

Originally Processed With FOIA(s):
1998-0004-F[1]

FOIA Number:
S

FOIA MARKER

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

Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Cabinet Agencies Files

OA/ID Number: 29186
Folder ID Number: 29186-007

Folder Title:
Boskin (CEA) (1990)

Stack:

G

Row:

15

Section:

25

Shelf:

6

Position:

3

MEMORANDUM

COUNCIL OF ECONOMIC ADVISERS

FVI-

from Boskin

December 3, 1990

THE CHIEF of STAFF
has seen

TO: FILE

FROM: CHARLIE JACKLIN *CJ*

SUBJECT: Meeting with New Hampshire Banking Executives

On Monday, December 3, 1990 from approximately 11:10 a.m. to 12:10 p.m., Council of Economic Advisers Chairman Michael Boskin, Council Member Dick Schmalensee, Harry Broadman, and I met with Robert Keller, President and CEO of the Dartmouth Bancorp, Rink DeWitt, President and CEO of BankEast, John Allen, President and CEO of Amoskeag Bank, and Christopher Gallagher of Gallagher, Callahan & Gartrell. Chairman Boskin began the meeting by thanking the visitors for taking the time to meet with us and said that he appreciated the opportunity to hear first hand about the economic situation in New England.

Mr. Keller took the lead and gave some background on the economic situation in New England. He focused on the fall in real estate values and stressed the impact that this fall has had on bank loans and bank capital. He emphasized that, given reduced bank capital levels, lending in New England has contracted. The general conclusion that he and the other visitors reached was that without bank lending the economic situation in New England could only get worse.

Mr. Gallagher emphasized that the group was not here to "bash bank regulators" or to try and save anyone's job. Their principal concern was the economic health of the region. The group expressed strong support for Administration proposals for banking reform, but stated that they were skeptical of the Congress's ability to enact such reform quickly enough to have an impact on the situation in New England. They suggested that administrative reforms might be implemented in New England as a "pilot program" as soon as possible. Mr. Keller went over the details of their proposal, which are also specified in a memorandum from Mr. Keller to Chairman Boskin dated December 3, 1990. (Another document entitled "New England Asset Quality" was also distributed, but never discussed.)

Chairman Boskin pointed out that he is not a bank regulator nor does he have any line responsibility in the area. He made clear that the Administration was concerned about the economy of New England, but that the Council's role was limited to advising the President on economic policy, which it is doing with regard to regulatory reform in banking as well as in other sectors. With regard to the implementation of a pilot program, the

Chairman stressed that banking regulators were independent regulatory bodies and said the group should discuss their proposals directly with the regulators. When asked if there were others in the Administration with whom they should discuss their proposal, the Chairman said that it was up to them and noted that the line responsibility was in the Treasury Department and that Larry Lindsey of the Office of Policy Development was also working in the area.

cc: MB, DS, HB



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OCT 26 1990

THE ADMINISTRATOR

*EPA
Boskin*

The Honorable Michael Boskin
Chairman
Council of Economic Advisers
Executive Office of the President
Washington, D.C. 20500

Dear Michael:

As you proceed with the analysis the President has requested of the economic costs of the Clean Air Act conference report, I wanted to assist this process by communicating to you the intention of this Agency with respect to implementation of the Act. Any attempt to calculate the cost of various provisions of the Act involves some interpretation of how those provisions will be implemented in the development of rules and guidelines. I thought a clear statement of how we intend to proceed would allow you to give the President the most accurate picture possible of the Act's economic implications.

As a general matter, the Agency intends to exercise the discretionary authority which it is granted under various sections in a manner consistent with the principles upon which the President's Clean Air proposal was based. This means that, to the maximum extent made possible by the actual statutory language, we will make use of the flexible, market-based approaches that are the hallmark of the President's successful initiative. For example, we will attempt in the rulemaking process to make maximum use of such concepts as banking and trading, as we have done both in the development of the acid rain proposal and in the proposed Federal Implementation Plan for California.

Moreover, as we did during the debate on the bill itself, we will embrace where ever possible a performance standard approach to achieving our environmental objectives, rather than the command and control approaches that have not been successful in the past. When not specifically prohibited by the statute, we will attempt in our decisionmaking to achieve environmental objectives in the most cost effective way to ensure that our national aspirations for economic growth are not compromised.

There are a number of issues on which the Administration as a whole reached consensus during the development of our proposal and the legislative debate on the bill. In some cases, of course, the Congress has reached a somewhat different position. On these, needless to say, we will follow the law, including meeting statutory deadlines. Others remain subject to interpretation in the rulemaking process. On these, it would be our intention to adopt as the basis for regulatory and administrative actions the position reached by the Administration during the clean air debate.

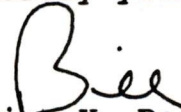
In several instances, implementation of the Act will require determination of the workability, feasibility, or cost of various actions. We, of course, will work closely with the relevant economic and line agencies, such as CEA, Treasury, OMB, Transportation, and Energy, in the design and application of such determinations.

Decisions related to permitting and enforcement are some of the most important in the Act. We have worked in the development of the legislation for a permitting and enforcement regime that reduces unnecessary administrative burdens for permittees. It is our intent to implement the provisions which have been enacted with the same goal in mind. We worked to develop a comprehensive permitting section that reduces redundant paperwork requirements and the potential for "double jeopardy" in the Agency's permit review process; we recognize that micromanagement by EPA of permitting decisions is unnecessary and likely to be extremely costly.

I believe that the Clean Air Act Amendment of 1990 is a landmark achievement for the President which can be implemented in a way that is consistent with his principles of balance, flexibility, and support for market mechanisms. I have attached to this letter a more detailed statement of our intent in implementing the Act. I hope it is helpful to you as you prepare your final cost estimate for the President.

I look forward to working with you as the Administration continues to promote both economic growth and environmental protection.

Sincerely yours,



William K. Reilly

Attachment

1. Netting/New Source Review -- Where there is legislative discretion, EPA will allow sources to use netting to the maximum extent possible, in accordance with the President's original proposal.

2. WEPCO/General Modification Rules -- To the extent permitted by law, EPA will revise the Agency's draft interpretative rule on WEPCO within 4 months to conform to the Administration's recent legislative proposal, as indicated in Administration responses to recent queries from Senator Ford. To the extent permitted by law, EPA will issue an interpretative ruling to apply the same basic principles to pollution control projects undertaken to meet requirements imposed pursuant to other titles of the bill.

3. Pilot Regulatory Budget -- To the extent permitted by law, the EPA will develop an innovative pilot program for a regulatory budget for CTGs (Control Technology Guidelines) consistent with CEA's cost analysis.

4. Permit Program Implementation and Regulatory Budget -- EPA will implement the permit program in the following ways: (a) use the discretion of the bill to phase-in the permit program starting with major sources; (b) establish a policy of reliance on review of state permit programs, rather than the individual permit veto, as the primary oversight tool; and (c) ensure that modifications to install pollution controls do not in and of themselves trigger the issuance of a new permit, to the extent allowed by law.

5. NOx Control in Nonattainment Areas -- Before requiring NOx controls in nonattainment areas, the EPA will provide areas with a fair opportunity to show that these controls will not contribute to ozone attainment, and thus should not be required.

6. Realistic Assumptions for Estimating Risk -- EPA will continue to ensure that it uses realistic assumptions in its risk models, including accurate exposure modeling and maximum use of actual data. When allowed by law, EPA will base risk assessment on actual data and reasonable assumptions to the maximum extent possible.

7. Top Down BACT Policy Revision -- EPA will undertake a rulemaking on its BACT policy on an expedited basis to replace current guidelines. The rulemaking, to be proposed to OMB within 120 days, will be based on a cost-effective approach, and the current guidelines will not be binding precedent.

8. Utility MACT Decision -- EPA will base its utility MACT decision for particulates and mercury on the study undertaken pursuant to statutory requirements.

9. Mobile Source Air Toxics Control -- EPA will ensure coordination of increased air toxics controls with the existing regulatory requirements on autos and fuels.

10. Enforcement Discretion -- EPA and DOJ will develop an enforcement policy which provides incentives for company internal compliance audits which result in early detection and correction of problems. To the extent allowed by law, EPA and DOJ will also establish a criminal enforcement policy that focuses on significant violations.

11. Maximum Use of Subcategorization -- EPA will make maximum reasonable use of sub-categories for MACT determinations. In defining sub-categories, it will consider issues like technology, process differences, emissions potential, and exposure potential.

12. Certifying Reformulated Fuels -- EPA will act within 180 days, as required by the statute, to certify reformulated fuels.

13. Expedited Permitting of Refineries -- To the extent allowed by law, EPA will attempt to expedite permitting for refineries to meet the ambitious schedules for reformulated and oxygenated fuels in the statute.

14. EPA Policy Office Review -- EPA will ensure that the policy office within the Agency has reviewed all major regulations and guidelines before submitting them to OMB.

15. Oxygenated Fuel Waivers -- EPA will act promptly on waiver requests. In considering availability, EPA will not assume that oxygenate can be backed out of existing markets in which its use is currently subsidized by State programs.

16. Allowance Trading Program -- EPA will consult with economic agencies, particularly OMB, CEA, OPD (Office of Program Development), and Treasury, before issuing guidelines on the allowance trading program.

HIGHLIGHTS OF U.S. ECONOMIC PERFORMANCE

August 7, 1990

ECONOMIC EXPANSION CONTINUES

- o The expansion continues to set new records for durability, completing its 91st month in June -- the longest peacetime expansion on record. Only the 1961-69 expansion -- associated with the Viet Nam War -- has been longer, at 106 months.
- o More than 22 million workers have been added to payrolls since November 1982, the end of the last recession and the start of this expansion.
 - Nearly 63 percent of the civilian population was employed in the first half of 1990, the highest rate ever.
- o The unemployment rate remains near its 16-year low, averaging 5.3 percent in the last 15 months before rising slightly to 5.5 percent in July 1990.
 - Women's employment status has improved. Since the beginning of the expansion in November 1982, women's employment is up 10.4 million -- a 24 percent increase. Men's employment is up 15.1 percent in the same period.
 - Unemployment rates for women remain at their lowest level since 1969, and since the mid-1980s have been close to rates for men -- for the first time since World War II.
- o Inflation remains under control, despite the temporary increases in early 1989 and early 1990 caused by energy and food price jumps.
 - Second quarter CPI inflation was 3.5 percent--compared with a 3.8 percent average for the expansion and a 4.6 percent increase during 1989.
 - The relatively low and stable inflation bodes well for continued expansion: all recessions in postwar U.S. history have been preceded by an inflation acceleration.

- o However, recent growth has been sluggish. Real -- inflation adjusted -- GNP grew 1.8 percent during 1989 and averaged 1.5 percent growth in the first half of 1990.
 - Recent sluggishness is partly due to the lingering effects of tightening monetary policy from March 1988 through June 1989 and partly due to the increase in long term interest rates earlier this year.
 - Some argue that recent slow growth suggests a recession is around the corner. But expansions almost never proceed smoothly -- accelerations and growth slowdowns are more typical. In 1986, for example, real GNP fell 1.8 percent at an annual rate in the second quarter, and growth subsequently accelerated to a 5 percent pace in 1987.
- o The early August Iraqi invasion could pose an economic adjustment problem if oil prices continue to increase and remain high for an extended period.
 - This adjustment problem would be worse if we repeat the regulatory, fiscal, and monetary policy mistakes of the 1970s.
 - Using previous oil shocks as a guide, a 25 percent jump in crude oil prices (roughly \$5 per barrel) -- if maintained -- would be associated with a 1/2 to 3/4 percentage point slowdown in real GNP growth and a 1 percentage point increase in consumer price inflation in the first year of the increase. However, a larger price increase, greater uncertainty about future prices, or other possible impacts of a major increase in the effective market power of OPEC as a cartel could substantially exacerbate these effects.
 - Using previous experience as a guide may overstate the impact on the current U.S. economy, since the resiliency of the economy to oil price increases has improved. Oil usage per dollar of GNP has declined by 1/3 since the first oil shock, in 1973, U.S. firms have a greater capacity to switch to alternative fuels in industrial applications, and oil reserves, including the SPRO, are high.

