUNU	<input type="checkbox"/>	<input type="checkbox"/>	MCCLURE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SCOWCROFT	<input type="checkbox"/>	<input type="checkbox"/>	PETERSMEYER	<input type="checkbox"/>	<input type="checkbox"/>
DARMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PORTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BRADY	<input type="checkbox"/>	<input checked="" type="checkbox"/>	ROGICH	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BROMLEY	<input type="checkbox"/>	<input type="checkbox"/>	SMITH	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McBRIDE	<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"/>	BOSKIN	<input checked="" 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 your comments directly to Tony Snow, Rm. 122, x2930, with a copy to this office NO LATER THAN, 3:00 P.M., MONDAY, DECEMBER 2.

Thank you.

RESPONSE:

I would use some insert to strengthen our up coming foreign travel more than we did. And add examples for jobs and cap gains (home equity) S.R.

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

McGroarty/Bunton
November 29, 1991
4:00 pm
[AEI]

91 NOV 29 P5:22

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DECEMBER 4, 1991
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These people won't feel comforted by a weighty discourse on the difficulties of divided government. These people are impatient, tired of excuses. They want action -- and they can't understand the political gridlock that paralyzes us.

But governing requires more than action for action's sake. A respectable body of thought, tracing back to America's founding era, warns that our basic liberties are not safe so long as Congress is in session. //

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In the political and social sphere, this new demand for freedom of action means policies that enhance the power of the individual -- strengthen the family. You can see those ideas translated into action in our stand against quotas -- and for real equality of opportunity; in our child care bill, a victory against the forces that saw this issue as a chance to build a brave new child care bureaucracy -- in our HOPE program's emphasis on turning tenants into homeowners. //

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[[In the words of one renowned AEI scholar: "We must have the courage to face the truth -- no matter how pleasant it is."]] Inflation -- the stealth tax that hits every American right in the pocketbook -- remains under control. Interest rates have tumbled to their lowest levels in years. Each of these key factors points in a positive direction, and sustaining these conditions for growth remains government's central challenge. //

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THE WHITE HOUSE
WASHINGTON

Date: 12/2

TO:

Jan / Tony

FROM: **JOHN S. GARDNER**
Special Assistant to the President
and Assistant Staff Secretary

- Information
- Action
- Let's Discuss

Please see comments from me and Phil.

Thanks, JG

McGroarty/Bunton
November 29, 1991
4:00 pm
[AEI]

91 NOV 29 P5:22

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THE WILLARD HOTEL
DECEMBER 4, 1991
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Put this way, instead of as a joke, this sounds really extreme.

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→ Nice statistic on trade, but doesn't it also show just how ~~the~~ bad the domestic economy is?

Then why haven't we used it!!! This really exposed us - where are the Exec. Orders, administrative measures, etc.?
6

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How does one "reform" the economy?
All these are growth measures, let's call them that.

7

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Fourth, we've got to control the deficit. No one believes the budget agreement is perfect -- but it's the only thing that keeps Congress' hands out of the cookie jar. //

And finally, we've got to make certain American businesses compete on an equal footing -- and that means a government committed to the principles of free and fair trade. We've fought to advance those principles from the Uruguay Round to the EC, from East Asia to our promising Enterprise for the Americas Initiative. // In spite of the fact that last year alone, manufacturing exports accounted for nearly all of this nation's economic growth -- many of my critics seem to think domestic policy ends at the water's edge. / [[Thank God they weren't around back in 1492 -- imagine the hard time they'd have given Columbus.]] // Our new world is far smaller -- our horizons stretch much farther with each generation. This is 1991 -- not 1791: A horse-and-buggy attitude won't get us to the next century. //

In many cases, the President possesses all the authority he needs to advance an ambitious agenda. But there are things no President can do unilaterally -- times when the need for action finds the President and Congress pulling in different directions. / I don't approach the problem of divided government as a political scientist. The ideal solution to divided government remains a government united in pursuit of the public good. [[In other words, the preferred solution to divided government is a Republican Congress.]] // In the meanwhile, I'll keep pushing Congress -- reaching out when I can, giving a kinder, gentler poke now and again when necessary -- to work with me to get the job done. //

I've called on Congress to join me in responsible action long before our economy began to struggle. / I said back in 1989 -- during the longest peacetime recovery on record -- that America could not rest easy, that we needed to look to the long-term, put in place policies that would sustain opportunity and growth. I offered then the first of three economic growth packages. Three sessions of Congress have come and gone. Everyone knows the result: Plenty of accusations -- precious little action. //

Every one of the proposals I've sent up to Capitol Hill serves the single standard of generating growth -- and that includes the capital gains tax cut my opponents have labelled "controversial." // My opponents like to treat capital gains as a code word for class warfare -- even at the very same time

they're learning to pay lip service to a concept called competitiveness. I wonder whether they realize the U.S. is saddled with capital gains tax rates far higher than our key international competitors?

When I deliver my State of the Union message in January, I'll call on Congress to set aside politics and focus on the public interest: I'll challenge them to enact a common-sense set of economic reforms. / If we do our work promptly, we'll still have plenty of time left in 1992 for partisan politics. //

I'm confident we can act to advance America's interests -- and I'm certain we must, because our world demands it. We can celebrate the changes that transformed our world -- the collapse of communism, the Cold War's end and the triumph of the democratic idea: Epoch-making events made possible by many of the men and women in this room. // The challenge now is to keep pace with change -- to seize this moment we've created: to help the U.S. meet and master the challenges of the international economy -- to help America forge a new world order, peaceful, prosperous and free. ///

I'm confident we'll meet the challenges thrown open in this new world, because I remain convinced America's "fundamentals" are sound -- not just the economic indicators I mentioned a few moments ago, but the broad fundamentals that sustain American society: Faith and family. The fellow feeling that leads millions of Americans to help neighbors in need -- without looking to Washington for guidance. And of course, the

cornerstone of our American idea: the bedrock belief in freedom that led us forward from Valley Forge to Desert Storm to the new world now unfolding around us. //

Look out on the horizon: To the America the rest of the world looks to for leadership. To the America that remains the promised land for millions of immigrants -- welcomed here, when other nations have closed their doors. To the America that exalts enterprise and sweat, the hands that work and the unlimited power of the human mind. To the America whose very name means freedom. // That America possesses a power that does not owe its strength to government -- an appeal that begins and ends in the living example of its people. //

Once again, I thank all of you for this warm welcome -- and may God bless the United States of America.

