

Originally Processed With FOIA(s):
2012-2320-F

FOIA Number:
2012-2320-F

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:	Skinner, Sam, Files
Subseries:	

OA/ID Number:	29420
Folder ID Number:	29420-004

Folder Title:
[Binder]: 1993 Economic and Policy Issues by Clayton Yeutter [1]

Stack:	Row:	Section:	Shelf:	Position:
G	0	0	0	0

Withdrawal/Redaction Sheet (George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01. Report	Re: 1993 Economic and Policy Issues (72 pp.)	n.d.	PRM	

Page 1 of 1

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Skinner, Samuel, Files
Subseries:
WHORM Cat.:
File Location: [Binder]: 1993 Economic and Policy Issues by Clayton Yeutter [1]

Pinksheet Number: cap4006
OA/ID Number: 29420-004
Date Closed: 8/22/2012
FOIA/Sys Case #: 2012-2320-F
Re-review Case #:
P-2/P-5 Review Case #:

THE WHITE HOUSE

WASHINGTON

August 12, 1992

02 AUG 13 A8:27

MEMORANDUM FOR THE PRESIDENT

FROM: CLAYTON YEUTTER 
SUBJECT: REFERENCE BOOK ON DOMESTIC ISSUES

Mr. President, I hope this will be a useful reference book for you over the next three months. As you will see from the Table of Contents, it includes materials on about a dozen major domestic issues.

For each subject we have provided (1) a two or three page outline; (2) a 10 minute draft speech; and (3) a few key questions and answers. Most of these were done by our staff, but Secretary Alexander did the one on education, and Attorney General Barr the one on crime.

You have too much to read already, but I would certainly recommend perusing those that are of particular interest to you. The quality of the draft speeches is good, with two or three of them having messages that could be delivered almost verbatim.

cc: S. Skinner
H. Moore

Draft

Talking Points,
Speeches, and
Questions and Answers
on
Key Economic and Domestic
Policy Issues.

TABLE OF CONTENTS

- A. Economic Growth - I
- B. Economic Growth - II
- C. Trade
- D. Education
- E. Health Care
- F. Crime
- G. Family
- H. Welfare Reform
- I. Drugs
- J. Regulatory Reform
- K. Civil Justice
- L. Technology

OUTLINE ON ECONOMIC STRATEGY

I. Look Beneath the Label

- A. My challenger talks about economic growth and jobs, but the substance of his economic plan is anti-growth and anti-recovery.
- B. My economic recovery plan emphasizes competition, free enterprise, and private sector creativity rather than more government intervention.
- C. This approach will make America the economic powerhouse of the world and ensure that we are prepared to convert from a Cold War economy to a system of open trade and world-wide economic competitiveness.

II. America's Prospects

- A. Today's conventional wisdom is that America's economy is stagnant.
 - 1. Our goods uncompetitive, our managers ineffective, and our workers ill-equipped for the future.
- B. This is the fiction, the facts suggest otherwise.
 - 1. Total U.S. output is twice Japan's and four times Germany's.
 - 2. We produce 25 percent of the world's total outputs of goods and services with 5 percent of the world's population.
 - 3. Our per capita output is 25 percent higher than Japan's and one-third higher than Germany's.
- D. In 1990, manufacturing accounted for 23 percent of total U.S. Gross Domestic Product -- a higher percentage than in 1980.
- E. Manufacturing productivity rose during the 1980's with the best performance since World War II.
- F. Our high technology products are helping drive our booming export market.
- G. Our employee output in the United States is 25 percent greater than in either Germany or Japan.

- H. Today we remain the world's largest exporter.
- I. America led the way for the free world through the Cold War and continues as a beacon of freedom, prosperity, and economic leadership at the beginning of the New World Order.

III. America's New Destiny

- A. The challenges for our future will come from vigorous international competition, and we must meet this reality head on.
- B. Meeting this reality requires open markets rather than isolation or trade protection.
- C. The consumer knows this, and our best response to the challenge is to ensure product quality and first-class service.
- D. We need to do everything we can to ensure the dynamism of our society and our economy -- an ability to responde to change and modernization.
- E. Every \$1 billion in exports means nearly 20,000 American jobs.
- F. Likewise, shifting our resources successfully from defense production to meet other national needs will have a positive long-term impact on American productivity and creativity. Through new careers, public/private partnerships, and new manufacturing opportunities.
 - 1. Our national technology initiative is one way in which we can respond positively to these challenges.

IV. Our Future Requires a Competitive America

- A. Our new American destiny depends on economic decision made in the marketplace not in the Congress or by regulators.
 - 1. Government should provide a sound environment for the private sector to flourish.
- B. I have taken steps through legislative proposals to improve our long-term economic performance through controlling spending, reducing unnecessary programs, line-item rescissions, and curbing entitlement growth.

- B. I have taken steps through legislative proposals to improve our long-term economic performance through controlling spending, reducing unnecessary programs, line-item rescissions, and curbing entitlement growth.
- C. Government must also encourage entrepreneurs and others to take risks.
- D. Government must end the over regulation of business and help reform our legal system in order to promote innovation rather than litigation.
- E. Government can provide greater assistance in successful reforms of our education and training system.
- F. Government can also play a key role in negotiating key trade agreements.

V. America's Future Lies With the People

- A. The American people can help me change America's future.
- B. The American people can help in changing the Congress.
- C. The American people can help me change America by giving me a second term in office.

July 29, 1992

**President Bush's Economic Strategy for America
A Plan for the New American Destiny**

In November you will have a clear choice. At stake is your job stability or a shot at a new job, your family's income and future employment opportunities for your kids. My challenger has now learned how to use the right words when he talks about economic growth and jobs, and so have at least some of the Democrats in Congress. But they still do not know what those words mean. Somehow "entrepreneurial capitalism" to them still converts to more government, higher taxes, and less individual freedom.

This year they at least have a plan, but only the label is pro-growth. The substance is anti-growth, and anti-recovery. I have had an infinitely more comprehensive economic plan before the U.S. Congress for ages, and my plan matches the substance and the rhetoric. It builds on the spirit of competition, free enterprise, and private sector creativity that has made this country the economic powerhouse of the world, instead of tilting toward the government intervention systems that are being discarded everywhere.

How do we prepare our economy for the opportunities of the next century? How do we convert from a Cold War economy to one based on open trade and worldwide economic competitiveness? That is not a simple task, and the adjustment process will sometimes be

painful. It will take time, but we Americans can do it and we'll do it better than anyone. But first let's clear the air of some erroneous conventional wisdom about where America stands in the world economy.

First, Where are we?

America, we are told, is going downhill. Our economy -- so says the conventional wisdom -- is stagnant, our goods uncompetitive, our managers ineffective, our workers unmotivated and ill-educated. Germany and Japan are said to be the powerhouses of today and the leaders of tomorrow; pundits on the Sunday talk shows and in the editorial pages claim that the American Century is drawing to a close, that the Millennium will be one of despair, rather than opportunity.

These folks would judge policy prescriptions by whether they make us more comfortable in our presumed decline, and by whether they do a better job of slicing up a presumably smaller economic pie.

This bleak appraisal of America's prospects -- like much conventional wisdom -- is seductive to some (at least in an election year) but it's also dead wrong. It reflects a determination by those who look at things superficially to see calamity rather than opportunity. Let's discuss a few common sense observations about what the actual facts are.

First, we must lay to rest the myth that America is somehow on its way to becoming an economic backwater. Those who think the U.S. economy is weak and will soon be overtaken by the Japanese or the Germans are wrong. The United States remains the world's preeminent economic power. Total U.S. output is twice that of Japan's and four times larger than Germany's. With only 5 percent of the world's population, we produce 25 percent of the world's total output of goods and services.

Our output per capita, adjusted for true purchasing power, is 25 percent higher than Japan's and one-third higher than Germany's. And if the pessimists think we have become a nation of hamburger flippers -- though there is surely nothing wrong with being a hamburger flipper -- they are wrong. In 1990, manufacturing accounted for 23 percent of total U.S. GDP, a slightly higher percentage than in 1980. While it's true there are fewer jobs in manufacturing, that is due not to a decline, but to a rebirth of our industrial sector. U.S. manufacturing productivity rose by 3.5 percent per year during the 1980s, the best performance since World War II. A study of industrial nations indicates that the U.S. share of industrial output among that group is on the increase. And we're doing well with high technology products and services too, particularly in export markets. It is not by luck that U.S. scientists have won 188 Nobel prizes and the Japanese only 5. {1988 figures, need more current.}

If the pessimists think that Japanese or German workers are more productive than American workers, they are wrong again. Output per employee in the United States is 25 percent greater than in either Germany or Japan.

If the pessimists think that the United States is losing ground to Germany and Japan in world markets, they are wrong once more. Since 1986 our merchandise exports have grown 20 percent faster than Germany's and 70 percent faster than Japan's. We are the world's largest exporter -- even though the Commerce Department estimates that only 30 percent of American companies with the potential to export are actually doing so. Just think of that potential!

Thus, America remains a land of opportunity -- a place where American men and women can fulfill their unparalleled capacity for innovation and enterprise. Yet, if all that's so -- and it is -- why do so many Americans lack confidence about the future, our own and our children's? To some extent the conventional wisdom I mentioned simply feeds on itself. So long as we are told at every turn that the future is uncertain, the more insecure we become.

But I believe that America is destined as it has been for 200 years. At the end of the 19th century America was destined to lead the world as her industrial might and influence came to the

fore. Again, after the destruction and despair of World War II, America was destined to extend a hand to its fallen enemies and rebuild democracies and free societies in distant lands. Today with the end of the Cold War and the beginning of the New World Order, America once again is the beacon. This time we are destined to provide global economic leadership -- by pioneering lower tax rates, free and open trade and investment flows, and by demonstrating our private sector's boundless spirit of innovation and energy.