Chart 1

The unemployment rate remains around a 16-year low, and is about half of its 1982 peak.

Percent of Civilian Labor Force

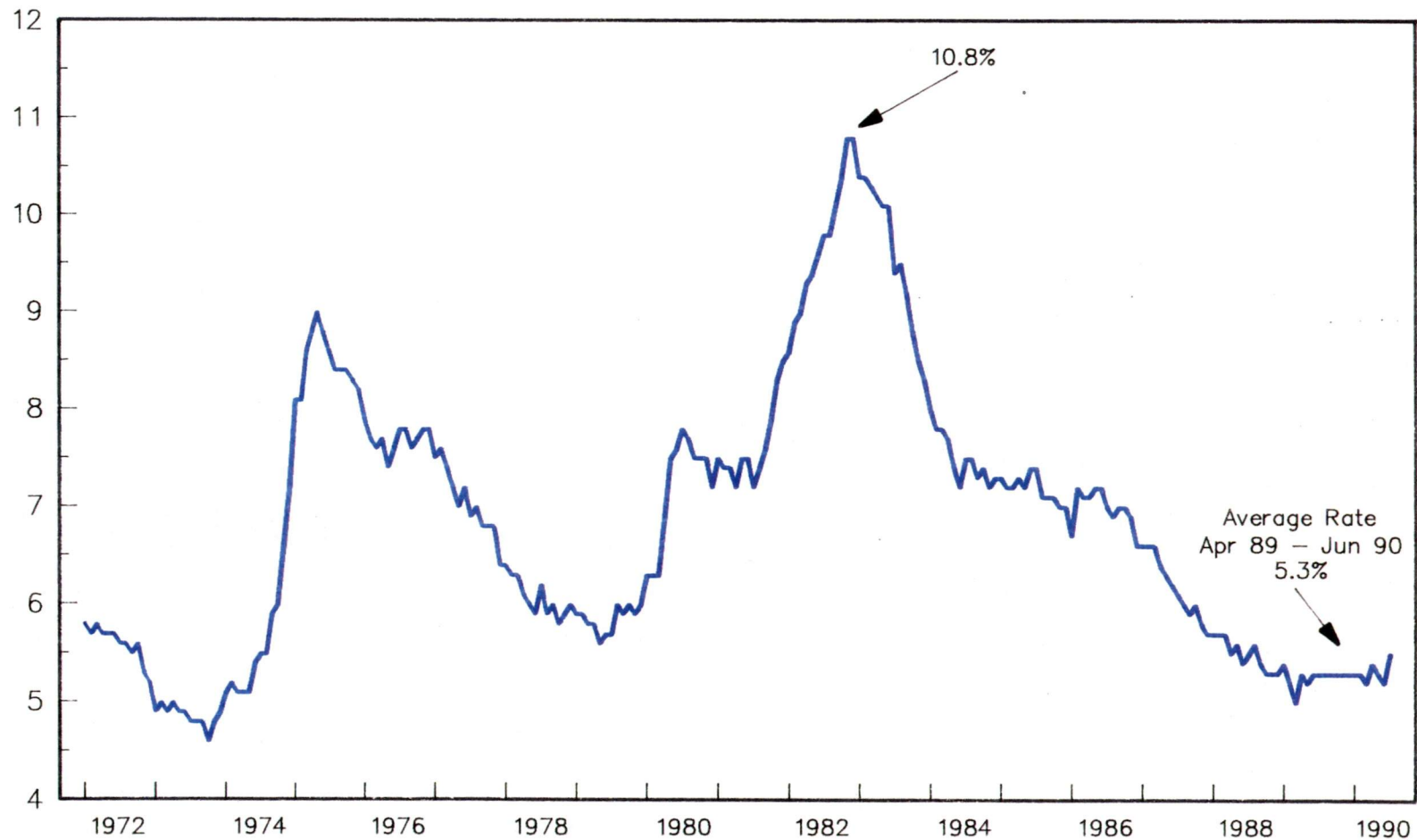
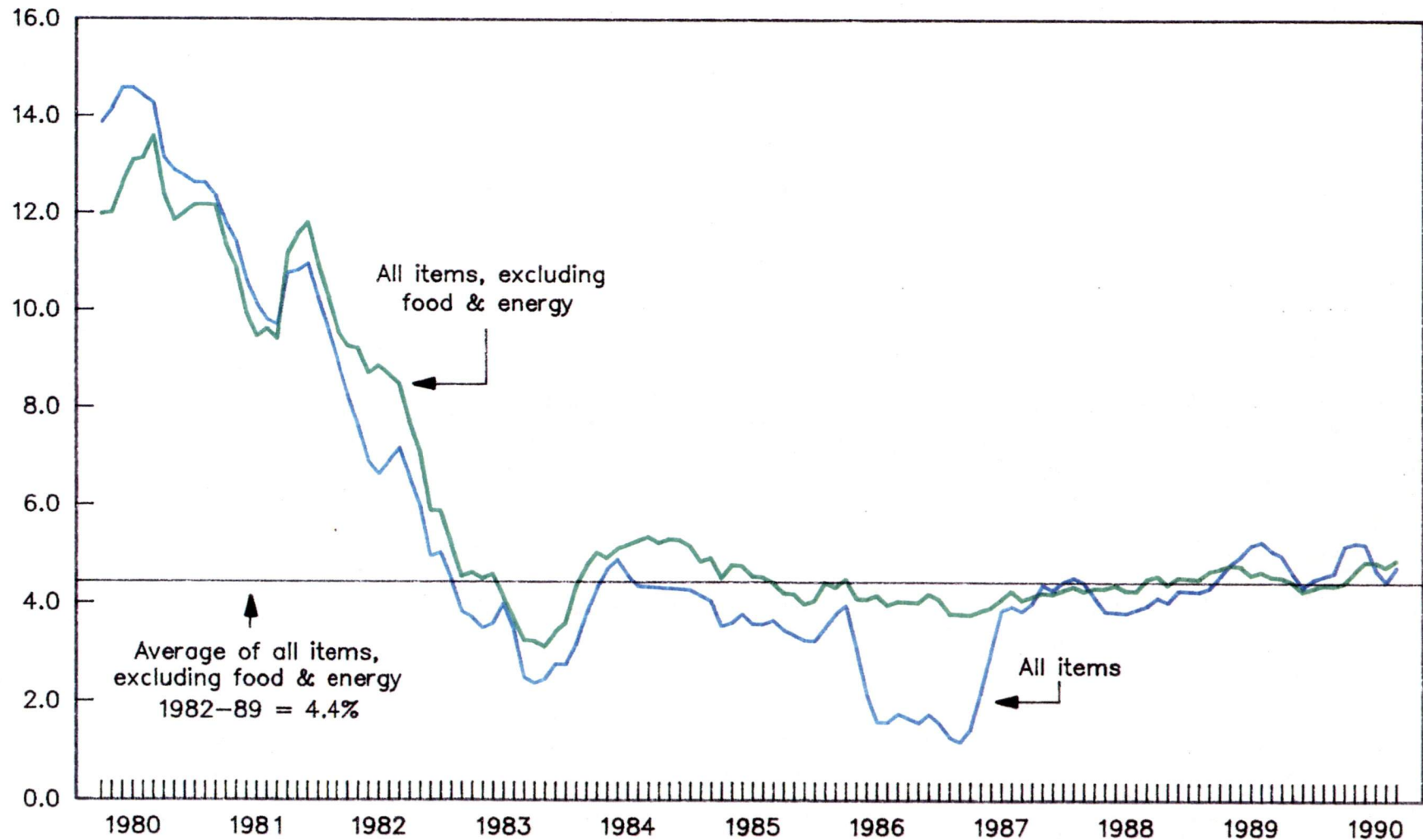


Chart 2

Consumer price inflation remains under control despite occasional energy and food price shocks.

Percent change from year earlier

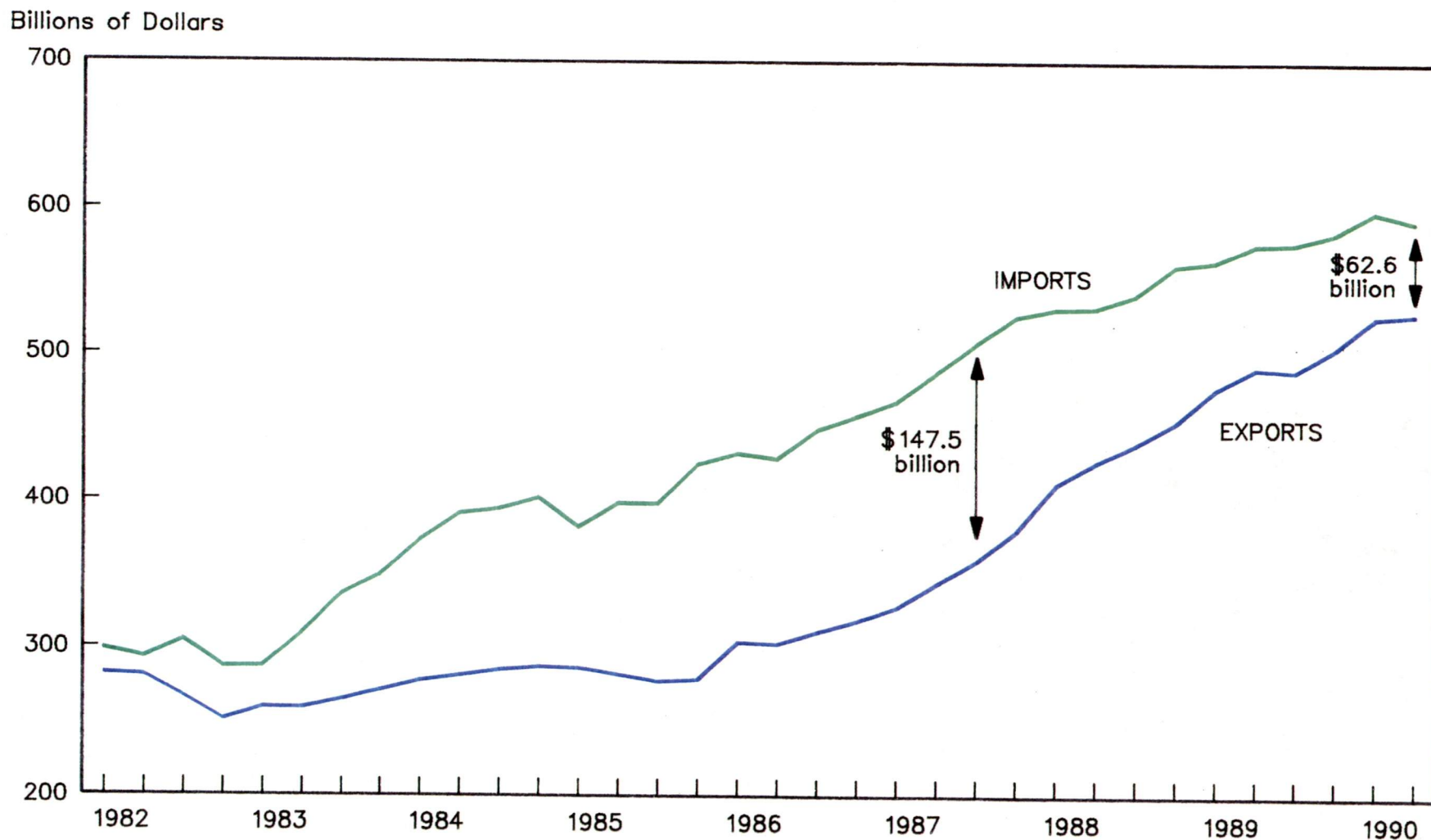


TRADE DEFICIT CONTINUES TO IMPROVE

- o A particularly favorable aspect of recent U.S. economic performance has been the trade deficit, which has improved more quickly than most observers anticipated.
 - The trade deficit -- on goods and services -- declined by 27 percent in 1988 and by an additional 26 percent in 1989.
 - Our merchandise trade balances with the EC and Japan have improved substantially.
 - For the first 5 months of 1990 the bilateral merchandise trade deficit with Japan is down nearly 20 percent from the first 5 months of 1989.
 - Our \$22.3 billion merchandise trade deficit with the EC in 1986 became a \$5.4 billion surplus at an annual rate in the first quarter of 1990.
- o Real export growth has averaged a very strong 12 percent at an annual rate since the middle of 1986.
 - Real exports of agricultural products rose 44 percent in the four years ending June 1990.
 - Real exports of equipment and autos rose 94 percent in the 4 years ending June 1990.
- o Growth in real imports of goods and services has slowed to a 6.5 percent annual rate in the 4 years ending June 1990, compared with a 13.7 percent rate during 1983 through 1986.
 - However, real imports of crude petroleum and refined products rose 31 percent in the four years ending June 1990.

