

Originally Processed With FOIA(s):
2025-0647-S

FOIA Number:
2025-0647-S

FOIA MARKER

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

Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: Chief of Staff, White House Office of
Series: Rogers, Ed, Files
Subseries: Subject Files

OA/ID Number: 04014
Folder ID Number: 04014-028

Folder Title:
State of the Union 1991

Stack:	Row:	Section:	Shelf:	Position:
G	15	23	1	

THE PRESIDENT'S STATE OF THE UNION SPEECH

JANUARY 29, 1991 -- TALKING POINTS

International:

- o Halfway around the world we are engaged in the hard work of freedom. A new world order of peace, security, and the rule of law, is being built by the brave men and women now serving in the Persian Gulf.
- o America stands with the United Nations, and armed forces from 28 countries, to reverse Saddam Hussein's aggression in the Gulf. We are on course and we will prevail.

Highlights of the President's agenda for investment in the future:

- legislation to achieve excellence in education;
- support for research and development in technology;
- a comprehensive national energy strategy;
- a new national highway system;
- comprehensive new banking reform measures;
- a national drug strategy for combatting drug abuse and crime; and
- election law reform.

Themes:

- o America's future lies in unlocking every citizen's potential. The legislative accomplishments of the last year -- enhancing opportunities for Americans with disabilities, giving child care support directly to parents, and making affordable housing available to more Americans -- strengthen the power and freedom of choice for individuals and families.
- o The President seeks to affirm America as a nation of principle, a nation without unfair barriers, preferences, or bias. A nation that protects and expands the potential of individuals while it creates new jobs and economic growth as a competitor in the global economy.
- o A strong economy and expanded economic freedom are chief among the goals of the President's economic growth package, which includes tax-free family savings accounts, IRAs for first-time home-buyers, and incentives for long-term investment.
- o President Bush called on every American to ready the nation for the future by working to enhance freedom at home, to foster freedom abroad, and to make America a community of conscience.

THE WHITE HOUSE
Office of the Press Secretary

EMBARGOED FOR RELEASE
AND WIRE TRANSMISSION
UNTIL 9:00 PM (EST)
TUESDAY, JANUARY 29, 1991

THE PRESIDENT'S STATE OF THE UNION ADDRESS

FACT SHEET

The President's 1991 State of the Union address discussed:

- A New World Order
- Preparing for the Next American Century
- The War in the Gulf

The President explained that he came to speak to the Congress and all Americans "certain that we stand at a defining hour."

I. A NEW WORLD ORDER

A. Peace and the Rule of Law

The President declared that what is at stake in the Persian Gulf is more than just the independence of Kuwait. It is a new world order where diverse nations are brought together to give permanence to the universal aspirations of mankind:

- Peace and security;
- Freedom; and
- The rule of law.

The world has "resisted the trap of appeasement, cynicism, and isolation" and is united in demanding Iraq's immediate and unconditional withdrawal from Kuwait. We are working to achieve victory over tyranny and lawless aggression. America has "a unique responsibility to do the hard work of freedom."

B. Constructive Change

The President noted that "the end of the Cold War has been a victory for all humanity...Germany is united. Europe has become whole and free -- and America's leadership was instrumental in making it possible."

C. U.S.-Soviet Relations

The President stated that "our relationship with the Soviet Union is important, not only to us, but to the world." It has contributed to positive, historic change.

The President also noted that "like many other nations, we have been deeply concerned by the violence in the Baltics." The President stated that in discussions with the Soviet leadership "we have been given representations, which, if fulfilled, would result in the withdrawal of some Soviet forces, a reopening of dialogue with the Republics, and a move away from violence." We will watch carefully as the situation develops; we will also maintain our contacts with Soviet leaders to encourage democratization and reform.

II. PREPARING FOR THE NEXT AMERICAN CENTURY

The President asserted that the spirit that is winning a victory for world peace and justice in the Persian Gulf is "the same spirit that gives us the power and the potential to meet our toughest challenges at home." The President called for "new initiative in government, in our communities, and from every American, to prepare for the next American century."

The President encouraged all Americans to join the "community of conscience", asserting that "we have within our reach the promise of a renewed America." He said "we can find meaning and reward by serving some purpose higher than ourselves."

The President called for "strengthening the power and freedom of choice of individuals and families." He declared that "the strength of a democracy is not in bureaucracy," but "in the people and their communities." The President called for the unleashing of "the potential of our most precious resource -- our citizens." This should be done by returning to "families, communities, counties, cities, states, and institutions of every kind, the power to chart their own destiny."

A. Encouraging Economic Growth

The President explained that he understands the genuine economic distress experienced by many Americans. He offered three reasons to be optimistic about the economy:

- Inflation is low;
- Inventories are low; and
- Exports are strong.

The President expressed confidence that "we will get this recession behind us, and return to growth -- soon."

Controlling Federal Spending and Enforcing the Budget Agreement

The President declared that strong economic growth requires control of Federal spending. He will transmit a budget that holds the growth in spending to less than the rate of inflation.

The budget agreement put the Federal government on a pay-as-you-go plan and cut the growth of debt by nearly \$500 billion.

Encouraging Savings and Investment

The President explained that the budget agreement helped free private funds for savings and job-creating investment.

In addition, the President announced that his budget again includes:

- Tax-free family savings accounts;
- Penalty-free withdrawals from IRAs for first-time home buyers; and
- A strengthened long-term capital gains incentive.

He also asked congressional leaders, the Administration, and the Federal Reserve to cooperate in a study, led by Federal Reserve Chairman Alan Greenspan, to reach technical agreement on the budgetary and other economic effects of a strengthened capital gains incentive.

B. Investing in the Future

The President said that we must match incentives for economic growth today with long-term investments for the next American century.

Budget Priorities

The President indicated that his FY 1992 budget priorities will include promoting investments in children, education, infrastructure, space, and high technology.

Strengthening Education

The President will propose a new Educational Excellence Act which contains strategic initiatives to improve the learning achievement of all Americans and to restructure the nation's educational system. Initiatives in the Educational Excellence Act will:

- Stimulate fundamental reform and restructure our education system through promoting educational choice and alternative certification for teachers and principals.
- Promote local control and innovation in education by providing increased flexibility in funding at the Federal and state levels in exchange for enhanced accountability.
- Assist educators in their mission to improve student performance by: rewarding schools that demonstrate improved achievement among students; rewarding excellent teachers; and providing innovation in training school administrators.
- Provide incentives to school districts to design and implement innovative approaches to mathematics and science education; enhance the endowments of Historically Black Colleges and Universities; and contribute to improving literacy.

Strengthening Transportation Infrastructure

The President believes a strong highway system is a critical investment for our economic success. He indicated that he would shortly outline the details of a new National Highway System managed in partnership with the States.

Enhancing Research and Development

To strengthen our research and development capability and economic competitiveness the President will propose:

- A record Federal budget commitment to science and expanding the frontiers of knowledge, including basic research and making government research more available to the private sector for speedier commercialization;
- Increased support for generic or enabling technologies at the pre-competitive stage of R&D in such areas as high-performance computing, new energy technologies, and advanced manufacturing and materials; and
- Making permanent the R&E tax credit.

Reducing Energy Vulnerability

The President will soon present a comprehensive National Energy Strategy that calls for energy conservation and efficiency, increased domestic energy development, and greater use of alternative fuels. The elements of the strategy are designed to:

- Foster economic growth through the availability of ample supplies of reasonably priced energy;
- Enhance energy security by reducing vulnerability to oil disruptions; and
- Increase research and development of a wide range of promising energy technologies.

Providing Financial Security

The President said that we will continue to make sure banks are safe, sound, and able to provide adequate credit

for job-creating loans for factories, businesses, and homebuyers.

He stated that "sound banks should be making more sound loans, now -- and interest rates should be lower, now."

The Treasury will shortly unveil a plan to bring America's financial system into the 21st century. The elements of the plan are designed to:

- Continue to protect the deposits of America's workers and savers;
- Assure the safety, soundness, and competitiveness of our financial institutions;
- Create a regulatory system that is strong, simple, and streamlined; and
- Move toward a deposit insurance fund that is well capitalized with industry funds.

Expanding World Trade

The President called for an expansion of world trade, to create new opportunities for U.S. exports, which have grown by 23 percent over the past two years to nearly \$400 billion. His priorities include:

- Strengthening and expanding the world trading system through the swift and successful completion of the Uruguay Round of multilateral trade negotiations.
 - These negotiations aim to open markets worldwide, lower government subsidies and trade barriers that distort agricultural markets, and establish rules of fair play in areas vital to U.S. competitiveness -- such as services, agriculture, and high technology.
 - The lower trade barriers that would result from a successful Uruguay Round could increase world output by approximately \$5 trillion over the next ten years, and U.S. output by \$1 trillion.
- A U.S.- Mexico Free Trade Agreement (FTA), first endorsed by President Bush and Mexico's President Carlos Salinas de Gortari in June 1990.

- A comprehensive FTA would aim to eliminate barriers to trade in goods and services and investment between the United States and Mexico, as well as provide for the protection of intellectual property rights.
 - It would free trade totalling \$59 billion between the two countries.
 - The FTA might also include Canada, thus creating the world's largest market, with 360 million consumers and \$6 trillion in total output.
- Implementing the Enterprise for the Americas Initiative, launched by President Bush last June.
- The President's initiative aims to spur economic growth and create jobs among the nations of the Western Hemisphere by removing barriers to trade and investment, and by reducing debt burdens.
 - The initiative envisions the eventual development of a hemispheric zone of free trade.
 - The United States has begun the process of opening markets to trade and investment with over a dozen countries in the region.
 - The President will propose legislation to enable full implementation of the investment and debt reduction portions of the initiative.
- Export Promotion. The Administration will be taking quality and export programs to cities around the country, to make certain that more U.S. firms know the export potential of top quality goods and services.

C. Giving Power and Opportunity to the Individual

The President announced an action plan to "put more power and opportunity in the hands of the individual."

Creating Job Opportunities

The President called for new incentives to create jobs in our inner cities by encouraging investment through enterprise zones.

Increasing Home Ownership

The President also called for increasing tenant ownership and control of public housing to help build the bonds of community in neighborhoods that need help.

Fighting Discrimination

The President stated that "civil rights are also crucial to protecting equal opportunity." He called on all Americans to speak out against racism, bigotry, and hate.

The President indicated that "we will continue our vigorous enforcement of existing statutes," and promised to press the Congress again "to strengthen the laws against employment discrimination without resorting to the use of unfair preferences."

Protecting People From Crime and Combatting Drug Abuse

The President described freedom from crime as a basic civil right and said that we must eradicate the fear that stalks our cities.

- He announced that the Attorney General will soon convene a Crime Summit of our nation's law enforcement officials.
- He called for prompt action on tough crime control legislation. The President will propose legislation that will include:
 - A meaningful Federal death penalty for the most heinous crimes with procedures to ensure its fair and colorblind application;
 - Habeas corpus reform to reduce unnecessarily repetitive appeals that clog the courts and delay justice;
 - Exclusionary rule reform to ensure that evidence gathered by law enforcement officials in a good faith belief that they are acting lawfully can be used to help courts establish the truth;
 - Provisions to strengthen Federal laws concerning the safety of women by modifying rules on the

admissibility of evidence in cases of sex crimes, enhancing penalties for the distribution of illegal drugs to pregnant women, increasing penalties for recidivist sex offenders, and offering greater protection for victims below the age of sixteen; and

- New authority to enhance international cooperation among law enforcement officials to combat international criminal activity, including international terrorism.
- The President noted that recent data shows we are making progress in reducing drug abuse, but that much remains to be done. The Administration will soon release the third edition of the National Drug Control Strategy.

This comprehensive strategy includes increased resources for drug prevention and education, treatment, law enforcement, and international initiatives.

Enhancing Good Health Through Prevention

The President stated that good health is every American's right and responsibility. He announced that he will propose an aggressive program of new prevention initiatives to promote a healthier America and to help control costs.

The initiatives are designed to make Americans of all ages healthier.

- Infant health will be improved through an initiative that targets cities with exceptionally high infant mortality rates;
- Children will benefit from large increases in immunization resources;
- Adults will benefit from new efforts to promote physical activity and reduce injury, reduce tobacco use, and implementation of a new program to detect breast and cervical cancer; and
- Elderly women will benefit from mammography services newly available to Medicare beneficiaries.

Giving People More Choice in Government

The President urged "reviving the ideal of the citizen politician who comes not to stay, but to serve."

- He endorsed term limitations in order to reduce the influence of special interests.
- He also endorsed election reform -- total elimination of Political Action Committees -- as necessary to put more power in the hands of individuals.

D. Moving Government Closer to the People

The President said that "where power cannot be put directly in the hands of the individual, it should be moved closer to the people -- away from Washington."

The President called for a more dynamic program life cycle.

- Some programs should increase;
- Some should decrease;
- Some should be terminated; and
- Some should be consolidated and turned over to the States.

The President's Budget includes a list of potential programs for turnover totalling more than \$20 billion. Working with the Governors and the Congress, the President proposed selecting at least \$15 billion in such programs and turning them over to the States in a single consolidated grant, fully funded, for flexible management by the States. This initiative will:

- Allow the Federal Government to reduce overhead;
- Allow States to manage more flexibly and efficiently;
- Move power and decision-making closer to the people; and
- Encourage the innovative power of "States as Laboratories."

III. THE WAR IN THE GULF

A. The Heroism of Our Servicemen and Servicewomen

The President said that, in this defining hour for America and the world, "there is no one more devoted, more committed to the hard work of freedom than every soldier and sailor, every Marine, airman and Coastguardsman -- every man and woman now serving in the Persian Gulf." He stated that our commitment to them must match their commitment to their country.

B. We Are on Course

The President said that while we worked hard to avoid war, Saddam Hussein repeatedly rejected the path of diplomacy and peace. But we will prevail; we are on course. "Iraq's capacity to sustain war is being destroyed...Time will not be Saddam's salvation.

C. Objectives in the Gulf

The President reaffirmed our objectives:

- Drive Iraq from Kuwait. Iraq must comply with all relevant United Nations resolutions.
- Restore Kuwait's legitimate government. Kuwait will once again be free.
- Ensure stability and security in the Gulf region. It is our hope that Iraq will live as a peaceful and cooperative member of the family of nations.

The President stated that most Americans know instinctively why we are in the Gulf -- "we had to stop Saddam now, not later." The President noted the undeniable value of thoughtful dissent. The right to speak out "is one of the reasons we've been united in purpose and principle for 200 years."

D. Strategic Benefits of High Technology

The President observed that our progress in the Gulf is the result of using American technology and economic

strength to minimize the risk to human life. Our men and women have the best and deserve the best.

The President directed that the Strategic Defense Initiative (SDI) program be refocused on providing protection from limited ballistic missile strikes -- from whatever their source.

E. The Unity of the International Community

The President observed that for the first time in the post-war era, the international community is united. It has an opportunity to fulfill the long-held promise of a new world order -- where brutality goes unrewarded, and aggression meets collective resistance.

The President praised the courage and success of the pilots of the coalition countries and the leadership provided by the United Nations, an organization that is now confirming its founders' vision.

The President also commended our friends and allies who have provided the bulk of the financial costs of Desert Shield, and expressed confidence that they will similarly financially support Desert Storm.

F. U.S. Determination is Great

The President stated that Saddam will not benefit from targeting innocent civilians, from environmental terrorism, or by abusing POWs. We will succeed, and in the process send a powerful message to any dictator or despot who would follow Saddam's lead.

G. The Special Role of U.S. Leadership

The President stated that "the United States bears a major share of leadership" in the Gulf War effort. He noted that the burden of leadership is a "strength that has made America the beacon of freedom in a searching world."

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

January 29, 1991

ADDRESS BY THE PRESIDENT
ON THE STATE OF THE UNION

The U.S. Capitol
Washington, D.C.

9:09 P.M. EST

THE PRESIDENT: Mr. President, and Mr. Speaker, and members of the United States Congress. I come to this House of the people to speak to you and all Americans, certain that we stand at a defining hour. Halfway around the world, we are engaged in a great struggle in the skies and on the seas and sands. We know why we're there. We are Americans -- part of something larger than ourselves. For two centuries, we've done the hard work of freedom. And tonight, we lead the world in facing down a threat to decency and humanity.

What is at stake is more than one small country; it is a big idea: a new world order, where diverse nations are drawn together in common cause to achieve the universal aspirations of mankind -- peace and security, freedom, and the rule of law. Such is a world worthy of our struggle and worthy of our children's future. (Applause.)

The community of nations has resolutely gathered to condemn and repel lawless aggression. Saddam Hussein's unprovoked invasion -- his ruthless, systematic rape of a peaceful neighbor -- violated everything the community of nations holds dear. The world has said this aggression would not stand -- and it will not stand. (Applause.)

Together, we have resisted the trap of appeasement, cynicism, and isolation that gives temptation to tyrants. The world has answered Saddam's invasion with 12 United Nations resolutions, starting with a demand for Iraq's immediate and unconditional withdrawal and backed up by forces from 28 countries of six continents. With few exceptions, the world now stands as one.

The end of the Cold War has been a victory for all humanity. A year and a half ago, in Germany, I said that our goal was a Europe whole and free. Tonight, Germany is united. Europe has become whole and free -- and America's leadership was instrumental in making it possible. (Applause.)

Our relationship to the Soviet Union is important, not only to us, but to the world. That relationship has helped to shape these and other historic changes. But like many other nations, we have been deeply concerned by the violence in the Baltics, and we have communicated that concern to the Soviet leadership.

The principle that has guided us is simple: Our objective is to help the Baltic peoples achieve their aspirations, not to punish the Soviet Union. (Applause.) In our recent discussions with the Soviet leadership, we have been given representations which, if fulfilled, would result in the withdrawal of some Soviet forces, a reopening of dialogue with the Republics, and a move away from violence.

We will watch carefully as the situation develops. And we will maintain our contact with the Soviet leadership to encourage

MORE

continued commitment to democratization and reform. (Applause.) If it is possible, I want to continue to build a lasting basis for U.S.-Soviet cooperation, for a more peaceful future for all mankind.

The triumph of democratic ideas in Eastern Europe and Latin America, and the continuing struggle for freedom elsewhere all around the world all confirm the wisdom of our nation's founders.

Tonight, we work to achieve another victory -- a victory over tyranny and savage aggression.

We in this Union enter the last decade of the 20th century thankful for our blessings, steadfast in our purpose, aware of our difficulties, and responsive to our duties at home and around the world.

For two centuries, America has served the world as an inspiring example of freedom and democracy. For generations, America has led the struggle to preserve and extend the blessings of liberty. And today, in a rapidly changing world, American leadership is indispensable. Americans know that leadership brings burdens and sacrifices. But we also know why the hopes of humanity turn to us. We are Americans: we have a unique responsibility to do the hard work of freedom. And when we do, freedom works. (Applause.)

The conviction and courage we see in the Persian Gulf today is simply the American character in action. The indomitable spirit that is contributing to this victory for world peace and justice is the same spirit that gives us the power and the potential to meet our toughest challenges at home.

We are resolute and resourceful. If we can selflessly confront evil for the sake of good in a land so far away, then surely we can make this land all that it should be. If anyone tells you that America's best days are behind her, they're looking the wrong way. (Applause.)

Tonight, I come before this House and the American people with an appeal for renewal. This is not merely a call for new government initiatives; it is a call for new initiative in government, in our communities, and from every American -- to prepare for the next American century.

America has always led by example. So who among us will set this example? Which of our citizens will lead us in this next American century? Everyone who steps forward today -- to get one addict off drugs, to convince one troubled teenager not to give up on life, to comfort one AIDS patient, to help one hungry child.

We have within our reach the promise of a renewed America. We can find meaning and reward by serving some purpose higher than ourselves -- a shining purpose, the illumination of a thousand points of light. And it is expressed by all who know the irresistible force of a child's hand, of a friend who stands by you and stays there -- a volunteer's generous gesture, an idea that is simply right.

The problems before us may be different, but the key to solving them remains the same. It is the individual -- the individual who steps forward. And the state of our Union is the union of each of us, one to the other -- the sum of our friendships, marriages, families, and communities.

We all have something to give. So if you know how to read, find someone who can't. If you've got a hammer, find a nail. If you're not hungry, not lonely, not in trouble, seek out someone who is. Join the community of conscience. Do the hard work of freedom. And that will define the state of our Union. (Applause.)

Since the birth of our nation, "We the people" has been the source of our strength. What government can do alone is limited -- but the potential of the American people knows no limits.

We are a nation of rock-solid realism and clear-eyed idealism. We are Americans. We are the nation that believes in the future. We are the nation that can shape the future. And we've begun to do just that -- by strengthening the power and choice of individuals and families.

Together, these last two years, we've put dollars for child care directly in the hands of parents instead of bureaucracies. (Applause.) Unshackled the potential of Americans with disabilities. (Applause.) Applied the creativity of the marketplace in the service of the environment, for clean air; and made home ownership possible for more Americans. (Applause.)

The strength of a democracy is not in bureaucracy. It is in the people and their communities. In everything we do, let us unleash the potential of our most precious resource -- our citizens, our citizens themselves. We must return to families, communities, counties, cities, states, and institutions of every kind the power to chart their own destiny, and the freedom and opportunity provided by strong economic growth. And that's what America is all about. (Applause.)

I know tonight in some regions of our country, people are in genuine economic distress. And I hear them.

Earlier this month, Kathy Blackwell, of Massachusetts, wrote me about what can happen when the economy slows down, saying, "My heart is aching, and I think that you should know your people out here are hurting badly."

I understand. And I'm not unrealistic about the future. But there are reasons to be optimistic about our economy.

First, we don't have to fight double-digit inflation. Second, most industries won't have to make big cuts in production because they don't have big inventories piled up. And third, our exports are running solid and strong. In fact, American businesses are exporting at a record rate.

So let's put these times in perspective. Together, since 1981, we've created almost 20 million jobs, cut inflation in half, and cut interest rates in half.

And, yes, the largest peacetime economic expansion in history has been temporarily interrupted. But our economy is still over twice as large as our closest competitor.

We will get this recession behind us and return to growth soon. (Applause.) We will get on our way to a new record of expansion and achieve the competitive strength that will carry us into the next American century.

We should focus our efforts today on encouraging economic growth, investing in the future, and giving power and opportunity to the individual. (Applause.)

We must begin with control of federal spending. (Applause.) That's why I'm submitting a budget that holds the growth in spending to less than the rate of inflation. And that's why, amid all the sound and fury of last year's budget debate, we put into law new, enforceable spending caps -- so that future spending debates will mean a battle of ideas, not a bidding war. (Applause.)

Though controversial, the budget agreement finally put the federal government on a pay-as-you-go plan and cut the growth of debt by nearly \$500 billion. And that frees funds for saving and job-creating investment.

Now, let's do more. My budget again includes tax-free family savings accounts; penalty-free withdrawals from IRAs for first-time home buyers -- (applause) -- and to increase jobs and

growth, a reduced tax for long-term capital gains. (Applause.)

I know there are differences among us -- (laughter) -- about the impact and the effects of a capital gains incentive. So tonight, I'm asking the congressional leaders and the Federal Reserve to cooperate with us in a study, led by Chairman Alan Greenspan, to sort out our technical differences so that we can avoid a return to unproductive partisan bickering. (Applause.)

But just as our efforts will bring economic growth now and in the future, they must also be matched by long-term investments for the next American century.