The New American Destiny

This new destiny will inevitably have its own set of challenges, risks, and even threats. Although our economy remains internationally preeminent, it is no longer essentially free from competitive pressure as it was in the post-World War II period. Twenty years ago, for example, General Motors viewed its only serious competitors as Ford and Chrysler. Today the competition comes from Honda, Volvo, Toyota and Volkswagen, to name only a few.

Vigorous international competition is new, confusing and sometimes threatening to Americans. Some would respond by retreat, by circling the wagons, by attempting to close our borders. This is wrong and contrary to our own self-interest. It is a sure way to economic decline and a lower standard of living for all Americans. We must face head-on the reality that

the global economic environment is as competitive as the Olympic Games.

The opposite track has been tried and it has failed. The isolationist Smoot-Hawley tariff of the 1930s provoked retaliation by other countries and ruin for all of us. Trade plunged 70 percent, and our industrial production fell 40 percent, in a very short time period. Translating this to 1992, protectionism hurts your wallet. Competition will make American products better and cheaper. Keeping imported products out will simply penalize American consumers. The better answer is for all of us to listen to the American consumer and focus on product quality and first class service.

Open trade and investment flows produce gains for all countries. As an economy modernizes, its human, financial and physical capital all change. As old companies adjust, restructure or disappear, new companies open their doors and create new jobs. The entire history of our nation has been a continuing series of such developments. We have not only endured through all this but we've thrived -- in large part because of our openness to change. As Churchill said, "This is no time for ease and comfort. It is the time to dare and endure." In a single word, this reflects the dynamism of our society, unmatched anywhere.

This dynamism, characterized by the pressure to change and

modernize, has made us incredibly competitive. America will enter the 21st century as one of the great trading nations in world history. Every \$1 billion in exports produces nearly 20,000 U.S. jobs. Open trade is not about exporting jobs; it is about creating American jobs from exports. Over the past five years, America's companies have seen their merchandise exports grow almost 90 percent, supporting seven million jobs in this country.

The planned reduction in our defense forces will obviously have a negative short-term impact on many communities. But over the long-term this shift of resources away from weapons production and the other demands of national security will unleash a huge boost in U.S. productivity and creativity in our civilian sector. The reduction in defense spending over the next five years will free up millions of highly skilled defense employees and former service men and women to enter new civilian fields like high technology, telecommunications, services and teaching.

I have already announced that we will invest some of our peace dividend in training for employees leaving the service, communities affected by base closings, and other defense adjustment activities. Where appropriate, this will generate new careers, and ultimately the development of new technologies and new manufacturing capabilities that will produce the jobs of the next century. For example, take what's going on out at Norton

Air Force Base in San Bernadino, California. The state, the Defense Department, and the FAA have joined with Lockheed Corporation to develop new jobs and new uses for Norton after it closes in 1994. They have already opened a commercial aircraft repair facility where employment is estimated to reach 1,000 by the end of the year.

In February I initiated the National Technology Initiative (NTI) which combines new investments in research and development with a vigorous effort to commercialize new products and technologies in the National Laboratories. For example, take what my friend, Joe Coors, is doing in Oak Ridge, Tennessee. Formerly the home to building atomic weapons, Oak Ridge is now the testing ground for economically competitive materials of the future. Joe Coors moved his advanced ceramics company from Colorado to Oak Ridge two years ago to build a private-public sector partnership with the scientists and high-tech facilities at our national lab. Using state of the art ceramic materials, Joe is developing stronger, longer lasting parts for the engines of the future, thereby ensuring a substantial number of American jobs in the next century.

My plan calls for America to fulfill its destiny by becoming the Arnold Schwarzenegger of technology -- a technology powerhouse, exporting more and more high quality goods and services to an ever-expanding, prospering free world. Newly freed families in

the Ukraine and Poland will join newly prosperous consumers from the Asian Tigers of Singapore, Hong King, Taiwan, and South Korea who in turn will join our fellow Americans in the Western Hemisphere in buying American innovations in environmental science, biotechnology, electronics, telecommunications, and lots of other product areas at record rates.

A Plan for a Competitive America

The energy that will propel this New America Destiny will only prosper when economic decisions are made in the marketplace, not in the Congress or by regulators. We must never forget the source of good ideas and good products. The airplane was not invented on Pennsylvania Avenue. The Salk vaccine was not discovered on Capitol Hill. The energy that drives this country comes from creative, energetic people -- American workers, inventors, scientists and business owners, not from Washington, D.C.

There is a role for government in providing a sound macroeconomic environment in which our private sector can flourish. It is government's narrow, but critically important, responsibility to help -- not hinder -- economic progress. It is the responsibility of government to put in place policies that create a climate for economic growth. But government -- whether it be the legislative branch, the executive branch or independent agencies -- should not attempt to micro-manage this vibrant

economy of ours. If it does, it will fail, but only after doing great damage to us all.

For three and a half years I have been listening to the hopes, aspirations and concerns of American families. I have responded by defining a strategy for building a more competitive America, a strategy which encompasses a limited role for government.

For three and a half years I have had legislation before the Congress to improve our long-term economic performance. And I've taken administrative actions where possible to foster this cause, short term and long term. In some areas the Congress has been a constructive force. But in many others the Congress has been obstructive and out of touch with the American people. The People's House has forgotten the People.

When the government fails to control spending -- as this Congress has failed -- it drains from the economy dollars that could be used in the private sector to create new businesses and jobs. Our nation is not undertaxed, it is overspent. To address this lack of Congressional discipline I have, among other things:

- called for the elimination in fiscal 1993 of 246 unnecessary programs and over 4,000 projects;
- vetoed on March 20 the Democrats' tax bill designed to raise

personal income taxes and increase unneeded spending;

- proposed on March 20 the line-item rescissions of 67 projects costing nearly \$4 billion this year;
- proposed for fiscal 1993 the first meaningful caps on growth in the nearly \$1 trillion of "entitlement" programs and a freeze on all domestic discretionary spending.

Next, government must encourage entrepreneurs, store owners, and other businesses, small and large, to take risks and create new products and jobs. I have consistently advocated responsible tax incentives to generate more savings and more investment. These need not pit one segment of American society against another. Our Democrat colleagues love to talk about taxing the rich and giving to the poor or the middle class. But that's nothing but bogus political rhetoric in an election year. Those who would play on such divisiveness are not only my political opponents -- they are opponents of the American Dream. Not many Americans want to realize that dream by wrecking the dreams of their fellow citizens. They simply want to join them in converting their dreams to reality.

Third, when a government needlessly and, in my view irresponsibly, overregulates businesses and empowers its civil courts to award unlimited damages for accidents that no amount of

care or diligence by the manufacturer could have avoided, it hinders economic growth; or when the government refuses to reform a legal system that makes 80 percent of all obstetricians defendants in malpractice lawsuits, it outrageously drives up health care costs and hinders economic growth. Private sector risk takers and others, such as businessmen and their boards of directors, are daily victims of this liability and regulatory anachronism. This country was built on innovation, not litigation. My Administration has proposed comprehensive product liability, health care and tort reforms to combat this craziness. This year we are completely overhauling burdensome federal regulations during a 210 day moratorium. We have already repealed or modified XX regulations, resulting in savings to American consumers of over \$15-20 billion. {Source: VP}

Fourth, when we as a nation year-after-year increase spending for education and job training and yet have little or no improvement in performance to show for it, we are not helping our people to develop the necessary skills to compete in the next century. Looking long-term toward the Millennium, my America 2000 and Job Training 2000 initiatives propose radical changes in the way we look at education and training. Forty-five states and 1,200 communities are already beginning to implement our education reforms. But we need additional legislation to do this job right. Our bipartisan plan calls for communities and parents to set goals for improvement, reinvent new schools, and welcome new

teaching techniques. We must have the business community and the family in our schools, the drugs and crime out.

And fifth, to facilitate my vision of a world of open markets as magnets for American know-how and products, government has a critical role in negotiating trade agreements, like the U.S.-Canada Free Trade Agreement and others than have helped boost our economy so much in recent years. We should all be proud that the United States is again the world's number one exporter.

Call on the American People

What can you do to sound wake-up calls, get action and charge out to take advantage of this exciting, competitive world?

First, I need your help. We have the most expansive agenda for change, domestic change, this nation has ever seen. But Congress is not listening to the call for change. Since 1989 I have put forward proposals for economic growth, education reform, health care reform, banking reform, strong measures to fight crime and drug abuse, and a host of others where I can't do this job on my own. Regrettably the Democrat Leadership of the Congress sits on its hands much of the time.

Thus, I need your help in changing Congress. When President Reagan and I came into office in 1981, we had the help of a working majority in Congress. Republicans controlled the Senate

and in the House we had 192 GOP Members compared to 167 today. There were also about 60 "boll weevils," conservative Democrats who often voted with the Republicans.

I have vetoed 31 bills during my tenure. All 31 have been sustained. But instead of just stopping bad legislation, we need to enact more good legislation. In March The Dallas Morning News in an editorial properly headlined, "Hot Air," called on the Congress to "rise above this partisan bickering" and make good politics good policy for all Americans. The way to make that happen is to elect Republicans to Congress so we have the leverage to counter that partisan bickering on Capitol Hill.

Conclusion

Next, I need one more thing. I need your vote for a second term. Four years ago I stood before you, my fellow citizens, as a man who has spent one-half of my life building an oil business from scratch and the second half serving you honorably in public service. In so serving, I committed to you and your families that the business of governing our land was my mission.