Chart 3

The trade deficit continues to narrow as exports have surged while import growth has eased.*



* The deficit includes both merchandise and services trade and excludes dividends, transfers, and interest payments.

BENEFITS OF EXPANSION ARE SHARED WIDELY

- o Nearly all states have shared in the large employment increases since the start of the expansion.
 - For the country as a whole, jobs increased by nearly 25 percent, and state changes ranged as high as 57 percent.
- o As often occurs when an economic expansion slows down, however, some states' unemployment rates have risen during the last year.
 - Unemployment rates have risen over the past year in several New England and mid-Atlantic states, as well as in some manufacturing regions of the Midwest.
 - But the unemployment rates in many of these areas are at or below the national average.
 - In contrast, unemployment has declined in many southern and western states.
- o While the number of nonfarm payroll jobs rose by 2.5 million during the 12 months ending in May 1990, employment fell in 6 states during the same period.
 - It is not unusual for employment to fall in some states during an overall expansion.
 - During the 1986 slowdown, almost twice as many states had declining employment compared with the current slowdown.
 - No state reported job declines in both 1986 and 1990.

- o The farm outlook remains good.
 - Agricultural land values are expected to appreciate 3 to 4 percent during 1990 and be up nearly 20 percent from their recent low in 1987.
 - Farm sales are strong. Net cash income in 1990 is expected to be 4 to 11 percent above 1989's level.
- o Industrial production has been strong on average in this expansion -
 - up more than 37 percent from November 1982 through June 1990. Manufacturing employment is up 7.1 percent over the same period.
 - However, as the economy has slowed, so has the pace of industrial production. June's industrial production is up 1.2 percent over a year earlier, only slightly less than overall economic growth. Manufacturing employment is down about 1.7 percent from its recent peak.
 - Although affected by temporary Census hiring, activity in the service-producing sector continues to expand at a relatively strong pace, with employment up 2.3 million from July 1989 to July 1990.
 - Service jobs are increasingly good jobs -- computer programming, telecommunications, etc. -- with high educational requirements. The share of jobs accounted for by professional, managerial, administrative, and technical occupations has risen from 22 percent in 1972 to 28.8 percent in 1989.

Chart 4

State unemployment rates remain relatively low. In May 1990, 35 states had rates lower than 5.5 percent.

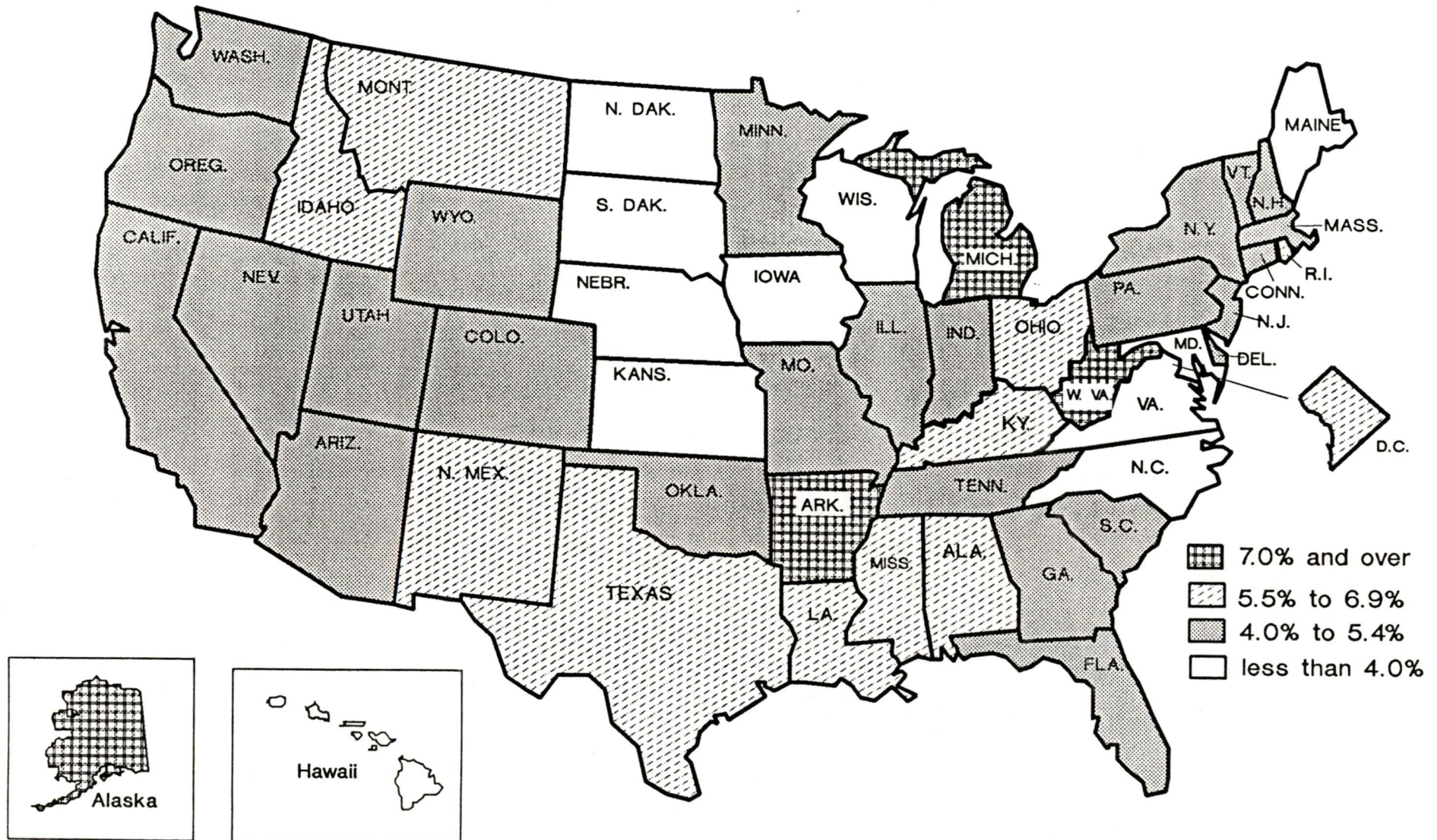
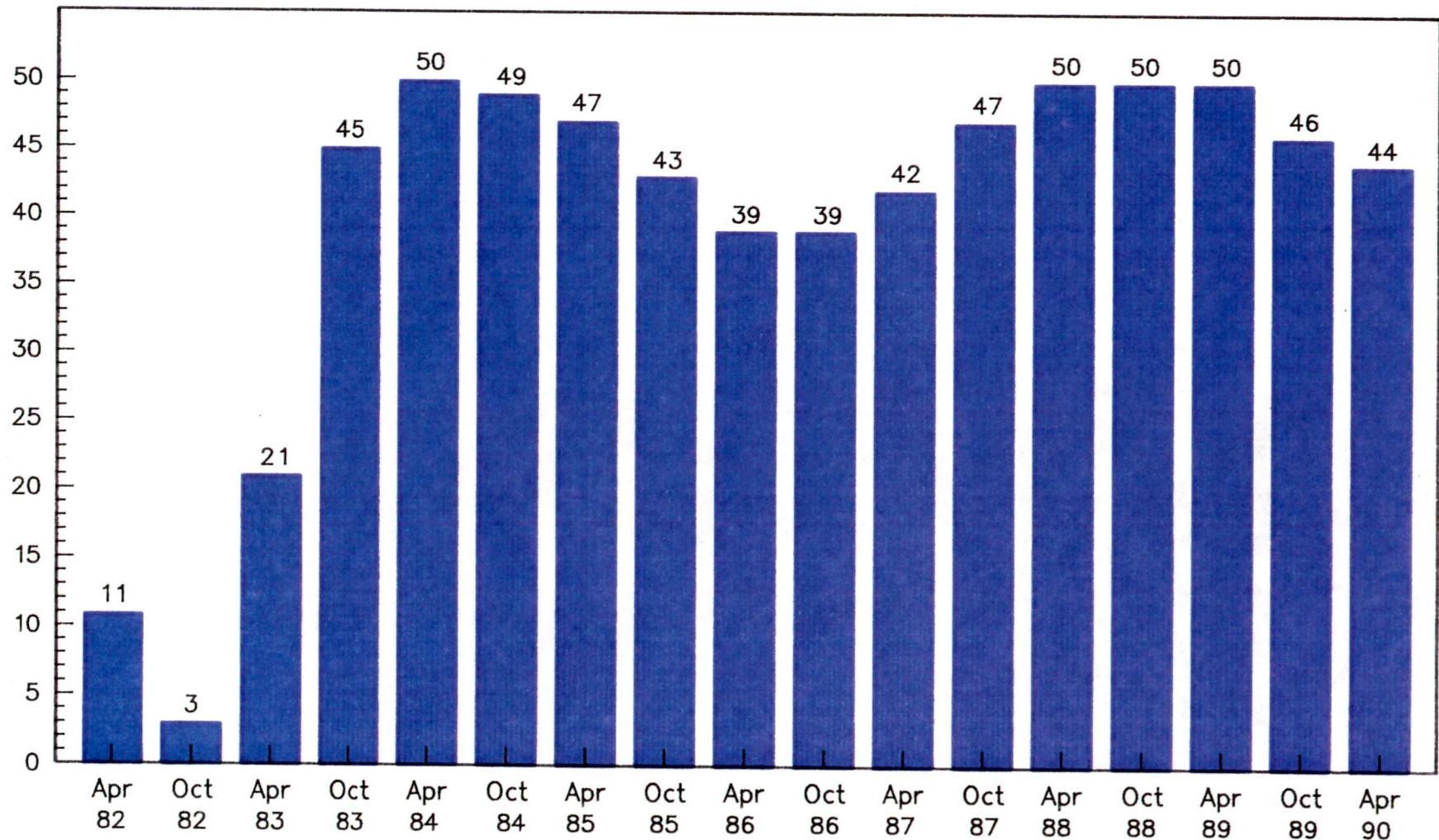


Chart 5

The number of states gaining jobs varies during an expansion. Compared with a recession the number losing jobs is small.

