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The State of the Union

Address to the
102nd Congress
Second Session

President George Bush

January 28, 1992 Washington, D.C.

PRESIDENTIAL ADDRESS: THE STATE OF THE UNION, 1992 THE CAPITOL

TUESDAY, JANUARY 28, 1992

Mr. Speaker, Mr. President, distinguished Members of Congress, honored guests, and fellow citizens:

I mean to speak tonight of big things; of big changes and the promises they hold, and of some big problems and how together we can solve them and move our country forward as the undisputed leader of the age.

We gather tonight at a dramatic and deeply promising time in our history, and in the history of man on earth.

For in the past twelve months the world has known changes of almost biblical proportions. And even now, months after the failed coup that doomed a failed system, I am not sure we have absorbed the full impact, the full import of what happened. But communism died this year.

Even as President, with the most fascinating possible vantage point, there were times when I was so busy helping to manage progress, and lead change, that I didn't always show the joy that was in my heart.

But the biggest thing that has happened in the world in my life—in our lives—is this: By the grace of God, America won the Cold War.

I mean to speak this evening of the changes that can take place in our country now that we can stop making the sacrifices we had to make when we had an avowed enemy that was a Superpower. Now we can look homeward even more, and move to set right what needs to be set right.

I will speak of those things. But let me tell you something I've been thinking these past few months. It's a kind of rollcall of honor. For the Cold War didn't "end"—it was won.

And I think of those who won it, in places like Korea, and Vietnam. And some of them didn't come back. Back then they were heroes, but this year they became what they didn't know they were: victors.

The long rollcall—all the G.I. Joes and Janes, all the ones who fought faithfully for freedom, who hit the ground and sucked the dust and knew their share of horror.

This may seem frivolous—I don't mean it so—but it's moving to me how the world saw them.

The world saw not only their special valor but their special style—their rambunctious, optimistic bravery, their do-or-die unity unhampered by class or race or region. What a group we've put forth, for generations now—from the ones who wrote "Kilroy was Here" on the walls of German stalags, to those who left signs in the Iraqi desert that said, "I Saw Elvis." What a group of kids we've sent into the world.

And there's another to be singled out—though it may seem inelegant. I mean a mass of people called The American Taxpayer. No one ever thinks to thank the people who pay a country's bills, or an alliance's bills. But for half a century now the American people have shouldered the burden, and paid taxes that were higher than they would have been to support a defense that was bigger than it would have been if imperial communism had never existed.

But it did.

But it doesn't anymore.

And here is a fact I wouldn't mind the world acknowledging: The American taxpayer bore the brunt of the burden, and deserves a hunk of the glory.

And so, now, for the first time in 35 years, our strategic bombers stand down. No longer are they on 'round-the-clock alert. Tomorrow our children will go to school and study history and how plants grow. And they won't have, as my children did, air raid drills in which they crawl under their desks and cover their heads in case of nuclear war. My grandchildren don't have to do that, and won't have the bad dreams children had once, in decades past. There are still threats. But the long, drawn out dread is over.

A year ago tonight I spoke to you at a moment of high peril. American forces had just unleashed Operation Desert Storm. And after forty days in the desert skies, and four days on the ground, the men and women of America's Armed Forces, and our allies, accomplished the goals that I declared, and that you endorsed: We liberated Kuwait.

Soon after, the Arab world and Israel sat down to talk seriously, and comprehensively, about peace—an historic first. And soon after that, at Christmas, the last American hostages came home. Our policies were vindicated.

Much good can come from the prudent use of power. And much good can come of this: A world once divided into two armed camps now recognizes one sole and pre-eminent power: the United States of America.

And they regard this with no dread. For the world trusts us with power—and the world is right. They trust us to be fair, and restrained, they trust us to be on the side of decency. They trust us to do what's right.

I use those words advisedly. A few days after the war began I received a telegram from Joanne Speicher, the wife of the first pilot killed in the Gulf, Lt. Commander Scott Speicher. Even in her grief she wanted me to know that some day, when her children were old enough, she would tell them ". . . that their father went away to war because it was the right thing to do."

She said it all. It was the right thing to do.

And we did it together. There were honest differences here, in this Chamber. But when the war began, you put partisanship aside, and supported our troops.

This is still a time for pride—but this is no time to boast. For problems face us, and we must stand together once again and solve them—and not let our country down.

Two years ago I began planning cuts in military spending that reflected the changes of the new era. But now, this year, with imperial communism gone, that process can be accelerated.

Tonight I can tell you of dramatic changes in our strategic nuclear force. These are actions we are taking on our own—because they are the right thing to do.

After completing 20 planes for which we have begun procurement, we will shut down further production of the B–2 bomber. We will cancel the small I.C.B.M. program. We will cease production of new warheads for our sea-based ballistic missiles. We will stop all new production of the Peacekeeper missile. And we will not purchase any more advanced cruise missiles.

This weekend I will meet at Camp David with Boris Yeltsin of the Russian Federation. I have informed President Yeltsin that if the Commonwealth—the former Soviet Union—will eliminate all land-based multiple warhead ballistic missiles, I will do the following:

We will eliminate all Peacekeeper missiles. We will reduce the number of warheads on Minuteman missiles to one, and reduce the number of warheads on our sea-based missiles by about one-third. And we will convert a substantial portion of our strategic bombers to primarily conventional use.