We have made so much progress, but our mission is not finished. Whether over the Pacific in World War II, helping my kids with their homework, building a business, or launching the New American Destiny, I finish what I start. I don't run from fights. I don't work only on sunny days. I am a man of mission.

- 15 -

I need your support to finish the building before us. Send me out and I will prepare our country for our kids' century, the greatest period of American leadership and prosperity yet.

Questions on Economic Growth

Q: It is said that you are not cutting defense enough and reinvesting in America. What is your response?

- By 1997, defense spending will be about 30% below the 1989 program limit.
- These cuts in FY 1992 and FY 93 alone will result in 200,000 fewer uniform employees and 100,000 fewer Department of Defense civilian employees. We have also cancelled over 100 weapons programs since 1989.
- The first and most appropriate use of reducing defense is lowering the Federal budget deficit.

Q: You have done nothing to get our economy moving. What is your response?

- For three years I have consistently set forth an agenda of pro-economic growth policies.
- Congress has delayed implementation of this agenda and this has cost American economic growth and jobs.
- Investment is necessary to create new jobs. Thus I have proposed reduced taxes on savings and investments.
- I have led an intense effort to open markets abroad, promote free trade and to identify and reduce Federal regulation burdens and unnecessary paperwork. Businesses need to spend more time selling products and less time filling out forms.

Q: Your trade deal with Mexico will cause Americans to lose their jobs. Why are you pushing it?

- I am pushing it because free trade creates jobs for both Mexicans and Americans.
- First of all the North American Free Trade Agreement (NAFTA) will result in larger increases in American exports being sold to Mexico, our third largest trading partner. Mexico still has higher trade barriers and tariffs than America. In the last four years our exports to Mexico have doubled.
- Every \$1 billion of exports creates nearly 20,000 American jobs.

- Lowering trade barriers in Mexico will promote new investments in Mexico and create new Mexican job opportunities. Over time this will reduce illegal immigration burdens on the U.S. border.
- The NAFTA will generate greater worker rights and protections in Mexico, as well as enhanced environmental standards and enforcement.

Q: We read your lips about tax increases and businesses are "choking" on your new regulations. Why should we listen to your plan now?

- The budget agreement of 1990 was a very difficult decision for me. It was during the time when we were mobilizing for Desert Shield and preparing for the potential of Desert Storm. Thus, I thought it would be dangerous and disruptive for the government to shut down at such a critical juncture.
- Secondly, it was my believe we would get specific entitlement cuts and restraints on discretionary spending in return for a negotiated increase in some taxes and reduced defense spending.
- President Reagan accepted similar compromises -- although actually not as strong on the spending side -
- during his Presidency.

Outline for:

"Shall We Go Forward or Retreat:
The Economic Question"

- I. Despite Democrat claims about the 1980s, the American people are neither greedy nor lazy.
 - During the Reagan-Bush years, both charitable giving and U.S. exports rose to record levels.
- II. Democrat policies amount to higher taxes and redistribution, which will send us back to the stagflation of the 1970s.
- III. The Administration has fought for its aggressive economic program, despite little attention from the media.
 - Democrats say they are for investment, yet they want to tax it at a higher rate than our competitors. We want to lower the cost of investing by:
 - lowering the capital gains tax, which will stimulate entrepreneurial activity and free up resources for families to reinvest.
 - promoting a monetary policy that is consistent with sustainable, long-term economic growth and price stability.
 - enacting a 15 percent investment tax allowance.
 - improving the Alternative Minimum Tax for depreciation.
 - creating enterprise zones.
 - Democrats say they want to expand homeownership, but they have held up Administration proposals to enact:
 - a \$5,000 first-time homebuyer tax credit.
 - penalty-free IRA withdrawal to buy a first home.
 - \$1 billion for HOPE grants in FY 1993 to enable low-income families achieve homeownership.
- IV. The President has led the way toward encouraging technological innovation.

- The President has urged the Congress to make permanent the R&D tax credit.
- The Administration extended the Section 861 R&D allocation rules, when Congress refused to take action. These rules encourage greater R&D investment by U.S. multinational firms.
- The President has proposed doubling the National Science Foundation Budget by 1993.

V. The Democrats say they will show fiscal restraint, but only the President has tried to control spending by:

- proposing meaningful caps on entitlement spending and a freeze on domestic discretionary programs.
- proposing a balanced budget amendment to the constitution, rejected by the Democrat-controlled Congress.
- proposing in the FY 1993 budget the termination of 246 domestic discretionary programs and line-item rescissions costing nearly \$4.0 billion.

VI. Our economic sluggishness is partly the result of the radical redrawing of the geopolitical map.

- The fall of the Soviet Union helped all of us, but hurts the incomes of defense workers.
 - The Administration's job training program, GI bill for education, and grants to distressed communities help ease the transition from the Cold War to the New World Order. The Administration's economic growth program would also aid recovery.

VII. The President is removing foreign barriers to U.S. goods through the Uruguay Round, the North American Free Trade Agreement, and bilateral negotiations.

- Every \$1 billion of exports creates 20,000 jobs. Since 1987 our exports have almost doubled.

VIII. The President wants to take America forward, not retreat to the 1970s.

SHALL WE GO FORWARD OR RETREAT? THE ECONOMIC QUESTION

I am here today to ask one basic question: Shall we go forward or shall we retreat? During this campaign year, you have heard scores of scurrilous attacks -- not only on me and on the Vice President, but you have heard attacks on the American people, as well.

They say we are a people of greed -- a people who spent the last twelve years feeding our most frivolous desires. They say that we did not compete in the world -- that we shrunk from competition and devolved into a debtor nation that begged for mercy from foreign governments.

They are wrong. Are we greedy? The American people gave more of their income to charity during the last twelve years than ever in American history -- including the suddenly golden years of the Carter administration. Are we lazy? The American people produce and export more goods than any country ever in history. More than Germany, more than Japan, more than anyone.

But you never hear this on the evening news. You rarely read it in your newspaper. And you certainly will never hear it from the Democratic leadership in Congress.

Leaders in Congress have spent the last four years not trying to create jobs and economic growth, but to recreate the 1970s. Those good, old days when Democrats controlled both

houses of Congress, as well as the White House. Those good, old days when they set records that may never be broken. Records like: highest inflation; highest misery index; and highest interest rates.

The Democrats didn't like the 1980s. No wonder. The 1980s proved how much damage they had done to this country and to its self-confidence. My opponents say, let's forget about the 1980s.

My opponents want to repeal history. I want to make history.

Shall we go forward or shall we retreat?

Let's ask Mr. Clinton a few questions. He says he didn't like the 80s. He especially didn't like the tax cuts of the 1980s. Mr. Clinton, did you like the tax rates in 1978 better - - 50 percent for middle class families? Or did you like the tax rates of 1968 -- 70 percent for many Americans?

Or are you promising to drag the American people all the way back to 1963, when some families paid 91 percent of their income to the government? Just how far back will you drag us?

Mr. Clinton says he wants to create jobs. Yet he wants to repeal the 1980s. Does he want to take back the 20 million jobs we created? More than all of Europe and Japan combined! And what about the millions of families who finally found the opportunity to send their kids to college?

The Democrats say that they are the party of compassion. They say they know how to handle the cities. But when they left the White House, they left young, black men an unemployment rate

of over 40 percent. They left them behind. It took the economic growth of the Reagan-Bush years to create jobs, driving down that rate by 25 percent. Still too high. So we've introduced Youth Apprenticeship Training and Enterprise Zones. My opponents have merely mouthed their compassion. Can we trust them to make things better?

We can trust them only to drag us back.

Now, I admit, my opponents are starting to change their rhetoric. They're not dumb. They've learned that words like "liberal" and "redistribution" do not sell. They're even starting to learn some new words, like "expanding the economic pie." But somehow I get the feeling that if they win the election, they'll be slicing up your pie so fast and giving it away to their special interests so quickly, there'll be nothing left after Thanksgiving.

And then where will we be? Back to the 1970s.

I want to go forward. And I won't retreat.

I have an economic program that will reinvigorate our economy, that will unleash the job-creating machine, and free the American spirit. But it is imprisoned behind the bars of the Congress.

I have struggled and I have sweat to get the newspapers to report it, to get the TV newscasters to talk about it, and to get the Congress to pass it.

I confess my frustration, but I do not concede my program.
Why won't the Congress free this program and allow the economy to

grow? Is it possible that the Congressional leadership wanted to keep the recession going to improve their Election Day chances? Is it possible that they would sell out their country for their crass self-interest?

I invite my opponents to take swipes at me. That is politics. And I am fair game. But I warn my opponents: Do not, I repeat, do not take out your frustrations on the American people and do not drag them backwards and rob them of the fruits of their hard labor.

Not only has the Congress shackled my program. They have shackled the U.S. economy. Here's a simple statement: If you want less of something, tax it a lot. If you want more, don't tax it. I believe that Congressmen are smart enough to understand this.

Now, everybody wants more investment. More investment means more jobs and more income. A higher standard of living. A better quality of life. If we really care about our children and grandchildren, we will try to spur businesses to invest and encourage individuals to start new businesses.

So why do my opponents want to tax investment higher than the Japanese do? Or the Germans? Or the British? Our trade competitors cannot understand why we punish ourselves with the highest capital gains tax rate in the industrialized world.

I'm sure you've heard that this a topic for the rich. But I guess it depends on how you define rich, because 60 percent of the people who benefit from a lower capital gains tax have

incomes under \$50,000.

Yet the Congress won't budge. They won't let our economy grow.