#

WHITE HOUSE STAFFING MEMORANDUM

DATE: November 29, 1991 ACTION/CONCURRENCE/COMMENT DUE BY: 3:00 P.M., MON., 12/02

PRESIDENTIAL REMARKS: AMERICAN ENTERPRISE INSTITUTE LUNCHEON
THE WILLARD HOTEL -- DECEMBER 4, 1991

SUBJECT: _____

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HORNER	<input type="checkbox"/>	<input type="checkbox"/>
SUNUNU	<input type="checkbox"/>	<input type="checkbox"/>	MCCLURE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SCOWCROFT	<input type="checkbox"/>	<input type="checkbox"/>	PETERSMEYER	<input type="checkbox"/>	<input type="checkbox"/>
DARMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PORTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BRADY	<input type="checkbox"/>	<input checked="" type="checkbox"/>	ROGICH	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BROMLEY	<input type="checkbox"/>	<input type="checkbox"/>	SMITH	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McBRIDE	<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"/>	BOSKIN	<input checked="" 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 your comments directly to Tony Snow, Rm. 122, x2930, with a copy to this office NO LATER THAN, 3:00 P.M., MONDAY, DECEMBER 2.

Thank you.

RESPONSE:

Am. awaiting 5:00 pm Monday meeting with Governor's

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



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

December 3, 1991

**ASSOCIATE DIRECTOR
FOR NATURAL RESOURCES,
ENERGY AND SCIENCE**

NOTE TO TONY SNOW

FROM BOB GRADY

RE: Attached Council on Competitiveness
speech

I thought your speechwriters might incorporate some of my thoughts contained herein in the American Enterprise Institute speech.

Attachment

REMARKS OF ROBERT E. GRADY
COUNCIL ON COMPETITIVENESS

November 14, 1991

THANK YOU VERY MUCH TO KENT HUGHES FOR THAT INTRODUCTION.

I ESPECIALLY APPRECIATE THE WELCOME. NORMALLY IN WASHINGTON, WHEN OMB COMES INTO A ROOM, THE LAST THING MOST PEOPLE WISH TO DO IS WELCOME THEM.

I BELIEVE THIS PHENOMENON REACHED ITS NADIR AT LAST SPEECH I GAVE, AT THE NATIONAL PRESS CLUB. THERE WAS A SIGN OUTSIDE THE ROOM (APPARENTLY DIRECTED AT THE PHOTOGRAPHERS) WHICH SAID: "DO NOT PHOTOGRAPH SPEAKERS AT THE PODIUM. SHOOT THEM AS THE APPROACH THE PLATFORM."

I DO WELCOME THE CHANCE TO TALK TO THIS COUNCIL. YOUR PUBLICATIONS "GOVERNING AMERICA: A COMPETITIVENESS POLICY AGENDA" BACK WHEN WE FIRST CAME INTO OFFICE, AND "GAINING NEW GROUND: TECHNOLOGY PRIORITIES FOR AMERICA'S FUTURE", HAVE BEEN INFLUENTIAL IN THE ADMINISTRATION.

THE POLICY PROCESS IS WELL SERVED BY ACTIVE, ENGAGED GROUPS LIKE THIS COUNCIL. I'M REMINDED THAT EVELYN WAUGH, THE LATE BRITISH NOVELIST, ONCE SAID: "IF POLITICIANS AND SCIENTISTS WERE LAZIER, HOW MUCH HAPPIER WE SHOULD ALL BE." I'M CERTAIN THAT'S TRUE OF THE FORMER GROUP, BUT I'M NOT SURE WAUGH WAS RIGHT ABOUT THE LATTER GROUP.

YESTERDAY, Director Darman met with the Executive Council AND the discussion covered a broad range of subjects, including technology policy, budget policy, the economy and political

affairs. What I would like to do today is to focus in more detail on science and technology policy issues, and in particular how the President's budget policies have sought to foster technology development, innovation and competitiveness.

I'VE KIDDED ABOUT WAUGH'S COMMENT, BUT I REALLY DON'T THINK HE HAD IT EXACTLY RIGHT. I TAKE THE VIEW INSTEAD OF A SOMEWHAT MORE SERIOUS SET OF OBSERVERS, CARNAGIE COMMISSION ON SCIENCE, TECHNOLOGY, AND GOVERNMENT. IN THEIR RECENT REPORT ON "TECHNOLOGY AND ECONOMIC PERFORMANCE"; THEY STATED WHAT I BELIEVE TO BE A FUNDAMENTAL TRUTH: "IMPROVED NATIONAL ECONOMIC PERFORMANCE REQUIRES SUSTAINED GROWTH IN PRODUCTIVITY," THEY SAID. AND, "THE DEVELOPMENT AND DIFFUSION OF NEW TECHNOLOGY AND ITS UNDERLYING SCIENCE HAVE BEEN A MAJOR SOURCE OF SUCH GROWTH."

THE COUNCIL HAS THEIR FINGER ON THE FUNDAMENTAL ISSUE FACING AMERICA. WE HAVE ALL READ IN THE NEWSPAPERS ABOUT A CERTAIN ANXIETY CONCERNING THE ECONOMY. WE SEE IT IN OUR POLLING AT THE WHITE HOUSE. THAT ANXIETY IS NOT EXCLUSIVELY ABOUT THE SHORT TERM -- ALTHOUGH FOR THE UNEMPLOYED, OR THOSE TRYING UNSUCCESSFULLY TO SELL THEIR HOUSE, THE SHORT TERM OUTLOOK IS INDEED A PARAMOUNT QUESTION.

RATHER, THE MUCH LARGER WORRY IS THE LONGER TERM FUTURE. THAT IS THE QUESTION DRIVING SO MANY AMERICANS TO REPORT THAT THEY BELIEVE THE COUNTRY IS OFF ON THE WRONG TRACK. IT IS THE WORRY THAT THE NEXT GENERATION MAY NOT ENJOY A LIFE THAT IS BETTER THAN THIS ONE. IT IS A WORRY DIRECTLY RELATED TO HOW

AMERICA WILL PERFORM ECONOMICALLY VERSUS ITS RIVALS IN THE 21ST CENTURY. IN A WORD, IT IS A WORRY DIRECTLY RELATED TO AMERICA'S ABILITY TO COMPETE.

ENHANCING COMPETITIVENESS IS, OF COURSE THE VERY REASON FOR BEING OF THIS COUNCIL. AND IT IS CERTAINLY A HOT SUBJECT IN WASHINGTON. BUT I WOULD SUBMIT TO YOU THAT SOME KEY POINTS -- AND SOME KEY DISTINCTIONS -- IN THE DEBATE HAVE BEEN MISCAST, OR MISSED ALTOGETHER. SO TODAY I'D LIKE TO ENGAGE IN A LITTLE FRANK TALK ABOUT COMPETITIVENESS.

