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Proposed Op-Eds [Howard Baker, Edward Lazear]

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PROPOSED OP-ED BY HOWARD BAKER

So the President's nominee was voted down by the Senate, in an atmosphere some termed a "witchhunt." Afterward, the press began reporting stories that the President had been "crippled" by the vote, ^{left} ~~with no power~~ ^{less with} ~~and~~ no agenda. Sound familiar?

Although it may sound as though I'm talking about current events, I am referring to my experience with Robert Bork and Ronald Reagan.

I was there. I was White House chief of staff, and I was troubled by the reports of "chaos" and "failure" in the White House after the Bork vote, as I'm sure many of the current staff are now. But we went on to confound the critics -- by among other things, achieving the most sweeping arms control agreement in history. After the so-called "twilight years" of Reagan's presidency, he left office with one of the highest approval ratings ever. So much for "chaos" and "failure."

And remember the way the critics went after the 1981 tax cuts? In fact, I myself called them "a riverboat gamble." But it was a gamble that paid off -- with the longest peacetime economic expansion in the history of the country. Interest rates are down, unemployment ^{is the lowest in} ~~has been reined in~~ ^{years} and inflation has dropped significantly.

So what does it take for the President to beat the critics? A strong economy and a world at peace? A high approval rating entering office? A cooperative Congress? Jimmy Carter had all four, yet he was widely regarded as one of the weakest Presidents of this century.

Stereotypes do not apply when it comes to the success or failure of a Presidency. Neither do all the historical parallels -- because they can be drawn on either side of any issue.

I believe that there are basically two sets of variables that count in judging a Presidency.

The first -- and overwhelming -- factor is the relative peace and prosperity of the country. To no other issue do voters respond more acutely. [And, while there have been great presidencies in time of war and economic strife, most Americans would agree that a majority of the "great" presidents have either maintained or improved the nation's well-being during office.]

George Bush enjoys a healthy and sound economy -- and one that by most experts' opinion, is ^{likely} ~~apt~~ to remain that way. Keeping America strong, both militarily and economically, was the overarching theme of his campaign. The policies he has articulated so far are in keeping with this.

Secondly, the attitude of the President himself is a deciding factor. If a Presidency is judged a ~~"bad"~~ ^{or ineffective or failed} one, it is ^{usually} because the President is not moving the country forward. In my two decades in the Senate, I never heard talk of "malaise" when there was a crisis at hand -- even during Vietnam and Watergate, the one story that was not being written was about an "apathetic" America. ^{The reason?} ~~This is because~~ ^F for good or bad, the President ^{was} is engaged and moving forward.

Today

George Bush is engaged and moving ahead. A good example ^{is} ~~is~~ his remark during the press conference announcing Congressman Cheney as the new ^{Defense} Secretary of Defense nominee. Asked about the timetable in picking ^{Cheney} ~~him~~ after Senator Tower's defeat, he responded, "That's history. That's done." He moved ahead.

I think George Bush knows that he enjoys a rather unique moment in history. There aren't ~~too~~ many hotspots in the world right now ~~x~~ like there were at the beginning of the Reagan years. The economy is strong. The only major crisis that presented itself - the Savings and Loan rescue -- was dealt with quickly and decisively within the first three weeks of his taking office. ^{But President Bush} He presented to Congress a more detailed budget proposal ^{far} ~~this~~ early ⁱⁿ in a presidential term than any in memory. On the Asia trip, he met with the leaders of nearly 20 nations, while his Secretary of State met early on with our NATO allies.

and far better received as well.

^{more complacent}
A less determined President might set his sights no higher than maintaining the status quo.

spending tied to the inflation rate so that urgent domestic priorities can be addressed. New taxes would have a drastic effect on the economy right now, and must be avoided at all costs. Bush is right to stand by his word on this.

Bush's agenda ^{for what he has called} ~~on these matters~~ ^{"the new American Century"} is clear. He has made solid proposals ~~on all of them,~~ ^{that address the challenges before us} and he is moving ahead on a number of fronts. He is engaged. He has an instinctive understanding of how to exercise leadership and how to get others to move things where you want them to go. ^{That} ~~This~~ is why he is sticking with bipartisanship. Proclaiming this the "age of the offered hand" may be polite, but it's also very shrewd.

I learned, over many years, the difference between scoring points on the Hill and governing a nation. George Bush knows the difference, too.

between making headlines and making sound policy decisions. ~~to prepare the country for a~~ ~~for America's future.~~

So the time is right for him to take a look ahead at the long ^{term} run. He has the opportunity to develop a plan for entering the next century in a position of strength. There are ^{important} short-term issues to deal with -- which bill is coming up on the Hill and when -- but there are more pressing long-range goals that he must focus the nation's attention on.

President Bush must guide the country toward a stronger competitive stance in the global markets. By improving education and job training, by keeping inflation and unemployment down, and by holding the line on taxes, the President will ensure the economic superiority of this nation.

change environment

He has already made a number of proposals on education and job training, including more funding for math and science studies, "merit" schools, magnet schools, and rewarding excellence in our teachers.

Job creation is the overriding priority of many of the Bush Administration's economic policies. Just this week, his minimum wage proposal, as opposed to Kennedy's Bill, will save thousands of jobs that would otherwise be eliminated by an across-the-board wage hike without a training wage provision.