Number of states gaining jobs over the previous 12 months



INCOMES AND JOB SKILLS ARE RISING

- o Real income per capita is at an all-time high, rising 19 percent from 1982 to 1989.
- o Real median family income grew 0.8 percent per year in the 1980s, compared to no growth in the 1970s.
 - Real median incomes of married couples with one spouse employed increased by 0.7 percent per year during the expansion after falling in the 10 years up to 1982.
- o Real income per family grew during the 1980s for all income groups.
 - The percentage share of family income received by the bottom twenty percent of families has not changed much over the long run; it was 4.5 percent in 1954, 5.6 percent in 1966, and 4.6 percent in 1988.
 - The share of income taxes paid by the highest income group increased through the 1980s and many lower income people have been removed from the tax rolls.
- o The move toward a more competitive, skills-based economy has led to increased returns to education, and the skills of much of the workforce have been rising.
 - From 1980 to 1989, the percentage of high school graduates going on to college increased from 49 percent to 60 percent.
 - From 1980 to 1988, the percentage of the labor force with less than four years of high school fell from 21 percent to 15 percent and the percentage with college diplomas rose from 22 percent to 26 percent.

Chart 6

The income share received by the bottom 20 percent of families has been relatively stable during the last 40 years.

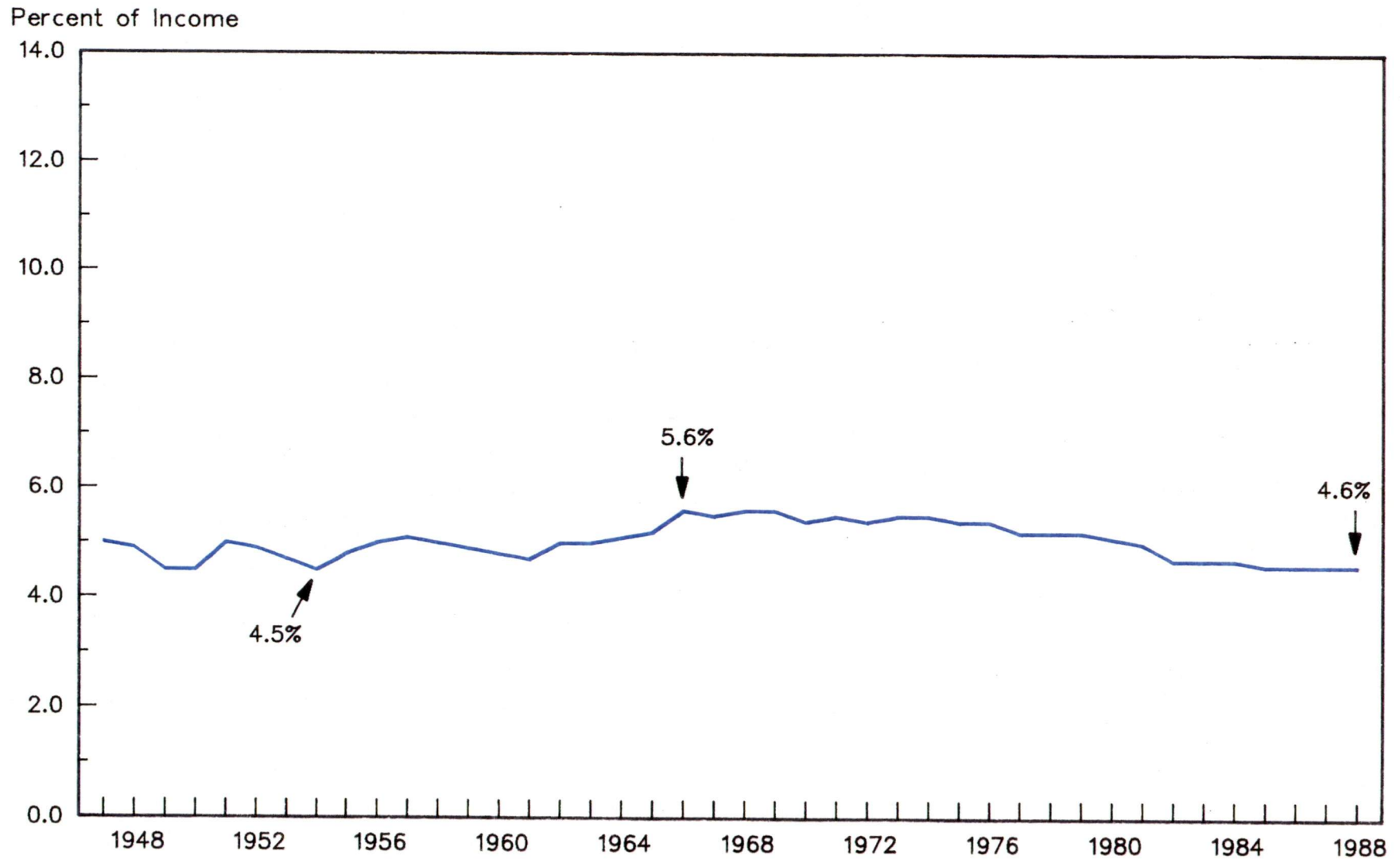
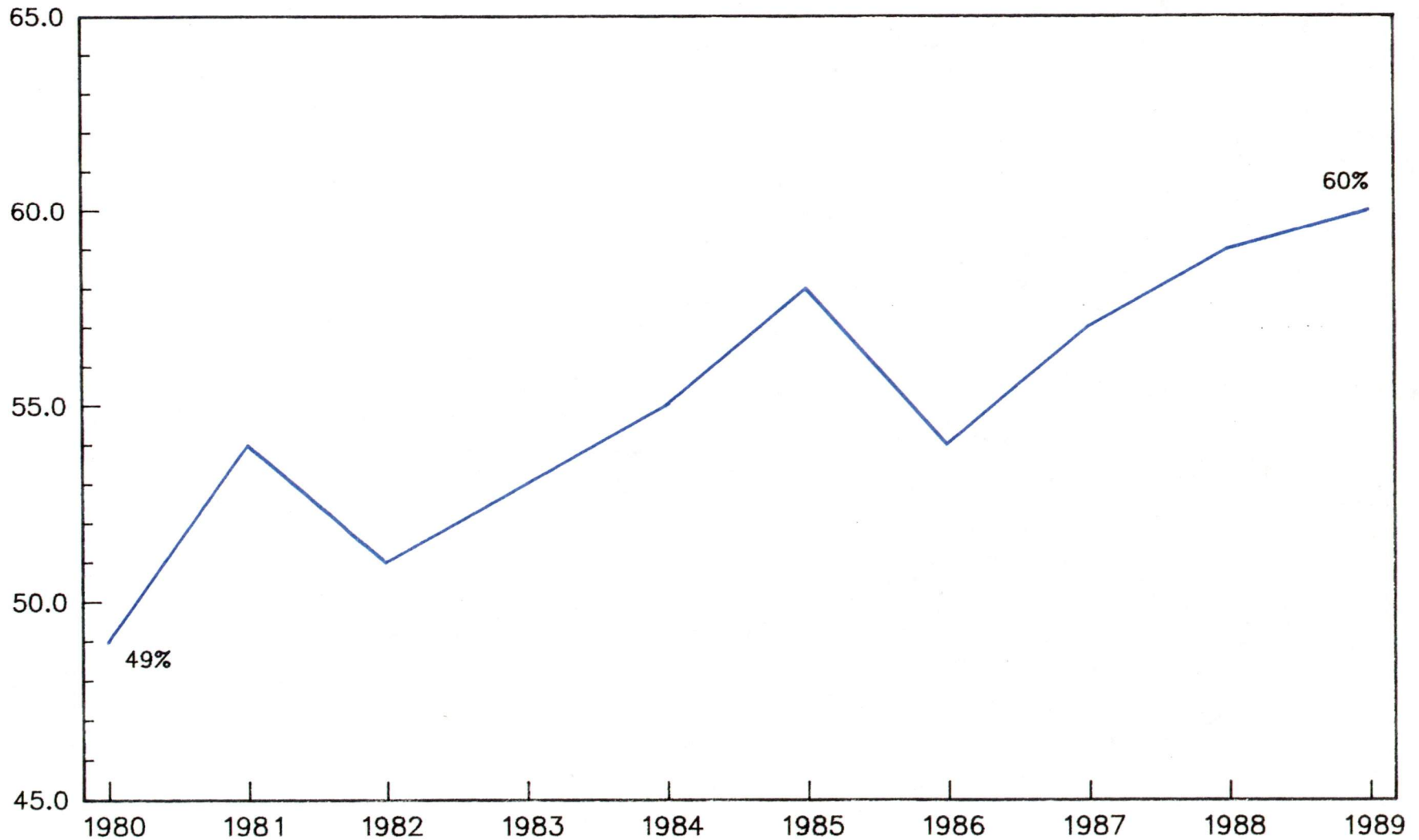


Chart 7

The percentage of high-school graduates attending college rose in the 1980s, raising the education level of the workforce.

Percent of High School Graduates



U.S. LONG-TERM OUTLOOK IS GOOD

- o Despite recent sluggishness, the United States remains the largest, richest, and most productive economy in the world.
 - With less than 5 percent of the world's population, we produce over a quarter of the world's total GNP.
 - The U.S. economy is more than two and a half times the size of the next largest economy, which is Japan.
 - The average standard of living of Americans--as measured by GNP per capita--is far above that in other major industrialized countries, fully one-third higher than that in West Germany or Japan.
 - The level of U.S. productivity is also higher than that in these other nations; productivity in West Germany--as measured by GNP per worker--is only 78 percent of that in the United States, while productivity in Japan is 73 percent of that in the United States.
- o The United States remains the world's leading industrial nation, and is not deindustrializing.
 - The United States accounts for an even larger share (almost 40 percent) of the industrial output of the OECD countries--the 24 largest industrial market economies--than it did 2 decades ago.
 - All major industrialized economies are shifting to a greater share of service employment. By 1988, the share of total employment accounted for by services was up a little more than 14 percent from 1970 in the U.S. -- less than the nearly 28 percent increase in Germany and 23 percent increase in Japan.

- o U.S. employment growth during the 1980s was more than double that of Europe, which has a population more than 1-1/2 times that of the United States.
 - The unemployment rate in the United States was almost cut in half during this expansion to a 16-year low of 5.3 last year; in Europe the average unemployment rate was nearly 9 percent last year, 3 times as high as its average 16 years ago.
- o Because the U.S. has a strong, dynamic economy, it attracts foreign investment, which generates jobs and increases productivity.
 - Although foreign direct investment in the United States has increased in recent years, foreign ownership in the U.S. economy remains below that in most other major industrialized nations.

Chart 8

Per capita GNP in the United States remains the highest among major industrialized countries.