President Yeltsin's early response has been very positive, and I expect our talks at Camp David to be fruitful.

I want you to know that for half a century, American presidents have longed to make such decisions and say such words. But even in the midst of celebration, we must keep caution as a friend.

For the world is still a dangerous place. Only the dead have seen the end of conflict. And though yesterday's challenges are behind us, tomorrow's are being born.

The Secretary of Defense recommended these cuts after consultation with the Joint Chiefs of Staff. And I make them with confidence. But do not misunderstand me:

The reductions I have approved will save us an additional 50 billion dollars over the next five years. By 1997 we will have cut defense by 30% since I took office. These cuts are deep, and you must know my resolve: This deep, and no deeper.

To do less would be insensible to progress—but to do more would be ignorant of history.

We must not go back to the days of "the hollow army". We cannot repeat the mistakes made twice in this century, when armistice was followed by recklessness, and defense was purged as if the world were permanently safe.

I remind you this evening that I have asked for your support in funding a program to protect our country from limited nuclear missile attack. We must have this protection because too many people in too many countries have access to nuclear arms.

There are those who say that now we can turn away from the world, that we have no special role, no special place.

But we are the United States of America, the leader of the west that has become the leader of the world.

As long as I am President we will continue to lead in support of freedom everywhere—not out of arrogance, and not out of altruism, but for the safety and security of our children.

This is a fact: Strength in the pursuit of peace is no vice; isolationism in the pursuit of security is no virtue. Now to our troubles at home. They are not all economic, but the primary problem is our economy. There are some good signs: Inflation, that thief, is down; and interest rates are down. But unemployment is too high, some industries are in trouble, and growth is not what it should be.

Let me tell you right from the start and right from the heart: I know we're in hard times, but I know something else: This will not stand.

My friends in this Chamber: We can bring the same courage and sense of common purpose to the economy that we brought to Desert Storm. And we can defeat hard times together.

I believe you will help. One reason is that you're patriots, and you want the best for your country. And I believe that in your hearts you want to put partisanship aside and get the job done—because it's the right thing to do.

The power of America rests in a stirring but simple idea: That people will do great things if only you set them free.

Well, we're going to set the economy free, for if this age of miracles and wonders has taught us anything, it's that if we can change the world, we can change America.

We must encourage investment. We must make it easier for people to invest money and create new products, new industries, and new jobs. We must clear away the obstacles to growth—high taxes, high regulation, red tape, and yes, wasteful government spending.

None of this will happen with a snap of the fingers—but it will happen. And the test of a plan isn't whether it's called new or dazzling. The American people aren't impressed by gimmicks; they're smarter on this score than all of us in this room. The only test of a plan is: Is it sound and will it work?

We must have a short term plan to address our immediate needs, and heat up the economy. And we need a long term plan to keep the combustion going, and to guarantee our place in the world economy.

There are certain things that a President can do without Congress—And I am going to do them.

I have this evening asked major cabinet departments and federal agencies to institute a 90 day moratorium on any new federal regulations that could hinder growth. In those 90 days major departments and agencies will carry out a top to bottom review of all regulations, old and new—to stop the ones that will hurt growth, and speed up those that will help growth.

Further, for the untold number of hard working, responsible American workers and businessmen and women, who've been forced to go without needed bank loans: The banking credit crunch must end. I won't neglect my responsibility for sound regulations that serve the public good, but regulatory overkill must be stopped.

And I have instructed our government regulators to stop it.

I have directed cabinet departments, and federal agencies, to speed up pro-growth expenditures as quickly as possible. This should put an extra 10 billion dollars into the economy in the next 6 months. And our new transportation bill provides more than 150 billion dollars for construction and maintenance projects that are vital to our growth and well being. That means jobs building roads, jobs building bridges, and jobs building railways.

I have this evening directed the Secretary of the Treasury to change the federal tax withholding tables. With this change, millions of Americans from whom the government withholds more than necessary can now choose to have the government withhold less from their paychecks. Something tells me a number of taxpayers may take us up on this. This initiative could return about 25 billion dollars back into our economy over the next 12 months—money people can use to help pay for clothing, college, or to get a new car.

Finally, working with the Federal Reserve, we will continue to support monetary policy that keeps both interest rates and inflation down.

These are the things I can do. And now, members of Congress, let me tell you what you can do for your country. You must pass the other elements of my plan to meet our immediate economic needs.

Everyone knows that investment spurs recovery.

I am proposing this evening a change in the alternative minimum tax, and the creation of a new 15% investment tax allowance. This will encourage businesses to accelerate investment and bring people back to work.

Real estate has led our economy out of almost all the tough times we've ever had. Once building starts, carpenters and plumbers work and people buy homes and take out mortgages.

My plan would modify the Passive Loss Rule for active real estate developers. And it would make it easier for pension plans to purchase real estate.

For those Americans who dream of buying a first home, but who can't quite afford it, my plan would allow first time home buyers to withdraw savings from I.R.A.'s without penalty—and provide a five thousand dollar tax credit for the first purchase of that home.

And finally, my immediate plan calls on Congress to give crucial help to people who own a home, to everyone who has a business, or a farm, or a single investment.

This time, at this hour, I cannot take No for an answer: You must cut the capital gains tax on the people of our country.

