

Originally Processed With FOIA(s):

S

FOIA Number:

S

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the George Bush Presidential Library Staff.

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: 13615
Folder ID Number: 13615-002

Folder Title:
American Business Conference 4/7/92 [OA 6100] [1]

Stack:	Row:	Section:	Shelf:	Position:
G	26	18	1	2

WHITE HOUSE STAFFING MEMORANDUM

DATE: 04/04/92 ACTION/CONCURRENCE/COMMENT DUE BY: ----

SUBJECT: PRESIDENTIAL REMARKS: AMERICAN BUSINESS CONFERENCE
(04/03 draft three)

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☒	HORNER	☐	☒
SKINNER	☐	☒	MCBRIDE	☐	☒
SCOWCROFT	☐	☒	MOORE	☐	☒
DARMAN	☐	☒	PETERSMEYER	☐	☒
BRADY	☐	☒	PORTER	☐	☒
BROMLEY	☐	☐	ROGICH	☐	☒
CALIO	☐	☒	ROLLINS	☐	☒
DEMAREST	☐	☒	SMITH	☐	☒
FITZWATER	☐	☒	YEUTTER	☐	☒
GRAY	☐	☒	FINDLAY	☐	☒
HOLIDAY	☐	☒	KAUFMAN	☐	☒
BOSKIN		☒	MCGROARTY	☐	☒

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

32 APR 3 P7:16

April 3, 1992

MEMORANDUM FOR THE PRESIDENT

THROUGH: DAVID DEMAREST *JD*

FROM: ANDY FERGUSON *AF*

SUBJECT: REMARKS TO AMERICAN BUSINESS CONFERENCE

I. SUMMARY

On Tuesday April 7, at 2:00 p.m. at the Willard Hotel, you will speak to 80 CEOs of fast-growing companies who comprise the American Business Conference.

II. DISCUSSION

The remarks (19 minutes, on teleprompter) discuss how business growth is affected by the Five Pillars of Reform: legal, health care, education, trade, and government.

(Ferguson/Simon)
April 3, 1992
Draft Three

PRESIDENTIAL REMARKS: AMERICAN BUSINESS CONFERENCE
WILLARD HOTEL
TUESDAY, APRIL 7, 1992
2:00 PM

Thank you, Jim Jones. ((Some people say I've been traveling too much. So today is an example of my new policy: no trips farther than one block.))

It is always a pleasure to speak with members of the American Business Conference, because it is always a pleasure to speak with the best.

I would like to talk to you today about the future -- the future of our country generally, and more particularly the future of our country's business environment. In fact, we cannot separate the two. The America of the 21st Century -- its ability to make peace in the world, to foster strong families, to create rewarding jobs -- will be shaped today, in large part by how hospitable we make America for business.

We can learn from your achievement. The key to the success of any high-growth company is the wise deployment of resources. The successful company channels labor and investment into those areas with the potential for the greatest expansion and the highest return. You take the risk; you reap the reward; everyone, meanwhile, benefits from the wealth you create.

That, in brief, is the genius of entrepreneurial capitalism, a system that has made America the envy of the world. For 200 years our prosperity has sprung from our ability to innovate, to change as the world changes. But America's world leadership is

not automatic; it is not a birthright. We must continue to earn it, day by day, quarter by quarter, year by year. The world now is changing at a pace no one could have dreamed of a generation ago. And America, which has led the world's transformation, must change with it.

Over the last several years deadweights have begun to slow the engine of growth -- inefficiencies a competitive economy cannot tolerate. Today I want to discuss five areas of reform, five critical ways in which America must change if we are to continue to lead the world. You understand the urgency, for each of these problems presents itself to American companies not as an abstraction but in the most immediate way: as a cost of doing business -- a cost you can't control, an expenditure with no possible return.

When our legal system becomes incapable of resolving disputes in a timely and civil manner, business loses the incentive to innovate and take risks. When health care costs escalate, business picks up much of the tab. When government imposes barriers to trade, business pays the price in opportunities lost. When our children leave school without rudimentary skills, business bears the burden in lowered productivity. And when government freezes in gridlock, business can no longer plan rationally for the future.

Let me begin with the crying need to reform our country's civil justice system. Every American has heard the stories of bizarre or frivolous lawsuits; but most of you have lived them,

tales that could have been torn from the pages of Kafka. Consider one example, related by one of your members, Roger Coleman, president of Rykoff-Sexton, a food manufacturer and distributor.

After record earnings in 1989, Mr. Coleman publicly expressed his confidence that 1990 would be even better. When earnings fell short, his hopeful statement became the cause of a shareholder class-action lawsuit.

First came a meeting with plaintiffs' contingency-fee lawyers, at which the merits of the case were never even discussed. "The issue," says Mr. Coleman, "was the depths of our pockets." Next came the nightmare of discovery: endlessly expensive and invasive. The company's managers, instead of managing, spent their time preparing for depositions. The lawsuit, he says, "brought everything to a stop."

In the end, rather than permit the total exhaustion of company resources, Mr. Coleman decided to settle. The tab for this exercise in futility: \$8.7 million. As Mr. Coleman says: "That's over \$8.7 million that was diverted from new investments in jobs and facilities."

The scenario is repeated daily throughout American business. It is not repeated, let me stress, among our world competitors.

Only the United States has seen the number of lawyers double over a 20-year period. Only the United States spends more than \$80 billion annually in direct litigation costs, perhaps four times that in indirect costs. According to a recent survey, 40

percent of companies that had been the target of product liability suits have discontinued certain types of product research.

We must remove this ball and chain from our ability to produce and compete worldwide. My competitiveness council, led by Vice President Quayle, has offered 50 recommendations for legal reform. They would limit discovery to reasonable proportions, discourage some frivolous suits through a "loser-pays" rule, and offer alternative means of resolving disputes.

The effects of this reform will be far-reaching, extending into another area critically in need of change. Medical malpractice premiums almost doubled in the second half of the 1980s. Doctors are practicing "defensive" medicine, ordering unnecessary tests and procedures to protect against litigation.

This too drives up health care costs. The trends are simply unsustainable. From less than 6 percent 30 years ago, total health care expenditures are today about 13 percent of GDP. Some mid-range estimates put that figure at 30 percent by the year 2030 -- that's thirty cents of every dollar of national income spent on health care. Right now, according to one federal study, American corporations already spend more on health care each year than they earn in after-tax profits.

We must reform the system -- but we face a crossroads. Some have advocated nationalized care; others propose the so-called "pay or play" approach, which I am convinced is merely a step on the road to nationalized care.

Neither is acceptable. Neither will preserve the quality of our country's health care, which remains the best in the world. I will not let that high quality be taken away from the American people through some scheme of government control.

Nationalized care means rationed care; its promise of cost containment is a mirage. "Pay or play" would dump still more mandates on business. For employers, a 9 percent payroll tax would mean a 34 percent increase in health insurance costs. That money must come from somewhere -- and for a company unable to pass along the added costs through higher prices, that means decreased investment, lower wages, and fewer jobs.

There is an alternative. My proposed health care reform will build on our system's strengths, preserving the quality of care. We will increase consumer choice. Through transferable credits, we will assure access to basic health insurance for the uninsured, and control costs through market incentives. And we will not raise taxes on American employers.

I have targeted a third area for attention -- like the others, absolutely critical to our success in the coming decades. You understand that for America to succeed economically at home, we must succeed economically abroad. The fastest growing companies among your group -- the ones creating the greatest number of jobs here at home -- are those with far-reaching involvement in foreign markets.

I am committed to opening markets to American goods and services, removing the government-imposed barriers that act as a

hidden tax on American business. Each market shut off by protection is a lost opportunity to sell your products. A successful conclusion to the current Uruguay round of trade negotiations, for instance, could increase world output by \$5 trillion over the next decade. More than \$1 trillion of that boom -- creating two million jobs -- will go to the United States.

As world trade expands, the need for a sophisticated, well-educated workforce will intensify. Yet the fact is grim and undeniable: our current educational system is unable to produce the workers the highly competitive world market demands.

Our educational failures have hit American employers hard. English is now the language of international business; yet only 20 percent of 17-year-olds can write a simple two-paragraph letter applying for a job. The situation in geography, math and science is equally dire. Too many businesses are forced to pay twice for the education of prospective employees -- once through taxes that support our schools, and again through job training to remedy the failures of those schools in educating our young.

Communities have begun taking matters into their own hands, with local businesses often acting as catalyst. ABC's Vital Link, which works with local schools to establish learning incentives for students, is a perfect example of the community-based efforts our children need.

Still, there is much for government to do. This year, seven different federal agencies will spend \$18 billion on a patchwork

of 60 vocational training programs. Is it any wonder that so many Americans who seek training don't know how to get it? Working with state and local governments, our Job Training 2000 initiative will bring coherence to these programs and offer "one-stop shopping" to aspiring workers.

Job Training 2000 perfectly complements the revolution now taking place in American education as a whole -- a revolution essential to creating a world-class workforce. Our America 2000 initiative aims to reinvent American schools. We know how to do it. We set high standards for students. We make teacher training a top priority. And we make schools more accountable, by forcing them to compete. That means giving parents the opportunity to choose their children's schools -- public, private, or religious.

I am convinced that each of these major reforms -- restoring sanity to our legal system, ensuring quality health care for all, expanding world trade, and reinventing American education -- is essential to this country's future productivity.

But each faces powerful opposition from special interests who profit from the status quo. So I have targeted a final reform, no less important than the others. If America is to change, our government must change. Last week in Philadelphia, I spoke in some detail on the paralysis that grips the Congress. The results are dismally plain. Congress was incapable even of passing my seven-point economic growth package, including a

measure essential to future growth -- a cut in the tax on capital gains.

And so we are left with business as usual: a deficit that is a fiscal and a moral outrage, a permanent governing class oblivious to the national interest, and hundreds of self-perpetuating programs that don't even help the people they were designed to help.

I refuse to believe that this is the legacy we will leave our children. But it will be -- if we don't reform the United States Congress.

The reforms I've outlined here today are grounded in basic principles, a way of looking at the world. As Jefferson said, "the pillars of our prosperity are the most thriving when left most free to individual enterprise." In practice, that means government must trust the wisdom of markets more than the whims of bureaucrats. The freely made decisions of businessmen and women must take precedence over the engineering schemes of government. And all of our institutions -- from the U.S. Congress to the local school board -- must be accountable to those they serve.

Over the last decade, America has changed the world. Today we are blessed with the opportunity to change America. With these principles as our guide, we will meet the challenges, and exploit the opportunities, of the world that is now being born.

Thank you, and God bless the United States of America.

#

THE WHITE HOUSE
WASHINGTON

April 3, 1992

MEMORANDUM FOR THE PRESIDENT

THROUGH: DAVID DEMAREST *DD*
FROM: ANDY FERGUSON *AF*
SUBJECT: REMARKS TO AMERICAN BUSINESS CONFERENCE

I. SUMMARY

On Tuesday April 7, at 2:00 p.m. at the Willard Hotel, you will speak to 80 CEOs of fast-growing companies who comprise the American Business Conference.

II. DISCUSSION

The remarks (19 minutes, on teleprompter) discuss how business growth is affected by the Five Pillars of Reform: legal, health care, education, trade, and government.

(Ferguson/Simon)
April 3, 1992
Draft Three

PRESIDENTIAL REMARKS: AMERICAN BUSINESS CONFERENCE
WILLARD HOTEL
TUESDAY, APRIL 7, 1992
2:00 PM

Thank you, Jim Jones. ((Some people say I've been traveling too much. So today is an example of my new policy: no trips farther than one block.))

It is always a pleasure to speak with members of the American Business Conference, because it is always a pleasure to speak with the best.

I would like to talk to you today about the future -- the future of our country generally, and more particularly the future of our country's business environment. In fact, we cannot separate the two. The America of the 21st Century -- its ability to make peace in the world, to foster strong families, to create rewarding jobs -- will be shaped today, in large part by how hospitable we make America for business.

We can learn from your achievement. The key to the success of any high-growth company is the wise deployment of resources. The successful company channels labor and investment into those areas with the potential for the greatest expansion and the highest return. You take the risk; you reap the reward; everyone, meanwhile, benefits from the wealth you create.

That, in brief, is the genius of entrepreneurial capitalism, a system that has made America the envy of the world. For 200 years our prosperity has sprung from our ability to innovate, to change as the world changes. But America's world leadership is

not automatic; it is not a birthright. We must continue to earn it, day by day, quarter by quarter, year by year. The world now is changing at a pace no one could have dreamed of a generation ago. And America, which has led the world's transformation, must change with it.

Over the last several years deadweights have begun to slow the engine of growth -- inefficiencies a competitive economy cannot tolerate. Today I want to discuss five areas of reform, five critical ways in which America must change if we are to continue to lead the world. You understand the urgency, for each of these problems presents itself to American companies not as an abstraction but in the most immediate way: as a cost of doing business -- a cost you can't control, an expenditure with no possible return.

When our legal system becomes incapable of resolving disputes in a timely and civil manner, business loses the incentive to innovate and take risks. When health care costs escalate, business picks up much of the tab. When government imposes barriers to trade, business pays the price in opportunities lost. When our children leave school without rudimentary skills, business bears the burden in lowered productivity. And when government freezes in gridlock, business can no longer plan rationally for the future.

Let me begin with the crying need to reform our country's civil justice system. Every American has heard the stories of bizarre or frivolous lawsuits; but most of you have lived them,

tales that could have been torn from the pages of Kafka. Consider one example, related by one of your members, Roger Coleman, president of Rykoff-Sexton, a food manufacturer and distributor.

After record earnings in 1989, Mr. Coleman publicly expressed his confidence that 1990 would be even better. When earnings fell short, his hopeful statement became the cause of a shareholder class-action lawsuit.

First came a meeting with plaintiffs' contingency-fee lawyers, at which the merits of the case were never even discussed. "The issue," says Mr. Coleman, "was the depths of our pockets." Next came the nightmare of discovery: endlessly expensive and invasive. The company's managers, instead of managing, spent their time preparing for depositions. The lawsuit, he says, "brought everything to a stop."

In the end, rather than permit the total exhaustion of company resources, Mr. Coleman decided to settle. The tab for this exercise in futility: \$8.7 million. As Mr. Coleman says: "That's over \$8.7 million that was diverted from new investments in jobs and facilities."

The scenario is repeated daily throughout American business. It is not repeated, let me stress, among our world competitors.

Only the United States has seen the number of lawyers double over a 20-year period. Only the United States spends more than \$80 billion annually in direct litigation costs, perhaps four times that in indirect costs. According to a recent survey, 40

percent of companies that had been the target of product liability suits have discontinued certain types of product research.

We must remove this ball and chain from our ability to produce and compete worldwide. My competitiveness council, led by Vice President Quayle, has offered 50 recommendations for legal reform. They would limit discovery to reasonable proportions, discourage some frivolous suits through a "loser-pays" rule, and offer alternative means of resolving disputes.

The effects of this reform will be far-reaching, extending into another area critically in need of change. Medical malpractice premiums almost doubled in the second half of the 1980s. Doctors are practicing "defensive" medicine, ordering unnecessary tests and procedures to protect against litigation.

This too drives up health care costs. The trends are simply unsustainable. From less than 6 percent 30 years ago, total health care expenditures are today about 13 percent of GDP. Some mid-range estimates put that figure at 30 percent by the year 2030 -- that's thirty cents of every dollar of national income spent on health care. Right now, according to one federal study, American corporations already spend more on health care each year than they earn in after-tax profits.

We must reform the system -- but we face a crossroads. Some have advocated nationalized care; others propose the so-called "pay or play" approach, which I am convinced is merely a step on the road to nationalized care.

Neither is acceptable. Neither will preserve the quality of our country's health care, which remains the best in the world. I will not let that high quality be taken away from the American people through some scheme of government control.

Nationalized care means rationed care; its promise of cost containment is a mirage. "Pay or play" would dump still more mandates on business. For employers, a 9 percent payroll tax would mean a 34 percent increase in health insurance costs. That money must come from somewhere -- and for a company unable to pass along the added costs through higher prices, that means decreased investment, lower wages, and fewer jobs.