IN GEORGE BUSH'S AUTOBIOGRAPHY, LOOKING FORWARD, THERE IS A QUOTE AT THE BEGINNING, ON THE OVERLEAF PAGE. IT IS FROM EDWARD EVERETT HALE, A FORMER CHAPLAIN OF THE U.S. SENATE, AND IT GOES LIKE THIS: "LOOK UP AND NOT DOWN, LOOK OUT AND NOT IN, LOOK FORWARD AND NOT BACK, AND LEND A HAND."

LOOK FORWARD AND NOT BACK.

NOT ONLY DOES THAT QUOTE SUM UP THE PRESIDENT'S PHILOSOPHY PRETTY WELL, IT SUMMARIZES NEATLY HIS VISION OF HOW TO RESPOND TO THE COMPETITIVENESS CHALLENGE; AND HOW IT COMPARES TO SOME OTHER VISIONS.

THE FACT IS THAT THERE IS A DIFFERENCE OF OPINION ON THIS SUBJECT. A VERY CLEAR DIFFERENCE. TO A CERTAIN EXTENT, TO BE FRANK, IT IS A PARTISAN DIFFERENCE, ALTHOUGH THAT IS NOT EXCLUSIVELY THE CASE. LET ME SUM UP THE DIFFERENCE -- THESE TWO COMPETING VISIONS, IF YOU WILL, OF COMPETITIVENESS.

THE FIRST VISION OF HOW TO RESPOND TO THE COMPETITIVENESS CHALLENGE IS FORWARD-LOOKING. IT STEMS FROM A CONVICTION THAT

OPEN COMPETITION IS GOOD, THAT IT BRINGS OUT THE BEST IN AMERICA, AND THAT IF WE PREPARE OURSELVES TO COMPETE, WE WILL WIN.

IN POLICY TERMS, THAT VISION HAS SEVERAL FACETS.

IT SUPPORTS AN OPEN WORLD TRADING SYSTEM, AND, FROM AN AMERICAN PERSPECTIVE, A CHIEF GOAL IS TO REDUCE BARRIERS TO THE SUCCESSFUL EXPORT OF AMERICAN GOODS AND SERVICES THROUGH TRADE AGREEMENTS AND OTHER MECHANISMS.

IT BELIEVES IN INCREASED INVESTMENT. THIS REQUIRES NOT ONLY INCENTIVES FOR SAVINGS AND INVESTMENT, SUCH AS THE PERMANENT R&D TAX CREDIT, A REDUCED CAPITAL GAINS RATE TO MAKE EQUITY INVESTMENT MORE ATTRACTIVE. BUT IT ALSO REQUIRES MORE DIRECT FEDERAL INVESTMENT IN THE R&D ENTERPRISE.

IT FOLLOWS THEN, THAT UNDER THIS VISION, THE GOVERNMENT WOULD MAKE INCREASED INVESTMENTS IN BOTH BASIC AND APPLIED R&D, THAT IT WOULD SEEK TO FOCUS THE FEDERAL GOVERNMENT'S DISCRETIONARY INVESTMENTS IN AREAS LIKE FUNDING FOR INDIVIDUAL INVESTIGATORS, IN KEY APPLIED INVESTMENTS LIKE HIGH PERFORMANCE COMPUTING, MATERIALS SCIENCE, ENERGY R&D AND THE LIKE.,

THIS FORWARD LOOKING VISION OF COMPETITIVENESS BELIEVES THAT WE NEED TO PREPARE OUR WORK FORCE TO COMPETE. THAT MEANS INVESTMENTS IN MATH AND SCIENCE EDUCATION, IT MEANS DRAMATIC REFORM OF OUR EDUCATIONAL SYSTEM. -- WITH, I SHOULD SAY, A MUCH GREATER EMPHASIS ON ACCOUNTABILITY AND RESULTS AND MERIT.

THIS VISION FLOWS NATURALLY FROM THE CONCLUSION OF THE CARNAGIE COMMISSION THAT IMPROVED PRODUCTIVITY IS THE MOST IMPORTANT LONG--TERM SOURCE OF NATIONAL WEALTH -- AND ALL OF THE

INVESTMENTS I HAVE MENTIONED ARE RELATED TO ENHANCING AND IMPROVING PRODUCTIVITY.

A SECOND VISION OF COMPETITIVENESS IS MUCH MORE FEARFUL AND BACKWARD LOOKING.

UNDER THE SECOND VISION, WE SHOULD CLOSE OUR BORDERS, BECAUSE WE MAY NOT BE ABLE TO COMPETE. RATHER THAN LOOKING TO AND INVESTING IN THE TECHNOLOGIES AND INDUSTRIES OF THE FUTURE, WE SHOULD SEEK TO ERECT WALLS TO PROTECT INDUSTRIES THAT HAVE BEEN IMPORTANT IN THE PAST.

UNDER THE SECOND VISION, WE SHOULD BE FEARFUL OF FOREIGN INVESTMENT IN THE UNITED STATES === REGARDLESS IF THE INVESTMENT CREATES JOBS, HIGH VALUE JOBS WHICH PROVIDE WHAT HAS BEEN CALLED "TECHNOLOGICAL EXPERIENCE" TO AMERICAN WORKERS.

AS YOU WILL NOTICE THE SECOND VISION CONTAINS NO PROPOSALS TO ENHANCE PRODUCTIVITY. IT DOES NOT REST ON A STRATEGY INVESTING THE FUTURE. RATHER, IT PROPOSES TO PROTECT WHAT WE HAVE, TO GET INTO A DEFENSIVE CROUCH AND TRY TO HOLD ON FOR THE LONG HAUL.

OBVIOUSLY, THE BUSH ADMINISTRATION SUBSCRIBES TO THE FIRST OF THESE TWO VISIONS.

DESPITE THE RHETORIC AND THE MISREPORTING, THE PRESIDENT'S POLICIES TELL THE STORY. AND IN HIS BUDGET, HE HAS PUT HIS MONEY WHERE HIS MOUTH IS.

IN TERMS OF SPECIFIC POLICY PROPOSALS, I BELIEVE THE BUSH RECORD IS REVEALING:

ON TRADE, THE PRESIDENT HAS PUSHED CONSISTENTLY AND REPEATEDLY FOR GREATER PROGRESS IN THE URUGUAY ROUND OF THE GATT. THIS HAS NOT ALWAYS MADE HIM POPULAR WITH HIS G-7 COLLEAGUES AND OTHERS, BUT IT IS ESSENTIAL FOR OPENING MARKETS FOR AMERICAN EXPORTS.