That requires a forward-looking plan of action -- and that's exactly what we will be sending to the Congress. We've prepared a detailed series of proposals that include:

A budget that promotes investment in America's future -- in children, education, infrastructure, space, and high technology;

legislation to achieve excellence in education -- building on the partnership forged with the 50 governors at the Education Summit, enabling parents to choose their children's schools and helping to make America number one in math and science; -- (applause) --

a blueprint for a new national highway system -- a critical investment in our transportation infrastructure; -- (applause) --

a research and development agenda that includes record levels of federal investment, and a permanent tax credit to strengthen private R&D and to create jobs; -- (applause) --

a comprehensive national energy strategy that calls for energy conservation and efficiency, increased development, and greater use of alternative fuels; -- (applause) --

a banking reform plan to bring America's financial system into the 21st century so that our banks remain safe and secure and can continue to make job-creating loans for our factories, our businesses and home-buyers.

You know, I do think there has been too much pessimism. Sound banks should be making sound loans now -- and interest rates should be lower, now. (Applause.)

In addition to these proposals, we must recognize that our economic strength depends on being competitive in world markets. We must continue to expand American exports. A successful Uruguay Round of world trade negotiations will create more real jobs and more real growth for all nations. You and I know that if the playing field is level, America's workers and farmers can out-work, out-produce anyone, anytime, anywhere. (Applause.)

And with a Mexican Free Trade Agreement and our Enterprise for the Americas Initiative, we can help our partners strengthen their economies and move toward a free trade zone throughout this entire hemisphere. (Applause.)

The budget also includes a plan of action right here at home to put more power and opportunity in the hands of the individual. And that means new incentives to create jobs in our inner cities, by encouraging investment through enterprise zones. It also means tenant control and ownership of public housing. Freedom and the power to choose should not be the privilege of wealth. They are the birthright of every American. (Applause.)

Civil rights are also crucial to protecting equal opportunity. (Applause.) Every one of us has a responsibility to speak out against racism, bigotry, and hate. (Applause.) We will continue our vigorous enforcement of existing statutes, and I will

MORE

once again press the Congress to strengthen the laws against employment discrimination without resorting to the use of unfair preferences. (Applause.)

We're determined to protect another fundamental civil right -- freedom from crime and the fear that stalks our cities. The Attorney General will soon convene a crime summit of our nation's law enforcement officials. And to help us support them, we need tough crime control legislation, and we need it now. (Applause.)

And as we fight crime, we will fully implement our national strategy for combatting drug abuse. Recent data show that we are making progress, but much remains to be done. We will not rest until the day of the dealer is over, forever. (Applause.)

Good health care is every American's right and every American's responsibility. And so we are proposing an aggressive program of new prevention initiatives -- for infants, for children, for adults, and for the elderly -- to promote a healthier America and to help keep costs from spiralling. (Applause.)

It's time to give people more choice in government, by reviving the ideal of the citizen politician who comes not to stay, but to serve. And one of the reasons that there is so much support across this country for term limitations is that the American people are increasingly concerned about big-money influence in politics. So we must look beyond the next election, to the next generation. And the time has come to put the national interest above the special interest -- and totally eliminate political action committees. (Applause.)

And that would truly put more competition in elections, and more power in the hands of individuals. And where power cannot be put directly in the hands of the individual, it should be moved closer to the people -- away from Washington.

The federal government too often treats government programs as if they are of Washington, by Washington, and for Washington. Once established, federal programs seem to become immortal.

It's time for a more dynamic program life cycle: Some programs should increase. Some should decrease. Some should be terminated. And some should be consolidated and turned over to the states. (Applause.)

My budget includes a list of programs for potential turnover totalling more than \$20 billion. Working with Congress and the governors, I propose we select at least \$15 billion in such programs and turn them over to the states in a single consolidated grant -- fully funded -- for flexible management by the states. (Applause.)

The value -- the value of this turnover approach is straightforward. It allows the federal government to reduce overhead. It allows states to manage more flexibly and more efficiently. It moves power and decision-making closer to the people. And it reinforces a theme of this administration: appreciation and encouragement of the innovative powers of "States as Laboratories."

This nation was founded by leaders who understood that power belongs in the hands of people. And they planned for the future. And so must we -- here and all around the world.

As Americans, we know that there are times when we must step forward and accept our responsibility to lead the world away from the dark chaos of dictators, toward the brighter promise of a better day.

Almost 50 years ago we began a long struggle against aggressive totalitarianism. Now we face another defining hour for

America and the world.

There is no one more devoted, more committed to the hard work of freedom, than every soldier and sailor, every Marine, airman, and Coastguardsman -- every man and woman now serving in the Persian Gulf. (Applause.) Oh, how they deserve -- (applause) -- and what a fitting tribute to them.

You see -- what a wonderful, fitting tribute to them. Each of them has volunteered -- volunteered to provide for this nation's defense -- and now they bravely struggle, to earn for America, for the world, and for future generations, a just and lasting peace.

Our commitment to them must be equal to their commitment to their country. They are truly America's finest. (Applause.)

The war in the Gulf is not a war we wanted. We worked hard to avoid war. For more than five months we, along with the Arab League, the European Community, the United Nations, tried every diplomatic avenue. U.N. Secretary General Perez de Cuellar; Presidents Gorbachev, Mitterrand, Ozal, Mubarak, and Bendjedid; Kings Fahd and Hassan; Prime Ministers Major and Andreotti -- just to name a few -- all worked for a solution. But time and again, Saddam Hussein flatly rejected the path of diplomacy and peace.

The world well knows how this conflict began and when: It began on August 2nd, when Saddam invaded and sacked a small, defenseless neighbor. And I am certain of how it will end. So that peace can prevail, we will prevail. (Applause.) Thank you.

Tonight, I am pleased to report that we are on course. Iraq's capacity to sustain war is being destroyed. Our investment, our training, our planning -- all are paying off. Time will not be Saddam's salvation.

Our purpose in the Persian Gulf remains constant: to drive Iraq out of Kuwait, to restore Kuwait's legitimate government, and to ensure the stability and security of this critical region.

Let me make clear what I mean by the region's stability and security. We do not seek the destruction of Iraq, its culture, or its people. Rather, we seek an Iraq that uses its great resources, not to destroy, not to serve the ambitions of a tyrant, but to build a better life for itself and its neighbors. We seek a Persian Gulf where conflict is no longer the rule, where the strong are neither tempted nor able to intimidate the weak.

Most Americans know instinctively why we are in the Gulf. They know we had to stop Saddam now, not later. They know that this brutal dictator will do anything; will use any weapon; will commit any outrage, no matter how many innocents suffer.

They know we must make sure that control of the world's oil resources does not fall into his hands, only to finance further aggression. They know that we need to build a new, enduring peace -- based not on arms races and confrontation, but on shared principles and the rule of law.

And we all realize that our responsibility to be the catalyst for peace in the region does not end with the successful conclusion of this war.

Democracy brings the undeniable value of thoughtful dissent -- and we've heard some dissenting voices here at home -- some, a handful, reckless -- most responsible. But the fact that all voices have the right to speak out is one of the reasons we've been united in purpose and principle for 200 years. (Applause.)

Our progress in this great struggle is the result of years of vigilance and a steadfast commitment to a strong defense. Now, with remarkable technological advances like the Patriot missile,

MORE

we can defend against ballistic missile attacks aimed at innocent civilians.

Looking forward, I have directed that the SDI program be refocused on providing protection from limited ballistic missile strikes -- whatever their source. (Applause.) Let us pursue an SDI program that can deal with any future threat to the United States, to our forces overseas, and to our friends and allies.

The quality of American technology, thanks to the American worker, has enabled us to successfully deal with difficult military conditions and help minimize precious loss of life. We have given our men and women the very best. And they deserve it. (Applause.)

We all have a special place in our hearts for the families of our men and women serving in the Gulf. They are represented here tonight by Mrs. Norman Schwarzkopf. (Applause.) We are all very grateful to General Schwarzkopf and to all those serving with him. And I might also recognize one who came with Mrs. Schwarzkopf -- Alma Powell, the wife of the distinguished Chairman of the Joint Chiefs. (Applause.) And to the families, let me say our forces in the Gulf will not stay there one day longer than is necessary to complete their mission. (Applause.)

The courage and success of the RAF pilots, of the Kuwaiti, Saudi, French, the Canadians, the Italians, the pilots of Qatar and Bahrain -- all are proof that for the first time since World War II, the international community is united. The leadership of the United Nations, once only a hoped-for ideal, is now confirming its founders' vision. (Applause.)

I am heartened that we are not being asked to bear alone the financial burdens of this struggle. Last year, our friends and allies provided the bulk of the economic costs of Desert Shield. And now, having received commitments of over \$40 billion for the first three months of 1991, I am confident they will do no less as we move through Desert Storm. (Applause.)

But the world has to wonder what the dictator of Iraq is thinking. If he thinks that by targeting innocent civilians in Israel and Saudi Arabia, that he will gain advantage, he is dead wrong. (Applause.) If he thinks that he will advance his cause through tragic and despicable environmental terrorism, he is dead wrong. (Applause.) And if he thinks that by abusing the coalition prisoners of war he will benefit, he is dead wrong. (Applause.)

We will succeed in the Gulf. And when we do, the world community will have sent an enduring warning to any dictator or despot, present or future, who contemplates outlaw aggression.

The world can, therefore, seize this opportunity to fulfill the long-held promise of a new world order, where brutality will go unrewarded and aggression will meet collective resistance.

Yes, the United States bears a major share of leadership in this effort. Among the nations of the world, only the United States of America has both the moral standing and the means to back it up. We're the only nation on this Earth that could assemble the forces of peace. This is the burden of leadership and the strength that has made America the beacon of freedom in a searching world.

This nation has never found glory in war. Our people have never wanted to abandon the blessings of home and work for distant lands and deadly conflict. If we fight in anger, it is only because we have to fight at all. And all of us yearn for a world where we will never have to fight again.

Each of us will measure within ourselves the value of this great struggle. Any cost in lives -- any cost -- is beyond our power to measure. But the cost of closing our eyes to aggression is beyond mankind's power to imagine.

MORE

This we do know: Our cause is just. Our cause is moral. Our cause is right. (Applause.)

Let future generations understand the burden and the blessings of freedom. Let them say we stood where duty required us to stand.

Let them know that, together, we affirmed America and the world as a community of conscience.

The winds of change are with us now. The forces of freedom are together, united. We move toward the next century more confident than ever that we have the will at home and abroad to do what must be done, the hard work of freedom.

May God bless the United States of America. Thank you very, very much. (Applause.)

END

9:57 P.M. EST

THE WHITE HOUSE

WASHINGTON

January 30, 1991

MEMORANDUM FOR WHITE HOUSE SENIOR STAFF

FROM:

Frederick D. McClure 

SUBJECT:

1991 State of the Union Address

I thought you might enjoy this commemorative copy of the President's 1991 State of the Union Address.

The State of the Union



*Address to the
102nd Congress
First Session*

President George Bush

January 29, 1991

Washington, D.C.

**PRESIDENTIAL ADDRESS:
THE STATE OF THE UNION, 1991
THE CAPITOL**

TUESDAY, JANUARY 29, 1991

Mr. President, Mr. Speaker, members of the United States Congress. I come to this House of the people, to speak to you and all Americans, certain that we stand at a defining hour.

Halfway around the world, we are engaged in a great struggle in the skies and on the seas and sands. We know why we're there. We are Americans: part of something larger than ourselves.

For two centuries, we've done the hard work of freedom. And tonight, we lead the world in facing down a threat to decency and humanity.

What is at stake is more than one small country, it is a big idea: a new world order—where diverse nations are drawn together in common cause, to achieve the universal aspirations of mankind: peace and security, freedom, and the rule of law. Such is a world worthy of our struggle, and worthy of our children's future.

The community of nations has resolutely gathered to condemn and repel lawless aggression. Saddam Hussein's unprovoked invasion—his ruthless, systematic rape of a peaceful neighbor—violated everything the community of nations holds dear. The world has said this aggression would not stand—and it will not stand. Together, we have resisted the trap of appeasement, cynicism, and isolation that gives temptation to tyrants. The world has answered Saddam's invasion with 12 United Nations resolutions, starting with a demand for Iraq's immediate and unconditional withdrawal—and backed up by forces from 28 countries of six continents. With few exceptions, the world now stands as one.

The end of the Cold War has been a victory for all humanity. A year and a half ago, in Germany, I said our goal was a Europe whole and free. Tonight, Germany is united. Europe has become whole and free—and America's leadership was instrumental in making it possible.

Our relationship with the Soviet Union is important, not only to us, but to the world. That relationship has helped to shape these and other historic changes. But, like many other nations, we have been deeply concerned by the violence in the Baltics, and we have communicated that concern to the Soviet leadership.

The principle that has guided us is simple: our objective is to help the Baltic peoples achieve their aspirations, not to punish the Soviet Union. In our recent discussions with the Soviet leadership, we have been given representations, which, if fulfilled, would result in the withdrawal of some Soviet forces, a re-opening of dialogue with the Republics, and a move away from violence. We will watch carefully as the situation develops. And we will maintain our contact with the Soviet leadership to encourage continued commitment to democratization and reform.

If it is possible, I want to continue to build a lasting basis for U.S.-Soviet cooperation, for a more peaceful future for all mankind.

The triumph of democratic ideas in Eastern Europe and Latin America—and the continuing struggle for freedom elsewhere around the world—all confirm the wisdom of our nation's founders.

Tonight, we work to achieve another victory—a victory over tyranny, and savage aggression.

We in this Union enter the last decade of the 20th Century thankful for our blessings, steadfast in our purpose, aware of our difficulties, and responsive to our duties at home and around the world.

For two centuries, America has served the world as an inspiring example of freedom and democracy. For generations, America has led the struggle to preserve and extend the blessings of liberty. And today, in a rapidly changing world, American leadership is indispensable. Americans know that leadership brings burdens, and requires sacrifice.

But we also know why the hopes of humanity turn to us.

We are Americans: we have a unique responsibility to do the hard work of freedom. And when we do—freedom works. The conviction and courage we see in the Persian Gulf today is simply the American character in action. The indomitable spirit that is contributing to this victory for world peace and justice is the same spirit that gives us the power and the potential to meet our toughest challenges at home.

We are resolute and resourceful. If we can selflessly confront evil for the sake of good in a land so far away, then surely we can make this land all that it should be.

If anyone tells you America's best days are behind her, they're looking the wrong way.

Tonight, I come before this House, and the American people, with an appeal for renewal. This is not merely a call for new government initiatives, it is a call for new initiative in government, in our communities, and from every American—to prepare for the next American century.

America has always led by example. So who among us will set this example? Which of our citizens will lead us in this next American century? Everyone who steps forward today, to get one addict off drugs. To convince one troubled teenager not to give up on life . . . to comfort one AIDS patient . . . to help one hungry child.

We have within our reach the promise of a renewed America. We can find meaning and reward by serving some purpose higher than ourselves—a shining purpose, the illumination of a thousand points of light. It is expressed by all who know the irresistible force of a child's hand, of a friend who stands by you and stays there—a volunteer's generous gesture, an idea that is simply right.

The problems before us may be different, but the key to solving them remains the same: it is the individual—the individual who steps forward. And the state of

our Union, is the union of each of us, one to the other: the sum of our friendships, marriages, families, and communities.

We all have something to give. So if you know how to read, find someone who can't. If you've got a hammer, find a nail. If you're not hungry, not lonely, not in trouble—seek out someone who is.

Join the community of conscience. Do the hard work of freedom. That will define the state of our union.

Since the birth of our nation, "We the people" has been the source of our strength. What government can do alone is limited—but the potential of the American people knows no limits.

We are a nation of rock-solid realism and clear-eyed idealism. We are Americans: We are the nation that believes in the future. We are the nation that can shape the future.

And we've begun to do just that—by strengthening the power and choice of individuals, and families.

Together, these last two years, we've put dollars for child care directly in the hands of parents, instead of bureaucracies. Unshackled the potential of Americans with disabilities. Applied the creativity of the marketplace in the service of the environment, for clean air. And made home-ownership possible for more Americans.

The strength of a democracy is not in bureaucracy. It is in the people, and their communities. In everything we do, let us unleash the potential of our most precious resource—our citizens. We must return to families, communities, counties, cities, states, and institutions of every kind, the power to chart their own destiny, and the freedom and opportunity provided by strong economic growth. That's what America is all about.

I know, tonight, in some regions of our country, people are in genuine economic distress. I hear them.

Earlier this month, Kathy Blackwell of Massachusetts wrote me about what can happen when the economy slows down, saying "My heart is aching, and I think that you should know—your people out here are hurting badly."

I understand. And I'm not unrealistic about the future. But there are reasons to be optimistic about our economy. First, we don't have to fight double digit inflation. Second, most industries won't have to make big cuts in production, because they don't have big inventories piled up. And third, our exports are running solid and strong. In fact, American businesses are exporting at a record rate.

So let's put these times in perspective. Together, since 1981, we've created almost 20 million jobs, cut inflation in half, and cut interest rates in half. Yes, the largest peacetime economic expansion in history has been temporarily interrupted. But our economy is still over twice as large as our closest competitor.

We will get this recession behind us, and return to growth—soon. We will get on our way to a new record of expansion, and achieve the competitive strength that will carry us into the next American century.

We should focus our efforts today on encouraging economic growth, investing in the future, and giving power and opportunity to the individual.

We must begin with control of federal spending. That's why I'm submitting a budget that holds the growth in spending to less than the rate of inflation. And that's why, amid all the sound and fury of last year's budget debate, we put into law new, enforceable spending caps—so that future spending debates will mean a battle of ideas, not a bidding war.

Though controversial, the budget agreement finally put the Federal Government on a pay-as-you-go plan—and cut the growth of debt by nearly 500 billion dollars. And that frees funds for saving and job-creating investment.

Now, let's do more. My budget again includes tax-free family savings accounts; penalty-free withdrawals from I.R.A.'s for first-time home-buyers; and, to increase jobs and growth, a reduced tax for long-term capital gains.

I know there are differences among us about the impact and the effects of a capital gains incentive. So tonight, I am asking the Congressional leaders and the Federal Reserve to cooperate with us in a study—led by Chairman Alan Greenspan—to sort out our technical differences so that we can avoid a return to unproductive partisan bickering.

But just as our efforts will bring economic growth now, and in the future, they must also be matched by long term investments for the next American century.

That requires a forward looking plan of action—and that's exactly what we will be sending to the Congress. We have prepared a detailed series of proposals, that include:

- A budget that promotes investment in America's future—in children, education, infrastructure, space, and high technology.
- Legislation to achieve excellence in education—building on the partnership forged with the 50 governors at the Education Summit—enabling parents to choose their children's schools—and helping to make America #1 in math and science.
- A blueprint for a new National Highway System—a critical investment in our transportation infrastructure.
- A research and development agenda that includes record levels of federal investment, and a permanent tax credit to strengthen private R & D, and create jobs.
- A comprehensive National Energy Strategy that calls for energy conservation and efficiency, increased development, and greater use of alternative fuels.
- A banking reform plan to bring America's financial system into the 21st Century—so that our banks remain safe and secure, and can continue to make job-creating loans for our factories, businesses and home-buyers. I do think there has been too much pessimism.

Sound banks should be making more sound loans, now—and interest rates should be lower, now.

In addition to these proposals, we must recognize that our economic strength depends upon being competitive in world markets. We must continue to expand America's exports. A successful Uruguay Round of world trade negotiations will create more real jobs, and more real growth—for all nations. You and I know, that if the playing field is level, America's workers and farmers can out-work and out-produce anyone, anytime, anywhere.

And with a Mexican Free Trade Agreement, and our Enterprise for the Americas Initiative, we can help our partners strengthen their economies, and move toward a free trade zone throughout this entire hemisphere.

The budget also includes a plan of action right here at home to put more power and opportunity in the hands of the individual. That means new incentives to create jobs in our inner cities, by encouraging investment through enterprise zones. It also means tenant control and ownership of public housing. Freedom and the power to choose should not be the privilege of wealth. They are the birthright of every American.

Civil Rights are also crucial to protecting equal opportunity. Every one of us has a responsibility to speak out against racism, bigotry, and hate. We will continue our vigorous enforcement of existing statutes, and I will once again press the Congress to strengthen the laws against employment discrimination without resorting to the use of unfair preferences.

We're determined to protect another fundamental civil right—freedom from crime, and the fear that stalks our cities. The Attorney General will soon convene a Crime Summit of our nation's law enforcement officials. And to help us support them, we need tough crime control legislation, and we need it now.

As we fight crime, we will fully implement our National Strategy for Combatting Drug Abuse. Recent data show we are making progress, but much remains to be done. We will not rest until the day of the dealer is over, forever.

Good health care is every American's right, and every American's responsibility. So we are proposing an aggressive program of new prevention initiatives—for infants, for children, for adults, and for the elderly—to promote a healthier America, and to help keep costs from spiralling.

It's time to give people more choice in government, by reviving the ideal of the citizen politician who comes not to stay, but to serve. One of the reasons there is so much support for term limitations is that the American people are increasingly concerned about big-money influence in politics. We must look beyond the next election, to the next generation. The time has come to put the national interest above the special interest—and totally eliminate Political Action Committees. That would truly put more competition in elections, and more power in the hands of individuals. And where power cannot be put directly in the hands of the individual, it should be moved closer to the people—away from Washington.

The Federal Government too often treats government programs as if they are of Washington, by Washington, and for Washington. Once established, federal programs seem to become immortal.

It's time for a more dynamic program life cycle: Some programs should increase. Some should decrease. Some should be terminated. And some should be consolidated and turned over to the States.

My budget includes a list of programs for potential turn-over totalling more than \$20 billion. Working with Congress and the Governors, I propose we select at least \$15 billion in such programs and turn them over to the States in a single consolidated grant—fully funded—for flexible management by the States.

The value of this turn-over approach is straightforward. It allows the Federal Government to reduce overhead. It allows States to manage more flexibly and more efficiently. It moves power and decision-making closer to the people. And it reenforces a theme of this Administration: appreciation and encouragement of the innovative power of "States as Laboratories." This nation was founded by leaders who understood that power belongs in the hands of people. They planned for the future. And so must we—here, and around the world.

As Americans, we know there are times when we must step forward, and accept our responsibility to lead the world away from the dark chaos of dictators, toward the brighter promise of a better day.

Almost 50 years ago we began a long struggle against aggressive totalitarianism. Now we face another defining hour for America and the world.

There is no one more devoted, more committed to the hard work of freedom, than every soldier and sailor, every Marine, airman and Coastguardsman—every man and woman now serving in the Persian Gulf.

Each of them has volunteered to provide for this nation's defense—and now they bravely struggle, to earn for America, for the world, and for future generations, a just and lasting peace.

Our commitment to them must be the equal of their commitment to their country. They are truly America's finest.

The war in the Gulf is not a war we wanted. We worked hard to avoid war. For more than five months we, along with the Arab League, the European Community, and the United Nations, tried every diplomatic avenue. U.N. Secretary General Perez de Cuellar; Presidents Gorbachev, Mitterand, Ozal, Mubarak and Bendjedid; Kings Fahd and Hassan; Prime Ministers Major and Andreotti—just to name a few—all worked for a solution. But time and again, Saddam Hussein flatly rejected the path of diplomacy and peace.

The world well knows how this conflict began, and when: It began on August 2nd, when Saddam invaded and sacked a small, defenseless neighbor. And I am certain of how it will end. So that peace can prevail, we will prevail.

Tonight, I'm pleased to report that we are on course. Iraq's capacity to sustain war is being destroyed. Our investment, our training, our planning—all are paying off. Time will not be Saddam's salvation.

Our purpose in the Persian Gulf remains constant: to drive Iraq out of Kuwait, to restore Kuwait's legitimate government, and to ensure the stability and security of this critical region.