There is an alternative. My proposed health care reform will build on our system's strengths, preserving the quality of care. We will increase consumer choice. Through transferable credits, we will assure access to basic health insurance for the uninsured, and control costs through market incentives. And we will not raise taxes on American employers.

I have targeted a third area for attention -- like the others, absolutely critical to our success in the coming decades. You understand that for America to succeed economically at home, we must succeed economically abroad. The fastest growing companies among your group -- the ones creating the greatest number of jobs here at home -- are those with far-reaching involvement in foreign markets.

I am committed to opening markets to American goods and services, removing the government-imposed barriers that act as a

hidden tax on American business. Each market shut off by protection is a lost opportunity to sell your products. A successful conclusion to the current Uruguay round of trade negotiations, for instance, could increase world output by \$5 trillion over the next decade. More than \$1 trillion of that boom -- creating two million jobs -- will go to the United States.

As world trade expands, the need for a sophisticated, well-educated workforce will intensify. Yet the fact is grim and undeniable: our current educational system is unable to produce the workers the highly competitive world market demands.

Our educational failures have hit American employers hard. English is now the language of international business; yet only 20 percent of 17-year-olds can write a simple two-paragraph letter applying for a job. The situation in geography, math and science is equally dire. Too many businesses are forced to pay twice for the education of prospective employees -- once through taxes that support our schools, and again through job training to remedy the failures of those schools in educating our young.

Communities have begun taking matters into their own hands, with local businesses often acting as catalyst. ABC's Vital Link, which works with local schools to establish learning incentives for students, is a perfect example of the community-based efforts our children need.

Still, there is much for government to do. This year, seven different federal agencies will spend \$18 billion on a patchwork

of 60 vocational training programs. Is it any wonder that so many Americans who seek training don't know how to get it? Working with state and local governments, our Job Training 2000 initiative will bring coherence to these programs and offer "one-stop shopping" to aspiring workers.

Job Training 2000 perfectly complements the revolution now taking place in American education as a whole -- a revolution essential to creating a world-class workforce. Our America 2000 initiative aims to reinvent American schools. We know how to do it. We set high standards for students. We make teacher training a top priority. And we make schools more accountable, by forcing them to compete. That means giving parents the opportunity to choose their children's schools -- public, private, or religious.

I am convinced that each of these major reforms -- restoring sanity to our legal system, ensuring quality health care for all, expanding world trade, and reinventing American education -- is essential to this country's future productivity.

But each faces powerful opposition from special interests who profit from the status quo. So I have targeted a final reform, no less important than the others. If America is to change, our government must change. Last week in Philadelphia, I spoke in some detail on the paralysis that grips the Congress. The results are dismally plain. Congress was incapable even of passing my seven-point economic growth package, including a

measure essential to future growth -- a cut in the tax on capital gains.

And so we are left with business as usual: a deficit that is a fiscal and a moral outrage, a permanent governing class oblivious to the national interest, and hundreds of self-perpetuating programs that don't even help the people they were designed to help.

I refuse to believe that this is the legacy we will leave our children. But it will be -- if we don't reform the United States Congress.

The reforms I've outlined here today are grounded in basic principles, a way of looking at the world. As Jefferson said, "the pillars of our prosperity are the most thriving when left most free to individual enterprise." In practice, that means government must trust the wisdom of markets more than the whims of bureaucrats. The freely made decisions of businessmen and women must take precedence over the engineering schemes of government. And all of our institutions -- from the U.S. Congress to the local school board -- must be accountable to those they serve.

Over the last decade, America has changed the world. Today we are blessed with the opportunity to change America. With these principles as our guide, we will meet the challenges, and exploit the opportunities, of the world that is now being born.

Thank you, and God bless the United States of America.

#

THE WHITE HOUSE
WASHINGTON

April 3, 1992

MEMORANDUM FOR THE PRESIDENT

THROUGH: DAVID DEMAREST *DD*

FROM: ANDY FERGUSON *AF*

SUBJECT: REMARKS TO AMERICAN BUSINESS CONFERENCE

I. SUMMARY

On Tuesday April 7, at 2:00 p.m. at the Willard Hotel, you will speak to 80 CEOs of fast-growing companies who comprise the American Business Conference.

II. DISCUSSION

The remarks (19 minutes, on teleprompter) discuss how business growth is affected by the Five Pillars of Reform: legal, health care, education, trade, and government.

(Ferguson/Simon)
April 3, 1992
Draft Three

PRESIDENTIAL REMARKS: AMERICAN BUSINESS CONFERENCE
WILLARD HOTEL
TUESDAY, APRIL 7, 1992
2:00 PM

Thank you, Jim Jones. ((Some people say I've been traveling too much. So today is an example of my new policy: no trips farther than one block.))

It is always a pleasure to speak with members of the American Business Conference, because it is always a pleasure to speak with the best.

I would like to talk to you today about the future -- the future of our country generally, and more particularly the future of our country's business environment. In fact, we cannot separate the two. The America of the 21st Century -- its ability to make peace in the world, to foster strong families, to create rewarding jobs -- will be shaped today, in large part by how hospitable we make America for business.

We can learn from your achievement. The key to the success of any high-growth company is the wise deployment of resources. The successful company channels labor and investment into those areas with the potential for the greatest expansion and the highest return. You take the risk; you reap the reward; everyone, meanwhile, benefits from the wealth you create.

That, in brief, is the genius of entrepreneurial capitalism, a system that has made America the envy of the world. For 200 years our prosperity has sprung from our ability to innovate, to change as the world changes. But America's world leadership is

not automatic; it is not a birthright. We must continue to earn it, day by day, quarter by quarter, year by year. The world now is changing at a pace no one could have dreamed of a generation ago. And America, which has led the world's transformation, must change with it.

Over the last several years deadweights have begun to slow the engine of growth -- inefficiencies a competitive economy cannot tolerate. Today I want to discuss five areas of reform, five critical ways in which America must change if we are to continue to lead the world. You understand the urgency, for each of these problems presents itself to American companies not as an abstraction but in the most immediate way: as a cost of doing business -- a cost you can't control, an expenditure with no possible return.

When our legal system becomes incapable of resolving disputes in a timely and civil manner, business loses the incentive to innovate and take risks. When health care costs escalate, business picks up much of the tab. When government imposes barriers to trade, business pays the price in opportunities lost. When our children leave school without rudimentary skills, business bears the burden in lowered productivity. And when government freezes in gridlock, business can no longer plan rationally for the future.

Let me begin with the crying need to reform our country's civil justice system. Every American has heard the stories of bizarre or frivolous lawsuits; but most of you have lived them,

tales that could have been torn from the pages of Kafka. Consider one example, related by one of your members, Roger Coleman, president of Rykoff-Sexton, a food manufacturer and distributor.

After record earnings in 1989, Mr. Coleman publicly expressed his confidence that 1990 would be even better. When earnings fell short, his hopeful statement became the cause of a shareholder class-action lawsuit.

First came a meeting with plaintiffs' contingency-fee lawyers, at which the merits of the case were never even discussed. "The issue," says Mr. Coleman, "was the depths of our pockets." Next came the nightmare of discovery: endlessly expensive and invasive. The company's managers, instead of managing, spent their time preparing for depositions. The lawsuit, he says, "brought everything to a stop."

In the end, rather than permit the total exhaustion of company resources, Mr. Coleman decided to settle. The tab for this exercise in futility: \$8.7 million. As Mr. Coleman says: "That's over \$8.7 million that was diverted from new investments in jobs and facilities."

The scenario is repeated daily throughout American business. It is not repeated, let me stress, among our world competitors.

Only the United States has seen the number of lawyers double over a 20-year period. Only the United States spends more than \$80 billion annually in direct litigation costs, perhaps four times that in indirect costs. According to a recent survey, 40

percent of companies that had been the target of product liability suits have discontinued certain types of product research.

We must remove this ball and chain from our ability to produce and compete worldwide. My competitiveness council, led by Vice President Quayle, has offered 50 recommendations for legal reform. They would limit discovery to reasonable proportions, discourage some frivolous suits through a "loser-pays" rule, and offer alternative means of resolving disputes.

The effects of this reform will be far-reaching, extending into another area critically in need of change. Medical malpractice premiums almost doubled in the second half of the 1980s. Doctors are practicing "defensive" medicine, ordering unnecessary tests and procedures to protect against litigation.

This too drives up health care costs. The trends are simply unsustainable. From less than 6 percent 30 years ago, total health care expenditures are today about 13 percent of GDP. Some mid-range estimates put that figure at 30 percent by the year 2030 -- that's thirty cents of every dollar of national income spent on health care. Right now, according to one federal study, American corporations already spend more on health care each year than they earn in after-tax profits.

We must reform the system -- but we face a crossroads. Some have advocated nationalized care; others propose the so-called "pay or play" approach, which I am convinced is merely a step on the road to nationalized care.

Neither is acceptable. Neither will preserve the quality of our country's health care, which remains the best in the world. I will not let that high quality be taken away from the American people through some scheme of government control.

Nationalized care means rationed care; its promise of cost containment is a mirage. "Pay or play" would dump still more mandates on business. For employers, a 9 percent payroll tax would mean a 34 percent increase in health insurance costs. That money must come from somewhere -- and for a company unable to pass along the added costs through higher prices, that means decreased investment, lower wages, and fewer jobs.

There is an alternative. My proposed health care reform will build on our system's strengths, preserving the quality of care. We will increase consumer choice. Through transferable credits, we will assure access to basic health insurance for the uninsured, and control costs through market incentives. And we will not raise taxes on American employers.

I have targeted a third area for attention -- like the others, absolutely critical to our success in the coming decades. You understand that for America to succeed economically at home, we must succeed economically abroad. The fastest growing companies among your group -- the ones creating the greatest number of jobs here at home -- are those with far-reaching involvement in foreign markets.

I am committed to opening markets to American goods and services, removing the government-imposed barriers that act as a

hidden tax on American business. Each market shut off by protection is a lost opportunity to sell your products. A successful conclusion to the current Uruguay round of trade negotiations, for instance, could increase world output by \$5 trillion over the next decade. More than \$1 trillion of that boom -- creating two million jobs -- will go to the United States.

As world trade expands, the need for a sophisticated, well-educated workforce will intensify. Yet the fact is grim and undeniable: our current educational system is unable to produce the workers the highly competitive world market demands.

Our educational failures have hit American employers hard. English is now the language of international business; yet only 20 percent of 17-year-olds can write a simple two-paragraph letter applying for a job. The situation in geography, math and science is equally dire. Too many businesses are forced to pay twice for the education of prospective employees -- once through taxes that support our schools, and again through job training to remedy the failures of those schools in educating our young.

Communities have begun taking matters into their own hands, with local businesses often acting as catalyst. ABC's Vital Link, which works with local schools to establish learning incentives for students, is a perfect example of the community-based efforts our children need.

Still, there is much for government to do. This year, seven different federal agencies will spend \$18 billion on a patchwork

of 60 vocational training programs. Is it any wonder that so many Americans who seek training don't know how to get it? Working with state and local governments, our Job Training 2000 initiative will bring coherence to these programs and offer "one-stop shopping" to aspiring workers.

Job Training 2000 perfectly complements the revolution now taking place in American education as a whole -- a revolution essential to creating a world-class workforce. Our America 2000 initiative aims to reinvent American schools. We know how to do it. We set high standards for students. We make teacher training a top priority. And we make schools more accountable, by forcing them to compete. That means giving parents the opportunity to choose their children's schools -- public, private, or religious.

I am convinced that each of these major reforms -- restoring sanity to our legal system, ensuring quality health care for all, expanding world trade, and reinventing American education -- is essential to this country's future productivity.

But each faces powerful opposition from special interests who profit from the status quo. So I have targeted a final reform, no less important than the others. If America is to change, our government must change. Last week in Philadelphia, I spoke in some detail on the paralysis that grips the Congress. The results are dismally plain. Congress was incapable even of passing my seven-point economic growth package, including a

measure essential to future growth -- a cut in the tax on capital gains.

And so we are left with business as usual: a deficit that is a fiscal and a moral outrage, a permanent governing class oblivious to the national interest, and hundreds of self-perpetuating programs that don't even help the people they were designed to help.

I refuse to believe that this is the legacy we will leave our children. But it will be -- if we don't reform the United States Congress.

The reforms I've outlined here today are grounded in basic principles, a way of looking at the world. As Jefferson said, "the pillars of our prosperity are the most thriving when left most free to individual enterprise." In practice, that means government must trust the wisdom of markets more than the whims of bureaucrats. The freely made decisions of businessmen and women must take precedence over the engineering schemes of government. And all of our institutions -- from the U.S. Congress to the local school board -- must be accountable to those they serve.

Over the last decade, America has changed the world. Today we are blessed with the opportunity to change America. With these principles as our guide, we will meet the challenges, and exploit the opportunities, of the world that is now being born.

Thank you, and God bless the United States of America.

#

WHITE HOUSE STAFFING MEMORANDUM



DATE: 4/2/92 ACTION/CONCURRENCE/COMMENT DUE BY: FRI. 4/3/92 NOON

PRESIDENTIAL REMARKS: AMERICAN BUSINESS CONFERENCE
 SUBJECT: TUESDAY, 4/7/92 - 2:00pm

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☒	HORNER	☐	☒
SKINNER	☐	☒	MCBRIDE	☒	☐
SCOWCROFT	☒	☐	MOORE	☒	☐
DARMAN	☒	☐	PETERSMEYER	☒	☐
BRADY	☐	☒	PORTER	☒	☐
BROMLEY	☐	☐	ROGICH	☒	☐
CALIO	☒	☐	ROLLINS	☒	☐
DEMAREST	☒	☐	SMITH	☒	☐
FITZWATER	☐	☒	YEUTTER	☐	☒
GRAY	☒	☐	FINDLAY	☐	☒
HOLIDAY	☒	☐	KAUFMAN	☐	☒
BOSKIN	☒	☐	MCGROARTY	☐	☒

REMARKS:

Please forward your comments directly to Dan McGroarty, Rm. 122, x2930, no later than NOON, FRIDAY, APRIL 3, with a copy to this office. Thank you.

RESPONSE:

TO: DAN MCGROARTY

April 3, 1992

The NSC staff has no objection to the proposed presidential remarks, subject to the change noted on page 2 of the attached text.

for Brent Scowcroft

Attachment

cc: Phillip D. Brady

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

(Ferguson/Simon)
April 2, 1992
Draft Two
BUSINESS

02 APR 2 P12:13

PRESIDENTIAL REMARKS: AMERICAN BUSINESS CONFERENCE
WILLARD HOTEL
TUESDAY, APRIL 7, 1992
2:00 PM

[Acknowledgments, joke]

It is always a pleasure to speak with members of the American Business Conference, because it is always a pleasure to speak with the best.

I would like to talk to you today about the future -- the future of our country generally, and more particularly the future of our country's business environment. In fact, we cannot separate the two. The America of the 21st century -- its ability to make peace in the world, to foster strong families, to create rewarding jobs -- will be shaped today, in large part by how hospitable we make America for business.

We can learn from your success. The key to the success of any high-growth company is the wise deployment of resources. The successful company channels labor and investment into those areas with the potential for the greatest expansion and the highest return. You take the risk; you reap the reward; everyone, meanwhile, benefits from the wealth you create.

That, in brief, is the genius of entrepreneurial capitalism. Our system has made America the envy of the world, the most prosperous country on earth, affording the highest standard of living to the largest number of people in history. With one-

twentieth of the world's population, we produce one-fourth of the world's goods and services.

sounds chauvinistic What accounts for ^{this success} ~~our preeminence~~? The answer, I believe, ✓ lies in our resiliency, our historic ability to innovate, to change as the world changes. America's world leadership is not automatic; it is not a birthright. We must continue to earn it, day by day, quarter by quarter, year by year. The world now is changing at a pace no one could have dreamed of a generation ago. And America, which has led the world's transformation, must change with it.

Over the last several years deadweights have begun to slow the engine of growth -- inefficiencies a competitive economy cannot tolerate. I have isolated five areas for reform, five critical ways in which America must change if we are to continue to lead the world. You understand the urgency, for each of these problems presents itself to American companies not as an abstraction but in the most immediate way: as a cost of doing business -- a cost you can't control, an expenditure with no possible return.

