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Folder Title:
Assorted 1990 Campaign [Rowland for Governor, Wilson for Governor, etc.] [2]

Stack:	Row:	Section:	Shelf:	Position:
G	19	2	7	2

MEMORANDUM FOR: DAVID DEMAREST
FROM: MARK LANGE *ML*
RE: SPIN

If you're looking for a grace note for the Lawrence Welk project, you might refer to the "pork barrel polka."

October 29, 1990

MEMORANDUM FOR CHRISS WINSTON
ALL SPEECHWRITERS
ALL RESEARCHERS

FROM: ED McNALLY

SUBJECT: SACRED COW-ABUNGA & THE PORK-BARREL POLKA

Earlier today, you may have heard Mark Lange's classic phrase for what the Lawrence Welk museum represents -- Congress' "Pork Barrel Polka," dancing around the issues.

Attached are copies of articles from today's issues of Time and U.S. News and World Report, detailing some of Congress' last minute outrages -- some pork-barrel, some sacred cows.

Two stand out in particular:

- o U.S. News' notes that Congress has recently voted itself a pay raise that now puts them in the very tax bracket that -- under the new budget -- is set to decrease by two percent.
- o The \$375,000 for a facelift of the House beauty parlor -- matched by \$250,000 to study the best placement for T.V. lights on the Senate floor -- rank up there with Lawrence Welk. ("These are cosmetic changes, all smoke and mirrors. But it's going to take more than a beauty parlor facelift and a change in lighting to hide the ugly truth from the American people...")

CALENDAR

The \$15.5 billion publishing industry is counting on history this fall as it unleashes its new books. In past economic slumps, Americans kept buying books, and so far sales this year are up 15 percent over the same period last year. Simon & Schuster was so hot for Ronald Reagan's memoirs that it reportedly paid \$5 million for his speeches plus *An American Life: The Autobiography*, set for release November 5. Steven Spielberg created a \$2 million man by shelling out that sweet sum for movie rights to Michael Crichton's high-tech thriller *Jurassic Park*—available November 20. Bad news in the Persian Gulf is good for publishers. Sales of apocalyptic books at B. Dalton and Barnes & Noble are up nearly 50 percent since August. Religious and prophecy books have also been boosted.



DATABASE

Total books sold (billions)
1989: 2.1 1988: 2.0 1982: 1.9
Percentage that were fiction last year 10%
Average buys last year, by sex
Men: 10.6 each Women: 12.0
Average hardback price
Fiction: \$18.44 Nonfiction: \$32.46
Breakdown of fiction sold
Mystery books: 17% Romance: 15%
Science fiction: 9%
Occult: 4% Westerns: 3%
All other: 52%
Best-selling authors in 1989 (hardback)
Danielle Steel 2.3 million
Tom Clancy 1.6 million
Stephen King 1.5 million
Time teenagers spend daily
Reading: 1 hour, 48 minutes
Watching TV: 3 hours, 11 minutes
Americans who say reading is favorite evening pastime
1988: 10% 1938: 21%
Advance reportedly paid to Nancy Reagan for *My Turn*, \$2 million

BY JO ANN TOOLEY

U.S. NEWS

CHICK HARRITY—USNEWS



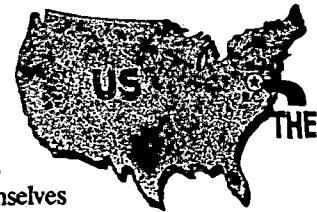
On hold. "Keating Five" Senators Glenn and McCain

FOOLS ON THE HILL

In their haste to get out of Washington after one of their most embarrassing political seasons, the men and women of Capitol Hill did some good, like passing the first clean-air bill for 13 years (see page 28), and a whole lot that was not so good. Members were quick to protect their own, too. The Senate ethics committee conveniently delayed until after elections the most politically charged case it has ever had. Because the so-called Keating Five, five senators under investigation for their dealings with indicted S&L executive Charles Keating, will be kept on hold until after November 6, members of the ethics panel up for re-election can more easily duck questions about how far lawmakers should go to aid constituents like Keating. The committee also refused to release a report by its special counsel that reportedly clears the lone Republican, Arizona's John McCain, as well as Ohio's John Glenn.

More egregious is some of the last-minute pork lawmakers were tucking into several bills. Examples? Nineteen million dollars to study the methane emissions from the flatulence of cows and other barnyard animals, \$375,000 for a facelift for the House beauty parlor and an additional \$250,000 to study the best placement of television lighting on the Senate floor. The biggest beneficiaries of the congressional largess seem to be the members themselves. Having voted themselves raises, legislators will find they are in the very tax bracket now set to decrease by 2 percent. As a result of the cut, lawmakers could pick up a tidy \$1,000 in new tax breaks. With deep deficits and a looming recession, taxpayers will be paying for the pork and pay raises for some time to come. Probably until the ladies and gentlemen of the Congress come up with some more surprises.

America's Two-Party System:



DOWNHILL RUN: U.S.-ISRAELI RELATIONS

The killings at Jerusalem's Temple Mount are doing more damage to already strained U.S.-Israeli relations than was expected. A controversial Israeli report on the incident was published on the heels of a second U.S. vote in the United Nations Security Council supporting criticism of Israel for failing to cooperate with an international investigation of the shootings. Relations between Israeli Prime Minister Yitzhak Shamir and President Bush can hardly get more frosty. And as tensions between Arabs and Jews in Jerusalem worsen, with Israeli soldiers sealing off the city to all Arabs from the West Bank and Gaza, attacks by both sides show no sign of letting up. With no peace process under way, and no dialogue between the two sides, the violence could grow even worse, widening the gulf between Washington and Jerusalem still further.

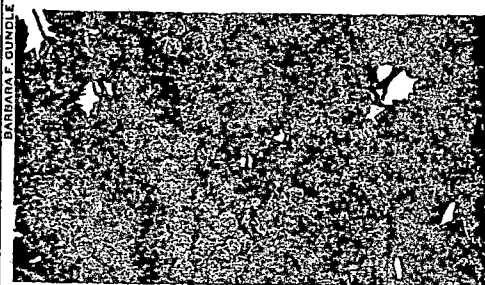
A Little Help for Some Friends

When big contributors need a tax break, Congress can oblige

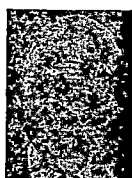
When Congress took up its deficit-reduction package last week, few of the legislators knew precisely what they were voting for. Buried in the 1,000 or more pages were dozens of mysterious provisions inserted by key lawmakers during closed-door committee sessions. Known euphemistically as "rifle shots," they are lucrative tax breaks for legislators' home-state industries and

campaign contributors. They will cost the Treasury untold millions in lost revenue. In most cases, the provisions are so artfully worded that not even tax experts or congressional aides can determine for certain which companies or industries will benefit from them. Pending eventual publication of all the fine print, word leaked out on a handful of special favors for those who gave.

THE DEVIL IS IN THE DETAILS



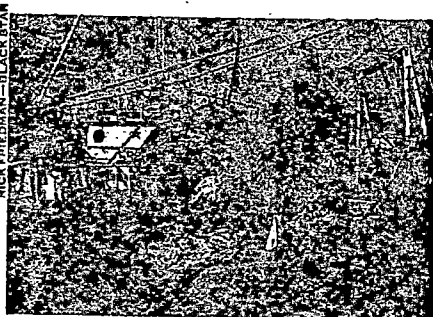
BARBARA F. GUNDEL



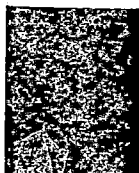
DIANA WALKER

A VINTAGE DEAL

Republican Bob Packwood responded to pleas from the Oregon Winegrowers' Association to fight an 18¢-per-bottle tax increase on wine. Packwood delivered: vineyards that produce less than 150,000 gal. a year will be exempt from the increase, and those that turn out up to 250,000 gal. will be partly spared. Roughly 1,000 of the 1,400 wineries in the nation, including 80 in Oregon, will get the breaks. Packwood has received \$7,000 from the industry's political-action committees (PACs).



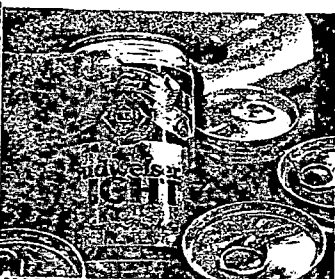
RICK FRIEDMAN—BLACK STAR



RICK BOO WATSON

A NICE CATCH

Commercial fishing is important in Democratic Congressman Gerry Studds' Massachusetts district. Starting in 1988, owners of small fishing boats who pay crewmen with a share of the catch were required to withhold income tax and Social Security fees. Studds arranged to restore the crews' previous immunity from withholding, which means they may not fully pay their taxes. He has collected \$10,475 from fishing PACs.



TOM FEENEH—PHOTOGRAPHIC RESOURCES



TERRY ASHE

JUST A GOOD BUD-DY

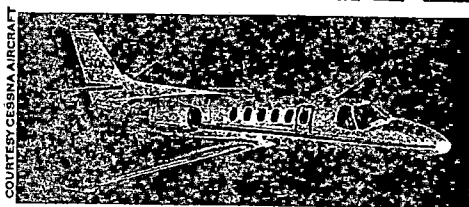
House Democratic leader Dick Gephardt is a defender of Joe Six-Pack, who would have been stung by a Republican proposal to raise the excise tax on beer to 32¢ a pack. But Gephardt has another reason to be one of the boys: Anheuser-Busch Co. headquarters are in his St. Louis district. Gephardt bellied up to the task of holding the beer tax to 16¢ per six-pack. He has received \$12,850 from beer industry PACs.



ASHE



NOV ROSEN



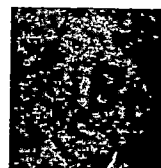
COURTESY CESSNA AIRCRAFT

FLYING WITH BOB

Senate Republican leader Bob Dole has two builders of small aircraft, Cessna and Beech, in his state of Kansas. They employ 12,300 people and contribute more than \$1 billion to the state's economy. Thus when a 10% tax on the purchase of all small planes was proposed, Dole took off. He got the surcharge limited to those costing more than \$250,000, which exempts virtually all of the ones built in his state. Dole has received at least \$4,250 from the two manufacturers. Dole also got special treatment for an old friend—Dwayne Andreas, president of the Archer-Daniels-Midland Co. ADM produces 70% of the country's ethanol, a gasoline substitute distilled from corn. The Senator protected an existing 60¢-per-gal. tax credit that goes to the firms that turn the ethanol into the gasohol used in cars. Andreas and ADM's PAC have contributed \$10,000 to Dole.



DEREK HUDSON—SYGMA



ASHE



ASHE



ASHE

RIGGING THE YACHTS

A plan to slap a similar luxury tax on almost all yachts alarmed boat builders all the way from Maine to Texas. So they turned to many coastal-state legislators, including such congressional powers as Senate Democratic leader George Mitchell, top, and Texas' two Senators, Democrat Lloyd Bentsen, left, and Republican Phil Gramm, for assistance. The pressure on the lawmakers was highly effective; the additional tax will apply only to yachts with price tags higher than \$100,000.

McGroarty/Dooley
November 1, 1990
2:30 pm

PRESIDENTIAL REMARKS: BOND FOR GOVERNOR CAMPAIGN EVENT
ALBUQUERQUE, NEW MEXICO
NOVEMBER 3, 1990
XX:00 ??

Thank you, [Frank,] for those kind words. My thanks to all of you for this warm welcome. // Sorry I had to stand you up back a week or so ago. But my daughter-in-law, Columba, was able to come out and show the Bush Family's strong support for Frank Bond -- and today I'm here to do the same. //

I spent twelve years next door to New Mexico -- just across the state line from Eunice and Hobbs. I've always felt at home here -- and I'm delighted to be back. [[I'm sorry I missed the International Balloon Festival. What a spectacle. Just imagine -- more hot air than on Capitol Hill. //]]

[Introductory acknowledgements.] **My friend, and your present Governor: Garrey Carruthers** -- the man who's leadership, courage and common sense have done so much for New Mexico these past four years. Add my name to the long list of admirers of a great Governor and a good man. //

And of course, the man who's going to keep New Mexico on the path to prosperity and progress -- New Mexico's next Governor: Frank Bond. ///

Next Tuesday marks a turning point for New Mexico. You face a choice: whether to turn back the clock -- pretend this new decade stretching out before us will be nothing more than an instant replay of the 1970s. [[In the words of a famous American

mystic -- that's right, Yogi Berra: deja vu, all over again.]]
// But there's another choice: New Mexico can make this election its first step towards a future as bright as the broad New Mexico sky. // There's not a doubt in my mind about the right choice. Starting November 6th -- **New Mexico will move forward with Frank Bond.** //

I think one of the most important things we can do together is to get more Republicans elected -- in every town, in every state and for every federal seat in this land. Because the Republican party is the party with an agenda -- the party of change, not the status quo -- the party of new ideas.