Who are those Congressmen working for, anyway? It is time for the American people to budge Congress.

My program spurs investment not only through the capital gains tax cut, but by creating an Investment Tax Allowance and by improving the Alternative Minimum Tax. The accountants can explain all the details. But the message is simple: Congress, Let the American people work, let them save for their children, let them invest for their futures, and let them build a better life for themselves.

I want Americans to be able to save more. My opponents say they want Americans to save more. So, I guess we agree. Case closed?

Don't count on it.

My opponents refuse to pass my Flexible IRA program, which would allow Americans to save for a home or for their retirement. My opponents refuse to give the American people the \$5,000 first-time home buyers credit that I proposed. For most Americans, this program would pay for the first six months of mortgage payments. My opponents also refuse to give low income Americans the chance to own a home through my HOPE initiative.

Are my opponents against Americans owning a home? They say they're not. But you'll have to ask them. And while you're at it, ask them: Who are you working for, anyway?

Our economic strength does not come from the commands of the federal government but from the creativity of our people. That is why I have led the charge to reinvent American schools -- to prepare our children with the skills that will get them good jobs at good wages. My AMERICA 2000 strategy has already been embraced by 45 states.

America's creativity is expressed most powerfully and dramatically in our technological innovation.

America is reinventing the world. Scientists and engineers the world over flock to our universities, laboratories, and companies to learn of new discoveries in medicine, computers, biotechnology, and telecommunications. America is leading the world into the twenty-first century.

I want even more technological growth, because I want more jobs. Our high-tech exports soared by two-thirds since 1987, and we enjoy a \$37 billion trade surplus with the rest of the world. Have you read that in a newspaper? Have you seen that on the evening news? Have you ever heard it from a Democratic Congressman? Have you ever heard that the Bush administration has pledged to double the National Science Foundation budget or that we have committed more resources to research and development than any Presidency in history?

To create even more jobs, I have urged Congress to make the R&D tax credit permanent. Congress has dragged its clumsy feet on this too. Who are they working for, anyway?

In the State of the Union address, I asked the Congress to

extend the R&D allocation rule. Yes, a complex issue. But the bottom line is this: if we want the U.S. to become a haven for research and development, we cannot drive our researchers offshore.

When Congress dragged its clumsy feet on the R&D allocation rule, I directed the IRS to change the rule without Congress.

I could not wait any longer. I got tired of asking, "Who are you working for, anyway?"

My fellow Americans, if you work hard, my opponents will not be working for you. If you contribute to our economic pie, there won't be a slice in their program for you. They will tax, they will spend, and they will sap our drive to save, invest, and create jobs.

Do you believe that my opponents will control federal spending? They've got too many promises to keep, too many handouts to hand over.

When my opponents talk of "fiscal matters," you should picture a fistful of cash. Your cash. When my opponents talk about the budget, hold onto your wallets. And clutch your pocketbooks tight.

Yes, they know the right lyrics -- I'm sure Senator Gore's wife has approved them. But if you listen closely, you can hear what's beating in their hearts.

I am the only one in the debate to call for the elimination of 246 unnecessary programs and over 4,000 projects. I am the

only one in the debate to propose line-item rescissions of 67 projects, costing nearly \$4 billion. I am the only one who has called for meaningful caps on the growth of entitlements and a freeze on all the domestic discretionary programs. And I am the only one to call for a balanced budget amendment.

The problem with my opponents is that they can't say "no." That's why you must say "no" to them.

I know that economic times are not rosy. I know that too many Americans are hurting. We all carry battle scars from the recession, but we also carry the hope and the drive to make things better.

Some of our economic sluggishness stems from the radical redrawing of the world's geopolitical map. We are moving from a Cold War World to a New World Order. We are moving from a domestically-driven economy to a truly global economy.

Of course, the road to the New World Order does have some rocks and bumps. But the United States is not alone in feeling them. Every economy in the world is trying to adapt to the monumental changes. Even the impressive Japanese economy has fallen into a recession, its stock market having tumbled 30 percent.

The collapse of the Soviet Union is a blessed event, but one that hurts American defense workers. We are helping them with job training programs, expanded GI bills for education, and grants to distressed communities.

Despite the pain of a rough transition, does anyone doubt

that the New World Order means a safer future for our children?

Some of the economic sluggishness stems from the resurgence of Latin American economies, which have finally discovered the free market and have left behind socialism. Again, a blessed event, but one that raises the cost of world capital. We have been urging the Federal Reserve Board for over a year to relax monetary policy to make room for more economic growth worldwide.

We will shake off this gloom, and we will resume our path toward more jobs and higher income. We will shake it off much faster if the Congress unlocks the gates and lets our program go.

We will shake it off and shock the world with our ability to compete. We are currently negotiating a free trade agreement with Mexico and a reduction in world trade barriers in the Uruguay Round.

We're not doing this because we're scared of competition. We're doing this because we welcome competition, which will create jobs for us. Every \$1 billion of exports creates 20,000 U.S. jobs. Since 1987, our exports have almost doubled, supporting 7 million jobs for Americans.

Since 1988, we have raised our exports to Japan by 30 percent, while imports have increased by only 3 percent.

No wonder our stock market remains steady -- no wonder the world places its money on the resiliency of the American people, when other economies begin to falter.

My friends, as we look at the difficult economic issues, and

as we make our way through these trying times, we have some important questions to ask ourselves:

Should we turn our backs on a world that looks to us for leadership in diplomacy, as well as in commerce?

Should we turn our clocks back to a decade when America hung its head -- too taxed to prosper and too timid to lead?

Should we go forward or retreat?

Let the others harp; let the others try to drag us back.

But I know that Americans always want to go forward -- unflinching, unswerving, unwilling to give an inch to the forces of retreat. Let us move out together.

####

QUESTIONS ON THE ECONOMY 22 JUL 23 P 6: 39

New Question:

1. The Democrats charge that your Administration has the worst economic record since Herbert Hoover. What do you say to that?

That is nonsense. First, while clearly we want the economy to improve at a more rapid pace, and by the way it would have if Congress had passed my economic growth initiatives, the worst economic performance in the last half century was the horrible inflation, high interest rates and recession under President Carter, which also was the primary cause for the steep recession in 1981-1982. Do not forget that inflation was 13 percent and interest rates were 21 percent. Tens of millions of Americans worried they would never be able to get a long-term fixed rate mortgage again. Middle income people were being driven into higher income tax brackets even when their earnings did not keep pace with inflation because, back then, we did not index the tax brackets for inflation. In 1980, real incomes fell about twice as much as they had in any previous year since the depression. All that would have been sufficient to lay claim to the worse record since the depression. But even worse, that horrible inflation condemned Americans to a horrible recession in the early 1980's as the Federal Reserve reduced inflation from frightening levels to a more modest pace. That was the legacy of the Carter inflation: double digit inflation and interest rates, rapidly falling income after tax and after inflation, and then unemployment getting up to almost 11 percent as the inflation was unwound.

So yes, the last couple of years have been difficult. The recovery is far too slow. But some of the adjustments the economy has been making, such as lower household and corporate debt burdens, and some of the policies we have put in place, such as lower interest rates and low inflation, mean that for the next few years the economy is poised for better performance, unlike in 1980 when the Carter inflation virtually condemned the country to a terrible next few years.

- 1a. Why is second quarter growth lower than first quarter growth?

First, it is very common for quarterly growth rates to move up and down. In fact, every previous post-World War II recovery showed a saw-tooth pattern for real growth in the first year, in which a slower growth quarter followed or is sandwiched between stronger quarters.

Second, looking at the components of GDP, consumer spending increased only modestly in the second quarter, following a robust increase in the first quarter, and the trade balance improved slightly in the first quarter, but it deteriorated in the second quarter due to the economic slowdown abroad, both of which contributed to temporarily slower growth.

Virtually all private analysts expect continued growth in the second half of the year. In a recent Wall Street Journal report, 42 private economists all forecast positive second half growth ranging from a high of 5 percent to a low between one and two percent. Our own base case forecast is around 3 percent, about in the middle of this range and virtually identical to the so-called Blue Chip consensus.

2. Are we heading for a triple dip?

No. The economy has not been performing as well as we would like over the past year and unemployment is too high, but there really was only one dip from the summer of 1990 through the spring of 1991. Since then, the economy has been growing, but at a slow rate. The economy did slow further late in 1991 before picking up at the start of this year. While the economy is growing, we need to get the economic growth rate up so we can get unemployment down. Some good precursors of stronger growth are in place. For example, interest rates and inflation are at their lowest level in a generation, creating conditions for sustained growth.

Virtually all private analysts expect continued growth in the second half of the year. In a recent Wall Street Journal report, 42 private economists all forecast positive second half growth ranging from a high of 5 percent to a low between one and two percent. Our own base case forecast is around 3 percent, about in the middle of this range and virtually identical to the so-called Blue Chip consensus.

3. What was the growth rate in the 1982 recession--in the second and third quarters?

During the recession of 1981-82, real GDP fell by nearly 3 percent--almost twice as large a decline as occurred in the recent recession. In the second quarter of 1982, the economy grew at an annual rate of 1.6 percent. In the third quarter of 1982, real GDP declined at a 1.8 percent annual rate.

4. How much growth do you need to reduce unemployment?

When the growth rate of the labor force is average, real growth in the economy has to be sustained at an annual rate of 2.5 percent or higher to reduce unemployment. Higher or lower labor force growth would require

correspondingly higher or lower growth to get unemployment down. Recently, labor force growth has been much more rapid, and this has been the primary reason the unemployment rate has risen.