Never has an issue been more demagogued by its opponents. But the demagogues are wrong—and they know it. Sixty percent of the people who benefit from lower capital gains have incomes under 50 thousand dollars. A cut in the capital gains tax increases jobs and helps just about everyone in our country.

And I'll tell you, those of you who say, "Oh no, someone who's comfortable may benefit from this." You kind of remind me of the old definition of the Puritan, who couldn't sleep at night worrying that somehow someone somewhere was out having a good time.

The opponents of this measure—and those who've authored various so called soak-the-rich bills that are floating around this chamber—should be reminded of something: When they aim at the big guy they usually hit the little guy. And maybe it's time that stopped.

This then is my short term plan. Your part, members of Congress, requires enactment of these common sense proposals that will have a strong effect on the economy—without breaking the budget agreement and without raising tax rates.

While my plan is being passed and kicking in, we've got to care for those in trouble today. I have provided up to 4.4 billion dollars in my budget to extend federal unemployment benefits. I ask for Congressional action right away.

And let's be frank:

I know, and you know, that my plan is unveiled in a political season. I know, and you know, that everything I propose will be viewed by some in merely partisan terms. But I ask you to know what is in my heart: My aim is to increase our nation's good. I am doing what I think is right; I am proposing what I know will help.

I pride myself that I am a prudent man. I believe that patience is a virtue, but I understand that politics is, for some, a game—and that sometimes the game is to stop all progress and then decry the lack of improvement.

But let me tell you: far more important than my political future—and far more important than yours—is the well being of our country. Members of this Chamber are practical people, and I know you won't resent some practical advice: When people put their party's fortunes before the public good, they court defeat not only for their country, but for themselves. And they will certainly deserve it.

I submit my plan tomorrow. I am asking you to pass it by March 20th. And I ask the American people to let you know they want this action by March 20th.

From the day after that, if it must be: the battle is joined.

And you know, when principle is at stake I relish a good fair fight.

I said my plan has two parts, and it does. And it is the second part that is the heart of the matter. For it's not enough to get an immediate burst—we need long term improvement in our economic position.

We all know that the key to our economic future is to ensure that America continues as the economic leader of the world. We have that in our power.

Here, then, is my long term plan to guarantee our future.

First, trade: We will work to break down the walls that stop world trade. We will work to open markets everywhere.

In our major trade negotiations I will continue pushing to eliminate tariffs and subsidies that damage America's farmers and workers. And we'll get more good American jobs within our own hemisphere through the North American Free Trade Agreement, and through the Enterprise for the Americas Initiative.

But changes are here, and more are coming. The workplace of the future will demand more highly skilled workers than ever—more people who are computer literate, and highly educated.

We must be the world's leader in education. We must revolutionize America's schools.

My America 2000 education strategy will help us reach that goal. My plan will give parents more choice, give teachers more flexibility, and help communities create New American Schools.

Thirty states across the nation have established America 2000 programs. Hundreds of cities and towns have joined in.

Now Congress must join this great movement: Pass my proposals for New American Schools.

That was my second long term proposal. This is my third:

We must make common sense investments that will help us compete, long term, in the marketplace.

We must encourage research and development. My plan is to make the R and D tax credit permanent, and to provide record levels of support—over 76 billion dollars this year alone—for people who will explore the promise of emerging technologies.

Fourth, we must do something about crime, and drugs.

It is time for a major, renewed investment in fighting violent street crime. It saps our strength and hurts our faith in our society, and in our future together.

Surely a tired woman on her way to work at 6 in the morning on a subway deserves the right to get there safely. Surely it's true that everyone who changes his or her life because of crime—from those afraid to go out at night to those afraid to walk in the parks they pay for—surely these people have been denied a basic civil right.

It is time to restore it. Congress, pass my comprehensive crime bill. It is tough on criminals and supportive of police—and it has been languishing in these hallowed halls for years now.

Pass it. Help your country.

Fifth, I ask you tonight to fund our H.O.P.E. housing proposal—and to pass my Enterprise Zone legislation, which will get businesses into the inner city. We must empower the poor with the pride that comes from owning a home, getting a job, becoming a part of things.

My plan would encourage real estate construction by extending tax incentives for mortgage revenue bonds and low income housing.

And I ask tonight for record expenditures for the program that helps children born into want move into excellence: Head Start.

Step six—we must reform our health care system. For this too bears on whether or not we can compete in the world.

American health costs have been exploding. This year America will spend over 800 billion dollars on health. And that's expected to grow to 1.6 trillion by the end of the decade. We simply cannot afford this.

The cost of health care shows up not only in your family budget, but in the price of everything we buy and everything we sell. When health coverage for a fellow on an assembly line costs thousands of dollars, the cost goes into the products he makes—and you pay the bill.

We must make a choice.

Some pretend we can have it both ways. They call it Play or Pay—but that expensive approach is unstable. It will mean higher taxes, fewer jobs and, eventually, a system under complete government control.

Really, there are only two options: We can move toward a nationalized system—which will restrict patient choice in picking a doctor and force the government to ration services arbitrarily. And what we'll get is patients in long lines, indifferent service, and a huge new tax burden.

Or we can reform our own private health care system—which still gives us, for all its flaws, the best quality health care in the world.

Well, let's build on our strengths.

