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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:	29188
Folder ID Number:	29188-011

Folder Title:
Kemp (HUD) (1991) [1]

Stack:	Row:	Section:	Shelf:	Position:
G	15	25	6	5

Withdrawal/Redaction Sheet

(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01a. Letter	From Jack Kemp to John Sununu Re: OMB Participation in the Low Income Economic Empowerment Task Force (2 pp.)	11/29/91	P-5	
01b. Paper	From Jack Kemp Re: Next Steps for the Economic Empowerment Task Force of the Domestic Policy Council (9 pp.)	n.d.	P-5	
02a. Note	From Jack Kemp to John Sununu Re: Attached letter to POTUS (1 pp.)	n.d.	P-5	
02b. Letter	From Jack Kemp to POTUS Re: Administration Agenda [FOIA RESTRICTIONS REDACTED] (3 pp.)	11/7/91	P-5 (b)(6)	
03. Note	From POTUS to Jack Kemp Re: Communication between POTUS and Kemp [Open Upon Deed of Gift - March 16, 2015] (1 pp.)	11/5/91	PRM	
04. Memo	From POTUS to Ede Holiday Re: Kemp's Remarks at Press Club (2 copies) (2 pp.)	n.d.	P-5	
05. Letter	From Jack Kemp to POTUS Re: Capital Gains Taxes (4 pp.)	10/16/91	P-5	

Page 1 of 2

Collection:

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WHORM Cat.:
File Location: Kemp (HUD) (1991) [1]

Pinksheet Number: KO0841
OA/ID Number: 29188-011
Date Closed: 12/30/2004
FOIA/Sys Case #: 1998-0004-F[2]
Re-review Case #: 2005-0426-S
P-2/P-5 Review Case #:

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06a. Note	From Jack Kemp to John Sununu Re: Attached letter to POTUS (1 pp.)	n.d.	P-5	
06b. Letter	From Jack Kemp to POTUS Re: FY 1992 HUD Appropriations Bill [FOIA RESTRICTIONS REDACTED] (3 pp.)	9/30/91	P-5 , (b)(6)	
07. Letter	From Jack Kemp to Richard Darman Re: FY 1992 HUD Appropriations Bill (2 pp.)	9/26/91	P-5	
08. Letter	From Jack Kemp to POTUS Re: BiNational Commission w/Mexico (2 pp.)	9/18/91	P-5	

Page 2 of 2

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Open on Expiration of PRA
 (Document Follows)
 By *JP* (NLGB) on 10/28/05

Date Closed:	12/30/2004	OA/ID Number:	29188-011
FOIA/SYS Case #:	1998-0004-F[2]	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]
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 (b)(9) Release would disclose geological or geophysical information



AC/TM/Ede

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

November 29, 1991

THE CHIEF of STAFF
has seen and Ede
is handling

Governor John Sununu
West Wing
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C.

Dear Governor:

I am writing to ask for your assistance in mobilizing the participation of Office of Management and Budget in President Bush's Low Income Economic Empowerment Task Force. Without Director Darman's personal intervention and interest, the initiatives developed by the President's Task Force, comprised of more than 12 Cabinet Departments and Agencies, will not reach the full Domestic Policy Council to the President for debate, final approval and inclusion in the FY 1993 budget.

As you remember, the Task Force submitted a report to the President at a June 20, 1991 meeting of the Domestic Policy Council. Our report recommended a radical restructuring of the nation's welfare system to emphasize asset accumulation, property, and private enterprise with the goal of turning current social programs into ladders of opportunity out of poverty. The report's general direction was approved by the President and by you.

At a subsequent November 8, 1991 meeting in the Roosevelt Room, the Task Force approved some 11 policy options for consideration by the full DPC. Unfortunately, no representative from the Office of Management participated in that meeting despite OMB having been sent an advance copy of the options and an invitation to participate. After the proposals were approved by relevant Cabinet Secretaries, the Domestic Policy Council sent the recommendations again to OMB for comment, analysis of budget impact, and approval.

Unfortunately, for whatever reason, the Budget Office failed to even respond. Further efforts over the last two weeks by my staff and the staff of the Domestic Policy Council, which has guided this process, have inexplicably failed to elicit any OMB response.

I understand that the Budget Office is extremely busy, but I am concerned that OMB has not participated over the last six months in this Task Force's important effort to radically change the disincentives and barriers which prevent low income people from reaching into the economic mainstream. I am particularly frustrated since both you and President Bush have been such strong supporters of this Task Force's efforts.

The Task Force stands ready to work with OMB to resolve any concerns. However, we first need to receive their comments and input. Without your help, our efforts over the last six months to fulfill the President's directive to us could come to nothing. As such, I am asking for your personal help in mobilizing the Office of Management and Budget to stand behind the President's low income agenda to expand hope, opportunity, and jobs. I'd be happy to meet with you and Dick Darman to iron out any problems.

Sincerely,

Jack Kemp

cc: Honorable Richard Darman

John —
I copied Dick D.
Confidentially. This is at
a critical stage & we
must resolve this
amicably. I pledge
my best efforts,
but we need
OMB.
JK

Withdrawal/Redaction Sheet

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DRAFT

Jack Kemp
Secretary
Department of Housing and Urban Development

Next Steps for the
Economic Empowerment Task Force of the
Domestic Policy Council

At the last meeting with the President, the Economic Empowerment Task Force discussed several cases illustrating the poverty trap -- social and economic policies that prohibit savings and asset accumulation, penalize marriage, discourage work, and smother entrepreneurial initiative. For example:

- In Milwaukee, Grace Capetillo, a welfare recipient, was fined \$15,000 for violating AFDC laws because she was saving to send her daughter to college.
- In Minneapolis, a welfare mother started a janitorial business to work her way off welfare, but she was penalized by AFDC eligibility policy for accumulating the resources needed to purchase cleaning supplies.

Today, the Task Force is considering several proposals designed to overcome these problems and convert our social programs into ladders of opportunity out of poverty. The Task Force recommends the following strategy:

First, Congress should be urged to pass the Administration's domestic empowerment agenda. This includes major initiatives to increase educational choice, expand affordable housing, stimulate homeownership, create economic growth and jobs, redirect Federal funds flowing to communities to give state and local governments greater flexibility, eliminate discrimination in the workplace, and ensure crime-free schools and neighborhoods.

Second, additional initiatives should be proposed to the President to address the barriers that stand in the way of asset accumulation, property ownership, and capital formation in distressed communities and among low-income families. By relying on income transfers instead of savings, enterprise and investment, the current welfare system encourages day-to-day consumption and often leads to welfare dependency instead of long term security. The proposals discussed below are intended to promote self-sufficiency.

Third, these domestic policy proposals should be combined with pro-growth economic proposals, including reductions in the capital gains tax rate. Domestic programs alone, no matter how well-conceived, will not be able to stem the rising tide of

joblessness and poverty if the economy does not reach its full potential.

These proposals, including the options outlined below, will help lay the groundwork for a comprehensive social and economic strategy to restore our distressed communities. Specifically, they are designed to:

- Remove barriers to getting off welfare;
- Encourage entrepreneurship;
- Stimulate homeownership; and
- Integrate services and promote good government.

Options for the Empowerment Task Force

Remove Barriers to Getting Off Welfare:

1. Expand AFDC Asset Limit to \$10,000

Households receiving benefits could accumulate up to \$10,000 in assets¹ for any purpose without losing their AFDC eligibility, though households with more than \$1,000 in assets would not be eligible to receive benefits initially. This proposal is the basis of a bill (H.R. 3450) sponsored by Rep. Grandy (R-IA), and supported by Rep. Gingrich (R-GA) as well as by Reps. Rangel (D-NY) and Espy (D-MS).

The Department of Health and Human Services estimates that this program, if fully implemented, would cost between \$10 - \$20 million per year for AFDC, Medicaid and food stamps, based on approximately 15 - 25 thousand more families who remain on AFDC each month.