Take the critical issue for New Mexico -- and for all Americans: the economy. // Frank Bond knows what it takes to make New Mexico even more competitive, how to open up new markets -- national and international. He knows what the move towards a free trade pact with Mexico can mean for this state's economy: New jobs for New Mexico. //

There is no higher domestic priority on the Republican agenda than America's economy -- because **the economy is the job-creating engine that every family in this country counts on.**

In recent months we've seen some uncertainty and concern about slower economic growth. That's why a budget agreement was crucial -- and why I was willing to go the extra mile to get it.

Despite tough negotiations, we finally reached a budget agreement with the Democrats controlling Congress. There were clear differences between the parties in how to cut the deficit.

The Democrats wanted to raise taxes, including income tax rates for working Americans. I wanted to reduce the deficit with spending cuts. What we got was a compromise: some taxes but almost \$500 billion in deficit reduction in five years. **\$350 billion in spending cuts -- the largest in history.** Incentives to make America less dependent on foreign oil. {

And we put Congress on the pay-as-you-go plan. The **enforcement provisions** in this agreement are real -- they are strong. No longer will federal programs be funded with red ink. // Finally, we held the line against reckless cuts of our Armed Forces to ensure that America's defenses remain strong -- second to none. We owe that to our men and women in the Persian Gulf.

But getting our fiscal policy on track is just part of what we have accomplished as the party of change. // Let's start with the environment -- our sacred trust. Frank Bond's grown up here -- in the shadows of the Rocky Mountains, amid the grandeur and vastness of New Mexico's endless deserts. // As a fourth generation New Mexican, you can count on Frank Bond to preserve New Mexico's rich natural heritage in all its singular splendor.

I want everyone here in the land of enchantment to know we're **working hard in Washington to protect our environment.** More than a year ago, I challenged the Congress to **break** the stalemate that has hindered progress on tougher Clean Air legislation for the past decade -- to **turn technology and the power of the marketplace to the advantage of the environment.** To

create. To innovate. To tip the scales in favor of recovery, restoration, and renewal.

Today, thanks to the innovation and cooperation of industry, government, and environmental experts, we've broken a 13 year legislative logjam. Finally, I have a Clean Air bill I can sign.

This landmark legislation will remove from the air 10 **million tons** of the emissions that cause acid rain; it will bring to the nation's 100 most smog-laden cities safer, healthy air; and it encourages the use of alternative fuels, that are safer for our environment, and reduce our excessive dependence on foreign energy. ~~✓~~// But most important, it's going to make every man, woman, and child in America breathe a little easier.

Because Republicans care about change, we've got a Clean Air Bill. // I think that's something to celebrate. ///

But of course there is still work to be done on the Republican agenda. **Education, for example.** Frank Bond knows America can't have a first-class economy with second-rate schools. // Better schools doesn't mean building a bigger bureaucracy -- or imposing on the cities and towns of New Mexico a one-size-fits-all program sent from on-high in Washington.

That's why we sent Congress the Educational Excellence Act - - our action plan for **fundamental education reform, to reward achievement, encourage accountability** -- and to give parents more choice in their childrens education. Because Frank Bond and I agree: when it comes to our kids' education, the bureaucracy doesn't know best -- parents do. //

Republicans truly want to build a better America -- but to do it, we need **more Republicans**. So November 6th, vote Frank Bond for Governor: I need him, New Mexico needs him, but most of all -- America needs him. //

Today, we're here to express our partisan point of view -- to participate with pride in our political process. But now, let me put partisan politics aside. I know that everyone in this country is vitally interested in the situation in the Middle East, so let me bring you up to date. Former Senator Vandenberg was right when he said, "Politics ends at the water's edge." I am grateful to the leaders and other Members of Congress -- Democrat and Republican -- for their bipartisan support.

On August 2nd, Iraq invaded Kuwait. They literally raped, pillaged, and plundered this once-peaceful land -- this nation that is a member of the Arab League, a member of the United Nations. Iraq began to brutally and systematically dismantle Kuwait -- shipping its medical equipment, its machines, its records, its gold -- back to Baghdad. They have tried to silence Kuwaiti dissent and courage with firing squads. In a confirmed incident, a 15 year-old boy gunned down, his family forced to watch. His crime -- passing out leaflets.

The United States and the rest of the world, united in anger and outrage, determined to force Saddam Hussein out of Kuwait. On August 5th, Saddam Hussein announced he was pulling his forces out of Kuwait. At that very moment he sent his armor and his

troops south to mass along the Saudi border, threatening yet another member of the U.N. and Arab League.

Subsequently, the United Nations Security Council passed ten resolutions of condemnation and disapproval. On August 5th, I said Saddam Hussein's aggression will not stand. Today I am more determined than ever: This aggression will not stand. ///

Right now over 300 Americans, innocent civilians, are held against their will in Iraq. Many of them reportedly staked out as human shields, near possible military targets -- something even Adolf Hitler didn't do.

Many more Americans are in hiding in Kuwait, their lives at stake. 27 are imprisoned in the U.S. Embassy in Kuwait City -- cut off from food and other supplies. They are surrounded by Iraqi troops. Our flag still flies but the rights of these American citizens are, at this very moment, being denied by Iraq's brutal dictator.

Let me be clear: we bear no hostility to the people of Iraq, nor do any of the over 25 countries represented on land and sea in the Gulf area. We have no argument with the Iraqi people. Our problem is with Saddam Hussein -- **alone.**

I want a peaceful resolution to this crisis. Indeed, we have worked closely with the United Nations in putting sanctions into effect, in passing resolutions and in speaking with one voice against the invader's aggression.

We are giving the sanctions time to work. I hope there will never be a shot fired in anger, **but let me be very, very clear:**

There will be no compromise on the stated objectives of the United Nations Security Council resolutions -- none at all. // The brutality against innocent civilians will not be tolerated and will not stand. // Saddam's clear violations of international law will not stand. // And that means, yes, Saddam Hussein's brutal aggression will not stand. //

No one wants a peaceful solution to this crisis more than I do. No one is more determined to see this aggression turned back than I am. ///

Right now -- half a world away -- brave young men and women of our Armed Services -- the finest forces ever to serve -- stand ready in the sand and heat of the desert sun. // The last several weeks, many of them have taken time out from their responsibilities, to fulfill a duty of a different sort: to fill out an absentee ballot, and send it to the city and towns back home. // There's a lesson there -- a lesson in the love of liberty, the precious freedom that gives America its meaning. // So next Tuesday, I urge all New Mexicans: take that lesson to heart. Get out and vote. Don't take democracy for granted.

Once again, my thanks for this warm welcome. // In the 1990's, many of the ideas that shape government -- and much of the action -- won't originate in Washington. They'll be generated right here -- at the grass roots. // That's why next Tuesday is critical -- and that's why I'm here today to show my strong support for New Mexico's next Governor: Frank Bond. // May God bless the great state of New Mexico.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 10/3/90 ACTION/CONCURRENCE/COMMENT DUE BY: _____

SUBJECT: FACT SHEET ON THE BIPARTISAN BUDGET AGREEMENT

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	MCCLURE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SUNUNU	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NEWMAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SCOWCROFT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	PORTER	<input type="checkbox"/>	<input checked="" type="checkbox"/>
DARMAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	ROGICH	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CARD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	UNTERMAYER	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CICCONI	<input type="checkbox"/>	<input checked="" type="checkbox"/>	WINSTON	<input type="checkbox"/>	<input checked="" type="checkbox"/>
DEMAREST	<input type="checkbox"/>	<input checked="" type="checkbox"/>	BOSKIN	<input type="checkbox"/>	<input checked="" type="checkbox"/>
FITZWATER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	PINKERTON	<input type="checkbox"/>	<input checked="" type="checkbox"/>
GRAY	<input type="checkbox"/>	<input checked="" type="checkbox"/>	GREEN	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HAGIN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	AMEND	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HOLIDAY	<input type="checkbox"/>	<input checked="" type="checkbox"/>	DELAND	<input type="checkbox"/>	<input checked="" type="checkbox"/>
			BROMLEY		<input checked="" type="checkbox"/>

REMARKS:

CARNEY

The attached has been cleared for your use.

RESPONSE:

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

BACKGROUND ON THE BIPARTISAN BUDGET AGREEMENT

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- * REFORMING THE BUDGET PROCESS
- * ACHIEVING REAL SAVINGS
- * RAISING REVENUES, BUT HOLDING THE LINE ON INCOME TAX RATES
- * PROVIDING OPPORTUNITY AND EMPOWERING LOW INCOME AMERICANS
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- * SAFEGUARDING NATIONAL SECURITY
- * PRESERVING GOVERNMENT SERVICES
- * MEDICARE PREMIUMS
- * LOW INCOME AND ENTITLEMENT PROGRAMS NOT AFFECTED BY THE BUDGET SUMMIT AGREEMENT
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- * ENERGY TAX INCENTIVES
- * LIMITS ON ITEMIZED DEDUCTIONS WOULD NOT AFFECT INCENTIVES FOR CHARITABLE GIVING
- * THE NEED FOR ACTION

OVERVIEW

"It's time we put the interest of the United States of America first."

-- President George Bush, September 30, 1990
Announcing the Bipartisan Budget Agreement

We must stop mortgaging the future of our children and their children. America needs a budget agreement. The public demands it. And, as President Bush said, this agreement meets the challenge of putting America first.

The five-year bipartisan budget plan will enhance America's long-term economic vitality. It will give small and medium-size business a shot in the arm, creating jobs. It will cut the projected federal deficit by half-a-trillion dollars -- the single biggest cut ever.

This will mean real and lasting spending cuts. And it will not raise individual income-tax rates. The plan will support future economic growth.

Our nation's economic problems are everyone's concern. So this agreement is, above all, fair. Everyone will have to make a sacrifice, but no one will have to bear the burden alone.

ECONOMIC CONSEQUENCES IF CONGRESS FAILS TO ADOPT
BIPARTISAN BUDGET AGREEMENT

- o Bigger budget deficits -- soaring to \$300 billion per year.

Interest Rates Go Up

- o Interest rates 1-1/2 percentage point (or more) higher than if the budget agreement is passed.
 - Worsening outlook for the already weak housing and automobile sectors of the economy.
 - Major increases in mortgage payments for American families: an increase of \$110 on a typical adjustable rate mortgage.
 - A \$350 increase in the interest cost over the life of a \$10,000 car loan.
 - About \$30 billion more over the next three years in interest costs to the Federal Government -- ultimately the tax payer -- funds unavailable either for deficit reduction or worthy spending programs.

Growth Slows: Recession Risk Rises

- o Slower economic growth, meaning hundreds of billions less in income to American families in the coming decade.
- o Reduced entrepreneurial incentives, meaning foregone opportunities for new industries and new jobs.

STRENGTHENING THE ECONOMY

Interest Rates

- o The most pronounced effect is the expected reduction in interest rates as a result of the \$500 billion deficit reduction plan. By drastically reducing the Federal Government's drain on the Nation's scarce supply of private saving, the budget agreement would substantially reduce interest rates, spur investment, and create jobs.
 - Long-term interest rates have fallen by 1/3 percentage point since the middle of last week, largely because of the agreement.
 - Using conventional assumptions, long-run interest rates will decline by approximately 1-1/2 percentage points from what they would have been in the absence of an agreement.
- o Lower interest rates mean:
 - More job-creating investment in both business and housing:
 - Between 100,000-150,000 more housing starts in the year following the lower interest rates.
 - About 500,000 more auto sales in the year following the lower interest rates.
 - Increases in business equipment and structures over what they would have been without an agreement.
 - A reduction of about \$110 per month in payments on a mortgage on a typical home.
 - A savings of about \$350 of interest over the life of a \$10,000 auto loan.

Increased Growth

- o By the end of this decade, real GNP will be 2 percent higher per year as a result of more saving and investment and lower interest costs.
- o By the end of the decade, GNP will cumulatively total more than \$1 trillion more than if interest rates did not fall.
- o A lower deficit will provide an added safeguard against inflation.

ENCOURAGING SMALL BUSINESS AND CREATING NEW JOBS

- o A package of incentives for small businesses will substantially reduce their cost of capital and stimulate investment in new and growing enterprises.
- Currently, about 2.3 million corporations would qualify, almost two-thirds of all U.S. corporations.
 - According to the SBA, nearly 70 percent of new jobs come from small businesses (\$50 million or less).
 - As the American Business Conference (ABC) -- the CEOs of the country's fastest growing midsize companies -- put it, "the growth initiatives in the package will spur creation of a whole new generation of ABC-like companies. These are the entrepreneurs that will be generating much of the new employment in the next decade."
- Deduction for Investment. Individuals can invest up to \$200,000 per year in small companies and receive a tax deduction for 25 percent of their investment. In effect, the company can raise each \$1 in funds at a cost to the investor of only 93 cents. The deduction is provided "going in", at the time of the stock purchase.
 - Indexing. New stock purchases in these firms qualify for indexing for the next 5 years. For example, if inflation averages 4 percent and the total return over 5 years is 50 percent, indexing is equivalent to a 34 percent exclusion on the nominal gain.
 - Basis Adjustment. This allows investors, particularly entrepreneurs and others who invest for at least five years, to limit their effective capital gains tax. "Zero basis" stock receives an effective 50 percent capital gains exclusion (a 14 percent effective rate for those in the 28 percent bracket.) Individuals whose investments have tripled receive a 25 percent capital gains exclusion (for a 21 percent effective rate).