My plan provides insurance security for all Americans—while preserving and increasing the idea of choice. We make basic health insurance affordable for all low income people not now covered. We do it by providing a health insurance tax credit of up to $3,750 for each low income family. The middle class gets new help too. And, by reforming the health insurance market, my plan assures that Americans will have access to basic health insurance even if they change jobs or develop serious health problems.

We must bring costs under control, preserve quality, preserve choice, and reduce the people's nagging daily worry about health insurance. My plan, the details of which I will announce shortly, does just that.

Seventh, we must get the federal deficit under control.

We now have in law enforceable spending caps, a requirement that we pay for the programs we create.

There are those in Congress who would ease that discipline now. But I cannot let them do it—and I won't.

My plan would freeze all domestic discretionary budget authority—which means "No more next year than this year." I will not tamper with Social Security, but I would put real caps on the growth of uncontrolled spending. I would also freeze federal domestic government employment.

With the help of Congress, my plan will get rid of 246 programs that don't deserve federal funding. Some of them have noble titles, but none of them is indispensable. We can get rid of each and every one of them.

You know, it's time we rediscovered a 'home truth' the American people have never forgotten: This government is too big and spends too much.

I call upon Congress to adopt a measure that will help put an end to the annual ritual of filling the budget with pork-barrel appropriations. Every year, the press has a field day making fun of outrageous examples—a Lawrence Welk museum, a research grant for Belgian Endive.

We all know how these things get into the budget. Maybe you need someone to help you say No. I know how to say it. And you know what I need to make it stick. Give me the same thing 43 Governors have: The line item veto.

We must put an end to unfinanced federal government mandates. These are the requirements Congress puts on our cities, counties and states—without supplying the money. If Congress passes a mandate, it should be forced to pay for it, and to balance the cost with savings elsewhere. After all, a mandate just increases someone else's burden—and that means higher taxes at the state and local level.

Step Eight: Congress should enact the bold reform proposals that are still awaiting Congressional action—bank reform, civil justice reform, tort reform, and my national energy strategy.

Finally: We must strengthen the family—because it is the family that has the greatest bearing on our future. When Barbara holds an AIDS baby in her arms, and reads to children, she's saying to every person in this country "Family matters."

I am announcing tonight a new Commission on America's Urban Families. You know, I had mayors from the League of Cities in the other day, and they told me something striking. They said that every one of them, Republicans and Democrats, agreed on one thing: That the major cause of the problems of the cities is the dissolution of the family.

They asked for this Commission, and they were right to ask, because it's time to determine what we can do to keep families together, strong and sound.

There's one thing we can do right away: ease the burden of rearing a child. I ask you tonight to raise the personal exemption by five hundred dollars per child for every family. For a family with four kids, that's an increase of two thousand dollars. This is a good start, in the right direction, and it's what we can afford.

It's time to allow families to deduct the interest they pay on student loans. I am asking you to do just that. And I'm asking you to allow people to use money from their I.R.A.'s to pay medical and education expenses—all without penalties.

And I'm asking for more. Ask American parents what they dislike about how things are in our country, and chances are good that pretty soon they'll get to welfare.

Americans are the most generous people on earth. But we have to go back to the insight of Franklin Roosevelt who, when he spoke of what became the welfare program, warned that it must not become "a narcotic" and a "subtle destroyer" of the spirit.

Welfare was never meant to be a lifestyle; it was never meant to be a habit; it was never supposed to be passed from generation to generation like a legacy.

It's time to replace the assumptions of the welfare state, and help reform the welfare system.

States throughout the country are beginning to operate with new assumptions: That when able-bodied adults receive government assistance, they have responsibilities to the taxpayer. A responsibility to seek work, education, or job training—a responsibility to get their lives in order—a responsibility to hold their families together and refrain from having children out of wedlock—and a responsibility to obey the law.

We are going to help this movement. Often, state reform requires waiving certain federal regulations. I will act to make that process easier and quicker for every state that asks our help.

And I want to add, as we make these changes, that our intention isn't scapegoating or finger pointing. If you read the papers or watch tv you know there's been a rise these days in a certain kind of bitterness, racist comments, anti-semitism, an increased sense of division.

Really, this is not us. This is not who we are. And this is not acceptable.

And so you have my plan for America. I am asking for big things—but I believe in my heart you will do what's right.

You know, it's kind of an American tradition to show a certain skepticism toward our democratic institutions. I myself have sometimes thought the aging process could be delayed if it had to make its way through Congress.

You will deliberate, and you will discuss, and that is fine.

But, my friends: the people cannot wait. They need help now.

There is a mood among us. People are worried, there has been talk of decline. Someone even said our workers are lazy and uninspired.

And I thought, really. Go tell Neil Armstrong standing on the moon. Tell the men and women who put him there. Tell the American farmer who feeds his country and the world. Tell the men and women of Desert Storm.

Moods come and go, but greatness endures.

Ours does.

And maybe for a moment it's good to remember what, in the dailyness of our lives, we forget:

We are still and ever the freest nation on earth—the kindest nation on earth—the strongest nation on earth—

And we have always risen to the occasion.

We are going to lift this nation out of hard times inch by inch and day by day, and those who would stop us had best step aside. Because I look at hard times and I make this vow: This will not stand.

And so we move on, together, a rising nation, the once and future miracle that is still, this night, the hope of the world.