Thousands of U.S. 1989 Dollars

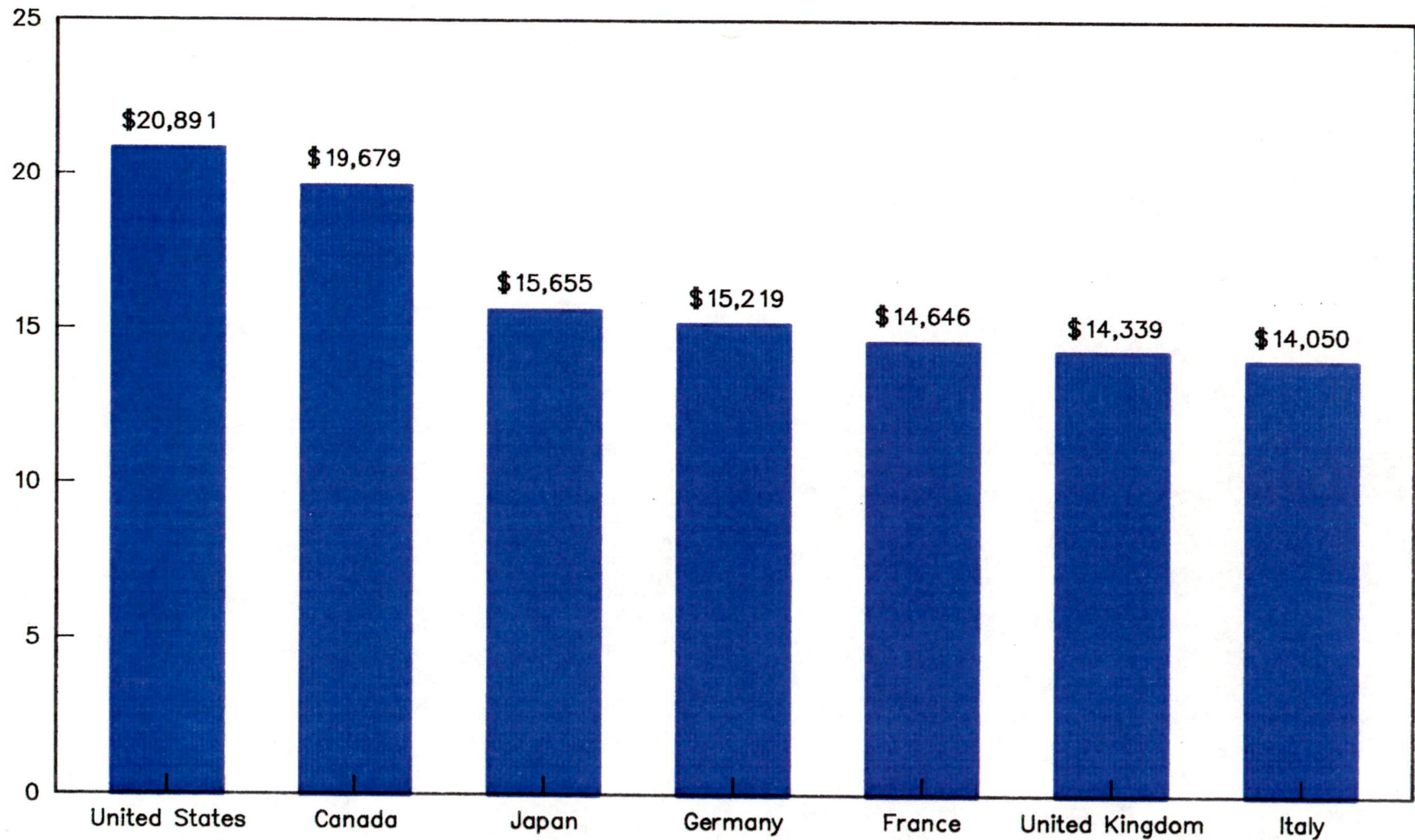
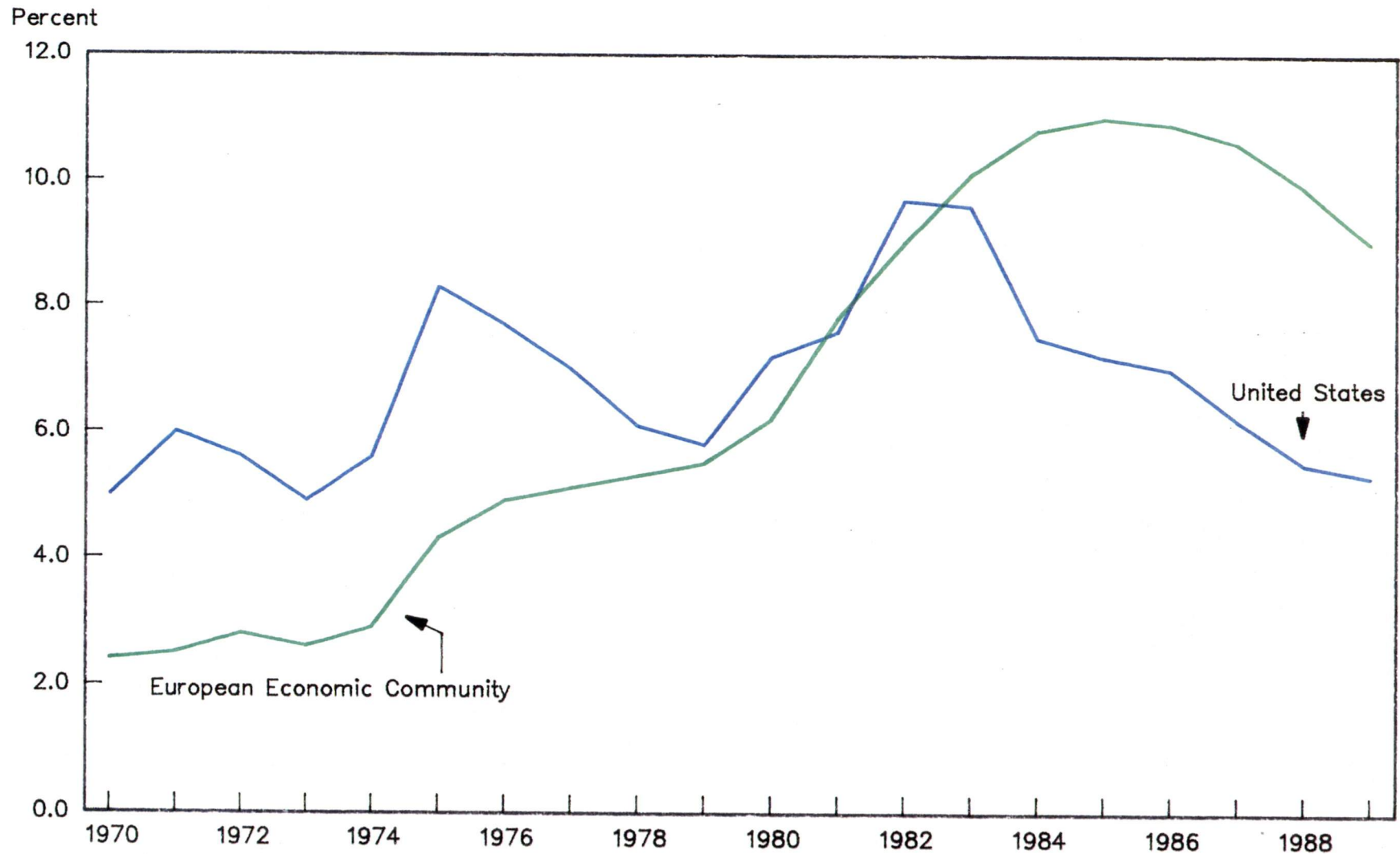


Chart 9

Unemployment rates in the U.S. fell well below European rates in the 1980s after being higher than the EC throughout the 1970s.



Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01a. Memo	From Mike Boskin to John Sununu Re: FED Vice Chairman Vacancy (1 pp.)	7/11/90	P 2 , P 5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Cabinet Agencies Files
WHORM Cat.:
File Location: Boskin (CEA) (1990)

Open on Expiration of PRA
 (Document Follows)
 By JP (NLGB) on 12/12/07

Date Closed:	12/13/2004	OA/ID Number:	29186-007
FOIA/SYS Case #:	1998-0004-F[1]	Appeal Case #:	
Re-review Case #:	2005-0426-S	Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
 P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
 P-3 Release would violate a Federal statute [(a)(3) of the PRA]
 P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
 P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
 P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
 (b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
 (b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
 (b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
 (b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
 (b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
 (b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
 (b)(9) Release would disclose geological or geophysical information

**EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS**

July 11, 1990

To: Gov. Sununu

From: Mike Boskin *MB*

Re: FED Vice Chairman Vacancy

✓ file
THE CHIEF of STAFF
has seen
JUL 31 1990

Attached is a one page description of the FED Vice Chairman position's importance designed to be of use in attracting strong candidates. Also included is a short list of some possible candidates, drawing heavily on the retired CEO suggestion.

**Michael J. Boskin
Chairman**

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01b. List	Potential candidates (1 pp.)	7/11/90	(b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Cabinet Agencies Files
WHORM Cat.:
File Location: Boskin (CEA) (1990)

Date Closed:	12/13/2004	OA/ID Number:	29186-007
FOIA/SYS Case #:	1998-0004-F[1]	Appeal Case #:	
Re-review Case #:	2005-0426-S	Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
 P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
 P-3 Release would violate a Federal statute [(a)(3) of the PRA]
 P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
 P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
 P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
 (b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
 (b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
 (b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
 (b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
 (b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
 (b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
 (b)(9) Release would disclose geological or geophysical information

Vice-Chairman of the Federal Reserve Board

The Vice-Chairman's position is a pivotal one at this important juncture in monetary and regulatory policy. The Vice-Chairman will play an extremely important role in determining the future course of the domestic and international economy as well as the framework for the rapidly evolving international financial services industry.

In recent years the Vice Chairman, along with the Chairman of the Federal Reserve Board and the President of the New York Federal Reserve District Bank (who is the permanent Vice-Chairman of the Federal Open Market Committee), have formed an informal executive management committee of the Federal Reserve.

The Vice-Chairman can play an important role in developing regulatory policy, which is the province of the Board of Governors. Changes in banking regulations over the next several years will shape the financial services industry, its international position and its role in the domestic economy for decades to come.

The Vice Chairman has in recent years taken the lead responsibility at the Fed for international economic policy. In this role the Vice Chairman works with the IMF, the BIS, and other multilateral institutions, as well as foreign central banks and Finance Ministries.

All in all, the individual who fills the Vice-Chairman's position will have a unique opportunity to serve the country and to help shape the future of the economy.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
02. Memo	From Michael Boskin to John Sununu Re: Pollution Prevention (1 pp.)	6/19/90	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Cabinet Agencies Files
WHORM Cat.:
File Location: Boskin (CEA) (1990)

Open on Expiration of PRA
 (Document Follows)
 By OP (NLGB) on 5/12/05

Date Closed:	12/13/2004	OA/ID Number:	29186-007
FOIA/SYS Case #:	1998-0004-F[1]	Appeal Case #:	
Re-review Case #:	2005-0426-S	Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
 P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
 P-3 Release would violate a Federal statute [(a)(3) of the PRA]
 P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
 P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
 P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
 (b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
 (b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
 (b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
 (b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
 (b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
 (b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
 (b)(9) Release would disclose geological or geophysical information

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

June 19, 1990

THE CHIEF of STAFF
has seen

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: MICHAEL BOSKIN *mb*

RE: Pollution Prevention

Following up my verbal comments to you on the Larry Lindsey et al memo on pollution prevention, it is my best judgment that any such initiative, should one prove desirable, would be better delayed until next year. I believe moving forward with an initiative, even if we can get internal agreement on what would form the basis for a good one, would be overwhelmed in the debate, discussion, and publicity over the Clean Air Act. I believe we should focus our attention on getting the best possible Clean Air Act. I have very serious concerns about the conferees taking the worst of both bills, as opposed to the best, and it is my view that difference could result in \$15 or \$20 billion of unnecessary added costs on American businesses, drains on productivity, and job losses for American workers without any added environmental benefits.

In short, the best thing we can do is focus our attention on getting the best Clean Air Act we can and revisit this issue next year.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
03. Memo	From Michael Boskin to John Sununu Re: Technology Policy (2 pp.)	6/19/90	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Cabinet Agencies Files
WHORM Cat.:
File Location: Boskin (CEA) (1990)

Open on Expiration of PRA
 (Document Follows)
 By JP (NLGB) on 5/12/05

Date Closed:	12/13/2004	OA/ID Number:	29186-007
FOIA/SYS Case #:	1998-0004-F[1]	Appeal Case #:	
Re-review Case #:	2005-0426-S	Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
 P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
 P-3 Release would violate a Federal statute [(a)(3) of the PRA]
 P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
 P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
 P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
 (b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
 (b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
 (b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
 (b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
 (b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
 (b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
 (b)(9) Release would disclose geological or geophysical information

EYES ONLY

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

June 19, 1990

THE CHIEF of STAFF
has seen

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: MICHAEL BOSKIN *mb*

RE: Technology Policy

While I am supportive of a sizable fraction of material in the memo, I cannot emphasize strongly enough that the tone in the first two pages is antithetical to the philosophy the President has enunciated throughout his career, including in the campaign and subsequently; and to official Administration policy. The tone is very much that a few high tech industry leaders would get together with the government and decide "what to do." A couple of decades ago this would have been called corporate fascism. While I am all for getting advice and input from many quarters, including the people either actually doing the technical research, developing it, or using it in their products and processes, the notion that somehow we all ought to get together as a group and form a consensus and second-guess the market has dangerous historical overtones.