- Research and Experimentation Credit. This important provision is extended through 1991. If not extended, companies with rapidly growing research programs would pay much more tax, which would discourage the research necessary to maintain American competitiveness in world markets. The agreement would increase the credit from 20 percent to 30 percent for small firms.

- Expensing -- or first-year write-off of some investment--increases the value of the tax savings from depreciating new equipment. Additional expensing is provided for scientific equipment. This will stimulate equipment purchases by these companies.

- Corporate Rate Change. This will effectively lower the corporate tax rate from 39 percent to 36.5 percent for many small corporations. For example, a company with taxable profits of \$300,000 will save \$5,000 in taxes from this provision. Large corporations with profits over \$570,000 will be unaffected by this provision.

- o Other growth incentives include enterprise zones, energy production incentives, and user fees for infrastructure and patent production.
 - Enterprise zones would be established to create jobs and develop business in specially designed urban and rural areas in need of economic assistance. Tax incentives would be provided to encourage starting businesses and hiring workers.

 - Energy incentives would encourage exploration for oil and gas, production from marginal properties, and enhanced oil recovery. In addition, Section 29 would be extended and expanded to tight sands gas, and incentives for ethanol would be modified and extended. These provisions would not only improve our energy security, but would provide jobs, increase business, and help to constrain energy prices.

REFORMING THE BUDGET PROCESS

1. Strengthens Budget Law

- o Retains and Extends the existing Gramm-Rudman-Hollings (G-R-H) sequester system. Extends GRH to 1995, with deficit reduction path intended to reach zero in 1996.
- o For the first time, establishes in law binding caps on total discretionary spending for five years.
- o Establishes binding caps on each of the categories of domestic spending, international, and defense spending, for 1991-1993.

2. Tough New Enforcement

- o Adds to G-R-H new procedure triggering automatic across-the-board spending cuts if appropriations bills exceed any of the caps.
- o Automatic cuts equal to the excess spending occur in 15 days if bill is enacted before July 1, and on October 1 if the bill is enacted after July 1.
- o The reduction is ordered against the spending category exceeded, to focus and target enforcement.
- o Caps could be exceeded only in the event of an emergency request by the President.

3. Pay-As-You-Go For All New Entitlements

- o For the first time, ensures by law that no new entitlement legislation can increase the deficit.
- o Requires all entitlement or revenue legislation to meet pay-as-you-go test: any new entitlement spending legislation must be offset by reductions in other entitlements or by revenue increases.
- o Tough enforcement if Pay-As-You-Go is violated:
 - Any entitlement legislation not meeting the pay-as-you-go test would trigger an automatic across-the-board sequester in the entitlement category.

-- Doubles the amount of entitlement spending subject to sequester

4. Reforms Congressional Budgeting Procedure

- o Requires congressional budget to cover five years.
- o Requires 60 votes in the Senate to pass spending bills that would violate caps.
- o If a revenue losing bill is reported, then automatic instructions are issued to the offending committee to provide offset. In the Senate, a 60 vote point of order is established against revenue-losing bills.

5. Forces Action on Hidden Government Liabilities

- o Completely Reforms budgeting for federal credit programs.
- o For the first time, requires the subsidy value of new credit programs to be explicitly determined up front, before laws are passed to extend government credit. No more S&L surprises.
- o For the first time, new government credit would have to be explicitly paid for up front, before laws are passed -- not left to accumulate for payment later.
- o Government sponsored enterprises (GSEs): congressional action on reforms to ensure financial soundness is required in 1991.

6. Protects Social Security

- o Removes Social Security operating surpluses from G-R-H.
- o Requires 60 votes in the Senate for passage of legislation that would violate the actuarial soundness of Social Security.

ACHIEVING REAL SAVINGS

- o The agreement represents the biggest deficit-reduction package in American history.
- o The budget plan will cut \$120 billion in government spending on entitlement and mandatory programs -- the largest such savings ever produced. These programs have been the biggest single source of growth in government spending. This is the first time such cuts will be guaranteed in law. No more smoke and mirrors. Savings will include:
 - \$60 billion from Medicare
 - \$13 billion from Agricultural payments
 - \$4.2 billion in Postal Service reform
- o The agreement will also produce \$182 billion in discretionary program savings, including cuts in defense outlays of \$67 billion over three years.

RAISING REVENUES, BUT HOLDING THE LINE ON INCOME TAX RATES

- o Again, these cuts were made without caving in on raising individual income-tax rates. The agreement calls for raising \$134 billion in five years. And we can raise this tax-revenue with these measures:
 - A phased-in increase in the gasoline tax -- five cents a gallon the first year and another five cents the next year. This measure will produce the greatest revenues.
 - Increased taxes on alcohol and cigarettes, as well as selected luxury items.

PROVIDING OPPORTUNITY AND EMPOWERING LOW-INCOME AMERICANS

- o Lower interest rates will help working Americans by cutting mortgage payments.
- o The plan makes an historic breakthrough by providing federal tax incentives for the development of enterprise zones -- to create jobs and opportunity for those who need it the most. Enterprise zones will foster new businesses in depressed urban and rural areas and give poor people a better chance to work toward the American dream.
- o The agreement lends a hand to the working poor through an increase in the earned-income tax credit.
- o No one below the poverty line will have to pay for a Medicare premium increase. Medicaid will pay.
- o The budget preserves programs for low-income Americans, such as:
 - Aid to Families with Dependent Children.
 - Food Stamps.
 - Medicaid.
- o Above all, the plan provides for strong economic growth. The best way to expand opportunity for lower-income Americans is to increase the number of jobs in the private sector.

KEEPING OUR COMMITMENTS TO SENIOR CITIZENS

- The plan does not touch Social Security cost-of-living increases.
- The plan does not touch military or federal retirement.
- The plan does not increase taxes on Social Security beneficiaries.
- By helping prevent a return of high inflation, the plan will provide a special benefit to senior citizens on fixed incomes, who suffered most during the disastrous price increases of the late 1970s.

SAFEGUARDING NATIONAL SECURITY

- o Although the defense budget is cut by \$67 billion over three years (and more over five years), our men and women serving in the Persian Gulf region will still get **the backing they deserve** to defend themselves and accomplish their mission.
 - The budget plan provides important supplemental funds for Operation Desert Shield.
- o The agreement prevents deeper defense cuts that might have reduced America's military readiness and placed further strains on our brave men and women in uniform.

PRESERVING GOVERNMENT SERVICES

- o Enactment of the bipartisan budget plan will prevent a **sequestration** that could cut into important government services such as:
 - Drug enforcement
 - Crime control and prison management
 - Air traffic control
 - Meat and poultry inspections
 - Inspection of blood banks

MEDICARE PREMIUMS

	(Dollars in Billions)					
	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>	<u>Total</u>
Pre-Summit Medicare	\$116	\$130	\$145	\$161	\$179	\$730
Pre-Summit Growth Rate	11%	12%	12%	11%	11%	
Summit Savings	-\$5	-\$9	-\$12	-\$15	-\$19	-\$60
Post-Summit Medicare	\$111	\$121	\$133	\$146	\$160	\$670
Post-Summit Growth Rate		6%	9%	10%	10%	10%

Overview

- o The \$60 billion in Summit Agreement savings is derived equally from slower growth in provider payments, and increased beneficiary payments (substituting for general taxpayer financing).
- o After the Summit Agreement, Medicare provider payments will grow at 10% per year for FY91-95 -- only slightly less than the 11.5% average annual growth rate projected without the Summit.
- o After the Summit Agreement, general taxpayer support of Medicare (70% portion of cost) increases faster than beneficiary premiums and other payments.
- o Over the FY91-95 period, the Summit Agreement's proposals result in a net out-of-pocket increase in monthly payments by the average Medicare beneficiary (premiums, co-payments, and deductibles) of \$2.55, \$5.34, \$6.69, \$7.44, and \$7.92/month respectively.

Provider Savings (Doctors and Hospitals)

- o The Summit Agreement first-year provider savings of \$3.1 billion are comparable to those achieved in the past.
 - The 1989 reconciliation bill reduced FY90 provider payments by \$2.9 billion; total provider payments still grew by 11% over FY89-FY90.
 - The 1987 reconciliation bill reduced FY88 provider payments by \$2.1 billion; total provider payments still grew by 7% over FY87-FY88.

- o The Summit Agreement contains real savings for each of the five years -- unlike prior years, where Congress opted for one-year proposals which expired the next year.

Beneficiaries: Low-Income Protections

- o After the Summit Agreement, low-income Medicare beneficiaries will continue to pay nothing for Medicare coverage.
 - Medicaid will pay these individuals' premiums, co-payments, and deductibles.
 - The Summit Agreement specifically set aside additional funds (\$2 billion Federal matched by \$1.6 State) to expand the number of beneficiaries whose Medicare costs are paid entirely by Medicaid.
- o After the Summit Agreement, the remaining beneficiaries will incur slightly higher out-of-pocket costs for Medicare coverage.
 - However, compared to the original structure of the Medicare program, these beneficiaries incur much lower out-of-pocket costs

Premiums:

- As enacted in 1965, Medicare beneficiaries paid a premium for Part B insurance (primarily physician services) set to cover 50% of the cost of the program.
- Beginning in 1973, Congress capped premium increases so that by 1990, Part B premiums covered only 25% of the program -- with the remainder financed by general taxpayer revenues.
- The Summit Agreement's 30% premium still requires a 70% subsidy from wage-earner's taxes.

Deductible:

- In 1965, Medicare required beneficiaries to pay a \$50 deductible. This was increased to \$60 in 1972 and \$75 in 1982. If it had increased to keep pace with program costs, the deductible today would exceed \$800.
- The Summit Agreement's gradual buildup to a \$150 deductible still represents a significant benefit relative to the program's original structure.

**LOW INCOME AND ENTITLEMENT PROGRAMS NOT
IMPACTED BY BUDGET SUMMIT AGREEMENT**

I. No Social Security Cola Delay or Adjustment .

Numerous Approaches Advocated a COLA Freeze, a Delay of a COLA Increase Below CPI

II. No Increase in Taxes on Social Security Benefits

Numerous Approaches Advocated Raising the Taxable Rate on Social Security from 50% to 85%

- Under This Package Social Security Grows From \$268B to \$335B '91-'95

III. No Medicare Impact on Low Income

- No Impact on Those Below Poverty Line: They Are Held Harmless for all Increases in Medicare Premiums, Copays and Deductibles 100%. Medicaid Will Pick-Up the New Costs

- What About Those Just Above the Poverty Line?

\$2B Provided in Package to Protect Additional Low Income Above the Poverty Line (Along With the State Share of Medicaid, \$3.6B Will Protect These Low Income Beneficiaries)

IV. No Impact on Other Low Income Programs

- Aid to Families
with Dependent
Children

- Food Stamps

- Medicaid

WHAT THE BIPARTISAN BUDGET AGREEMENT WON'T DO

- o It will not raise individual income tax rates.
- o It does not touch Social Security Cost of Living Increases, nor does it increase taxes on Social Security beneficiaries.
- o It does not touch federal or military retirement.
- o It does not affect Operation Desert Shield -- our men and women will still get the backing they deserve.
- o It has no impact on families participating in low income programs such as Aid to Families with Dependent Children, Medicaid, WIC, and food stamps.

ENERGY TAX INCENTIVES

Proposed Tax Incentives

Tax incentives to enhance energy security include:

- incentives for new oil and gas exploration
- incentives to continue production from marginal properties
- incentives for enhanced oil recovery from existing fields
- an extension of current incentives for production of non-conventional fuels (Section 29), with inclusion of tight sands gas
- extension and modification of ethanol tax credits.

Total revenue loss from the incentives will be \$0.4 billion in FY 1991 and \$4.0 billion over the 5 year period FY 91-95.

Rationale

- o The proposed tax incentives are designed to encourage increased domestic oil, gas and ethanol production, and help reverse the decline in recent years. For example:
 - Over the last ten years exploration activity (as measured by the U.S. annual average rotary rig count) has fallen by 77 percent from a high of about 4000 in 1981 to under 1000 in 1989.
 - U.S. domestic oil production in 1989 averaged only 9.2 million barrels per day, the lowest in 25 years.
 - Because the U.S. is unable to meet its needs from domestic production oil import levels have risen. In 1989 imported oil accounted for 41 percent of our oil use. This increased to over 50 percent earlier this year.
- o Even though current prices are high, they are not stable, and could decline substantially in the coming months. Because of this uncertainty the necessary long-term investments in new domestic oil and gas production may not occur. Although there is a strong relationship between oil prices and domestic exploration activity, other factors such as government tax policy will have a significant impact on domestic oil exploration and future production levels.
- o Historically, oil prices fluctuate widely creating substantial risks for investors in exploration and drilling activities. Oil prices can fall 25 percent to 50 percent between the time an exploration project is financed and drilling actually is completed. This price volatility can make an otherwise risky and costly investment in oil

drilling completely uneconomic overnight. Tax credits can reduce these risks, providing investors an incentive to explore.