PROS:

- Would encourage recipients to save money for emergencies, and to obtain a financial cushion for when they leave the program.
- Would not increase the number of people initially eligible for AFDC.

¹ The asset limit would not apply to a house or car.

CONS:

- Clients may be forced to spend down (perhaps by raiding family savings) to qualify for the program and then accumulate savings once they are dependant on assistance.
- May weaken the safety net argument for welfare by allowing people who accumulate assets to remain eligible for AFDC.
- Would have negative budgetary implications (estimated \$10-20 million per year).

2. Escrow Savings Account for Welfare Self-Sufficiency

Establish for long-term AFDC recipients (i.e., those receiving welfare for 36 of the last 60 months) escrow accounts in which cash benefits that are not paid to them due to increased earnings are accumulated. Funds in these escrows would be available only upon termination of assistance. Those receiving escrows would be ineligible for reentry into the program for a period proportional to the size of the escrow received.

Given the low proportion of the AFDC caseload who work, the short stays of those who do work, and the difficulty of working and remaining on welfare, the expected budgetary and caseload effects of this proposal are likely to be minimal.

PROS:

- Would target long-term recipients.
- Would provide cash incentive to leave the program.

CONS:

- Would create an additional administrative burden for the program.
- May offer financial incentives that are too weak or too far in the future to motivate people.
- May create an incentive to remain barely eligible, because at some earnings level a person's eligibility to receive funds in the escrow account would be terminated.

3. Financial Incentives for Private Welfare-to-Work Firms

Modify regulations where necessary to encourage private firms to facilitate the transition from welfare to work of long-term welfare recipients. Allow such firms to be eligible for

JOBS, JTPA funds, but require competitive bidding. Experimental programs using private firms have shown positive results. (This idea is also being discussed in the Job Training 2000 Working Group.)

PROS:

- Could encourage creaming of best people, by rewarding effort and initiative.
- Would reward results; government pays private firm nothing until it has saved money in reduced welfare payments.
- Would provide effective training since private sector has incentives to do "what works" to place people quickly (i.e., won't provide training for jobs that don't exist).

CONS:

- Could encourage creaming of best people, who would have gotten jobs anyway.
- Safeguards would be required to ensure that private companies do not "manufacture jobs" in order to get kickbacks from the private placement firms.

4. Extend Application of the Plan for Achieving Self Support

The Plan for Achieving Self Support (PASS) is now used in the SSI program to allow persons who are blind or disabled to set aside income and/or resources for a specified period of time (not to exceed 48 months) to achieve a work goal.²

This proposal would allow families receiving AFDC and other recipients of public assistance to similarly establish a PASS. Recipients would be permitted to develop a specific time-limited plan for self-sufficiency, and to thereby exclude for eligibility determination and benefit computation purposes, specific income and resources which they need to meet their objectives.

² The PASS has been used to set aside money to pay tuition or to purchase work-related equipment such as a computer or to start a business. Expenditures that are permissible in a PASS are determined on a case-by-case basis depending on the expressed goal of the plan, the individual's capacity for self-support, and other relevant factors. The PASS must be written, designed for the individual, have a specific work goal the individual is capable of achieving, have a specific time frame, show how the funds will be used and kept identifiable from other funds, and be approved and reviewed periodically by SSA.

DRAFT

PROS:

- Would encourage saving and investment in human capital.
- Would foster personal responsibility and self-sufficiency by giving consumers a more active role in "charting their own destinies."

CONS:

- Would increase the number of people who remain eligible for AFDC, and may impede some people from leaving the program.
- May weaken the safety net argument for welfare by allowing people who accumulate assets to remain eligible for AFDC.

5. Empower the Consumer With Greater Access to Information

Strengthen the ability of consumers to make informed choices by providing clear information on eligibility requirements, benefit amounts, service characteristics, recipient costs and other obligations, and opportunities for employment, education, and home ownership. Information could be available in an automated format in local welfare offices, health clinics, social service agencies, Social Security offices, schools, and libraries.

The Department of Health and Human Services recently developed a data base called FEDINFO which includes extensive information on all federal programs. It is currently seeking to expand the data base to include state and local programs, and to make it optimally usable by federal, state and local decisionmakers and by consumers.

PROS:

- Would increase the ability of consumers to make decisions that affect their lives.
- Would foster personal responsibility and self-sufficiency by helping consumers to chart their own destinies.

CONS:

- May be perceived as a threat by some professionals and service providers.

DRAFT

Encourage Entrepreneurship:

6. Choice in Unemployment Insurance (UI) Benefits

[This proposal is also being considered by the Job Training 2000 Working Group]

Permit UI claimants to take benefits in a one-time lump sum instead of continued weekly payments. Amount of lump-sum would be equivalent to four weeks less than the actuarial average of current benefits; the maximum present entitlement is 26 weeks. Demonstration projects have shown some success.

It might also be desirable to increase the benefit levels but make some of the existing (and all of the additional) benefits take the form of a loan, presumably optional, to be repaid by an assessment on earnings when employed.

PROS:

- Would encourage unemployed to get off UI more quickly.
- Would help people start new enterprises or move to communities with better job opportunities.
- Would permit greater choices for individuals to pursue educational opportunities and re-training options.
- Would be budget neutral, in that the government money will be spent in any case.

CONS:

- May set people up for failure, in that some people believe \$3,000-\$4,000 is not enough to start a business.
- May have potential for adverse selection: those most easily employed may take advantage of lump sum; others may stay until end of period. (This could lead to increased cost to government of unemployment benefits.)
- May be opposed by Conservatives as comparable to SBA-type program through unemployment insurance.

7. Removal of Barriers to Enterprise such as Occupational Licensing Requirements

The Federal government should study the effects of occupational licensing laws (e.g., for cosmeticians, taxidermists, junk yard operators, auctioneers, etc.) and recommend their modification or abolition. Possible means to remove these barriers include:

DRAFT

- Executive order to review Federal regulations that unnecessarily impede entry into businesses or vocations.
- Charge the Antitrust Division of the Department of Justice to investigate the anti-competitive effects of occupational licensing laws.
- Consider challenging the state action doctrine under antitrust law.
- Task an existing agency, such as the Small Business Administration, to study the effects of occupational licensing laws.
- Create a Presidential Commission.

PROS:

- These laws often create substantial barriers to minorities and the economically disadvantaged seeking to enter a business or vocation.

CONS:

- Any Federal intrusion into state and local licensing requirements may be seen as inconsistent with federalism principles.

Stimulate Homeownership:

8. Homeownership Vouchers

Permit families assisted under Section 8 housing rental voucher and rental certificate programs to use Federal housing assistance payments to purchase affordable housing. Families would be required to participate in a local Family Self-Sufficiency program and meet certain self-sufficiency milestones, such as continuous employment for six months, in order to participate. This proposal would provide an opportunity for homeownership to over one million Section 8 rental voucher and rental certificates holders.

PROS:

- Would increase opportunity for accumulation of assets.
- Would instill a sense of reward and foster self-sufficiency.
- Would be budget neutral.

DRAFT

CONS:

- May set some people up for failure, in that some Section 8 recipients may not be ready to handle the responsibility of homeownership.
- Would impose additional risk to the FHA Mutual Mortgage Insurance fund.

Promote Service Integration and Good Government:

9. Consolidate Federal Categorical Programs

Ask OMB to examine consolidation of federal categorical programs, decreasing the total number of programs by at least 10 percent each year over the next five years without reducing the overall level of federal funding.

Currently, for example, over 12 programs provide funding designed to improve the health of mothers and their children, 25 programs provide assistance to homeless persons, over 20 programs provide shelter assistance to low income individuals and families, and over 30 programs provide federal support for education of disadvantaged populations.