HE HAS PROPOSED AND BEGUN TO NEGOTIATE A NORTH AMERICAN FREE TRADE AGREEMENT WITH OUR NEIGHBORS TO THE SOUTH. AGAIN, HE PUT HIS PERSONAL CREDIBILITY ON THE LINE TO WIN THE FAST TRACK VOTE IN THE HOUSE NECESSARY TO MAKE THAT AGREEMENT POSSIBLE. HE PUSHED FOR IT AND HE WON.

ON TAX POLICY, THE PRESIDENT HAS REPEATEDLY PUSHED FOR MAKING THE R&E TAX CREDIT PERMANENT, TO FOSTER GREATER R&D INVESTMENT FROM THE PRIVATE SECTOR, AND TO AVOID THE ANNUAL RITUAL OF GETTING THE CREDIT EXTENDED.

HE HAS PUSHED, AGAIN AT SOME POLITICAL COST, FOR A CAPITAL GAINS TAX DIFFERENTIAL TO ENCOURAGE INVESTMENT AND JOB CREATION ACROSS AMERICA.

AND THE PRESIDENT HAS AN OUTSTANDING RECORD WITH RESPECT TO MAKING FEDERAL INVESTMENTS IN PROGRAMS WHICH WILL ENHANCE THE LONG-RUN PRODUCTIVITY OF THE U.S. AND SUPPORT THE HEALTH OF THE R&D ENTERPRISE.

For FY 1992, the President has proposed a record high budget for research and development, R&D, including R&D facilities--

nearly \$76 billion. This represents an increase of 13 percent (or about 9 percent above inflation) over 1991. Within this total, the President continues his strong support for basic research with a \$1 billion increase, to over \$13 billion. It is worth noting that since 1981, support for basic research has risen by 72 percent in real terms. Basic research is the wellspring from which future innovation arises, and, since both of it is performed in our colleges and universities, it is also the principal mechanism through which our future scientists and engineers are trained and nurtured. For that reason alone it would be worth the investment. Key proposals in this area include:

- Increasing the budget of the National Science Foundation by 18 percent, which will return us to the path that will fulfill our commitment to double this budget by 1994.
- Increasing by 7 percent the investment in basic biomedical research at NIH--an investment that has already started to pay large dividends in new and improved diagnostic and therapeutic tools for better health.
- Increasing by 71 percent, to \$125 million, the competitive grants program for agricultural research.

The U.S. has the most productive agricultural system the world has ever known, and this program, which is based on merit, will help keep it that way.

- Increasing by 26 percent and 120 percent, respectively, funding for the Human Genome Project and the Superconducting Super Collider. Both of these projects have the potential to revolutionize our scientific understanding in biology and physics.
- Providing a 24 percent increase overall for global change research, an area where the U.S. is recognized as THE world's leader. The U.S. Global Change Research Program has been a model of interagency cooperation and coordination, and, in the bargain, is already yielding critical information that will be used to help resolve the many scientific uncertainties that still surround global change. It will also guide our strategy for mitigating and adapting to global change.

NASA's space-based activities, the Earth Observing System, Earth Probes, precursor missions such as TOPEX and UARS, as well as its new data management system, EOSDIS, are the linchpin of the global change research program.

But support for basic research is only part of the picture. We all recognize that there are many steps, and many opportunities for missteps, between the basic discovery in the laboratory and the product in the marketplace. That is why the budget also proposes a significant increase, 13 percent, for applied research and technology development across the Federal government. Key proposals include:

- Initiating a new multi-agency program in High Performance Computing and Communications (HPCC) to establish American preeminence in these areas. Strongly coordinating with the substantial private sector investment in these technologies, the goal is to assist in the development of computing capability with roughly 1,000 times improvement over current systems by 1996.
- Increasing energy R&D by 34 percent to invest in targeted, high-payoff technologies that will increase our energy efficiency, develop alternatives to petroleum, and advance new electricity technologies.
- Increasing NASA's budget by 13 percent, including funding for development of the restructured Space Station Freedom, for a new launch system that will be developed and funded jointly with DOD, for key long-

lead technologies that we must have in hand for future space exploration missions, and a 21 percent increase for NASA's space science programs.

I want to note especially that the restructured Space Station plan has been strongly endorsed by the Administration and appropriately recognizes both fiscal and technical reality--and it will have the capability to do good science.

Crosscutting R&D Initiatives

- As you know, the FY 1992 budget proposed three interagency initiatives, or "crosscuts":
 - U.S. Global Change Research Program
 - High Performance Computing and Communications
 - Math and Science Education

- These three initiatives represent a set of prioritized interagency programs focused on improving the overall effectiveness and coordination of these important R&D areas. I think we have also achieved some success in

"leveraging" agency funds against each other and against non-Federal investments to accomplish the goals and objectives of the crosscuts.

DESPITE ALL OF THESE INVESTMENTS, AND THE IMPORTANCE OF THE DEBATE ON THEM WITH THE CONGRESS, WE HAVEN'T HEARD THE SUBJECT OF R&D FUNDING ADEQUATELY DISCUSSED IN OUR NATIONAL DISCOURSE. IN FACT, THE SUBJECT OF FEDERAL R&D POLICY HAS BEEN TERRIBLY MISREPORTED. IN ONE'S DAILY NEWSPAPERS AND MAGAZINES, ONE READS MORE ABOUT ALLEGED SQUABBLES AROUND THE CABINET TABLE OVER TAXONOMY THAN ABOUT THE REAL WORLD ISSUE -- ONE THAT ACTUALLY AFFECTS THE HEALTH OF SCIENCE AND TECHNOLOGY IN THE UNITED STATES -- OF WHAT HAPPENS TO THESE PROPOSED INVESTMENTS IN THE COURSE OF THE POLITICAL PROCESS.

THE FACT IS, WHAT HAS HAPPENED HAS NOT BEEN POSITIVE. CONGRESS HAS REPEATEDLY CUT THESE INVESTMENTS IN THE FUTURE IN FAVOR OF MORE PORK BARREL SPENDING, MORE SPENDING ON LOW RETURN PROGRAMS WITH NEAR TERM BENEFITS (TO THE EXTENT THEY HAVE BENEFITS, THAT IS).