- o Enhanced Oil Recovery Techniques can recover some of the nearly two-thirds of the original oil left in place after conventional production ceases. Because the reserves are established and wells are already in place additional production can be initiated relatively quickly.
- o Credits for Marginal Production will ensure that producing wells are not prematurely abandoned. Stripper wells (marginal wells producing less than 10 barrels per day) account for about 15 percent of U.S. production. Over the past 5 years, an average of almost 18,000 wells have been abandoned each year. In addition, another 50,000 wells have been temporarily shut-in. (The average stripper well produces about 3 barrels per day, compared with an average of 2,500 b/d for a well in the Middle East.)
- o Credits for new oil and gas exploration would help to reverse the decline in U.S. proven reserves, establishing a reserve base to sustain long-term production.
- o The Section 29 non-conventional fuels tax credit will help stimulate additional production from a vast resource base of non-conventional fuels, including tight sands gas. Production of tight sands gas accounts for about 10 percent of U.S. natural gas production.
- o Extension and modification of the ethanol credits will provide both energy security as well as environmental benefits. Current U.S. ethanol production represents the equivalent of about 1 percent of U.S. gasoline demand. In addition, ethanol is an important component of the clean fuels programs contained in the pending clean air act.

**LIMITS ON ITEMIZED DEDUCTIONS
WOULD NOT AFFECT INCENTIVES FOR CHARITABLE GIVING**

Under the budget agreement, taxpayers with Adjusted Gross Income (AGI) over \$100,000 would have their itemized deductions reduced by three percent of the amount their AGI exceeded \$100,000. This would increase their taxable income and the taxes paid.

-- **Example** A taxpayer has \$250,000 of AGI and \$50,000 of itemized deductions. The taxpayer's itemized deductions would be reduced by \$4,500: three percent of the \$150,000 by which AGI exceeded \$100,000. The taxpayer would thus be able to claim itemized deductions of \$45,500.

The incentive to contribute more to charity would be unaffected. Additional contributions to charity would still be fully deductible.

-- **Example** Assume our hypothetical taxpayer gave \$10,000 more to charity, raising his itemized deductions to \$60,000. The amount of disallowed deductions would remain unchanged at \$4,500. The taxpayer's allowed itemized deductions would rise by the full amount of his charitable contribution.

Very few taxpayers would lose the tax deduction for their existing charitable contributions.

THE NEED FOR ACTION

- o Congress must act, and act soon. We need measures to boost economic growth, and solve long-term problems.
- o We can meet the challenge through bipartisan leadership and quick and decisive action.
- o No one will agree with all measures, but everyone will benefit in the long run.
- o If we do not reform entitlements to control their growth -- as this agreement provides -- America may never be able to solve its deficit problem.
- o Most of all, this is our last best chance to get the federal budget deficit under control. We owe this much to our country, and to generations of Americans to come.

But along with economic strength, we have another important difference with the other party -- we believe in a strong defense.

There's a reason we're able to stand strong against aggression in the Persian Gulf. It's because Republican leadership has been working to make sure that our defense capability is nothing less than the best.

You know, there's an old saying, that if trouble breaks out somewhere, you don't have time to go shopping. Technology doesn't happen overnight. America's strong defense is made possible by decisions made years earlier -- **decisions made by Republican leadership.** And with leaders like Phil Gramm in the U.S. Senate, **America will always stand strong.** ///

But beyond a strong economy and a strong defense, there is of course still work to be done on the Republican agenda.

Most weapons systems take
a decade or more
to move from the
drawing board to deployment.

THE WHITE HOUSE

Office of the Press Secretary

90 OCT 31 P12:18
For Immediate Release

October 30, 1990

REMARKS BY THE PRESIDENT
DURING RNC COUNTDOWN EVENT

The Hyatt Regency Hotel
Washington, D.C.

2:20 P.M. EST

THE PRESIDENT: Good to see you all. (Applause.) Thank you very much. Let me just say that it's terrific to see so many good friends of this administration and of this country. Barbara and I are delighted to be with you, and I want to salute the members of my Cabinet who are up here with me. You know, I am blessed as a President to have such an outstanding Cabinet working for this country every single day. They're good, they're strong, they're principled, and I am very, very fortunate. (Applause.)

I'm told that in addition to these Cabinet members, why, our able administrator, my friend Bill Reilly is here, Bruce Gelb from USIA, Paul Coverdale and also, of course, I want to single out two or three who are here that have just worked their hearts out on recent events in Washington, and I'm talking about our Chief of Staff, John Sununu, Dick Darman and Secretary Brady, who have done an outstanding job wrestling with the United States Senate -- (applause) -- and the House.

And, of course, I wanted to come over and express my personal gratitude to Charlie Black and to Jeanie Austin who are leading our party at this critical time. And to say to other friends of Lee Atwater's, and all of us are, Lee continues to be a great inspiration to both Barbara and to me and all of our family. And I'm sure he is to each and every one of you, too. (Applause.)

I wanted to come over here at this time and talk to you, the faithful, those that are standing there getting the job done day in and day out, because election day is exactly one week from today. I look at it as opportunity day. A day when America's voters will have the opportunity to do something; to vote for change. And to vent their frustration, their anger and the betrayal that they have felt at the hands of the unresponsive and irresponsible Democratic Congress. (Applause.)

You know, I read about voter frustration, but America has the opportunity to send that crowd up there on Capitol Hill, that one Party that's controlled Congress for year after year after year -- the Democrats -- send them a message by sending more Republicans to Congress. (Applause.)

You know, this country faced an enormous challenge here -- a challenge of, I'd say, tremendous consequences. A federal budget deficit spiraling into the hundreds of billions of dollars, and the Democratic philosophy of tax and spend was coming home to roost. And I was elected to make some tough decisions, to govern.

At times, every President finds that he's had to compromise for the good of the country. And I reached out my hand -- I think everybody here knows it and I think people all across the country know -- that I tried to reach out my hand to work with the Democrats in Congress. They control the House, they control the

MORE

Senate. And I tried very hard to do that, only to have a parade of liberal Democrats march to the microphone in the well of the House to blame me for their own failures.

Well, I believe we've had enough of that. (Applause.) And now we get to take our case to the American people. You see, we can -- we can send a message to every Democratic congressman or senator who mortgaged the future of our kids. To every Democrat who tried to raise income taxes, not as they say on the rich, but on every working American. And to every Democrat who's part of this Democratic spending binge, Americans say we're not going to take it anymore.

Because this is our country and it belongs to those who work in the fields and in the factories, who run the small businesses, who teach our kids, who protect the land. And each one is every bit as much a part of the American dream as the privileged few who roam the congressional corridors of power. And I want to abolish, for example, this -- I want to abolish these special interest PACs, and Democrats don't. Democrats want the taxpayers to underwrite the bill for their own reelection, and I don't. And if we have more Republicans on Capitol Hill, Uncle Sam won't foot the bill for Democratic campaigns.

Democrats may be busy taking care of their special interests than these reelection interests. And they may have forgotten their most basic sacred trust is the common interest. Well, I don't think we have forgotten. And I think Americans are going to remember who stands with these values that we all believe and that I've campaigned on and still feel fervently about. It's the Republicans who were looking out for the working men and women of this country.

And who would have thought that the finest instincts and ideals of Jefferson and Adams would have come down to this -- an arrogant majority that uses its power to protect its own prerogative, its own perks, its own privileges, its own pet projects -- and it is time that American people say enough is enough. No more Democratic control of the Congress. (Applause.)

You know, they say there are two things you should never watch being made: sausage and laws. (Laughter.) When it comes to the Democrats in Congress, I'd say this year has been -- we've all been taken on a first-class tour of the hot dog factory. (Laughter.)

I was disappointed but not surprised -- the minute that this budget deficit agreement was reached, disappointed, but not surprised to hear a Democratic leader say that the Democrats will continue to demand higher taxes, raising the income tax rates next year. Disappointed to hear the distortion of Republican motives, goals and accomplishments. Disappointed to hear the clumsy explanation of the Democrats' attempt to raise \$40 billion -- this is the figure from the recent Democrat-passed bill in the House -- \$40 billion in new income taxes on working Americans. And at the same time they were talking about soaking the rich, there was a \$4 billion surtax proposal in there. Four billion dollars for that, and \$40 billion trying to sock to every working man and woman in this country. The rhetoric is wrong and their purpose is wrong. And we're not going to let them get away with it. (Applause.)

After six endless -- six endless -- months of budget negotiations, we finally got a deal. We fought for what's good in the package. I think the spending cuts when you look at them are good. The entitlement reform is good. The tough enforcement provisions are better than I thought we could ever get in any way out of this Congress. But for six months, the Democrats stalled. For six months this Congress stalled the budget agreement and, in my view, risked stalling the economy. They tried to pull back the throttle on this economy. All in the name of politics and higher taxes. And the American people can hold them responsible because we are not going to let them get away with it.

All in all, this budget agreement is unprecedented. It is long overdue and, in my view, it is essential. And every time I see out there across the country some young kid or a class of third graders, I think to myself: We have got to do something to stop mortgaging the future of these young people. It isn't fair, and it isn't right, and the tax and spend mentality has gone too far when you see us with \$500 billion added to the deficit over and over again.

We got nearly \$350 in spending cuts. And almost \$500 billion -- \$492 billion I believe was the figure -- in total deficit reduction. But to get an agreement, there was a ransom. And that ransom was taxes. And, after all, the Democrats' chant has always been tax and spend, and damn the deficit. And we pushed hard to cut spending, to get the deficit down. And I just simply could not bring myself to leave America's children an avalanche of unpaid bills.

The issue is larger than one budget agreement or one session of Congress or one election. It may sound corny, but it's about the American dream. It's about the differences between the parties and who can best build a better America. It's about America's families and America's values and who represents them. And I think you know the answer -- Republicans do.

You know the difference between Republicans and Democrats. We are the ones fighting for family perspective in this year's legislation -- in education, in child care, in housing. And we're going to keep right on fighting. And we're the ones determined to bring hope and opportunity to the millions forgotten by the Democrats. And we won't give up on them. We're the ones with more sympathy for the victims of crime than for the criminals. ~~And that was in my bill that got shuttered aside, parts of it passing but the toughest parts held up by the liberal Democrats in the House of Representatives.~~

~~We're going to keep on supporting our police officers.~~ And we're the ones who understand that the world remains a dangerous place and that American leadership can meet the challenges of an uncertain world. And America will continue to lead because Republicans will not undermine America's strength. (Applause.)

I just came back yesterday from California and Oklahoma, and there as all around this country there's a growing momentum for limiting terms of legislators. The biggest, most entrenched special interest in America is right here. And in 1988, the Republican platform called for limiting the terms for Members of Congress. Republicans were the ones out two years ago leading the call. Term limitation is an idea whose time has come. And I think its time has come to Capital Hill, frankly. (Applause.)

Another good thing about getting out in the country, you see what works. See how governors make things happen. Let me tell you what works. Forty-three governors already have it. Governor Deukmejian used it 4,000 times -- and I'm talking, of course, about the line-item veto. If Congress can't cut spending give a President a shot. Give me the line-item veto and see what we can do. (Applause.) These ideas work. This is an idea that is working in the states and most of the states have balanced budget amendments. I'd like to see one of those for the entire country. Let's get out and campaign for it. (Applause.)

We really do need a government of more Republicans from the breadths of this great nation who owe their allegiance to the communities of our 50 states not to the Democratic tax and spend dogma of Capital Hill. A government led by men and women with a sense of history, with a sense of the potential of this country and of every American, with a willingness to make difficult choices on behalf of the national interest. And men and women who have a genuine vision, the kind of vision that enabled this administration to drag some important legislation out of a gridlocked Democratic Congress. Remember -- both houses the Senate and the House in the hands of the Democrats.

We got a good Clean Air Act and I think that's good for the entire United States of American and internationally as well. We had to pull it out, and it worked. We got a child care bill out of this deficit agreement and it's a good one -- doesn't give central government control over all child care -- it empowers parents.

We got a good, fair and effective Americans with Disabilities Act. A landmark piece of legislation in terms of fair play long overdue. We got a Defense Budget that in my view protects our nations security. It was under vicious assault and vicious attack from the liberal elements in the Democrats in both the House and the Senate. But thanks to the negotiating of those right here and the work of our Secretary of Defense. We got a reasonably good Defense number -- one where I can certify to the American people we can keep our interests wherever they may be. We can keep our commitment. And we built some incentives, finally, into our budget agreement for oil and gas explorations so that we will be less dependent on foreign oil.

And that brings me to another piece of news -- I was talking to Secretary Watkins about this -- that I want to tell Americans about, all Americans. Thanks to a combination of markedly increased world production and consumption measures, the gap in oil supply created by the loss of Iraq and Kuwait production, has been closed. And under current circumstances, consumers can count on adequate supplies of petroleum products. And that is good news for all Americans.

In times of crisis and challenge, the American spirit has been a constant source of strength. It's true now, obviously, in the Persian Gulf, and it's just as true at home today. Because across this land still pulses the generosity and the optimism of the true American spirit. The spirit to which Republicans are responding. We will reform this city in the capital, revive this institution, renew this nation, and together we can keep this country strong and compassionate and idealistic. And we'll do it by bringing this country what we deserve -- a better deal.