When our legal system becomes incapable of resolving disputes in a timely and civil manner, business loses the incentive to innovate and take risks. When health care costs escalate, business picks up much of the tab. When government imposes barriers to trade, business pays the price in opportunities lost. When our children leave school without rudimentary skills, business bears the burden in lowered

productivity. And when government freezes in gridlock, business can no longer plan rationally for the future.

Each of our system's failings saps your resources, drawing away your investment and manhours from productive tasks. Allow me to address them one by one.

I'll start with the crying need to reform our country's civil justice system. Every American has heard the stories of bizarre or frivolous lawsuits; but most of you have lived them, tales that could have been torn from the pages of Kafka. Consider one example, related by one of your members, Roger Coleman, president of Rykoff-Sexton, a food manufacturer and distributor.

After record earnings in 1989, Mr. Coleman publicly expressed his confidence that 1990 would be even better. When earnings fell short by two percent, his hopeful statement became the cause of a shareholder class-action lawsuit.

First came a meeting with plaintiffs' contingency-fee lawyers, at which the merits of the case were never even discussed. "The issue," says Mr. Coleman, "was the depths of our pockets." Next came the nightmare of discovery: endlessly expensive and invasive. The company's managers, instead of managing, spent their time preparing for depositions. The lawsuit, he says, "brought everything to a stop."

In the end, rather than permit the total exhaustion of company resources, Mr. Coleman decided to settle. The tab for this exercise in futility: \$8.7 million. As Mr. Coleman says:

"That's over \$8.7 million that was diverted from new investments in jobs and facilities."

The scenario is repeated daily throughout American business. It is not repeated, let me stress, among our world competitors. This absurd drain on productivity is a peculiarly American phenomenon, putting us at an increasing disadvantage in the international marketplace.

Only the United States has seen a 382 percent increase in the number of lawyers over a twelve year period. Only the United States spends more than \$80 billion annually in direct litigation costs, perhaps four times that in indirect costs. Fear of lawsuits has driven almost half of U.S. manufacturers to withdraw products from world markets. One out of every four American companies has discontinued certain types of product research for the same reason.

We must remove this ball and chain from our ability to produce and compete worldwide. My competitiveness council, led by Vice President Quayle, has offered 50 recommendations for legal reform. They would limit discovery to reasonable proportions, discourage some frivolous suits through a "loser-pays" rule, and offer alternative means of resolving disputes.

Some of these 50 comprehensive recommendations I have instituted by Executive Order; others are contained in our Access to Justice Act; and still others will take place at the state level, using the model reforms we have proposed.

The effects will be far-reaching, extending into another area critically in need of reform. Medical malpractice premiums almost doubled in the second half of the 1980s. Doctors have begun practicing "defensive" medicine, ordering unnecessary tests and procedures to protect against litigation.

This too drives up health care costs. The trends are simply unsustainable. From less than 6 percent 30 years ago, total health care expenditures are today about 13 percent of GDP. Incredibly, some mid-range estimates put that figure at 30 percent by the year 2030 -- that's thirty cents of every dollar of national income spent on health care.

It is not hard to imagine what this would mean for American business. The average American company already spends more on health premiums each year than it earns in after-tax profits. And this trend too is heading upward toward disaster.

Reform of the system is inescapable. But we face a crossroads. Some have advocated nationalized care; others propose the so-called "pay or play" approach, which I am convinced is merely a step on the road to nationalized care.

Neither is acceptable. Neither will preserve the quality of our country's health care, which remains the best in the world. I will not let that high quality be taken away from the American people through some scheme of government control.

Nationalized care means rationed care; its promise of cost containment is a mirage. "Pay or play" would dump still more mandates on business. A 9 percent payroll tax would mean a 34

percent increase in a company's insurance costs. That money must come from somewhere -- and for a company unable to pass along the added costs through higher prices, that means decreased investment, lower wages, and fewer jobs.

There is an alternative. My proposed health care reform will build on our system's strengths, preserving the quality of care. We will increase consumer choice. Through transferable credits, we will assure access to basic health insurance for the uninsured, and control costs through market incentives. And we will not raise taxes on American employers.

I have targeted a third area for attention -- like the others, absolutely critical to our success in the coming decades. You understand that for America to succeed economically at home, we must succeed economically abroad. The fastest growing companies among your group -- the ones creating the greatest number of jobs here at home -- are those with far-reaching involvement in foreign markets.

I am committed to opening markets to American products, removing the government-imposed barriers that act as a hidden tax on American business. Each market shut off by protection is a lost opportunity to sell your products. A successful conclusion to the current Uruguay round of trade negotiations, for instance, could increase world output by \$5 trillion over the next decade. More than \$1 trillion of that boom will go to the United States.

Even closer to home, exports to Mexico have more than doubled over the five years -- creating more than 260,000

American jobs. Our North American Free Trade Agreement will lock in those gains, creating with Canada a \$6 trillion market, the largest in the world.

As world trade expands, the need for a sophisticated, well-educated workforce will intensify. Yet the fact is grim and undeniable: our current educational system is unable to produce the workers the highly competitive world market demands. And make no mistake: a failure to produce a world-class workforce will only provide an incentive to move new jobs overseas.

Our educational failures have hit American employers hard. English is now the language of international business; yet only 20 percent of 17-year-olds can write a simple two-paragraph letter applying for a job. The situation in geography, math and science is equally dire. Too many businesses are forced to pay twice for the education of prospective employees -- once through taxes that support our schools, and again through job training to remedy the failures of those schools in educating our young.

Communities have begun taking matters into their own hands, with local businesses often acting as catalyst. ABC's Vital Link, which works with local schools to establish learning incentives for students, is a perfect example of the community-based efforts our children need.

Still, there is much for government to do. This year, seven different federal agencies will spend \$18 billion on a patchwork of 60 vocational training programs. Is it any wonder that so many Americans who seek training don't know how to get it?

Working with state and local governments, our Job Training 2000 initiative will bring coherence to these programs and offer "one-stop shopping" to aspiring workers. Private industry councils, composed mostly of businessmen, are crucial to our strategy. They would manage programs tailored to the specific needs of local labor markets. And they will be accountable for the quality and efficiency of their programs.

[Placeholder for Labor announcement]

In stressing accountability and local control, Job Training 2000 perfectly complements a revolution now taking place in American education as a whole -- a revolution essential to creating a world-class workforce. Our America 2000 initiative aims to reinvent American schools. We know how to do it. We set high standards for students. We make teacher training a top priority. And we make schools more accountable, by forcing them to compete. That means giving parents the opportunity to choose their children's schools.

I am convinced that each of these major reforms -- restoring sanity to our legal system, ensuring quality health care for all, expanding world trade, and reinventing American education -- is essential to this country's future productivity. The time for tinkering is done; we can afford no more half-measures, no more pondering and chin-pulling. If business is to get on with its work of creating wealth and jobs for America, we must undertake real reform -- root-to-branch change -- wherever our system has failed us.

No wonder, then, that each of the reforms I speak of faces powerful opposition from special interests who profit from the status quo. So I have targeted a final reform, no less important than the others. If America is to change, American government must change. Last week in Philadelphia, I spoke in some detail on the paralysis that grips the federal government. This paralysis prevents Washington from making even the most rudimentary decisions of public policy. The results are plain: a deficit that is a fiscal and a moral outrage, a permanent governing class oblivious to the national interest, hundreds of wasteful programs that live in perpetuity.

The steps I outlined in Philadelphia will restore accountability and responsiveness to a system that has been broken for too long. [Placeholder for economic analysis insert.]

A responsive government will give the reforms I've outlined today a fair hearing, even though the special interests are arrayed against them. These approaches are grounded in basic principles, a way of looking at the world. Government must trust the wisdom of markets more than the whims of bureaucrats. The freely made decisions of businessmen and women must take precedence over the engineering schemes of government. All of our institutions -- from the U.S. Congress to the local school board -- must be accountable to those they serve.

Over the last decade, America has changed the world. Today we are blessed with the opportunity to change America. With these principles as our guide, we will meet the challenges -- and

exploit the opportunities -- of the world that is even now being born.

God bless you, and God bless the United States of America.

#

AMERICAN BUSINESS CONFERENCE
WILLARD HOTEL
TUESDAY, APRIL 7, 1992
2:00 PM

THANK YOU, JIM JONES. ((SOME PEOPLE SAY I'VE BEEN TRAVELING TOO MUCH. SO TODAY IS AN EXAMPLE OF MY NEW POLICY: NO TRIPS FARTHER THAN ONE BLOCK.))

IT IS ALWAYS A PLEASURE TO SPEAK WITH MEMBERS OF THE AMERICAN BUSINESS CONFERENCE, BECAUSE IT IS ALWAYS A PLEASURE TO SPEAK WITH THE BEST.

I WOULD LIKE TO TALK TO YOU TODAY ABOUT THE FUTURE -- THE FUTURE OF OUR COUNTRY GENERALLY, AND MORE PARTICULARLY THE FUTURE OF OUR COUNTRY'S BUSINESS ENVIRONMENT. IN FACT, WE CANNOT SEPARATE THE TWO. THE AMERICA OF THE 21ST CENTURY -- ITS ABILITY TO MAKE PEACE IN THE WORLD, TO FOSTER STRONG FAMILIES, TO CREATE REWARDING JOBS -- WILL BE SHAPED TODAY, IN LARGE PART BY HOW HOSPITABLE WE MAKE AMERICA FOR BUSINESS.

WE CAN LEARN FROM YOUR ACHIEVEMENT. THE KEY TO THE SUCCESS OF ANY HIGH-GROWTH COMPANY IS THE WISE DEPLOYMENT OF RESOURCES. THE SUCCESSFUL COMPANY CHANNELS LABOR AND INVESTMENT INTO THOSE AREAS WITH THE POTENTIAL FOR THE GREATEST EXPANSION AND THE HIGHEST RETURN. YOU TAKE THE RISK; YOU REAP THE REWARD; EVERYONE, MEANWHILE, BENEFITS FROM THE WEALTH YOU CREATE.

THAT, IN BRIEF, IS THE GENIUS OF ENTREPRENEURIAL CAPITALISM, A SYSTEM THAT HAS MADE AMERICA THE ENVY OF THE WORLD. FOR 200 YEARS OUR PROSPERITY HAS SPRUNG FROM OUR ABILITY TO INNOVATE, TO CHANGE AS THE WORLD CHANGES. BUT AMERICA'S WORLD LEADERSHIP IS NOT AUTOMATIC; IT IS NOT A BIRTHRIGHT. WE MUST CONTINUE TO EARN IT, DAY BY DAY, QUARTER BY QUARTER, YEAR BY YEAR. THE WORLD NOW IS CHANGING AT A PACE NO ONE COULD HAVE DREAMED OF A GENERATION AGO. AND AMERICA, WHICH HAS LED THE WORLD'S TRANSFORMATION, MUST CHANGE WITH IT.

OVER THE LAST SEVERAL YEARS DEADWEIGHTS HAVE BEGUN TO SLOW THE ENGINE OF GROWTH -- INEFFICIENCIES A COMPETITIVE ECONOMY CANNOT TOLERATE. TODAY I WANT TO DISCUSS FIVE AREAS OF REFORM, FIVE CRITICAL WAYS IN WHICH AMERICA MUST CHANGE IF WE ARE TO CONTINUE TO LEAD THE WORLD. YOU UNDERSTAND THE URGENCY, FOR EACH OF THESE PROBLEMS PRESENTS ITSELF TO AMERICAN COMPANIES NOT AS AN ABSTRACTION BUT IN THE MOST IMMEDIATE WAY: AS A COST OF DOING BUSINESS -- A COST YOU CAN'T CONTROL, AN EXPENDITURE WITH NO POSSIBLE RETURN.

WHEN OUR LEGAL SYSTEM BECOMES INCAPABLE OF RESOLVING DISPUTES IN A TIMELY AND CIVIL MANNER, BUSINESS LOSES THE INCENTIVE TO INNOVATE AND TAKE RISKS. WHEN HEALTH CARE COSTS ESCALATE, BUSINESS PICKS UP MUCH OF THE TAB. WHEN GOVERNMENT IMPOSES BARRIERS TO TRADE, BUSINESS PAYS THE PRICE IN OPPORTUNITIES LOST. WHEN OUR CHILDREN LEAVE SCHOOL WITHOUT RUDIMENTARY SKILLS, BUSINESS BEARS THE BURDEN IN LOWERED PRODUCTIVITY. AND WHEN GOVERNMENT FREEZES IN GRIDLOCK, BUSINESS CAN NO LONGER PLAN RATIONALLY FOR THE FUTURE.

LET ME BEGIN WITH THE CRYING NEED TO REFORM OUR COUNTRY'S CIVIL JUSTICE SYSTEM. EVERY AMERICAN HAS HEARD THE STORIES OF BIZARRE OR FRIVOLOUS LAWSUITS; BUT MOST OF YOU HAVE LIVED THEM, TALES THAT COULD HAVE BEEN TORN FROM THE PAGES OF KAFKA. CONSIDER ONE EXAMPLE, RELATED BY ONE OF YOUR MEMBERS, ROGER COLEMAN, PRESIDENT OF RYKOFF-SEXTON, A FOOD MANUFACTURER AND DISTRIBUTOR.

AFTER RECORD EARNINGS IN 1989, MR. COLEMAN PUBLICLY EXPRESSED HIS CONFIDENCE THAT 1990 WOULD BE EVEN BETTER. WHEN EARNINGS FELL SHORT, HIS HOPEFUL STATEMENT BECAME THE CAUSE OF A SHAREHOLDER CLASS-ACTION LAWSUIT.

FIRST CAME A MEETING WITH PLAINTIFFS' CONTINGENCY-FEE LAWYERS, AT WHICH THE MERITS OF THE CASE WERE NEVER EVEN DISCUSSED. "THE ISSUE," SAYS MR. COLEMAN, "WAS THE DEPTHS OF OUR POCKETS." NEXT CAME THE NIGHTMARE OF DISCOVERY: ENDLESSLY EXPENSIVE AND INVASIVE. THE COMPANY'S MANAGERS, INSTEAD OF MANAGING, SPENT THEIR TIME PREPARING FOR DEPOSITIONS. THE LAWSUIT, HE SAYS, "BROUGHT EVERYTHING TO A STOP."

IN THE END, RATHER THAN PERMIT THE TOTAL EXHAUSTION OF COMPANY RESOURCES, MR. COLEMAN DECIDED TO SETTLE. THE TAB FOR THIS EXERCISE IN FUTILITY: \$8.7 MILLION. AS MR. COLEMAN SAYS: "THAT'S OVER \$8.7 MILLION THAT WAS DIVERTED FROM NEW INVESTMENTS IN JOBS AND FACILITIES."

THE SCENARIO IS REPEATED DAILY THROUGHOUT AMERICAN BUSINESS. IT IS NOT REPEATED, LET ME STRESS, AMONG OUR WORLD COMPETITORS. ONLY THE UNITED STATES HAS SEEN THE NUMBER OF LAWYERS DOUBLE OVER A 20-YEAR PERIOD. ONLY THE UNITED STATES SPENDS MORE THAN \$80 BILLION ANNUALLY IN DIRECT LITIGATION COSTS, PERHAPS FOUR TIMES THAT IN INDIRECT COSTS. ACCORDING TO A RECENT SURVEY, 40 PERCENT OF COMPANIES THAT HAD BEEN THE TARGET OF PRODUCT LIABILITY SUITS HAVE DISCONTINUED CERTAIN TYPES OF PRODUCT RESEARCH.

WE MUST REMOVE THIS BALL AND CHAIN FROM OUR ABILITY TO PRODUCE AND COMPETE WORLDWIDE. MY COMPETITIVENESS COUNCIL, LED BY VICE PRESIDENT QUAYLE, HAS OFFERED 50 RECOMMENDATIONS FOR LEGAL REFORM. THEY WOULD LIMIT DISCOVERY TO REASONABLE PROPORTIONS, DISCOURAGE SOME FRIVOLOUS SUITS THROUGH A "LOSER-PAYS" RULE, AND OFFER ALTERNATIVE MEANS OF RESOLVING DISPUTES.