FOR EXAMPLE, LOOK AT THE PLIGHT OF THE PRESIDENT'S REQUESTS FOR A KEY SOURCE OF FUNDING FOR THE NATION'S INDIVIDUAL INVESTIGATORS; THE "RESEARCH AND RELATED" ACCOUNT OF THE NATIONAL SCIENCE FOUNDATION. INDIVIDUAL INVESTIGATORS HAVE BEEN THE BACKBONE OF AMERICAN SCIENCE, THE SOURCE OF OUR NEW DISCOVERIES AND KEY INNOVATIONS, AND YET:

- IN THE FISCAL YEAR 1990 BUDGET PROCESS, THE FIRST BUDGET PRESIDENT BUSH SENT TO THE HILL, CONGRESS CUT \$125 MILLION FROM RESEARCH AND RELATED. PRESIDENT BUSH'S REQUEST HAD BEEN SUFFICIENT TO KEEP NSF ON THE DOUBLING PATH OVER A FIVE YEAR TIME FRAME, AS ORIGINALLY PROPOSED BY PRESIDENT REAGAN. THE APPROPRIATIONS BILL CONGRESS PASSED PRODUCED AN ACTUAL CUT, IN NOMINAL TERMS, IN "RESEARCH AND RELATED" AT NSF.

FOR FISCAL YEAR 1991, THE PRESIDENT PROPOSED A 17.5% INCREASE FOR RESEARCH AND RELATED. CONGRESS CUT THIS REQUEST BY \$160 MILLION, WHICH DROPPED THE INCREASE TO 7% -- JUST OVER INFLATION.

THIS PAST YEAR, FISCAL YEAR 1992, CONGRESS WAS A LITTLE KINDER. BUT CONGRESS STILL CUT ALMOST \$100M FROM THE PRESIDENT'S REQUEST FOR RESEARCH AND RELATED. THAT'S THE RECORD, ABOUT WHICH NO REPORTERS SEEM TO HAVE WRITTEN, CONCERNING INDIVIDUAL INVESTIGATORS, THE "BACKBONE" OF AMERICAN SCIENCE.

IF YOU HAVE READ THE CLIPS DAILY OVER THESE LAST THREE YEARS, AS I HAVE, YOU HAVE UNDOUBTEDLY READ MORE BREATHLESS REPORTING ABOUT WHAT AT THE END OF THE DAY ARE MINOR DEBATES ABOUT WHAT CONSTITUTES INDUSTRIAL POLICY THAN YOU HAVE ABOUT THESE CRITICAL CUTS IN OUR SCIENCE INVESTMENT.

For FY 1993, I can assure you that support for R&D will continue to be a high priority for the Administration. Even in the face of shrinking budgets in Defense, Deputy Secretary Atwood recently noted that the R&D expenditures for the Department will likely arise. (This is due in large part to our experience in

the Gulf War, where the research and technology investments made by DOD over the past decade provided a very large return).

The question that you will probably ask next is: With overall domestic discretionary spending increasing only 4 percent in 1993, how can R&D receive anything more than inflationary increases?

My answer is to reiterate that there are no rules that stipulate that everything within a particular budget category must rise by the same percentage in a given year--in a kind of reverse Gramm-Rudman-Hollings philosophy. In fact, that did not happen this year, and won't happen next year. The President will identify his priorities and the budget will reflect those priorities. R&D overall is one of them.

We already have made initial plans to accommodate growth in Federal R&D spending in the FY 1993 budget. We did this by projecting growth in spending for key R&D priorities in the outyear budget projections contained in the President's FY 1993 budget. These projections, in the aggregate, exactly meet the 5-year budget caps.

We are well aware that a number of adjustments (both up and down) will need to be made to reflect new information, action on the FY 1992 budget, etc. However, the main point I would like to underscore is that we already have taken a major step toward shaping the FY 1993 budget. And, we currently have underway the

internal review process that will lead to final decisions on FY 1993 spending levels.

IN REVIEWING THE BIDDING ON THE BUDGET PROCESS DURING THESE LAST THREE YEARS, MY POINT IS NOT TO BE PARTISAN. INDEED, I THINK THAT THE ADMINISTRATION HAS VERY SIMILAR GOALS TO MANY OF THOSE THOUGHTFUL MEMBERS OF THE OTHER PARTY WHO WANT TO INCREASE INVESTMENT IN APPLIED R&D FOR GENERIC, ENABLING TECHNOLOGIES.

FOR EXAMPLE, SENATOR BINGAMAN HAS ALWAYS BEEN LOOKED AT, AT LEAST BY THE PRESS, AS A CRITIC OF THE ADMINISTRATION THESE ISSUES. BUT WE HAVE RECENTLY ENGAGED IN A VERY PRODUCTIVE DIALOGUE WITH THE SENATOR. WE DISCOVERED WHAT WE AT OMB AT LEAST HAVE ALWAYS BELIEVED TO BE TRUE -- THAT WE SHARED THE GOAL OF MAKING AMERICA BETTER ABLE TO COMPETE IN THE 21ST CENTURY -- AND THAT THERE WAS QUITE A BIT OF COMMON GROUND THERE INDEED. IN ANY EVENT, I BELIEVE WE HAVE FOUND SOME WORKABLE SOLUTIONS TO ISSUES WHICH HAVE DIVIDED US, SUCH AS STRATEGIES FOR INVESTING IN CRITICAL TECHNOLOGIES, HOW TO MAKE THE CRITICAL TECHNOLOGIES INSTITUTE A WORKABLE AND HELPFUL SOURCE OF ANALYTIC EXPERTISE, AND HOW TO MAKE THE SENATOR'S IDEA FOR MANUFACTURING EXTENSION CENTERS WORKABLE AND NOT DUPLICATIVE. THIS SHOWS THAT SOME BIPARTISAN SOLUTIONS ARE CERTAINLY POSSIBLE.

BUT I BELIEVE WE NEED TO BROADEN THE DIALOGUE. WE IN THE ADMINISTRATION WOULD VERY MUCH LIKE TO WORK WITH YOU IN THE PRIVATE SECTOR TO IMPROVE THE FEDERAL GOVERNMENT'S EFFORTS IN R&D. I HONESTLY BELIEVE THAT WE AGREE FAR MORE THAT WE DISAGREE

ABOUT WHAT NEEDS TO BE DONE TO MEET OUR COMPETITIVENESS CHALLENGE.

FOR EXAMPLE, WE HAVE LAUNCHED THESE EXCITING CROSSCUTS UNDER THE FCCSET COMMITTEES THAT DO HOLD PROMISE NOT ONLY FOR COORDINATING THE FEDERAL INVESTMENT MORE EFFECTIVELY, BUT FOR PROVIDING A VEHICLE FOR A MEANINGFUL DIALOGUE WITH THE COMMERCIAL AND ACADEMIC SECTORS.