And I'm going to be carrying that message to the American people. And today I'm here in Washington within sight of the Capitol Dome but I'll go the vineyards of California and the farms of Ohio, to the shores of Massachussettes and out to the oil fields in Texas. And every time I talk to the American people, I'm going to tell them this: More Republicans in Congress means more men and women fighting against raising taxes and against the big spenders. More Republicans means a better deal for America.

And I wanted to thank each and every one of you. And with a week to go before the election, please keep it up. Redouble your efforts. We can make a difference for this, the greatest and freest country on the face of the Earth. God bless you and God bless America. (Applause.) Thank you all very much.

END

2:40 P.M. EST

THE WHITE HOUSE

WASHINGTON

October 26, 1990

MEMORANDUM

TO: CHRISS WINSTON
 RELEVANT SPEECHWRITERS
 RELEVANT RESEARCHERS

FROM: JENNIFER GROSSMAN

SUBJECT: PRE-ADVANCE

TELEPROMPTER NOTE:

Although all event sites are indoors and amenable to teleprompter usage, POTUS will be speaking to stand-up crowds. Moreover, Patrick Davis of Political Affairs has informed me that POTUS canceled all teleprompter and opted for cards on the last campaign swing (a gesture of frugality?). Therefore, I will not recommend teleprompter until further notice.

Burlington, MA

WHEN: November 1st, reception and later breakfast. POTUS arrives at 9:00 a.m., brief remarks at stand-up reception.

WHERE: The Boston Marriott Burlington, in Burlington, Massachusetts. Large, nondescript Grand Ballroom. Hotel is just north of Boston, a close enough proximity to allow incorporation of Boston color--Faneuil Hall, Boston and Harvard Universities, Boston Garden, Fenway Park, Museum of Science, Boston Harbor, Charles Rivers. The hotel is also not far from the historic areas of Lexington and Concord.

WHAT: This will be a two-tiered event: first a closed-press 100 clicks, photo with POTUS, then remarks at an open-press reception (really a rally, but don't use the "R" word!); the guests will go on then to have breakfast. The crowd will come from all over the state. The idea is to generate excitement and support for the statewide candidates: Bill Weld for Governor, Paul Cellucci for Lieutenant Governor, and Jim Rappaport for Senate. These principals will join POTUS on the dais.

OTHER:

- 1) Political Affairs contact: Bruce Stebbins x6510.
- 2) There may be some poetic analogy between the change of season and the change of political climate in Massachusetts.
- 3) The Massachusetts GOP people said that Dole's speech at the last fundraiser were very well received. Their only suggestion was that there be more emphasis on Paul Cellucci, rather than predominantly on Bill Weld.
- 4) JFK quote: "One man can make a difference and every man should try."
- 5) The USS Constitution, berthed in the historic Charleston Navy Yard, is the most frequently visited historic land-mark in Boston. Affectionately nicknamed, 'Old Ironsides,' her heroic battles are well-chronicled in American history books. She is the oldest commissioned warship afloat in the world today.

Mashpee, MA

WHEN: November 1st, exact time not determined at time of pre-advance, but POTUS will be flying to Mashpee on Cape Cod directly after Burlington event.

WHERE: Three event sites were visited (a lot for an outdoor rally, an old church, and a school gymnasium); the last site seems the most likely. Mashpee Middle School services grades K and 5 through 8. The school is 14 years old. The man who opened the school, Charles Liberty, is also the current principal. He can be reached at either (508) 477-1272 or (508) 477-1585.

WHAT: Event may be two tiered; exact format was TBD at time of pre-advance. Remarks, however, will be delivered to a "rally-like" crowd (we are avoiding the word "rally" because of the connotations it might evoke with the press). Proceeds (if there is a staff photo) will probably go to covering event costs. Weld and Rappaport will probably fly out with POTUS to attend event. Check with Political for other candidate/passengers. School gym can accommodate 750 standing with bleachers pulled out (which is where schoolchildren will sit if it is decided they should attend).

OTHER:

- 1) Political Affairs contact: Bruce Stebbins x6510.
- 2) The year-round population of Mashpee is 10,000; total summer population runs from 30 to 35,000. This reminds me of a quote about Maine by Louise Dickenson Rich, which perhaps can be reinterpreted for Mashpee/Cape Cod: "It is impossible to be exposed for any length of time to Maine (Cape Cod) realism and horse sense without effect, and most of the summer people find that they go home with a revised set of values."
- 3) A quote about Cape Cod by Henry David Thoreau: "A man may stand here and put all America behind him." (Cape Cod, 1855)
- 4) Some local newspapers that might deserve a glance: Mashpee Messenger, Falmouth Enterprise, and Cape Cod Times.
- 5) Mashpee is in Garry Studds' district.
- 6) Mashpee was founded in 1882 (check). Historically it has been a scattered community; its current "downtown" was built only quite recently by planned development.
- 7) The name "Mashpee" comes from the name "marsh pea," a type of vegetation common to the area. It is interesting to note that if you say "marsh pea" with a heavy Boston accent, it comes out as: "mashpee." There might be some joke there about the origins of the infamous Boston accent.
- 8) People in Massachusetts are very frustrated with their government, and Cape Codders are no exception. The state's economic difficulties were equally felt on the Cape, and everyone there is caught up with the coming elections. Mashpee residents want a return to sane government and sane economic policies.
- 9) At its earliest inception, Mashpee was considered a non-white town. Its population of Indians, blacks and immigrants gave it a decidedly cosmopolitan flavor. Also note (as mentioned in the xerox) that Mashpee was among the first towns to return their federal and state votes. At the time the town voted overwhelmingly Republican, and was considered a bellwether in predicting voting trends.
- 10) Here's an anecdote that illustrates the poor state of the Massachusetts economy consequent to irresponsible MA Dem policies: The current Mashpee town hall is in a

former school building. The town government, however, has outgrown the building. Moreover, the former school facility is needed to deal with school overcrowding. Earlier this month, a proposal was made to build a new town hall--yet the proposal was voted down because the people of Mashpee won't support any new public spending...they're saying enough is enough and don't feel their local economy can support any new taxes.

Orlando, FL

WHEN: November 1st, late afternoon (exact time TBD). Note: there will be a gubernatorial debate on October 30th, you might want to congratulate GOP candidate if he comes out ahead.

WHERE: Marriott's Orlando World Center, Grand Ballroom. The hall is a large ballroom with 70's style drop chandeliers.

WHAT: This will be a two-tiered event: first a ticketed, closed-press, 100 clicks staff photo to benefit the Florida GOP; then a stand-up "Florida Welcome" reception for Martinez for Governor. Reception will be ticketed, but free. We hope for a rally-like atmosphere but take care to avoid the word "rally" given the images it is apt to conjure up with the press. 800 to 1,000 attendees expected at the reception.

OTHER:

- 1) Political Affairs contact: Sally Salmon x6510.
- 2) The day after POTUS' last speech in Florida for Martinez, tropical storm Marcos hit with ferocity. Perhaps there is an appropriate metaphor about getting out of Washington just in time.
- 3) Business attire/day dress.
- 4) Apparently Bob Dole was recently in Florida to stump for the upcoming elections.
- 5) POTUS will travel on from Orlando to Cincinnati.

Houston, TX

WHEN: November 5th (day before election), 6:00 p.m.

WHERE: Westin Galleria in Houston. Large ballroom. Remember that Houston is POTUS' hometown.

WHAT: This will be a two-tiered event: first closed-press 100 clicks of the camera; then an open-press, ticketed but free "Election Eve Welcome Home Reception for the President." 1,500 supporters expected to attend the event. We are hoping for a "rally-like" atmosphere, but take care to avoid the word "rally" given the images it might conjure up with the press. The focus of campaign remarks should be on Senator Gramm. However, Clayton Williams, and possibly Rob Mosbacher will also be there and should be mentioned. The senator will introduce POTUS.

OTHER:

- 1) Political Affairs contact: Andy Foster x6510.
- 2) Crime continues to be one of the big issues in the Texas campaign. People are concerned with the overcrowded prisons and the revolving door releases, and Gramm is considered to be very strong on crime.
- 3) POTUS might want to mention how proud he is of the great job his hometown did in hosting the economic summit.
- 4) POTUS/Gramm anecdote: The senator was flying with the President on Air Force One when the latter was to give the keynote address at the Texas A & M graduation in May of 1989. The senator had on a maroon tie, perhaps with the "aTm" insignia on it. He told Bush there was no way he could go to Aggie land without a maroon tie, and so the two switched ties. Later that night, Sen. Gramm auctioned off the President's tie for \$100. Maybe you can use this with: "Some guys will give you the shirt of their backs--the senator here will throw in his tie for good measure." Or, while his opponent threw his hat into the ring, the senator, in a burst of sartorial insight, threw in his tie."
- 5) As Vice President, Bush was in Texas on January 23 (check), 1988 for the commissioning of the USS San Jacinto (AEGIS class cruiser). Senator Gramm introduced then Vice President Bush; and, I was told that it was a glowing, witty introduction--maybe something to check out. Also to note: the Battle of San Jacinto was where Texas won its independence in 1836.

- 6) The Houston Oilers are doing well, making their home city and state proud. Is there some joke which associates the name "Oilers" with the situation in the Gulf?
- 7) Texas is one of the few states in the running to host the 1992 RNC convention.
- 8) Up until quite recently, Texas has been a one-party state. This history is reflected in the hotly contested local County Commissioner's race (Harris County, which is incorporated into Houston). Republican candidate Jerry Eversol is running against Democrat Eleanor Tinsley. If he wins, it will be the first time ever that the county has had a Republican County Commissioner; moreover, it will mean a lot in terms of local expenditures.
- 9) Clayton Williams would be the second Republican Texas governor since Reconstruction; and Texas has never had a Republican Lieutenant Governor.
- 10) Nolan Ryan, former Astros pitcher, now pitches for the Rangers. At 44, he is the oldest baseball player (check), yet he's still setting record. We could check to see if he's at all active or on the record for the campaign, and then throw something in remarks about how Ryan's throwing a pitch in for Texas Republicans.
- 11) POTUS will be traveling from Waco, Texas.
- 12) Here are a few quotes I came by while researching the Mosbacher event:

"A republic of outlaws loosely allied with the United States, Texas survives, and survives quite well, by breaking the rules." (Pete Gent, North Dallas Forty, 1973)

"I have said that Texas is a state of mind, but I think it is more than that. It is a mystique closely approximating a religion." (John Steinbeck, Travels with Charley, 1962)

"Houston, the first word from the moon, is the last word in American cities. Big, strong, young, insufferably confident, Houston is rushing hell-bent into tomorrow without much thought about the day after.." (Lynn Ashby, Saturday Review, Sept. 4, 1976)

Waco, TX

WHEN: November 5th (day before election), 2:00 p.m.

WHERE: Waco Civic Center, in Waco, TX. The convention center is next to the Suspension Bridge--the bridge after which the Brooklyn Bridge was modeled (Bridge metaphors? Or, "If you believe his opponent's charges, I can get you a sweet deal on the Suspension Bridge.")

Waco was named after the Waco Indians. At one time the town was called "Six Shooter Junction"---back in the days the town was known for its prostitution trade.

Today Waco is home to a thriving aerospace industry (any jokes about liberal Democrats lost in space?).

Waco is home to the Texas Ranger Hall of Fame. At one time the Chisolm Trail ran through Waco.

WHAT: This will be a two-tiered event: first a closed-press, paid ticket, 100 clicks of the camera with POTUS; then remarks at an open-press, free yet ticketed "rally-like" standing reception (the word "rally" is being assiduously avoided because of whatever connotations it might have with the press). Roughly 1,500 attendees expected.

The purpose is to promote the whole ticket (Hugh Shine, Phil Gramm, Clayton Williams, Rob Mosbacher) but remarks should pay special attention to giving an extra boost to Shine for Congress. TBD who will introduce POTUS.

OTHER:

- 1) Political Affairs contact: Andy Foster x6510.
- 2) Hugh Shine, a current State Representative, is running for the congressional seat to be vacated by Marvin Leath. His opponent is fellow State Representative Chet Edwards. Edwards, by the way, waged a losing campaign against Phil Gramm (then a Democrat) for Congress in 1978. Kelly Rogers is Shine's campaign manager; she can be reached at (817) 773-0721.

Shine lives in Waco; has raised his family there. His opponent, on the other hand, moved to Waco from Dallas in order to run--giving the bad impression of being a carpet-bagger candidate.

NICE GULF/TEXAS MACHO TIE-IN: Hugh Shine is on active

reserve; he is a helicopter pilot and has served in Korea. His opponent, by contrast, has no military experience.

- 3) POTUS arrives in Waco from Portland, Oregon. From Waco he travels to Houston, Texas. I am told this will be POTUS' first visit to WACO (check).
- 4) The soda-pop company Dr. Pepper, was founded in Waco. And the soda remains the most popular soft drink in the city. Waco traditionally receives the "highest per capita" award from Dr. Pepper, signifying that the average Wacoan drinks more of the stuff in a year than anyone in another city.
- 5) TSTI (Texas State Technological Institute) is the airport where POTUS will land. It is the former James Connally Air Force Base which closed about 20 years ago. At the time of closing, it devastated the local economy. Today, however, it stands as a superlative example of how local initiative can take the misfortune of a military closing and turn it around to make it work productive part of the community.