THIS BROAD LEGAL REFORM WON'T BE EASY -- JUST LOOK AT THE FIGHT WE'VE HAD ON PRODUCT LIABILITY REFORM. WE INTRODUCED A REFORM BILL IN 1990, AND AGAIN IN 1991. SENATE DEMOCRATS REFUSE TO BRING IT TO A VOTE; IN THE HOUSE IT'S STUCK IN TWO COMMITTEES. THE SPECIAL INTERESTS ARE LINING UP AGAINST LEGAL REFORM, AND WE CAN USE YOUR HELP IN MOVING IT FORWARD.

IF WE'RE SUCCESSFUL, THE EFFECTS WILL BE FAR-REACHING, EXTENDING INTO ANOTHER AREA CRITICALLY IN NEED OF CHANGE. MEDICAL MALPRACTICE PREMIUMS ALMOST DOUBLED IN THE SECOND HALF OF THE 1980S. DOCTORS ARE PRACTICING "DEFENSIVE" MEDICINE, ORDERING AN ESTIMATED \$20 BILLION A YEAR IN UNNECESSARY TESTS AND PROCEDURES TO PROTECT AGAINST FRIVOLOUS LITIGATION.

THE TRENDS IN HEALTH CARE COSTS ARE SIMPLY UNSUSTAINABLE. FROM LESS THAN 6 PERCENT 30 YEARS AGO, TOTAL HEALTH CARE EXPENDITURES ARE TODAY ABOUT 13 PERCENT OF GDP. SOME MID-RANGE ESTIMATES PUT THAT FIGURE AT 30 PERCENT BY THE YEAR 2030 -- THAT'S THIRTY CENTS OF EVERY DOLLAR OF NATIONAL INCOME SPENT ON HEALTH CARE. RIGHT NOW, ACCORDING TO ONE FEDERAL STUDY, AMERICAN CORPORATIONS ALREADY SPEND MORE ON HEALTH CARE EACH YEAR THAN THEY EARN IN AFTER-TAX PROFITS.

WE MUST REFORM THE SYSTEM -- BUT WE FACE A CROSSROADS. SOME HAVE ADVOCATED NATIONALIZED CARE; OTHERS PROPOSE THE SO-CALLED "PAY OR PLAY" APPROACH, WHICH I AM CONVINCED IS MERELY A STEP ON THE ROAD TO NATIONALIZED CARE.

NEITHER IS ACCEPTABLE. NEITHER WILL PRESERVE THE QUALITY OF OUR COUNTRY'S HEALTH CARE, WHICH REMAINS THE BEST IN THE WORLD. I WILL NOT LET THAT HIGH QUALITY BE TAKEN AWAY FROM THE AMERICAN PEOPLE THROUGH SOME SCHEME OF GOVERNMENT CONTROL.

NATIONALIZED CARE MEANS RATIONED CARE; ITS PROMISE OF COST CONTAINMENT IS A MIRAGE. "PAY OR PLAY" WOULD DUMP STILL MORE MANDATES ON BUSINESS. FOR EMPLOYERS, A 9 PERCENT PAYROLL TAX WOULD MEAN A 34 PERCENT INCREASE IN HEALTH INSURANCE COSTS. THAT MONEY MUST COME FROM SOMEWHERE -- AND FOR A COMPANY UNABLE TO PASS ALONG THE ADDED COSTS THROUGH HIGHER PRICES, THAT MEANS DECREASED INVESTMENT, LOWER WAGES, AND FEWER JOBS.

THERE IS AN ALTERNATIVE. MY PROPOSED HEALTH CARE REFORM WILL BUILD ON OUR SYSTEM'S STRENGTHS, PRESERVING THE QUALITY OF CARE. WE WILL INCREASE CONSUMER CHOICE. THROUGH TRANSFERABLE CREDITS, WE WILL ASSURE ACCESS TO BASIC HEALTH INSURANCE FOR THE UNINSURED, AND CONTROL COSTS THROUGH MARKET INCENTIVES. AND WE WILL NOT RAISE TAXES ON AMERICAN EMPLOYERS.

I HAVE TARGETED A THIRD AREA FOR ATTENTION -- LIKE THE OTHERS, ABSOLUTELY CRITICAL TO OUR SUCCESS IN THE COMING DECADES. YOU UNDERSTAND THAT FOR AMERICA TO SUCCEED ECONOMICALLY AT HOME, WE MUST SUCCEED ECONOMICALLY ABROAD. THE FASTEST GROWING COMPANIES AMONG YOUR GROUP -- THE ONES CREATING THE GREATEST NUMBER OF JOBS HERE AT HOME -- ARE THOSE WITH FAR-REACHING INVOLVEMENT IN FOREIGN MARKETS.

I AM COMMITTED TO OPENING MARKETS TO AMERICAN GOODS AND SERVICES, REMOVING THE GOVERNMENT-IMPOSED BARRIERS THAT ACT AS A HIDDEN TAX ON AMERICAN BUSINESS. EACH MARKET SHUT OFF BY PROTECTION IS A LOST OPPORTUNITY TO SELL YOUR PRODUCTS. A SUCCESSFUL CONCLUSION TO THE CURRENT URUGUAY ROUND OF TRADE NEGOTIATIONS, FOR INSTANCE, COULD INCREASE WORLD OUTPUT BY \$5 TRILLION OVER THE NEXT DECADE. MORE THAN \$1 TRILLION OF THAT BOOM -- PROVIDING AS MANY AS TWO MILLION JOBS -- WILL GO TO THE UNITED STATES.

EVEN CLOSER TO HOME, EXPORTS TO MEXICO HAVE MORE THAN DOUBLED OVER THE LAST FIVE YEARS -- CREATING MORE THAN 300,000 AMERICAN JOBS. OUR NORTH AMERICAN FREE TRADE AGREEMENT WILL LOCK IN AND EVEN MULTIPLY THOSE GAINS, CREATING WITH CANADA A \$6 TRILLION MARKET FOR AMERICAN PRODUCTS.

AS WORLD TRADE EXPANDS, THE NEED FOR A SOPHISTICATED, WELL-EDUCATED WORKFORCE WILL INTENSIFY. YET THE FACT IS GRIM AND UNDENIABLE: OUR CURRENT EDUCATIONAL SYSTEM IS UNABLE TO PRODUCE THE WORKERS THE HIGHLY COMPETITIVE WORLD MARKET DEMANDS.

OUR EDUCATIONAL FAILURES HAVE HIT AMERICAN EMPLOYERS HARD. ENGLISH IS NOW THE LANGUAGE OF INTERNATIONAL BUSINESS; YET ONLY 20 PERCENT OF 17-YEAR-OLDS CAN WRITE A SIMPLE TWO-PARAGRAPH LETTER APPLYING FOR A JOB. THE SITUATION IN GEOGRAPHY, MATH AND SCIENCE IS EQUALLY DIRE. TOO MANY BUSINESSES ARE FORCED TO PAY TWICE FOR THE EDUCATION OF PROSPECTIVE EMPLOYEES -- ONCE THROUGH TAXES THAT SUPPORT OUR SCHOOLS, AND AGAIN THROUGH JOB TRAINING TO REMEDY THE FAILURES OF THOSE SCHOOLS IN EDUCATING OUR YOUNG.

COMMUNITIES HAVE BEGUN TAKING MATTERS INTO THEIR OWN HANDS, WITH LOCAL BUSINESSES OFTEN ACTING AS CATALYSTS. ABC'S VITAL LINK, WHICH WORKS WITH LOCAL SCHOOLS TO ESTABLISH LEARNING INCENTIVES FOR STUDENTS, IS A PERFECT EXAMPLE OF THE COMMUNITY-BASED EFFORTS OUR CHILDREN NEED.

STILL, THERE IS MUCH FOR GOVERNMENT TO DO. THIS YEAR, SEVEN DIFFERENT FEDERAL AGENCIES WILL SPEND \$18 BILLION ON A PATCHWORK OF 60 VOCATIONAL TRAINING PROGRAMS. IS IT ANY WONDER THAT SO MANY AMERICANS WHO SEEK TRAINING DON'T KNOW HOW TO GET IT? WORKING WITH STATE AND LOCAL GOVERNMENTS, OUR JOB TRAINING 2000 INITIATIVE WILL BRING COHERENCE TO THESE PROGRAMS AND OFFER "ONE-STOP SHOPPING" TO ASPIRING WORKERS.

JOB TRAINING 2000 PERFECTLY COMPLEMENTS THE REVOLUTION NOW TAKING PLACE IN AMERICAN EDUCATION AS A WHOLE. THROUGH OUR AMERICA 2000 INITIATIVE, WE WILL REINVENT OUR SCHOOLS. YOUR CHAIRMAN, JIM JONES, IS A LEADER IN THE NEW AMERICAN SCHOOLS DEVELOPMENT CORPORATION, A PRIVATE GROUP CREATED AT MY REQUEST TO LAUNCH AN ENTIRE GENERATION OF BREAK-THE-MOLD NEW AMERICAN SCHOOLS.

THIS REVOLUTION IS ESSENTIAL TO CREATING A WORLD-CLASS WORKFORCE. TO DO THAT, WE NEED TO SET WORLD-CLASS STANDARDS FOR STUDENTS AND CREATE A SYSTEM OF VOLUNTARY NATIONAL TESTS TO MEASURE THEIR PROGRESS. WE MUST REDOUBLE OUR EFFORTS TO RID OUR SCHOOLS OF DRUGS AND VIOLENCE -- TO CLEANSE AMERICA OF THIS SCOURGE THAT WASTES SO MANY YOUNG LIVES. AND WE MUST MAKE SCHOOLS MORE ACCOUNTABLE, BY FORCING THEM TO COMPETE. THAT MEANS GIVING PARENTS THE OPPORTUNITY TO CHOOSE THEIR CHILDREN'S SCHOOLS -- PUBLIC, PRIVATE, OR RELIGIOUS.

I AM CONVINCED THAT EACH OF THESE MAJOR REFORMS -- RESTORING SANITY TO OUR LEGAL SYSTEM, ENSURING QUALITY HEALTH CARE FOR ALL, EXPANDING WORLD TRADE, AND REINVENTING AMERICAN EDUCATION -- IS ESSENTIAL TO THIS COUNTRY'S FUTURE PRODUCTIVITY.

BUT EACH FACES POWERFUL OPPOSITION FROM SPECIAL INTERESTS WHO PROFIT FROM THE STATUS QUO. SO I HAVE TARGETED A FINAL REFORM, NO LESS IMPORTANT THAN THE OTHERS. IF AMERICA IS TO CHANGE, OUR GOVERNMENT MUST CHANGE.

LAST WEEK IN PHILADELPHIA, I PRESENTED SEVEN SPECIFIC PROPOSALS TO DEAL WITH THE PARALYSIS THAT GRIPS THE CONGRESS. THE RESULTS OF THIS GRIDLOCK ARE DISMALLY PLAIN. CONGRESS WAS INCAPABLE EVEN OF PASSING MY SHORT-TERM ECONOMIC GROWTH PACKAGE. BUT THEY MUST UNDERSTAND: I WILL CONTINUE TO FIGHT FOR MEASURES ESSENTIAL TO ECONOMIC GROWTH -- INCLUDING A CUT IN THE TAX ON CAPITAL GAINS.

THE AMERICAN PEOPLE ARE RIGHTLY FED UP WITH BUSINESS AS USUAL: A DEFICIT THAT IS A FISCAL AND A MORAL OUTRAGE, A PERMANENT GOVERNING CLASS OBLIVIOUS TO THE NATIONAL INTEREST, AND HUNDREDS OF SELF-PERPETUATING PROGRAMS THAT DON'T EVEN AID THE PEOPLE THEY WERE DESIGNED TO HELP.

I REFUSE TO BELIEVE THAT THIS IS THE LEGACY WE WILL LEAVE OUR CHILDREN. BUT IT WILL BE -- IF WE DON'T REFORM THE UNITED STATES CONGRESS.

THE REFORMS I'VE OUTLINED HERE TODAY ARE GROUNDED IN BASIC PRINCIPLES, A WAY OF LOOKING AT THE WORLD. AS JEFFERSON SAID: "THE PILLARS OF OUR PROSPERITY ARE THE MOST THRIVING WHEN LEFT MOST FREE TO INDIVIDUAL ENTERPRISE." IN PRACTICE, THAT MEANS GOVERNMENT MUST TRUST THE WISDOM OF MARKETS MORE THAN THE WHIMS OF BUREAUCRATS. THE FREELY MADE DECISIONS OF BUSINESSMEN AND WOMEN MUST TAKE PRECEDENCE OVER THE ENGINEERING SCHEMES OF GOVERNMENT. AND ALL OF OUR INSTITUTIONS -- FROM THE U.S. CONGRESS TO THE LOCAL SCHOOL BOARD -- MUST BE ACCOUNTABLE TO THOSE THEY SERVE.

OVER THE LAST DECADE, AMERICA HAS CHANGED THE WORLD. TODAY WE ARE BLESSED WITH THE OPPORTUNITY TO CHANGE AMERICA. WITH THESE PRINCIPLES AS OUR GUIDE, WE WILL MEET THE CHALLENGES, AND EXPLOIT THE OPPORTUNITIES, OF THE WORLD THAT IS NOW BEING BORN.

THANK YOU, AND GOD BLESS THE UNITED STATES OF AMERICA.

#

AMERICAN BUSINESS CONFERENCE
WILLARD HOTEL
TUESDAY, APRIL 7, 1992
2:00 PM

THANK YOU, JIM JONES. ((SOME PEOPLE SAY I'VE BEEN TRAVELING TOO MUCH. SO TODAY IS AN EXAMPLE OF MY NEW POLICY: NO TRIPS FARTHER THAN ONE BLOCK.))

IT IS ALWAYS A PLEASURE TO SPEAK WITH MEMBERS OF THE AMERICAN BUSINESS CONFERENCE, BECAUSE IT IS ALWAYS A PLEASURE TO SPEAK WITH THE BEST.

I WOULD LIKE TO TALK TO YOU TODAY ABOUT THE FUTURE -- THE FUTURE OF OUR COUNTRY GENERALLY, AND MORE PARTICULARLY THE FUTURE OF OUR COUNTRY'S BUSINESS ENVIRONMENT. IN FACT, WE CANNOT SEPARATE THE TWO. THE AMERICA OF THE 21ST CENTURY -- ITS ABILITY TO MAKE PEACE IN THE WORLD, TO FOSTER STRONG FAMILIES, TO CREATE REWARDING JOBS -- WILL BE SHAPED TODAY, IN LARGE PART BY HOW HOSPITABLE WE MAKE AMERICA FOR BUSINESS.

WE CAN LEARN FROM YOUR ACHIEVEMENT. THE KEY TO THE SUCCESS OF ANY HIGH-GROWTH COMPANY IS THE WISE DEPLOYMENT OF RESOURCES. THE SUCCESSFUL COMPANY CHANNELS LABOR AND INVESTMENT INTO THOSE AREAS WITH THE POTENTIAL FOR THE GREATEST EXPANSION AND THE HIGHEST RETURN. YOU TAKE THE RISK; YOU REAP THE REWARD; EVERYONE, MEANWHILE, BENEFITS FROM THE WEALTH YOU CREATE.

THAT, IN BRIEF, IS THE GENIUS OF ENTREPRENEURIAL CAPITALISM, A SYSTEM THAT HAS MADE AMERICA THE ENVY OF THE WORLD. FOR 200 YEARS OUR PROSPERITY HAS SPRUNG FROM OUR ABILITY TO INNOVATE, TO CHANGE AS THE WORLD CHANGES. BUT AMERICA'S WORLD LEADERSHIP IS NOT AUTOMATIC; IT IS NOT A BIRTHRIGHT. WE MUST CONTINUE TO EARN IT, DAY BY DAY, QUARTER BY QUARTER, YEAR BY YEAR. THE WORLD NOW IS CHANGING AT A PACE NO ONE COULD HAVE DREAMED OF A GENERATION AGO. AND AMERICA, WHICH HAS LED THE WORLD'S TRANSFORMATION, MUST CHANGE WITH IT.