While many of these programs serve different sub-populations and specific needs, there is considerable overlap and duplication of program efforts. Moreover, beneficiaries have great difficulty navigating through this overly complex and fragmented system, and some do not identify programs for which they are eligible.

PROS:

- Would attack the categorical mentality of current legislative approaches and the notion that more money and new programs will solve problems.

CONS:

- Could be viewed as an attempt to prevent the creation of needed programs.

10. Foster Care Block Grant

Combine three child welfare services grants to the States in a single block grant that can be used for services to families, foster care, or adoption. This proposal is supported by the House Wednesday Group.

DRAFT

PROS:

- May be more effective than categorical programs, which require more paperwork and administration.
- Would be preferable to the current funding system, which encourages foster care over family services and adoption.

CONS:

- May encourage States to spend more, instead of less, on foster care -- the alternative least desired by the proponents of this proposal.

11. Expand State Flexibility Through Federal Waiver Authority

Expand existing authority to waive federal requirements (e.g., for Foster Care Program, Education Flex) for states that consolidate program administration and reallocate resulting administrative savings by designing services and programs to meet specific individual and family needs.

PROS:

- Would increase the amount of federal funds available for solving problems without increasing outlays, and permit states and localities to focus federal dollars on the full range of family needs.
- Would allow consumers and government to tailor benefits and obligations to meet individual circumstances.
- Rejects the block grant approach by exchanging increased flexibility for greater outcome accountability.

CONS:

- Would reduce fiscal accountability for specific appropriations and may permit "ineligible" persons to benefit from categorical programs.
- Would permit States to re-direct funds away from categorical groups.
- May prove costly to initiate and burdensome to manage, due to individual tailoring of benefits.



John -

I wanted you to see
what I said about our two

THE CHIEF of STAFF
has seen

Presidents. Ryan, Jack

The Secretary of Housing and Urban Development

REMARKS BY
SECRETARY JACK KEMP
IN HONOR OF PRESIDENT AND MRS. REAGAN



at the
REAGAN LIBRARY PREDEDICATION CEREMONY FOR THE REAGAN ALUMNI
SIMI VALLEY, CALIFORNIA
NOVEMBER 3, 1991

Thanks Johnny Grant for that introduction and thanks to the Reagan Library staff and Board for giving me the honor and opportunity to introduce President Reagan at this gathering of his alumni, friends, family, and "comrades in arms" in the Reagan Revolution.

And by the way, thanks for the standing ovation! (Of course with no chairs to sit on, it's hard to do anything else.)

Just think, Ronald Reagan has had thousands of introductions in his lifetime.

His best friend, Senator Paul Laxalt, introduces him as Ron.

Pat Buchanan used to introduce him as "Dutch."

I introduced Ronald Reagan at a gathering of the Heritage Foundation in Washington in 1989 as the "Last Lion" of the 20th Century ...

And, of course he often introduced himself as "the Gipper."

My most audacious introduction of Ronald Reagan was in the 1980 campaign for the Presidency when I had the honor of introducing him to all his supporters among the Congress. I introduced him as "the oldest ... but wisest of all the candidates." (By the way, he was.)

But the most poignant and touching introduction was the Iron Lady's (Prime Minister Thatcher's) at the recent dinner in the L.A. Hilton for the President's 80th birthday at which my wife Joanne and I were honored to be present.

Mrs. Thatcher said she never saw "Bedtime for Bonzo," but she was a great "movie fan" nonetheless and she likened

Mr. Reagan's life to the following movie titles:

His early years were "The Hardy Boys."

His speech for Goldwater and his campaign for Governor of California were akin to "A Star is Born."

His race for President and subsequent election was "Mr. Smith Goes to Washington."

And finally, his ultimate triumph of an eight year term, she said, was "The Best Years of Our Lives."

How appropriate, and it brought down the house!

My fellow alumni, may I say in all earnestness -- Ronald Reagan started out in the 60's to change the State of California and ended up changing our whole Nation ...

He started out in 1980 to change America and ended up changing the whole world.

Incidentally, I picked up the Sunday *L.A. Times* this morning to see what they said about this Library Dedication Ceremony honoring President and Mrs. Reagan. And with all five living Presidents, including my boss George Bush, present in one place it's going to be historic!

An *L.A. Times* writer cynically said the Reagan Library simply reflected one man's view of the world.

Then in the same newspaper, I read the headline, "Socialist, Marxist Nations Try Capitalism."

What a dramatic answer to the cynic!

My fellow Reagan Revolutionaries -- that says it all!

In preparation for this occasion, I enjoyed rereading our friend Marty Anderson's book on the Reagan Revolution. His paperback edition begins with a quote from a city councilman from Leningrad (now St. Petersburg) Pyotr Filipov, who said, "I agree with those who say we must quickly hurry away from Marxism-Leninism and Socialism to Reaganism." I love that ... the Reagan Revolution reaches downtown Leningrad!

Since I'm the only HUD Secretary in U.S. history with his very own foreign policy ... I recently entertained the Mayor of Moscow, Gavril Popov, at a HUD lunch, who told me he wanted to:

- * privatize all public housing;
- * give property rights to all Muscovites; and,
- * create a free enterprise zone in downtown Moscow.

And when I asked him where he got his ideas, he said, "Ronald Reagan, of course."

I loved hearing Gorby at Stanford two years ago say, "The Cold War is over, but it doesn't matter who won!"

Incidentally, only a loser would say it doesn't matter who won ... but even more important than winning is how we won. It wasn't our armaments alone, or our economics alone; ultimately it was our ideas and our ideals, Ronald Reagan's ideas and Western ideals.

Ladies and gentlemen, it was no accident ... it was not by chance that these things happened. Mr. President, these were your ideas ... your vision ... your Revolution.

In fact, to quote Mrs. Thatcher's speech at the Heritage Foundation Dinner last September, "Ronald Reagan won the Cold War without firing a shot!"

Here at home, for 40 years, in every period of slow economic growth or recession, liberal Democrats have wanted to spend more and finance it with higher deficits and high taxes. Now, they're calling for tax cuts.

That's a victory, Mr. President, for you and Reaganomics, whether it's admitted or not.

But may I say parenthetically, we don't need a Keynesian tax cut.

We don't need a tax cut which "redistributes the wealth."

And we don't need one that reflects the liberals' "class envy" view of the world.

What we need is a Reagan tax cut! And now. That's why President Bush wants to cut the capital gains tax -- to create more jobs and economic growth.

I've read most books on the Reagan Revolution, from Lou Cannon's to Bob Novak's ... I didn't read Dave Stockman's "The Triumph of Politics" on the failure of the Reagan Revolution, because I don't like fiction!

Unfortunately for Dave and his publishers, the Stockman book on Ronald Reagan's failures came out on the eve of the most expansive, noninflationary economic growth and entrepreneurial revolution this country has seen in the 20th Century.

- * 21 million new jobs were created.
- * 4.5 million new businesses were started.
- * The federal deficit came down from 5.5 percent of GNP to 1.5 percent.
- * Federal spending fell from 25 percent of GNP to 21 percent.
- * GNP grew by one-third.
- * Revenues increased by 40 percent.
- * And the Wall Street Journal called the 1980s a decade of minority capitalism -- there was an 80 percent increase in Hispanic businesses; 60 percent for Asians; and nearly 50 percent for Black-owned businesses.

Your place in history, Mr. President, is up there with Roosevelt! Not only Teddy, but Franklin. In fact, we believe it's right there with Winston Churchill.

Churchill's ultimate vision was of a peaceful and democratic world.

President Reagan's vision was a world of peace and democracy with free people, free enterprise, and free trade.

Mr. Churchill not only led his country through the Battle of Britain, he helped lead the West to victory over Fascism and Nazism.

President Reagan not only led America, he helped lead the free world to victory over Communism and Socialism.

Both Churchill and President Reagan were realists about the nature of totalitarianism -- Churchill saw the real Soviet threat

in his Iron Curtain speech in Fulton, Missouri; President Reagan called it the "evil empire" in Orlando, Florida, in March, 1983.