Let me make clear what I mean by the region's stability and security. We do not seek the destruction of Iraq, its culture, or its people. Rather, we seek an Iraq that uses its great resources, not to destroy, not to serve the ambitions of a tyrant, but to build a better life for itself, and its neighbors. We seek a Persian Gulf where conflict is no longer the rule, where the strong are neither tempted nor able to intimidate the weak.

Most Americans know instinctively why we are in the Gulf. They know we had to stop Saddam now, not later. They know this brutal dictator will do anything; will use any weapon; will commit any outrage, no matter how many innocents must suffer.

They know we must make sure that control of the world's oil resources does not fall into his hands, only to finance further aggression. They know that we need to build a new, enduring peace—based not on arms races and confrontation, but on shared principles, and the rule of law.

And we all realize that our responsibility to be the catalyst for peace in the region does not end with the successful conclusion of this war.

Democracy brings the undeniable value of thoughtful dissent—and we have heard some dissenting voices here at home—some reckless, most responsible. But the fact that all voices have the right to speak out is one of the reasons we've been united in purpose and principle for 200 years.

Our progress in this great struggle is the result of years of vigilance, and a steadfast commitment to a strong defense. Now, with remarkable technological advances like the Patriot missile, we can defend against ballistic missile attacks aimed at innocent civilians.

Looking forward, I have directed that the SDI program be refocused on providing protection from limited ballistic missile strikes—whatever their source. Let us pursue an SDI program that can deal with any future threat to the United States, to our forces overseas, and to our friends and allies. The quality of American technology, thanks to the American worker, has enabled us to successfully deal with difficult military conditions, and help minimize loss of life. We have given our men and women the very best. And they deserve it.

We all have a special place in our hearts for the families of our men and women serving in the Gulf. They are represented here tonight, by Mrs. Norman Schwarzkopf. We are very grateful to General Schwarzkopf, and to all those serving with him. And to the families, let me say, our forces in the Gulf will not stay there one day longer than is necessary to complete their mission.

The courage and success of the RAF pilots—of the Kuwaiti, Saudi, French—the Canadians, Italians—the pilots of Qatar and Bahrain—all are proof that for the first time since World War II, the international community is united. The leadership of the United Nations, once only a hoped-for ideal, is now confirming its founders' vision.

I am heartened that we are not being asked to bear alone the financial burden of this struggle. Last year, our friends and allies provided the bulk of the economic costs of Desert Shield, and having now received commitments of over \$40 billion

for the first three months of 1991, I am confident they will do no less as we move through Desert Storm.

But the world has to wonder what the dictator of Iraq is thinking. If he thinks that by targeting innocent civilians in Israel and Saudi Arabia, that he will gain advantage—he is dead wrong. If he thinks that he will advance his cause through tragic and despicable environmental terrorism—he is dead wrong. And if he thinks that by abusing the coalition POWs, he will benefit—he is dead wrong.

We will succeed in the Gulf. And when we do, the world community will have sent an enduring warning to any dictator or despot, present or future, who contemplates outlaw aggression.

The world can therefore seize this opportunity to fulfill the long-held promise of a new world order—where brutality will go unrewarded, and aggression will meet collective resistance.

Yes, the United States bears a major share of leadership in this effort. Among the nations of the world, only the United States of America has had both the moral standing, and the means to back it up. We are the only nation on this earth that could assemble the forces of peace.

This is the burden of leadership—and the strength that has made America the beacon of freedom in a searching world.

This nation has never found glory in war. Our people have never wanted to abandon the blessings of home and work, for distant lands and deadly conflict. If we fight in anger, it is only because we have to fight at all. And all of us yearn for a world where we will never have to fight again.

Each of us will measure, within ourselves, the value of this great struggle. Any cost in lives is beyond our power to measure. But the cost of closing our eyes to aggression is beyond mankind's power to imagine.

This we do know: Our cause is just. Our cause is moral. Our cause is right.

Let future generations understand the burden and the blessings of freedom. Let them say, we stood where duty required us to stand.

Let them know that together, we affirmed America, and the world, as a community of conscience.

The winds of change are with us now. The forces of freedom are united. We move toward the next century, more confident than ever, that we have the will at home and abroad, to do what must be done—the hard work of freedom.

May God bless the United States of America.

THE WHITE HOUSE

WASHINGTON

January 31, 1991

MEMORANDUM FOR MARLIN FITZWATER

FROM: JOHN UNDELAND ^{JY} & SUSAN TYNDALL ST, NEWS SUMMARY

RE: CONGRESSIONAL REACTION TO
THE STATE OF THE UNION ADDRESS

SEN. MITCHELL

"The president's way (to bring the deficit down and jobs home) is to give huge tax cuts to those with incomes over \$200,000 a year," Mitchell said in a Democratic response. "We disagree."

(Reuter, 1/30)

"As critical as the Gulf conflict is, the other business of the nation won't wait," Mitchell said in the Democratic response. "The president says he seeks a new world order. We ask him to join us in putting our own house in order. We have a crisis abroad. But we also have a crisis here at home." About the gulf, Mitchell said: "Now that war has begun, we'll work to see that it's swift and decisive, with the least possible loss of life." Mitchell said the nation's first domestic priority must be economic growth to end the current recession and the first step for growth was a national energy policy.

(AP, 1/30)

Mitchell said that Democrats support the war against Iraq, but he accused President Bush of ignoring injustice elsewhere in the world as well as needs at home. "We cannot oppose repression in one place and overlook it in another," Mitchell said in the Democratic response. "Students massacred in China, priests murdered in Central America, demonstrators gunned down in Lithuania -- these acts of violence are as wrong as Iraqi soldiers killing civilians," he said. Mitchell reminded the nation that through the 1980s Republican administrations helped build Saddam Hussein's army. "We can't repeat that kind of mistake," he said. And while Bush "says he seeks a new world order," Mitchell said, "we also have a crisis here at home. We ask him to join us in putting our own house in order," he said, with the first priority a program for economic growth.

(AP, 1/29)

REP. FOLEY

Foley agreed with other Democrats that the cap gains proposal probably won't fly. "I don't think tax reduction is a good idea at this very moment," he said on NBC's "Today."

(AP, 1/30)

FOLEY (continued)

President Bush's promise of victory against Iraq drew cheers, but his State of the Union address left Democrats spoiling for a fight over his domestic agenda. "There need to be some things that are dealt with even while we're fighting a war," Foley said today. "We're clearly going to be united in the sense of bringing the war to an end," Foley said on NBC's "Today."

(AP, 1/30)

REP. GEPHARDT

Gephardt promised cooperation from Congress "to turn his rhetoric into action so that we fight just as hard for our troops when they come home as they are fighting for us overseas." But, he said, "It will be made impossible if his only real prescription for the economy is cutting capital gains taxes for the wealthiest families while leaving the soldiers' families to fend for themselves."

(AP, 1/30)

"The administration can do what it wants on capital gains. But it's a mistake, it's wrong."

(Miami Herald, 1/30)

"We don't need SDI, we never did," said Gephardt. He suggested the Patriot should be upgraded rather than millions of dollars spent on a strategic defense system.

(Reuter, 1/30)

Gephardt said the job [to prepare the public for a possibly bloody war] is not the president's alone. "We all have a responsibility to explain to the American people the costs, and it's not going to come without sacrifice."

(AP, 1/30)

SEN. NUNN

Nunn said Bush's comments on the gulf conflict were "unifying and uplifting."

(Washington Post, 1/30)

REP. ASPIN

"I think we have expectations that are unrealistic," said Aspin. The war so far has been "essentially devoid of casualties," creating "a standard impossible to match." The president, said Aspin, needs to prepare Americans for increased losses before a full-scale ground war begins.

(AP, 1/30)

REP. PANETTA

Panetta said Bush in his speech "displays greater authority in confronting the war effort than in meeting the serious economic and domestic needs within our society." Panetta complained Bush offered little evidence that enough resources would be committed to the nation's problems.

(Reuter, 1/30)

Referring to Bush's proposal of a Fed study of cap gains, Panetta said: "It's going into the deep, dark caverns of a commission.... [But] if the President decides to push it, then clearly Democrats are prepared to respond in kind" [implying a tax on millionaires].

(Wall Street Journal, 1/31)

REP. GRAY

"The bottom line is: It appears the administration is firing real bullets at Saddam Hussein and shooting blanks at home."
(Washington Post, 1/30)

REP. ROSTENKOWSKI

"The chairman has no interest in seeing the capital-gains issue surface this year," said Patrick Jones, a spokesman for Rostenkowski.
(AP, 1/30)

SEN. BENTSEN

"The president talked about capital gains in a throwaway line, which should tell you there are divisions within the administration on this one," said Bentsen. "I frankly don't think capital gains is going any place."
(AP, 1/30)

Bentsen said he was hopeful -- but skeptical -- about Bush's call for a "comprehensive national energy strategy. We have been promised an energy policy time and again over the past decade only to be let down each time."
(Dallas Morning News, 1/30)

Bentsen shared Mitchell's disappointment with the nation's health care policy, decrying "the president's failure to focus more on the serious problem of skyrocketing health care costs."
(Houston Chronicle, 1/30)

SEN. BIDEN

"The only criticism that I would have is that tonight would have been the place where he prepared the American people for the sacrifices that would have to be made in a land war." (AP, 1/30)

SEN. KENNEDY

Kennedy commended the president for including a "strong emphasis" on domestic policy in the speech and said he was "encouraged" that Bush talked about domestic problems. "We need to devote as much energy and commitment to challenges at home, such as illness, ignorance, injustice and poverty, as we are to the Persian Gulf. Support for our troops also means support for the kind of America they are fighting for."
(Boston Globe, 1/30)

SEN. KERRY

Kerry applauded the part of the speech dealing with the war, but said, "The domestic part of the speech was almost unreal. It lacked a kind of real commitment to the problems of people. I've heard for seven years talk about making the nation No. 1 in math and science, but year after year they don't put money in the education budget."
(Boston Globe, 1/30)

REP. MAVROULES

Bush touched on some good ideas, like tax credits for research and development and enterprise zones, "but now we're going to have to find out where the money will come from and how it will affect the deficit." Otherwise, Bush "grasped the emotion of the nation. It was a little picker-upper." (Boston Globe, 1/30)

REP. ESPY

Espy said Bush "spent more time identifying the domestic agenda than I thought he would, and I was pleased by that." (Washington Post, 1/30)

SEN. JOHNSTON

"It was a call for unity in the Persian Gulf War. All the rest was background noise." (Washington Post, 1/30)

REP. FAZIO

Fazio faulted Bush for failing to prepare the nation for what could be protracted, bloody war. "He wanted to retain the optimism that this is going to be short.... The opportunity was lost to talk about the difficult days ahead." [At the same time] Fazio praised Bush's efforts to convey a sense of national purpose. "It was an important opportunity to unify the country and he did it very well." (Washington Post, 1/30)

REP. JOHN LEWIS

"He did not prepare the American people for a long war or for the possibility of many, many casualties," said Lewis. (AP, 1/30)

Lewis blasted the president's call for a civil rights legislation. "He vetoed the bill in 1990. We will send him the same bill. I think he is trying to talk out of both sides of his mouth without any sense of vision or blueprint for the 21st century. And on the question of the Persian Gulf, he didn't prepare the Americans for a long war. The applause was for the troops, not for him, but for the young men and women in the gulf." (Boston Globe, 1/30)

SEN. BRADLEY

Bradley said Bush's renewed proposal to cut taxes on capital gains "won't make health care or housing more affordable." (USA Today, 1/30)

Bradley said the nation was properly focused on bringing the war to a successful end. "But I don't want to see the men and women serving in the gulf come home to find more burdens facing their families, higher taxes, a deeper recession, and a government that has continued to neglect very real human needs." (Boston Globe, 1/30)

SEN. ADAMS

Adams said Bush had led the nation into war under the false notion that it would be quick and relatively easy. "He was misleading people. I think it was a mistake" not to prepare the country for what could be "a very cataclysmic event." (AP, 1/30)

SEN. HARKIN

Bush "never said anything" about the true costs of the war, said Harkin. "I believe the president set himself up for a great fall" by promising a long list of costly domestic policy initiatives in his speech, "then saying we're going to pay for this war.... Now that's a dead end, and he's going down the road 100 miles an hour." (AP, 1/30)

SEN. GORE

Gore, who supported giving Bush the authority to take the nation to war, said the State of the Union speech would not have been an appropriate place for such somber messages [as Harkin & Adams called for]. Bush properly used it as "the place to define our goals and purposes" and did a good job at that, he said. (AP, 1/30)

REP. OBEY

Obey said the emphasis on the Persian Gulf war "shows how difficult it will be to focus the government's attention on the fact that there are a lot of Americans in trouble here at home. A year from now, the American people will have the right to ask: Did our government try to do as much for Americans as it did for Kuwaitis?" (Philadelphia Inquirer, 1/30)

REP. DINGELL

"I was very much disappointed about his remarks on domestic programs. I considered it almost entirely recycled legislation ...it has about the same appetizing qualities as last week's lunch." (Detroit News, 1/30)

REP. COLLINS

"I came because I didn't want to miss the experience of my first State of the Union address, and now I'm disappointed because it's more of the same." (Detroit News, 1/30)

SEN. ROBB

Robb said that Bush succeeded in reinforcing the will of Americans to stand behind the troops. "But the rest of the speech looked like an attempt to include something on just about any subject that could be mentioned. There were a lot of buzzwords...without much sense of purpose or program to them. I don't think anyone has any real expectations for much of an agenda." (Washington Post, 1/31)

REP. MOAKLEY

"There are two wars going on. There is a war going on over there and a war going on in this country.... He gave drugs one line and education one line. He didn't go into specifics on the domestic problems." Moakley also said Democrats will fight any effort to cut the capital gains tax. (Boston Globe, 1/30)

REP. JENKINS

Cap gains cut backer Jenkins interpreted the call for a study as a way to shelve the issue. "Since they've asked for a study, it appears to me that takes it off the front burner." (Wall Street Journal, 1/31)

SEN. GRAHAM

Cap gains cut advocate Graham: "It's not a very high probability." (Wall Street Journal, 1/31)

SEN. SARBANES

"I think it's important that the president put forth a domestic agenda, although I don't think it truly came to grips with the problems we face." (Baltimore Evening Sun, 1/30)

SEN. MIKULSKI

Mikulski said Bush offered "no clear anti-recession plan. I am absolutely worried to death that the economy is going to be one of the casualties of war." Mikulski criticized Bush for not speaking more strongly about the Soviet Union's repression of the Baltics. (Baltimore Evening Sun, 1/30)

Mikulski said the failure to address domestic problems will have serious consequences long after the Persian Gulf war is over. "When our guys and gals come back from the desert they want a job, they want their kids to be in good schools, and they want their streets to be safe. You can't do that by good intentions." (Washington Post, 1/31)

REP. CARDIN

"I particularly appreciated that he struck a balance between national and international [concerns]." (Baltimore Evening Sun, 1/30)

REP. MCMILLEN

"I think it was one of his best orations for making his case for being in the Persian Gulf." (Baltimore Evening Sun, 1/30)

REP. GEREN

Geren expressed dismay about Bush's vague prescription for a short recession. "We have been living with recession in Texas for five years. I don't know what he thinks is short or long." (Dallas Morning News, 1/30)

REP. ATKINS

"I think the Kathy Blackwells who don't have health insurance or who are struggling to pay for a mortgage deserve more than the warmed-over nostrums that the president gave."

(Boston Globe, 1/30)

REP. RANGEL

Although Bush won standing applause for his war statements, Rangel remained seated when Bush declared, "Our cause is right."

(Reuter, 1/30)

REP. CONYERS

"The president has locked himself in his war room, leaving our domestic needs banging at the door. There is ample money to fight foreign wars or to bail out the savings and loans, but there are only scarce resources to restore our cities and our people's hopes. We are losing the fight to give our troops opportunities when they come home from the war."

(AP, 1/29)

REPUBLICANS

SEN. DOLE

Dole praised Bush for striking the right tone in his address. President Bush had his priorities right tonight. This was no time for an ordinary state of the union, it was really time for a state of unity message," he said. "We'll have plenty of time to roll up our sleeves and tackle the serious domestic agenda he outlined."

(AP, 1/30)

Dole called the speech "what our troops expected to hear from their commander in chief.... The president properly left politics at home and put national unity first."

(USA Today, 1/30)

REP. GINGRICH

Gingrich said he liked what he heard from Bush, even on domestic issues. "I'm not sure that some conservatives will be happy under any circumstances. If you look hard enough, there will be reasons it isn't good enough. But it was a pretty good speech."

(Washington Post, 1/31)

"I think he was quite clear that freedom is not cost-free. He talked about the danger of dictators, of losing lives. I thought he was quite clear."

(AP, 1/29)

REP. MICHEL

Michel said, "There's no question but that the regular domestic program tends to get somewhat downgraded because the prosecution of the war is paramount for all of us." At the same time, Michel added that the president made the point that despite the war, "Life goes on, the business of government goes on."

(AP, 1/30)

SEN. GRAMM

Gramm said the speech was "a powerful and visionary message that set the Middle East conflict in context of the America's responsibility in a new world order." Gramm called Bush's bipartisan approach to a renewed proposal for capital gains tax cuts "an excellent way to try and find a way around Democratic opposition."
(Houston Chronicle, 1/30)

Gramm pronounced the president's address a skillful marriage of foreign and domestic concerns. "Trying to get a balance between the two is very difficult. He's achieved it." Gramm said the address was "a powerful speech. It's a visionary speech."
(Dallas Morning News, 1/30)

SEN. SIMPSON

Congressional Republicans plan to push ahead with President Bush's proposed capital-gains tax cut despite stiff opposition from Democratic leaders. "If you have the votes you'll eventually get something passed," said Simpson. He noted 66 House Democrats voted for the cut last year and predicted 12 to 15 Democratic senators will support it this year.
(AP, 1/30)

SEN. COCHRAN

"The majority leader and other Democrats are trashing the president for being a Republican. They're taking cheap shots that he doesn't deserve."
(Baltimore Sun, 1/30)

REP. ARMEY

Armey said he was impressed by the foreign policy part of the speech. "He just as well could have phoned in the rest of it."
(Washington Post, 1/31)

REP. JERRY LEWIS

"The bipartisan support indicates that the president will get the backing of the Congress he needs."
(USA Today, 1/30)

REP. VANDER JAGT

Referring to Bush's call for a cap gains tax cut, Vander Jagt said: "It is a very difficult, uphill fight."
(Wall Street Journal, 1/31)

REP. ROHRABACHER

"Until we see the follow-through and the implementation, he's not back in the good graces, not only of conservatives but of most Republicans" who oppose tax increases. Rohrabacher said he did like the speech itself.
(Washington Post, 1/31)

REP. LOWERY

Conservative Republicans appeared especially delighted with Bush's domestic proposals. Lowery called them "completely unifying for House Republicans. It's a growth agenda."
(Washington Post, 1/30)

REP. BARTLETT

"It was a great speech. It was George Bush's finest. It was the right mix. He said what needed to be said about the war, but he also devoted a great deal of attention to the domestic side."

(Dallas Morning News, 1/30)

SEN. DOMENICI

"The thing he did, and we helped him to do it, is he said we are united behind him to see that this war is won and that we are behind our armed forces."

(Dallas Morning News, 1/30)

Domenici praised the President's suggestion that some unspecified federal spending programs be terminated. "For the first time, we may get a priority debate."

(Washington Post, 1/30)

REP. PURSELL

"The Democrats want to keep spending and building the federal bureaucracy, and he was saying throughout the whole speech, let's terminate \$15 billion to \$20 billion in programs here at the federal level and return government to the people. That was lined throughout that speech and they don't pick that up."

(Detroit News, 1/30)

REP. MORELLA

"Given the backdrop of war, this has got to be one of the most difficult speeches he ever made. It was necessary he concentrate on the Middle East situation. He mentioned domestic issues more than I thought he would, albeit they were one-liners. I think it was an effective speech thematically, not with specificity."

(Washington Post, 1/31)

REP. FIELDS

Fields called the speech "excellent. I have never seen anybody so cool. It shows we have a president who is a great leader."

(Houston Chronicle, 1/30)

REP. LAMAR SMITH

Smith found the speech "all-encompassing, including a number of domestic policy initiatives as well as a report on the state of foreign affairs. I thought it was a good balance."

(Houston Chronicle, 1/30)

###

THE WHITE HOUSE
Office of the Press Secretary

EMBARGOED FOR RELEASE
AND WIRE TRANSMISSION
UNTIL 9:00 PM (EST)
TUESDAY, JANUARY 29, 1991

THE PRESIDENT'S STATE OF THE UNION ADDRESS

FACT SHEET

The President's 1991 State of the Union address discussed:

- A New World Order
- Preparing for the Next American Century
- The War in the Gulf

The President explained that he came to speak to the Congress and all Americans "certain that we stand at a defining hour."

I. A NEW WORLD ORDER

A. Peace and the Rule of Law

The President declared that what is at stake in the Persian Gulf is more than just the independence of Kuwait. It is a new world order where diverse nations are brought together to give permanence to the universal aspirations of mankind:

- Peace and security;
- Freedom; and
- The rule of law.

The world has "resisted the trap of appeasement, cynicism, and isolation" and is united in demanding Iraq's immediate and unconditional withdrawal from Kuwait. We are working to achieve victory over tyranny and lawless aggression. America has "a unique responsibility to do the hard work of freedom."

B. Constructive Change

The President noted that "the end of the Cold War has been a victory for all humanity...Germany is united. Europe has become whole and free -- and America's leadership was instrumental in making it possible."

C. U.S.-Soviet Relations

The President stated that "our relationship with the Soviet Union is important, not only to us, but to the world." It has contributed to positive, historic change.

The President also noted that "like many other nations, we have been deeply concerned by the violence in the Baltics." The President stated that in discussions with the Soviet leadership "we have been given representations, which, if fulfilled, would result in the withdrawal of some Soviet forces, a reopening of dialogue with the Republics, and a move away from violence." We will watch carefully as the situation develops; we will also maintain our contacts with Soviet leaders to encourage democratization and reform.

II. PREPARING FOR THE NEXT AMERICAN CENTURY

The President asserted that the spirit that is winning a victory for world peace and justice in the Persian Gulf is "the same spirit that gives us the power and the potential to meet our toughest challenges at home." The President called for "new initiative in government, in our communities, and from every American, to prepare for the next American century."

The President encouraged all Americans to join the "community of conscience", asserting that "we have within our reach the promise of a renewed America." He said "we can find meaning and reward by serving some purpose higher than ourselves."

The President called for "strengthening the power and freedom of choice of individuals and families." He declared that "the strength of a democracy is not in bureaucracy," but "in the people and their communities." The President called for the unleashing of "the potential of our most precious resource -- our citizens." This should be done by returning to "families, communities, counties, cities, states, and institutions of every kind, the power to chart their own destiny."

A. Encouraging Economic Growth

The President explained that he understands the genuine economic distress experienced by many Americans. He offered three reasons to be optimistic about the economy:

- Inflation is low;
- Inventories are low; and
- Exports are strong.

The President expressed confidence that "we will get this recession behind us, and return to growth -- soon."

Controlling Federal Spending and Enforcing the Budget Agreement

The President declared that strong economic growth requires control of Federal spending. He will transmit a budget that holds the growth in spending to less than the rate of inflation.

The budget agreement put the Federal government on a pay-as-you-go plan and cut the growth of debt by nearly \$500 billion.

Encouraging Savings and Investment

The President explained that the budget agreement helped free private funds for savings and job-creating investment.

In addition, the President announced that his budget again includes:

- Tax-free family savings accounts;
- Penalty-free withdrawals from IRAs for first-time home buyers; and
- A strengthened long-term capital gains incentive.