NOTE: There is a prospect of closing down the Second Amored Division at Fort Hood--the largest army base in the world.
- 6) Randy Travis will be requested to perform at event.
- 7) President Reagan delivered a speech in Waco in late summer of 1988.
- 8) Waco is indeed in the heart of central Texas, which together with the famous lines of the old song, "Deep in the Heart of Texas" suggests: "It's great to be back, deep in the heart of Texas."
- 9) Cameroon Park in Waco is the largest municipal park in Texas. It will soon be the home of Waco's new zoo, one of the few natural barrier zoos in America.
- 10) Waco has a very active and successful Adopt-A-School program, which allows local businesses to work directly with local schools in the Waco Independent School District.
- 11) The Texas Ranger Hall of Fame is located at Fort Fisher. It is a tribute to this great Texas law enforcement organization. Since Clayton Williams is big on law enforcement, this could be an appropriate reference point.

- 12) Baylor Homecoming will take place on event weekend (Nov. 9-10), as Baylor plays Arkansas in football on Saturday afternoon.

Portland, OR---CANCELED

Sioux City, IOWA

- WHEN: November 2nd; time TBD but leaning toward early evening.
- WHERE: Sioux City Convention Center--this is a newly built facility of which Sioux City residents are quite proud.
- (See brochure and tourist map). It's modern, airy, and efficient.
- WHAT: This will be a two-tiered event: first a closed-press 100 clicks photo with POTUS at \$500 a couple, then remarks at an open-press, "rally-like" stand-up reception (note: we are avoiding all mention of a "rally" because of whatever images it might conjure up with the press). There will be no food, no frills, and possibly a huge flag as presidential backdrop. At the dais will be seated as many state-wide candidates as can be mustered. The Morningside College Band will play. Congressman Tauke will introduce POTUS. Approximately 800-1,000 people expected to attend.

The primary objective of the "Iowa Welcome" is to generate support for Tom Tauke for Senate. By now Political should have an update on whatever other candidates to include in remarks.

OTHER:

- 1) Political Affairs contact: Andy Foster x6510.
- 2) Iowa is the only state in the region bordered on both sides by rivers.
- 3) On August 6, 1990, POTUS presented Sioux City with an All-America City Award for 1990. Sioux City was among 10 U.S. communities receiving the award at a White House Ceremony. At event, POTUS remarked: "The All-America Cities are all-American success stories. At a time when so many mourn what's wrong with American cities, you have quietly gone to work to make them right."

Sioux City received this recognition in part for its heroic efforts following the crash of the United Flight 232 at the Sioux Gateway Airport on July 19, 1989. Less dramatically, and more broadly, however, the award was given in recognition of local community efforts to attack the problems of the 1990's, including economic decline, hunger, disasters, affordable housing and health care.

- 4) Iowa is rated the third state in the country in "Selected Quality of Life Factors;" Sioux City itself was recently rated Iowa's "Number One" place to live for quality of life by Money Magazine. The city features dozens of parks, two colleges, a graduate study center, regional medical centers, art center, theaters, a museum, and a 75 year old symphony.
- 5) The country music song "Sioux City Sue" is the most famous song about Sioux City.
- 6) Sioux City is home for the world's oldest brand of popcorn, Jolly Time popcorn, and the world's oldest popcorn factory, the 76 year old American Popcorn Co.
- 7) The first authentic account of a white man's appearance on the ground of what is now Sioux City is that of the Lewis and Clark exploring expedition in 1804. On August 20 of that year, Sgt. Charles Floyd, a member of the party, died and was buried on a high bluff located in what is now the southern part of Sioux City.
- 8) Beverly Tauke, the Republican candidate's wife, is a big campaigner for her husband--they're very much seen as a team.

Springfield, IL---CANCELLED

REMARKS BY GOVERNOR MARIO M CUOMO
KENNEDY SCHOOL - TAUBMAN BUILDING DEDICATION
CAMBRIDGE, MASSACHUSETTS
MONDAY, SEPTEMBER 10, 1990

I AM PLEASED TO BE HERE FOR THIS DEDICATION ... AND TO EXPRESS MY ADMIRATION AND RESPECT FOR THE MAN WHO MADE IT POSSIBLE, ALFRED TAUBMAN.

AS AN INTERNATIONALLY RENOWNED BUSINESSMAN, A PATRON OF THE ARTS, A FRIEND OF ACADEMIA ... AL TAUBMAN HAS BENEFITTED THIS STATE, MINE, AND MANY OTHERS, WITH HIS COURAGE, BUSINESS ACUMEN AND GENEROSITY.

NOW HE DOES IT AGAIN WITH THIS IMPORTANT ADDITION TO A GREAT INSTITUTION.

THE TAUBMAN CENTER FOR THE STUDY OF STATE AND LOCAL GOVERNMENT HAS BEGUN ITS LIFE AT AN AUSPICIOUS MOMENT.

TODAY, STATE AND LOCAL GOVERNMENTS FACE NEW CHALLENGES THAT HAVE PROMPTED SCHOLARS AND STUDENTS TO ASK SOME FUNDAMENTAL QUESTIONS:

IS GOVERNMENT WORKING?

CAN WE, IN 1990, SAY -- AS LINCOLN DID IN THE LAST CENTURY -- THAT "THE LEGITIMATE OBJECT OF GOVERNMENT IS TO DO FOR THE PEOPLE WHAT NEEDS TO BE DONE, BUT WHICH THEY CANNOT, BY INDIVIDUAL EFFORT, DO AT ALL, OR DO SO WELL, FOR THEMSELVES"?

IF SO, WHAT ROLE SHOULD THE FEDERAL, STATE AND LOCAL GOVERNMENTS HAVE IN THAT COLLECTIVE ACTION?

ARE THERE OPTIONS AVAILABLE? WHAT HAS BEEN TRIED? WHAT HAS SUCCEEDED? WHAT HAS FAILED?

AS THE GOVERNOR OF A LARGE STATE WHO'S BEEN WRESTLING WITH THESE QUESTIONS SINCE 1983, I'D LIKE TO USE THIS OCCASION TO CONSIDER A FEW OF THEM.

I SHOULD BEGIN BY NOTING THAT, WHILE THE CHALLENGES WE FACE ARE NEW, OBVIOUSLY, THE QUESTIONS ABOUT GOVERNMENT'S ROLE ARE NOT.

NO ONE IN AMERICA KNOWS BETTER THAN THIS AUDIENCE, THAT THE GENIUSES WHO FOUNDED OUR NATION WERE SEARCHING FOR ANSWERS TO THESE BASIC QUESTIONS 200 YEARS AGO.

Date: 9/27

TO: *May Leete Grant*

FROM: **JAMES P. PINKERTON**
Deputy Assistant to the President
for Policy Planning

fyi

IN 1781, THIRTEEN DISPARATE STATES -- WANTING NOT TO BE TOTALLY ALONE BUT CONCERNED ABOUT SACRIFICING INDEPENDENCE -- HAD STRUNG THEMSELVES TOGETHER IN LOOSE CONFEDERATION.

BUT, AS WE RECALL, THE DESIRE TO BE SEPARATE AND INDEPENDENT OVERWHELMED THE INSTINCT FOR COOPERATION. WALLS WENT UP BETWEEN THE STATES, FRAGMENTING THEM, DENYING THEM THE STRENGTH THAT COMES FROM UNITY.

SO THE FOUNDERS MADE A NEW JUDGMENT ... TO NATIONALIZE. TO TRY TO FORM A MORE PERFECT UNION WHOSE BASIC UNDERSTANDINGS AND PRINCIPLES WOULD GIVE THE 13 GOVERNMENTS A COMMON CAUSE AND A COHESIVE STRENGTH.

THEY WROTE A CONSTITUTION THAT CREATED A NEW OVERARCHING GOVERNMENT WITH GREATER CENTRAL POWER, WHILE RESERVING TO THE STATES SIGNIFICANT RIGHTS AND RESPONSIBILITIES.

IT WAS A UNIQUE DOCUMENT DESCRIBING A UNIQUE IDEA. IT WAS WRITTEN IN BROAD STROKES WITH ROOM LEFT FOR APPLICATION TO THE UNSEEABLE, UNKNOWNABLE DEVELOPMENTS OF AN INDEFINITE FUTURE. THE ORIGINAL BLUEPRINT OF OUR NATIONAL UNITY WOULD BE TESTED -- AND SHAPED -- BY BEING STRETCHED AND CONFIGURED ON THE PROCRUSTEAN BED OF REALITY.

IT HAS BEEN.

THROUGH THE EARLY YEARS OF CONFUSION ... THROUGH YEARS OF GROWTH BY ACCESSION AND CONQUEST ... THROUGH WAR AND CIVIL WAR ... THE NATIONAL GOVERNMENT IT CREATED HAS CONSTANTLY MOVED AMERICA FORWARD. SOMETIMES IN FITS AND STARTS, BUT INEXORABLY.

AFTER A MIRACULOUS JOURNEY OF ONLY 200 YEARS, THE UNITED STATES OF AMERICA -- THROUGH THE POWER OF COMING TOGETHER -- HAVE BECOME THE MOST POWERFUL SINGLE NATION ON EARTH.

IN THIS CENTURY, THE STRENGTH OF OUR NATIONAL GOVERNMENT RESCUED THE ENTIRE NATION FROM THE DEPTHS OF THE GREAT DEPRESSION.

THE SOCIAL SECURITY ACT OF 1935 CREATED A COVENANT BETWEEN GENERATIONS TO ASSURE THAT SENIOR CITIZENS WOULD LIVE IN DIGNITY.

THE MARSHALL PLAN TURNED THE DEVASTATION OF WORLD WAR II INTO A NEW AGE FOR DEMOCRACY;

THE G.I. BILL OF RIGHTS EDUCATED A GENERATION OF RETURNING VETERANS;

THE NATIONAL DEFENSE EDUCATION ACT AND THE SPACE PROGRAM THAT FOLLOWED, PUT AMERICAN FOOTPRINTS ON THE MOON AND MADE US FIRST IN TECHNOLOGICAL ADVANCEMENT.

POSITIVE NATIONAL STRENGTH, GAVE US MEDICAID, MEDICARE, THE CIVIL RIGHTS ACT OF 1964, THE VOTING RIGHTS ACT OF 1965, THE CLEAN AIR AND CLEAN WATER ACTS.

WE COULD NOT HAVE SUCCEEDED AS WE HAVE, IF WE HAD NOT RESPONDED TO NATIONAL CHALLENGES WITH NATIONAL SOLUTIONS. MAKE NO MISTAKE, THE LOOSELY TIED RAFT OF CONFEDERATION WOULD HAVE BROKEN UP IN THE ROUGH WATERS OF OUR HISTORY.

THAT FAMILIAR HISTORY IS GOOD TO RECALL TODAY WHEN THE WHOLE NATION FACES A NEW SERIES OF CHALLENGES THAT RAISE DISTURBING QUESTIONS ABOUT OUR FUTURE.

EVEN BEFORE THE STUNNING INVASION OF KUWAIT BY IRAQ, OUR NATIONAL INTEREST HAD BEEN UNDER SIEGE ... BY THE LARGEST ANNUAL FEDERAL DEFICIT AND THE GREATEST ACCUMULATED DEBT IN OUR HISTORY; BY LAGGING PRODUCTIVITY GROWTH, AND STAGNATING WAGES. AND BY AN ASTONISHING PLAGUE OF DRUGS AND THE VIOLENT CRIME IT GENERATES.

WE HAVE OTHER NATIONAL CHALLENGES.

ROADS AND BRIDGES CRUMBLING FROM COAST TO COAST; ACID RAIN POURING ACROSS STATE AND NATIONAL BORDERS; AIDS; HOMELESS FAMILIES LIVING OUT OF AUTOMOBILES; 12 MILLION CHILDREN GOING TO SLEEP HUNGRY; 23 MILLION AMERICANS WHO CAN'T READ A JOB APPLICATION; 37 MILLION AMERICANS LIVING IN FEAR OF GETTING SICK BECAUSE THEY HAVE NO HEALTH INSURANCE TO PAY THEIR BILLS.

THESE ARE NOT ISOLATED, LOCAL VULNERABILITIES.

SURELY, IT WOULD BE A DELUSION TO BELIEVE THAT IF FLORIDA OR NEW YORK LOSE THE DRUG BATTLES RAGING IN THEIR STATES -- GEORGIA OR NEW JERSEY CAN ESCAPE THE CONSEQUENCES.

OR THAT -- IF WE FAIL TO LIBERATE CHILDREN FROM POVERTY IN ILLINOIS OR ARIZONA -- OHIO OR CALIFORNIA WILL NOT SUFFER.

AND SURELY IT WOULD BE FOLLY TO BELIEVE -- AS LONG AS THE WINDS CARRY POLLUTANTS ACROSS OUR BORDERS FROM THE WEST AND SOUTH -- THAT NEW YORK OR MASSACHUSETTS ALONE CAN STOP THE CORROSIVE, KILLING EFFECTS OF ACID RAIN.

