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ANTICIPATED QUESTIONS AND ANSWERS
AMERICAN BUSINESS CONFERENCE
MEETING WITH THE PRESIDENT
APRIL 4, 1989

1. As you know, there is considerable opposition in some quarters to cutting the capital gains tax. Will you continue to support it?

Yes I will, because I believe that cutting the capital gains tax rate goes right to the heart of keeping America competitive. You all know, as business leaders among the most dynamic, high-growth companies, how important this proposal is. Most of our major trading partners do not tax their capital gains. The Pacific Rim countries -- the "Four Dragons" of Hong Kong, Singapore, Taiwan, and South Korea -- do not tax capital gains. Japan did not during its meteoric rise to economic power. So why not level that playing field in the global marketplace? It's only fair.

Capital formation and money for innovation is what keeps the job creation machine in gear -- and what keeps American productivity at record levels.

2. What do you see as the major long-term benefits of a permanent R & E tax credit?

A permanent R & E tax credit gives managers the opportunity to look beyond the next quarter's profits. It allows them to make the kind of investments that really count toward competitiveness -- and which pay off in the long run in terms of job creation, productivity, new technologies and American innovation. As I've said, this is an important step in leading the nation to the next American Century.

3. What is your position with regard to mandated benefits such as parental leave?

I oppose mandated benefits and have made that absolutely clear on several occasions.

4. Do you believe that your training wage proposal will pass?

I certainly hope so. A minimum wage of \$4.25/hour and a six month training wage is my first and last offer. I will veto any bill which proposes otherwise. What is most important to me is saving -- and creating -- jobs and keeping economic opportunity open for all young Americans.

5. What should managers be doing to prepare their workers and their companies for the challenges of the near future, and the shifting demographics of the workforce?

First of all, realize that most of the new talent you'll be depending on will be predominantly women, minorities and immigrants. Secondly, labor markets are getting tighter, as you know, and jobs are more technically complex now.

It will be up to you to come up with responsive policies that allow you and your operations to tap this new source of talent. That means child care. Literacy programs. Retraining for older workers as jobs change. Flexible workplace policies that give your people the ability to balance competing pressures of work and family.

In my speech, I've just laid out my education proposal, which will be sent to the Hill tomorrow. In addition, our child care package was sent to Congress in mid-March. But the government can't do it alone. The government should not mandate solutions, but should put choice in the hands of those concerned. The ball is in your court.

6. What are your plans for the Council on Competitiveness?

I am looking forward to the Vice President's active involvement as the Chairman of the Council. It will play a major role in deciding the Administration's approach to competitiveness issues across the board.

(Lange/Martin)
March 31, 1989
6:30 p.m.

PRESIDENTIAL REMARKS: AMERICAN BUSINESS CONFERENCE
ROOM 450, OLD EXECUTIVE OFFICE BLDG.
TUESDAY, APRIL 4, 1989
2:00 P.M.

I've met with this group three times, over the last eight years -- and every meeting, for me at least, has been worthwhile and productive. I am glad to be back.

Among the many close friends I have in the ABC, I'd like to mention your former vice chairman, now Commerce Secretary, Bob Mosbacher. Like all of you, he knows what it means to take risks, to start a business, make it grow, and keep it competitive. Here in Washington, he is putting his experience to work. Bob is on the cutting edge of our national effort to Build a Better America.

To be sitting in this room today, as ABC members, you've had to keep your earnings at three times the growth of the economy, plus inflation. Now, if Bob can just make that happen for every business in America... I'll make him the Business Czar and we can all go fishing.

You run the kind of high-growth businesses that represent the most dynamic, entrepreneurial segment of the American economy. And this government knows better than to fix what's already working.

So this afternoon I'm going to address two areas of concern to you: the economics of enterprise -- and the imperative for education reform.

You folks know the same lesson that I learned as a businessman. You need capital to grow. What you don't need is higher taxes on your earnings, or higher taxes on your workers, or higher taxes on those who invest their money in your firm.

Right now the government is making too big a claim on America's capital to cover our deficit. That's capital that should be invested in America's businesses. The best way to channel more capital into productive investment is not higher taxes. It's spending restraint.

The working paper you released last month was another reminder that the deficit must be brought under control. ~~So let me reassure you -- this government will not become the fiscal equivalent of Overeaters Anonymous.~~ Accountability in government demands that we put an end to this spending spiral.

You know, when George Kaufman -- that famous wit from the Algonquin Round Table -- was at a party, he heard a self-made millionaire boasting to a circle of people, "I was born into the

world without a single penny." And Kaufman answered, "Oh really. When I was born, I owed twelve dollars."