He also asked congressional leaders, the Administration, and the Federal Reserve to cooperate in a study, led by Federal Reserve Chairman Alan Greenspan, to reach technical agreement on the budgetary and other economic effects of a strengthened capital gains incentive.

B. Investing in the Future

The President said that we must match incentives for economic growth today with long-term investments for the next American century.

Budget Priorities

The President indicated that his FY 1992 budget priorities will include promoting investments in children, education, infrastructure, space, and high technology.

Strengthening Education

The President will propose a new Educational Excellence Act which contains strategic initiatives to improve the learning achievement of all Americans and to restructure the nation's educational system. Initiatives in the Educational Excellence Act will:

- Stimulate fundamental reform and restructure our education system through promoting educational choice and alternative certification for teachers and principals.
- Promote local control and innovation in education by providing increased flexibility in funding at the Federal and state levels in exchange for enhanced accountability.
- Assist educators in their mission to improve student performance by: rewarding schools that demonstrate improved achievement among students; rewarding excellent teachers; and providing innovation in training school administrators.
- Provide incentives to school districts to design and implement innovative approaches to mathematics and science education; enhance the endowments of Historically Black Colleges and Universities; and contribute to improving literacy.

Strengthening Transportation Infrastructure

The President believes a strong highway system is a critical investment for our economic success. He indicated that he would shortly outline the details of a new National Highway System managed in partnership with the States.

Enhancing Research and Development

To strengthen our research and development capability and economic competitiveness the President will propose:

- A record Federal budget commitment to science and expanding the frontiers of knowledge, including basic research and making government research more available to the private sector for speedier commercialization;
- Increased support for generic or enabling technologies at the pre-competitive stage of R&D in such areas as high-performance computing, new energy technologies, and advanced manufacturing and materials; and
- Making permanent the R&E tax credit.

Reducing Energy Vulnerability

The President will soon present a comprehensive National Energy Strategy that calls for energy conservation and efficiency, increased domestic energy development, and greater use of alternative fuels. The elements of the strategy are designed to:

- Foster economic growth through the availability of ample supplies of reasonably priced energy;
- Enhance energy security by reducing vulnerability to oil disruptions; and
- Increase research and development of a wide range of promising energy technologies.

Providing Financial Security

The President said that we will continue to make sure banks are safe, sound, and able to provide adequate credit

for job-creating loans for factories, businesses, and homebuyers.

He stated that "sound banks should be making more sound loans, now -- and interest rates should be lower, now."

The Treasury will shortly unveil a plan to bring America's financial system into the 21st century. The elements of the plan are designed to:

- Continue to protect the deposits of America's workers and savers;
- Assure the safety, soundness, and competitiveness of our financial institutions;
- Create a regulatory system that is strong, simple, and streamlined; and
- Move toward a deposit insurance fund that is well capitalized with industry funds.

Expanding World Trade

The President called for an expansion of world trade, to create new opportunities for U.S. exports, which have grown by 23 percent over the past two years to nearly \$400 billion. His priorities include:

- Strengthening and expanding the world trading system through the swift and successful completion of the Uruguay Round of multilateral trade negotiations.
 - These negotiations aim to open markets worldwide, lower government subsidies and trade barriers that distort agricultural markets, and establish rules of fair play in areas vital to U.S. competitiveness -- such as services, agriculture, and high technology.
 - The lower trade barriers that would result from a successful Uruguay Round could increase world output by approximately \$5 trillion over the next ten years, and U.S. output by \$1 trillion.
- A U.S.- Mexico Free Trade Agreement (FTA), first endorsed by President Bush and Mexico's President Carlos Salinas de Gortari in June 1990.

- A comprehensive FTA would aim to eliminate barriers to trade in goods and services and investment between the United States and Mexico, as well as provide for the protection of intellectual property rights.
 - It would free trade totalling \$59 billion between the two countries.
 - The FTA might also include Canada, thus creating the world's largest market, with 360 million consumers and \$6 trillion in total output.
- Implementing the Enterprise for the Americas Initiative, launched by President Bush last June.
- The President's initiative aims to spur economic growth and create jobs among the nations of the Western Hemisphere by removing barriers to trade and investment, and by reducing debt burdens.
 - The initiative envisions the eventual development of a hemispheric zone of free trade.
 - The United States has begun the process of opening markets to trade and investment with over a dozen countries in the region.
 - The President will propose legislation to enable full implementation of the investment and debt reduction portions of the initiative.
- Export Promotion. The Administration will be taking quality and export programs to cities around the country, to make certain that more U.S. firms know the export potential of top quality goods and services.

C. Giving Power and Opportunity to the Individual

The President announced an action plan to "put more power and opportunity in the hands of the individual."

Creating Job Opportunities

The President called for new incentives to create jobs in our inner cities by encouraging investment through enterprise zones.

Increasing Home Ownership

The President also called for increasing tenant ownership and control of public housing to help build the bonds of community in neighborhoods that need help.

Fighting Discrimination

The President stated that "civil rights are also crucial to protecting equal opportunity." He called on all Americans to speak out against racism, bigotry, and hate.

The President indicated that "we will continue our vigorous enforcement of existing statutes," and promised to press the Congress again "to strengthen the laws against employment discrimination without resorting to the use of unfair preferences."

Protecting People From Crime and Combatting Drug Abuse

The President described freedom from crime as a basic civil right and said that we must eradicate the fear that stalks our cities.

- He announced that the Attorney General will soon convene a Crime Summit of our nation's law enforcement officials.
- He called for prompt action on tough crime control legislation. The President will propose legislation that will include:
 - A meaningful Federal death penalty for the most heinous crimes with procedures to ensure its fair and colorblind application;
 - Habeas corpus reform to reduce unnecessarily repetitive appeals that clog the courts and delay justice;
 - Exclusionary rule reform to ensure that evidence gathered by law enforcement officials in a good faith belief that they are acting lawfully can be used to help courts establish the truth;
 - Provisions to strengthen Federal laws concerning the safety of women by modifying rules on the

admissibility of evidence in cases of sex crimes, enhancing penalties for the distribution of illegal drugs to pregnant women, increasing penalties for recidivist sex offenders, and offering greater protection for victims below the age of sixteen; and

- New authority to enhance international cooperation among law enforcement officials to combat international criminal activity, including international terrorism.
- The President noted that recent data shows we are making progress in reducing drug abuse, but that much remains to be done. The Administration will soon release the third edition of the National Drug Control Strategy.

This comprehensive strategy includes increased resources for drug prevention and education, treatment, law enforcement, and international initiatives.

Enhancing Good Health Through Prevention

The President stated that good health is every American's right and responsibility. He announced that he will propose an aggressive program of new prevention initiatives to promote a healthier America and to help control costs.

The initiatives are designed to make Americans of all ages healthier.

- Infant health will be improved through an initiative that targets cities with exceptionally high infant mortality rates;
- Children will benefit from large increases in immunization resources;
- Adults will benefit from new efforts to promote physical activity and reduce injury, reduce tobacco use, and implementation of a new program to detect breast and cervical cancer; and
- Elderly women will benefit from mammography services newly available to Medicare beneficiaries.

Giving People More Choice in Government

The President urged "reviving the ideal of the citizen politician who comes not to stay, but to serve."

- He endorsed term limitations in order to reduce the influence of special interests.
- He also endorsed election reform -- total elimination of Political Action Committees -- as necessary to put more power in the hands of individuals.

D. Moving Government Closer to the People

The President said that "where power cannot be put directly in the hands of the individual, it should be moved closer to the people -- away from Washington."

The President called for a more dynamic program life cycle.

- Some programs should increase;
- Some should decrease;
- Some should be terminated; and
- Some should be consolidated and turned over to the States.

The President's Budget includes a list of potential programs for turnover totalling more than \$20 billion. Working with the Governors and the Congress, the President proposed selecting at least \$15 billion in such programs and turning them over to the States in a single consolidated grant, fully funded, for flexible management by the States. This initiative will:

- Allow the Federal Government to reduce overhead;
- Allow States to manage more flexibly and efficiently;
- Move power and decision-making closer to the people; and
- Encourage the innovative power of "States as Laboratories."

III. THE WAR IN THE GULF

A. The Heroism of Our Servicemen and Servicewomen

The President said that, in this defining hour for America and the world, "there is no one more devoted, more committed to the hard work of freedom than every soldier and sailor, every Marine, airman and Coastguardsman -- every man and woman now serving in the Persian Gulf." He stated that our commitment to them must match their commitment to their country.

B. We Are on Course

The President said that while we worked hard to avoid war, Saddam Hussein repeatedly rejected the path of diplomacy and peace. But we will prevail; we are on course. "Iraq's capacity to sustain war is being destroyed...Time will not be Saddam's salvation.

C. Objectives in the Gulf

The President reaffirmed our objectives:

- Drive Iraq from Kuwait. Iraq must comply with all relevant United Nations resolutions.
- Restore Kuwait's legitimate government. Kuwait will once again be free.
- Ensure stability and security in the Gulf region. It is our hope that Iraq will live as a peaceful and cooperative member of the family of nations.

The President stated that most Americans know instinctively why we are in the Gulf -- "we had to stop Saddam now, not later." The President noted the undeniable value of thoughtful dissent. The right to speak out "is one of the reasons we've been united in purpose and principle for 200 years."

D. Strategic Benefits of High Technology

The President observed that our progress in the Gulf is the result of using American technology and economic

strength to minimize the risk to human life. Our men and women have the best and deserve the best.

The President directed that the Strategic Defense Initiative (SDI) program be refocused on providing protection from limited ballistic missile strikes -- from whatever their source.

E. The Unity of the International Community

The President observed that for the first time in the post-war era, the international community is united. It has an opportunity to fulfill the long-held promise of a new world order -- where brutality goes unrewarded, and aggression meets collective resistance.

The President praised the courage and success of the pilots of the coalition countries and the leadership provided by the United Nations, an organization that is now confirming its founders' vision.

The President also commended our friends and allies who have provided the bulk of the financial costs of Desert Shield, and expressed confidence that they will similarly financially support Desert Storm.

F. U.S. Determination is Great

The President stated that Saddam will not benefit from targeting innocent civilians, from environmental terrorism, or by abusing POWs. We will succeed, and in the process send a powerful message to any dictator or despot who would follow Saddam's lead.

G. The Special Role of U.S. Leadership

The President stated that "the United States bears a major share of leadership" in the Gulf War effort. He noted that the burden of leadership is a "strength that has made America the beacon of freedom in a searching world."

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

January 29, 1991

ADDRESS BY THE PRESIDENT
ON THE STATE OF THE UNION

The U.S. Capitol
Washington, D.C.

9:09 P.M. EST

THE PRESIDENT: Mr. President, and Mr. Speaker, and members of the United States Congress. I come to this House of the people to speak to you and all Americans, certain that we stand at a defining hour. Halfway around the world, we are engaged in a great struggle in the skies and on the seas and sands. We know why we're there. We are Americans -- part of something larger than ourselves. For two centuries, we've done the hard work of freedom. And tonight, we lead the world in facing down a threat to decency and humanity.

What is at stake is more than one small country; it is a big idea: a new world order, where diverse nations are drawn together in common cause to achieve the universal aspirations of mankind -- peace and security, freedom, and the rule of law. Such is a world worthy of our struggle and worthy of our children's future. (Applause.)

The community of nations has resolutely gathered to condemn and repel lawless aggression. Saddam Hussein's unprovoked invasion -- his ruthless, systematic rape of a peaceful neighbor -- violated everything the community of nations holds dear. The world has said this aggression would not stand -- and it will not stand. (Applause.)

Together, we have resisted the trap of appeasement, cynicism, and isolation that gives temptation to tyrants. The world has answered Saddam's invasion with 12 United Nations resolutions, starting with a demand for Iraq's immediate and unconditional withdrawal and backed up by forces from 28 countries of six continents. With few exceptions, the world now stands as one.

The end of the Cold War has been a victory for all humanity. A year and a half ago, in Germany, I said that our goal was a Europe whole and free. Tonight, Germany is united. Europe has become whole and free -- and America's leadership was instrumental in making it possible. (Applause.)

Our relationship to the Soviet Union is important, not only to us, but to the world. That relationship has helped to shape these and other historic changes. But like many other nations, we have been deeply concerned by the violence in the Baltics, and we have communicated that concern to the Soviet leadership.

The principle that has guided us is simple: Our objective is to help the Baltic peoples achieve their aspirations, not to punish the Soviet Union. (Applause.) In our recent discussions with the Soviet leadership, we have been given representations which, if fulfilled, would result in the withdrawal of some Soviet forces, a reopening of dialogue with the Republics, and a move away from violence.

We will watch carefully as the situation develops. And we will maintain our contact with the Soviet leadership to encourage

MORE

continued commitment to democratization and reform. (Applause.) If it is possible, I want to continue to build a lasting basis for U.S.-Soviet cooperation, for a more peaceful future for all mankind.

The triumph of democratic ideas in Eastern Europe and Latin America, and the continuing struggle for freedom elsewhere all around the world all confirm the wisdom of our nation's founders.

Tonight, we work to achieve another victory -- a victory over tyranny and savage aggression.

We in this Union enter the last decade of the 20th century thankful for our blessings, steadfast in our purpose, aware of our difficulties, and responsive to our duties at home and around the world.

For two centuries, America has served the world as an inspiring example of freedom and democracy. For generations, America has led the struggle to preserve and extend the blessings of liberty. And today, in a rapidly changing world, American leadership is indispensable. Americans know that leadership brings burdens and sacrifices. But we also know why the hopes of humanity turn to us. We are Americans: we have a unique responsibility to do the hard work of freedom. And when we do, freedom works. (Applause.)

The conviction and courage we see in the Persian Gulf today is simply the American character in action. The indomitable spirit that is contributing to this victory for world peace and justice is the same spirit that gives us the power and the potential to meet our toughest challenges at home.

We are resolute and resourceful. If we can selflessly confront evil for the sake of good in a land so far away, then surely we can make this land all that it should be. If anyone tells you that America's best days are behind her, they're looking the wrong way. (Applause.)

Tonight, I come before this House and the American people with an appeal for renewal. This is not merely a call for new government initiatives; it is a call for new initiative in government, in our communities, and from every American -- to prepare for the next American century.

America has always led by example. So who among us will set this example? Which of our citizens will lead us in this next American century? Everyone who steps forward today -- to get one addict off drugs, to convince one troubled teenager not to give up on life, to comfort one AIDS patient, to help one hungry child.

We have within our reach the promise of a renewed America. We can find meaning and reward by serving some purpose higher than ourselves -- a shining purpose, the illumination of a thousand points of light. And it is expressed by all who know the irresistible force of a child's hand, of a friend who stands by you and stays there -- a volunteer's generous gesture, an idea that is simply right.

The problems before us may be different, but the key to solving them remains the same. It is the individual -- the individual who steps forward. And the state of our Union is the union of each of us, one to the other -- the sum of our friendships, marriages, families, and communities.

We all have something to give. So if you know how to read, find someone who can't. If you've got a hammer, find a nail. If you're not hungry, not lonely, not in trouble, seek out someone who is. Join the community of conscience. Do the hard work of freedom. And that will define the state of our Union. (Applause.)

Since the birth of our nation, "We the people" has been the source of our strength. What government can do alone is limited -- but the potential of the American people knows no limits.

We are a nation of rock-solid realism and clear-eyed idealism. We are Americans. We are the nation that believes in the future. We are the nation that can shape the future. And we've begun to do just that -- by strengthening the power and choice of individuals and families.

Together, these last two years, we've put dollars for child care directly in the hands of parents instead of bureaucracies. (Applause.) Unshackled the potential of Americans with disabilities. (Applause.) Applied the creativity of the marketplace in the service of the environment, for clean air; and made home ownership possible for more Americans. (Applause.)

The strength of a democracy is not in bureaucracy. It is in the people and their communities. In everything we do, let us unleash the potential of our most precious resource -- our citizens, our citizens themselves. We must return to families, communities, counties, cities, states, and institutions of every kind the power to chart their own destiny, and the freedom and opportunity provided by strong economic growth. And that's what America is all about. (Applause.)

I know tonight in some regions of our country, people are in genuine economic distress. And I hear them.

Earlier this month, Kathy Blackwell, of Massachusetts, wrote me about what can happen when the economy slows down, saying, "My heart is aching, and I think that you should know your people out here are hurting badly."

I understand. And I'm not unrealistic about the future. But there are reasons to be optimistic about our economy.

First, we don't have to fight double-digit inflation. Second, most industries won't have to make big cuts in production because they don't have big inventories piled up. And third, our exports are running solid and strong. In fact, American businesses are exporting at a record rate.

So let's put these times in perspective. Together, since 1981, we've created almost 20 million jobs, cut inflation in half, and cut interest rates in half.

And, yes, the largest peacetime economic expansion in history has been temporarily interrupted. But our economy is still over twice as large as our closest competitor.

We will get this recession behind us and return to growth soon. (Applause.) We will get on our way to a new record of expansion and achieve the competitive strength that will carry us into the next American century.

We should focus our efforts today on encouraging economic growth, investing in the future, and giving power and opportunity to the individual. (Applause.)

We must begin with control of federal spending. (Applause.) That's why I'm submitting a budget that holds the growth in spending to less than the rate of inflation. And that's why, amid all the sound and fury of last year's budget debate, we put into law new, enforceable spending caps -- so that future spending debates will mean a battle of ideas, not a bidding war. (Applause.)

Though controversial, the budget agreement finally put the federal government on a pay-as-you-go plan and cut the growth of debt by nearly \$500 billion. And that frees funds for saving and job-creating investment.

Now, let's do more. My budget again includes tax-free family savings accounts; penalty-free withdrawals from IRAs for first-time home buyers -- (applause) -- and to increase jobs and

growth, a reduced tax for long-term capital gains. (Applause.)

I know there are differences among us -- (laughter) -- about the impact and the effects of a capital gains incentive. So tonight, I'm asking the congressional leaders and the Federal Reserve to cooperate with us in a study, led by Chairman Alan Greenspan, to sort out our technical differences so that we can avoid a return to unproductive partisan bickering. (Applause.)

But just as our efforts will bring economic growth now and in the future, they must also be matched by long-term investments for the next American century.

That requires a forward-looking plan of action -- and that's exactly what we will be sending to the Congress. We've prepared a detailed series of proposals that include:

A budget that promotes investment in America's future -- in children, education, infrastructure, space, and high technology;

legislation to achieve excellence in education -- building on the partnership forged with the 50 governors at the Education Summit, enabling parents to choose their children's schools and helping to make America number one in math and science; -- (applause) --

a blueprint for a new national highway system -- a critical investment in our transportation infrastructure; -- (applause) --

a research and development agenda that includes record levels of federal investment, and a permanent tax credit to strengthen private R&D and to create jobs; -- (applause) --

a comprehensive national energy strategy that calls for energy conservation and efficiency, increased development, and greater use of alternative fuels; -- (applause) --

a banking reform plan to bring America's financial system into the 21st century so that our banks remain safe and secure and can continue to make job-creating loans for our factories, our businesses and home-buyers.

You know, I do think there has been too much pessimism. Sound banks should be making sound loans now -- and interest rates should be lower, now. (Applause.)

In addition to these proposals, we must recognize that our economic strength depends on being competitive in world markets. We must continue to expand American exports. A successful Uruguay Round of world trade negotiations will create more real jobs and more real growth for all nations. You and I know that if the playing field is level, America's workers and farmers can out-work, out-produce anyone, anytime, anywhere. (Applause.)

And with a Mexican Free Trade Agreement and our Enterprise for the Americas Initiative, we can help our partners strengthen their economies and move toward a free trade zone throughout this entire hemisphere. (Applause.)

The budget also includes a plan of action right here at home to put more power and opportunity in the hands of the individual. And that means new incentives to create jobs in our inner cities, by encouraging investment through enterprise zones. It also means tenant control and ownership of public housing. Freedom and the power to choose should not be the privilege of wealth. They are the birthright of every American. (Applause.)

Civil rights are also crucial to protecting equal opportunity. (Applause.) Every one of us has a responsibility to speak out against racism, bigotry, and hate. (Applause.) We will continue our vigorous enforcement of existing statutes, and I will

MORE

once again press the Congress to strengthen the laws against employment discrimination without resorting to the use of unfair preferences. (Applause.)

We're determined to protect another fundamental civil right -- freedom from crime and the fear that stalks our cities. The Attorney General will soon convene a crime summit of our nation's law enforcement officials. And to help us support them, we need tough crime control legislation, and we need it now. (Applause.)

And as we fight crime, we will fully implement our national strategy for combatting drug abuse. Recent data show that we are making progress, but much remains to be done. We will not rest until the day of the dealer is over, forever. (Applause.)

Good health care is every American's right and every American's responsibility. And so we are proposing an aggressive program of new prevention initiatives -- for infants, for children, for adults, and for the elderly -- to promote a healthier America and to help keep costs from spiralling. (Applause.)

It's time to give people more choice in government, by reviving the ideal of the citizen politician who comes not to stay, but to serve. And one of the reasons that there is so much support across this country for term limitations is that the American people are increasingly concerned about big-money influence in politics. So we must look beyond the next election, to the next generation. And the time has come to put the national interest above the special interest -- and totally eliminate political action committees. (Applause.)

And that would truly put more competition in elections, and more power in the hands of individuals. And where power cannot be put directly in the hands of the individual, it should be moved closer to the people -- away from Washington.

The federal government too often treats government programs as if they are of Washington, by Washington, and for Washington. Once established, federal programs seem to become immortal.

It's time for a more dynamic program life cycle: Some programs should increase. Some should decrease. Some should be terminated. And some should be consolidated and turned over to the states. (Applause.)

My budget includes a list of programs for potential turnover totalling more than \$20 billion. Working with Congress and the governors, I propose we select at least \$15 billion in such programs and turn them over to the states in a single consolidated grant -- fully funded -- for flexible management by the states. (Applause.)

The value -- the value of this turnover approach is straightforward. It allows the federal government to reduce overhead. It allows states to manage more flexibly and more efficiently. It moves power and decision-making closer to the people. And it reinforces a theme of this administration: appreciation and encouragement of the innovative powers of "States as Laboratories."

This nation was founded by leaders who understood that power belongs in the hands of people. And they planned for the future. And so must we -- here and all around the world.

As Americans, we know that there are times when we must step forward and accept our responsibility to lead the world away from the dark chaos of dictators, toward the brighter promise of a better day.

Almost 50 years ago we began a long struggle against aggressive totalitarianism. Now we face another defining hour for

MORE

America and the world.

There is no one more devoted, more committed to the hard work of freedom, than every soldier and sailor, every Marine, airman, and Coastguardsman -- every man and woman now serving in the Persian Gulf. (Applause.) Oh, how they deserve -- (applause) -- and what a fitting tribute to them.

You see -- what a wonderful, fitting tribute to them. Each of them has volunteered -- volunteered to provide for this nation's defense -- and now they bravely struggle, to earn for America, for the world, and for future generations, a just and lasting peace.

Our commitment to them must be equal to their commitment to their country. They are truly America's finest. (Applause.)

The war in the Gulf is not a war we wanted. We worked hard to avoid war. For more than five months we, along with the Arab League, the European Community, the United Nations, tried every diplomatic avenue. U.N. Secretary General Perez de Cuellar; Presidents Gorbachev, Mitterrand, Ozal, Mubarak, and Bendjedid; Kings Fahd and Hassan; Prime Ministers Major and Andreotti -- just to name a few -- all worked for a solution. But time and again, Saddam Hussein flatly rejected the path of diplomacy and peace.