Thank you. God bless you. God bless our beloved country.

THE WHITE HOUSE

Office of the Press Secretary

EMBARGOED FOR RELEASE
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UNTIL 9:00 PM (EST)
TUESDAY, JANUARY 28, 1992

THE PRESIDENT'S STATE OF THE UNION ADDRESS

FACT SHEET

The President in his State of the Union Address spoke about America's unique place in the world and about his plans for restoring growth in America's economy. He challenged the Congress to pass his economic growth package by March 20.

Previously, the President had identified five tests for evaluating proposals for restoring economic growth:

- Does the proposal stimulate the investment necessary to create jobs?
- Does it bolster real estate values and increase home sales?
- Does it give Americans confidence they will be able to afford the cost of raising a family, including meeting their education and health care expenses?
- Does it increase America's capacity to compete in the global economy?
- Does it control wasteful government spending and work to reduce the Federal deficit?

The President's agenda meets these tests. In his State of the Union address, the President outlined three broad themes:

- Securing a New World Order;
- Getting the Economy Moving: The Short-Term Agenda; and
- Securing America's Future: The Longer-Term Agenda.

The following is a summary of the initiatives announced by the President.

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I. SECURING A NEW WORLD ORDER

The President noted the historic American victory in the Cold War, and paid tribute to the "roll call of honor" -- the long list of servicemen and women who fought faithfully for freedom. He also acknowledged the role of the American taxpayer in bearing the brunt of the burden of providing resources to fight the Cold War. While threats still exist, the President observed that Operation Desert Storm demonstrated the good that can come from the "prudent use of power".

The President said that, with Communism gone, plans for cutting military spending can be accelerated. He announced that he has approved an additional $50 billion in defense savings through fiscal year 1997.

The President has told President Yeltsin that the United States is prepared to respond in kind if Russia eliminates all land-based multiple warhead ballistic missiles and reduces its strategic nuclear forces. Specifically, the United States would eliminate all Peacekeeper missiles and reduce the number of warheads on Minuteman missiles to one. We would also reduce the number of warheads to be deployed on our Trident submarine force by about one-third and would convert a substantial portion of our strategic bombers primarily to conventional use.

The President also announced the following steps that the United States will take unilaterally:

A. Limiting Production of the B-2 Bomber.

After completing the 20 B-2 stealth bombers for which airframe procurement has begun, we will stop further production. There were 75 B-2 bombers in the previous plan. Because of the changes in the Soviet threat, America's strategic bomber force is less likely to face the sophisticated air defenses for which the B-2 was designed. Current bomber forces, including B-1B and B-52 aircraft, can be adapted to ensure adequate capabilities for strategic nuclear and conventional missions. Proposed savings are $14.5 billion through 1997.

B. Cancelling the Small ICBM Program.

The small ICBM will be terminated. The guidance system for existing Minuteman III missiles will be improved and the service life of these missiles will be extended. Projected savings are $1 billion through 1997.

C. Ceasing Production of New Warheads for Sea-Based Ballistic Missiles.

The Department of Energy will cease production of W-88 warheads for Trident missiles. This will be the first time since 1945 that the United States has no nuclear weapons in production.

D. Halting Purchases of Advanced Cruise Missiles.

Procurement will be terminated after 1992 at a total of 640 missiles, instead of the planned 1,000 missiles. This reflects reductions in the strategic target base and in the strategic threat. Projected savings are $1.3 billion through 1997.

E. Stopping New Production of Peacekeeper Missiles.

For the second year in a row, the President will recommend no funds for the production of additional Peacekeeper missiles.

The President noted that he has consulted on these cuts with the Joint Chiefs of Staff and is acting on the recommendation of Secretary Cheney. He observed that, with the proposed cuts, by 1997 we will have reduced defense expenditures by thirty percent since he took office. The President underscored his resolve to resist further reductions as inconsistent with America's security interests and world leadership responsibilities. He declared that "as long as I am President we will continue to lead in support of freedom everywhere."

II. GETTING THE ECONOMY MOVING: THE SHORT-TERM AGENDA

The President declared that "we can bring the same courage and sense of common purpose to the economy that we brought to Desert Storm. And we can defeat hard times together." He identified a series of immediate actions necessary to get America back to work. He is taking several actions on his own authority. Other actions require the cooperation of Congress.

A. Actions the President Is Taking on His Own Authority.

The President has previously proposed several major growth-oriented legislative initiatives, such as his banking reform and energy bills, and he has urged the Congress to act on them. There is, however, much the Administration can and will do on its own to promote economic growth. For example, the Administration will continue to take steps to alleviate the credit crunch. Similarly, it will continue to cut back excessive and misguided regulations that impose a large burden on the economy -- a hidden tax on American households in the form of higher prices for goods and services.

1. Regulatory Review.

The financial services reforms, tax proposals, and other regulatory initiatives listed below are just part of the intensive 90-day period of review and reform launched tonight by the President.

- The heads of the major Federal regulatory agencies will undertake a 90-day review of regulations and programs that may hinder economic growth and will identify and accelerate action on initiatives to reduce the burden of existing regulations or otherwise promote economic growth.
- To the extent permitted by law, each agency will refrain from proposing or issuing new regulations and programs that retard economic growth. This moratorium will be implemented without undermining health and safety and will not prevent compliance with statutory or judicial deadlines.