The Administration's budget priorities are well-thought out, and can be accomplished without having to increase revenues. Most Americans, I think, have no problem with keeping military

> policy

*Hold for
final ok
from
author*

Which Minimum Wage Bill?

Op-ed

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Two minimum wage bills are currently before Congress. One, proposed by Senator Kennedy, would raise the minimum wage from its current level of \$3.35 per hour to \$4.55 per hour within three years. The other, proposed by the President and Labor Secretary Dole, would raise the minimum to \$4.25 over three years. Kennedy's bill calls for a 15% increase in the minimum during the first year as compared with the 9% increase favored by the Administration. A major difference between the two versions focuses on the "training wage," which allows individuals to accept \$3.35 per hour during the first few months on the job. The Democrats prefer no training wage, but if there is one at all, they would like to limit it to the first 60 days on the first job. The Administration wants a substantially longer period, six months, and it wants it to apply to every new job.

Most economists oppose price controls in general, and minimum wages in particular. But faced with a choice, the Bush version is preferable. The Kennedy bill is more likely to damage the economy and those whom it is designed to protect since the required change is more pronounced and since the bill does not allow for a release of pressure where it is most likely to be needed.

Much has been said about the job loss consequences of the minimum wage. While the statements may be valid, they overlook two other points. First, the effects of minimum wage legislation are not spread evenly throughout the economy. Minimum wage laws are like one-size-fits-all garments: they fit no one very well. The minimum wage constraint imposes greater burden on the low wage South than on the high wage North. It creates more pressure in services than in manufacturing where wages exceed the minimum by a substantial amount. It is a tighter constraint during recessions, when wages are low than in expansions, when wages are high. It affects young workers and females more than middle-aged workers and males. And it helps incumbents at the expense of new workers.

Second, wages do not grow by governmental decree, but rise when productivity increases. The lament that the minimum wage does not provide even a subsistence standard of living is beside the point. Minimum wage laws will not further, and may reduce productivity growth. Moreover, wages have gone up substantially over the eighties, a period during which the minimum wage has not increased. This is true even among low wage workers. Indeed, there are 1.7 million fewer workers at the minimum wage today than there were in 1982, even though 11 million new jobs have been created.

Who are minimum wage workers? For the most part, they are young workers on first jobs who will quickly grow into better paying jobs. Teens and young adults account for 60 percent of the minimum wage workers. Only 2% of working adults earn the minimum wage. Of the teens at the minimum, 85% work part-time. Most minimum wage workers are on their jobs for only limited periods. Most leave these jobs, usually for better ones, within a relatively short time and most minimum wage workers have been on the job less than a year. The remaining workers tend to be in food service where tips push the wage above the minimum, sometimes by a large amount.

Minimum wage workers are not in poverty, nor is a significant fraction of the poor working at the minimum wage. Of those earning the minimum wage, over 80% are above the poverty line, primarily because, like teens, they reside in households with living standards well above poverty. Further, only 5% of those in poverty earn the minimum wage. The problem among the poor is not that their wages are too low, but rather that they are not working at all. Raising the minimum wage will only worsen that situation.

A training wage is a way to reduce much of the unemployment that would result from an increase in the minimum wage. A number of studies have shown that the unemployment effects of raising the minimum wage are concentrated among teens and young adults. The training wage would pertain primarily to these workers and would eliminate adverse employment consequences.

Not only would the absence of a training wage cause unemployment, but it would also reduce training. It is widely accepted by labor economists that substantial amounts of training occur during the first few months on the job. Employers will respond to a higher minimum wage by reducing the amount of training, formal and informal, that workers receive on the job. This means less productivity growth, smaller raises, and higher costs to consumers. While these effects may be small to the economy as a whole, they are likely to be large for particular groups in the population and for particular products.

The Bush proposal is preferred because it includes a significant period for the training wage and does not limit it to the first job. From the view of enforcement alone, limiting the training wage to the first job is foolish. Also, it means that a worker who does not like his first job may be forced to stay on it since other employers would be reluctant to hire the new entrant at the full minimum wage. This acts like rent control, which keeps people in apartments that are too big or too small, simply because they do not want to exchange the controlled apartment for one at the market rate. While the potential for employer abuse exists with a six-month training wage, the Bush proposal includes measures that will minimize such abuse. Also, a large fraction of workers who start at the minimum wage are well above the minimum by the time they have been with the employer for six months.

Minimum wage laws transfer income from new hires to incumbents. Those who already have jobs are unlikely to lose them, but new entrants to the labor market will find it tougher to obtain jobs if the minimum wage is increased. Adjustment in the labor market occurs through changes in the hiring rate. A small pool of unemployed workers quickly can become a large lake if the stream that flows from the pool is dammed up. Most likely to bear the burden of increased unemployment are groups that are traditionally sensitive to changes in demand, namely, new female entrants to the labor force and young blacks. This is especially troublesome because black teenage males have unemployment rates that are nearly seven times that of their white counterparts. A training wage is likely to be of greatest benefit to young black workers who will find it increasingly difficult to find jobs at the higher minimum wage.

If Congress is determined to increase the minimum wage, the Administration's proposal is far superior to the Kennedy bill. The Bush proposal has fewer adverse effects on unemployment and productivity and the Kennedy bill will not raise the standard of living of the poor.