Well, we don't have to let the deficit play a cruel joke on future generations. Next year alone, fiscal year 1990 federal revenues will rise by more than \$80 billion -- with no tax increase. And we're going to meet or beat the Gramm-Rudman-Hollings targets.

Our budget consultations with Congress so far have been going well. We're determined to work with this Congress -- we're counting on their cooperation, to find answers we can all live with.

To spur greater investment in American business, we need to bring our taxation of capital gains down -- in line with that of our trading partners. In the budget we've proposed to Congress, we want to restore the differential to 15 percent on long-held assets.

How many of you, as you built your businesses, were able to just walk up to a bank, and get a loan to cover your start-up costs? Few, if any. Most of you probably raised capital by offering people a share of the business -- and a stake in the outcome.

Cutting the capital gains rate means more of that can happen. It will give businesses more of the capital they need to grow. It will bring in \$4.8 billion more in tax revenues in 1990, according to the Treasury. And it will create more new jobs.

That's no tax break for the rich. That's a fair shake for every American.

We want to build on the energy and initiative of American business -- without burdensome mandates that only enforce solutions of uniform mediocrity. We don't want to limit the flexibility of managers and workers, who are trying to find their own best solutions. And you know, many are already succeeding.

Chamber of Commerce estimates suggest that workers are receiving more fringe benefits than ever before. Total benefits in 1987 were up 163 percent in a decade. And it is the market -- not government -- that is responsible for this growth.

Nearly seventy percent of growth in benefits is due to voluntary action by employers. Only thirty percent is due to government requirements. We want to keep it that way.

Our friends in Europe have tried mandated benefits -- and they haven't had much success. They're now looking for ways to

free up enterprise, American style -- and make it more flexible, not less. For us to go toward mandated benefits would be, as Yogi Berra put it, like "deja vu all over again."

America will be more competitive if we continue to resist the temptation to heap burdensome mandates on the productive private sector.

A hallmark of this administration will be its focus on the future -- and the importance we attach to making the right kinds of investment. There can be no investment more urgent -- or more compelling for the future of American business, and this country as a whole, than education. In this, all of us have a stake in the outcome.

As labor markets continue to get tighter in the coming years, many of you are going to be facing shortages of skilled people. Some managers are already worried about a scarcity of science and engineering graduates. And you've all read the surveys that show many foreign students outperforming our own.

Although our best students can compete with anyone in the world, the challenge we face is to adapt our educational system so that all of our students receive the skills they need to share in that prosperity -- my Administration has made education a national priority.

Our program is based on four principles: it rewards excellence, helps those most in need, demands accountability, and supports greater flexibility and choice.

Tomorrow, I will send to the Congress our education package. We want to reward merit schools that make progress in terms of raising student achievement, and reducing drug use and drop-out rates. We're promoting parental choice and educational quality, through magnet schools of excellence.

We want to provide alternative certification of teachers and principals, to broaden the pool of talent available; President's Awards to outstanding teachers; Urban Emergency Grants to provide comprehensive help in fighting drugs for school districts under siege; a National Science Scholars program for high school seniors; and additional endowment matching grants for historically black colleges and universities, which occupy a unique and vital position in American higher education.

We are committed to a program of education reform that will give our young people a solid foundation for the future. But to make lasting improvements in education, we'll need to get all of the players -- administrators, school boards, local business leaders, parents, teachers' unions -- around the table, working together.

This will demand accountability from all of us. It will require the best kind of collective effort, from all directions -- but it holds the promise of real progress.

Many of you have been prime movers, spending a remarkable amount of your own time making good on that promise. More than a third of you serve on local school boards, public or private -- or on the board of a local college or university.

Others among you have established a program with a local community college, or "adopted" a school, or taught part-time, or promoted science education across a school district. That's the kind of involvement that, while it isn't always easy, leads to the kind of educational reform that lasts. It places you among the "thousand points of light" that spread hope and opportunity. You are part of what makes America special.

By investing your time and talents toward the education of our young people, you're helping to bring about something vital -- a fundamental cultural shift, that reasserts the value of learning in this country. You're breathing new life into an idea that has always been a testament to the American spirit: that doing well demands doing good.

Nothing I might tell you would say it better than your own mission statement, which says ABC executives "believe their own business success carries with it a responsibility to help expand economic opportunity throughout the economy."

As leaders -- not only in business but in every sector of our society -- you know that the national interest requires us to invest in the future. Education is the best investment we can make, if we want to Build a Better America.

Thank you. And God Bless you all.