That said, technological progress has been responsible for a large fraction of economic growth in the United States and other developed countries. It is important that economic policy, including macroeconomic (monetary and fiscal) policy; tax and budget policy (tax structure and spending priorities); and regulatory policy (removing obstacles to innovation, etc.) lay the best possible framework within which the private sector can generate and disseminate new technology.

Beyond this, there is an important government role to play, as there are some scientific and technological investments whose returns would most likely be spread so broadly that no single private business could hope to appropriate the returns from such activity. The most extreme and obvious example is basic scientific research. That is why the social rate of return to such investment in R & D exceeds the private rate of return (something that is not only analytically plausible, but has been confirmed empirically in many economic studies). That is why it is crucial that we make the R & D tax credit permanent, etc. It is also important that Federal financial support--whether in terms of direct funding at Federal labs, or through support of university-based work, etc., play a key role in our budget priorities.

Where I, and most others, draw the line, however, is the Federal Government crowding out what is the natural, and proper, province of the private sector. Those with their own profits and jobs on the line will take a sharper pencil to these ideas than those who rely on large government (direct or indirect) subsidies. As we, and more importantly the President, have said so often, it is not the government's job to be picking the winners and the losers. That job belongs primarily to the marketplace. If, for example, our capital gains proposal is passed and every single penny of the additional venture capital went into HDTV, you would not hear a single complaint from me, (although I doubt that this would happen) because that would reflect the private market's evaluation of where the highest expected return was likely to be generated.

In short, we have a long way to go to improve our economic policies with respect to technology. Elevating "technology policy" to some separate category such as monetary policy or fiscal policy would put in place forces that would directly contravene our general notion that, with the very important exceptions noted above, primary reliance should be place on the market.

THE WHITE HOUSE
WASHINGTON



DATE: May 29, 1990

TO: Michael Boskin

FROM: GOVERNOR JOHN H. SUNUNU

Please review and get back to me.

DRAFT

U.S. TECHNOLOGY POLICY

MAY 18 1990

A nation's technology policy is a statement of consensus, endorsed by government, with the objective of optimal deployment of its technological resources for purposes of national security, economic competitiveness, and the well-being of its citizens and component institutions. In formulating such policy, consideration must be given to a nation's traditions, its strengths and weaknesses, and the international environment in which it exists. Technology policy is not something that, once set in place, remains immutable. Broad principles exist, but effective technology policy requires sufficient flexibility to permit response to changing national and international situations. In most respects the U.S. economy remains the world's strongest, and the Nation's research universities and the ability of its people to innovate remain the envy of the world. However, the U.S. is being seriously challenged in the high technology sectors by ascendent Pacific Rim countries and by a rejuvenated Europe. With its proven human resources and successful tradition in manufacturing, the U. S. can meet that challenge. In order to do so, all elements of our society must recognize that while we possess many strengths and assets, problems do exist, and that we must, and can, mobilize our resources and solve them. In the years ahead, the Administration envisions a national strategy for technology, led by the private sector and supported by the Federal government, that will ensure continuing technological pre-eminence for this Nation.

In contrast, the Administration will not follow what it would view as industrial policy, wherein the Federal government identifies winners and losers in the marketplace and, where deemed necessary, supports winners to achieve or maintain international market share or to maintain the vitality of domestic corporations in the face of foreign competition. Such decisions have traditionally been made in this country by the private sector, and it is the Administration's belief that this sector remains most capable of making the appropriate choices.

The challenge for the Federal government is to develop, stimulate, and exercise intelligent and visionary leadership that emphasizes long-range U.S. economic vitality over special interests. Areas to which the U.S. needs to devote particular attention in building on its strengths include:

- o the quality of the workforce in terms of education, training, and flexibility in adapting to technical change;
- o the availability of low cost and patient capital;
- o the coupling between R&D and production;
- o the legal and regulatory environment, especially factors that inhibit new product introduction as well as R&D cooperation between companies or between industry and government;

- o a trade policy which facilitates reciprocal treatment between the U.S. and countries whose governments are active participants in the international technological-industrial competition;
- o the coupling between Federal laboratories and industry, particularly to small and mid-sized companies that could benefit most from access to the personnel and R&D results of these Federal laboratories; and
- o the coupling between Federal programs and State and regional initiatives for improving industrial competitiveness.

Above all, by its words and actions the Federal government must make clear to all, and particularly to the U.S. industrial community, that the issue of U.S. industrial competitiveness is among the very highest of its priorities for the 1990's.

Goal of Technology Policy

The goal of U.S. technology policy is to foster and promote U.S. competitiveness by maintaining a strong science and technology base and to make the best use of that base in achieving improved quality of life for all Americans, high quality employment, steady economic growth, and a strong national security posture.

Strategy to Implement U. S. Technology Policy

Science policy is focused on generating new ideas, whereas technology policy is designed to ensure that those ideas can, and will be, used effectively. In that context, the Federal strategy to implement U.S. technology policy includes the following major elements:

Incentives for the Private Sector

- o Encourage private R&D investment through Federal monetary and fiscal policies. For example, reducing the capital gains tax and making permanent as well as enhancing the tax credit for research and experimentation will provide incentives for added investment. Incentives can also be provided through appropriate tax policies and amortization schedules related to investments in equipment and instrumentation.
- o Provide a favorable legal environment at the Federal level for innovation. Reducing the uncertainties about antitrust enforcement related to inter-company

cooperation in R&D encourages the pooling of limited resources and a rapid diffusion of results. Reducing the antitrust uncertainties about joint production ventures will also enable firms to cooperate in the development and introduction of new products. Better international protection of intellectual property will allow more benefits to be recovered from R&D investments made in, and by, the U.S. Pressure against restrictive foreign trade practices must be continued.

- o Create a procurement environment in which off-the-shelf civilian products are used, to the extent feasible, for defense and space applications. Revise Federal procurement regulations and practices to permit greater integration of defense and civilian production at the factory level.
- o Reduce uncertainty and interstate variability in the regulatory process in order to decrease risk for private investment.
- o Seek greater harmonization of regulations and standards for products and processes with our major trading partners.
- o Recognize that a strong industrial demand for trained/educated people is key to educational incentives for our youth.

Education and Training

- o Revitalize education at all levels including not only the training of scientists, engineers and the technical workforce, but also educating our population to be sufficiently literate in science and technology to deal with the social issues arising from rapid scientific and technical change. Achieving such a goal will require a broad-based approach involving business, academia, and educational organizations, as well as Federal, State, and local governments.
- o Develop a framework for Federal interagency coordination and collaboration in mathematics, science, engineering, and technology education. The goal is to define an effective and appropriate role for the Federal government in support of the States, localities, and universities as they improve science and technology education to build human capital in the U.S. This educational curriculum must place particular emphasis is required on improving capabilities related to manufacturing technology.
- o Foster the availability of opportunities for continuing education and training, recognizing that, particularly in scientific and technological fields, education must be a continuing and lifelong activity.

Federal R&D Responsibilities

- o Increase Federal investment in support of basic research. Private industry does not invest heavily in basic research because the payoffs are so unpredictable that individual firms cannot be confident of fully recovering their investments. However, the long-term societal benefits of this research are so large that government cannot afford not to make the investment, especially in university research which, in addition to new knowledge, also produces trained scientists and engineers of the future.**
- o Assist the private sector in identifying and developing pre-competitive generic technologies that have the potential to contribute to a broad range of government and/or commercial applications. In many cases these technologies have evolved from government-funded basic research. Development in the pre-competitive stage must continue, particularly with input from potential users, at least to the point where they can be translated by the private sector into competitive products and services.**
- o Examine mechanisms that would apply the benefits of Federally sponsored research preferentially to U.S. economic advantage.**
- o Continue the Federal government's development of products and processes for which it is the sole or major consumer, such as national defense, provided that no commercially available products can be substituted. The government, in such cases, must rely principally on the private sector to undertake the development process. Current Federal procurement regulations that have strengthened the abilities of companies involved in developing and demonstrating these products to use the same research results and technologies for commercial purposes shall be retained and enhanced.**
- o Maintain a strong Defense technology base to assure technological and related acquisition readiness to meet contingencies in the world political/military situation. Special emphasis needs to be placed on shortening the lead time for transferring R&D results to production and on using commercial products.**
- o Examine Federal decision-making structures and mechanisms in the context of industrial competitiveness. Policy making, strategy implementation, and oversight at the Federal level must be made less cumbersome and diffuse.**
- o Pay continuing attention to the national transportation and information transfer networks which are essential to the Nation's industrial competitiveness.**

Transfer of Federally Funded Technology

- o Improve the transfer of Federal laboratories' R&D results to the private sector. Where possible, these laboratories should focus their mission efforts on projects that are also relevant to commercial needs, and these efforts should be guided by input from potential users. To achieve this goal, there must be a closer working relationship between these laboratories, industry, and universities. Defense-sponsored laboratories can make major contributions while still providing adequate safeguards for classified information.
- o Promote the formation of industry-Federal laboratory-university consortia, guided by industry needs, to optimize the synergies of these organizations in developing the technologies that the private sector can then turn into commercial products and processes.
- o Promote and encourage access by U.S. industry to Federal laboratories within the guidelines established by the Federal Technology Transfer Act of 1986 (P.L. 99-502) and other applicable legislation. Special attention should be given to small and mid-sized firms and to state technology assistance programs developed to assist those firms.
- o Expedite the diffusion of the results of Federally supported R&D to industry, including active licensing of inventions and removing barriers to commercial development and marketing of Federally developed computer software.
- o Manage the standards process of the National Institute for Standards and Technology to promote new technologies and, thus, contribute to U.S. technological success.
- o Recognize that effective technology transfer occurs at the operational level and, hence, encourage direct laboratory-industry interaction within broad, flexible Federal guidelines.

State Activities

- o Assist and encourage States to develop programs that take into account the individual characteristics of each State. Decentralization and close attention to private sector and State input and initiatives are essential if the U.S. is to regain its competitive edge. Initiatives at the State level are playing increasingly important, cost effective roles in this endeavor. Federal programs in such areas as education, training, the national infrastructure, and regional generic technology centers, should leverage state initiatives in a timely way to optimize their effectiveness.

Programs To Implement U.S. Technology Policy

The Administration has undertaken a broad range of programs aimed at translating the technology policy into action. These programs and their associated budget levels requested for Fiscal Year 1991, where applicable, are summarized here.

Incentives for the Private Sector

The Administration has proposed improvements in incentives for private sector innovation by:

- o Reducing the tax rate on capital gains to spur entrepreneurial activity.**

The Administration has proposed restoring a capital gains tax differential such as existed before the Tax Reform Act of 1986. A lower tax rate on capital gains will encourage entrepreneurs to take risks to advance themselves by creating wealth for others: new firms hiring new workers producing new products for new markets here and abroad.

- o Making the research and experimentation (R&E) tax credit permanent to reduce uncertainty.**

Under current law, the R&E credit is scheduled to expire on December 31, 1990. The Administration proposal to make the credit permanent would permit businesses to establish and expand research facilities without fearing that the tax laws will suddenly change.

- o Protecting intellectual property through international negotiations.**

The Administration is aggressively pursuing improved international protection of intellectual property. The current negotiations in the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) are an important forum for developing better international rules. Negotiations on intellectual property rights are also being conducted in the World Intellectual Property Organization and in trilateral talks with the European Community and Japan.