Both were indefatigable and almost congenital optimists -- Churchill predicting the victory over Nazism during the darkest days of May, 1940; President Reagan predicting the victory over Communism in May, 1981, in his speech at Notre Dame when he said "The West will not contain Communism, it will transcend Communism. We will not bother to denounce it, we will dismiss it as a sad, bizarre chapter in human history whose last pages are even now being written."

Both Churchill and President Reagan were bulldogs -- Churchill saying "we will fight on the beaches, in the hills, on the streets;" President Reagan telling Mikhail Gorbachev at the Reykjavik Summit he wouldn't give up SDI even if the Summit broke up, and it did.

Both were men of destiny -- Churchill spoke of "walking with destiny" when he became Prime Minister in 1940; President Reagan spoke of our "rendezvous with destiny" in almost every speech he gave.

And by the way, talking about destiny, we all can be grateful for President Bush's courageous leadership during the Gulf Crisis and his liberation of Kuwait with the help of Secretary Cheney, and Generals Powell, Schwarzkopf, and Scowcroft.

And we can thank God that President Reagan, with the help of Cap Weinberger, Jeane Kirkpatrick, George Shultz, and so many

others, gave us the tools and military equipment to do the job.

No one will forget, Mr. President, your telling Mr. Gorbachev to come to the Berlin Wall separating East and West Germany and saying "tear down this wall" ... and now here it is, on display at the Reagan Library!

Who can forget your speech at Moscow State University standing under that bust of Karl Marx where you preached entrepreneurial capitalism, faith in freedom, and the inalienable rights of all people, while quoting from the Bible, Alexander Solzhenitsyn, and Adam Smith.

Recently, when I visited with Gavril Popov and Vladimir Chernogorodsky -- who works on privatization for Boris Yeltsin -- they said:

Don't send us Keynesian economists.

Don't send us Harvard economists.

Don't send us IMF economists.

Send us Reagan economists!

There are many more similarities between Churchill and President Reagan.

Both were raconteurs and storytellers who used their wit and wisdom to win hearts, minds, and arguments.

Both left their political parties after reminding people that their parties had left them.

Both shaped their political parties -- Churchill made Tory conservatives the party of a safety net; President Reagan made the Republican conservatives an international free trade party

and a party of growth and opportunity.

Both suffered electoral defeats -- Winston Churchill in the early 1920s; Ronald Reagan in the 1970s.

Both suffered from foreign policy tragedies and bitter criticism from the press -- Churchill after the Dardanelles and Gallipoli; President Reagan in Iran and the loss of the Marines in Lebanon.

Both had their wilderness years ...

And both had remarkably talented and devoted wives -- Winston had Clemmie and President Reagan has Nancy.

Mr. President, Sir Robert Menzies, Prime Minister of Australia said of Churchill, someday, some year, there will be old men and women whose pride it will be to say "I lived in Churchill's time."

Well, Mr. President, we know that some day, as old men and women, we will be equally proud to say we lived, and served, in Ronald Reagan's time.

God bless you and Nancy, our Nation, and our "cause."

John ———
It'd like this to be
reviewed by you & the
President — respectfully,
J Kemp

STATEMENT OF SECRETARY JACK KEMP
JOINT ECONOMIC COMMITTEE
NOVEMBER 19, 1991

Mr. Chairman and members of the Committee, thank you for this opportunity to discuss a new war on poverty, and thank you for your leadership in exploring ways to help the poor.

It has been almost three decades since this country first declared "unconditional war on poverty." In that time, poverty has become entrenched as never before in this country, ending its steady decline from 30 percent after the Second World War to 12 percent in 1968. Since the upsurge of social welfare programs -- which have doubled as a share of Gross National Product (GNP) -- that progress against poverty has stopped. There is no denying the noble intentions of the Great Society, but since the mid-1960s, we have spent \$2.6 trillion on a war on poverty -- and poverty appears to be winning.

I would be remiss if I did not point out that poverty numbers are deeply distorted by the fact that the Census Bureau does not count in-kind welfare payments, such as food stamps, housing and Medicaid, and a significant portion of AFDC. In fact, the Census misses over \$11,000 in benefits per household, according to Warren Brookes.

But the poverty numbers also don't reflect the critical consequences of the breakdown of the traditional American family, as increasing numbers of Americans in poverty are in one-parent homes with no one working at all. In fact, in 1959 28 percent of poor families were headed by women. Last year, 62 percent were headed by single mothers. Nearly all welfare programs today subsidize that type of family, which actually promotes a rising poverty rate.

If one steps back and examines some of the orthodox notions about fighting poverty, one can see why they have not succeeded, and indeed why we have created more poverty.

How do countries cause poverty? What policies and principles destroy the economy and cities and make people dependent on government? Let me offer some suggestions:

- o Impose steeply graduated tax rates on labor and capital, leave them unindexed as well, and then allow inflation to push people into ever higher tax brackets that are confiscatory.
- o Reward welfare at a higher level than working.
- o Tax the entrepreneur who succeeds in the legal economy -- while permitting the underground and untaxed economy to flourish.
- o Reward people who stay in public housing more than those who want to move up and out into private housing and homeownership.
- o Give a greater reward to the family that breaks up, rather than to the family that stays together and remains intact.
- o Encourage debt and spending rather than saving, investing and risk taking.
- o Finally, destroy the link between effort and reward.

Mr. Chairman, we have effectively created two economies in this country. One economy -- the mainstream economy -- is democratic capitalist, market oriented, entrepreneurial, and based on private property. It offers incentives for working families

and rewards work and investment, productivity and saving. Indeed, incentives abound for productive economic and social behavior.

It was this economy, triggered by the income tax rate cuts in 1981, that generated 21.5 million new jobs, more than four million new businesses including record increases in the number of minority-owned businesses, relatively low inflation, and a higher standard of living for most people. This economy created more jobs in the last decade than all of Europe, Canada and Japan combined. The GNP grew by a third and revenues increased by 40 percent. And according to the U.S. Treasury, federal income taxes paid by the top one percent of taxpayers surged by more than 80 percent from 1981 to 1987. In 1980, the wealthiest five percent of Americans paid 35 percent of income taxes, and after the tax cut they paid 46 percent, and the top 50 percent of earners accounted for 95 percent of total income tax collections.

But there is another economy -- a second economy that is similar in many respects to Third World or Eastern European socialist economies. It functions in a fashion opposite to the democratic capitalist economy, indeed it is neither capitalist nor democratic. It predominates in the pockets of poverty throughout urban and rural America. This economy has barriers to productive social activity, and a virtual absence of economic incentives, rewards or private property. It denies black, Hispanic and other minority men and women entry into the economic mainstream as much as Jim Crowism did after the Civil War. It stresses dependency over independence; subsistence over self-sufficiency, and literally has eliminated the link between effort and the reward for productive human activity.

The irony is that the second economy was born of desire to help the poor, alleviate suffering and provide a basic social safety net. The results were a counterproductive economy and a counter-intuitive welfare system aimed at perpetuating poverty, instead of the springboard to prosperity that was the hallmark of the American dream.

Mr. Chairman, the 1980s were a decade of renewal and opportunity. But not for everybody. This is the worst of times for people who can't afford to buy their first home; for people without jobs, who are homeless, who are trapped by drug addiction, who are living in despair. I believe, Mr. Chairman, that the most important way this nation can combat despair, poverty and hopelessness is to use the tools of democracy, homeownership and entrepreneurial capitalism as a ladder for upward mobility.