OVER THE LAST SEVERAL YEARS DEADWEIGHTS HAVE BEGUN TO SLOW THE ENGINE OF GROWTH -- INEFFICIENCIES A COMPETITIVE ECONOMY CANNOT TOLERATE. TODAY I WANT TO DISCUSS FIVE AREAS OF REFORM, FIVE CRITICAL WAYS IN WHICH AMERICA MUST CHANGE IF WE ARE TO CONTINUE TO LEAD THE WORLD. YOU UNDERSTAND THE URGENCY, FOR EACH OF THESE PROBLEMS PRESENTS ITSELF TO AMERICAN COMPANIES NOT AS AN ABSTRACTION BUT IN THE MOST IMMEDIATE WAY: AS A COST OF DOING BUSINESS -- A COST YOU CAN'T CONTROL, AN EXPENDITURE WITH NO POSSIBLE RETURN.

WHEN OUR LEGAL SYSTEM BECOMES INCAPABLE OF RESOLVING DISPUTES IN A TIMELY AND CIVIL MANNER, BUSINESS LOSES THE INCENTIVE TO INNOVATE AND TAKE RISKS. WHEN HEALTH CARE COSTS ESCALATE, BUSINESS PICKS UP MUCH OF THE TAB. WHEN GOVERNMENT IMPOSES BARRIERS TO TRADE, BUSINESS PAYS THE PRICE IN OPPORTUNITIES LOST. WHEN OUR CHILDREN LEAVE SCHOOL WITHOUT RUDIMENTARY SKILLS, BUSINESS BEARS THE BURDEN IN LOWERED PRODUCTIVITY. AND WHEN GOVERNMENT FREEZES IN GRIDLOCK, BUSINESS CAN NO LONGER PLAN RATIONALLY FOR THE FUTURE.

LET ME BEGIN WITH THE CRYING NEED TO REFORM OUR COUNTRY'S CIVIL JUSTICE SYSTEM. EVERY AMERICAN HAS HEARD THE STORIES OF BIZARRE OR FRIVOLOUS LAWSUITS; BUT MOST OF YOU HAVE LIVED THEM, TALES THAT COULD HAVE BEEN TORN FROM THE PAGES OF KAFKA. CONSIDER ONE EXAMPLE, RELATED BY ONE OF YOUR MEMBERS, ROGER COLEMAN, PRESIDENT OF RYKOFF-SEXTON, A FOOD MANUFACTURER AND DISTRIBUTOR.

AFTER RECORD EARNINGS IN 1989, MR. COLEMAN PUBLICLY EXPRESSED HIS CONFIDENCE THAT 1990 WOULD BE EVEN BETTER. WHEN EARNINGS FELL SHORT, HIS HOPEFUL STATEMENT BECAME THE CAUSE OF A SHAREHOLDER CLASS-ACTION LAWSUIT.

FIRST CAME A MEETING WITH PLAINTIFFS' CONTINGENCY-FEE LAWYERS, AT WHICH THE MERITS OF THE CASE WERE NEVER EVEN DISCUSSED. "THE ISSUE," SAYS MR. COLEMAN, "WAS THE DEPTHS OF OUR POCKETS." NEXT CAME THE NIGHTMARE OF DISCOVERY: ENDLESSLY EXPENSIVE AND INVASIVE. THE COMPANY'S MANAGERS, INSTEAD OF MANAGING, SPENT THEIR TIME PREPARING FOR DEPOSITIONS. THE LAWSUIT, HE SAYS, "BROUGHT EVERYTHING TO A STOP."

IN THE END, RATHER THAN PERMIT THE TOTAL EXHAUSTION OF COMPANY RESOURCES, MR. COLEMAN DECIDED TO SETTLE. THE TAB FOR THIS EXERCISE IN FUTILITY: \$8.7 MILLION. AS MR. COLEMAN SAYS: "THAT'S OVER \$8.7 MILLION THAT WAS DIVERTED FROM NEW INVESTMENTS IN JOBS AND FACILITIES."

THE SCENARIO IS REPEATED DAILY THROUGHOUT AMERICAN BUSINESS. IT IS NOT REPEATED, LET ME STRESS, AMONG OUR WORLD COMPETITORS. ONLY THE UNITED STATES HAS SEEN THE NUMBER OF LAWYERS DOUBLE OVER A 20-YEAR PERIOD. ONLY THE UNITED STATES SPENDS MORE THAN \$80 BILLION ANNUALLY IN DIRECT LITIGATION COSTS, PERHAPS FOUR TIMES THAT IN INDIRECT COSTS. ACCORDING TO A RECENT SURVEY, 40 PERCENT OF COMPANIES THAT HAD BEEN THE TARGET OF PRODUCT LIABILITY SUITS HAVE DISCONTINUED CERTAIN TYPES OF PRODUCT RESEARCH.

WE MUST REMOVE THIS BALL AND CHAIN FROM OUR ABILITY TO PRODUCE AND COMPETE WORLDWIDE. MY COMPETITIVENESS COUNCIL, LED BY VICE PRESIDENT QUAYLE, HAS OFFERED 50 RECOMMENDATIONS FOR LEGAL REFORM. THEY WOULD LIMIT DISCOVERY TO REASONABLE PROPORTIONS, DISCOURAGE SOME FRIVOLOUS SUITS THROUGH A "LOSER-PAYS" RULE, AND OFFER ALTERNATIVE MEANS OF RESOLVING DISPUTES.

THIS BROAD LEGAL REFORM WON'T BE EASY -- JUST LOOK AT THE FIGHT WE'VE HAD ON PRODUCT LIABILITY REFORM. WE INTRODUCED A REFORM BILL IN 1990, AND AGAIN IN 1991. SENATE DEMOCRATS REFUSE TO BRING IT TO A VOTE; IN THE HOUSE IT'S STUCK IN TWO COMMITTEES. THE SPECIAL INTERESTS ARE LINING UP AGAINST LEGAL REFORM, AND WE CAN USE YOUR HELP IN MOVING IT FORWARD.

IF WE'RE SUCCESSFUL, THE EFFECTS WILL BE FAR-REACHING, EXTENDING INTO ANOTHER AREA CRITICALLY IN NEED OF CHANGE. MEDICAL MALPRACTICE PREMIUMS ALMOST DOUBLED IN THE SECOND HALF OF THE 1980S. DOCTORS ARE PRACTICING "DEFENSIVE" MEDICINE, ORDERING AN ESTIMATED \$20 BILLION A YEAR IN UNNECESSARY TESTS AND PROCEDURES TO PROTECT AGAINST FRIVOLOUS LITIGATION.

THE TRENDS IN HEALTH CARE COSTS ARE SIMPLY UNSUSTAINABLE. FROM LESS THAN 6 PERCENT 30 YEARS AGO, TOTAL HEALTH CARE EXPENDITURES ARE TODAY ABOUT 13 PERCENT OF GDP. SOME MID-RANGE ESTIMATES PUT THAT FIGURE AT 30 PERCENT BY THE YEAR 2030 -- THAT'S THIRTY CENTS OF EVERY DOLLAR OF NATIONAL INCOME SPENT ON HEALTH CARE. RIGHT NOW, ACCORDING TO ONE FEDERAL STUDY, AMERICAN CORPORATIONS ALREADY SPEND MORE ON HEALTH CARE EACH YEAR THAN THEY EARN IN AFTER-TAX PROFITS.

WE MUST REFORM THE SYSTEM -- BUT WE FACE A CROSSROADS. SOME HAVE ADVOCATED NATIONALIZED CARE; OTHERS PROPOSE THE SO-CALLED "PAY OR PLAY" APPROACH, WHICH I AM CONVINCED IS MERELY A STEP ON THE ROAD TO NATIONALIZED CARE.

NEITHER IS ACCEPTABLE. NEITHER WILL PRESERVE THE QUALITY OF OUR COUNTRY'S HEALTH CARE, WHICH REMAINS THE BEST IN THE WORLD. I WILL NOT LET THAT HIGH QUALITY BE TAKEN AWAY FROM THE AMERICAN PEOPLE THROUGH SOME SCHEME OF GOVERNMENT CONTROL.

NATIONALIZED CARE MEANS RATIONED CARE; ITS PROMISE OF COST CONTAINMENT IS A MIRAGE. "PAY OR PLAY" WOULD DUMP STILL MORE MANDATES ON BUSINESS. FOR EMPLOYERS, A 9 PERCENT PAYROLL TAX WOULD MEAN A 34 PERCENT INCREASE IN HEALTH INSURANCE COSTS. THAT MONEY MUST COME FROM SOMEWHERE -- AND FOR A COMPANY UNABLE TO PASS ALONG THE ADDED COSTS THROUGH HIGHER PRICES, THAT MEANS DECREASED INVESTMENT, LOWER WAGES, AND FEWER JOBS.

THERE IS AN ALTERNATIVE. MY PROPOSED HEALTH CARE REFORM WILL BUILD ON OUR SYSTEM'S STRENGTHS, PRESERVING THE QUALITY OF CARE. WE WILL INCREASE CONSUMER CHOICE. THROUGH TRANSFERABLE CREDITS, WE WILL ASSURE ACCESS TO BASIC HEALTH INSURANCE FOR THE UNINSURED, AND CONTROL COSTS THROUGH MARKET INCENTIVES. AND WE WILL NOT RAISE TAXES ON AMERICAN EMPLOYERS.

I HAVE TARGETED A THIRD AREA FOR ATTENTION -- LIKE THE OTHERS, ABSOLUTELY CRITICAL TO OUR SUCCESS IN THE COMING DECADES. YOU UNDERSTAND THAT FOR AMERICA TO SUCCEED ECONOMICALLY AT HOME, WE MUST SUCCEED ECONOMICALLY ABROAD. THE FASTEST GROWING COMPANIES AMONG YOUR GROUP -- THE ONES CREATING THE GREATEST NUMBER OF JOBS HERE AT HOME -- ARE THOSE WITH FAR-REACHING INVOLVEMENT IN FOREIGN MARKETS.

I AM COMMITTED TO OPENING MARKETS TO AMERICAN GOODS AND SERVICES, REMOVING THE GOVERNMENT-IMPOSED BARRIERS THAT ACT AS A HIDDEN TAX ON AMERICAN BUSINESS. EACH MARKET SHUT OFF BY PROTECTION IS A LOST OPPORTUNITY TO SELL YOUR PRODUCTS. A SUCCESSFUL CONCLUSION TO THE CURRENT URUGUAY ROUND OF TRADE NEGOTIATIONS, FOR INSTANCE, COULD INCREASE WORLD OUTPUT BY \$5 TRILLION OVER THE NEXT DECADE. MORE THAN \$1 TRILLION OF THAT BOOM WILL GO TO THE UNITED STATES -- CREATING A HIGHER STANDARD OF LIVING AND MORE JOBS FOR AMERICANS.

EVEN CLOSER TO HOME, EXPORTS TO MEXICO HAVE MORE THAN DOUBLED OVER THE LAST FIVE YEARS -- CREATING MORE THAN 300,000 AMERICAN JOBS. OUR NORTH AMERICAN FREE TRADE AGREEMENT WILL LOCK IN AND EVEN MULTIPLY THOSE GAINS, CREATING A \$6 TRILLION MARKET FOR AMERICAN PRODUCTS IN CANADA, MEXICO, AND THE UNITED STATES.

AS WORLD TRADE EXPANDS, THE NEED FOR A SOPHISTICATED, WELL-EDUCATED WORKFORCE WILL INTENSIFY. YET THE FACT IS GRIM AND UNDENIABLE: OUR CURRENT EDUCATIONAL SYSTEM IS UNABLE TO PRODUCE THE WORKERS THE HIGHLY COMPETITIVE WORLD MARKET DEMANDS.

OUR EDUCATIONAL FAILURES HAVE HIT AMERICAN EMPLOYERS HARD. ENGLISH IS NOW THE LANGUAGE OF INTERNATIONAL BUSINESS; YET ONLY 20 PERCENT OF 17-YEAR-OLDS CAN WRITE A SIMPLE TWO-PARAGRAPH LETTER APPLYING FOR A JOB. THE SITUATION IN GEOGRAPHY, MATH AND SCIENCE IS EQUALLY DIRE. TOO MANY BUSINESSES ARE FORCED TO PAY TWICE FOR THE EDUCATION OF PROSPECTIVE EMPLOYEES -- ONCE THROUGH TAXES THAT SUPPORT OUR SCHOOLS, AND AGAIN THROUGH JOB TRAINING TO REMEDY THE FAILURES OF THOSE SCHOOLS IN EDUCATING OUR YOUNG.

COMMUNITIES HAVE BEGUN TAKING MATTERS INTO THEIR OWN HANDS, WITH LOCAL BUSINESSES OFTEN ACTING AS CATALYSTS. ABC'S VITAL LINK, WHICH WORKS WITH LOCAL SCHOOLS TO ESTABLISH LEARNING INCENTIVES FOR STUDENTS, IS A PERFECT EXAMPLE OF THE COMMUNITY-BASED EFFORTS OUR CHILDREN NEED.

STILL, THERE IS MUCH FOR GOVERNMENT TO DO. THIS YEAR, SEVEN DIFFERENT FEDERAL AGENCIES WILL SPEND \$18 BILLION ON A PATCHWORK OF 60 VOCATIONAL TRAINING PROGRAMS. IS IT ANY WONDER THAT SO MANY AMERICANS WHO SEEK TRAINING DON'T KNOW HOW TO GET IT? WORKING WITH STATE AND LOCAL GOVERNMENTS, OUR JOB TRAINING 2000 INITIATIVE WILL BRING COHERENCE TO THESE PROGRAMS AND OFFER "ONE-STOP SHOPPING" TO ASPIRING WORKERS.

JOB TRAINING 2000 PERFECTLY COMPLEMENTS THE REVOLUTION NOW TAKING PLACE IN AMERICAN EDUCATION AS A WHOLE. THROUGH OUR AMERICA 2000 INITIATIVE, WE WILL REINVENT OUR SCHOOLS. YOUR CHAIRMAN, JIM JONES, IS A LEADER IN THE NEW AMERICAN SCHOOLS DEVELOPMENT CORPORATION, A PRIVATE GROUP CREATED AT MY REQUEST TO LAUNCH AN ENTIRE GENERATION OF BREAK-THE-MOLD NEW AMERICAN SCHOOLS.

THIS REVOLUTION IS ESSENTIAL TO CREATING A WORLD-CLASS WORKFORCE. TO DO THAT, WE NEED TO SET WORLD-CLASS STANDARDS FOR STUDENTS AND CREATE A SYSTEM OF VOLUNTARY NATIONAL TESTS TO MEASURE THEIR PROGRESS. WE MUST REDOUBLE OUR EFFORTS TO RID OUR SCHOOLS OF DRUGS AND VIOLENCE -- TO CLEANSE AMERICA OF THIS SCOURGE THAT WASTES SO MANY YOUNG LIVES. AND WE MUST MAKE SCHOOLS MORE ACCOUNTABLE, BY FORCING THEM TO COMPETE. THAT MEANS GIVING PARENTS THE OPPORTUNITY TO CHOOSE THEIR CHILDREN'S SCHOOLS -- PUBLIC, PRIVATE, OR RELIGIOUS.

I AM CONVINCED THAT EACH OF THESE MAJOR REFORMS -- RESTORING SANITY TO OUR LEGAL SYSTEM, ENSURING QUALITY HEALTH CARE FOR ALL, EXPANDING WORLD TRADE, AND REINVENTING AMERICAN EDUCATION -- IS ESSENTIAL TO THIS COUNTRY'S FUTURE PRODUCTIVITY.

BUT EACH FACES POWERFUL OPPOSITION FROM SPECIAL INTERESTS WHO PROFIT FROM THE STATUS QUO. SO I HAVE TARGETED A FINAL REFORM, NO LESS IMPORTANT THAN THE OTHERS. IF AMERICA IS TO CHANGE, OUR GOVERNMENT MUST CHANGE.

LAST WEEK IN PHILADELPHIA, I PRESENTED SEVEN SPECIFIC PROPOSALS TO DEAL WITH THE PARALYSIS THAT GRIPS THE CONGRESS. THE RESULTS OF THIS GRIDLOCK ARE DISMALLY PLAIN. CONGRESS WAS INCAPABLE EVEN OF PASSING MY SHORT-TERM ECONOMIC GROWTH PACKAGE. BUT THEY MUST UNDERSTAND: I WILL CONTINUE TO FIGHT FOR MEASURES ESSENTIAL TO ECONOMIC GROWTH -- INCLUDING A CUT IN THE TAX ON CAPITAL GAINS.