5. Why are your growth projections so far off?

We would much prefer a better economy rendering our economic predictions too pessimistic than to have a sluggish economy and an accurate forecast. The economic forecasts of my Administration have been quite accurate, certainly more accurate than most private forecasters, the CBO and the Fed. Indeed, our forecasts have been more accurate than the forecasts of any Administration since the mid 1970s. We correctly predicted the performance of the economy during the recession, and we correctly forecast that the recovery would be less robust than is typically the case. Even the Democratic opposition--the Chairman of the House Budget Committee--congratulated my Chairman of the Council of Economic Advisers, Michael Boskin, for eliminating overly optimistic forecasts, the so-called "rosy scenario," from the budget process. So, while economic forecasting is an imprecise science, and unforeseen events can alter the course of the economy, our forecasting accuracy has been quite good.

6. Why is consumer confidence so low?

Consumer confidence normally falls during a recession as some people are laid off and others are concerned about their job security. We need lower unemployment rates and faster growth, which will boost consumer confidence. There are signs of improvement in consumer confidence. The two most widely used measures of consumer confidence have both risen substantially since the beginning of the year, although they have flattened out recently.

7. Inflation is down and interest rates are down, so why won't the economy grow?

The economy is growing, but at a rate that is much too slow. The low inflation and interest rates are helping, and the further decline in interest rates that occurred earlier this month should help further to spur economic growth, but the decline in interest rates is operating more slowly than usual. Lower interest rates always worked in the past and will work again. For example, mortgage rates have fallen by a full percentage point over the past several months and now are at about 8 percent--the lowest level in nearly 2 decades. Low mortgage rates are going to help sustain the recovery in housing markets, boosting construction and the demand for manufactured household goods--and boosting construction and manufacturing jobs.

8. Has the Fed cut off the money supply--and why can't you do anything about it?

The Federal Reserve is an independent agency. However, it has been my view that money growth has been too slow for too long. I have urged the Fed to lower interest rates and ease credit for some time. The Fed has not "cut off" the money supply, but money growth has been below the Fed's own targets for some time, and most economists agree that is bad for the Fed's credibility and for the economy.

9. You regulate the banks. Why is there still a credit crunch?

1. Commercial and industrial lending by banks has indeed fallen since the end of 1990. In some cases, lender attitudes have been characterized by excessive caution, leaving creditworthy borrowers unable to access credit at reasonable terms. In other cases, reduced commercial and industrial lending reflects weak credit demand, as is typical during a period of sluggish growth.

2. As part of my regulatory reform initiative, we have undertaken a number of steps to alleviate any regulatory impediments to lending that do not directly contribute to the safety and soundness of the deposit insurance system. We have also developed measures in consultation with the four bank and thrift regulatory agencies to assure that bank examiners perform their reviews in a balanced and sensible manner and that all opportunities for uniform regulation are pursued. And we are pressing forward to try to make sure that the part of the credit crunch that comes from the regulatory side is eliminated as rapidly as possible.

10. Unemployment is 7.8 percent. When will it go down?

I've been saying that unemployment is too high and that we must take steps to bring it down for some time. We expect unemployment to fall as the economy picks up. Earlier this year I presented a comprehensive short-term economic stimulus program and long-term economic reform program that were designed to bolster the economy and create jobs. My tax incentives program would have helped boost housing construction and business investment and would have helped bring the unemployment rate down. The economy would be in much better shape today--and unemployment lower--if Congress had passed my tax incentives.

11. Why is the economy not creating jobs?

The economy has been creating jobs--payroll jobs have increased by 250,000 so far this year, and civilian employment has increased by over 1 million over the past 10 months--but the pace of job creation has been too slow. The labor force has grown much more strongly in the past several months than usual. Job growth has not kept up with labor force growth and, as a result, unemployment has increased.

12. You knew as early as last September and October that the recession was taking a dip. Why did you wait until January to do anything about it?

1. I proposed a short-term economic stimulus program, along with a comprehensive long-term economic reform and growth program in January which would have spurred the economy to faster growth if the Congress had passed it in March, and which would still help the economy if the Congress acted today.

2. I did not wait until January. I have had various economic growth proposals before the Congress since 1989 and, for the most part, the Democratic leadership in Congress has chosen to block this legislation for political gain. I proposed an expanded set of proposals in January because the partisan bickering at the end of 1991 was so bad there was no opportunity to pass anything sensible.

13. Is your economic growth package too little, too late?

In each year of my Administration, I have made proposals that would improve the Nation's economic performance. Early this year, I submitted my economic growth initiative to Congress. It was designed to spur growth and create jobs without resorting to higher taxes and large increases in government spending. If Congress had passed my tax incentives to spur growth and create jobs, the economy would be in much better shape today. The opportunity still exists to pass my economic growth program. It would boost the rate of growth, but also reduce uncertainty and the risk that the economy's performance will be worse than expected.

14. What does the average American get out of your economic growth package? How will it put dollars in his pocket?

We estimated that my economic stimulus program, if passed on a timely basis, would have created an additional 500,000 jobs by the end of this year, alone. For those 500,000 people, many in construction and manufacturing industries, a paycheck is obviously dollars in the pocket now, and in the future. We also estimated that my tax initiatives would have boosted total GDP growth by

about \$28 billion this year, and that would have translated into nearly \$500 per household, on average.

15. People say this recession is different due to structural changes in the economy. What are they? How is this recession different?

The recent recession and slow recovery have been due, among other things, to a variety of major structural changes in the economy.

1. High debt burdens of households and corporations, relative to income, have discouraged spending on durable and investment goods, which typically boosts the economy out of recession.
2. Overbuilding in commercial real estate, exacerbated by wide swings in the tax laws and credit availability, played a role.
3. We have moved from a defense buildup contributing to the economy's growth to a downsizing which is a short-term drag, even though it will ultimately benefit the economy.
4. The rate of household formation has been lower than normal, leading to lower growth in housing construction and durable goods production.

16. How did this recession start?

The Iraqi invasion of Kuwait and the rise in oil prices, coupled with the resulting declines in consumer and business confidence, hit the economy as it was already slowing from the lagged effect of the tight monetary policy of 1988 and 1989, and the adjustments in defense, credit market, commercial real estate, demography, and household and business debt burdens.

17. You promised to create 30 million new jobs and you didn't deliver. Why should people trust you now?

1. My proposals would have produced millions of new jobs and a strong economy, but the Democratic leadership in Congress has refused to pass much of my program. For example, I have tried since 1989 to pass a capital gains tax cut which would have spurred the economy to faster growth. I can only propose legislation and work for its enactment. I cannot pass laws by myself, and no amount of arm-twisting by me can force the Congress to pass legislation to create jobs if the Democratic leadership insists on partisan bickering and inaction.

2. Our economy has gone through a lot of structural adjustment in the past three years which has laid the foundation for strong growth next year and the years thereafter. For example, inflation and interest rates are at their lowest levels in years, while American companies' efforts to become more internationally competitive have resulted in America once again resuming the mantle of leading exporter.

18. What is your message to the person who has just been thrown out of work?

First, keep faith. I have signed several extended unemployment benefits bills so you have a safety net, but that is no substitute for a job. The economy will be improving shortly and, as it does so, more jobs will be created. Second, having gone through some painful adjustments, our economy will come out the other end stronger, and job and income growth will improve as these adjustments are completed. And third, ask your Congressman or Senators why the Congress refuses to pass my job-creating tax incentives program, and why they sent me instead a job-destroying tax increase bill.

19. What kind of hope can you offer graduating college students?

First, keep faith, your hard work in school will soon pay off. The economy will be picking up steam shortly and, as it does so, job growth will accelerate. Second, because of the painful adjustments our economy has gone through in the past couple of years, job and income growth will be stronger and opportunities more plentiful as these adjustments are completed. And third, ask your Congressman or Senators why the Congress refused to pass my job-creating tax incentives program, and why they sent me instead a job-destroying tax increase bill.

20. Tell me the four key points of Bill Clinton's economic plan.

1. Clinton proposes a \$150 billion tax increase and a \$220 billion increase in government spending, plus huge additional tax increases on the small businesses that create jobs for his health care program.

2. Despite his claims to the contrary, Clinton's plan would dramatically increase the Federal budget deficit. In fact he has totally given up on balancing the budget.

3. Clinton talks about growth, but what he really means is government growth and much greater intervention in private lives and private markets, which is likely to destroy jobs, not create them.

4. Clinton proposes his version of "pay-or-play" health care reform which, by any reasonable analysis, is just a weigh station on the road to national health insurance, higher health costs, lower quality care, and long waiting lines, not the quality health care Americans have a right to demand and expect.

21. How is your plan better?

1. My plan is not only more comprehensive and detailed, it is much more sensible because it focuses on promoting economic growth through the private sector rather than promoting government growth. In fact, my plan is detailed in over a thousand pages of analysis where his plan is little more than a 22 page term paper.

2. My plan includes a short-term stimulus program as well as comprehensive economic reform program across the board--education, health care, regulation, legal reform, trade expansion. My short-run program would get the economy moving more quickly. His plan would take years to put into effect and, if enacted, would weaken the economy.

3. My plan builds on the strengths of the private economy, where his plan relies on the Federal Government.

4. My plan would put our economy on the road to strong and sustainable growth while steadily reducing the budget deficit. The Clinton plan would slow the economy while causing the Federal deficit to balloon.

5. My plan is designed to promote economic growth in private sector jobs, not government growth and bureaucratic expansion. Clinton's program is silent on those twin hidden taxes: unnecessary regulation and litigation, where my program reins them in.