The world well knows how this conflict began and when: It began on August 2nd, when Saddam invaded and sacked a small, defenseless neighbor. And I am certain of how it will end. So that peace can prevail, we will prevail. (Applause.) Thank you.

Tonight, I am pleased to report that we are on course. Iraq's capacity to sustain war is being destroyed. Our investment, our training, our planning -- all are paying off. Time will not be Saddam's salvation.

Our purpose in the Persian Gulf remains constant: to drive Iraq out of Kuwait, to restore Kuwait's legitimate government, and to ensure the stability and security of this critical region.

Let me make clear what I mean by the region's stability and security. We do not seek the destruction of Iraq, its culture, or its people. Rather, we seek an Iraq that uses its great resources, not to destroy, not to serve the ambitions of a tyrant, but to build a better life for itself and its neighbors. We seek a Persian Gulf where conflict is no longer the rule, where the strong are neither tempted nor able to intimidate the weak.

Most Americans know instinctively why we are in the Gulf. They know we had to stop Saddam now, not later. They know that this brutal dictator will do anything; will use any weapon; will commit any outrage, no matter how many innocents suffer.

They know we must make sure that control of the world's oil resources does not fall into his hands, only to finance further aggression. They know that we need to build a new, enduring peace -- based not on arms races and confrontation, but on shared principles and the rule of law.

And we all realize that our responsibility to be the catalyst for peace in the region does not end with the successful conclusion of this war.

Democracy brings the undeniable value of thoughtful dissent -- and we've heard some dissenting voices here at home -- some, a handful, reckless -- most responsible. But the fact that all voices have the right to speak out is one of the reasons we've been united in purpose and principle for 200 years. (Applause.)

Our progress in this great struggle is the result of years of vigilance and a steadfast commitment to a strong defense. Now, with remarkable technological advances like the Patriot missile,

MORE

we can defend against ballistic missile attacks aimed at innocent civilians.

Looking forward, I have directed that the SDI program be refocused on providing protection from limited ballistic missile strikes -- whatever their source. (Applause.) Let us pursue an SDI program that can deal with any future threat to the United States, to our forces overseas, and to our friends and allies.

The quality of American technology, thanks to the American worker, has enabled us to successfully deal with difficult military conditions and help minimize precious loss of life. We have given our men and women the very best. And they deserve it. (Applause.)

We all have a special place in our hearts for the families of our men and women serving in the Gulf. They are represented here tonight by Mrs. Norman Schwarzkopf. (Applause.) We are all very grateful to General Schwarzkopf and to all those serving with him. And I might also recognize one who came with Mrs. Schwarzkopf -- Alma Powell, the wife of the distinguished Chairman of the Joint Chiefs. (Applause.) And to the families, let me say our forces in the Gulf will not stay there one day longer than is necessary to complete their mission. (Applause.)

The courage and success of the RAF pilots, of the Kuwaiti, Saudi, French, the Canadians, the Italians, the pilots of Qatar and Bahrain -- all are proof that for the first time since World War II, the international community is united. The leadership of the United Nations, once only a hoped-for ideal, is now confirming its founders' vision. (Applause.)

I am heartened that we are not being asked to bear alone the financial burdens of this struggle. Last year, our friends and allies provided the bulk of the economic costs of Desert Shield. And now, having received commitments of over \$40 billion for the first three months of 1991, I am confident they will do no less as we move through Desert Storm. (Applause.)

But the world has to wonder what the dictator of Iraq is thinking. If he thinks that by targeting innocent civilians in Israel and Saudi Arabia, that he will gain advantage, he is dead wrong. (Applause.) If he thinks that he will advance his cause through tragic and despicable environmental terrorism, he is dead wrong. (Applause.) And if he thinks that by abusing the coalition prisoners of war he will benefit, he is dead wrong. (Applause.)

We will succeed in the Gulf. And when we do, the world community will have sent an enduring warning to any dictator or despot, present or future, who contemplates outlaw aggression.

The world can, therefore, seize this opportunity to fulfill the long-held promise of a new world order, where brutality will go unrewarded and aggression will meet collective resistance.

Yes, the United States bears a major share of leadership in this effort. Among the nations of the world, only the United States of America has both the moral standing and the means to back it up. We're the only nation on this Earth that could assemble the forces of peace. This is the burden of leadership and the strength that has made America the beacon of freedom in a searching world.

This nation has never found glory in war. Our people have never wanted to abandon the blessings of home and work for distant lands and deadly conflict. If we fight in anger, it is only because we have to fight at all. And all of us yearn for a world where we will never have to fight again.

Each of us will measure within ourselves the value of this great struggle. Any cost in lives -- any cost -- is beyond our power to measure. But the cost of closing our eyes to aggression is beyond mankind's power to imagine.

MORE

This we do know: Our cause is just. Our cause is moral. Our cause is right. (Applause.)

Let future generations understand the burden and the blessings of freedom. Let them say we stood where duty required us to stand.

Let them know that, together, we affirmed America and the world as a community of conscience.

The winds of change are with us now. The forces of freedom are together, united. We move toward the next century more confident than ever that we have the will at home and abroad to do what must be done, the hard work of freedom.

May God bless the United States of America. Thank you very, very much. (Applause.)

END

9:57 P.M. EST

THE PRESIDENT'S STATE OF THE UNION SPEECH

JANUARY 29, 1991 -- TALKING POINTS

International:

- o Halfway around the world we are engaged in the hard work of freedom. A **new world order** of peace, security, and the rule of law, is being built by the brave men and women now serving in the Persian Gulf.
- o America stands with the United Nations, and armed forces from 28 countries, to reverse Saddam Hussein's aggression in the Gulf. We are on course and we will prevail.

Highlights of the President's agenda for investment in the future:

- legislation to achieve excellence in education;
- support for research and development in technology;
- a comprehensive national energy strategy;
- a new national highway system;
- comprehensive new banking reform measures;
- a national drug strategy for combatting drug abuse and crime; and
- election law reform.

Themes:

- o **America's future lies in unlocking every citizen's potential.** The legislative accomplishments of the last year -- enhancing opportunities for Americans with disabilities, giving child care support directly to parents, and making affordable housing available to more Americans -- strengthen the power and freedom of choice for individuals and families.
- o **The President seeks to affirm America as a nation of principle,** a nation without unfair barriers, preferences, or bias. A nation that protects and expands the potential of individuals while it creates new jobs and economic growth as a competitor in the global economy.
- o A strong economy and expanded economic freedom are chief among the goals of the President's **economic growth package**, which includes tax-free family savings accounts, IRAs for first-time home-buyers, and incentives for long-term investment.
- o President Bush called on every American to ready the nation for the future by working to enhance freedom at home, to foster freedom abroad, and to **make America a community of conscience.**

BOND DONATELLI

I N C O R P O R A T E D

November 26, 1990

The Honorable Edward M. Rogers, Jr.
Deputy Assistant to the President and
Executive Assistant to the Chief of Staff
The White House
Washington, D.C. 20500

Dear Ed:

Enclosed are some general thoughts Rich and I put together on the economic dimension of future White House strategy. They are submitted in response to Governor Sununu's latest letter.

Best of luck.

Sincerely,

Frank J. Donatelli

The best that can be said of this year's budget impasse is that it has finally ended. Time will tell what impact the resulting agreement has on the country's economic fortunes, but one thing we know already is that the political fortunes of the GOP have suffered serious damage. Consider the casualty list:

(1) The President's "No New Taxes" pledge.

The one campaign promise the President is most identified with and the glue that has held a diverse GOP coalition together, is now gone.

(2) Republicans and the "rich."

The GOP has been attacked daily as the "party of the rich." Democrats have been at least partially successful in driving a wedge between the GOP's middle and high income supporters. The latest Wall Street Journal poll finds the GOP identified as the party most interested in protecting the rich by 64% to 13%.

(3) Economic Recession

The Democrats are again predicting recession and an end to the "false prosperity" of the 1980's because of the large deficits -- due to the Reagan-Bush tax cuts for the wealthy. Thus the Democrats have formulated their "explanation" for the economic slowdown that can be adapted as a theme against the President himself in 1992.

(4) Republicans and economic performance

The public view that Republicans are superior to Democrats as the party best able to keep the economy strong, hold taxes down, and restrain spending has been badly eroded. The Journal finds the Democrats are now favored as the party best able to keep the economy strong (31-26) and for dealing with taxes (39-28), a stunning turnaround from the last decade.

(5) Competence and Ideology

The President's image of "competence" has been tarnished by the many Administration "flip flops" on tax policy.

The national economic debate, which has been dominated by Republicans at least since the tax revolt of 1978 (save the recession year of 1982), and which has emphasized low taxes and spending, optimism about the future, deregulation of the economy, and free and fair trade is now being replaced by Democratic arguments for increased taxes on the very wealthy, targeted federal programs to assist the "middle class", economic nationalism to save jobs, and reregulation of key sectors of the economy to prevent future S&L debacles.

The 1992 presidential cycle began the day after the mid-term elections ended. Democratic candidates will begin refining their campaign themes. Democratic leaders in Congress will focus on legislative priorities designed to frame an advantageous agenda

beginning with renewed efforts to enact a "millionaire's surtax."

For the GOP, it is critical that the economic debate be refocused on the Republican economic agenda. The White House needs to revamp its rhetoric and include several new elements.

(1) Defend the Reagan-Bush Record.

Democrats have had a field day attacking the "greed" and "false prosperity" of the 1980s. The President was a key player in the Reagan-Bush Administration and his political fortunes are heavily influenced by the public perception of the recent past. A stronger defense of the decade that saw record increases in employment and lower inflation and interest rates is critical to any future Republican prospects.

(2) Reestablish the growth message.

Republicans have been successful by emphasizing a mixture of growth and opportunity. The public will support a program that emphasizes growth instead of redistribution. This year's budget submission should include positive proposals to get the economy moving again such as capital gains tax cuts, expanded IRAs, enterprise zones, and privatization. The costs would be paid from spending reductions. Such a program would be an attractive contrast to the next Democratic tax increase proposal.

(3) Bring back the Misery Index.

The Democratic economic legacy of the late 1970s is still a heavy burden for the party to carry. The Democratic program of tax and spending increase, protectionism and reregulation would certainly deepen a recession, not prevent one. Whatever the judgement on the 1980's, most everyone thinks the 1970's were worse.

(4) Pick a fight and win.

The President is uncomfortable with confrontation in domestic policy. Nevertheless, he needs to confront his critics on a key issue, with no compromise and, most importantly, win. Such an approach would give added definition to his program and refurbish his image as a strong and competent chief executive.

(5) Talk to the public.

The public is more pessimistic about the direction of the country and the economy than in the recession year of 1982. And why not - when Democratic gloom and doom pronouncements go unanswered? You would think unemployment is 10% again, not its current 5.7% rate. The White House can no longer ignore public opinion. No more secret deals with the Congress. The President needs to speak often directly to the people on behalf of his programs, build public support for them, and prepare the people for new public policy initiatives. If he doesn't define his objectives, his opponents will.

Election year rhetoric is important in determining how successful candidates are in communicating their established themes to the electorate, but it is in the year(s) before the election that the themes are developed and refined. For the GOP, the refinement cannot commence a moment too soon.

**Address Before a Joint Session of the
Congress on the State of the Union**

January 31, 1990

*Mr. President, Mr. Speaker, Members of the
United States Congress:*

I return as a former President of the Senate and a former Member of this great House. And now, as President, it is my privilege to report to you on the state of the Union.

Tonight I come not to speak about the state of the Government, not to detail every new initiative we plan for the coming year nor to describe every line in the budget. I'm here to speak to you and to the American people about the state of the Union—about our world—the changes we've seen, the challenges we face, and what that means for America.

There are singular moments in history, dates that divide all that goes before from all that comes after. And many of us in this chamber have lived much of our lives in a world whose fundamental features were defined in 1945; and the events of that year decreed the shape of nations, the pace of progress, freedom or oppression for millions of people around the world.

Nineteen forty-five provided the common frame of reference, the compass points of the postwar era we've relied upon to understand ourselves. And that was our world, until now. The events of the year just ended, the revolution of '89, have been a chain reaction, changes so striking that it marks the beginning of a new era in the world's affairs.

Think back—think back just 12 short months ago to the world we knew as 1989 began.

One year—one year ago, the people of Panama lived in fear, under the thumb of a dictator. Today democracy is restored; Panama is free.

Operation Just Cause has achieved its objective. The number of military personnel in Panama is now very close to what it was before the operation began. And tonight I am announcing that well before the end of February, the additional numbers of American troops, the brave men and women of our Armed Forces who made this mission a success, will be back home.

A year ago in Poland, Lech Walesa declared that he was ready to open a dialog with the Communist rulers of that country; and today, with the future of a free Poland in their own hands, members of Solidarity lead the Polish Government.

A year ago, freedom's playwright Vaclav Havel languished as a prisoner in Prague. And today it's Vaclav Havel, President of Czechoslovakia.

And 1 year ago, Erich Honecker, of East Germany, claimed history as his guide, and he predicted the Berlin Wall would last another hundred years. And today, less than 1 year later, it's the Wall that's history.

Remarkable events—events that fulfill the long-held hopes of the American people; events that validate the longstanding goals of American policy, a policy based on a single, shining principle: the cause of freedom.

America, not just the nation but an idea, alive in the minds of people everywhere. As this new world takes shape, America stands at the center of a widening circle of freedom—today, tomorrow, and into the next century. Our nation is the enduring dream of every immigrant who ever set foot on these shores, and the millions still struggling to be free. This nation, this idea called America, was and always will be a new world—our new world.

At a workers' rally, in a place called Branik on the outskirts of Prague, the idea called America is alive. A worker, dressed in grimy overalls, rises to speak at the factory gates. He begins his speech to his fellow citizens with these words, words of a distant revolution: "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, and that among these are Life, Liberty and the pursuit of Happiness."

It's no secret that here at home freedom's door opened long ago. The cornerstones of this free society have already been set in place: democracy, competition, opportunity, private investment, stewardship, and of course leadership. And our challenge today is to take this democratic system of ours, a system second to none, and make it better: a better America, where there's a job for everyone who wants one; where women

working outside the home can be confident their children are in safe and loving care and where government works to expand child-care alternatives for parents; where we reconcile the needs of a clean environment and a strong economy; where "Made in the USA" is recognized around the world as the symbol of quality and progress; where every one of us enjoys the same opportunities to live, to work, and to contribute to society and where, for the first time, the American mainstream includes all of our disabled citizens; where everyone has a roof over his head and where the homeless get the help they need to live in dignity; where our schools challenge and support our kids and our teachers and where all of them make the grade; where every street, every city, every school, and every child is drug-free; and finally, where no American is forgotten—our hearts go out to our hostages who are ceaselessly on our minds and in our efforts.

That's part of the future we want to see, the future we can make for ourselves, but dreams alone won't get us there. We need to extend our horizon, commit to the long view. And our mission for the future starts today.

In the tough competitive markets around the world, America faces the great challenges and great opportunities. And we know that we can succeed in the global economic arena of the nineties, but to meet that challenge, we must make some fundamental changes—some crucial investment in ourselves.

Yes, we are going to invest in America. This administration is determined to encourage the creation of capital, capital of all kinds: physical capital—everything from our farms and factories to our workshops and production lines, all that is needed to produce and deliver quality goods and quality services; intellectual capital—the source of ideas that spark tomorrow's products; and of course our human capital—the talented work force that we'll need to compete in the global market.

Let me tell you, if we ignore human capital, if we lose the spirit of American ingenuity, the spirit that is the hallmark of the American worker, that would be bad. The American worker is the most productive worker in the world.

We need to save more. We need to expand the pool of capital for new investments that need more jobs and more growth. And that's the idea behind a new initiative I call the Family Savings Plan, which I will send to Congress tomorrow.

We need to cut the tax on capital gains, encourage risktakers, especially those in our small businesses, to take those steps that translate into economic reward, jobs, and a better life for all of us.

We'll do what it takes to invest in America's future. The budget commitment is there. The money is there. It's there for research and development, R&D—a record high. It's there for our housing initiative—HOPE—to help everyone from first-time homebuyers to the homeless. The money's there to keep our kids drug-free—70 percent more than when I took office in 1989. It's there for space exploration. And it's there for education—another record high.

And one more thing: Last fall at the education summit, the Governors and I agreed to look for ways to help make sure that our kids are ready to learn the very first day they walk into the classroom. And I've made good on that commitment by proposing a record increase in funds—an extra half-a-billion dollars—for something near and dear to all of us: Head Start.

Education is the one investment that means more for our future because it means the most for our children. Real improvement in our schools is not simply a matter of spending more: it's a matter of asking more—expecting more—of our schools, our teachers, of our kids, of our parents, and ourselves. And that's why tonight I am announcing America's education goals, goals developed with enormous cooperation from the Nation's Governors. And if I might, I'd like to say I'm very pleased that Governor Gardner [Washington] and Governor Clinton [Arkansas], Governor Branstad [Iowa], Governor Campbell [South Carolina], all of whom were very key in these discussions, these deliberations, are with us here tonight.

By the year 2000, every child must start school ready to learn.

The United States must increase the high school graduation rate to no less than 90 percent.

And we are going to make sure our schools' diplomas mean something. In critical subjects—at the 4th, 8th, and 12th grades—we must assess our students' performance.

By the year 2000, U.S. students must be first in the world in math and science achievement.

Every American adult must be a skilled, literate worker and citizen.

Every school must offer the kind of disciplined environment that makes it possible for our kids to learn. And every school in America must be drug-free.

Ambitious aims? Of course. Easy to do? Far from it. But the future's at stake. The Nation will not accept anything less than excellence in education.

These investments will keep America competitive. And I know this about the American people: We welcome competition. We'll match our ingenuity, our energy, our experience and technology, our spirit and enterprise against anyone. But let the competition be free, but let it also be fair. America is ready.

Since we really mean it and since we're serious about being ready to meet that challenge, we're getting our own house in order. We have made real progress. Seven years ago, the Federal deficit was 6 percent of our gross national product—6 percent. In the new budget I sent up 2 days ago, the deficit is down to 1 percent of gross national product.

That budget brings Federal spending under control. It meets the Gramm-Rudman target. It brings that deficit down further and balances the budget by 1993 with no new taxes. And let me tell you, there's still more than enough Federal spending. For most of us, \$1.2 trillion is still a lot of money.

And once the budget is balanced, we can operate the way every family must when it has bills to pay. We won't leave it to our children and our grandchildren. Once it's balanced, we will start paying off the national debt.

And there's something more we owe the generations of the future: stewardship, the safekeeping of America's precious environmental inheritance.

It's just one sign of how serious we are: we will elevate the Environmental Protec-

tion Agency to Cabinet rank—not more bureaucracy, not more red tape, but the certainty that here at home, and especially in our dealings with other nations, environmental issues have the status they deserve.

This year's budget provides over \$2 billion in new spending to protect our environment, with over \$1 billion for global change research, and a new initiative I call America the Beautiful to expand our national parks and wildlife preserves that improve recreational facilities on public lands, and something else, something that will help keep this country clean from our forestland to the inner cities and keep America beautiful for generations to come: the money to plant a billion trees a year.

And tonight let me say again to all the Members of the Congress: The American people did not send us here to bicker. There is work to do, and they sent us here to get it done. And once again, in the spirit of cooperation, I offer my hand to all of you. Let's work together to do the will of the people: clean air, child care, the Educational Excellence Act, crime, and drugs. It's time to act. The farm bill, transportation policy, product-liability reform, enterprise zones—it's time to act together.

And there's one thing I hope we will be able to agree on. It's about our commitments. I'm talking about Social Security. To every American out there on Social Security, to every American supporting that system today, and to everyone counting on it when they retire, we made a promise to you, and we are going to keep it.

We rescued the system in 1983, and it's sound again—bipartisan arrangement. Our budget fully funds today's benefits, and it assures that future benefits will be funded as well. The last thing we need to do is mess around with Social Security.

There's one more problem we need to address. We must give careful consideration to the recommendations of the health-care studies underway now. That's why tonight I'm asking Dr. Sullivan, Lou Sullivan, Secretary of Health and Human Services, to lead a Domestic Policy Council review of recommendations on the quality, accessibility, and cost of our nation's health-care system. I am committed to bring the staggering costs of health care under control.

The state of the Government does indeed depend on many of us in this very chamber. But the state of the Union depends on all Americans. We must maintain the democratic decency that makes a nation out of millions of individuals. I've been appalled at the recent mail bombings across this country. Every one of us must confront and condemn racism, antisemitism, bigotry, and hate, not next week, not tomorrow, but right now—every single one of us.

The state of the Union depends on whether we help our neighbor—claim the problems of our community as our own. We've got to step forward when there's trouble, lend a hand, be what I call a point of light to a stranger in need. We've got to take the time after a busy day to sit down and read with our kids, help them with their homework, pass along the values we learned as children. That's how we sustain the state of the Union. Every effort is important. It all adds up. It's doing the things that give democracy meaning. It all adds up to who we are and who we will be.

Let me say that so long as we remember the American idea, so long as we live up to the American ideal, the state of the Union will remain sound and strong.

And to those who worry that we've lost our way—well, I want you to listen to parts of a letter written by Private First Class James Markwell, a 20-year-old Army medic of the 1st Battalion, 75th Rangers. It's dated December 18th, the night before our armed forces went into action in Panama. It's a letter servicemen write and hope will never be sent. And sadly, Private Markwell's mother did receive this letter. She passed it along to me out there in Cincinnati.

And here is some of what he wrote: "I've never been afraid of death, but I know he is waiting at the corner. I've been trained to kill and to save, and so has everyone else. I am frightened what lays beyond the fog, and yet do not mourn for me. Revel in the life that I have died to give you. But most of all, don't forget the Army was my choice. Something that I wanted to do. Remember I joined the Army to serve my country and ensure that you are free to do what you want and live your lives freely."

Let me add that Private Markwell was among the first to see battle in Panama,

and one of the first to fall. But he knew what he believed in. He carried the idea we call America in his heart.

I began tonight speaking about the changes we've seen this past year. There is a new world of challenges and opportunities before us, and there's a need for leadership that only America can provide. Nearly 40 years ago, in his last address to the Congress, President Harry Truman predicted such a time would come. He said: "As our world grows stronger, more united, more attractive to men on both sides of the Iron Curtain, then inevitably there will come a time of change within the Communist world." Today, that change is taking place.

For more than 40 years, America and its allies held communism in check and ensured that democracy would continue to exist. And today, with communism crumbling, our aim must be to ensure democracy's advance, to take the lead in forging peace and freedom's best hope: a great and growing commonwealth of free nations. And to the Congress and to all Americans, I say it is time to acclaim a new consensus at home and abroad, a common vision of the peaceful world we want to see.

Here in our own hemisphere, it is time for all the peoples of the Americas, North and South, to live in freedom. In the Far East and Africa, it's time for the full flowering of free governments and free markets that have served as the engine of progress. It's time to offer our hand to the emerging democracies of Eastern Europe so that continent—for too long a continent divided—can see a future whole and free. It's time to build on our new relationship with the Soviet Union, to endorse and encourage a peaceful process of internal change toward democracy and economic opportunity.

We are in a period of great transition, great hope, and yet great uncertainty. We recognize that the Soviet military threat in Europe is diminishing, but we see little change in Soviet strategic modernization. Therefore, we must sustain our own strategic offense modernization and the Strategic Defense Initiative.

But the time is right to move forward on a conventional arms control agreement to move us to more appropriate levels of military forces in Europe, a coherent defense

program that ensures the U.S. will continue to be a catalyst for peaceful change in Europe. And I've consulted with leaders of NATO [North Atlantic Treaty Organization]. In fact, I spoke by phone with President Gorbachev just today.