Let me outline some ideas for a national agenda to help low-income people and our nation find the keys that will help unlock the shackles on growth, hope and opportunity. Many of these items are contained in the President's growth and empowerment agenda, and many are supported by members of Congress on both sides of the aisle:

- o Eliminate the capital gains tax in distressed urban and rural communities that we would designate as Enterprise Zones, to help expand ownership of business and create new jobs.
- o Use housing policy to expand homeownership opportunities for low-income and minority families through resident management, urban homesteading and privatization of public housing and other properties; increase the use

of tenant-based assistance; and implement self-sufficiency programs to promote greater choice, dignity and asset accumulation.

- o Eliminate the excessive tax rates on persons trying to leave welfare and take jobs. Today, those who attempt to leave welfare face the highest marginal income tax in the United States.
- o Encourage homeownership by allowing first-time homebuyers to use their IRAs for downpayments, without tax penalty.
- o Increase the supply of affordable housing for minorities and the poor by extending the low income housing tax credit (LIHTC).
- o Foster quality education by expanding educational choice through magnet schools, tuition tax credits, educational vouchers and family choice.
- o Enact a pro-family tax cut to give families more after-tax income in order to reduce financial pressures, to help families keep more of their resources to take care of their children, and to help them break free of government assistance."
- o Cut the capital gains tax rate to launch a new decade of economic growth, capital formation and job creation.

Let me address some of these issues in more detail.

First, Enterprise Zones. We need to greenline for success those areas of our country that have been redlined for failure. President Bush has again asked Congress to establish 50 Enterprise Zones in which the capital gains tax would be eliminated completely. Enterprise Zones have proved themselves at the state level, through they are

just a glimmer of what could be achieved with the power of Federal initiatives.

Enterprise Zones would directly benefit those who need the basic commodities of an economy: Jobs and a steady income. Enterprise Zones would create rungs on the ladder of opportunity for those residents who are below the poverty line.

Second, is a radical new direction in housing and welfare policy. When I became Secretary of HUD, I made a commitment to wage war on poverty by using the resources of the Department to expand homeownership and affordable housing opportunities; to empower the poor through resident management and urban homesteading; to fight homelessness; and to create jobs and economic development. These activities are at the very heart of HUD's historic mission to fight poverty. But Mr. Chairman, this Department and the Bush Administration have intended from the outset not to be constrained by the traditional means of fighting poverty that have become grossly inefficient and that have placed low-income families on a treadmill of endless poverty and dependence.

We clearly recognize the need to provide basic shelter assistance to the millions of families who live in substandard housing, are faced with homelessness, or who pay large portions of their modest incomes for rent. However, this Administration does not buy the argument that poverty is a permanent or perpetual condition. We have proposed programs and budgets intended to redirect housing policy back to the poor and low-income families who are the intended beneficiaries of HUD programs, with the goal of ending poverty and dependence.

To an extent, we have had the cooperation of Congress in this effort. Congress authorized the Administration's HOPE Grants proposal to enable low-income families and tenants to become homeowners with a stake in their communities. HOPE is intended to break the cycle of poverty, dependence and despair that has entrapped low-income families, and to replace it with access to assets, private property and opportunity.

The most successful asset-based anti-poverty program in American history got underway a hundred years before the Great Society. It was Abraham Lincoln's Homestead Act of 1962. Homeownership is the classic path to the American dream. the median net worth of homeowners in 1984 was 30 times that of renters. Homeownership is a fundamental building block of prosperity in America. It is no different for the poor than for the middle class.

Congress also approved the Administration's Shelter Plus Care initiative to expand community-based mental health facilities, drug abuse treatment, job training and day care to help the long-term homeless get the shelter and support services they need to re-enter the mainstream economy. It also approved the Administration's Family Self-Sufficiency program to link Section 8 and public housing assistance with job training, education and other assistance to provide residents with opportunities for upward mobility.

Unfortunately, the promise of some of these new directions in housing was not matched by the performance of Congress in appropriating the funds for them. Because Congress approved only 40 percent of the authorized amount, we will have to settle for great deal less than we had hoped, the opportunity for homeownership will be delayed or denied for thousands of low income families, and we will have greater difficulty meeting

our goal of 1 million new homeowners by 1992. Congress also funded both the Shelter Plus Care program at a small fraction of the Administration's request.

At the same time Congress chose to protect the status quo. It ignored the evidence that housing vouchers and certificates will meet the affordability requirements of most families with "worst case" housing needs and at the same time give low-income families greater choice of where to live. Instead, it funded public housing new construction, which will create one-half as many units of housing as a comparable amount of tenant-based rental assistance. It even waived the matching requirement for the new HOME program, which was intended to provide a preference for more efficient tenant-based assistance and light rehabilitation over new construction. Congress even stripped the Department of its ability to implement rules that would have stopped the awarding of public housing operating subsidies to inefficient public housing authorities for the maintenance of vacant public housing units.

Third, we must help welfare recipients move to economic independence. If a woman on welfare in New York with two children, or a father who is unemployed takes a job, their income goes down. The startling fact in America today is that the highest marginal tax rates are being paid not by the rich, but by welfare mothers and unemployed fathers who want to take a job. In most cities, a welfare mother with two children would have to earn \$18,000 to \$20,000 in a private sector job to earn the equivalent of the average tax-free welfare payment.

But the loss of income is not the only barrier. According to the Wall Street Journal, when a woman in Milwaukee, Grace Capetillo, accumulates a small savings

account as a nest egg to help send her daughter to college, she is legally guilty of "welfare fraud," and faces a \$15,000 fine. Tell me how it's possible to run a welfare system which tells people that if you work and produce and invest your time and your talent and your energy, you're going to be worse off. There is no link between effort and reward. People who come off welfare should not face higher marginal tax rates than the wealthiest of our citizens. Savings and assets should not be penalized but encouraged.

Other initiatives. The President's "Excellence in Education" Act which makes choice among public and private schools the centerpiece of improving America's education, has not been passed by Congress. But I believe this Committee should look closely at choice in education for inner city schools where poor people are far too often trapped in second rate schools.

The President's empowerment agenda also includes IRAs for first time homebuyers to help young families accumulate savings for downpayments on their first homes. It includes more authority for states to experiment in welfare reform at the state level, such as Governor Tommy Thompson in Wisconsin.

Last, Capital Gains. Mr. Chairman, I read an interesting column by David Broder in Sunday's Washington Post concerning the serious budget shortfalls being faced by states from Maine to California. States governments everywhere are running out of money and are proposing drastic cuts in state services -- employee layoffs, reductions in aid to education and aid to local governments, and abolition of state agencies. The states responded to low revenues by raising taxes, and when the economy did not respond, they were forced either to cut services or raise taxes again.

The culprit in the Broder piece is, of course, the Federal government, the failure of whose economic policies has crippled the capacity of state and local governments to meet their responsibilities.

Mr. Chairman, budget deficits are a clear indicator of slow economic growth, and the Federal government is to be blamed for that. But the answer to the problem of slow growth of the economy, at the most fundamental level, is not finger pointing but an action that will unleash the pent up forces of our economy, namely a reduction in the capital gains tax.

Mr. Chairman, one reason for supporting a capital gains tax cut is that such a cut would benefit the states. This is not a revelation. The capital gains tax is effectively a transaction tax which can be avoided by not transacting. This is called the "lock-in" effect, and as a result of the 1986 Tax Reform Act, capital gains have been treated as ordinary income. The tax is effectively the highest it has ever been for almost all Americans, and because of the inflation of the last 20 years, many of the capital gains are not real. One part of the problem for government finance is that the lock-in cuts the tax flow.

The other part of the problem is that high capital gains taxes reduce the value of all capital assets – stocks and bonds, commercial real estate and residential property. Assets that must face a prohibitive capital gains rate are worth less than those facing a lower rate, such as the 15 percent rate proposed by the President. The rise in property values would increase revenue streams to even the smallest school district and unlock and increase the value of capital assets.

Mr. Chairman, it was not Jack Kemp or Ronald Reagan or George Bush -- but President John F. Kennedy -- who said almost 30 years ago: "It is a paradoxical truth that tax rates are too high today and tax revenues are too low -- and the soundest way to raise revenues in the long run is to cut rates now."