6. My health reform package is broad and well-conceived, ranging from small group insurance market reform to malpractice reform. My health reform package builds on the strengths of the best health care system in the world. It would expand availability of health care while achieving true cost containment.

7. In fact, Clinton seems unaware that his 45-mile-per-gallon corporate average fuel economy (CAFE) proposal is radically beyond what the scientists at the National Academy of Sciences says is technologically possible, let alone economically feasible. If passed, it would shut down the North American automobile industry, throwing hundreds of thousands of auto workers out of their jobs. This is just one example of just how ill-conceived most of his programs are.

8. I am flattered that he chose to disguise his tax and spend and regulation program by borrowing some of my proposals such as enterprise zones, the

permanent R&D tax credit, increased funding for headstart, and welfare reform.

22. If you offer change, what is it?

The change I offer is for the United States Government to begin once again to help solve problems and concerns facing our Nation. But I cannot do this alone. The change I offer is to get America back on track to safe streets, a stronger economy and world leadership. But first, you must change Congress. Give me a Congress that is willing to put America first and partisanship last, and together we will put America back on track.

23. Why haven't you been actively pushing your economic growth package?

I have been pushing many of the elements of that package, and, in fact, the tax-writing committees in Congress have repeatedly expressed support for many of its provisions. But the Democratic leadership has made it clear that no tax bill which includes my short-term stimulus program will reach my desk without a whole set of job-destroying tax increases. I will not sign a tax bill that will slow our economy and put people out of work no matter how many times the Democratic leadership sends one to me.

24. Why isn't it fair to have higher taxes on the rich?

Every time the Congress starts out to raise taxes on the rich, the rich turn out to be just about anyone with a job. This year, when the Congress started to increase taxes on the rich, the increase would have affected families with around \$45,000 in annual income. So I oppose tax increases on all Americans. That will only worsen the economy and increase unemployment. {Besides the share of Federal income taxes paid by the top one-fifth of Americans went up from 56 percent in 1977 to an estimated 60 percent in 1992?}

25. Will you accept higher taxes on the rich as the price of getting your economic growth package?

1. No. Whenever the Democrats talk about increasing taxes on the wealthy, they really mean increasing taxes on everyone who works. That is precisely what happened at the start of the year when I tried to get my short-term economic stimulus program through the Congress.

2. No. Whenever the Democrats get increased tax revenues, they turn right around and spend at least that much or more, worsening the deficit. That's exactly what Governor Clinton proposes--massive tax increases but even more new spending.

3. No. Higher taxes do not encourage economic growth. I vetoed an attempt by the Congress to do just that in March. The Congress should pass my tax incentives to spur growth and create jobs without jobs-destroying tax increases.

26. What three key elements of your economic growth plan do you expect Congress to adopt? Why? How can they help?

1. Congress should adopt my entire short-run stimulus program and get to work quickly on my long-term reforms. In particular, the temporary 15 percent Investment Tax Allowance will give a quick boost to new business investment spending, thus promoting capital investment, modernization, and a more rapid economic recovery.

2. The \$5000 First-time Homebuyer Tax Credit will accelerate the decision to purchase a home for first-time buyers, encouraging the recovery of the homebuilding industry, as well as durable goods like refrigerators and stoves which go with the houses. We estimate this will create 250,000 first-time homebuyers.—

3. The Flexible Individual Retirement Account proposal will increase the amount of total individual saving that can earn tax free investment income for all Americans. This will increase the private savings rate, helping to lower interest rates and stimulate investment spending.

4. Any serious analysis would conclude that my capital gain proposal would be good for the economy in the long run, creating greater entrepreneurship, but it would help right away by boosting asset values which would give a boost to consumer confidence and improve business balance sheets thereby spurring consumer spending and business investment. While I continue to push hard, the Democratic leadership in Congress has repeatedly refused to pass this commonsense tax incentive program to create jobs, even though a majority in the House and the Senate have favored restoring a capital gains differential.

27. You used to slap your wallet on the table and quote Jim Rhodes as saying "in an election, it's the pocketbook that counts." Can you be re-elected with a growth rate of less than 2 percent and rising unemployment?

1. If that were the situation, then I believe I would be re-elected because I have the experience and the programs to get our economy moving and my opponent has neither.

2. According to most forecasters, in the second half of this year the economy will be growing at a 2.5 percent to 3 percent rate, inflation and

interest rates will remain low, employment will be growing steadily and unemployment will be coming back down, and so I believe the economy will be a plus. If Jim Rhodes was right, and I believe he was, then we should do well.

28. Are the poor getting poorer?

1. No, the poor are not getting poorer. Since the early 1980s, income growth has occurred in all quintiles of the income distribution. Since 1982, real mean income for households in the lowest quintile of the income distribution has risen nearly 10 percent.

2. The percent of the population below the poverty level fell to 13.5 percent in 1990 from a recent high of 15.2 percent in 1983. If you include the value of in-kind transfers and food stamp payments, the respective figures are would be even lower.

29. What is the poverty line?

1. The poverty line is a threshold level of money income intended to indicate the amount of money needed to achieve a minimally adequate standard of living. The poverty line threshold is different for families of different sizes and is adjusted each year for the effects of inflation.

2. The poverty threshold for a family of four in 1990 was \$13,359.

3. The calculation of the poverty line does not include the value of in-kind benefits such as food stamps and Medicaid, which can be a very significant fraction of total real income.

30. How many Americans are below it today vs. four years ago?

1. In 1990, the latest year for which statistics are available, 33.6 million Americans were below the poverty line. This compares with 31.5 million in 1989 and 31.7 million in 1988. The number of persons in poverty increased by 5.8 percent from 1988 to 1990.

2. The percent of persons in poverty was 13.5 percent in 1990, up from 13.0 percent in 1988. However, including estimates of the value of in-kind benefits reduces the poverty rate in 1990 to 11.0 percent, up slightly from 10.8 percent in 1988.

31. Are our people better off than they were 4 years ago?

Most Americans are better off than four years ago. Income per person adjusted for inflation and taxes is higher now than it was four years ago. National wealth adjusted for inflation is higher now than it was four years ago. But clearly we would like to see incomes rise more rapidly, and that is what our program is designed to achieve. But some people are not better off, especially those who are out of work, and I will not be satisfied until my programs are implemented and every American who wants a job has one.

Remember also that interest rates and inflation are at their lowest levels in a generation. Those Americans with adjustable rate mortgages or who have taken advantage of low rates to refinance have an average of about \$1500 extra to spend per year due to their lower mortgage rates.

The economy would be in much worse shape if we had not joined with our Allies and gotten Iraq out of Kuwait. If it had not been for Desert Storm, Saddam Hussein could have threatened Saudi Arabia and controlled two-thirds of the world's proven oil reserves, and that would have been a far greater disaster for the industrialized world.

Americans are clearly better off because of an improved National security. The Cold War is over--and democracy won--with the Iron Curtain melting as democracy triumphed over the failure of Communism. The world is still a dangerous and volatile place, with regional conflicts threatening to spread globally, concerns about nuclear proliferation, and madmen in authority in Libya and Iran. We have made progress in reducing the threat of a ground war in Europe and we have begun the historic process of eliminating the most dangerous type of nuclear weapons--long-range ballistic missiles. So, while we are safer and more secure now, much work remains to be done to guarantee our safety and security.

U.S. Economy: Challenges of Global Economic Integration

1. With the end of the Cold War, the principal challenge facing the United States in the next decade is competing in a global economy.
 - During the 1980s, the pace of global economic integration accelerated sharply.
 - The expansion of international markets has created tremendous opportunities for American companies to sell goods and services abroad. At the same time, the pressures of global competition are causing adjustments in American society and fostering insecurity about jobs.
 - While trade policy can open markets to U.S. goods and services, it must be accompanied by domestic policies designed to strengthen American firms and workers in international competition.
2. It is useful to view the internationalization of the U.S. economy in a historical perspective.
 - Until the 1960s, the United States was comparatively insulated from global markets.
 - There were several reasons: (1) the high cost of transporting goods across the Atlantic and Pacific deterred trade; (2) global tariffs and trade barriers were high -- a legacy of the protectionism of the 1930s; and (3) the large and booming U.S. market led American business to concentrate principally on supplying domestic demand, particularly in the early post-war period.
 - The rate of international economic integration accelerated sharply during the 1980s.
3. With the exchange rate stability provided by the Plaza and Louvre Accords, the United States has experienced a prolonged export boom.
 - Between 1986 and 1991, U.S. exports increased by 89% Exports accounted for over 40% of economic growth during this period.

- U.S. exports reached \$422 billion in 1991. We are the world's leading exporter -- ahead of Germany and well ahead of Japan, which is in third place.
 - U.S. exports to Canada have grown by 51%, to Japan by 82%, to the European Community by 84%, and to Mexico by an astonishing 130%
 - As a result of export growth, the U.S. trade deficit has fallen steadily from a peak of \$152.1 billion in 1987. The decline was particularly sharp in 1990-91, as the deficit fell 36 percent to \$66.2 billion. If the \$44 billion U.S. surplus in services trade is taken into account, the deficit was about \$22 billion.
 - Nevertheless, the trade deficit is likely to widen modestly in the near-term as a result of macroeconomic factors, particularly stagnant growth in Europe and Japan.
4. U.S. economic growth and job creation are becoming closely tied to our ability to compete in international markets.
- More than 7.2 million American jobs are export-related, a 42% increase over 1986 levels. Export jobs represent about 17.5% of U.S. manufacturing employment.
 - Export jobs are good jobs. According to USTR, they pay 17% more than the average U.S. wage.
 - Today, over 21% of U.S. GDP involves import and export trade.
5. The growth of world trade has been accompanied by a huge expansion of international investment flows
- In 1950, combined direct and portfolio investment in the U.S. totalled \$9.7 billion. By 1990, foreign investment in this country exceeded \$1.7 trillion.
 - Foreign-owned U.S. companies now employ nearly 3.2 million Americans and pay over \$80 billion in U.S. wages.
 - Foreign-owned U.S. affiliates account for about 7% of U.S. manufacturing jobs.