THE AMERICAN PEOPLE ARE RIGHTLY FED UP WITH BUSINESS AS USUAL: A DEFICIT THAT IS A FISCAL AND A MORAL OUTRAGE, A PERMANENT GOVERNING CLASS OBLIVIOUS TO THE NATIONAL INTEREST, AND HUNDREDS OF SELF-PERPETUATING PROGRAMS THAT DON'T EVEN AID THE PEOPLE THEY WERE DESIGNED TO HELP.

I REFUSE TO BELIEVE THAT THIS IS THE LEGACY WE WILL LEAVE OUR CHILDREN. BUT IT WILL BE -- IF WE DON'T REFORM THE UNITED STATES CONGRESS.

THE REFORMS I'VE OUTLINED HERE TODAY ARE GROUNDED IN BASIC PRINCIPLES, A WAY OF LOOKING AT THE WORLD. AS JEFFERSON SAID: "THE PILLARS OF OUR PROSPERITY ARE THE MOST THRIVING WHEN LEFT MOST FREE TO INDIVIDUAL ENTERPRISE." IN PRACTICE, THAT MEANS GOVERNMENT MUST TRUST THE WISDOM OF MARKETS MORE THAN THE WHIMS OF BUREAUCRATS. THE FREELY MADE DECISIONS OF BUSINESSMEN AND WOMEN MUST TAKE PRECEDENCE OVER THE ENGINEERING SCHEMES OF GOVERNMENT. AND ALL OF OUR INSTITUTIONS -- FROM THE U.S. CONGRESS TO THE LOCAL SCHOOL BOARD -- MUST BE ACCOUNTABLE TO THOSE THEY SERVE.

OVER THE LAST DECADE, AMERICA HAS CHANGED THE WORLD. TODAY WE ARE BLESSED WITH THE OPPORTUNITY TO CHANGE AMERICA. WITH THESE PRINCIPLES AS OUR GUIDE, WE WILL MEET THE CHALLENGES, AND EXPLOIT THE OPPORTUNITIES, OF THE WORLD THAT IS NOW BEING BORN.

THANK YOU, AND GOD BLESS THE UNITED STATES OF AMERICA.

#

I AM COMMITTED TO OPENING MARKETS TO AMERICAN GOODS AND SERVICES, REMOVING THE GOVERNMENT-IMPOSED BARRIERS THAT ACT AS A HIDDEN TAX ON AMERICAN BUSINESS. EACH MARKET SHUT OFF BY PROTECTION IS A LOST OPPORTUNITY TO SELL YOUR PRODUCTS. A SUCCESSFUL CONCLUSION TO THE CURRENT URUGUAY ROUND OF TRADE NEGOTIATIONS, FOR INSTANCE, COULD INCREASE WORLD OUTPUT BY \$5 TRILLION OVER THE NEXT DECADE. MORE THAN \$1 TRILLION OF THAT BOOM -- ~~PROVIDING AS MANY AS TWO MILLION JOBS~~ -- WILL GO TO THE UNITED STATES. — CREATING A HIGHER STANDARD OF LIVING AND MORE JOBS FOR AMERICANS.

EVEN CLOSER TO HOME, EXPORTS TO MEXICO HAVE MORE THAN DOUBLED OVER THE LAST FIVE YEARS -- CREATING MORE THAN 300,000 AMERICAN JOBS. OUR NORTH AMERICAN FREE TRADE AGREEMENT WILL LOCK IN AND EVEN MULTIPLY THOSE GAINS, CREATING ~~WITH CANADA~~ A \$6 TRILLION MARKET FOR AMERICAN PRODUCTS.

^{V.}
~~CANADA~~ ~~AND MEXICO~~
CANADA, MEXICO + THE U.S.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 4/2/92 ACTION/CONCURRENCE/COMMENT DUE BY: FRI. 4/3/92 NOON

PRESIDENTIAL REMARKS: AMERICAN BUSINESS CONFERENCE

SUBJECT: TUESDAY, 4/7/92 - 2:00pm

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☒	HORNER	☐	☒
SKINNER	☐	☒	MCBRIDE	☒	☐
<i>bootleg</i> SCOWCROFT <i>Resow 6538</i>	☒	☐	<i>not</i> MOORE	☒	☐
<i>need</i> DARMAN	☒	☐	<i>✓</i> PETERSMEYER	☒	☐
BRADY	☐	☒	<i>should be here 12:45</i> PORTER	☒	☐
BROMLEY	☐	☐	ROGICH <i>NK</i>	☒	☐
<i>should be in by 12:45</i> CALIO	☒	☐	ROLLINS <i>NK</i>	☒	☐
DEMAREST	☒	☐	SMITH	☒	☐
FITZWATER	☐	☒	YEUTTER	☐	☒
<i>By phone to DMC</i> GRAY <i>Shear 2607 NK</i>	☒	☐	FINDLAY	☐	☒
<i>need</i> HOLIDAY	☒	☐	KAUFMAN	☐	☒
<i>wants to</i> BOSKIN	☒	☐	MCGROARTY	☐	☒

REMARKS:

Please forward yo
x2930, no later t
office. Thank yo

RESPONSE:

Master includes:

CALIO

DARMAN

NSC

Petersmeyer

Porter AS OF 2²⁰ pm

McGroarty, Rm. 122,
with a copy to this

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

(Ferguson/Simon)
April 2, 1992
Draft Two
BUSINESS

02 APR 2 P12:13

PRESIDENTIAL REMARKS: AMERICAN BUSINESS CONFERENCE
WILLARD HOTEL
TUESDAY, APRIL 7, 1992
2:00 PM

[Acknowledgments, joke]

It is always a pleasure to speak with members of the American Business Conference, because it is always a pleasure to speak with the best.

✓ → I would like to talk to you today about the future -- the future of our country generally, and more particularly the future of our country's business environment. In fact, we cannot separate the two. The America of the 21st Century -- its ability to make peace in the world, to foster strong families, to create rewarding jobs -- will be shaped today, in large part by how hospitable we make America for business.

We can learn from your success. The key to the success of any high-growth company is the wise deployment of resources. The successful company channels labor and investment into those areas with the potential for the greatest expansion and the highest return. You take the risk; you reap the reward; everyone, meanwhile, benefits from the wealth you create.

That, in brief, is the genius of entrepreneurial capitalism. Our ^{which} system has made America the envy of the world, [the most prosperous country on earth, affording the highest standard of living to the largest number of people in history. With one-

twentieth of the world's population, we produce one-fourth of the world's goods and services.]

✓ NSC → X What accounts for ~~our preeminence~~ ^{our success}? The answer, I believe, lies in our resiliency, our historic ability to innovate, to change as the world changes. America's world leadership is not automatic; it is not a birthright. [We must continue to earn it, day by day, quarter by quarter, year by year.] The world now is changing at a pace no one could have dreamed of a generation ago. And America, which has led the world's transformation, must change with it.

Over the last several years deadweights have begun to slow the engine of growth -- inefficiencies a competitive economy cannot tolerate. ^{Today I want to discuss} I have isolated ^{indisperate} five areas for reform, five critical ways in which America must change if we are to continue to lead the world. You understand the urgency, for each of these problems presents itself to American companies not as an abstraction but in the most immediate way: as a cost of doing business -- a cost you can't control, an expenditure with no possible return.

When our legal system becomes incapable of resolving disputes in a timely and civil manner, business loses the incentive to innovate and take risks. When health care costs escalate, business picks up much of the tab. When government imposes barriers to trade, business pays the price in opportunities lost. When our children leave school without rudimentary skills, business bears the burden in lowered

productivity. And when government freezes in gridlock, business can no longer plan rationally for the future.

~~Each of our system's failings saps your resources, drawing away your investment and manhours from productive tasks. Allow me to address them one by one.~~

Let me start

I'll start with the crying need to reform our country's civil justice system. Every American has heard the stories of bizarre or frivolous lawsuits; but ^(some?) most of you have lived them, tales that could have been torn from the pages of Kafka.

Consider one example, related by one of your members, Roger Coleman, president of Rykoff-Sexton, a food manufacturer and distributor.

After record earnings in 1989, Mr. Coleman publicly expressed his confidence that 1990 would be even better. When earnings fell short by two percent, his hopeful statement became the cause of a shareholder class-action lawsuit.

First came a meeting with plaintiffs' contingency-fee lawyers, at which the merits of the case were never even discussed. "The issue," says Mr. Coleman, "was the depths of our pockets." Next came the nightmare of discovery: endlessly expensive and invasive. The company's managers, instead of managing, spent their time preparing for depositions. The lawsuit, he says, "brought everything to a stop."

In the end, rather than permit the total exhaustion of company resources, Mr. Coleman decided to settle. The tab for this exercise in futility: \$8.7 million. As Mr. Coleman says:

"That's over \$8.7 million that was diverted from new investments in jobs and facilities."

The scenario is repeated daily throughout American business. It is not repeated, let me stress, among our world competitors. ~~This absurd drain on productivity is a peculiarly American phenomenon,~~ *Among our major competitors the world's economic powers* putting us at an increasing disadvantage in the international marketplace.

OMB can't
verify

Only the United States has seen a ^{41% OMB} 382 percent increase in the number of lawyers over a twelve year period. Only the United States spends more than \$80 billion annually in direct litigation costs, perhaps four times that in indirect costs. *I don't know of any one* Fear of *competitors* lawsuits has driven almost half of U.S. manufacturers to withdraw products from world markets. One out of every four American companies has discontinued certain types of product research for the same reason.

Order -
What is
Source?
Citation
Conference
Board

We must remove this ball and chain from our ability to produce and compete worldwide. My competitiveness council, led by Vice President Quayle, has offered 50 recommendations for legal reform. They would limit discovery to reasonable proportions, discourage some frivolous suits through a "loser-pays" rule, and offer alternative means of resolving disputes.

Some of these 50 comprehensive recommendations I have instituted by Executive Order; others are contained in our Access to Justice Act; and still others will take place at the state level, using the model reforms we have proposed.

✓
Porder → The effects will be far-reaching, extending into another area critically in need of reform. Medical malpractice premiums almost doubled in the second half of the 1980s. Doctors ~~have~~ ^{are} ~~begun~~ practicing "defensive" medicine, ordering unnecessary tests and procedures to protect against litigation.

This too drives up health care costs. The trends are simply unsustainable. From less than 6 percent 30 years ago, total health care expenditures are today about 13 percent of GDP. ~~Incredibly~~, some mid-range estimates put that figure at 30 percent by the year 2030 -- that's thirty cents of every dollar of national income spent on health care. ~~Incredibly~~ As hard as it is to believe, right now

source?
Porder → ? ~~It is not~~ hard to imagine what this would mean for American business. The ~~average~~ ^{total ?} American company ~~already~~ ^{TOTAL PREMIUMS > TOTAL PROFITS....} spends more on health premiums each year than it earns in after-tax profits. ~~And this trend too is heading upward toward disaster.~~ ^{right now.}

~~We must~~ Reform of the system ~~is~~ inescapable. But we face a crossroads. Some have advocated nationalized care; others propose the so-called "pay or play" approach, which I am convinced is merely a step on the road to nationalized care.

Neither is acceptable. Neither will preserve the quality of our country's health care, which remains the best in the world. I will not let that high quality be taken away from the American people through some scheme of government control.

Nationalized care means rationed care; its promise of cost containment is a mirage. "Pay or play" would dump still more mandates on business. A 9 percent payroll tax would mean a 34

percent increase in a company's insurance costs. That money must come from somewhere -- and for a company unable to pass along the added costs through higher prices, that means decreased investment, lower wages, and fewer jobs.

There is an alternative. My proposed health care reform will build on our system's strengths, preserving the quality of care. We will increase consumer choice. Through transferable credits, we will assure access to basic health insurance for the uninsured, and control costs through market incentives. And we will not raise taxes on American employers.

I have targeted a third area for attention -- like the others, absolutely critical to our success in the coming decades. You understand that for America to succeed economically at home, we must succeed economically abroad. The fastest growing companies among your group -- the ones creating the greatest number of jobs here at home -- are those with far-reaching involvement in foreign markets.

I am committed to opening markets to American products, removing the government-imposed barriers that act as a hidden tax on American business. Each market shut off by protection is a lost opportunity to sell your products. A successful conclusion to the current Uruguay round of trade negotiations, for instance, could increase world output by \$5 trillion over the next decade. More than \$1 trillion of that boom will go to the United States.

Even closer to home, exports to Mexico have more than doubled over the five years -- creating more than 260,000

2 mill in
jobs
20,000
per mill

American jobs. Our North American Free Trade Agreement will lock in those gains, creating with Canada a \$6 trillion market, the largest in the world.

As world trade expands, the need for a sophisticated, well-educated workforce will intensify. Yet the fact is grim and undeniable: our current educational system is unable to produce the workers the highly competitive world market demands. ~~And make no mistake: a failure to produce a world-class workforce will only provide an incentive to move new jobs overseas.~~

Our educational failures have hit American employers hard. English is now the language of international business; yet (only 20 percent of 17-year-olds can write a simple two-paragraph letter applying for a job.) The situation in geography, math and science is equally dire. Too many businesses are forced to pay twice for the education of prospective employees -- once through taxes that support our schools, and again through job training to remedy the failures of those schools in educating our young.

Communities have begun taking matters into their own hands, with local businesses often acting as catalyst. ABC's Vital Link, which works with local schools to establish learning incentives for students, is a perfect example of the community-based efforts our children need.

Still, there is much for government to do. This year, seven different federal agencies will spend \$18 billion on a patchwork of 60 vocational training programs. Is it any wonder that so many Americans who seek training don't know how to get it?

SHB
(Scully)
Source? →

Working with state and local governments, our Job Training 2000 initiative will bring coherence to these programs and offer "one-stop shopping" to aspiring workers. [Private industry councils, composed mostly of businessmen, are crucial to our strategy. They would manage programs tailored to the specific needs of local labor markets. And they will be accountable for the quality and efficiency of their programs.]

Porter delete
CABAFFS delete → ~~[Placeholder for Labor announcement]~~

In stressing accountability and local control, Job Training 2000 perfectly complements a revolution now taking place in American education as a whole -- a revolution essential to creating a world-class workforce. Our America 2000 initiative aims to reinvent American schools. We know how to do it. We set high standards for students. We make teacher training a top priority. And we make schools more accountable, by forcing them to compete. That means giving parents the opportunity to choose their children's schools, *public, private + religious*

I am convinced that each of these major reforms -- restoring sanity to our legal system, ensuring quality health care for all, expanding world trade, and reinventing American education -- is essential to this country's future productivity. [The time for tinkering is done; we can afford no more half-measures, no more pondering and chin-pulling. If business is to get on with its work of creating wealth and jobs for America, we must undertake real reform -- root-to-branch change -- wherever our system has failed us.]

But
 No wonder, then, ~~that~~ each of the reforms I speak of faces powerful opposition from special interests who profit from the status quo. So I have targeted a final reform, no less important than the others. If America is to change, ^{our} ~~American~~ government must change. Last week in Philadelphia, I spoke in some detail on the paralysis that grips the ^{Congress} ~~federal~~ government. ^{C was in a hq} ~~This~~ ^{to address} ~~paralysis prevents Washington from making even the most rudimentary decisions of public policy.~~ The results are plain: a ^{machine in a shaghtforward seen growth, without reverting to form - raise taxes + more sp.} deficit that is a fiscal and a moral outrage, a permanent governing class oblivious to the national interest, hundreds of ^{self-perpetuating} ~~wasteful~~ programs that ^{aren't} live in perpetuity. *don't help people designed to*
That is the legacy we will live our children - but it will be, if we don't reform Congress
 The steps I outlined in Philadelphia will restore accountability and responsiveness to a system that has been broken for too long. [~~Placeholder for economic analysis insert.~~]

A responsive government will give the reforms I've outlined today a fair hearing, even though the special interests are arrayed against them. These approaches are grounded in basic principles, a way of looking at the world. Government must trust the wisdom of markets more than the whims of bureaucrats. The freely made decisions of businessmen and women must take precedence over the engineering schemes of government. All of our institutions -- from the U.S. Congress to the local school board -- must be accountable to those they serve. *to the federal bureaucracy*

Over the last decade, America has changed the world. Today we are blessed with the opportunity to change America. With these principles as our guide, we will meet the challenges -- and

exploit the opportunities -- of the world that is even now being born.