Assets, as well as income, are the key to escaping poverty. Only assets appreciate over time, providing a cushion during hard times and a foundation for risk-taking. Assets become a catalyst for entrepreneurship and new wealth. The entrepreneur who uses his talent, intellect and labor to provide a new product or service is the primary source of economic growth and wealth creation in this country. Instead of seeking to redirect the way wealth is distributed, we must create the conditions that create wealth in the first place.

The most important thing we can do to help those in poverty help themselves is to reduce the cost and increase the flow of capital. You cannot create new employees without first creating new employers. The tax on capital is a tax on the ability of Americans to create new wealth. Stifling tax rates on capital gains have driven up the cost of capital to the point where we have a "capitalistic economy with no capital." The Administration sees it as a tax on innovation, risk-taking and job creation, and thus as a tax on the poor, the jobless and the future of the nation.

Under the current capital gains tax we will have to continue to settle for a meager 1 or 2 percent growth in the economy each year, at a time when we need a decade of 4 or 5 percent annual growth.

Experience and common sense show us that an expanding economy increases income to the government, as well as providing opportunity and a better life for our people. Government revenues steadily increased in the 1980s, and there is no reason to stop there. Even sustained, modest 4 percent increases in economic growth will double the size of the economy to \$10 trillion during the next decade and sharply increase revenues which will be available to develop infrastructure and help educate our children, and reduce the deficit. The alternative, Mr. Chairman, is the loss of jobs alone is simply unacceptable.

From 1978 to 1986, when the capital gains tax rate was incrementally reduced from 49 to 20 percent, investment seed capital -- the lifeblood for the entrepreneur -- increased almost a hundred-fold. At the same time, Federal revenue from capital gains nearly quadrupled from the jump in economic activity. Moreover, the number of black-owned businesses soared during this golden age of venture capital, increasing by more than a third in just four years. Blacks, Hispanics and other minorities have the most to gain from a capital gains tax cut because they have most of their capital gains ahead of them.

Abraham Lincoln said in a speech more than 130 years ago: "I don't believe in a law to prevent a man from getting rich; it would do more harm than good. We wish to allow the humblest man an equal chance to get rich with everyone else. When one starts poor, as most do in the race of life, free society is such that he knows he can better his condition; He knows that there is no fixed condition of labor, for his whole life. I want

every man to have the chance, and I believe a black man is entitled to it -- in which he can better his condition -- when he can look forward and hope to be a hired laborer this year and next, work for himself afterward, and finally hire men to work for him. That is the true system."

There are not enough minority businessmen and women in America, despite the large increases of the 1980s -- 80 percent for Hispanic businesses, 60 percent for Asians and nearly 50 percent for Black-owned businesses -- there are today less than 500,000 black-owned businesses and not enough Hispanic-owned businesses. John Jacob's speech on the "State of Black America in 1989" stated that there were only about 300,000 Black entrepreneurs in 1982, about 2 percent of all small businesses. And Black Americans, which comprise 13 percent of the population, own only one-half of one percent of the Nation's \$29 trillion of capital stock. There are 14.1 million small businesses in America, and we want minority business people to have the same opportunity to realize their dreams as other Americans in the free-enterprise system have. Our goal should be no less than to double the number of minority-owned businesses by the end of this decade.

It was surprising to some that when the President and I visited the Cochran Gardens Tenant Management Corporation in St. Louis in May, the President was applauded when he called for a reduction in the capital gains rate. But the people of Cochran Gardens have a far better understanding of what it takes to succeed in the free market than those who have never known what it's like to be locked out, kept down, and held hostage by the second economy. They understood the President's message, because they know who will benefit from lower capital gains taxes.

Taken together, all of these pieces represent an ambitious agenda and a new direction in domestic policy that can empower the poor and expand opportunity.

In the last meeting of the President's Task Force on Economic Empowerment and Opportunity, we considered ideas that should take us even further. I'm happy to see that many Congressmen agree with me that we need to change our welfare system towards self sufficiency, work, and business development. In this regard, the Task Force is considering alternatives that might allow persons on AFDC and other federal subsidy programs to accumulate assets and achieve greater self-sufficiency.

At HUD we are also looking at some dramatic new changes in public housing. The Wall Street Journal recently wrote of the enormous problems in public housing; the bureaucratized system of distressed PHAs, excessive staffs, and huge subsidies to the tune of \$5 billion per year with little to show for the money. Bob Woodson has called it "the silent scandal" and issued a study of management abuses in public housing.

HUD is going to address these problems aggressively with some radical changes to create what we call "perestroika in public housing " -- building on our HOPE program. The initiatives we are looking at will help bring choice, competition, and competence into public housing.

Finally, I would be remiss if I didn't point out the good work which many are doing on the right and the left on pro-family tax policy. The National Commission on Children suggested a higher children's tax credit or exemption. Senator Bentsen has made a positive proposal on the children's tax credit. The Heritage Foundation, American Enterprise Institute, and the Progressive Policy Institute have all recommended

variations of this idea. The Republican Platform has recommended higher exemptions for families for more than 8 years. But the principle is a sound one -- allow families to keep more of their own income to raise children, to pay for health care, to pay for college education, and the need for government support will drop accordingly.

I've attached a chart on the family exemption demonstrating that the exemption would be worth over \$7,000 today had it kept up with rates of inflation and income growth in the post World War II period. It seems to me that this is not only something which is important from a fairness standpoint, but by bolstering the family structure our nation's social and economic fabric would be strengthened.

Mr. Chairman, I also see positive signs that Congress is beginning to take seriously both the importance of stimulating growth and creating jobs and opportunity through improvements in the tax code. Members on both sides of the aisle from Phil Gramm, Bob Kasten, Lloyd Bentsen and Pat Moynihan in the Senate, and from Newt Gingrich and Vin Weber to Tom Downey and Charlie Rangel in the House have introduced tax cutting bills that deserve serious attention.

Just as important, however, is the fact that members on a bipartisan basis are beginning to question the ability of the current welfare system to encourage initiative and reward work and responsibility. I want to commend Vin Weber and members of the House Wednesday Group for examining this issue in depth. But I want to give special mention to a Democratic Congressman from the Mississippi Delta, Mike Espy, who happens to be a rising young leader in the Black Caucus. He has made a particular commitment to providing incentives for the accumulation of assets as the route to

opportunity and economic independence. I mention Mike Espy not just because he led a group of 66 House Democrats who supported increased HOPE funding, but because he speaks from the heart about a wide range of new approaches -- like microenterprises and self-employment -- to helping those who are poor, because the old ways simply don't work.