6. The Administration has launched five major initiatives designed to open markets for American goods and services.
 - Uruguay Round. USTR estimates that reducing tariff and non-tariff barriers in a Uruguay Round agreement would raise U.S. GNP by a total of \$1.1 trillion over the next ten years, or an additional \$16,000 for the average American family.
 - The North American Free Trade Agreement. The NAFTA would create a free trade zone comprising three nations, 360 million consumers, and over \$6 trillion in annual output.
 - The Enterprise for the Americas Initiative. The EAI is a long-term partnership with Latin America aimed at opening markets, expanding investment flows, reducing official debt, and strengthening the environment.
 - Japan Market Access. USTR has aggressively challenged Japanese trade barriers using section 301. In 1989, you launched the Structural Impediments Initiative (SII) to address the underlying structural barriers to balance-of-payments adjustment.
 - Export Promotion. Your Administration has made export promotion a top priority. Secretary Mosbacher led a comprehensive Administration effort, including seminars in 30 U.S. cities to explain to American businesses the opportunities in overseas markets and the promotional services available from the U.S. Government.
7. The Administration's trade policy toward Japan has focused on opening markets and resisting protectionism and managed trade.
 - We have made progress. The bilateral trade deficit has fallen from \$59 billion to \$43 billion, as a result of a sharp increase in U.S. exports to Japan. Manufactured goods now account for 64 percent of our exports, up from 55 percent in 1986.
 - According to a study by the Congressional Research Service, U.S. exports to Japan of products covered by trade agreements increased by 275 percent. This shows that negotiations produce results.

Draft
July 24, 1992

TRADE SPEECH

Introduction

Four years ago, I said: "America is not a[bout] decline. America is a rising nation."

There is great uncertainty today. There are people who fear that our nation's best days are past -- that the American century is almost over. But they are wrong.

America is a nation and a people with tremendous strengths. An industrial manufacturing base that is second to none. Expanding exports. Global leadership in science and technology. The best system of university and higher education in the world. People with the ambition, resiliency and determination to conquer whatever the world throws at them. And America is an idea: That freedom enables ordinary men and women to rise up and make better lives for themselves and their children.

This country has just undergone a painful economic recession. This recession lasted longer, and cut deeper, than any of the economic experts -- including my own -- ever predicted. It has caused pain and worry for many families. But it is ending. We are in a recovery. And the United

States is going to come out of it stronger, and even more competitive.

In recent months, some have suggested that America move away from the principles that have guided us for the last decade:

- Away from economic growth, and toward dividing up an ever smaller economic pie.
- Away from low taxes, and toward a "fairer," tax system.
- Away from free enterprise, and toward an industrial policy where government bureaucrats make decisions for American companies.
- Away from free trade and open markets, and toward protectionism and managed trade.
- Away from international leadership, and toward America First.

The world has changed a lot in the four decades since Barbara and I packed up the kids in our station wagon, and drove to Odessa Texas to get into the oil business. Back then

my partners and I sold oil and drilling services in an American market.

Today, the world -- and America -- are very different. American businesses sell worldwide. Some of our best customers are in Europe, Asia, and now Latin America and Mexico. Our exports are booming -- up nearly 90 percent in the last five years. One in ten manufacturing jobs is based on foreign investment in a U.S. factory, and American companies have invested heavily overseas.

These changes are sometimes hard to comprehend. But understanding and dealing with them is important for our future.

Today, I'd like to talk about our future as a nation:

- About changes that are turning the world into one vast competitive marketplace;
- About trade agreements that can open up new opportunities and new markets for American companies and workers; and
- About the ways that we can make sure that America remains a "rising nation" -- ways that we can

strengthen our companies and workers to compete in the global marketplace.

Trade and Jobs

There are those who believe that American involvement in the world undermines our domestic prosperity.

But let me tell you, the world doesn't work that way! The "peace dividend" that some Members of Congress are so eager to get their hands on will go up in smoke if Russia and Eastern Europe fall apart. The Atlantic and Pacific oceans are no protection against Sadaam Hussein or some other nut with a nuclear weapon.

But closing our borders and isolationism are also unworkable for good, sound business reasons. Today, our country's economic prosperity depends on its ability to buy, sell, and compete in international markets. Staying engaged in the world is not "charity" or a "burden"; it is part of our livelihood and our future.

-- Trade creates jobs.

- Competing in international markets -- staying on top of the latest developments in technology and manufacturing -- creates jobs.
- Opening foreign markets, and keeping our market open to the best foreign products and ideas, creates jobs and raises our standard of living.

Since 1945, global trade has exploded from \$40 billion to over \$3 trillion. Global tariff barriers have been reduced sharply in successive rounds of GATT negotiations. The average tariff in industrialized countries has been cut over 60 percent to under 6 percent. Like other forms of de-regulation, cutting tariffs frees up trade flows and provides entrepreneurs with opportunities to create new markets.

The dramatic expansion of trade reflects the continuing advance of technology, which has revolutionized communications and the movement of goods and capital. Today, ideas and products move so rapidly that national borders are becoming almost meaningless.

Closing down, turning to protectionism and "managed trade" would mean jeopardizing jobs in cities, towns, and farms across America. It means accepting decline and stagnation for our children and grandchildren, not growth and opportunity.

You've all heard the joke that if you lay all the economists in the world end-to-end, you still can't get them to reach a conclusion. But economists have agreed on one proposition for over two-hundred years: International trade is a win-win proposition that benefits both parties.

Some people argue that the foreigners are clobbering us. That we are losing in international competition. Let me share some figures with you:

- The United States is the world's leading exporter, with 1991 exports of \$422 billion -- ahead of Germany and well ahead of Japan.
- American exports have increased by over 80 percent over the last five years. Our exports to Canada have increased by 51 percent; to Japan by 82 percent; to Europe by 84 percent; and to Mexico by an amazing 130 percent.
- As always, America's strength is its dynamic high-technology sector. U.S. exports of advanced technology products have increased from \$62 billion in 1987 to \$100 billion in 1991. Capital goods now

account for 40 percent of our exports, reflecting our strength in high technology.

Nevertheless, the doom and gloom set says that America is de-industrializing. Here are the facts:

- The export boom has created over 2.2 million new American jobs since 1986. Nearly 7.2 million American jobs are tied to exports.
- Today, manufacturing accounts for 23.3 percent of U.S. GNP, up from 21 percent in 1980, and as much as at any time since World War II.
- The productivity of the American manufacturing sector rose at a 3.8 percent rate during the 1980s, far above the 1.4 percent growth rate of the 1970s. Our workers are far and away the most productive in the world; and I challenge anyone -- in Japan, Germany, anywhere -- to prove otherwise.

In times of economic uncertainty, there is always fear that hard times will never end; that our nation is on a permanent downward spiral.

There are important challenges ahead. There are things that this nation can do better, and government policies that we can change for the better. But we should not fear the world. And we should not fear ourselves or our capacity to deal with change.

Trade Initiatives

My Administration is working on four initiatives to expand American trade and open new markets for our products.

The Uruguay Round. My principal trade objective is successfully finishing the Uruguay Round of multilateral trade negotiations. I am convinced that America's prosperity depends on a strong multilateral trading system that guarantees access to markets worldwide. The United States would be the clear loser in a system of exclusionary regional trading blocs that closes off our access to growth markets in Europe and Asia.

Let me be clear about how I define "success." The Uruguay Round is not going to result in another agreement that papers over our differences on farm subsidies. There have been a string of such agreements. Instead, Carla Hills and her negotiating team are seeking a package that:

- Sets agricultural reforms firmly in place, and sharply reduces farm subsidies and import protection from current levels;
- Strengthens global protection of intellectual property rights, particularly in developing countries where much of the piracy now occurs;
- Extends GATT rules to trade in services and investment; and
- Strengthens GATT as an institution, so that it can effectively police the continued expansion of global trade, and prevent any recurrence of the beggar-thy-neighbor trade policies that caused the Great Depression.

A strong GATT agreement can increase world output by over \$5 trillion over the next decade. The U.S. share of that growth should amount to about \$1.1 trillion, or \$16,000 for each American family.

The draft agreement proposed by GATT Director-General Dunkel provides an appropriate basis for finishing the Uruguay Round. The text is not perfect. It requires everyone to make sacrifices. But it provides a comprehensive roadmap of

necessary reforms to the global trading system. We have come too far, and worked too hard, to turn back now.

The North American Free Trade Agreement.

We are on the verge of completing historic negotiations aimed at creating a North American Free Trade Agreement. Canada and Mexico are our first and third largest trading partners respectively. Since Mexico joined GATT in 1986 and embarked on economic reforms, U.S. exports have jumped from \$12 billion in 1986 to \$33.3 billion in 1991, or almost twice as fast as the increase in our overall exports.

A NAFTA could create over 130,000 American jobs. It could increase our trade with Mexico by \$10 billion. It would create competitive efficiencies and economies of scale that will help American companies compete in world markets.

But a NAFTA is about more than economic gain. The U.S. relationship with Mexico goes well beyond trade. Our countries are bound together by the people, culture, families, and two-thousand mile long border that we share. President Salinas is a bold and imaginative leader, who is not bound by the past. I am committed to working with him to forge a new U.S.-Mexico relationship based on free trade and mutual respect.