I agree with our European allies that an American military presence in Europe is essential and that it should not be tied solely to the Soviet military presence in Eastern Europe. But our troop levels can still be lower. And so, tonight I am announcing a major new step for a further reduction in U.S. and Soviet manpower in central and eastern Europe to 195,000 on each side. This level reflects the advice of our senior military advisers. It's designed to protect American and European interests and sustain NATO's defense strategy. A swift conclusion to our arms control talks—conventional, chemical, and strategic—must now be our goal. And that time has come.

Still, we must recognize an unfortunate fact: In many regions of the world tonight, the reality is conflict, not peace. Enduring animosities and opposing interests remain. And thus, the cause of peace must be served by an America strong enough and sure enough to defend our interests and our ideals. It's this American idea that for the past four decades helped inspire this revolution of '89.

Here at home and in the world, there's history in the making, history to be made. Six months ago, early in this season of change, I stood at the gates of the Gdansk Shipyard in Poland at the monument to the fallen workers of Solidarity. It's a monument of simple majesty. Three tall crosses rise up from the stones, and atop each cross, an anchor, an ancient symbol of hope.

The anchor in our world today is freedom, holding us steady in times of change, a symbol of hope to all the world. And freedom is at the very heart of the idea that is America. Giving life to that idea depends on every one of us. Our anchor has always been faith and family.

In the last few days of this past momentous year, our family was blessed once more, celebrating the joy of life when a little boy became our 12th grandchild. When I held the little guy for the first time, the troubles at home and abroad seemed manageable and totally in perspective.

Now, I know you're probably thinking, Well, that's just a grandfather talking. Well, maybe you're right. But I've met a lot of children this past year across this country, as all of you have, everywhere from the Far East to Eastern Europe. And all kids are unique, and yet all kids are alike—the budding young environmentalists I met this month, who joined me in exploring the Florida Everglades; the little leaguers I played catch with in Poland, ready to go from Warsaw to the World Series; and even the kids who are ill or alone—and God bless those boarder babies, born addicted to drugs and AIDS and coping with problems no child should have to face. But you know, when it comes to hope and the future, every kid is the same—full of dreams ready to take on the world—all special, because they are the very future of freedom. And to them belongs this new world I've been speaking about.

And so, tonight I'm going to ask something of every one of you. Now, let me start with my generation, with the grandparents out there. You are our living link to the past. Tell your grandchildren the story of struggles waged at home and abroad, of sacrifices freely made for freedom's sake. And tell them your own story as well, because every American has a story to tell.

And, parents, your children look to you for direction and guidance. Tell them of faith and family. Tell them we are One Nation under God. Teach them that of all the many gifts they can receive liberty is their most precious legacy and of all the gifts they can give the greatest is helping others.

And to the children and young people out there tonight: With you rests our hope, all that America will mean in the years and decades ahead. Fix your vision on a new century—your century, on dreams we cannot see, on the destiny that is yours and yours alone.

And finally, let all Americans—all of us together here in this chamber, the symbolic center of democracy—affirm our allegiance to this idea we call America. And let us remember that the state of the Union depends on each and every one of us.

God bless all of you, and may God bless this great nation, the United States of America.

Note: The President spoke at 9:05 p.m. in the House Chamber of the Capitol. He was introduced by Thomas S. Foley, Speaker of the House of Representatives. The address was broadcast live on nationwide radio and television. Prior to his address, the President attended a reception in the Speaker's Conference Room hosted by the congressional leadership.

White House Fact Sheet on the President's Conventional Armed Forces in Europe Initiative
January 31, 1990

After initial discussions with NATO allies, the President concluded that changes which have taken place in Europe over the last 3 months have made it possible to propose lower levels in the area of greatest concentration of forces: central and eastern Europe. However, the United States will maintain significant military forces in Europe as long as our allies desire our presence as part of a common security effort.

Therefore, in his State of the Union Address to Congress on January 31, President Bush proposed to revise NATO's current position in the Conventional Armed Forces in Europe (CFE) negotiations to lower substantially the levels of U.S. and Soviet ground and air force manpower in central and eastern Europe to 195,000 on each side. Forces withdrawn will be demobilized. There would be approximately 225,000 U.S. ground and air force personnel in Europe after CFE reductions are completed. The proposal responds to rapid changes in eastern Europe and is designed to help propel the CFE negotiations to an early conclusion in 1990.

The President's initiative would supersede an earlier proposal establishing a level of 275,000 each of U.S. and Soviet ground and air force manpower stationed outside of their respective national territories in the Atlantic to the Urals region.

The President has concluded that this proposal reflects the minimum level of U.S. forces needed in Europe to protect American interests and to sustain NATO's strategy of forward defense and flexible response. Even if—as we expect—Soviet forces in this region are reduced even further, the United States does not envision the further reduction of its forces in Europe below this new level.

Remarks at the Annual National Prayer Breakfast

February 1, 1990

Thank you, ladies and gentlemen. Thank you all. Thank you very, very much. Vice President and Mrs. Quayle, and Chuck Grassley, Sam Nunn, and my dear friend Billy Graham, and Ruth. Jim Baker, that was a very inspiring testament of faith. I also want to salute our very special guests who have traveled far to join us in a prayer for peace and understanding: President Moi of Kenya; President Ershad of Bangladesh; Major Buyoya, the marvelous head of Burundi; President Cristiani, a longtime friend; the Prime Minister Kisekka. And I just express for all of us a very hearty welcome, and to President Ershad, a happy birthday greeting to go with Bev Shea's. We're delighted you're here.

And I want to thank Bev Shea and Billy. It'll probably read: Prayer Breakfast, Bev Shea; Supporting Cast: Secretary of State; Billy Graham. *[Laughter]* A lot of Presidents out here, Senators and Congressmen. He was magnificent. *[Laughter]* Magnificent music.

It's often said in my line of work that a candidate or a proposal hasn't got a prayer. Well, I'm pleased to be with an audience about whom that will never be said. *[Laughter]* And this breakfast is the result of years of quiet diplomacy—I wouldn't say secret diplomacy—quiet diplomacy by an ambassador of faith, Doug Coe. And I salute him.

And I was moved once again by what Sam and Liz told us of Members and staffers on the Hill who like to regularly meet to share a few quiet moments of prayer and

Stumping in Texas, Bush Pounds 'Pundits'

Poll Shows President's Approval Rating Up After Campaign-Swing Focus on Gulf

By Ann Devroy
Washington Post Staff Writer

TYLER, Tex., Nov. 5—After attacking the usual suspects—the tax-and-spend, weak-on-crime liberal Democrats—President Bush today saved the last of his 1990 midterm political criticism for Washington “pundits.”

Launching a three-stop Texas tour for the GOP ticket, Bush took on “all these great inside-the-Beltway experts telling us everything that’s wrong with the United States.”

The president urged his audience to “go the polls and say what’s right about it.” He cited the Texas candidacies of Republicans Clayton Williams for governor and Phil Gramm for Senate as two things right about America.

Launching into an extemporaneous end to his stump speech here, Bush mocked “the cynics, these Washington pundits that we get on these tiring shows all the time. I don’t know if you’re like I am, maybe you’ve enjoyed these things, but I can only take so much self-flagellation.”

To wild cheering, Bush shouted, “Don’t tell me what’s wrong about this country, show us what’s right. Get out and do your civic duty.”

The Tyler stop was one of three rallies Bush addressed before returning to Houston, his legal residence, where he will vote Tuesday. The president will have spent three days in Texas, after campaigning the past week in Massachusetts, Florida, Ohio, Minnesota, Iowa and New Mexico.

White House Press Secretary Marlin Fitzwater said that regardless of how Republicans do Tuesday, the president will continue to campaign for GOP candidates. That’s “just the way he feels about the party and about campaigning. He’ll always do it,” Fitzwater said. Asked whether Bush will take some credit if Republicans do well, Fitzwater joked, “I expect we will claim victory no matter what happens.”

In Texas, Bush got enthusiastic greetings all across the state where he was introduced as a “great Texas president” by Gramm.

Bush steered clear of mentioning Democratic gubernatorial candidate Ann Richards by name, even when he was campaigning in her home territory in Waco. But he joked there that he was late because he and Williams “set off the metal detectors with our silver feet.” And he grinned widely when Gramm attacked her and said, “Ann Richards does not speak for Texas when she attacks our Texas President.”

Richards was the keynote speaker at the 1988 Democratic National Convention, where she mockingly attacked Bush, saying he was born with a “silver foot” in his mouth.

Here and on his other stops, Bush accused the Democrats of engaging in “that tired, liberal, divide class warfare rhetoric about soaking the rich” when in fact, he said, their budget proposals would increase taxes for middle-income Americans.

“Hold onto your wallets, they’re after you, every single one of you,” Bush told his audiences.

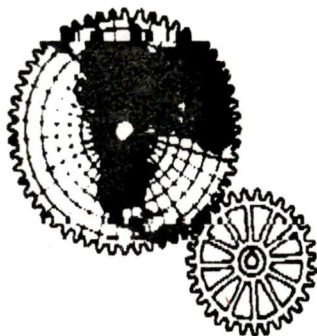
In his final day, Bush also included what has been a standard segment on Iraq in which he pledged, “I will give the sanctions time to work. I hope and pray there will never be a shot fired in anger.” But, he added, “there will be no compromise” with Saddam Hussein. “Unchecked and uncontrolled aggression could be world war tomorrow.”

An ABC News poll conducted over the weekend found that Bush’s job approval rating has rebounded in recent days as the president has focused on the crisis in the Middle East in speeches around the country. The survey of 1,015 adults found that 59 percent approved of the job Bush was doing as president, up from 51 percent in an ABC poll completed early last week.

After a day campaigning, Bush returned to Houston to sign the budget reconciliation package and 13 appropriation bills that had been the center of so much political turmoil the past two months.

Fitzwater said he did not believe an election-eve signing of such unpopular legislation would have any effect on the voting. “It is a deficit-cutting bill the country needs,” he said. “Got to do the country’s business.”

State of the Union

**POLYCONOMICS, INC.**
Political and Economic CommunicationsJude Wanniski
President86 Maple Avenue
Morristown, NJ 07960
Tel. 201-267-4640
Fax. 201-539-4025

October 31, 1990

ER - INFOThe Hon. John Sununu
Chief of Staff
The White House
Washington, D.C. 20500

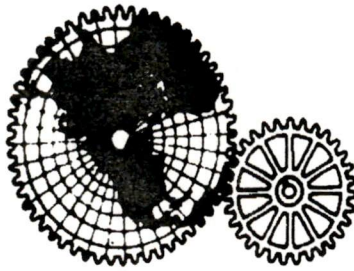
Dear John:

The President could make a major, positive difference on the outcome of next Tuesday's elections with a Sunday night paid political spot of only a minute or two, urging voter turnout on behalf of a growth agenda in the 102nd Congress. If you can get one voter in every precinct to show up for the GOP instead of staying home, you can prevent a rout and save a lot of candidates now on the ropes. They have to have a positive incentive to vote.

The President has to announce he is going to challenge the Democrats throughout 1991 to drop their class warfare baloney and pass a capital gains tax for the nation at large, and a zero percent capgains tax for the inner cities. By linking the two thoughts together, it is clear the issue is growth vs. stagnation. He should mention the Democrats have blocked the urban enterprise zone idea for 10 years! The President's message in the final days should NOT BE plastering the Democrats as the party of tax and spend -- a message that lost for the GOP for half a century. He should ridicule the Democratic pledge to tax millionaires: why don't we just shoot them all? But primarily he must hammer on the strategy of capital tax cuts for growth. Ask Bob Teeter what he thinks. I believe he will agree this would make a difference.

Sincerely, as always,

Jude Wanniski



POLYCONOMICS, INC.

Political and Economic Communications

THE NEXT TWO YEARS

To judge by the telephone calls in the last few days, the despair among Polyconomics' clients about the next two years of the Bush Administration is so complete that what remains of my patented optimism seems almost perverse. The dominant school of thought, which includes many of the Reaganauts in Washington's political and intellectual circles, is that the real George Bush has revealed himself in the last several weeks as a man without vision or solid beliefs, that he doesn't even realize how thoroughly he has been humiliated by the Democrat brain-trust, that he isn't going to change, that we are stuck with him, and should dig in for the duration; it is utterly hopeless to expect him to repair his presidency in any meaningful way. A smaller, less abject school assumes there will be serious soul-searching by the President and his family and friends after next Tuesday's elections. GOP congressional leadership will chip in with gloves-off advice. So will the Cabinet. And as a result, changes will be made in people and policies. It only takes a few people in key posts to screw up an entire government. It only takes a few changes to get things humming again. At this point, though, it takes an unusual degree of optimism to believe the President will know what changes to make.

If we stand back for a moment, we can begin to rebuild our confidence about the future with the simple realization that even successful political revolutions have to expect to surmount counterrevolutionary forces. As mighty as they may seem, the Democrats are not an especially interesting force. The class-warfare themes they've been playing lately are so moth-eaten that the Democrat leaders are rightly astonished that they've worked at all. The Gipper would have shredded that stratagem, as he often did when they would dust it off.

No, the really interesting political party remains the GOP. What we've seen this year was certainly messy, but it may have been the Last Hurrah of the Old Guard. When three out of four House Republicans voted with Rep. Newt Gingrich against the White House budget deal with the Democrats, it should have been clear the party's base is solidly with its growth wing. These backbenchers, who for the most part were originally attracted to the banner of growth and opportunity Rep. Jack Kemp ran up in 1976, are getting stronger each year, not weaker. If President Bush is to win re-election in 1992, he will have to accommodate his party's future, not its past.

In 1980, the Reagan Revolution wrested power away from the austerity forces that had dominated the Republican agenda for half a century. George Bush, of course, had come out of that tradition, but in the Reagan years, as Vice President, he seemed swept up by the success of the revolutionary economic ideas at their center. In his New Orleans "read my lips" acceptance speech, he seemed converted, but in politics, conversions are rarely complete. The idea that deficits are immoral has been the curse of the GOP from Hoover to Dewey, Goldwater, Nixon and Ford, a guilt trip the Democrats have gleefully encouraged.

The Old Guard in the Bush Cabinet, as exemplified by Treasury Secretary Nick Brady, has always been vulnerable to the assertion that the Reagan growth years were bought by credit-card deficits. In 1981, the Old Guard captured David Stockman at the budget bureau with the immorality argument, spawning the nation's worst recession since the 1930s. In 1990, Richard Darman, arch-enemy of "now-nowism," became the budget moralist in his quest for a deal at any price. Until the very last moment, the growth forces had pinned their hopes on White House chief of staff John Sununu, who had promised there would be no deal without a capital-gains tax cut to offset the contractionary elements of the summit deal. When Sununu, who was wedged between Brady and Darman, caved in, the rout within the administration was complete.

In blocking the first deal, Newt Gingrich performed an incredibly important service to his Republican Party. Without his leadership, the growth wing of the GOP would have been without a leader, Housing Secretary Jack Kemp being inside the Cabinet, bound hand and foot. Had Gingrich

not elevated the opposition, we could not now be contemplating a vigorous reassertion of the GOP's growth wing next year. It would be scattered and demoralized. The White House is putting out the word that Gingrich forced them to agree to a worse deal, in order to get Democrats to pass what Republicans would not. The argument itself displays a certain intellectual vacuity that is the hallmark of the unprincipled pragmatist. To the naked eye, both junk piles that Gingrich tried to sweep from the House floor were of equal height. The stir he made thrilled the growth forces in the GOP. The battle was lost, but the banner is still being carried in strategic retreat.

Regrouping for 1991 and beyond will be most successful if it does not assume that President Bush will come 'round automatically. Gingrich cannot expect in January, when the Democrats put forward their latest plan to tax the rich with a millionaire surtax, that the Bush administration will be any more successful in countering this political theatre than they were this year. House and Senate Republicans will be advancing their own growth agenda in January, not out of any inflated idea that the Democrat Congress will lie down and adopt it. They will have to prepare for 1992 and the Republican platform, and a Presidential race with or without George Bush at the top of the ticket.

Unless the President makes some critical changes in his economic and political team, he will continue to find himself floundering with a divided and dispirited party, sinking in the polls. As the GOP cannot be united under an austerity banner, the only alternative is a return to growth. The President's tendency, of course, will be to reach down into his bag of old acquaintances even in putting together a White House reorganization. It is already in the breeze that an "economic post" will go to retiring Rep. Bill Frenzel of Minnesota, who the President knows from his days on House Ways and Means in 1967-70. Frenzel is dyed-in-the-wool, the ranking Republican on the House Budget Committee, whose chief economist is Martha Phillips, wife of Kevin Phillips, who has been among the most relentless foes of the Reagan Revolution.

Among the most important posts to be filled is a political one, the chairmanship of the Republican National Committee. From the earliest days of the Bush Administration, RNC Chairman Lee Atwater has been incapacitated by a malignant brain tumor. Because he is one of the few political operatives who enjoys the confidence of the President, Atwater's absence as an active player this year left Darman and Sununu in complete charge of the political scene. Robert Teeter, the President's pollster, had been counseling a growth strategy from the beginning of the year. But all critics of the Darman budget strategy have been muffled on the grounds that he is in charge, and that's that. Atwater at full strength, could have broken through the palace guard. Other GOP operatives like Ed Rollins of the House Campaign Committee were alarmed at the process throughout, but could not get a hearing.

Clearly the best choice for RNC Chairman would be Jack Kemp, at least at *this point* -- with the GOP having been successfully recast by the Democrats as The Party of the Rich. More than any other Republican, Kemp is identified with the poor, the homeless, the minorities, economic growth and entrepreneurial capitalism. Kemp at the RNC would send the strongest signal that the Bush Administration is getting back on that track. At the RNC, especially with the President contemplating 1992, Kemp would be a player to be reckoned with in economic policymaking, not the outsider he has been to date. The GOP would recoup the youth vote and make deep inroads in black and Hispanic America. Kemp would have two dozen African-Americans recruited to run for Congress by '92. One would instantly have to bet on Bush's re-election if he appointed Kemp. Who, though, is the front-runner for the RNC? I'm told that it is the President's loyal friend Robert Mosbacher, Secretary of Commerce, yachtsman, polo player, and one of the wealthiest men in the Cabinet.

Sununu as chief of staff would have been exemplary, but for his excessive confidence in and unalloyed support of Darman. Even now, Sununu is taking most of the heat for the budget debacle, demonstrating the ability of Darman to deflect criticism from himself. It's at least possible to imagine Sununu recovering and functioning well in the next two years of a growth administration. It's hard to imagine Darman hanging around, however. Now that he has bagged his \$490 billion Deal, he would simply be pushing around peanuts, and he will never again enjoy the confidence in his skills that the President and Sununu placed in him. One would hope that Treasury Secretary Nicholas Brady would resign after more than two hapless years on his beat. There are any number of younger growth-oriented Wall Streeters who the President knows from the Yale Alumni Club who could quickly get Treasury in shape. I will send the names if asked. I'd really love to be bullish on Bush again.

ER - INFO

THE WHITE HOUSE

WASHINGTON

October 29, 1990

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: EDE HOLIDAY *EHA*

SUBJECT: Jack Kemp's Economic Empowerment Task Force

Secretary Kemp sent out the attached letter last week announcing the first meeting of the DPC Economic Empowerment Task Force on November 15. He has asked each agency to bring ideas for empowering low-income people to that meeting for discussion.

Leading up to that meeting the Task Force will probably have one or two meetings with outside experts, such as Stuart Butler of the Heritage Foundation, to educate the group on what it means to empower people. These ad hoc meetings would be chaired by Charles Kolb, who acts as the coordinator for the Task Force.

I will keep you updated on the activities of the Economic Empowerment Task Force.

Attachment



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410

October 23, 1990

MEMORANDUM FOR: Members of the Domestic Policy Council (DPC)
Economic Empowerment Task Force

FROM: Jack Kemp, Chairman *Jack Kemp*

SUBJECT: First Task Force Meeting

The first meeting of the Domestic Policy Council's Economic Empowerment Task Force will take place on November 15, 1990, from 10:00 to 11:30 a.m. in the Roosevelt Room of the White House, and will be for principals only. Enclosed is a copy of the charter which outlines the President's mandate to our Task Force. Please come prepared to discuss what your Department can contribute to this ambitious and important undertaking.

With this in mind, I'd like to ask you to prepare a brief presentation--about five minutes in length--outlining three or more ideas to empower low-income Americans which could be implemented in your Department. Don't limit yourself to short-term, incremental changes in existing programs. Although such modifications will play a role in developing our anti-poverty agenda, I want all of us to be challenged, especially in this planning stage, to consider ambitious, far-reaching ideas.

Please submit your ideas in writing to Anna Kondratas, Assistant Secretary of HUD for Community Planning and Development, by COB November 5, 1990. Also, please call Charles Kolb, Deputy Assistant to the President for Domestic Policy and staff coordinator of the Task Force, to confirm your attendance. I look forward to seeing you at the first Economic Empowerment Task Force meeting. A list of Task Force members is enclosed.

Enclosures

THE WHITE HOUSE

WASHINGTON

September 4, 1990

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF THE TREASURY
THE SECRETARY OF INTERIOR
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF LABOR
THE SECRETARY OF HEALTH AND HUMAN SERVICES
THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY OF EDUCATION
THE DIRECTOR OF THE OFFICE OF MANAGEMENT
AND BUDGET
THE CHAIRMAN OF THE COUNCIL OF ECONOMIC ADVISORS
THE ADMINISTRATOR OF THE SMALL BUSINESS
ADMINISTRATION
THE ASSISTANT TO THE PRESIDENT FOR ECONOMIC AND
DOMESTIC POLICY

SUBJECT: Economic Empowerment Task Force

As approved by the President, an Economic Empowerment Task Force will be formed under the Domestic Policy Council to continue the development and coordinate the implementation of the Administration's anti-poverty agenda. The Task Force replaces and succeeds the Low Income Opportunity Board and will report to the President through the Domestic Policy Council.

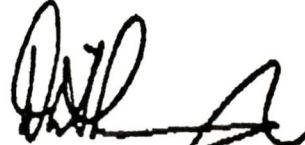
The Economic Empowerment Task Force will: 1) advance the Administration's comprehensive economic empowerment strategy; 2) identify new initiatives consistent with the principles of the Administration's economic empowerment and budget policies; 3) coordinate the review of current programs by each Department, including a study of the distributional effects of existing programs; and 4) develop and implement proposals to integrate services and move toward a "client-centered" approach.

The Secretary of Housing and Urban Development will chair the Task Force. Task Force members shall be Assistant Secretary rank or higher. Staff assistance will be provided by each Department as needed and coordinated by the Deputy Assistant to the President for Domestic Policy.

The chairman of the Task Force will coordinate its activities with the Executive Secretary to the Domestic Policy Council.

Please forward the name of your agency's representative to John Schall, Deputy Executive Secretary to the Domestic Policy Council, at 456-7090 as soon as possible.

Thank you very much for your cooperation.

A handwritten signature in dark ink, appearing to read 'Dick Thornburgh', written over a horizontal line.