DURING THIS PAST YEAR, WE HAVE MADE GOOD PROGRESS, FOR EXAMPLE, IN THE HIGH PERFORMANCE COMPUTING AND COMMUNICATIONS INITIATIVE. WE ARE EXPANDING OUR EFFORTS TO ACHIEVE TERAFL0P COMPUTING CAPACITY BY 1996, TO DEVELOP THE SOFTWARE NECESSARY TO TAKE ADVANTAGE OF THAT CAPACITY, TO PUT IN PLACE A NATIONAL NETWORK WITH ONE GIGABIT PER SECOND TRANSMISSION CAPACITY TO CONNECT USERS IN AN UPGRADED WAY, AND TO PUT IN PLACE THE HUMAN RESOURCE INVESTMENT TO SUPPORT THESE FIRST THREE EFFORTS. THE DIALOGUE WITH EXPERTS IN THE COMPUTER FIELD, INCLUDING THOSE IN THE COMPUTER INDUSTRY, HAS BEEN EXCELLENT.

IN THIS COMING YEAR, WE WILL PRESENT A CROSSCUT ON ADVANCED MATERIALS -- OR AS THE COUNCIL HAS SAID, "ADVANCES IN MATERIALS". THIS MATERIALS SCIENCE INITIATIVE WILL FOCUS ON FOUR PROGRAM AREAS: SYNTHESIS AND PROCESSING; THEORY, MODELLING AND SIMULATION; MATERIALS CHARACTERIZATION; AND AGAIN, THE HUMAN RESOURCES NECESSARY TO SUPPORT THE FIRST THREE.

I WOULD NOTE THAT THESE MATERIALS PROGRAM AREAS WILL BE DIRECTLY RELATED TO AMERICAN MANUFACTURING EXCELLENCE -- AND THAT THE FEDERAL INVESTMENT IN THESE MATERIALS AREAS HAS GONE UP BY

23% IN JUST THE LAST TWO YEARS. WE EXPECT IT TO RISE FURTHER IN FY 1993.

I KNOW THAT THE COUNCIL HAS SUGGESTED AN ADVANCED MANUFACTURING CROSSCUT, AND WE ARE INVESTIGATING AND DISCUSSING THAT POSSIBILITY FOR THE FY 1994 BUDGET. ALREADY, WE HAVE CONDUCTED WHAT WE AT OMB CALL AN "INVENTORY" -- REALLY A SURVEY OF THE INVESTMENTS THE GOVERNMENT IS ALREADY MAKING, SO THAT WE CAN ORGANIZE OUR THOUGHTS AND PROPERLY TARGET ANY NEW INVESTMENT.

AS WE MOVE FORWARD IN ALL THREE OF THESE AREAS, WE WILL CONTINUE TO SOLICIT AND VERY MUCH NEED YOUR HELP IN IDENTIFYING KEY PRIORITIES FOR INVESTMENT IN GENERIC, ENABLING TECHNOLOGIES.

YOGI BERRA ONCE SAID: "IT'S OK TO MAKE MISTAKES, SO LONG AS YOU DON'T MAKE THE WRONG ONES."

WE ON THE INSIDE OF THE GOVERNMENT WILL UNDOUBTEDLY MAKE MISTAKES. WE DON'T HAVE THE ANSWERS, OR NEARLY THE REQUISITE LEVEL OF EXPERTISE AND INTELLECTUAL CAPITAL TO DEVELOP THEM PROPERLY. SO WE WILL CONTINUE TO NEED YOUR EXPERTISE AND ADVICE IN ORDER TO REFRAIN FROM MAKING "THE WRONG MISTAKES."

I HOPE THAT IF WE SUCCEED IN WORKING TOGETHER, AS IN FACT WE MUST, WE CAN CONTRIBUTE TO BUILDING AN AMERICA THAT CAN NOT ONLY COMPETE, BUT COMPETE VERY WELL INDEED.

THANK YOU VERY MUCH.

These have been amazing times for the world and the nation; they have been exciting and thrilling times for me. I am truly grateful for the opportunity to have been a part of it.

But most of all, from a purely personal perspective, I want to thank you for the fun we have had these last three years. In a way that will be very difficult for historians to capture, this White House was an unbelievably "fun place" to work. You, the Vice President, Scowcroft, Gates and I proved we could do very serious things well without taking the process or ourselves too seriously. I believe that chemistry, friendship, caring and irreverence was a singularly unique period for the Oval office, probably impossible ever to replicate. You were just great to let us do it that way.

I must also take this opportunity to tell you again how proud I am of the White House staff you allowed me to put together. They will eventually be recognized as the most talented, mutually supportive, cooperative team ever to serve a President. In fact, one of the challenges ahead of us will be to make very clear the significance of all you and they have accomplished in the domestic area as well as in foreign policy.

I have always said I wanted to serve as Chief of Staff as long as I could contribute to your success and help deal effectively with both the issues and the arrows. Until recently I was convinced that even with the distorted perceptions being created, I could be a strong contributor to your efforts and success.

But in politics, especially during the seasons of a political campaign, perceptions that can be effectively dealt with at other times, can be—and will be—converted into real political negatives. And I would never want to not be contributing positively, much less be a drag on your success. Therefore, as we enter the contentious climate of a political campaign, I believe it is in your best interest for me to resign as Chief of Staff to the President of the United States effective December 15, 1991.

As much as I will truly miss the opportunity to continue to work in the West Wing with you and my other friends there, I want you to know how strong and positive and upbeat I feel about doing this. I think you know that the responsibility and authority

(contrary to the legends out there) never meant as much to me as the chance to assist you to be (and to be recognized) a great President. I intend to continue that effort as an ordinary citizen, with all the benefits that accrue to man and family in the private sector of our magnificent system.

I assure you that in pit bull mode or pussey cat mode (your choice, as always) I am ready to help.

I also want to thank Barbara and all the Bush clan for being such wonderful friends and strong supporters even during the toughest of days. Nancy and I and our family will always remember and cherish that kindness and friendship. I hope we will all have a chance to share a few laughs over the holidays.

Thanks again for the privilege of serving you and this wonderful country. It really has been great!!!

Sincerely and respectfully,

John H. Sununu

Note: These letters were made available by the Office of the Press Secretary but were not issued as White House press releases.

Remarks to the American Enterprise Institute

December 4, 1991

Thank you all very, very much. And Chris, thank you for that warm introduction. And let me also single out my tennis opponent the other day, Paul Orrefice, your chairman, and thank him for his service to this outstanding institution, which I was privileged to serve in a brief period of time back in the seventies. And I want to say how pleased I am that Nick Brady, our Secretary of the Treasury, is with us today.