Enterprise for the Americas. There is a quiet revolution underway in Latin America. These revolutions have not gotten anywhere near the publicity of the changes in Eastern Europe or the Soviet Union. But they are just as important.

- Across Latin America, democratic governments have been elected. The old dictatorships and military juntas have fallen.
- The old Third World ideologies of state control and import substitution are being abandoned. In their place is a newfound faith in open trade, private enterprise, and markets. These reforms have created hope in place of despair, growth in place of economic stagnation and poverty

My Enterprise for the Americas initiative is aimed at opening markets, expanding investment flows, reducing official debt, and strengthening the environment. We are not seeking to impose our ideas on Latin America. Instead, our program is designed to complement and support economic reforms that Latin Americans have chosen to implement for themselves.

Latin America is a natural market for U.S. goods. As the region fell into a spiraling debt crisis and economic stagnation, U.S. exports also stagnated, contributing to our

trade deficits. And, as Latin America comes back, our trade is coming back. Last year, U.S. exports rose by 15 percent, the highest growth rate of any region.

Let me be clear. Our interest in expanding our trade with Mexico, Canada, and Latin America does not represent any weakening of my commitment to a strong multilateral trading system. Our regional strategies are designed to complement GATT and the multilateral trading system by creating zones of even freer trade and investment, generating greater growth and opportunity for all nations.

Japan and Asia

In times of economic uncertainty, there is often a temptation to seek scapegoats, to blame foreigners or outsiders for economic problems. The rhetoric has escalated in the United States and Japan in recent months. Nationalistic finger-pointing may be a form of politics that transcends national borders, but it is wrong.

In this difficult period, both the U.S. and Japan must reach back to the time-honored virtues of reason, understanding, and negotiation. I am committed to seeing that the U.S.-Japan alliance remains the cornerstone of American interests in Asia. I am equally committed to seeing

that U.S. concerns about free and fair access to the Japanese market are addressed constructively, that American companies and products get a fair shake in Japan, and that barriers to our trade and investment are removed.

During the last three years, we have made progress. We have negotiated agreements to open up markets for American lumber products, satellites, supercomputers, semiconductors, steel, construction, and amorphous metals. In 1990, Prime Minister Kaifu and I concluded an historic Structural Impediments Initiative that commits both countries to removing underlying barriers to trade and investment. During my trip to Tokyo in December, we reached new agreements to open markets for American cars, auto parts, glass, paper, and computers.

Contrary to what some say, these agreements are producing results. Our exports to Japan have increased by 82 percent over the last five years. Despite Japan's traditional resistance to imported manufactures, our industrial exports to Japan are up by 120 percent. And despite claims that negotiating with Japan is futile, objective studies show that market-opening trade agreements do work. Exports in sectors covered by trade agreements have increased by 275 percent over the last five years or almost four times faster than overall U.S. exports to Japan.

The greatest threat to the U.S. and Japan trade relationship is the extremists on either side. Instead of bashing each other, we must look to the fundamental realities that shape U.S.-Japan relations; the interests and values that we share; and the ties that we have worked so hard to build. I am convinced that we can build a win-win trading relationship that gives American products free and fair access to the Japanese market, and allows bilateral trade to continue to grow and expand. I am convinced that Prime Minister Miyazawa and the leaders of Japanese business and industry share my commitment to opening markets, reinvigorating the Structural Impediments Initiatives, and putting U.S.-Japan trade relations on a stable, fair, and lasting foundation.

U.S. Reform

Americans have always been a restless people. We are ambitious. We are not afraid of change. We always look for ways to make things better.

America is a strong nation. The American worker can compete head-to-head with anyone. But we can do better.

I have talked a lot about the trade agreements that Carla Hills and her team at USTR are negotiating.

But in a global economy, trade policy means more than trade agreements. It means giving American business and American workers the tools and capital they need to succeed in a fiercely competitive global market.

I have sent proposals to the Congress that are designed to help our companies and workers compete:

- To lower the cost of capital, so our companies have money to build new plants and equipment and develop new products.
- To get our legal system under control, before our companies are destroyed by useless litigation and incredible legal fees.
- To cut health care costs, and reduce the burden on families and companies.
- To reform our school system, so American children get a world-class education.

Those in government have a basic responsibility to the American people, who honored us by electing us to public office and sending us to represent them in Washington, D.C. We owe it

to them to make their lives better. To lay the foundations of future prosperity for their children and grandchildren.

And so, I say to the Congress: This is not the time for excuses, partisan bickering, or political one-upmanship. The American people are sick of government as usual. It is time to act, and act responsibly to safeguard our nation's future.

Conclusion

The world has changed in many ways since Barbara and I first set out together for West Texas.

Today, America stands on the verge of a new era that holds out unparalleled hope for peace and prosperity. We are witnessing the triumph of freedom. Political freedom that dignifies men and women. Economic freedom that creates the wealth of nations.

America set these forces in motion. Men and women from cities and towns across America fought and sacrificed at Belleau Wood, the Normandy Beaches, Chosin Reservoir, Khe Sanh, and Kuwait to hold back the onslaught of totalitarianism. Fifty years ago, in the midst of world war, Americans, bipartisan, of many different views, conceived the idea of a world trading system built on the principle of non-

discrimination and the rule of law, and saw that it could be a lasting force for global peace and prosperity.

We have always been a nation and a people that put principle before privilege. We don't fear change. We don't shirk responsibility.

Let us take up the challenge of building a just, stable, and enduring peace, so that America never again need send armies abroad or fear nuclear attack. Let us turn from building armaments to exploring the outer reaches of space and the outer frontiers of science. Let us take up the challenge of negotiating trade treaties, instead of nuclear weapons treaties.

I am confident that our nation can meet these challenges. Our Constitution and our political and economic freedoms have carried us for over two hundred years, as countless empires, nations, and rulers have vanished into the history books. As Americans, we share certain fundamental beliefs and values. Let us, in the words of Isaiah, "mount up with wings like eagles . . . run and not be weary . . ." Let us take up together the challenge of ensuring that America stays a "rising nation."

TRADE: QUESTIONS AND ANSWERS

Question: How can the United States negotiate a North American Free Trade Agreement (NAFTA) when it will send American factories to Mexico for cheap labor and lower environmental costs and cost American jobs?

Answer:

- Economic studies show that the NAFTA will provide a substantial net gain of American jobs. While these studies differ on the number -- key estimates range from 64,000 to 130,000 -- they agree that free trade will increase American employment.
- While Mexican wages are much lower than U.S. wages, it is important to keep in mind that the productivity of a U.S. worker is over seven times higher than that of a Mexican worker, which explains the wage differential.
- There have been fears that factories will flee to Mexico to escape U.S. environmental regulation, but studies by EPA show that this is highly unlikely. It costs a lot of money to move a factory, and for most U.S. industries the cost of building a new plant in Mexico would far outweigh any reduction in environmental costs.
- Finally, Mexico has promulgated new environmental rules that are based on the U.S. model and announced that these rules will be applied strictly to new industries as part of NAFTA. This means that any effort to circumvent U.S. environmental regulations is a dubious gamble.

Question: What about the U.S. trade deficit with Japan? How can we afford to keep our market open to a country that keeps our products out?

Answer:

- I am committed to the U.S.-Japan alliance, but I am also committed to improving U.S. access to the Japanese market.
- We have already made a lot of progress. The bilateral trade deficit has been cut from from \$59 billion to \$43 billion. U.S. exports to Japan have increased by over 80 percent since 1986.

- Despite criticism that negotiating with Japan is futile, there is clear evidence that market-opening trade agreements work. Trade in sectors covered by recent agreements between the two countries has increased by 275 percent.

Question: Nearly three-quarters of Japan's trade surplus with the United States is in the auto sector. Does this jeopardize American jobs?

Answer:

- There is a right way and a wrong way to fix the auto deficit.
- The right way is to compete, build quality cars that appeal to American consumers, and create a market for American automobiles in Japan.
- I am committed to expanding sales of American cars and auto parts to Japan. I am also committed to taking all reasonable measures to strengthen the U.S. auto industry, including opposing extreme CAFE legislation and regulations that threaten to close U.S. plants and drive up costs.
- The key to turning around the deficit is the industry and its workers. There are clear indications that the Big Three's commitment to quality manufacturing is paying off. We are seeing excellent cars -- the Ford Taurus, GM Saturn and Seville, and Chrysler's new LH line -- that can compete with Japanese models in price, quality, technology, and style.
- The wrong way to address the auto trade imbalance is protectionism. While protectionism can temporarily insulate an industry from competition, in the long-run it will undermine U.S. competitiveness, cost American jobs. We can't lead in automotive technology and innovation by hiding from the competition.

Question: You mentioned that U.S. manufacturing increased as a percentage of GNP during the 1980s. But didn't we lose 2 million manufacturing jobs?

Answer:

- In large part the decline in manufacturing employment is attributable to the dramatic increase in the

productivity of U.S. manufacturing workers. It takes fewer workers to produce more manufacturing output.

- At the turn of the century, 40 percent of U.S. workers were farmers. Now, farming accounts for 2 percent of the American jobs, but because of increased productivity, America grows 3 1/2 times as much food.
- Change creates uncertainty. But a nation cannot turn back the clock without risking its future. Instead, I support government retraining and worker assistance programs to help workers find new and productive jobs and learn new skills.
- We're moving into a complex, rapidly changing, high-tech economy, where the greatest security that any worker can have is his or her education, training, and skills. These qualities can make a person an invaluable asset to any company and provide the best security against economic change. That's why I've put such a high priority on educational reform and lifelong learning.