THE NATION CAN NO MORE LEAVE IT TO THE INDIVIDUAL STATES TO FIGHT THESE NATIONAL PROBLEMS THAN IT CAN EXPECT THE STATES' VALIANT MILITIAS AND NATIONAL GUARD UNITS TO FIGHT AND WIN A WAR IN THE MIDDLE EAST WITHOUT THE FEDERAL ARMY, NAVY, MARINES, AIR FORCE ... AND TREASURY.

TWO HUNDRED YEARS OF HISTORY HAVE INSTRUCTED US HOW TO USE NATIONAL STRENGTH TO DEAL WITH NATIONAL CHALLENGES LIKE THESE.

BUT IN THE LAST 10 YEARS, WE SEEM TO HAVE FORGOTTEN -- OR IGNORED -- THOSE LESSONS.

ABOUT A DECADE AGO, THE FEDERAL GOVERNMENT ANNOUNCED A DIFFERENT APPROACH. IT WAS CALLED "THE NEW FEDERALISM"

AS THE THEORY EVOLVED, IT CALLED FOR THE FEDERAL GOVERNMENT TO WITHDRAW FROM PREVIOUS COMMITMENTS TO HELP THE STATES MEET NATIONAL NEEDS.

THE FEDERAL CUTBACKS OVER THE DECADE WERE MASSIVE. HOUSING AID WAS CUT 80 PERCENT. ENERGY CONSERVATION, 67 PERCENT. JOB TRAINING, 65 PERCENT. REVENUE SHARING, OBLITERATED. URBAN DEVELOPMENT GRANTS, ELIMINATED. MONEY FOR EDUCATION, THE ENVIRONMENT, MASS TRANSIT ... ALL CUT.

THE STATES WERE TOLD THAT WE COULD FILL THESE GAPS AND BUILD A STRONGER NATION, WITHOUT THE FEDERAL GOVERNMENT USING ITS HANDS ... OR ITS RESOURCES.

WE WOULD, INSTEAD, BE DELIVERED TO THE PROMISED LAND BY A MAGICAL FORCE CALLED "SUPPLY-SIDE ECONOMICS."

SUPPLY SIDE'S MAGIC STARTED WITH HUGE INCOME TAX CUTS, BENEFITTING ESPECIALLY THE RICHEST AMERICANS.

THE THEORY WAS THAT BECAUSE THE WEALTHY HAD SO MUCH MONEY ALREADY, THEY WOULD NOT CONSUME THIS NEW BONANZA BUT WOULD INVEST IT IN THE PRIVATE ECONOMY. THE PRIVATE ECONOMY WOULD THEN GET SO STRONG IT WOULD CREATE ENOUGH NEW REVENUES TO BALANCE THE FEDERAL BUDGET IN THREE YEARS DESPITE THESE HUGE TAX CUTS AND AN ACCOMPANYING HUGE MILITARY BUILDUP.

THERE WOULD BE LOAVES AND FISHES ENOUGH FOR EVERYONE.

SO ROBUST WOULD THE NEW ECONOMY BE THAT, WITH THE STATES GATHERING HUGE AMOUNTS OF NEW REVENUES AT THEIR LEVEL, THE FEDERAL GOVERNMENT COULD RATIONALIZE CUTTING BACK FEDERAL SUPPORT FOR DOMESTIC PROGRAMS.

WELL, SUPPLY SIDE PROVED TO BE MORE MYTH THAN MAGIC.

BECAUSE THE TAX CUTS DIDN'T GENERATE THE REVENUES NEEDED TO PAY OUR FEDERAL BILLS, TODAY THE NATION BORROWS HUGE AMOUNTS FROM FOREIGNERS WE USED TO SELL TO, TO BUY FROM THEM THE THINGS THEY USED TO BUY FROM US ... LIKE CARS, AND STEEL, AND ELECTRONICS.

THE EFFECT OF ALL THIS?

SUPPLY SIDE HAS BEEN SUCH A PALPABLE FAILURE THAT EVEN ITS MOST ZEALOUS HIGH PRIESTS NOW SHRINK FROM ACKNOWLEDGING THEIR WORSHIP AT THE ALTAR OF THIS FALSE IDOL.

IN LESS THAN A DECADE WE WENT FROM BEING THE WORLD'S LARGEST CREDITOR NATION TO THE WORLD'S LARGEST DEBTOR.

THE NATIONAL DEBT -- WHICH HAS TRIPLED TO OVER \$3 TRILLION SINCE 1980 -- IS NOW A GREAT ALBATROSS AROUND THE NATION'S NECK, DRAGGING IT INTO A SEA OF RED INK.

IT COSTS US NEARLY \$200 BILLION A YEAR IN INTEREST ALONE, AND SERIOUSLY IMPERILS THE ENTIRE NATIONAL ECONOMY.

THERE HAVE BEEN OTHER EFFECTS.

TOGETHER, THE NEW FEDERALISM AND SUPPLY SIDE HAVE LED TO A MASSIVE, SIMULTANEOUS, TWIN REDISTRIBUTION.

THEY HAVE REDISTRIBUTED A LARGE PART OF THE BURDEN OF NATIONAL PROBLEMS AWAY FROM THE NATIONAL GOVERNMENT AND ONTO THE STATES, SEPARATELY.

AND THEY HAVE SIMULTANEOUSLY PRODUCED A MASSIVE REDISTRIBUTION OF THE NATION'S WEALTH, AWAY FROM THE MIDDLE CLASS, AND INTO THE RELATIVELY SMALL STRATUM OF OUR WEALTHIEST AMERICANS.

THE PROGRESSIVITY OF OUR TAXES -- THAT IS, THEIR RELATIONSHIP TO THE AMOUNT OF INCOME AND ABILITY TO PAY -- HAS BEEN NEARLY DESTROYED.

AT THE FEDERAL LEVEL, THE TOP INCOME TAX RATE FOR THE WEALTHIEST AMERICANS WAS CUT FROM 70 PERCENT DOWN TO 28 PERCENT. AT THE SAME TIME, THE SOCIAL SECURITY TAX, A BLATANTLY REGRESSIVE CHARGE, INCREASED FOR ABOUT 130 MILLION AMERICAN WORKERS, AND THEIR EMPLOYERS. AS THE INCOME TAX WENT DOWN, DEPRIVING THE NATIONAL TREASURY OF REVENUES IT NEEDED, THIS PAYROLL TAX WENT UP, DRAMATICALLY, AND WAS USED TO FILL THE HOLE.

THIS REGRESSIVITY TRICKLED DOWN TO THE STATE AND LOCAL LEVEL.

WHILE WASHINGTON POLITICIANS CHANTED BOASTFUL SLOGANS ABOUT THEIR INCOME TAX CUTS, STATE AND LOCAL GOVERNMENTS WERE FORCED TO RAISE REVENUES TO ASSUME NATIONAL BURDENS WASHINGTON ONCE CARRIED.

AS A RESULT, STATES AND LOCALITIES LOOKED TO THE TAXES THEY BELIEVED WOULD LEAST THREATEN THEIR COMPETITIVE POSITION. THAT WAS SALES AND REAL ESTATE TAXES -- TAXES THAT ALSO HAVE NO EFFECTIVE RELATIONSHIP TO ONE'S ABILITY TO PAY. NATIONALLY, SALES AND REAL ESTATE TAXES DOUBLED IN THE 1980'S.

IN EFFECT, THE MIDDLE CLASS AND THE WORKING POOR HAVE BEEN PAYING FOR THE HUGE INCOME TAX CUTS AT THE FEDERAL LEVEL.

BUT THE TRUTH IS THAT -- AT LEAST UNTIL NOW -- DISTRACTED BY THE INCREASINGLY HARSH REALITIES OF DAY TO DAY EXISTENCE, FEW OF THE MIDDLE CLASS AND POOR REALIZED IT.

THOSE OF US WHOSE BUSINESS IT IS TO OBSERVE THESE THINGS, DO REALIZE IT, UNDERSTAND IT, AND RESENT IT.

NOW, TO ADD FURTHER ANXIETY TO ALREADY SUBSTANTIAL INJURY, THE FEDERAL GOVERNMENT -- DESPERATE FOR WAYS TO PAY THE BILLS RESULTING FROM FISCAL MISCALCULATION, AND NOT WILLING TO ACKNOWLEDGE ITS MISTAKES -- IS CONSIDERING SHIFTING STILL MORE OF THE OBLIGATION AWAY FROM WASHINGTON AND ONTO THE STATES.

THEY ARE ONCE AGAIN THREATENING STATES, AS THEY DID IN 1985 AND 1986, WITH THE DISALLOWANCE OF DEDUCTIBILITY OF STATE AND LOCAL INCOME AND PROPERTY TAXES.

TO PUT IT MORE CLEARLY, WASHINGTON WANTS TO TAX, AT THE FEDERAL LEVEL, TAXES ALREADY PAID BY AMERICANS TO STATE AND LOCAL GOVERNMENTS, AT THE SAME TIME, PRESERVING THE HUGE TAX CUTS FOR THE WEALTHIEST AMERICANS AND PERHAPS EVEN ADDING A CAPITAL GAINS TAX CUT AS A FURTHER SWEETENER.

THE DISALLOWANCE OF DEDUCTIBILITY WOULD BE A NEW DOUBLE TAX FURTHER PUNISHING THE SEPARATE STATES ALREADY BEARING THE LOAD OF FEDERAL ABANDONMENT. TODAY, 37 STATES ARE IN SERIOUS FISCAL TROUBLE, SIXTEEN ALREADY IN RECESSION, MANY OTHERS ON THE EDGE, ALL BEING DRAGGED DOWN BY THE RAPIDLY EBBING NATIONAL TIDE.

THIS PROPOSAL WOULD TAKE STILL MORE RESOURCES FROM CHILDREN, FROM POLICE, FROM FIREFIGHTERS, FROM HOSPITAL WORKERS, FROM THE PEOPLE WHO PERFORM THE PUBLIC SERVICES. AND IT WOULD ENCOURAGE MORE REGRESSIVE TAXATION AT THE STATE AND LOCAL LEVEL, AND WIDEN REGIONAL ECONOMIC DISPARITIES AMONG THE STATES.

THE NEW FEDERALISM OFFERED UP IN 1980 -- AND THE SUPPLY SIDE MIRACLE THAT WAS SUPPOSED TO MAKE IT WORK -- FOR A WHILE, FOOLED THE NATION INTO BELIEVING WE COULD OVERCOME NATIONAL CHALLENGES WITHOUT A UNIFIED NATIONAL RESPONSE. AND LEFT US OFF BALANCE AS WE STRUGGLE TO REGAIN OUR FOOTING FOR THE GLOBAL ECONOMIC COMPETITION.

IT HAPPENED BECAUSE WE FORGOT THE LESSON LEARNED BY OUR FOUNDING FATHERS 200 YEARS AGO.

TODAY, WE HAVE A "FEND-FOR-YOURSELF" FEDERALISM, WHICH FORCES THE STATES TO TRY TO GO IT ALONE. THIS CREATES A TENSION -- BETWEEN THE NEEDS OF STATES TO RAISE REVENUES FOR UNMET PROBLEMS, AND THEIR NEED

TO CREATE CONGENIAL TAX POLICIES TO ATTRACT AND HOLD INCREASINGLY MOBILE BUSINESSES.

STATES ARE PITTED AGAINST EACH OTHER IN THE KIND OF DESTRUCTIVE COMPETITION THAT WE SOUGHT TO MOVE AWAY FROM 200 YEARS AGO WHEN WE TORE UP THE ARTICLES OF CONFEDERATION.

IRONICALLY, THIS IS OCCURRING JUST AS EUROPE MOVES TOWARD CONSOLIDATION -- UNITING -- IN ORDER TO MAKE THEMSELVES STRONGER. IN 1992, THE EUROPEAN ECONOMIC COMMUNITY WILL FUSE ITSELF INTO THE LARGEST ECONOMY -- AND THE LARGEST CONSUMER MARKET -- IN THE WORLD.

THEY, GETTING STRONGER BY UNITING; WE GROWING WEAKER -- BY FRAGMENTATION.

AND SO, WE ARE AT A CROSSROADS IN OUR HISTORY.

WE CAN ALLOW A REGRESSIVE FEDERALISM TO PUSH US BACK TOWARDS THE IDEA OF CONFEDERATION, LEAVING OUR CAPACITIES UNEVENLY DISTRIBUTED AND WEAKENED BY THE SCATTERING AMONG OUR SEVERAL STATES. OR WE CAN CHOOSE TO FORGE A NEW PROGRESSIVE FEDERALISM -- TO CONSOLIDATE OUR STRENGTH AND THEREBY INCREASE IT.

IT SEEMS CLEAR TO ME THAT -- BEFORE WE CHOOSE A PATH -- WE NEED TO REMIND OURSELVES OF THE TRUTH THAT GAVE BIRTH TO THIS NATION. WE ARE NOT JUST A COLLECTION OF INDIVIDUAL COMMUNITIES.