And then finally, to salute Irving Kristol, honored by AEI with this year's Francis Boyer Award. He's out here somewhere, and it hasn't been actually handed to him. But I'm told I'm not blowing the cover by—here he is over here. Irving, congratulations, sir. And our gratitude for the abundance of insight that you bring to the study of American politics, the American system.



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and indeed, American society. Irving has devoted so much of his effort the past three decades to making the world safe for democratic capitalism. That message now opens new worlds from Moscow to Warsaw. And I just wish we could say the same thing of Washington, DC. [Laughter]

Irving also runs one of America's most formidable one-man talent agencies. Not only his own son, Bill, who so ably serves this administration, but legions of proteges in every corner of the political and intellectual worlds open doors by saying, "Irving sent me." [Laughter]

And I am pleased to, very pleased, when Chris invited me over here to have this chance to speak to all of you today. For me, AEI epitomizes something quintessentially American, the engaged intellectual. And Chris referred to this, but many of you have served in government and lived to tell about it. [Laughter]

AEI encourages the ideal of the citizen-scholar, a kind of modern-day Cincinnatus: ready to answer your country's call, and when your work is done, content to return to your word processors.

For the past 3 years you have been, and again, Chris alluded to this, very gracious in offering me advice on all manners of issues. And I thank you for your support and, yes, for what I'll call your constructive criticism.

In the short space of those 3 years, we've seen our world literally transformed: The collapse of communism, the cold war's end, the triumph of the democratic idea. Each epoch-making event swept away the challenges, the conflicts, that defined the world we knew. Each opened up a new era, a new world of possibilities.

And as I've said before, the cold war was, in its decisive aspect, a war of ideas, a clash between two systems speaking to the deepest dreams and desires of man. And that battle was won by Western ideals. And the fact that in the nations of the old Warsaw Pact and even within the Soviet Union, free governments and free markets are now taking root, stands as a tribute to the ideas and ideals that guide this institution, guide AEI.

Our new era brings with it a need for new guideposts for solutions and approaches that keep pace with the times. The fact that at long last we celebrate a world trans-

formed inevitably means change here at home.

Right now, the focus here in Washington and across our country is on the economy. Yesterday I was in Bradenton, Florida, and then we flew over to Meridian, Mississippi, meeting with working Americans, listening to what's on their minds, the same way I've tried to listen to people across America, 48 States, as a matter of fact. I've been to 48 States to be exact over the 3 years. And these are tough times we're in. And many Americans are worried. And they're looking for a sign from Washington that someone cares, understands what's happening. And I hope I've made clear that I do.

These people won't feel comforted by a weighty discourse on the difficulties of divided Government. They know that whatever the leading economic indicators might say, for a person who's lost the job, the unemployment rate is 100 percent. And they are impatient, tired of excuses. They want action, and they can't understand the political gridlock that too often paralyzes Washington, DC.

But Government and governing requires more than action for action's sake. You see, too many in Congress make the easy assumption that when polls tell us about dissatisfaction with Washington, it means they want Government to do more, take more power to itself. But that notion simply does not square with my sense of what people want. Yes, the American people want Government to act, but not to build new centralized bureaucracies or create more red tape. Across America, we see a demand for greater freedom of action. A public weary of mandates, regulations, and taxes, that public wants to reverse the flow of Government power, to restore authority to the people.

In the political and social sphere, this new demand for freedom of action means policies that enhance the power of the individual and strengthen the family. You can see those ideas translated into action in this administration's stand against quotas and for real equality of opportunity; in our child-care bill, a victory against the forces that saw this issue as a chance to build a brave new child-care bureaucracy. You can see it in our HOPE program's emphasis on turn-

ing tenants into homeowners—and, indeed, in education where choice is an essential part of our America 2000 strategy.

Take a look at that strategy. What worries our critics, the defenders of the status quo in the education establishment, isn't that our plan won't work. They worry that it will work. They know that choice, competition, and community involvement are revolutionary concepts capable of literally reinventing the American school. But that's what we want to do. That's what we're trying to do. That's what we must do.

In the economic sphere, the demand for freedom of action means policies that promote market-based solutions: The kind we fought for in the amendments to the Clean Air Act and built into our energy strategy.

Let me focus in more detail about what this means given our current economic situation. No one should be complacent about the sluggish economy or stubborn unemployment rates. But we must not discount the fundamentals, the underlying factors that propel our economy toward growth.

From the first, we've built out long-term growth strategy on several key elements: unleashing capital and reducing tax burdens; keeping inflation in check and interest rates down.

Second, we recognize the need to keep American business competitive: to slash red tape and regulations wherever possible, draw the line against Government mandates that handcuff the American entrepreneur.

Chris DeMuth and Irving's son Bill, Bill Kristol, with his involvement in the Competitiveness Council and Chris' past experience in doing a superb job on deregulation, they both can tell you stories that will make your hair curl. True competitiveness includes also real tort reform, capping these crippling sky's-the-limit liability awards which exert such a strong chilling effect on entrepreneurs ready to bring new products to market.

Third, as a Nation, we've got to make good on our commitment to quality education and job training, to ensure a work force ready for the challenges a new century will bring.

Fourth, we've got to control the deficit. The American people need to understand that right now we spend \$286 billion a

year, that's three-quarters of a billion dollars a day, just to pay interest on the national debt. We've got to try to hold spending down and avoid driving interest rates up again.

And finally, we've got to make certain American businesses compete on an equal footing, and that means a Government committed to the principles of free and fair trade. We've fought to advance those principles from the EC to East Asia, in the Uruguay round, and with our promising Enterprise for the Americas Initiatives.

We feel the benefits of foreign trade right here at home. Each additional billion dollars in manufactured goods and trade means another 20,000 American jobs. And yet in spite of the fact that, last year alone, total gross exports accounted for virtually all of this Nation's economic growth, a new breed of isolationists seem to think domestic policy ends at the water's edge.

Well, thank God they weren't around back in 1492. Imagine the hard time they'd have given Columbus. Voices on the right and left are working right now to breathe life into those old flat-Earth theories of protectionism, of isolationism. But there is no going back. Our new world is far smaller, communications far more instant. Our horizons stretch much farther with each generation. This is 1991, not 1791; a horse-and-buggy attitude won't carry us into the next century.