- o Reforming product liability laws to restore balance to the tort system.**

The Administration supports the adoption of uniform product liability standards across the 50 States based on three principles of fairness: the right of an innocent person to fair compensation for actual damages; liability based on responsibility for harm and not ability to pay; and encouragement of alternatives to costly litigation. The proposed changes to product liability laws would maintain incentives to produce safe products, but would restore balance to the tort system and reduce uncertainty - particularly for new products.

- o **Removing barriers to research, innovation, and development.**

The Administration supports continued elimination of unwarranted regulation. Deregulation can spur innovation as well as lower prices. It also requires a continuous reexamination of existing regulatory policies in light of new technologies. Antitrust regulation, in particular, must be sensitive to changes in technology and in international competition. Unnecessary and burdensome regulations must not be allowed to stifle new products and processes.

Education and Training

- o **National Science Foundation: \$463 million plus research assistantships**

The National Science Foundation has a broad range of programs dealing with mathematics and science education and human resources at all levels. Major programs are:

- **Research career development (graduate research fellowships and enrichment activities for talented high school students).**
- **Teaching materials development and informal science education (aimed primarily at the pre-college level).**
- **Teacher preparation and enhancement (upgrading quality of faculty, providing Presidential Awards for Excellence in Science and Mathematics Teaching, and development of model programs for women, minorities, and the handicapped).**
- **Undergraduate science, engineering, and mathematics education (includes instrumentation grants, curriculum development, faculty revitalization, comprehensive regional centers for minorities, and research experiences for undergraduates).**

In addition, almost 16,000 graduate students are supported by research assistantships through regular research grants to universities.

- o **Department of Education: \$333 million**

- **Eisenhower mathematics and science program (provides funds to help State and local educational agencies carry out programs to train teachers and improve instruction in mathematics and science).**
- **Adult education program (aimed at skills needed to cope with new technologies and providing for workplace literacy).**

- o **National Institutes of Health: \$292 million plus research assistantships**
 - **Almost 12,000 graduate students receive training grants.**
 - **An undetermined but very large number (tens of thousands) of graduate students are supported by research assistantships through the \$4.4 billion in extramural research grants.**
- o **National Aeronautics and Space Administration: \$51 million**
Program activities cover informal K-12 science education, space mobile presentations to elementary and secondary schools, teacher workshops and internships at NASA research centers, grants for undergraduate and graduate students, and programs for minorities in science and engineering education.
- o **Department of Energy: \$25 million plus research assistantships**
 - **Programs include science and mathematics exposure for middle and high school students, research training of undergraduates, and graduate fellowships in science and engineering.**
 - **An estimated 4,000-4,500 graduate students are supported by research assistantships through research grants to universities.**
- o **Department of Defense: \$340 million in Fiscal Year 1989**
 - **Pre-college programs (summer programs for minorities).**
 - **Undergraduate programs (primarily ROTC scholarships in technical fields).**
 - **Graduate fellowships and research assistantships.**
 - **Post-doctoral and faculty research appointments.**

Federal R&D Responsibilities

The Fiscal Year 1991 budget proposes to allocate about \$71 billion for research and development. This is an increase of \$4.5 billion, or 7 percent over 1990 enacted levels. Civilian R&D will increase by 12 percent, while defense-related R&D will increase by 4 percent. Within this total, \$12 billion will be allocated for basic research, an increase of \$1 billion or about 8 percent over 1990. The budget contains a number of new and expanded programs that will contribute to the Nation's R&D enterprise and competitive posture. These include:

- o **A 13 percent increase in the National Science Foundation's budget request for research and facilities, which account for over 75 percent of the NSF budget. Support for basic science and engineering is the foundation on which U.S.**

technology is built. Within the overall increases there are emphases on Science and Technology Centers, networking and communications, Engineering Research Centers, and major research equipment for universities.

- o Developing advanced technologies to meet government and civilian needs. The budget proposes \$10 million for the new Advanced Technology Program to support a number of consortia doing generic, pre-competitive research into promising technologies. The budget also proposes \$5 million for grants to the Regional Manufacturing Technology Centers that will transfer advanced manufacturing technologies to medium and small-sized businesses. In addition to these broad-based efforts, there are a number of specific advanced technologies that are supported by several agencies. These are described below:
 - Robotics - The budget provides \$192 million to six Federal agencies for support of robotics R&D. The focus of this R&D is on the development of systems that are more autonomous and capable of interacting with changing and uncertain environments.
 - High Performance Computing - The budget provides \$469 million for Federal support for R&D focused on high performance computing. This activity includes the full range of advanced computing technologies as well as the systems and applications software, networking, and underlying research and human resource infrastructure.
 - Semiconductors - The budget provides \$537 million for research on semiconductor materials, development and application of semiconductor materials to meet agency mission needs, and support of R&D on manufacturing processes. The largest single Federal program is DOD funding of \$100 million per year for SEMATECH, a semiconductor industry R&D consortium.
 - Superconductivity - The budget provides \$215 million for superconductivity R&D. Programs in five Federal agencies deal with both high temperature and low temperature superconducting phenomena and materials.
 - Advanced Imaging Technologies - The budget provides \$118 million for advanced imaging R&D. Advanced imaging systems include interactive graphics, high definition displays, advanced signal processing, and advanced digital switching technologies.
- o Developing technologies for improved transportation. The budget proposes funding for transportation R&D of \$1,527 million. A modern, efficient transportation infrastructure is an essential factor in being industrially competitive. Federal programs are focused on aeronautics, highways, mass transit, railroads, maritime, water, aviation, and other transportation areas.
- o Promoting alternate sources of energy. For conduct of energy R&D programs in the Department of Energy, the budget proposes total funding of \$2,450 million.

Maintaining an abundant, reliable, and economic source of energy is also essential to the Nation's industrial competitiveness. Federal programs cover a broad spectrum of energy technologies including solar, renewable, conservation, nuclear fission, nuclear fusion, fossil energy, and supporting energy sciences.

- o Advanced Technology Program. The budget proposes \$10 for the Advanced Technology Program at the National Institute for Standards and Technology. The program will focus on improving the competitive position of the U.S. and its businesses by accelerating the early to mid-stage development of pre-competitive generic technologies that have significant potential to accelerate economic growth, and raise productivity. The Federal government will support private sector development of these technologies and participate in a variety of industry initiatives**

Transfer of Federally Funded Technology

Since the enactment of several key pieces of technology transfer legislation, beginning with the Stevenson-Wydler Technology Innovation Act in 1980, there has been increasing activity in the Federal laboratories directed toward collaboration with U.S. industry. It is estimated that Federal agencies spent \$_____ million in Fiscal Year ____ on technology transfer programs. Some recent initiatives are:

- o There are over 200 active cooperative research and development agreements between Federal laboratories and private companies.**
- o Formation of the Biotechnology Research and Development Consortium, a joint research effort between the Department of Agriculture's Northern Regional Research Center, the University of Illinois, the State of Illinois, and six U. S. companies.**
- o Formation of a joint venture in high temperature superconducting materials and applications by Du Pont, Hewlett-Packard, and Los Alamos National Laboratory.**
- o Creation of the Precision Manufacturing Technology Program by the Department of Energy to provide U.S. industry greater access to the extensive manufacturing technology, expertise, and facilities available within the Department's Defense Programs weapons complex.**
- o Establishment of Regional Manufacturing Technology Centers. The budget provides \$5 million for this program. The approach is to reduce the barriers faced by small- and medium-sized manufacturers in adopting new technology by: creating awareness, providing up-to-date, practical information and expertise, and supporting implementation.**

Federal-State Activities

- o Boehlert-Rockefeller Extension Program: \$ ____ million**

The objective of the program is to provide technical assistance to state technology programs throughout the U.S., in order to help those programs help businesses, and to enhance their competitiveness through application of science and technology. The program works through and with state and local technology outreach programs to help small- and medium-sized businesses identify, access, and apply appropriate Federal technology to the solution of their technological problems.

- o Small Business Development Centers: \$ ____ million**

Each Small Business Development Center (SBDC) serves as a one-stop assistance center for businesses and provides services ranging from pre-business start-up counseling to technical advice for existing businesses. They have a legislative mandate to assist in technology transfer, make use of Federal laboratories and equipment, and coordinate and conduct research they deem worthwhile.

- o University Centers Program: \$ ____ million**

The program provides funds to involve the resources of universities in economic development within the community.

- o NASA Industrial Applications Centers Program: \$ ____ million**

The centers offer clients access to a national data bank that includes over 100 million documents of accumulated technical knowledge, along with their expertise in retrieving information and applying it in support of clients' needs. The centers are backed by state-sponsored business or technical centers that provide access to the technology transfer network.

- o Trade Adjustment Assistance Centers Program: \$ ____ million**

The centers provide trade-impacted small- and medium-sized manufacturers with in-depth technical assistance.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
04. Memo	From Michael Boskin to John Sununu Re: Talking Points on U.S. Economy (1 pp.)	3/8/90	P5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Cabinet Agencies Files
WHORM Cat.:
File Location: Boskin (CEA) (1990)

Open on Expiration of PRA
 (Document Follows)
 By JP (NLGB) on 5/12/05

Date Closed:	12/13/2004	OA/ID Number:	29186-007
FOIA/SYS Case #:	1998-0004-F[1]	Appeal Case #:	
Re-review Case #:	2005-0426-S	Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
 P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
 P-3 Release would violate a Federal statute [(a)(3) of the PRA]
 P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
 P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
 P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
 (b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
 (b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
 (b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
 (b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
 (b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
 (b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
 (b)(9) Release would disclose geological or geophysical information

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

March 8, 1990

Rec'd COS
MAR - 8 1990
11:05 AM

MEMORANDUM FOR GOV. JOHN H. SUNUNU

FROM: MICHAEL J. BOSKIN *mjb*

As per your request, attached are some talking points stressing the overall strength of the U. S. economy laid out as follows:

- 1) The U. S. is the largest and most productive economy in the world;
- 2) The achievements of the current expansion with special reference to 1989;
- 3) The mixed economic data for the last couple of months.

I have been giving speeches based on this material for the last couple of weeks and have found it useful in counteracting-- at least for the audiences addressed-- some extreme factual misunderstandings of the basic strength of the economy. I add to these points what we need to do to sustain strong growth and competitiveness, i.e. our deficit reduction, capital gains, permanent R&D tax credit, regulatory and legal reform, education, and R&D spending.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

TALKING POINTS
ON THE ECONOMY
March 8, 1990

Overview of the U.S. Economy

- o The U.S. economy is the largest, most productive, and strongest economy in the world.
 - The United States, with less than 5 percent of the world's population, accounted for 26 percent of world GNP in 1988. This is more than 2-1/2 times that of the next largest economy (Japan).
 - With exports of goods and services at an all-time high in 1989 (\$589 billion), the United States once again became the world's leading exporter.
 - America's standard of living, as measured by per capita income, is the highest of any major industrialized country in the world and is one-third higher than that of West Germany or Japan.

The Current Expansion

- o The economy continued to expand in 1989, the seventh consecutive year of economic growth.
 - GNP rose 2.5 percent in 1989. This was more moderate than the very rapid pace of economic growth in 1987 and 1988.
 - A better balance between domestic spending and domestic production was achieved, as growth in government purchases slowed while net exports and business investment grew more rapidly.
 - The Nation's saving rate -- the sum of business and household saving less government borrowing-- rose from a low of 12.2 percent in 1987 to 13.4 percent in 1989.
 - During this period, personal saving by households rose from 3.2 to 5.4 percent while the federal government deficit (borrowing) fell from 3.4 to 2.9 percent.
- o The continued expansion has further increased employment and incomes.