2. Alleviating the Credit Crunch.

The President is continuing his efforts to ensure that creditworthy businesses and individuals have access to funds for productive investments. Federal agencies are taking the following administrative steps to increase the availability of capital throughout the economy:

- The Administration is proposing to remove certain geographic restrictions on Federal thrift institutions.
- The bank and thrift regulatory agencies are enhancing the ability of banks and thrifts to raise additional capital by, among other things, removing certain restrictions on the assets that institutions can count as "Tier One" capital.
- The FDIC will implement ahead of schedule the new risk-based premium system for deposit insurance. Healthy banks will be rewarded with lower premiums

which, in turn, can help generate new lending without endangering the FDIC's insurance fund.

- The Securities and Exchange Commission will shortly propose rules to simplify registration requirements, reduce costs, and enhance the ability of small businesses to obtain capital from securities markets.

- To alleviate the concern of lenders that they will be saddled with liability under the Superfund law for environmental damage done by their borrowers, the Environmental Protection Agency will promulgate its final rule clarifying lenders' liability under Superfund.

3. Accelerating Agency Pro-Growth Initiatives.

The President has directed every cabinet Department and agency to get funds into pro-growth initiatives as quickly as possible. This should put an extra $10 billion into the economy in the next 6 months. As part of this effort, he has directed the Department of Transportation to disburse quickly to state and local governments funds for highway and transit projects authorized by the recently signed Surface Transportation Act.

4. Reforming Federal Income Tax Withholding.

The Treasury Department will adjust IRS withholding tables to reduce the amount of over-withholding on low- and middle-income wage earners.

- This change will increase take-home pay by $300, on average, for more than 90 million wage earners. Increases will range from around $175 for single individuals to more than $600 for two-income families.

- This change will increase wage earners' take-home pay by about $25 billion in the coming year.

- This change is permanent. Over-withholding has crept into the system over time.

- More than 85 percent of taxpayers currently receiving refunds will continue to receive refunds, although smaller ones.

- Later this year, the IRS will contact those taxpayers who could owe tax, or additional tax, as a result of this change. The IRS will advise these taxpayers how to adjust their withholding to avoid owing the government money in April.

- Wage earners can elect not to change the amount withheld from their paycheck by reducing the withholding allowances they claim with their employers.

5. Reforming The Federal Payroll Tax System.

One of the barriers to increased employment and higher growth -- particularly of small and emerging businesses -- is the payroll tax system, which imposes billions of dollars per year in compliance costs. In addition to supporting tax simplification legislation now pending in Congress, the Department of the Treasury, in cooperation with the Department of Health and Human Services, will reduce the economic burden of the payroll tax system by abolishing and modifying requirements and procedures that needlessly increase employer costs.

6. Supporting Sound Monetary Policy.

The President pledged that his Administration would "continue to support monetary policy that keeps both interest rates and inflation down." The rate of inflation was 3.1 percent in 1991, the second-lowest level since 1967, and interest rates are now at their lowest level in two decades.

B. Actions That Require the Cooperation of Congress.

The President proposed a number of steps to encourage increased job-creating investment and saving and promote economic growth while maintaining budget discipline. Some of these measures are designed to have an immediate impact, while others are intended to provide a more permanent increase in the Nation's investment in productive assets.

1. Encouraging Investment and Saving.

To encourage increased investment and saving, the President proposed changes in the Tax Code.

- <u>Creating an Investment Tax Allowance</u>. To stimulate an immediate increase in investment in productive assets, the President proposed an additional 15 percent first-year depreciation allowance for certain property acquired between February 1 and December 31, 1992, and placed in service by June 30, 1993.

  -- The additional depreciation allowance applies for both regular and alternative minimum tax purposes.

  -- The additional allowance applies to machinery, equipment and the like (so-called "Section 1245 property").

  -- A taxpayer's basis in qualifying property is reduced by the amount of the investment tax allowance.

- <u>Simplifying and Enhancing Alternative Minimum Tax Depreciation</u>. The President proposed a permanent modification to the alternative minimum tax (AMT) rules that would simplify the law and provide additional investment incentives.

  Firms that pay taxes under the AMT currently receive less tax benefit from depreciation than other firms. The President proposes to repeal the "adjusted current earnings" (ACE) depreciation adjustment for firms placing new equipment in service on or after February 1, 1992. The current depreciation adjustment used to compute the ACE penalizes capital-intensive companies, such as airlines, chemicals, paper, motor vehicles, and steel when they buy equipment to modernize, expand capacity or meet the challenge of international competition.

2. <u>Stimulating the Real Estate Market and Home Ownership</u>.

The President called for enactment of several proposals affecting real estate. These proposals, coupled with other elements of the President's economic growth plan and the availability of low mortgage interest rates, will bolster residential and commercial real estate values and assist low- and middle-income families in buying homes and meeting their housing needs.

- Providing a Temporary Tax Credit for First-Time Homebuyers. The President has proposed a temporary tax credit for first-time homebuyers.

  -- The credit would be 10 percent of the purchase price of a home, up to a maximum of $5,000.

  -- Half the credit would be allowed in the year the residence is purchased (1992) and half in the succeeding year (1993).

  -- The tax credit would be effective for homes purchased between February 1 and December 31, 1992.