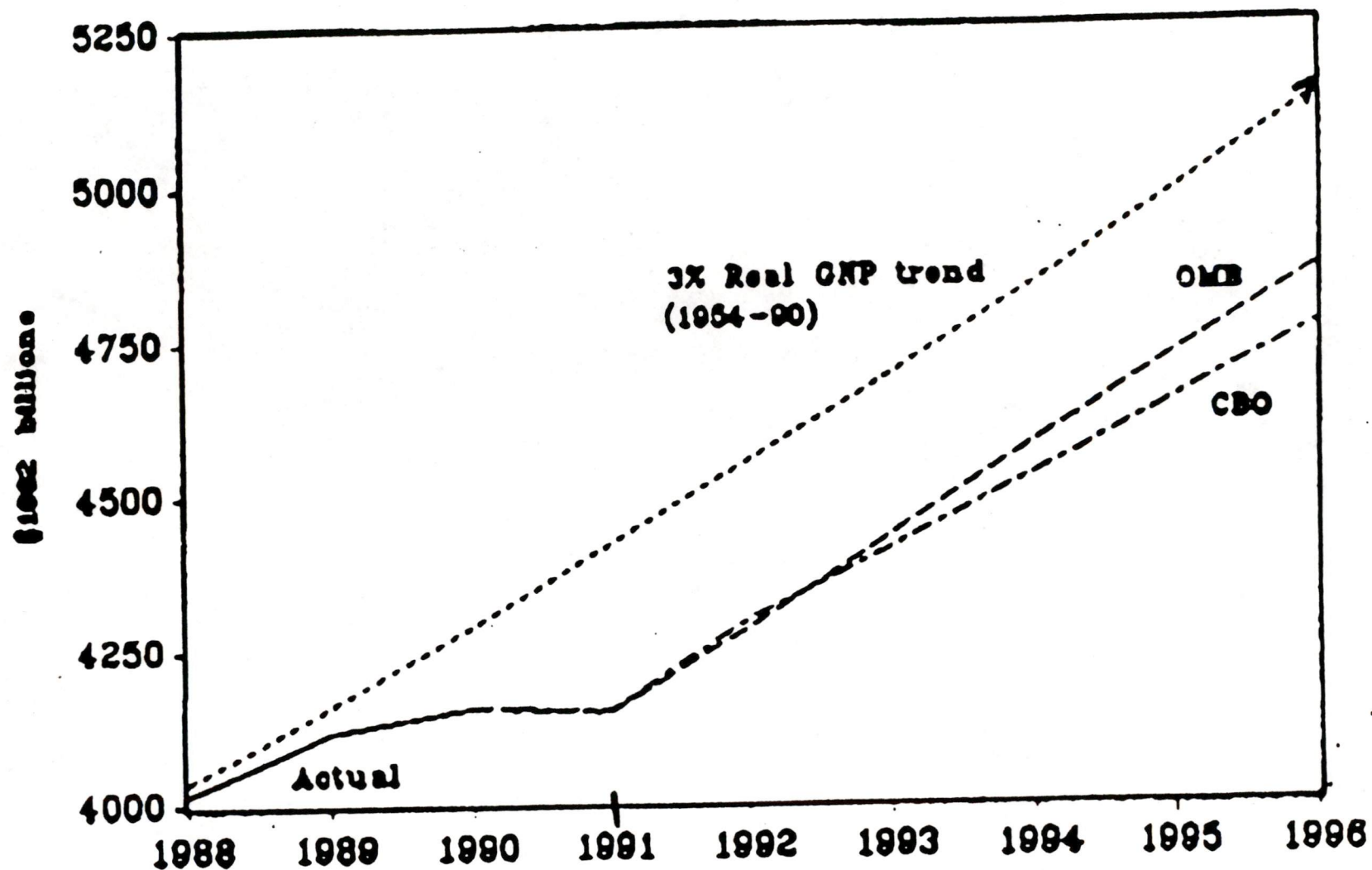
The Congressman said recently: "...it's time we adopted policies which help the poor move from dependency -- to independence. It's time we adopted programs which help them move from subsistence -- to self-sufficiency. It's time we stopped merely giving people fish, and taught them how to fish, and helped them get a rod and a reel." He went on to say that he learned as a child growing up in the Mississippi Delta that he who controls your home, controls your life.

Let me make it clear that one does not judge success in fighting poverty by the number of people we are able to assist, but by the number that have moved out of poverty -- those who have access to housing and homeownership, jobs and opportunity. The premise behind Enterprise Zones, HOPE, capital gains tax reduction and the whole range of "empowerment" strategies is that where life liberty and the pursuit of happiness are concerned, all Americans -- rich and poor -- are equally endowed to be architects of their own self-creation. We have a moral and political obligation to use democratic capitalism to fight poverty, and we can win that war.

I know there is a debate over the timing of new tax and economic growth initiatives. In my view -- and I am speaking for myself as chairman of the President's Economic Empowerment and Opportunity Task Force, as Secretary of HUD and as a

former colleague of yours who is deeply concerned about increases in unemployment and poverty, the decline in the value of residential and commercial real estate values, the slowdown in housing starts and the dramatic rise in barriers to affordable housing -- the hour is late. I urge the Congress to move expeditiously to put jobs, growth, hope and equality of opportunity back into our national economy and to engage in radical perestroika of our inner city welfare economy. I pledge the cooperation of every member of this Administration to work with you to that end.

REAL GNP, TREND & OMB/CBO PROJECTIONS



Source: Bear Stearns

ATTN: BILL GIBBIN

3PAGES

CURT WELDON

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Congress of the United States

House of Representatives

Washington, DC 20515

November 7, 1991

COMMITTEE ON ARMED SERVICES
SUBCOMMITTEES
PROCESSION AND MILITARY
PERSONNEL AND COMPENSATION
SEAPOWER AND STRATEGIC AND
CRITICAL MATERIALS
DEFENSE POLICY PANEL

COMMITTEE ON MERCHANT MARINE
AND FISHERIES
SUBCOMMITTEES
REVENUE AND WILDLIFE CONSERVATION
AND THE ENVIRONMENT
OCEANOGRAPHY

SELECT COMMITTEE ON
CHILDREN, YOUTH, AND FAMILIES

CONGRESSIONAL FIRE SERVICES CAUCUS
CHAIRMAN

Dear Republican Colleague:

I wanted to take a moment to discuss with you a matter of grave importance for our party and for our country. Attached please find an op-ed I wrote last week concerning the Republican domestic agenda as we head into the 1992 election. Although this piece was written before this week's Senate election in Pennsylvania, the results of that election make the matter all the more timely.

We must be better positioned to allay voter fears about domestic issues. People think that Washington is unconcerned about what affects them in their daily lives. If the Democrats have their way, voters will soon think that it is George Bush that is unconcerned. In this piece, I urge the President to declare war on our domestic problems, and I suggest that he name Jack Kemp as his general. One man needs the power to carry out the President's domestic agenda, and Jack Kemp is that man. Since I wrote this op-ed, I have discussed this idea with some of our colleagues, and with Secretary Kemp. I have received an enthusiastic response.

As you know, I have not associated myself with any particular ideological faction within the Republican Party. I put forth this proposal, therefore, not to advance a set agenda, but rather to benefit our party at a critical time. I have not yet sent this piece to a single newspaper. I realize that a public appeal in the Washington Post would be seen as grandstanding, and I do not want this idea to be dismissed out of hand.

The American people must know that the GOP is actively pushing domestic policies that answer their very real concerns. Identify domestic priorities, sell them to the American people, and pass them into law. Jack Kemp has the talent and energy to do the job.

I understand that the White House and OMB turf warriors will be unhappy about this proposal, but they are precisely the ones who have led us to this point. I think you will agree that this approach can only benefit President Bush, as well as Republicans across the country. If you think that this idea has merit, please work with us to promote it to the White House. Thank you.

Sincerely,

Curt Weldon
CURT WELDON
Member of Congress

CURT WELDON

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COMMITTEE ON ARMED SERVICES

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FISHERIES AND WILDLIFE CONSERVATION
AND THE ENVIRONMENT
OCEANOGRAPHYSELECT COMMITTEE ON
CHILDREN, YOUTH, AND FAMILIESCONGRESSIONAL FIRE SERVICES CAUCUS
CHAIRMAN

November 1, 1991

A REPUBLICAN CALL TO ARMS
by Congressman Curt Weldon

When it comes to solving America's domestic problems, we have plenty of indians, but no chiefs. Just look at the plans floating around Capitol Hill. Need middle class tax cuts, health care reform plans, or anti-drug policies? We've got a million of them. Actual bills signed into law? Well, check back with us later.

The fact is, decisive leadership can only come from the White House. President Bush has been faulted for not proposing bold new initiatives to deal with problems that affect Americans in their daily lives. Much of this criticism has been unfair; witness the President's sensible transportation and anti-crime plans, for example. Some of these criticisms, however, have been valid. At times, domestic issues have gone unaddressed. It is certainly fair to say that the White House has moved far more adroitly when addressing problems abroad than it has in dealing with troubles at home.