God bless you, and God bless the United States of America.

#

Roth will - performance standards

Document No. 319459as

92 APR 3

P12:10

WHITE HOUSE STAFFING MEMORANDUM

DATE: 4/2/92 ACTION/CONCURRENCE/COMMENT DUE BY: FRI. 4/3/92 NOON

PRESIDENTIAL REMARKS: AMERICAN BUSINESS CONFERENCE

SUBJECT: TUESDAY, 4/7/92 - 2:00pm

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☒	HORNER	☐	☒
SKINNER	☐	☒	MCBRIDE	☒	☐
SCOWCROFT	☒	☐	MOORE	☒	☐
DARMAN	☒	☐	PETERSMEYER	☒	☐
BRADY	☐	☒	PORTER	☒	☐
BROMLEY	☐	☐	ROGICH	☒	☐
CALIO	☒	☐	ROLLINS	☒	☐
DEMAREST	☒	☐	SMITH	☒	☐
FITZWATER	☐	☒	YEUTTER	☐	☒
GRAY	☒	☐	FINDLAY	☐	☒
HOLIDAY	☒	☐	KAUFMAN	☐	☒
BOSKIN	☒	☐	MCGROARTY	☐	☒

REMARKS:

Please forward your comments directly to Dan McGroarty, Rm. 122, x2930, no later than NOON, FRIDAY, APRIL 3, with a copy to this office. Thank you.

RESPONSE:

See comments. And Justice attachment. Thanks.

PK
Paul Korfanta
04/03

Sec. Alexander will be providing comments on education section... will not be ready until 1:00 pm. Thanks.

PK

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

02 APR 2 P12:13

(Ferguson/Simon)
April 2, 1992
Draft Two
BUSINESS

**PRESIDENTIAL REMARKS: AMERICAN BUSINESS CONFERENCE
WILLARD HOTEL
TUESDAY, APRIL 7, 1992
2:00 PM**

[Acknowledgments, joke]

It is always a pleasure to speak with members of the American Business Conference, because it is always a pleasure to speak with the best.

I would like to talk to you today about the future -- the future of our country generally, and more particularly the future of our country's business environment. In fact, we cannot separate the two. The America of the 21st century -- its ability to make peace in the world, to foster strong families, to create rewarding jobs -- will be shaped today, in large part by how hospitable we make America for business.

We can learn from your success. The key to the success of any high-growth company is the wise deployment of resources. The successful company channels labor and investment into those areas with the potential for the greatest expansion and the highest return. You take the risk; you reap the reward; everyone, meanwhile, benefits from the wealth you create.

That, in brief, is the genius of entrepreneurial capitalism. Our system has made America the envy of the world, the most prosperous country on earth, affording the highest standard of living to the largest number of people in history. With one-

2

twentieth of the world's population, we produce one-fourth of the world's goods and services.

What accounts for our preeminence? The answer, I believe, lies in our resiliency, our historic ability to innovate, to change as the world changes. America's world leadership is not automatic; it is not a birthright. We must continue to earn it, day by day, quarter by quarter, year by year. The world now is changing at a pace no one could have dreamed of a generation ago. And America, which has led the world's transformation, must change with it.

Over the last several years deadweights have begun to slow the engine of growth -- inefficiencies a competitive economy cannot tolerate. I have isolated five areas for reform, five critical ways in which America must change if we are to continue to lead the world. You understand the urgency, for each of these problems presents itself to American companies not as an abstraction but in the most immediate way: as a cost of doing business -- a cost you can't control, an expenditure with no possible return.

When our legal system becomes incapable of resolving disputes in a timely and civil manner, business loses the incentive to innovate and take risks. When health care costs escalate, business picks up much of the tab. When government imposes barriers to trade, business pays the price in opportunities lost. When our children leave school without rudimentary skills, business bears the burden in lowered

3

productivity. And when government freezes in gridlock, business can no longer plan rationally for the future.

Each of our system's failings saps your resources, drawing away your investment and manhours from productive tasks. Allow me to address them one by one.

I'll start with the crying need to reform our country's civil justice system. Every American has heard the stories of bizarre or frivolous lawsuits; but most of you have lived them, tales that could have been torn from the pages of Kafka.

Consider one example, related by one of your members, Roger Coleman, president of Rykoff-Sexton, a food manufacturer and distributor.

After record earnings in 1989, Mr. Coleman publicly expressed his confidence that 1990 would be even better. When earnings fell short by two percent, his hopeful statement became the cause of a shareholder class-action lawsuit.

First came a meeting with plaintiffs' contingency-fee lawyers, at which the merits of the case were never even discussed. "The issue," says Mr. Coleman, "was the depths of our pockets." Next came the nightmare of discovery: endlessly expensive and invasive. The company's managers, instead of managing, spent their time preparing for depositions. The lawsuit, he says, "brought everything to a stop."

In the end, rather than permit the total exhaustion of company resources, Mr. Coleman decided to settle. The tab for this exercise in futility: \$8.7 million. As Mr. Coleman says:

See
Justice
Attachment

4

"That's over \$8.7 million that was diverted from new investments in jobs and facilities."

The scenario is repeated daily throughout American business. It is not repeated, let me stress, among our world competitors. This absurd drain on productivity is a peculiarly American phenomenon, putting us at an increasing disadvantage in the international marketplace.

See Justice Attachment

Only the United States has seen a 382 percent increase in the number of lawyers over a twelve year period. Only the United States spends more than \$80 billion annually in direct litigation costs, perhaps four times that in indirect costs. Fear of lawsuits has driven almost half of U.S. manufacturers to withdraw products from world markets. One out of every four American companies has discontinued certain types of product research for the same reason.

We must remove this ball and chain from our ability to produce and compete worldwide. My competitiveness council, led by Vice President Quayle, has offered 50 recommendations for legal reform. They would limit discovery to reasonable proportions, discourage some frivolous suits through a "loser-pays" rule, and offer alternative means of resolving disputes.

Some of these 50 comprehensive recommendations I have instituted by Executive Order; others are contained in our Access to Justice Act; and still others will take place at the state level, using the model reforms we have proposed.

(Justice)

others we have framed as revisions to the Federal rules of procedure and evidence;

5

The effects will be far-reaching, extending into another area critically in need of reform. Medical malpractice premiums almost doubled in the second half of the 1980s. Doctors have begun practicing "defensive" medicine, ordering unnecessary tests and procedures to protect against litigation.

This too drives up health care costs. The trends are simply unsustainable. From less than 6 percent 30 years ago, total health care expenditures are today about 13 percent of GDP. Incredibly, some mid-range estimates put that figure at 30 percent by the year 2030 -- that's thirty cents of every dollar of national income spent on health care.

It is not hard to imagine what this would mean for American business. The average American company already spends more on health premiums each year than it earns in after-tax profits. And this trend too is heading upward toward disaster.

Reform of the system is inescapable. But we face a crossroads. Some have advocated nationalized care; others propose the so-called "pay or play" approach, which I am convinced is merely a step on the road to nationalized care.

Neither is acceptable. Neither will preserve the quality of our country's health care, which remains the best in the world. I will not let that high quality be taken away from the American people through some scheme of government control.

Nationalized care means rationed care; its promise of cost containment is a mirage. "Pay or play" would dump still more mandates on business. A 9 percent payroll tax would mean a 34

6

percent increase in a company's insurance costs. That money must come from somewhere -- and for a company unable to pass along the added costs through higher prices, that means decreased investment, lower wages, and fewer jobs.

There is an alternative. My proposed health care reform will build on our system's strengths, preserving the quality of care. We will increase consumer choice. Through transferable credits, we will assure access to basic health insurance for the uninsured, and control costs through market incentives. And we will not raise taxes on American employers.

I have targeted a third area for attention -- like the others, absolutely critical to our success in the coming decades. You understand that for America to succeed economically at home, we must succeed economically abroad. The fastest growing companies among your group -- the ones creating the greatest number of jobs here at home -- are those with far-reaching involvement in foreign markets. (USTR)

I am committed to opening markets to American ^{goods and services,} ~~products~~ removing the government-imposed barriers that act as a hidden tax on American business. Each market shut off by protection is a lost opportunity to sell your products. A successful conclusion to the current Uruguay round of trade negotiations, for instance, could increase world output by \$5 trillion over the next decade. More than \$1 trillion of that boom will go to the United States.

Even closer to home, exports to Mexico have more than doubled over the five years -- creating more than ~~300,000~~ (USTR)

300,000

they can

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

4291
5:06

☐ O - OUTGOING☐ H - INTERNAL☐ I - INCOMINGDate Correspondence
Received (YY/MM/DD) 1 1

Name of Correspondent: _____

Dan McGroarty / Phillip D. Brady☐ MI Mail Report

User Codes: (A) _____ (B) _____ (C) _____

Subject: _____

POTUS remarks: Amer. Business Conference
Tuesday, 4/7/92 - 2pm

ROUTE TO:

ACTION

DISPOSITION

Office/Agency	(Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
	<u>COAfr</u>	ORIGINATOR	<u>92104102</u>			<u>1</u> <u>1</u>
		Referral Note:				
	<u>cuat30</u>	<u>A</u>	<u>92104102</u>		<u>S</u>	<u>92104103</u>
		Referral Note:				<u>noon</u>
	<u>cuat28</u>	<u>I</u>	<u>92104102</u>		<u>C</u>	<u>92104102</u>
		Referral Note:				
	<u>cuat10</u>	<u>I</u>	<u>92104102</u>		<u>C</u>	<u>92104102</u>
		Referral Note:				
			<u>1</u> <u>1</u>			<u>1</u> <u>1</u>
		Referral Note:				

ACTION CODES:

A - Appropriate Action
C - Comment/Recommendation
D - Draft Response
F - Furnish Fact Sheet
to be used as Enclosure

I - Info Copy Only/No Action Necessary
R - Direct Reply w/Copy
S - For Signature
X - Interim Reply

DISPOSITION CODES:

A - Answered
B - Non-Special Referral
C - Completed
S - Suspended

FOR OUTGOING CORRESPONDENCE:

Type of Response = Initials of Signer
Code = "A"
Completion Date = Date of Outgoing

Comments: _____

NO - I suggested we add a discussion
of regulatory reform as part of the
"government reform" discussion

Keep this worksheet attached to the original incoming letter.

Send all routing updates to Central Reference (Room 75, OEOP).

Always return completed correspondence record to Central Files.

Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 4/2/92 ACTION/CONCURRENCE/COMMENT DUE BY: FRI. 4/3/92 NOON

PRESIDENTIAL REMARKS: AMERICAN BUSINESS CONFERENCE
SUBJECT: TUESDAY, 4/7/92 - 2:00pm

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☒	HORNER	☐	☒
SKINNER	☐	☒	MCBRIDE	☒	☐
SCOWCROFT	☒	☐	MOORE	☒	☐
DARMAN	☒	☐	PETERSMEYER	☒	☐
BRADY	☐	☒	PORTER	☒	☐
BROMLEY	☐	☐	ROGICH	☒	☐
CALIO	☒	☐	ROLLINS	☒	☐
DEMAREST	☒	☐	SMITH	☒	☐
FITZWATER	☐	☒	YEUTTER	☐	☒
GRAY	☒	☐	FINDLAY	☐	☒
HOLIDAY	☒	☐	KAUFMAN	☐	☒
BOSKIN	☒	☐	MCGROARTY	☐	☒

REMARKS:

Please forward your comments directly to Dan McGroarty, Rm. 122, x2930, no later than NOON, FRIDAY, APRIL 3, with a copy to this office. Thank you.

RESPONSE:

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

02 APR 2 P12:13

(Ferguson/Simon)
April 2, 1992
Draft Two
BUSINESS

PRESIDENTIAL REMARKS: AMERICAN BUSINESS CONFERENCE
WILLARD HOTEL
TUESDAY, APRIL 7, 1992
2:00 PM

[Acknowledgments, joke]

It is always a pleasure to speak with members of the American Business Conference, because it is always a pleasure to speak with the best.

I would like to talk to you today about the future -- the future of our country generally, and more particularly the future of our country's business environment. In fact, we cannot separate the two. The America of the 21st century -- its ability to make peace in the world, to foster strong families, to create rewarding jobs -- will be shaped today, in large part by how hospitable we make America for business.

We can learn from your success. The key to the success of any high-growth company is the wise deployment of resources. The successful company channels labor and investment into those areas with the potential for the greatest expansion and the highest return. You take the risk; you reap the reward; everyone, meanwhile, benefits from the wealth you create.

That, in brief, is the genius of entrepreneurial capitalism. Our system has made America the envy of the world, the most prosperous country on earth, affording the highest standard of living to the largest number of people in history. With one-

twentieth of the world's population, we produce one-fourth of the world's goods and services.

What accounts for our preeminence? The answer, I believe, lies in our resiliency, our historic ability to innovate, to change as the world changes. America's world leadership is not automatic; it is not a birthright. We must continue to earn it, day by day, quarter by quarter, year by year. The world now is changing at a pace no one could have dreamed of a generation ago. And America, which has led the world's transformation, must change with it.

Over the last several years deadweights have begun to slow the engine of growth -- inefficiencies a competitive economy cannot tolerate. I have isolated five areas for reform, five critical ways in which America must change if we are to continue to lead the world. You understand the urgency, for each of these problems presents itself to American companies not as an abstraction but in the most immediate way: as a cost of doing business -- a cost you can't control, an expenditure with no possible return.

When our legal system becomes incapable of resolving disputes in a timely and civil manner, business loses the incentive to innovate and take risks. When health care costs escalate, business picks up much of the tab. When government imposes barriers to trade, business pays the price in opportunities lost. When our children leave school without rudimentary skills, business bears the burden in lowered

productivity. And when government freezes in gridlock, business can no longer plan rationally for the future.

Each of our system's failings saps your resources, drawing away your investment and manhours from productive tasks. Allow me to address them one by one.

I'll start with the crying need to reform our country's civil justice system. Every American has heard the stories of bizarre or frivolous lawsuits; but most of you have lived them, tales that could have been torn from the pages of Kafka. Consider one example, related by one of your members, Roger Coleman, president of Rykoff-Sexton, a food manufacturer and distributor.

After record earnings in 1989, Mr. Coleman publicly expressed his confidence that 1990 would be even better. When earnings fell short by two percent, his hopeful statement became the cause of a shareholder class-action lawsuit.

First came a meeting with plaintiffs' contingency-fee lawyers, at which the merits of the case were never even discussed. "The issue," says Mr. Coleman, "was the depths of our pockets." Next came the nightmare of discovery: endlessly expensive and invasive. The company's managers, instead of managing, spent their time preparing for depositions. The lawsuit, he says, "brought everything to a stop."

In the end, rather than permit the total exhaustion of company resources, Mr. Coleman decided to settle. The tab for this exercise in futility: \$8.7 million. As Mr. Coleman says:

"That's over \$8.7 million that was diverted from new investments in jobs and facilities."

The scenario is repeated daily throughout American business. It is not repeated, let me stress, among our world competitors. This absurd drain on productivity is a peculiarly American phenomenon, putting us at an increasing disadvantage in the international marketplace.

Only the United States has seen a 382 percent increase in the number of lawyers over a twelve year period. Only the United States spends more than \$80 billion annually in direct litigation costs, perhaps four times that in indirect costs. Fear of lawsuits has driven almost half of U.S. manufacturers to withdraw products from world markets. One out of every four American companies has discontinued certain types of product research for the same reason.

We must remove this ball and chain from our ability to produce and compete worldwide. My competitiveness council, led by Vice President Quayle, has offered 50 recommendations for legal reform. They would limit discovery to reasonable proportions, discourage some frivolous suits through a "loser-pays" rule, and offer alternative means of resolving disputes.

Some of these 50 comprehensive recommendations I have instituted by Executive Order; others are contained in our Access to Justice Act; and still others will take place at the state level, using the model reforms we have proposed.