Dick Thornburgh
Chairman Pro Tempore
Domestic Policy Council

ECONOMIC EMPOWERMENT TASK FORCE

Membership as of September 18, 1990

CHAIRMAN

The Honorable Jack Kemp
Secretary of Housing & Urban Development
Rm. 10000
451 - 7th St., S.W.
Washington, D.C. 20410
PHONE: 708-0417 (Leah Levy)
FAX #: 708-2476

MEMBERS

John Schall
Deputy Executive Secretary to the
Domestic Policy Council
Rm. 222 Old EOB
The White House
Washington, D.C. 20500
PHONE: 456-7090 (Mary Tsivgoulis)
FAX #: 456-2223 OR 456-7739

Charles Kolb
Deputy Assistant to the President
for Domestic Policy
2d Floor/West Wing
The White House
Washington, D.C. 20500
PHONE: 456-6515 (Peggy Smith)
FAX #: 456-2878

Richard (Dick) Schmalensee
Member
Council of Economic Advisers
Rm. 315 Old EOB
Washington, D.C. 20500
PHONE: 395-5036 (Francine)
FAX #: 395-6947

Thomas (Tom) Scully
Associate Director for Human Resources,
Veterans and Labor
Office of Management and Budget
Rm. 262 Old EOB
Washington, D.C. 20500
PHONE: 395-5178 (Margaret)
FAX #: 395-7289

Allan (Al) Hubbard
Assistant to the Vice President
for Domestic Policy
Rm. 286 Old EOB
The White House
Washington, D.C. 20500
PHONE: 456-6614 (Tracey St.Pierre)
FAX #: 395-4031

Anna Kondratas
Assistant Secretary for Community Planning
and Development
Dept. of Housing & Urban Development
Rm. 7100
451 - 7th St., S.W.
Washington, D.C. 20410
PHONE: 708-2690 (Stella Patterson)
FAX #: 708-3363

Catherine Bertini
Assistant Secretary for Food
& Consumer Services
Dept. of Agriculture
Rm. 207-W Administration Building
14th & Independence Ave., S.W.
Washington, D.C. 20250
PHONE: 447-7711 (Gerri Strickland)
FAX #: 475-3100

Helen E. (Betsy) Brand
Assistant Secretary for the Office of
Vocational and Adult Education
Dept. of Education
Rm. 4090 Switzer Building
330 C St., S.W.
Washington, D.C. 20202-7100
PHONE: 732-2251 (Elaine Matthews)
FAX #: 732-3897

Roberts T. Jones
Assistant Secretary for Employment &
Training Administration
Dept. of Labor
Rm. S-2307
Washington, D.C. 20210
PHONE: 523-6050 (Jean)
FAX #: 523-6827

William Lucas
Director, Office of Liaison Services
Dept. of Justice
Rm. 4213 Main Justice
Washington, D.C. 20530
PHONE: 514-3465 (Doris Brown)
FAX #: 514-2504

Frank A. Bracken
Undersecretary of Interior
Dept. of Interior
Rm. 5100 Main Interior
Washington, D.C. 20240
PHONE: 208-4863 (Doris Johnston)
FAX #: 208-7508

Martin Gerry
Assistant Secretary for Planning
and Evaluation
Dept. of Health & Human Services
Rm. 415-F Humphrey Building
200 Independence Ave., S.W.
Washington, D.C. 20201
PHONE: 245-1858 (Mary Williams)
FAX #: (Try First -- 245-6518 OR 472-6927 OR 245-6699)

Sidney L. Jones
Assistant Secretary for Economic Policy
Dept. of the Treasury
Rm. 3454 Main Treasury
Washington, D.C. 20220
PHONE: 566-2551 (Patsy Kinser)
FAX #: 786-8452

Mitchell Crusto
Associate Deputy Administrator for
Finance, Investment and Procurement
Small Business Administration
Suite 900
1441 L St., N.W.
Washington, D.C. 20416
PHONE: 653-2842 (Brenda McClough)
FAX #: 653-2262

*Memo
3/1/91
file*

October 1, 1990

MEMORANDUM

RE: A "Post-Budget Summit" Economic Agenda

This memo presents a menu of economic reforms that could be incorporated into the President's "post-budget summit" economic agenda this Fall. The proposals are presented in four sections: Tax Proposals, Spending Proposals, Competitiveness Proposals, and Reforming Government.

TAX PROPOSALS

o Reduce the Capital Gains Tax

Reducing tax rates on capital gains would promote investment and increase economic growth, help American businesses compete in the global environment, increase receipts for the Treasury, and increase jobs and the quality of life for all Americans.

Allen Sinai, of the Boston Company Economic Advisor recently testified before Congress that a full-scale 50 percent capital gains cut would increase total GNP by 2.8 percent (\$155 billion) by 1995.

o Capital Losses Deductibility; Indexing of Capital Gains

Allowing capital losses to be deductible and indexing of gains against inflation would enhance growth and competitiveness, and return to the original intentions behind the tax code's treatment of capital gains.

o Reform the Corporate Income Tax

Establishing a cash-flow corporate income tax would eliminate the current bias in favor of debt. Businesses could expense all new investments.

For foreign-owned business subsidiaries: examine the problem of transfer pricing in determining whether such businesses are paying the proper amount of tax.

o Increase the Personal Exemption

The federal income tax burden on American families with children has soared by over 2,500 percent since 1948, far beyond increases faced by single individuals and married couples without children. To have the same value relative to income it held in 1948, today's personal exemption would have to be raised to about \$6,300.

Certain public policy organizations with special expertise in family policy, such as the Family Research Council and the Heritage Foundation, recommend increasing the personal exemption on federal tax payments beyond its current level of \$2,000 per dependent, arguing that this would greatly reduce the financial burden of maintaining a family.

The Progressive Policy Institute, an offshoot of the Democratic Leadership Council, in its recent report "Putting Children First," suggests increasing the personal income tax exemption for children to at least \$6,000. Thomas Humber of the Heritage Foundation proposes increasing the personal exemption to \$6,300. Humber writes:

"Restoring the personal exemption to the equivalent of its level after World War II would allow that family to keep thousands of dollars more of its own money, making the family less dependent on government, improving access to health care, child care and education opportunities, and giving the working poor a fighting chance to climb out of poverty."

o Expand The Earned Income Tax Credit

The Earned Income Tax Credit (EITC) promotes family stability and self-sufficiency by targeting assistance to low-income families with children. Unlike many other welfare programs, the EITC is available to two-parent families as well as single-parent households. It encourages work rather than dependency, and provides greater benefits as income increases.

Given these benefits of the EITC, many policy experts, including those at the US Chamber of Commerce, the Progressive Policy Institute, the Heritage Foundation and politicians of both political parties have called for an expansion of the EITC. The Republican party pledged to expand it in its 1988 platform: "...we will work to boost

the incomes of the working poor through the earned income tax credit, especially for workers who support children." Most of these proposals call for increasing the credit, tying the credit to the number of children in a family, and making more workers eligible.

o Reform Pension/Retirement Plans

Rep. Newt Gingrich recently proposed creating "IRA Plus" accounts that would give Americans greater flexibility to use their retirement accounts in medical emergencies or to send a child to college without early-withdrawal penalties. Gingrich also proposed allowing penalty-free withdrawal from IRAs or 401(k) retirement plans to buy a house for the first time.

o Reduce Social Security Taxes

Since the Social Security system was created in 1935, the burden of federal payroll taxes on middle-income families has risen continuously. Eighty percent of all American families now pay more in federal payroll taxes than they do in federal income taxes.

A Social Security payroll tax deduction could return Social Security to a pay-as-you-go-system, increase fuel productivity and job creation while reducing unemployment and welfare dependency. Recent proposals to reduce the payroll tax include those by the Progressive Policy Institute, the Heritage Foundation, Senator Pat Moynihan and Rep. Newt Gingrich.

o Eliminate the Social Security Earnings Test

The "earnings test," which reduces Social Security benefits for working senior citizens, imposes marginal tax rates of 50 to 70 percent on many elderly workers, and thus discourages many senior citizens from working. The federal tax code should not discourage older Americans from holding jobs and contributing to economic growth.

The Heritage Foundation recommends eliminating the earnings test for workers between the ages of 65 and 69, and Sen. Armstrong introduced legislation last session to increase the income threshold level on the earnings test so that it adversely affects fewer elderly workers.

o Allow Ownership of Social Security

Individuals could have title to their Social Security accounts, thereby permitting a person ownership of at least what he or she paid in, plus interest.

o Establish A 19.5 Percent Flat Rate Tax

A flat tax would have the benefits of simplicity (and therefore greater public respect) and significantly pro-growth supply-side effects. Such a plan would work by greatly simplifying the existing scheme of deductions. The structure of a system with a 19.5 percent rate would look something like the following:

Deductions would be phased out between \$50,000 and \$100,000 of earned income and/or \$1,000 and \$51,000 of unearned income. Deductions could only be taken against earned income:

- Mortgage interest with ceiling \$6,000
- Charitable giving with ceiling (50 percent of income for cash, 30 percent for assets).
- Medical expenses in excess of 7.5 percent of income.
- Employee contributions to social security.
- Earned income deduction of \$6,000 plus 20 percent of earnings up to \$25,000.

In addition, there could be an Refundable Dependant Exemption element as follows:

- 50 percent of earned income up to \$5000 for the first child and 25 percent, up to \$2500 for each additional child.
- Phased out between \$50,000 and \$100,000 of earned income and/or \$1,000 and \$51,000 of unearned income.

o Other Tax Reforms

Some limitation or elimination of mortgage deductions, and state and local tax deductions would be pro-competitive.

SPENDING PROPOSALS

o Enhanced Rescission Authority/Line Item Veto

According to a February 1989 Gallup poll, 70 percent of all Americans favor giving the President the power of a line-item veto. A consensus has emerged that it will be nearly impossible for the country to control spending without such power. The nation's states are way ahead of the federal government in this area -- 43 of nation's states already have the line item veto. Enhanced rescission authority would permit the President to reduce (or "zero-out") spending bills, thus providing an adding element of flexibility over the line item veto.

COMPETITIVENESS PROPOSALS

o Encourage Educational Choice

The American people understand that education is also a competitiveness issue. They also know that education spending has increased -- in real terms by about a third over the last decade, while the number of students has remained about the same -- and yet educational performance, as measured by standardized tests such as the SAT, and by comparison with the students of other countries, continues to decline. A grassroots consensus is growing that the only way to attain true education reform is to infuse the system with competition and accountability through choice. A recent Gallup poll revealed that 63 percent of all Americans favor parental choice in public schools. Already, at least eight states have instituted choice programs.

Vice President Quayle recently commented, "Nothing is more important to our nation's ability to compete than improving the education of our young people. Let me tell you -- on the competitiveness agenda, education comes first."

o Reform Welfare Programs

Experts across the country have suggested plans to guarantee that every person in America who has a job

receives a package of aid that places him or her above the poverty level.

Mickey Kaus, in "The Work Ethic State," proposed that every American be ensured a job, and that to be eligible for any benefits an individual must be employed. Pete Dupont propose a "Work and Family Responsibility Plan," a job-opportunity program that offers jobs to all able-bodied Americans at 90 percent of the minimum wage. And in February 1990, the Progressive Policy Institute proposed an "American Working Wage," whereby every family with an employed member would be assured non-poverty status.

REFORMING POLITICS

o Limit Congressional Terms

Calls for limiting the number of terms state and federal legislators serve have been growing in recent months. Oklahoma has recently passed such a measure on state legislative terms. Colorado and California are each addressing proposed initiatives to limit congressional terms. This sentiment matches the anti-Congress/PAC/special interest sentiment growing throughout the country.

o PAC Reform

o Ethics

o Diminish Litigiousness

Increasingly, individual's efforts are being paralyzed by the growth of our litigious society: communities cannot attract doctors because of the enormous insurance fees doctors face, individuals' entrepreneurial projects are stifled by complicated liability requirements, and countless sums of money are consumed by our legal system facing complicated law suits. It is estimated that Americans spend \$300 billion each year, directly and indirectly, to cover increased liability. This trend is particular to America, which comprises 5 percent of the world's population, yet has 60 percent of the world's lawyers.

Measures to diminish the litigious nature of our society include ending the deductibility of corporate legal fees and adopting the "English Rule" as part of Federal Civil procedure.

###



MARKET CONSENSUS SURVEYS, INC.
MARKET CONSENSUS

Facsimile For Distribution To: ED ROGERS

Company: WH

At fax#: 202-456-2397

Pages to follow: 5

FROM: WILL FELTUS

MARKET CONSENSUS SURVEYS, INC. 7700 Leesburg Pike, Falls Church VA 22043
Telephone: 703/734-7941 Fax: 703/790-9389

MESSAGE:

ED - THIS WHAT WE TALKED ABOUT SATURDAY.



MARKET CONSENSUS SURVEYS, INC.
7700 Leesburg Pike, Falls Church VA 22043
Telephone: 703/734-7941 Facsimile: 703/790-9389

MEMORANDUM

TO: Ed Rogers
Via fax 202-456-2397

FROM: Will Feltus *Wif*

DATE: October 12, 1990

Ed, enjoyed seeing you at Thad's event the other night. Thus far we've contributed about \$100,000 to Senate campaigns and state party federal committees. I've also spent a good deal of time talking with campaign people, AA's, etc.

With only one week left in Battle of the Budget II and the election rapidly approaching, it be helpful to go on the offense. A suggested two-step pre-election tactic:

1. The President tells this Congress to go home. If the latest Democratic Ways & Means plan runs into the least amount of trouble, the President should ask this Congress to pass a continuing resolution until the end of January, 1991, sign it and send the 101st Congress home. Let's see if the new Congress can do a better job; we already know it can't do any worse. This strategy would still leave open the possibility of a lame duck session of politically brave lawmakers but not make it necessary.
2. The President asks the country to send him a new Congress who can get the job done. After sending this Congress packing -- thus clearly affixing blame for the problem -- the President needs a new Congress he can work with. "Get me some fresh blood." The 101st Congress should be the last Congress which fails to solve our country's deficit problem.

Very few voters know that the "old" Congress passes out of existence and a "new" Congress is elected to take its place. If the President could educate voters on this, it would focus the electorate's anti-incumbent energy on the "old" Democratic controlled Congress. To get the message out might require national spot buys; given the rich/poor drubbing we got on capital gains, I don't think we want to count on the so-called free media.

I know the original strategy was not to nationalize the election by a theme or advertising. Unfortunately, it is becoming nationalized on it's own and advertising may be necessary to stamp our message on it. If Presidential spots are done, one third of the buy should be Mrs. Bush into the camera.

1991

Regardless of how the 1990 elections turn out, they are already being interpreted as a mandate for change. We need to make sure that those changes take place in 1991, lest voters also change their Presidential voting preferences in 1992.

Looking ahead to 1992, what more important than what actually h which is deeper than now expected, will be determined by how politically next fall.

This argues for a fast start an attractive ideas both (1) solve a probl the strength of supply side economics cut.

National Dividend Act

The only new idea I've heard i criteria is the National Dividend Act. supporters (see the attached testimonia He is a successful Florida businessman when he commissioned MOR and Peter Hart to do a poll on his proposal. It was supported by a two-to-one margin (see attached). Importantly, it was somewhat more popular among independents and Democrats than among Republicans. The National Dividend Act proposes:

1. To repeal the double taxation of dividends, place a constitutional or statutory cap on income tax rates, and pay all corporate income taxes into a separate National Dividend Trust Fund.
2. Instead of being spent by Congress, all monies in the National Dividend Trust Fund would be equally distributed in quarterly dividends to every adult or registered voter -- unless there was a deficit.
3. Get the budget in balance through a combination of spending freezes and taxes, and the Trust Fund will start running a surplus in just a few years.

Checks could start going out during a Republican administraton. The beauty of the idea is that it rewards a balanced budget. Once voters understand they can get dividend checks worth an estimated \$900 per year, a public interest group is created with clout which dwarf the special interest advocates of transfer payments and other programs. Congress wouldn't dare fail to balance the budget.

The idea also has ancillary benefits. Profit becomes a good word, instead of a bad one -- when companies make more money, the dividend is bigger. It also encourages Americans to buy American. (Of course, we could certify foreign companies' which pay equivalent amounts into the fund.)

I'm sure there are a half dozen MBA/CPA types at OMB who can tell you why this won't work. However, based on the poll I did, there are a 140 million Americans who will think it is a good idea. That will look like a pretty good number in a couple of years.

Ed, to be frank, I could use the \$900 myself.

CC: Tester, Charlie B.

Mia -
St of Union Lib
Mia

ly
ion
tion
not

was
x

an.

THE ULTIMATE SELF INTEREST

TABLE 2

Based on what you understand about the National Profit Sharing and Dividend Act, do you favor or oppose the proposal?

	Total	Rep.	Indep.	Dem.
Strongly favor	22%	21%	20%	24%
Just somewhat favor	34	31	35	37
Just somewhat oppose	14	15	16	13
Strongly oppose	17	20	15	14
Don't Know	12	13	14	11
Refused/NA	1	1	1	1
Total	100%	100%	100%	100%
Collapsed:				
Favor	56%	52%	54%	61%
Oppose	31	35	31	28
Total	100%	100%	100%	100%
* PDI	+25	+17	+23	+33

(* PDI=Percentage favor minus percentage oppose.)

MARKET OPINION RESEARCH/PETER HART POLL

TABLE 3

Now, I'd like to go over some of the specific provisions of the National Profit Sharing and Dividend Act, and have you tell me if you think each one is a good idea or a bad idea?

	Good Idea	Bad Idea	Don't Know	PDI ^a
In any year there is a federal deficit, money from the corporate trust fund would be used to pay off as much of the deficit as possible.	76%	20%	4%	+56
Federal income taxes paid on corporation profits would be put in a trust fund at the U.S. Treasury, and kept separate from income taxes paid by individuals.	62	27	11	+35
Money left in the trust fund after paying the deficit would be paid out as a national profit sharing dividend.	62	32	5	+30
The national profit sharing dividend would average as much as \$900 per person each year.	61	33	6	+28
The profit sharing dividend would be paid to all adult American citizens, 18 years or older, who are registered to vote.	56	40	3	+16
The same national profit sharing dividend would be paid to all adult Americans, regardless of their income level.	53	43	4	+10

^aPDI: Percentage Difference Index=% "Good idea" minus % "Bad idea."

THE ULTIMATE SELF INTEREST

TABLE 4

Here are some statements others have made about the National Profit Sharing and Dividend Act, and, for each one, please tell me if you agree or disagree with it.

	Agree	Neither Agree Nor Disagree and Don't Know	Disagree	PD1 ^a
Corporations and business leaders are very likely to <u>oppose</u> the National Profit Sharing and Dividend Act.	78%	8%	13%	+65
Because Americans would want to receive a national profit sharing dividend check, members of Congress would become much more reluctant to spend more than the government takes in.	63	9	29	+34
If Congress is ever able to balance the federal budget, a national profit sharing dividend would help keep the federal budget balanced.	61	12	28	+33
Since Americans contribute to the profitability of corporations through their consumer purchases, it makes good sense to let Americans share in those corporate profits.	62	8	31	+31
Instead of paying a national profit sharing dividend, it would be better to let the U.S. government spend the corporate income tax revenues on federal projects and programs.	45	11	44	+1
The National Profit Sharing and Dividend Act is just another government giveaway program.	36	12	52	-16

MARKET OPINION RESEARCH/PETER HART POLL

TABLE 5

Based on what you've heard so far about the National Profit Sharing and Dividend Act, would you say that this proposal is a good idea which should be considered by Congress or a bad idea which should not be considered by Congress?

	Total	Rep.	Indep.	Dem.
Very good idea	26%	23%	25%	31%
Fairly good idea	38	36	36	40
Fairly bad idea	9	12	6	8
Very bad idea	14	17	14	12
Don't know	12	13	20	8
Refused/NA	*	*	1	1

Suppose a candidate for Congress supported the National Profit Sharing and Dividend Act -- would this give you a more favorable or less favorable impression of the candidate?

	Total	Rep.	Indep.	Dem.
More favorable	52%	49%	40%	59%
No difference	20	19	30	18
Less favorable	19	23	19	16
Don't know	8	8	10	7
Refused/NA	1	1	--	*

A FEW COMMENTS ON MR. PERRY'S PLAN

"A daring plan to preserve the free enterprise system and reverse the trend toward national bankruptcy brought on by yearly federal budget deficits has been developed and should be implemented. Congress won't accept the National Dividend Plan and members will not until they get pressure from the grassroots."

Dr. Martin R. Gainsbrugh
Former Chief Economist
The Conference Board

"THE NATIONAL DIVIDEND PLAN is more complex than the idea of a balanced-budget amendment, which is inching its way to national consideration. Yet it holds the hope of achieving far more widely shared goals."

Thomas Gephardt, Associate Editor
Cincinnati Enquirer

"As deficits continue to mount, this would be a good time for Congress to seriously consider a revolutionary plan to refinance the country. Some profound economic minds that have studied the concept—have become converts."

Editorial
The Sacramento Union

"I can't tell you how much I admire your steadfastness. The compelling logic of your case (and the interesting trade-offs you've developed). Too bad there aren't more great Americans like you to carry the ball."

William E. Simon
Former Secretary of the Treasury

"As a co-sponsor of the National Dividend Act, I assure you that I will continue to urge my colleagues to consider the merits of this legislation."

Carrol A. Campbell, Jr.
Member of Congress

"I believe this proposed legislation has a great deal of merit, and I hope that the House Ways and Means Committee will consider it carefully in the weeks ahead."

Howard H. Baker, Jr.
United States Senate

"It's a great idea."

Stanley J. Modic, Editor
Industry Week

"The logic is irresistible, and presents our lawmakers with a plausible structure for a truly popular economy."

Editorial
The Patriot-News Co.
Harrisburg, Pennsylvania

"I want to assure you of my continuing strong support for this legislation, and of my efforts to see that it does receive favorable action."

Guy Vander Jagt
Member of Congress

"I think your success to date is evidence of your devotion to the issue and we will watch with interest action on this legislation over the next several months."

Donald L. Calvin
Executive Vice President
New York Stock Exchange

THE WHITE HOUSE

WASHINGTON

October 18, 1990

THE CHIEF of STAFF
has seen

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: EDE HOLIDAY

SUBJECT: Summary of Fall 1990 Issues Assessment Project

I. OVERVIEW

During the past few weeks, the Office of Cabinet Affairs worked with the Cabinet and key agency heads on a project to assess their Fall agendas and to integrate their plans with the four key domestic policy themes the President discussed at the September 17 Cabinet meeting. This project has three elements:

1. Written reports. In September, we solicited a report on the key activities, initiatives and problems of each department (save State and Defense) and the key agencies for September through December. These very detailed reports -- some 350 pages total -- were assembled and distributed among White House staff.

2. Departmental meetings. Using the reports as a guide, we conducted a series of meetings attended by senior management staff from each department or agency and a core group of individuals from the White House (including Cabinet Affairs, OMB, Press and the Offices of Policy Development and Communications). The meetings were held both to review the long-range reports and help frame a common understanding of the principles and themes that undergird the Administration's domestic policy. Part II of this memo elaborates on those meetings.

3. Follow-up. This project has greatly improved our understanding of what to expect from the departments and agencies in the coming months. Part III of this memo contains a summary of the key items still pending. Because our meetings revealed a number of issues that seem to require interdepartmental coordination, White House guidance or policy review, this memorandum makes a number of recommendations for appropriate follow-up to the Fall assessment.

II. THE DEPARTMENTAL MEETINGS

The series of departmental meetings was conducted over three weeks and had two basic purposes.

First, the meetings allowed a thorough review of each department's written report -- a modified and significantly expanded version of the weekly Cabinet Report. In each case we reviewed the department's highest priorities for the September through December period.

On the whole, these management reviews were extremely valuable. In discussing the reports, numerous other long-range projects and general concerns were ventilated. Already we have identified and reconciled perhaps two dozen significant issues that came up in the Fall assessment. We have distributed information about various problems or initiatives described in the reports to affected White House offices. Other issues require further work or review, as described in the department-by-department entries.

Second, the meetings were organized to cement a common understanding about the basic elements of Administration domestic policy and to develop a common rhetorical currency to explain our domestic policy.