- 21.2 million jobs have been created in the current expansion. Job gains in 1989 totalled 2.5 million.
 - The average unemployment rate in 1989, 5.3 percent, was at its lowest level since 1973 and was lower than in any major European country.
 - 1989 unemployment rates for blacks (11.4 percent) and teenagers (15.0 percent) were the lowest since the early 1970s. For Hispanics, the 1989 rate (8.0 percent) was the lowest recorded since the government began keeping separate data for this group in 1980.
 - The unemployment rate for adult women (4.7 percent) was the lowest since 1969. During the 1980s, the unemployment rate for women has fallen to a rate about equal to that for men. This is a first since World War II.
 - Personal income after taxes and adjusted for inflation, rose 3.6 percent in 1989, above the 2.9 percent average during the last 10 years.
- o The trade deficit has improved markedly, falling to its lowest level since 1984.
- The merchandise trade deficit has fallen almost 30 percent from its 1987 peak.
 - The merchandise trade deficit declined by 11 percent in 1989 to \$113.2 billion.
 - Exports of goods increased by 13 percent in 1989 to \$361.9 billion.
 - Imports of goods increased by 6 percent in 1989 to \$475.1 billion.
 - The improvement in the merchandise trade deficit in 1989 is especially striking when petroleum products are excluded.
 - The merchandise trade balance excluding petroleum products fell by 28 percent to \$63 billion in 1989.
 - The merchandise trade deficit was partly offset by a substantial and growing surplus in services.

- o Inflation has been contained in the expansion.
 - Following an uptick early in 1989 due to a temporary jump in food and energy prices, inflation returned to the 4 percent range it has maintained for most of this expansion.
 - The broadest measure of economy-wide inflation, the GNP fixed-weighted price index, rose by 4.1 percent during 1989, down from 4.5 percent in 1988 and about the same as in 1987.
- o Interest rates declined substantially during most of 1989.
 - In December short-term interest rates were 119 basis points below their peaks in March 1989. And, despite an increase of 12 basis points early this year, they remain more than a percentage point below last March's level.
 - 10-year bond rates declined 152 basis points between March and December 1989. These rates have moved up somewhat more than short-term rates recently, but still remain about 90 basis points below last March's level.
 - Most of the decline in 3-month T-bill rates occurred between March and October. In contrast, 10-year bond rates moved down through the end of the year.
 - The prime rate charged by banks is 1-1/2 percentage points below last March's level.
 - Mortgage rates also are below their mid-1989 highs, 9.91 percent in January as compared with 10.48 percent in July.

Recent Economic Data

- o Recent data indicate that the economy is growing more slowly, but do not point to a recession.
 - Labor market data show continued employment growth and no increase in unemployment, pointing to continued growth in production. (To be updated Friday, March 9 when the February employment data are available.)
 - Other indicators of activity are mixed, but on balance suggest that we are in a period of weak growth.
 - Autos, housing, and certain manufacturing sectors remain weak, but consumer confidence remains at

relatively high levels, and the trade deficit continues to improve.

- o The underlying inflation rate remains close to its average over the past 7 years.
 - The large price increases in January were distorted by special factors, including weather and sharp increases in food and energy prices.
 - Excluding volatile food and energy prices, the underlying "core" inflation rate rose 4.5 percent, similar to the average pace of the past 7 years.
 - This uptick in inflation is similar to what happened early last year, when prices rose sharply and then slowed considerably later in the year.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
05. Outline	Re: Rosty Plan (1 pp.)	3/12/90	P5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Cabinet Agencies Files
WHORM Cat.:
File Location: Boskin (CEA) (1990)

Open on Expiration of PRA
 (Document Follows)
 By JP (NLGB) on 5/12/05

Date Closed:	12/13/2004	OA/ID Number:	29186-007
FOIA/SYS Case #:	1998-0004-F[1]	Appeal Case #:	
Re-review Case #:	2005-0426-S	Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
 P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
 P-3 Release would violate a Federal statute [(a)(3) of the PRA]
 P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
 P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
 P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
 (b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
 (b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
 (b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
 (b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
 (b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
 (b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
 (b)(9) Release would disclose geological or geophysical information

3/12/90

RE: ROSTY PLAN

- (1) It is well known that the Administration does not support some elements of this plan. [Don't elaborate. Just assert it's "well known."]
- (2) BUT: Chairman Rostenkowski deserves credit for advancing a deficit-reduction plan that is serious and comprehensive.
- (3) The Rostenkowski plan represents an interesting contrast with other Democratic approaches:
 - Senator Moynihan's, which would increase the deficit by \$55 billion in the first year;
 - Representative Gephardt's, which would give the "peace dividend" to the Soviets, not to deficit-reduction;
 - the Democratically-controlled budget committees', which have produced no plan at all.
- (4) The principal substantive weaknesses of the Rosty plan are:
 - It is not satisfactorily designed to increase economic growth. It is not enough to reduce the deficit. It is essential that the way in which this is done must increase economic growth.
 - It eliminates [sequester] the back-up discipline of across-the-board spending reduction [under Gramm-Rudman]. Any deficit plan must preserve an effective back-up discipline. If a deficit-reduction plan works, we won't need the back-up. But if it doesn't, we will. [Indeed, if there is no back-up discipline, Congress will return to the spend-and-tax policies that got us in trouble in the seventies.]

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
06. Paper	Draft of reply to questions from Members of Congress (1 pp.)	n.d.	P/5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Cabinet Agencies Files
WHORM Cat.:
File Location: Boskin (CEA) (1990)

Open on Expiration of PRA
 (Document Follows)
 By JP (NLGB) on 5/12/05

Date Closed:	12/13/2004	OA/ID Number:	29186-007
FOIA/SYS Case #:	1998-0004-F[1]	Appeal Case #:	
Re-review Case #:	2005-0426-S	Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
 P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
 P-3 Release would violate a Federal statute [(a)(3) of the PRA]
 P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
 P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
 P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
 (b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
 (b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
 (b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
 (b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
 (b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
 (b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
 (b)(9) Release would disclose geological or geophysical information

Boskin

THE CHIEF of STAFF
has seen

- o Recently, two letters from Congressional Democrats have raised questions about the associations between the Council of Economic Advisers and international research organizations associated with the Japanese government. These questions appear to be rooted in the current emotional "Japan-bashing" frenzy of which Congressman Gephardt--the primary signator of one of the letters--is the leading example.
- o Based on all the information we have, there is absolutely no conflict of interest involved.
- o Dr. Boskin, while he was a Professor at Stanford University, was an unpaid member of a large number of academic/research organizations. One of them was the International Economists Associate Club of the Institute of Monetary and Fiscal Policy Research (which is associated with the Japanese Ministry of Finance), an organization which included 160 prominent economists from around the world, including many Americans. Interestingly, associate members and/or visiting scholars included economists who are policy advisors to the Democratic party such as Larry Summers (Dukakis's economic advisor during the campaign) and former USTR official Clyde Prestowitz, author of the Japan-bashing book, Trading Places.
 - Dr. Boskin resigned from all such boards, including this one, in December of last year before joining the Administration.
 - Dr. Boskin received no compensation from the organization at any time.
 - The organization's purpose is to promote economic research. It is not a policy board and Dr. Boskin neither gave policy advice nor was it solicited from him.
- o Dr. Saxonhouse, a Professor at the University of Michigan, and a part-time economic expert employed on a temporary basis by the Council is considered one of America's leading academic experts on the Japanese economy. Dr. Saxonhouse is an unpaid member of a number of academic/research boards and committees, including one associated with the Japanese Ministry of International Trade and Industry.
 - Like the organization Dr. Boskin used to be associated with, this organization is a research rather than a policy group and Professor Saxonhouse has assured the Council that he has neither received compensation nor provided advice to the Japanese or any other foreign government while employed at the Council.
 - The last meeting of the MITI research group occurred prior to his coming to work at the Council and the next meeting will not occur until mid-1991, one and one-half years after his planned departure from the Council.

RICHARD A. GEPHARDT
MISSOURI
MAJORITY LEADER

U.S. CAPITOL
20515-0100

Congress of the United States
House of Representatives
Office of the Majority Leader
Washington, DC 20515-0502

December 12, 1989

Mr. C. Boyden Gray
Counsel to the President
Executive Office of the President
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. Gray:

We are deeply concerned about the declining competitiveness of the United States in the world economy. We are not better off than we were either four or eight years ago. During this decade, we have seen America's position erode from the largest creditor nation to the status of the world's largest debtor nation. We are continuing to run huge trade and current account deficits.

We must reverse this trend and reestablish America's place in the world economy. Reclaiming control of our economic destiny will require leadership and perseverance.

Given the increasing importance of trade, foreign policy and defense issues, it is vital that we have absolute confidence in the integrity of the processes through and by which decisions are made.

With this in mind, we are deeply troubled by reports that senior officials in the Administration may be serving in the dual capacity of advising the U.S. government while simultaneously providing counsel, advice or other services to foreign governments, foreign corporations or other foreign entities. For example, two officials of the Council of Economic Advisors -- Michael Boskin and Gary Saxonhouse -- have been listed as serving on boards of Japan's Ministries of Finance and International Trade and Industry, respectively. This raises serious questions about conflicts of interest. We would appreciate your comments on these apparent conflicts.

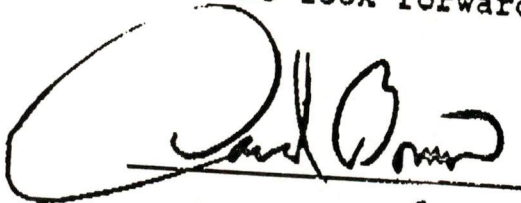
We also would appreciate your identifying those senior level officials in the Administration* who serve in a dual capacity. This should include information on any individuals who serve in any capacity, either paid or unpaid, on any department, agency, board or instrumentality of a foreign government, foreign-owned company or foreign entity.

Mr. C. Boyden Gray
December 12, 1989
Page 2

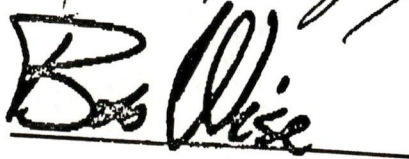
We and the President must ensure that the information and advice that we receive on important policy issues be in America's best interest.

We look forward to a prompt reply.

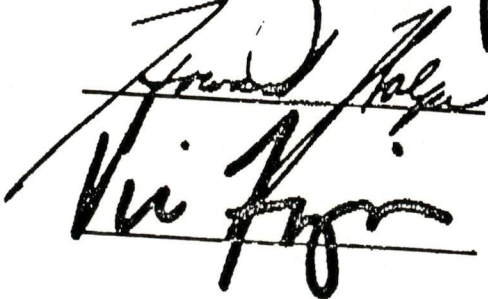
Yours very truly,

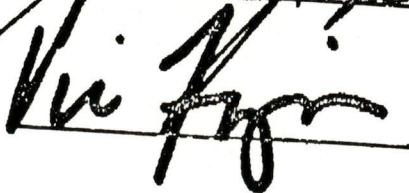


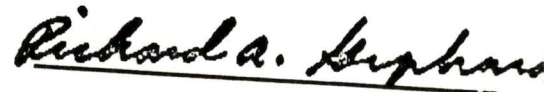


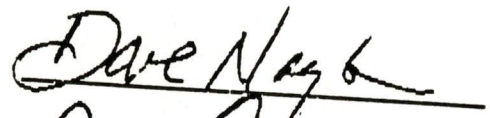




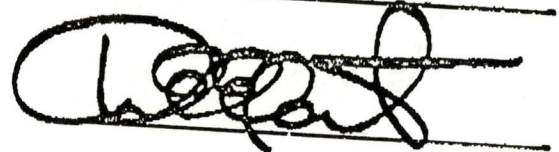
















* Note: Senior level officials include: (1) the President of the United States; (2) the Vice President of the United States; (3) the head of each executive department defined in section 101 of title 5; (4) an individual who is appointed by the President or Vice President under sections 105(a)(2)(A) of title 3 and 106(a)(1)(A) of title 3 respectively; an individual serving in a position in level I, II, III, IV or V of the Executive Schedule; or, a member of a uniformed service in a pay grade of 0-7 or higher and is serving on active duty.