AT OUR BEST -- ESPECIALLY WHEN WE ARE BEING TESTED -- WE ARE A NATIONAL COMMUNITY.

TODAY, AS WE STRUGGLE TO RETHINK WHAT FORM THE FUTURE OF FEDERALISM IN AMERICA SHOULD TAKE, WE SHOULD APPLY A SIMPLE TEST: DOES IT STRENGTHEN OR WEAKEN OUR NATIONAL COMMUNITY?

THE FEDERALISM THAT BEST SUITS OUR TIME, IS ONE THAT RECOGNIZES OUR INTERDEPENDENCE AND ACTS ON IT. NOT BY DIVIDING POWER, BUT RATHER BY SHARING IT. BY POOLING EFFORTS BETWEEN LOCAL, STATE AND FEDERAL GOVERNMENT -- TO FORGE A PROGRESSIVE FEDERALISM THAT DIRECTS OUR NATIONAL STRENGTH TOWARD ACHIEVING COMMON NATIONAL GOALS.

THE REST OF THE WORLD IS NOT WRONG.

NOR WERE WE, 200 YEARS AGO.

A FEDERALISM FOR OUR TIMES SHOULD RETURN TO THE PRINCIPLES THAT MADE US STRONG.

IN PLACE OF THE FAILED NEW FEDERALISM, WE SHOULD RETURN TO THE RECOGNITION OF NATIONAL RESPONSIBILITY FOR NATIONAL PROBLEMS, LOCAL RESPONSIBILITY FOR LOCAL PROBLEMS, AND SHARED RESPONSIBILITY FOR SHARED PROBLEMS.

STATE AND LOCAL GOVERNMENTS -- THOSE CLOSEST TO THE PEOPLE -- SHOULD CONTINUE TO PLAY A LEADING ROLE IN EDUCATION; IN MAINTAINING THEIR LOCAL INFRASTRUCTURE AND THEIR OWN AMENITIES; AND IN DESIGNING, ADMINISTERING AND APPLYING NATIONAL PROGRAMS TO MEET HUMAN NEEDS, AS EFFICIENTLY AND AS EFFECTIVELY AS POSSIBLE.

SUCCESSFUL PROGRAMS, ALREADY IN PLACE ON THE STATE AND LOCAL LEVEL, CAN SERVE AS NATIONAL MODELS TO SOLVE NATIONAL PROBLEMS.

BUT, AT THE SAME TIME THAT WE REAFFIRM THE UNIQUE ROLE STATE AND LOCAL GOVERNMENTS PLAY, WE MUST ACKNOWLEDGE THAT WITHOUT NATIONAL LEADERSHIP AND NATIONAL RESOURCES, INNOVATIVE STATE PROGRAMS IN HOUSING AND JOB TRAINING AND DRUG TREATMENT WILL ADDRESS ONLY A SMALL PART OF OUR MAJOR NATIONAL CHALLENGES.

WE NEED A PROGRESSIVE FEDERALISM THAT RECOGNIZES OUR NATIONAL PROBLEMS WILL NOT BE SOLVED BY SPORADIC SUCCESSES IN SCATTERED STATES.

IT HAS BEEN ESTABLISHED BY NO LESS A FIGURE THAN THE PRESIDENT HIMSELF THAT DRUGS -- AND THE VIOLENCE, DESTRUCTION AND TERRIBLE EXPENSE THEY CREATE -- ARE A NATIONAL PROBLEM -- EVEN PUBLIC ENEMY NUMBER ONE!

HOW THEN CAN THE WHITE HOUSE DECLARE WAR ON DRUGS YET FAIL TO GIVE THE STATES ALL THE HELP THEY NEED TO FIGHT THE BATTLES RAGING IN THE STREETS OF THEIR CITIES?

EVEN PRESIDENT EISENHOWER ACKNOWLEDGED THAT THE ROADS AND BRIDGES AND INFRASTRUCTURE THAT TIE THE STATES TOGETHER ARE SO VITALLY NATIONAL IN THEIR IMPLICATIONS THAT THEY SHOULD FOREVER REMAIN HIGH ON THE LIST OF FEDERAL CONCERNS. BUT NOW THE FUNDS COLLECTED BY WASHINGTON TO HELP THE STATES MAINTAIN AND IMPROVE THEIR HIGHWAYS ARE PURLOINED BY THE FEDERAL GOVERNMENT TO CONCEAL THE TRUE DIMENSIONS OF ITS FISCAL DEBACLE.

WE NEED TO CHANGE THAT. THE NATIONAL GOVERNMENT MUST DECIDE TO DO THE THINGS THAT ONLY THE NATIONAL GOVERNMENT CAN DO -- LIKE REDUCING THE FEDERAL DEFICIT TO HELP REDUCE INTEREST RATES AND JUMPSTART THE NATIONAL ECONOMY. LIKE NEGOTIATING WITH GOVERNMENTS TO OPEN UP FOREIGN MARKETS.

AND WHERE SHARED RESPONSIBILITY IS NEEDED, THE FEDERAL GOVERNMENT MUST LEAD, NOT ABDICATE ITS RESPONSIBILITY.

ONLY A SHARED NATIONAL EFFORT WILL END HUNGER IN AMERICA AND RESCUE 12 MILLION CHILDREN AT RISK.

ONLY A SHARED NATIONAL EFFORT CAN PROVIDE THE NECESSARY JOB TRAINING TO PREPARE OUR WORK FORCE AND MAINTAIN OUR TECHNOLOGICAL EDGE THROUGH RENEWED INVESTMENTS IN RESEARCH AND DEVELOPMENT.

WHILE SOME STATES HAVE MADE VALIANT EFFORTS TO BUILD NEW TRANSITIONAL AND AFFORDABLE HOUSING, WE WON'T END HOMELESSNESS WITHOUT A RENEWED FEDERAL ROLE.

ONLY STRONG FEDERAL LEADERSHIP WILL EXTRICATE THE NATION FROM ITS DEPENDENCE ON FOREIGN OIL. SOME OF THE STATES -- LIKE MY OWN -- HAVE EXTENSIVE, CAREFULLY ANALYZED AND CONSTRUCTED ENERGY PROGRAMS.

BUT A PATCHWORK OF STATE EFFORTS WILL NOT BE ENOUGH TO SECURE OUR ENERGY SUPPLY, OR TO PROTECT OUR AIR, LAND AND WATER FOR FUTURE GENERATIONS.

AND IF THERE IS A NEED FOR FURTHER REVENUES TO DO ALL THESE THINGS, THEN THEY SHOULD BE GATHERED FROM THOSE BEST ABLE TO AFFORD THEM. FOR TEN YEARS THOSE TAXES HAVE BEEN ESSENTIALLY STATE AND LOCAL AND REGRESSIVE. NOW, TO RESTORE SOME BALANCE, NEW TAXES SHOULD BE FEDERAL AND PROGRESSIVE.

CONCEDING THE TRUTH OF WHAT WE SAY HERE CERTAINLY DOES NOT MAKE IT EASIER TO DEAL WITH WHAT HAS BEEN, UNTIL NOW, AN INTRACTABLE FEDERAL BUDGET PROBLEM.

BUT TRYING TO MAKE A BUDGET THAT IGNORES OUR NATIONAL CHALLENGES, WOULD BE ABSURDLY UNREALISTIC.

OF COURSE IT WOULD BE EASIER TO BALANCE THE BUDGET IF WASHINGTON PRETENDED THE NEEDS THAT ARE SO OBVIOUS TO EVERY GOVERNOR IN AMERICA DID NOT EXIST, BUT THAT WOULD BE LIKE OPERATING ON THE PATIENT FOR ULCERS AND LEAVING A CANCER IN HIS STOMACH.

THE THREAT WILL NOT GO AWAY BECAUSE WE FIND IT DIFFICULT TO DEAL WITH.

AND LET'S BE HONEST WITH OURSELVES.

THE DEFICIT IS A HARD PROBLEM, BUT WE KNOW THAT IT IS NOT THE WALLET WASHINGTON LACKS, IT IS THE WILL!

WE KNOW WASHINGTON CAN MAKE DIFFICULT CHOICES -- AND FIND THE WEALTH -- WHEN IT CHOOSES TO.

IT WILL FIND \$500 BILLION TO BAIL OUT BANKS AND BANKERS THAT STOLE THE PEOPLE'S MONEY.

THINK ABOUT IT: \$5 BILLION WOULD ALLOW US TO REACH NEARLY EVERY CHILD ELIGIBLE FOR HEAD START. AND YET, WE'RE TOLD WE DON'T HAVE THE RESOURCES. BUT WHEN IT COMES TO THE S AND L's, WE ARE READY TO COMMIT 100 TIMES THAT AMOUNT. HOW DOES THAT MAKE SENSE? ARE THE SAVINGS AND LOANS 100 TIMES MORE IMPORTANT?

THIS IS A CHALLENGING TIME. BUT IT CAN BE CONVERTED INTO THE BEGINNING OF A WHOLE NEW DYNAMIC ERA, IF IT INSPIRES A RENEWAL OF OUR COMMITMENT TO A WISDOM 200 YEARS OLD.

WE SHOULD BEGIN BY REPLACING THE FAILED FEDERALISM OF THE PAST DECADE WITH A PROGRESSIVE FEDERALISM -- A BOLDER, SOUNDER POOLING OF THE STRENGTH AND WISDOM OF ALL THE STATES TO REALIZE OUR FULL POTENTIAL AS A NATION.

AND THAT POTENTIAL IS VAST.

FOR ALL THE WRONG TURNS AND MEANDERINGS OUR HISTORY HAS TAKEN US ON, WE HAVE ALWAYS -- IN THE END -- MOVED TOWARD THE LIGHT.

SOMETHING IN US SURVIVES ALL THE TEMPORARY DISTRACTIONS.

I THINK IT IS THE POWER OF THE IDEA THAT LAY AT THE CORE OF THE AMERICAN STORY AT ITS FOUNDING, AND IS RESURRECTED THROUGHOUT OUR HISTORY.

BECAUSE I AM MORE COMFORTABLE WITH SIMPLE NOTIONS, I'VE CALLED IT "FAMILY."

BUT BY WHATEVER NAME IT GOES, IT IS SOMETHING DEEP IN OUR NATIONAL PSYCHE ... SOMETHING THAT RISES TO THE SURFACE IN TIMES OF WAR OR OTHER NATIONAL CRISIS ... SOMETHING WE NEED NOW TO TAP INTO.

IT IS THAT HARD-TO-DEFINE FEELING, THAT SENSE, THAT WHILE WE CHERISH OUR OWN INDIVIDUALITY, WE ARE ALSO PART OF SOMETHING BIGGER THAN OURSELVES, BIGGER THAN ANY INDIVIDUAL ... AND YES, BIGGER THAN ANY STATE.

PERHAPS IT IS TO THIS IDEA THAT WE SHOULD DEDICATE THE TAUBMAN BUILDING.

PERHAPS WITH IT AS OUR INSPIRATION, WE CAN EXCITE THE IMAGINATIONS AND ROUSE THE HOPES OF YOUNG AND OLD ALIKE.

I HOPE SO.

I HOPE THE GRADUATES OF THE KENNEDY SCHOOL, AND THE HARVARD FRESHMEN ASSEMBLED HERE TODAY -- AND ALL THOSE WHO WILL HELP BUILD AMERICA'S FUTURE -- WILL BE EXHILARATED BY THE BRIGHT PROSPECTS STILL AHEAD OF US.

I HOPE THEY WILL BE BELIEVERS AND DOERS WHO WILL TAKE WHAT HAS BEEN PASSED ON TO THEM AND MAKE IT SOMETHING BETTER. HONORING US BY THEIR WORKS, AND BY THEIR DESIRE TO BE MORE THAN WE HAVE BEEN.

THAT -- AFTER ALL -- HAS BEEN THE STORY OF OUR HISTORY.

AND IT IS A GLORIOUS STORY.

DESPITE OUR FAULTS, IN ONLY 200 YEARS, WE HAVE BECOME THE GREATEST NATION ON EARTH. WITH ONE HAND TIED BEHIND OUR BACK, WITHOUT YET FULLY REALIZING THE POTENTIAL OF WOMEN, OF AFRICAN AMERICANS, OF A POPULATION DISABLED BY SOCIAL PROBLEMS AND FAILURES.

IMAGINE HOW MUCH STRONGER WE COULD BE IF ALL OUR PEOPLE WERE TRULY FREE TO USE THE OPPORTUNITY OF THIS MIRACULOUS PLACE.

IMAGINE HOW MUCH MORE WE COULD ACHIEVE IF WE COULD ONLY REMEMBER -- AS WE HAVE WHEN WE HAD TO IN THE PAST -- THAT WE ARE AT OUR BEST AS A FAMILY, COMING TOGETHER FOR COMMON PURPOSES.

IMAGINE HOW MUCH MORE WE COULD ACHIEVE, IF ONLY WE COULD REMEMBER THAT WE ARE AT OUR BEST AS A NATION.

MAY THE TAUBMAN CENTER AND THE KENNEDY SCHOOL, AND OUR OWN BEST INSTINCTS, LEAD US.