  -- A "first-time homebuyer" would include any individual not owning a home during the previous three years.

- Using IRAs for First-Time Home Purchases. The President also proposed to waive the 10 percent penalty for withdrawals from Individual Retirement Accounts for first-time homebuyers.

  -- Amounts up to $10,000 could be withdrawn from Individual Retirement Accounts for a first-time home purchase. If both spouses have IRAs, each can make withdrawals, so the total can be as high as $20,000.

- Modifying Certain Passive Loss Rules Affecting Real Estate Developers. The President proposed allowing developers actively engaged in the real estate business to offset non-rental income with rental losses from properties they developed.

  -- Under the "passive loss" rules, rental losses can only offset "passive" income.

  -- As a result, many real estate developers cannot use rental losses from properties they have developed to offset income from other profitable parts of their business.

3. Cutting the Capital Gains Tax Rate.

To encourage investment for a more competitive America, the President proposed a permanent exclusion of up to 45 percent of the capital gain on the sale of an asset, resulting in a maximum tax rate on long-term capital gains of approximately 15 percent.

- The proposal would be phased in over three years. Eventually, only assets held for at least 3 years would qualify for the 45 percent exclusion; assets held between 2 and 3 years would qualify for a 30 percent exclusion; assets held between 1 and 2 years would qualify for a 15 percent exclusion.

- In general, all capital assets held by individuals, except collectibles, would be eligible for the capital gains exclusion. Corporations would not be able to claim the exclusion.

4. Extending Federal Unemployment Benefits.

The President is proposing legislation to make two changes to the emergency unemployment compensation program enacted on November 14, 1991. First, the expiration date of the program would be extended for five additional months of benefits. Second, the President is proposing to enable all states to pay an additional 13 weeks of benefits through June 13, 1992. The President asked the Congress to work with him and act immediately.

III. SECURING AMERICA'S FUTURE: THE LONGER-TERM AGENDA

The President stated that "we need long term improvement in our nation's economic position." He proposed the following steps to "guarantee our future."

A. Expanding Trade and Opening Markets for American Exports.

Open markets around the world mean expanded export opportunities for U.S. entrepreneurs, greater profits for our businesses, new jobs for our workers, lower prices and greater choices for our consumers, and a better standard of living for all Americans.

1. Concluding the Uruguay Round GATT Negotiation.

A successful conclusion to the Uruguay Round will:

- Reduce tariffs and non-tariff barriers by a third, thereby pumping $5 trillion into the global economy over the next decade;

- Sharply cut the theft of America's best ideas, now estimated at $60 billion annually through the infringement of our patents and copyrights, and the counterfeiting of our trademarks;
- Create new opportunities for America's service industries, which export $115 billion annually and create 90 percent of our new jobs; and
- Expand trade for American farmers, who are already the world's most productive, with more than $40 billion in annual exports.

2. Negotiating a North American Free Trade Agreement.

The negotiations now underway on a free trade area throughout North America will create one of the world's largest markets, with 360 million producers and consumers and $6 trillion in annual output. Partly due to the promise of the free trade area, U.S. exports to Mexico have doubled since 1986, creating 320,000 additional jobs.

3. Implementing the Enterprise for the Americas Initiative.

President Bush introduced the Enterprise for the Americas Initiative in June 1990 to promote continued growth and stability throughout the Western Hemisphere. The Initiative stimulates economic reform by encouraging open markets for both trade and investment, and by helping to reduce debt burdens in the region. Congressional action is needed to implement this initiative.

B. Revolutionizing American Education.

The President stated that "we must revolutionize America's schools," and how we care for our children outside the schools. He emphasized the importance of the parental choice proposals contained in his AMERICA 2000 strategy. He called for giving teachers more flexibility in spending Federal monies and helping communities create break-the-mold New American Schools.

Since it was launched in April 1991, 30 states and over 1,000 communities have joined the AMERICA 2000 crusade to help move the country community-by-community toward the six national education goals.

In his 1993 budget, the President is proposing the largest increase for any Federal discretionary program for the Department of Education -- bringing it to a level 42 percent above FY 1989 discretionary spending.

C. Investing in Research, Development and Technological Innovation.

The President declared that "we must make common sense investments that will help us compete, long term, in the marketplace."

1. Encouraging Private Research and Development.

The President proposes to make permanent the current 20 percent research and experimentation credit and extend the current research and experimentation sourcing rules through December 31, 1993.

2. Increasing Federal Support for Emerging Technologies.

Investments in research and development form the foundation for the exploration of all of the new frontiers of today and tomorrow. The President's budget proposes $76.5 billion in research and development expenditures for 1993. This funding will support investments to expand the frontier of knowledge in such areas as biotechnology, materials science, and high performance computing.

D. Combatting Violent Crime.

The President's plan for building strong neighborhoods supports his serious, all-out assault on crime and drug abuse. He noted that violent crime "saps our strength and hurts our faith in our society, and in our future together."

The President called upon Congress to pass his comprehensive crime bill which, he said, is "tough on criminals and supportive of police." The proposed Comprehensive Violent Crime Control Act's key elements include:

- An enforceable Federal death penalty;
- Reform of habeas corpus procedures;
- Reform of the exclusionary rule; and

- Enhanced penalties for crimes committed with a firearm.