On certain issues, many in the foreign policy sphere, the President possesses all the authority he needs to advance an ambitious agenda. But there are things no President can do unilaterally, times when the need for action finds the President and Congress pulling in different directions. I don't approach the problem of divided Government as a political scientist. The ideal solution, in my view, to divided Government remains a government united in pursuit of the public good. In other words, to be candid, my preferred solution to divided Government is a Republican Congress. In the meanwhile, I'm going to keep pushing Congress—and I mean this; it is important because of what I told you I feel about this economy—reaching out when I can, giving a kinder and gentler poke, now and again

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when necessary, to get up with Congress to work with me to get the job done.

I called on Congress to join me in responsible action—I think history will show this to be an accurate statement—long before our economy began to struggle. I said back in 1989, during the longest peacetime recovery on record, that America could not rest easy, that we needed to look to the long-term, put in place policies that would sustain growth and would create jobs. And I offered then the first of three economic growth packages. Three sessions of Congress have come and gone, and everyone knows the result: precious little action.

Every one of the economic proposals that I've sent up to Capitol Hill serves the single standard of generating growth, and that includes, yes, the capital gains tax cut that my opponents have labeled as controversial. My opponents like to treat capital gains as a code word for class warfare, even at the very same time they're learning to pay lip service to a concept called competitiveness. And I wonder seriously whether they realize the United States is saddled with capital gains tax rates far higher than our key international competitors? Germany, take a look at Germany: zero percent. No capital gains tax at all on assets held longer than 6 months. Or Japan: An entrepreneur who sells the company he's built from scratch pays a tax of one percent. And it's time we see and understand that higher costs for capital cripple competitiveness and cost American jobs.

When I deliver the next State of the Union Message, when I deliver my State of the Union Message in January, I will go to Congress with a new action program, and I'll call on Congress to set aside politics—I know we're in an election year then—and focus on the public interest. And I'll challenge them to enact a commonsense set of economic reforms. And if we do our work promptly—and we can; Congress can act fast when they want to—we'll still have plenty of time left in 1992 for partisan politics.

In the meantime, there is a great deal we can do in the executive branch to foster economic growth without waiting for Congress to act. And we're going to continue doing all we can to drive down barriers to trade, open foreign markets to American

goods. We will seek ways to lift the burden of Federal regulation without compromising public health or safety. And as I said Monday, we will move quickly to implement the job-intensive transportation bill that has just been passed. And I have ordered Federal agencies to review the effectiveness of a full range of programs, from small business loans to job placement, job training to the process for getting unemployment checks out to the workers and families waiting for them. None of these actions can substitute for effective congressional action, but each can help move the economy along.

So let me repeat. We have had a comprehensive economic growth strategy from the beginning, encompassing every aspect of policy: Deficit reduction to lower interest rates; tax incentives to spur saving and entrepreneurship; regulatory reform; increased and more efficient investment in our public infrastructure; education reform to enhance America's human capital; tort reform to ease the costly litigation that saps the very productivity of this country; and banking reform to make our financial system safer and more internationally competitive; and a trade policy aimed at opening the new markets that mean more American jobs.

I'm confident that we can act to advance America's interests, and I'm absolutely certain we must because our world demands it. I'm confident because I remain convinced America's fundamentals are sound, not just the economic indicators that I mentioned a few moments ago, but the broad fundamentals that sustain American society: Faith and family; the feeling of fellowship that leads millions of Americans to help neighbors in need, without looking to Washington for guidance; and of course, the cornerstone of our American idea, the bedrock belief in freedom that led us from Valley Forge to Desert Storm to the new world now unfolding around us.

Look out on the horizon to the America the entire world now looks to for leadership. It is our country. To the America that exalts enterprise and sweat, the hands that work and the unlimited power of the human mind; to the America whose very name means freedom for millions around

the world. That America possesses a power that does not owe its strength to Government. Its power begins and ends in the living example of its people.

Once again, I thank all of you for this opportunity to speak before your most prestigious board, your wonderful organization, and may God bless the United States of America. Thank you very much.

Note: The President spoke at 12:53 p.m. at the institute's annual policy conference meeting in the Willard Hotel. In his remarks, the President referred to Christopher C. DeMuth, president of the American Enterprise Institute, and Irving Kristol, a John M. Olin Distinguished Fellow at the institute.

Proclamation 6388—To Amend the Generalized System of Preferences December 4, 1991

By the President of the United States of America

A Proclamation

1. Pursuant to sections 501 and 502 of the Trade Act of 1974, as amended (the 1974 Act) (19 U.S.C. 2461 and 2462), and having due regard for the eligibility criteria set forth therein, I have determined that it is appropriate to designate Bulgaria as a beneficiary developing country for purposes of the Generalized System of Preferences (GSP).

2. Section 604 of the 1974 Act (19 U.S.C. 2483) authorizes the President to embody in the Harmonized Tariff Schedule of the United States (HTS) the substance of the provisions of that Act, and of other Acts affecting import treatment, and the actions thereunder.

Now, Therefore, I, George Bush, President of the United States of America, acting under the authority vested in me by the Constitution and the laws of the United States of America, including but not limited to Title V and section 604 of the 1974 Act, do proclaim that:

(1) General note 3(c)(ii)(A) to the HTS, listing those countries whose products are

eligible for benefits of the GSP, is modified by inserting "Bulgaria" in alphabetical order in the enumeration of independent countries.

(2) Any provisions of previous proclamations and Executive orders inconsistent with the provisions of this proclamation are hereby superseded to the extent of such inconsistency.

(3) The amendment made by this proclamation shall be effective with respect to articles both: (i) imported on or after January 1, 1976, and (ii) entered, or withdrawn from warehouse for consumption, on or after 15 days after the date of publication of this proclamation in the *Federal Register*.

In Witness Whereof, I have hereunto set my hand this fourth day of December, in the year of our Lord nineteen hundred and ninety-one, and of the Independence of the United States of America the two hundred and sixteenth.

George Bush

[Filed with the Office of the Federal Register, 4:18 p.m., December 4, 1991]

Note: This proclamation was published in the Federal Register on December 6.

Letter to Congressional Leaders on Extending Generalized System of Preferences Benefits to Bulgaria December 4, 1991

Dear Mr. Speaker: (Dear Mr. President:)

I am writing to inform you of my intent to add Bulgaria to the list of beneficiary developing countries under the Generalized System of Preferences (GSP). The GSP program offers duty-free access to the U.S. market and is authorized by the Trade Act of 1974, as amended ("the 1974 Act").

The Government of Bulgaria has requested designation as a GSP beneficiary country. The decision to extend GSP treatment to Bulgaria was made in light of the continuing changes in Eastern Europe, and in the spirit of the Trade Enhancement Initiative for Central and Eastern Europe. I have carefully considered the criteria identified in sections 501 and 502 of the Trade Act of

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