The effects will be far-reaching, extending into another area critically in need of reform. Medical malpractice premiums almost doubled in the second half of the 1980s. Doctors have begun practicing "defensive" medicine, ordering unnecessary tests and procedures to protect against litigation.

This too drives up health care costs. The trends are simply unsustainable. From less than 6 percent 30 years ago, total health care expenditures are today about 13 percent of GDP. Incredibly, some mid-range estimates put that figure at 30 percent by the year 2030 -- that's thirty cents of every dollar of national income spent on health care.

It is not hard to imagine what this would mean for American business. The average American company already spends more on health premiums each year than it earns in after-tax profits. And this trend too is heading upward toward disaster.

Reform of the system is inescapable. But we face a crossroads. Some have advocated nationalized care; others propose the so-called "pay or play" approach, which I am convinced is merely a step on the road to nationalized care.

Neither is acceptable. Neither will preserve the quality of our country's health care, which remains the best in the world. I will not let that high quality be taken away from the American people through some scheme of government control.

Nationalized care means rationed care; its promise of cost containment is a mirage. "Pay or play" would dump still more mandates on business. A 9 percent payroll tax would mean a 34

percent increase in a company's insurance costs. That money must come from somewhere -- and for a company unable to pass along the added costs through higher prices, that means decreased investment, lower wages, and fewer jobs.

There is an alternative. My proposed health care reform will build on our system's strengths, preserving the quality of care. We will increase consumer choice. Through transferable credits, we will assure access to basic health insurance for the uninsured, and control costs through market incentives. And we will not raise taxes on American employers.

I have targeted a third area for attention -- like the others, absolutely critical to our success in the coming decades. You understand that for America to succeed economically at home, we must succeed economically abroad. The fastest growing companies among your group -- the ones creating the greatest number of jobs here at home -- are those with far-reaching involvement in foreign markets.

I am committed to opening markets to American products, removing the government-imposed barriers that act as a hidden tax on American business. Each market shut off by protection is a lost opportunity to sell your products. A successful conclusion to the current Uruguay round of trade negotiations, for instance, could increase world output by \$5 trillion over the next decade. More than \$1 trillion of that boom will go to the United States.

Even closer to home, exports to Mexico have more than doubled over the five years -- creating more than 260,000

American jobs. Our North American Free Trade Agreement will lock in those gains, creating with Canada a \$6 trillion market, the largest in the world.

As world trade expands, the need for a sophisticated, well-educated workforce will intensify. Yet the fact is grim and undeniable: our current educational system is unable to produce the workers the highly competitive world market demands. And make no mistake: a failure to produce a world-class workforce will only provide an incentive to move new jobs overseas.

Our educational failures have hit American employers hard. English is now the language of international business; yet only 20 percent of 17-year-olds can write a simple two-paragraph letter applying for a job. The situation in geography, math and science is equally dire. Too many businesses are forced to pay twice for the education of prospective employees -- once through taxes that support our schools, and again through job training to remedy the failures of those schools in educating our young.

Communities have begun taking matters into their own hands, with local businesses often acting as catalyst. ABC's Vital Link, which works with local schools to establish learning incentives for students, is a perfect example of the community-based efforts our children need.

Still, there is much for government to do. This year, seven different federal agencies will spend \$18 billion on a patchwork of 60 vocational training programs. Is it any wonder that so many Americans who seek training don't know how to get it?

Working with state and local governments, our Job Training 2000 initiative will bring coherence to these programs and offer "one-stop shopping" to aspiring workers. Private industry councils, composed mostly of businessmen, are crucial to our strategy. They would manage programs tailored to the specific needs of local labor markets. And they will be accountable for the quality and efficiency of their programs.

[Placeholder for Labor announcement]

In stressing accountability and local control, Job Training 2000 perfectly complements a revolution now taking place in American education as a whole -- a revolution essential to creating a world-class workforce. Our America 2000 initiative aims to reinvent American schools. We know how to do it. We set high standards for students. We make teacher training a top priority. And we make schools more accountable, by forcing them to compete. That means giving parents the opportunity to choose their children's schools.

I am convinced that each of these major reforms -- restoring sanity to our legal system, ensuring quality health care for all, expanding world trade, and reinventing American education -- is essential to this country's future productivity. The time for tinkering is done; we can afford no more half-measures, no more pondering and chin-pulling. If business is to get on with its work of creating wealth and jobs for America, we must undertake real reform -- root-to-branch change -- wherever our system has failed us.

No wonder, then, that each of the reforms I speak of faces powerful opposition from special interests who profit from the status quo. So I have targeted a final reform, no less important than the others. If America is to change, American government must change. Last week in Philadelphia, I spoke in some detail on the paralysis that grips the federal government. This paralysis prevents Washington from making even the most rudimentary decisions of public policy. The results are plain: a deficit that is a fiscal and a moral outrage, a permanent governing class oblivious to the national interest, hundreds of wasteful programs that live in perpetuity.

The steps I outlined in Philadelphia will restore accountability and responsiveness to a system that has been broken for too long. [Placeholder for economic analysis insert.]

A responsive government will give the reforms I've outlined today a fair hearing, even though the special interests are arrayed against them. These approaches are grounded in basic principles, a way of looking at the world. Government must trust the wisdom of markets more than the whims of bureaucrats. The freely made decisions of businessmen and women must take precedence over the engineering schemes of government. All of our institutions -- from the U.S. Congress to the local school board -- must be accountable to those they serve.

Over the last decade, America has changed the world. Today we are blessed with the opportunity to change America. With these principles as our guide, we will meet the challenges -- and

exploit the opportunities -- of the world that is even now being born.

God bless you, and God bless the United States of America.

#

Gene Schaen:

- No legal objections.
- WANTS to review any regulatory section that may be added.

Staffed ~~for~~
for 9n

(Ferguson/Simon)
April 2, 1992
Draft Two
BUSINESS

PRESIDENTIAL REMARKS: AMERICAN BUSINESS CONFERENCE
WILLARD HOTEL
TUESDAY, APRIL 7, 1992
2:00 PM

[Acknowledgments, joke]

It is always a pleasure to speak with members of the American Business Conference, because it is always a pleasure to speak with the best.

I would like to talk to you today about the future -- the future of our country generally, and more particularly the future of our country's business environment. In fact, we cannot separate the two. The America of the 21st century -- its ability to make peace in the world, to foster strong families, to create rewarding jobs -- will be shaped today, in large part by how hospitable we make America for business.

We can learn from your success. The key to the success of any high-growth company is the wise deployment of resources. The successful company channels labor and investment into those areas with the potential for the greatest expansion and the highest return. You take the risk; you reap the reward; everyone, meanwhile, benefits from the wealth you create.

That, in brief, is the genius of entrepreneurial capitalism. —
~~Our system~~ ^{that} has made America the envy of the world, the most prosperous country on earth, ~~affording the highest standard of living to the largest number of people in history. With one~~

~~twentieth of the world's population, we produce one-fourth of the world's goods and services.~~

What accounts for our preeminence? The answer, I believe, lies in our resiliency, our historic ability to innovate, to change as the world changes. America's world leadership is not automatic; it is not a birthright. ~~We must continue to earn it, day by day, quarter by quarter, year by year.~~ The world now is changing at a pace no one could have dreamed of a generation ago. And America, which has led the world's transformation, must change with it.

Over the last several years deadweights have begun to slow the engine of growth -- inefficiencies a competitive economy cannot tolerate. I have isolated five areas for reform, five critical ways in which America must change if we are to continue to lead the world. You understand the urgency, for each of these problems presents itself to American companies not as an abstraction but in the most immediate way: as a cost of doing business -- a cost you can't control, an expenditure with no possible return.

When our legal system becomes incapable of resolving disputes in a timely and civil manner, business loses the incentive to innovate and take risks. When health care costs escalate, business picks up much of the tab. When government imposes barriers to trade, business pays the price in opportunities lost. When our children leave school without rudimentary skills, business bears the burden in lowered

productivity. And when government freezes in gridlock, business can no longer plan rationally for the future.

Each of our system's failings saps your resources, drawing away your investment and manhours from productive tasks. ~~allow me to address them one by one~~

~~I will~~ I will start with the crying need to reform our country's civil justice system. Every American has heard the stories of bizarre or frivolous lawsuits; but most of you have lived them, tales that could have been torn from the pages of Kafka. Consider one example, related by one of your members, Roger Coleman, president of Rykoff-Sexton, a food manufacturer and distributor.

After record earnings in 1989, Mr. Coleman publicly expressed his confidence that 1990 would be even better. When earnings fell short ~~by two percent~~, his hopeful statement became the cause of a shareholder class-action lawsuit.

First came a meeting with plaintiffs' contingency-fee lawyers, at which the merits of the case were never even discussed. "The issue," says Mr. Coleman, "was the depths of our pockets." Next came the nightmare of discovery: endlessly expensive and invasive. The company's managers, instead of managing, spent their time preparing for depositions. The lawsuit, he says, "brought everything to a stop."

In the end, rather than permit the total exhaustion of company resources, Mr. Coleman decided to settle. The tab for this exercise in futility: \$8.7 million. As Mr. Coleman says:

"That's over \$8.7 million that was diverted from new investments in jobs and facilities."

The scenario is repeated daily throughout American business. It is not repeated, let me stress, among our world competitors. This absurd drain on productivity is a peculiarly American phenomenon, putting us at an increasing disadvantage in the international marketplace.

Only the United States has seen a 382 percent increase in the number of lawyers over a twelve year period. Only the United States spends more than \$80 billion annually in direct litigation costs, perhaps four times that in indirect costs. Fear of lawsuits has driven almost half of U.S. manufacturers to withdraw products from world markets. One out of every four American companies has discontinued certain types of product research for the same reason.

We must remove this ball and chain from our ability to produce and compete worldwide. My competitiveness council, led by Vice President Quayle, has offered 50 recommendations for legal reform. They would limit discovery to reasonable proportions, discourage some frivolous suits through a "loser-pays" rule, and offer alternative means of resolving disputes.

Some of these 50 comprehensive recommendations I have instituted by Executive Order; others are contained in our Access to Justice Act; and still others will take place at the state level, using the model reforms we have proposed.

The effects will be far-reaching, extending into another area critically in need of reform. Medical malpractice premiums almost doubled in the second half of the 1980s. Doctors have begun practicing "defensive" medicine, ordering unnecessary tests and procedures to protect against litigation.

This too drives up health care costs. The trends are simply unsustainable. From less than 6 percent 30 years ago, total health care expenditures are today about 13 percent of GDP.

~~Incredibly,~~ Some mid-range estimates put that figure at 30 percent by the year 2030 -- that's thirty cents of every dollar of national income spent on health care.

That may be more to believe, but
~~It is not hard to imagine what this would mean for American business.~~ The average American company already spends more on health premiums each year than it earns in after-tax profits. ~~And this trend too is heading upward toward disaster.~~

We must
 Reform ~~of~~ the system ~~is inescapable.~~ But we face a crossroads. Some have advocated nationalized care; others propose the so-called "pay or play" approach, which I am convinced is merely a step on the road to nationalized care.

Neither is acceptable. Neither will preserve the quality of our country's health care, which remains the best in the world. I will not let that high quality be taken away from the American people through some scheme of government control.

Nationalized care means rationed care; its promise of cost containment is a mirage. "Pay or play" would dump still more mandates on business. A 9 percent payroll tax would mean a 34

1000000

percent increase in a company's insurance costs. That money must come from somewhere -- and for a company unable to pass along the added costs through higher prices, that means decreased investment, lower wages, and fewer jobs.

There is an alternative. My proposed health care reform will build on our system's strengths, preserving the quality of care. We will increase consumer choice. Through transferable credits, we will assure access to basic health insurance for the uninsured, and control costs through market incentives. And we will not raise taxes on American employers.

I have targeted a third area for attention -- like the others, absolutely critical to our success in the coming decades. You understand that for America to succeed economically at home, we must succeed economically abroad. The fastest growing companies among your group -- the ones creating the greatest number of jobs here at home -- are those with far-reaching involvement in foreign markets.

I am committed to opening markets to American products, removing the government-imposed barriers that act as a hidden tax on American business. Each market shut off by protection is a lost opportunity to sell your products. A successful conclusion to the current Uruguay round of trade negotiations, for instance, could increase world output by \$5 trillion over the next decade. More than \$1 trillion of that boom will go to the United States.

Even closer to home, exports to Mexico have more than doubled over the five years -- creating more than 260,000

American jobs. Our North American Free Trade Agreement will lock in those gains, creating with Canada a \$6 trillion market, the largest in the world.

As world trade expands, the need for a sophisticated, well-educated workforce will intensify. Yet the fact is grim and undeniable: our current educational system is unable to produce the workers the highly competitive world market demands. And make no mistake: a failure to produce a world-class workforce will only provide an incentive to move new jobs overseas.

Our educational failures have hit American employers hard. English is now the language of international business; yet only 20 percent of 17-year-olds can write a simple two-paragraph letter applying for a job. The situation in geography, math and science is equally dire. Too many businesses are forced to pay twice for the education of prospective employees -- once through taxes that support our schools, and again through job training to remedy the failures of those schools in educating our young.

Communities have begun taking matters into their own hands, with local businesses often acting as catalyst. ABC's Vital Link, which works with local schools to establish learning incentives for students, is a perfect example of the community-based efforts our children need.

Still, there is much for government to do. This year, seven different federal agencies will spend \$18 billion on a patchwork of 60 vocational training programs. Is it any wonder that so many Americans who seek training don't know how to get it?

Working with state and local governments, our Job Training 2000 initiative will bring coherence to these programs and offer "one-stop shopping" to aspiring workers. Private industry councils, composed mostly of businessmen, are crucial to our strategy. They would manage programs tailored to the specific needs of local labor markets. And they will be accountable for the quality and efficiency of their programs.

[Placeholder for Labor announcement]

In stressing accountability and local control, Job Training 2000 perfectly complements a revolution now taking place in American education as a whole -- a revolution essential to creating a world-class workforce. Our America 2000 initiative aims to reinvent American schools. We know how to do it. We set high standards for students. We make teacher training a top priority. And we make schools more accountable, by forcing them to compete. That means giving parents the opportunity to choose their children's schools.

I am convinced that each of these major reforms -- restoring sanity to our legal system, ensuring quality health care for all, expanding world trade, and reinventing American education -- is essential to this country's future productivity. The time for tinkering is done; we can afford no more half-measures, no more pondering and chin-pulling. If business is to get on with its work of creating wealth and jobs for America, we must undertake real reform -- root-to-branch change -- ~~wherever~~ our system has failed us.

But
~~No wonder, then, that each of the reforms I speak of faces~~
 powerful opposition from special interests who profit from the
 status quo. So I have targeted a final reform, no less important
 than the others. If America is to change, American government
 must change. Last week in Philadelphia, I spoke in some detail
 on the paralysis that grips the ~~federal government~~. *Congress*
~~This~~
~~paralysis prevents Washington from making even the most~~
~~rudimentary decisions of public policy.~~ The results are plain: a
 deficit that is a fiscal and a moral outrage, a permanent
 governing class oblivious to the national interest, hundreds of
 wasteful programs that live in perpetuity.

raise profits, increase spending.
 The steps I outlined in Philadelphia will restore
 accountability and responsiveness to a system that has been broken
 for too long. [Placeholder for economic analysis insert.]

They failed to act on something near & dear to Congress, the people.
 A responsive government will give the reforms I've outlined
 today a fair hearing, even though the special interests are
 arrayed against them. These approaches are grounded in basic
 principles, a way of looking at the world. (Government must trust
 the wisdom of markets more than the whims of bureaucrats. ~~the~~
 freely made decisions of businessmen and women must take
 precedence over the engineering schemes of government. All of
 our institutions -- from the U.S. Congress to the local school
 board -- must be accountable to those they serve.

Over the last decade, America has changed the world. Today
 we are blessed with the opportunity to change America. With
 these principles as our guide, we will meet the challenges -- and

exploit the opportunities -- of the world that is even now being born.

God bless you, and God bless the United States of America.

#

591

8523

/Mancun Owen:
Adam Smith:-
Michael Porter:

How The econ works....