E. Expanding Opportunity for Individuals and Families.

1. Increasing Home Ownership: Homeownership and Opportunity for People Everywhere (HOPE).

The President challenged Congress to fund fully his HOPE proposals.

- HOPE offers opportunities for homeownership and resident management of public and assisted housing.
- The program also includes "Shelter Plus Care" to provide help to those homeless who need support services, such as mental health care, to achieve dignified and independent lives.
- The President's budget proposes an increase of 102 percent in the HOPE program, to a level of $4.8 billion. Over the past three years, Congress has cut funds requested by the President for HOPE by more than $300 million.

2. Creating Job Opportunities: Enterprise Zones.

The President called on Congress to pass his Enterprise Zones legislation, which he first transmitted to Congress on July 26, 1989.

- The Enterprise Zones initiative would target tax incentives and regulatory relief to some of the nation's most economically depressed areas.
- Under the President's proposal, 50 areas would be chosen to become enterprise zones. In these zones, workers would receive tax credits against their income taxes, capital gains would be eliminated on investments, and expensing rules for capital investments would be liberalized.

3. Extending Tax Preferences for Low-Income Housing and Mortgage Revenue Bonds.

The President proposed to extend the low-income housing tax credit and the authority for state and local governments to issue mortgage revenue bonds through December 31, 1993.

4. Investing in Our Children.

The President asked for support for his proposal to fund Head Start at record high levels.

- The President's fiscal year 1993 budget proposes $2.8 billion in funding for Head Start, the largest increase ($600 million) in the program's history. The President's proposal would allow the comprehensive pre-school program to serve more than 779,000 low-income children, which includes all eligible four-year-olds whose parents choose for them to participate.

- The President's 1993 budget requests over $100 billion for programs that help children, including Head Start. This represents a 66 percent increase since 1989.

F. Reforming our Health Care System.

The President called for reforming our health care system. He rejected a government takeover of the health care system, or plans that would:

- Deny patient choice in picking a health plan;

- Ration health care services;

- Burden small business with expensive new mandates; or

- Require tax increases.

The President announced that he will propose a plan to reform our health care system that would:

- Preserve and increase the idea of choice.

- Make basic health care insurance affordable for low-income people not now covered, through a transferable health insurance credit (voucher) that would be as large as $3,750 per family;

- Provide insurance security for workers moving between jobs;

- Bring costs under control;
- Help middle-class Americans pay for health insurance with a tax deduction; and

The full details of the President's comprehensive health care plan will be presented within the next two weeks.

G. Controlling Federal Spending.

The President announced several initiatives to bring Federal spending under control by building on the budget discipline imposed by the Budget Enforcement Act of 1990.

1. Freezing Domestic Discretionary Budget Authority.

The budget authority in the President's 1993 Budget will be at the level of 1992 budget authority -- a nominal freeze on discretionary spending. Because of savings on defense expenditures, total discretionary budget authority will decrease.

2. Capping the Growth of Uncontrolled Spending.

The President proposed establishing a mechanism to control the automatic growth in spending for existing entitlement and other mandatory programs.

3. Freezing Federal Employment for Non-Defense Agencies.

Total full-time equivalent positions in non-defense agencies for 1993 will not exceed the 1992 level. Because of defense employment reductions, the Federal workforce will shrink by almost 4 percent.

4. Terminating Federal Programs.

The President presented Congress with a list of 246 Federal programs that do not deserve funding and asked Congress to abolish them. The total savings would be almost $5 billion in fiscal year 1993.

5. Adopting a Line-Item Veto.

The current budget process encourages special interest spending. The President should have the power to defend the general interest by striking from appropriations legislation any provisions that reflect only narrow interests.

6. Ending Unfinanced Federal Government Mandates.

The President asserted that Congress should pay for any mandated policies, programs, or activities that it imposes on our cities, counties, or states.

H. Enacting Bold Reform Proposals.

The President challenged Congress to enact four major reform proposals still awaiting Congressional action -- bank reform, civil justice reform, tort reform, and his national energy strategy.

I. Strengthening the Family.

The President declared that "we must strengthen the family -- because it is the family that has the greatest bearing on our future."

1. Establishing a Commission on America's Urban Families.

The President announced he will establish a new Commission on America's Urban Families, to identify ways to "keep families together, strong and sound."

2. Easing the Financial Burden on Families.

The President urged Congress to:

- Raise the Personal Exemption for Children. To help families with children, the President proposed increasing the personal exemption for dependent children, effective October 1, 1992. The exemption would be increased by $500 and would be indexed for inflation.

- <u>Allow the Deduction of Interest on Student Loans</u>. The President proposed allowing families to deduct the interest they pay on student loans.

  -- The deduction would be permitted for interest incurred in financing higher education and training for the taxpayer and his or her spouse and children.

- <u>Allow IRAs to be Used for Medical and Educational Expenses</u>. The President proposed allowing penalty-free withdrawal of IRA funds for qualifying medical and educational expenses.

3. <u>Reforming the Welfare System</u>.

The President pledged to help any state attempting to reform its welfare system to promote individual responsibility by making it easier to obtain quickly any waiver of Federal regulations that may be required.

J. <u>Moving Forward</u>.

The President reminded Americans that we are "the freest nation on earth -- the kindest nation on earth -- the strongest nation on earth," but recognized that we can do even more. He also reminded us that "if we can change the world, we can change America."