We encouraged a vigorous exchange of views between White House and departmental staff -- typically a department was represented by the Deputy Secretary, the chief of staff and the senior public affairs officer -- on the themes common to so much of the Administration's domestic policy. We encouraged each department, when possible, to frame its priorities in light of what the President identified at the September 17 Cabinet meeting as the four key domestic themes he will continue to stress in the coming months:

1. an anti-recession/growth agenda that continues regulatory restraint and combats protectionism.
2. education, empowerment and "kinder-gentler" issues, such as the importance of public service.
3. crime and drugs.
4. energy and the environment.

Because this initial agenda assessment exercise proved helpful to us, I propose to conduct this agenda assessment with the departments and agencies on a regular basis, once every four months. We will ask for modifications in the written reports and will conduct the follow-up meetings somewhat differently and more quickly. It is, however, a management effort that is well worth making routine.

III. ON THE HORIZON AT THE DEPARTMENTS

A department-by-department review of key issues follows. The brief entries are not intended as an exhaustive treatment of any

single item, but as a handy summary of pending matters. In cases where it appears that follow-up is desirable, we have made recommendations.

Although the President's summary of his four broad domestic agenda themes was delivered after the departmental reports had been submitted, his four themes clearly permeate the domestic policy agenda of the departments. Our summary of pending issues underscores this fact by aggregating the entries, where possible, into categories defined by the four themes.

Also attached is a brief index to our summary of the pending departmental issues.

INDEX OF DEPARTMENTAL SUMMARIES

I. Anti-recession/Growth Issues

Implement a Market-Oriented Farm Bill (Agriculture).
Complete Uruguay Round Negotiations (Agriculture).
Complete the Canadian Open Border Agreement (Agriculture).
Prioritize and Target International Trade Promotion (Commerce).
Increase Focus on Private Sector Issues (Commerce).
Expand Research and Development and Commercialization Activities
of National Laboratories (Energy).
Develop Energy Conservation and Production Measures (Energy).
Continue Development of Superconducting Supercollider (Energy).
Complete National Energy Strategy (Energy).
Pass the President's HOPE Legislation (HUD).
Establish an Agenda for Economic Empowerment (HUD).
Promote Deregulation of the Urban Housing Market (HUD).
Promote a Renewal of Urban Neighborhoods (HUD).
Develop Coherent, Balanced Western Water Policy (Interior).
Consider Long-Term Analysis of Endangered Species Act (Interior).
Support Energy Production Measures (Interior).
Determine Strategy on Civil Rights Bill (Justice).
Restore the Minimum Wage Small Business Exemption (Labor).
Expand International Cooperation on Labor Issues (Labor).
Liberalize International Air Cargo Markets (Transportation).
Review Aviation Noise Policy (Transportation).
Consider National Maritime Policy (Transportation).
Pass President's Enterprise for the Americas Initiative
(Treasury).
Complete the Comprehensive Study of the Federal Deposit Insurance
System (Treasury).
Promote the Brady Plan (Treasury).
Complete Uruguay Round Negotiations (USTR).
Pass President's Enterprise for the Americas Initiative (USTR).
Complete Negotiations of Bilateral Agreements with Eastern
European Countries (USTR).
Emphasize Comparative Risk-Based Scientific Approach to
Environmental Protection (EPA).
Develop Pollution Prevention and Recycling Initiatives (EPA).

II. Education, Empowerment and Kinder-Gentler Issues

Protect Animal Welfare (Agriculture).
Measure Progress Toward the National Education Goals (Education).

Promote Choice in Education (Education).
 Reduce Student Loan Defaults (Education).
 Sustain the Principles of the Education Excellence Act
 (Education).
 Improve Hispanic Education (Education).
 Promote Educational Excellence Abroad (Education).
 Commission on Drug Free Schools (Education).
 Pursue Outreach Programs in Math/Science Education (Energy).
 Continue Development of Superconducting Supercollider (Energy).
 Stimulate National Discussion on Health Care (HHS).
 Promote Health Abroad (HHS).
 Focus on Minority Health Issues (HHS).
 Address Refugee Resettlement Problem (HHS).
 Pass the President's HOPE Legislation (HUD).
 Establish an Agenda for Economic Empowerment (HUD).
 Provide Fair Housing Access for the Handicapped (HUD).
 Link Services for the Poor (HUD).
 Reorganize Responsibilities for Indian Affairs (Interior).
 Celebrate Anniversary of National Park System (Interior).
 Determine Strategy on Civil Rights Bill (Justice).
 Obtain Passage of Job Training Partnership Act Amendments
 (Labor).
 Issue the Final Report of the Coal Commission (Labor).
 Expand Dole's Mentoring Initiative (Labor).
 Complete Glass Ceiling Initiative Review (Labor).
 Restore the Minimum Wage Small Business Exemption (Labor).
 Complete Departmental Management Review (Transportation).
 Study Future Structure of Veterans Health Care (VA).
 Eliminate Interdepartmental Redundancies (VA).
 Highlight Importance of Environmental Education (EPA).
 Celebrate Elevation of EPA to Cabinet Status and Its 20th
 Anniversary (EPA).

III. Crime and Drug Issues

Submit Report of Commission on Drug Free Schools (Education).
 Reorganize Responsibilities for Indian Affairs (Interior).
 Pass the Crime Bill (Justice).
 Initiate Drunk Driving Ad Campaign (Transportation).
 Develop and Implement the President's Annual Drug Control
 Strategy (ONDCP).
 Release National Household Survey (ONDCP).
 Highlight Local Efforts Against Drugs (ONDCP).
 Highlight State Efforts Against Drugs (ONDCP).

IV. Energy and the Environment Issues

Protection of the Spotted Owl (Agriculture).
 Complete National Energy Strategy (Energy).
 Develop Energy Conservation and Production Measures (Energy).
 Initiate Environmental Restoration and Waste Management Programs (Energy).
 Present the Facts on the Problem of Lead-Based Paint (HUD).
 Develop Coherent, Balanced Western Water Policy (Interior).
 Celebrate Anniversary of National Park System (Interior).
 Designate New Wilderness Areas (Interior).
 Support Energy Production Measures (Interior).
 Participate in Development of Wetlands Policy (Interior).
 Consider Long-Term Analysis of Endangered Species Act (Interior).
 Support Energy Conservation Measures (Transportation).
 Emphasize Comparative Risk-Based Scientific Approach to Environmental Protection (EPA).
 Pursue Analysis of Environmental Problems Across Various Media (EPA).
 Pass and Implement Clean Air Act Amendments (EPA).
 Develop Administration Position for Resource Conservation and Recovery Act Reauthorization (EPA).
 Develop Pollution Prevention and Recycling Initiatives (EPA).
 Assess Superfund Program (EPA).
 Highlight Importance of Environmental Education (EPA).
 Prepare National Strategy for Groundwater Protection (EPA).
 Celebrate Elevation of EPA to Cabinet Status and Its 20th Anniversary (EPA).
 Release and Discuss Report on Carcinogenic Effects of Electromagnetic Fields (EPA).

V. Other Issues

Preempt State Regulation of Electric Utilities (Agriculture).
 Complete the 1990 Census (Commerce).
 Complete Study of Nuclear Weapons Reconfiguration (Energy).
 Respond to Court Ruling on Child Disability Benefits (HHS).
 Submit Nomination for the Director of NIH (HHS).
 Release Cost of Raising Children Report (HHS).
 Pass Debt Collection Legislation (Justice).
 Monitor Pending Court Cases (Justice).
 Improve Aviation Security (Transportation).
 Reauthorize Surface Transportation Legislation (Transportation).
 Complete IRS Regulations for the Presidential Election Campaign Fund (Treasury).
 Undertake IRS Modernization (Treasury).

Václav Havel

Address to the United States Congress, February 1990

We've chosen to end our book with the complete text of the address given on February 22, 1990 by Václav Havel, now the president of Czechoslovakia, to a joint session of the United States Congress. In this eloquent speech, Mr. Havel has once again best expressed the intelligence, decency, courage, and hope for the future that have characterized the revolution he and others have led in Central Europe.

My advisers advised me to speak on this important occasion in Czech. I don't know why. Perhaps they wanted you to enjoy the sweet sounds of my mother tongue.

The last time they arrested me, on October 27 of last year, I didn't know whether it was for two days or two years.

Exactly one month later, when the rock musician Michael Kocáb told me that I would probably be proposed as a presidential candidate, I thought it was one of his usual jokes.

On December 10, 1989, when my actor friend Jiri Bartoska, in the name of the Civic Forum, nominated me as a candidate for president of the republic, I thought it was out of the question that the parliament we had inherited from the previous regime would elect me.

Nineteen days later, when I was unanimously elected president of my country, I had no idea that in two months I would be speaking before this famous and powerful assembly and that what I would say would be heard by millions of people who had

never heard of me and that hundreds of politicians and political scientists would study every word I said.

When they arrested me on October 27, I was living in a country ruled by the most conservative Communist government in Europe, and our society slumbered beneath the pall of a totalitarian system. Today, less than four months later, I am speaking to you as the representative of a country that has set out on the road to democracy, a country where there is complete freedom of speech, that is getting ready for free elections, and that wants to create a prosperous market economy and its own foreign policy.

It is all very extraordinary.

But I have not come here to speak for myself or about my feelings or merely to talk about my own country. I have used this small example of something I know well to illustrate something general and important.

We are living in very extraordinary times. The human face of the world is changing so rapidly that none of the familiar political speedometers are adequate.

We playwrights, who have to cram a whole human life or an entire historical era in a two-hour play, can scarcely understand this rapidity ourselves. And if it gives us trouble, think of the trouble it must give political scientists, who spend their whole lives studying the realm of the probable—and have even less experience with the realm of the improbable than we playwrights.

Let me try to explain why I think the velocity of the changes in my country, in Central and Eastern Europe, and of course in the Soviet Union itself, has made such a significant impression on the face of the world today, and why it concerns the fate of us all, including you Americans. I would like to look at this first from the political point of view and then from a point of view that we might call philosophical.

Twice in this century the world has been threatened by catastrophe; twice this catastrophe was born in Europe; and twice you Americans, along with others, were called upon to save Europe, the whole world, and yourselves. The first rescue mis-

sion—among other things—provided significant help to us Czechs and Slovaks.

Thanks to the great support of your president, Wilson, our first president, Tomáš Garrigue Masaryk, was able to found our modern independent state. He founded it, as you know, on the same principles on which the United States of America was founded, as Masaryk's manuscripts held by the Library of Congress testify.

In the meantime, the United States made enormous strides. It became the most powerful nation on Earth, and it understood the responsibility that flowed from this. Proof of this are the hundreds of thousands of your young citizens who gave their lives for the liberation of Europe and the graves of American airmen and soldiers on Czechoslovak soil.

But something else was happening as well: the Soviet Union appeared, grew, and transformed the enormous sacrifices of its people suffering under totalitarian rule into a strength that, after World War II, made it the second most powerful nation in the world. It was a country that rightly gave people nightmares, because no one knew what would occur to its rulers next and what country they would decide to conquer and drag into their "sphere of influence," as it is called in political language.

All of this taught us to see the world in bipolar terms, as two enormous forces, one a defender of freedom, the other a source of nightmares. Europe became the point of friction between these two powers, and thus it turned into a single enormous arsenal divided into two parts. In this process, one half of the arsenal became part of that nightmarish power, while the other—the free part—bordering on the ocean and having no wish to be driven into it, was compelled, together with you, to build a system to which we probably owe the fact that we still exist.

So you may have contributed to the salvation of us Europeans, of the world, and thus of yourselves for a third time: you have helped us survive until today—without a hot war this time but merely a cold one.

And now what is happening is happening: the totalitarian system in the Soviet Union and in most of its satellites is

breaking down, and our nations are looking for a way to democracy and independence. The first act in this remarkable drama began when Mr. Gorbachev and those around him who were faced with the sad reality of their country initiated their policy of *perestroika*. Obviously they had no idea either what they were setting in motion or how rapidly events would unfold. We knew a lot about the enormous number of growing problems that slumbered beneath the honeyed, unchanging mask of socialism. But I don't think any of us knew how little it would take for these problems to manifest themselves in all their enormity and for the longings of these nations to emerge in all their strength. The mask fell away so rapidly that, in the flood of work, we have literally no time to be astonished.

What does this all mean for the world in the long run? Obviously a number of things. This is, I am firmly convinced, a historically irreversible process, and as a result Europe will begin again to seek its own identity without being compelled to be a divided armory any longer. Perhaps this will create the hope that sooner or later your boys will no longer have to stand on guard for freedom in Europe, or come to our rescue, because Europe will at last be able to stand guard over itself. But that is still not the most important thing: the main thing is, it seems to me, that these revolutionary changes will enable us to escape from the rather antiquated straitjacket of this bipolar view of the world and to enter at last into an era of multipolarity. That is, into an era in which all of us—large and small, former slaves and former masters—will be able to create what your great President Lincoln called “the family of man.” Can you imagine what a relief this would be to that part of the world that for some reason is called the Third World, even though it is the largest?

I don't think it's appropriate simply to generalize, so let me be specific:

First, as you certainly know, most of the big wars and other conflagrations over the centuries have traditionally begun and ended on the territory of modern Czechoslovakia, or were somehow related to that area. Let the Second World War stand as the most recent example. This is understandable: whether we like it

or not, we are located in the very heart of Europe, and, thanks to this, we have no view of the sea and no real navy. I mention this because political stability in our country has traditionally been important for the whole of Europe. This is still true today. Our Government of National Understanding, our present Federal Assembly, the other bodies of the state, and I myself will personally guarantee this stability until we hold free elections, planned for June. We understand the terribly complex reasons, domestic political reasons above all, why the Soviet Union cannot withdraw its troops from our territory as quickly as they arrived in 1968. We understand that the arsenals built there over the past twenty years cannot be dismantled and removed overnight. Nevertheless, in our bilateral negotiations with the Soviet Union, we would like to have as many Soviet units as possible moved out of our country before the elections, in the interest of political stability. The more successful our negotiations, the more those who are elected in our places will be able to guarantee political stability in our country even after the elections.

Second, I often hear the question: How can the United States of America help us today? My reply is as paradoxical as the whole of my life has been: You can help us most of all if you help the Soviet Union on its irreversible, but immensely complicated, road to democracy. It is far more complicated than the road open to its former European satellites. You yourselves know best how to support, as rapidly as possible, the nonviolent evolution of this enormous, multinational body politic toward democracy and autonomy for all of its peoples. Therefore, it is not fitting for me to offer you any advice. I can only say that the sooner, the more quickly, and the more peacefully the Soviet Union begins to move along the road toward genuine political pluralism, respect for the rights of nations to their own integrity and to a working—that is a market—economy, the better it will be, not just for the Czechs and Slovaks, but for the whole world. And the sooner you yourselves will be able to reduce the burden of the military budget borne by the American people. To put it metaphorically, the millions you give to the East today will soon return to you in the form of billions in savings.

Third, it is not true that the Czech writer Václav Havel wishes to dissolve the Warsaw Pact tomorrow and then NATO the day after that, as some eager journalists have written. Václav Havel merely thinks what he has said here, that for another hundred years, American soldiers shouldn't have to be separated from their mothers just because Europe is incapable of being a guarantor of world peace, which it ought to be, in order to make some amends, at least, for having given the world two world wars. Sooner or later Europe must recover and come into its own and decide for itself how many of whose soldiers it needs, so that its own security and all the wider implications of that security may radiate peace into the whole world. Václav Havel cannot make decisions about things that are not proper for him to decide. He is merely putting in a good word for genuine peace, and for achieving it quickly.

Fourth, Czechoslovakia thinks that the planned summit conference of countries participating in the Helsinki process should take place soon and that, in addition to what it wants to accomplish, it should aim to hold the so-called Helsinki II conference earlier than 1992, as originally planned. Above all, we feel it could be far more significant than seemed possible before. We think that Helsinki II should become something equivalent to the European peace conference that has not yet been held—one that would finally put a formal end to the Second World War and all its unhappy consequences. Such a conference would officially bring a future democratic Germany, in the process of unifying itself, into a new pan-European structure that could decide about its own security system. This system would naturally require some connection with that part of the globe we might label the "Helsinki" part, stretching westward from Vladivostok all the way to Alaska. The borders of the European states, which, by the way, should become gradually less important, should finally be guaranteed legally by a common, regular treaty. It should be more than obvious that the basis for such a treaty would have to be general respect for human rights, genuine political pluralism, and genuinely free elections.

Fifth, naturally we welcome the initiative of President Bush, which was essentially accepted by Mr. Gorbachev as well, according to which the number of American and Soviet troops in Europe should be radically reduced. It is a magnificent shot in the arm for the Vienna disarmament talks and creates favorable conditions not only for our own efforts to achieve the quickest possible departure of Soviet troops from Czechoslovakia but also indirectly for our own intention to make considerable cuts in the Czechoslovak army, which is disproportionately large in relation to our population. If Czechoslovakia were forced to defend itself against anyone, which we hope will not happen, then it would be capable of doing so with a considerably smaller army, because this time—after not just decades but centuries—its defense would be supported by the common and indivisible will of both its peoples and its leadership. Our freedom, our independence, and our newborn democracy have been purchased at great cost, and we shall not surrender them. For the sake of order, I should add that whatever steps we take are not intended to complicate the Vienna disarmament talks but, on the contrary, to facilitate them.

Sixth, Czechoslovakia is returning to Europe. In the general interest and its own interest as well, it wants to coordinate this return—both politically and economically—with the other returnees, which means, above all, with its neighbors the Poles and the Hungarians. We are doing what we can to coordinate these returns. And at the same time, we are doing what we can so that Europe will be capable of really accepting us, its wayward children. Which means that it may open itself to us and may begin to transform its structures—which are formally European but de facto Western European—in that direction, but in such a way that it will not be to its detriment but rather to its advantage.

Seventh, I have already said this in our parliament, and I would like to repeat it here in this Congress, which is architecturally far more attractive: for many years, Czechoslovakia—as someone's meaningless satellite—has refused to face up honestly to its coresponsibility for the world. It has a lot to make up for. If I dwell on this and so many important things, it is only because I

feel—along with my fellow citizens—a sense of culpability for our former reprehensible passivity and a rather ordinary sense of indebtedness.

Eighth, we are of course delighted that your country is so readily lending its support to our fresh efforts to renew democracy. Both our peoples were deeply moved by the generous offers made a few days ago in Prague at the Charles University, one of the oldest in Europe, by your secretary of state, Mr. James Baker. We are ready to sit down and talk about them.

Ladies and gentlemen, I have been president for only two months and I haven't attended any schools for presidents. My only school was life itself. Therefore I don't want to burden you any longer with my political thoughts, but instead I will move on to an area that is more familiar to me, to what I would call the philosophical aspect of those changes that still concern everyone, although they are taking place in our corner of the world.

As long as people are people, democracy in the full sense of the word will always be no more than an ideal; one may approach it as one would a horizon, in ways that may be better or worse, but it can never be fully attained. In this sense you too are merely approaching democracy. You have thousands of problems of all kinds, as other countries do. But you have one great advantage: you have been approaching democracy uninterruptedly for more than 200 years, and your journey toward the horizon has never been disrupted by a totalitarian system. Czechs and Slovaks, despite their humanistic traditions that go back to the first millennium, have approached democracy for a mere twenty years, between the two world wars, and now for the 3½ months since November 17 of last year.

The advantage that you have over us is obvious at once.

The Communist type of totalitarian system has left both our nations, Czechs and Slovaks—as it has all the nations of the Soviet Union and the other countries the Soviet Union subjugated in its time—a legacy of countless dead, an infinite spectrum of human suffering, profound economic decline, and above all enormous human humiliation. It has brought us horrors that fortunately you have not known.

At the same time, unintentionally, of course, it has given us something positive: a special capacity to look, from time to time, somewhat further than someone who has not undergone this bitter experience. A person who cannot move and live a somewhat normal life because he is pinned under a boulder has more time to think about his hopes than someone who is not trapped that way.

What I am trying to say is this: we must all learn many things from you, from how to educate our offspring and how to elect our representatives all the way to how to organize our economic life so that it will lead to prosperity and not to poverty. But it doesn't have to be merely assistance from the well educated, the powerful, and the wealthy to someone who has nothing and therefore has nothing to offer in return.

We too can offer something to you: our experience and the knowledge that has come from it.

This is a subject for books, many of which have already been written and many of which have yet to be written. I shall therefore limit myself to a single idea.

The specific experience I'm talking about has given me one great certainty: Consciousness precedes Being, and not the other way around, as Marxists claim.

For this reason, the salvation of this human world lies nowhere else than in the human heart, in the human power to reflect, in human meekness, and in human responsibility.

Without a global revolution in the sphere of human consciousness, nothing will change for the better in the sphere of our Being as humans; and the catastrophe toward which this world is headed, be it ecological, social, demographic, or a general breakdown of civilization, will be unavoidable. If we are no longer threatened by world war, or by the danger that the absurd mountains of accumulated nuclear weapons might blow up the world, this does not mean that we have definitively won. We are in fact far from the final victory.

We are still a long way from that "family of man"; in fact, we seem to be receding from the ideal rather than drawing closer to it. Interests of all kinds—personal, selfish, state, national, group,

and, if you like, company interests — still considerably outweigh genuinely common and global interests. We are still under the sway of the destructive and vain belief that man is the pinnacle of creation, not just a part of it, and that therefore everything is permitted. There are still many who say they are concerned not for themselves but for the cause, while they are demonstrably out for themselves and not for the cause at all. We are still destroying the planet that was entrusted to us and its environment. We still close our eyes to the growing social, ethnic, and cultural conflicts in the world. From time to time we say that the anonymous megamachinery we have created for ourselves no longer serves us, but rather has enslaved us, yet we still fail to do anything about it.

In other words, we still don't know how to put morality ahead of politics, science, and economics. We are still incapable of understanding that the only genuine backbone of all our actions — if they are to be moral — is responsibility. Responsibility to something higher than my family, my country, my company, my success. Responsibility to the order of Being, where all our actions are indelibly recorded, and where, and only where, they will be properly judged.

The interpreter or mediator between us and this higher authority is what is traditionally referred to as human conscience.

If I subordinate my political behavior to this imperative mediated to me by my conscience, I can't go far wrong. If on the contrary I were not guided by this voice, not even ten presidential schools with 2,000 of the best political scientists in the world could help me.

This is why I ultimately decided — after resisting for a long time — to accept the burden of political responsibility.

I am not the first, nor will I be the last, intellectual to do this. On the contrary, my feeling is that there will be more and more of them all the time. If the hope of the world lies in human consciousness, then it is obvious that intellectuals cannot go on forever avoiding their share of responsibility for the world and hiding their distaste for politics under an alleged need to be independent.

It is easy to have independence in your program and then leave others to carry that program out. If everyone thought that way, pretty soon no one would be independent.

I think that you Americans should understand this way of thinking. Wasn't it the best minds of your country, people you could call intellectuals, who wrote your famous Declaration of Independence, your Bill of Rights, and your Constitution and who — above all — took upon themselves the practical responsibility for putting them into practice? The worker from Branik in Prague that your president referred to in his State of the Union message this year is far from being the only person in Czechoslovakia, let alone in the world, to be inspired by those great documents. They inspire us all. They inspire us despite the fact that they are over 200 years old. They inspire us to be citizens.

When Thomas Jefferson wrote, "Governments are instituted among Men deriving their just Powers from the Consent of the Governed," it was a simple and important act of the human spirit.

What gave meaning to that act, however, was the fact that the author backed it up with his life. It was not just his words, it was his deeds as well.

I will end where I began: history has accelerated. I believe that, once again, it will be the human mind that will notice this acceleration, give it a name, and transform those words into deeds.