President Bush has enjoyed tremendous success in the field of foreign affairs, and much of this success is owed to the President's effective managerial style. In several important instances, President Bush has outlined a broad plan of action, taken his case to the people and the world community, and then turned to skilled and trusted advisors to execute his policies.

In the case of Operation Desert Storm, when the President needed one man to put his policies into effect, he turned to Defense Secretary Cheney. With regard to the Middle East peace talks, he allowed Secretary of State Baker to handle day-to-day diplomatic maneuverings during the historic discussions in Madrid.

In the domestic arena, however, there has been no trusted lieutenant, no cabinet member with the clout and authority to carry out the President's agenda. On every domestic issue, Bush advisers quarrel amongst themselves. Policy inertia takes over while memos flow back and forth between the White House and the departments and agencies. Often, crucial opportunities are missed, and the initiative is seized by the Democrats. Recall what happened during the highly partisan budget summit debate last year. The Democrats clearly set the agenda, while Republicans scrambled to play catch-up. In the final analysis, the White House was handed a resounding

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defeat.

This much is true: the bean counters and turf-warriors at the White House and the Old Executive Office Building have done the President little good. The President has too often found himself on the defensive, because his advisors (concerned with protecting their own bureaucratic prerogatives) have consistently been outmaneuvered by Congressional Democrats.

We need one leader with a clear vision for the future of America, and who has the full confidence of President Bush, to be in complete charge of the President's domestic policies across the board.

It is time for the President to declare war on America's domestic problems, and he should name Jack Kemp as his general.

Alone among the Bush cabinet members, Jack Kemp has the energy, enthusiasm, vision, and know-how to work with the President and Congress to carry out a domestic agenda that will bring America into the 21st century. He is respected on the Hill, where he has worked with Democrats for the past two years to address America's housing needs. He could unite Republicans behind a common domestic plan, yet still work with the Democrats, whose votes he will need.

Most of all, though, Secretary Kemp has a long history of creative proposals to deal with America's domestic ills, including the Kemp-Roth tax cut plan, the Kemp-Kasten tax reform package, the "enterprise zone" initiative, and the HOPE housing program. His proposals have shaped American policy for over ten years.

[The President should give Jack Kemp the authority to devise a set of domestic policy goals, as well as the power to carry these policies out. He should have the authority to negotiate with Congress on the President's behalf, and he should be accountable only to the President. Kemp should leave his HUD post, and assume the chairmanship of a newly-created Domestic Action Committee. Forget the intra-cabinet groups that are supposed to tend to domestic needs. Give one man real power, and let him go to work.

Identify our most pressing domestic needs, and start with the economy. Does the President want a "pro-growth" strategy? Kemp can deliver. There are a number of sensible pro-growth proposals coming both from Republicans and Democrats on the Hill. Let Kemp devise a long-term economic recovery strategy that incorporates the best aspects of Republican and Democratic proposals, and then let him take the President's case to the people. Watch how quickly things get done.

Jack Kemp made quite a name for himself as a quarterback, both in the NFL and on Capitol Hill. He has proven that he can come through when the game is on the line. It is time to give him the ball once again.

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Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
02a. Note	From Jack Kemp to John Sununu Re: Attached letter to POTUS (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: Kemp (HUD) (1991) [1]

Open on Expiration of PRA
 (Document Follows)
 By *[Signature]* (NLGB) on 10/28/05

Date Closed:	12/30/2004	OA/ID Number:	29188-011
FOIA/SYS Case #:	1998-0004-F[2]	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]
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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]
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 (b)(9) Release would disclose geological or geophysical information

John —



THE CHIEF of STAFF
has seen

this is private & I want
us to keep it that way.

Regards, John

Andy Card & I are in 100% communication —
The Secretary of Housing and Urban Development (except for this!)

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
02b. Letter	From Jack Kemp to POTUS Re: Administration Agenda [FOIA RESTRICTIONS REDACTED] (3 pp.)	11/7/91	P-5 , (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: Kemp (HUD) (1991) [1]

Open on Expiration of PRA
 (Document Follows)
 By  (NLGB) on 4/21/08

Date Closed:	12/30/2004	OA/ID Number:	29188-011
FOIA/SYS Case #:	1998-0004-F[2]	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:	

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U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0001

November 7, 1991

The President
The White House
Washington, DC 20500

Dear Mr. President:

Thanks for the ride home Monday night. It was particularly gracious of you to write such a thoughtful note about our discussions of the economy and its political ramifications. Of course, it goes without saying that I'll keep my notes and letters coming. Most of all, thanks for your hospitality to my "radical" ideas.

I also want to say thanks for your patience with my persistent efforts to advance a Bush Administration pro-growth, pro-jobs, pro-family tax cut agenda this year. I believe such a package would pass the Democratic Congress with aggressive Administration leadership. It would generate an immediate boost to the economy and produce substantial political benefits to the Administration.

I know the arguments against this strategy which Dick Darman outlined in his interview in Monday's Wall Street Journal. He announced that your Administration will not seek a pro-growth agenda in '91, nor even in '92 unless "the economy is sputtering." This thinking puts your Administration in political danger by allowing the Democrats to pre-empt us on taxes and growth. Already, Speaker Foley has attacked you publicly for "pouring cold water on the idea of any tax reductions this year."

Mr. President, of course, Tom Foley is wrong. You're the one who proposed cutting the capital gains tax back in 1988 and in every budget of your Administration. It is Speaker Foley and Majority Leader Mitchell who have consistently blocked your proposals. But if Dick Darman's strategy prevails, our Administration will concede the field to the Democrats without even a fight, allowing them to set the groundrules and allowing them to take the credit. Dick Darman's interview in the Wall Street Journal suggests we "do nothing" unless conditions dictate. In my view, we must dictate the conditions and the agenda.

You know I'm not a pessimist, indeed, I'm a congenital optimist. As I said on the plane, people will forgive us for trying and losing, but they will never forgive us for not even

trying. There are those who say, "we tried, we tried," and certainly you have tried valiantly. But, in effect, Dick Darman is saying we won't try anymore this year and won't even try in '92 unless the economy weakens further. How weak must the economy become before he is ready to make economic growth and more jobs our highest priority and fight for our ideas? In my view, his defensive strategy is the ultimate in pessimism.

Mr. President, my support for your success is unflinching and, as I said, you will not find a more enthusiastic defender of your Presidency, but I must state emphatically my opposition to Dick Darman's "view of the world."

(b)(6)

I don't want to criticize without a constructive suggestion. So I respectfully suggest that you consider a Team A/Team B approach to the economy. I would urge convening a meeting with economists like Alan Greenspan and Wayne Angell of the Federal Reserve, George Schultz and Martin Anderson of the Reagan-Bush policy team, and anyone else you think could offer beneficial insights. Let them share with you and your EPC the type of advice and counsel you sought at the CIA when you successfully directed a similar 2-team approach in assessing the Soviet threat in the 1970's. Obviously time is of the essence and there are some good proposals on the table, such as Gramm-Gingrich, Kasten-Weber, and Wallop-DeLay, upon which to build consensus.

I believe that opening up the economic policy process to a broader range of views will be helpful to you and your economic advisers in devising the proper strategy for recapturing the momentum on the economic agenda. You've sent an important signal to the American people by postponing your trip to Asia. Now would be a perfect time for you to hold the Democrats accountable for this economy by demanding that they postpone their adjournment until they've voted up or down on your economic growth package, on the conditions you have set. If you lose with Congress, you'll win with the American people.

With your leadership, I believe we can turn the economy into a positive issue, but only if we take the offensive now to expose the Democrats' Keynesian and redistributionist schemes for what they are.

Respectfully,

Jack Kemp

*Mr President -
this is personal & confidential
I'm giving an "eyes only" copy to
John Surran so as
to let him know
of my
communication with you.
I wish you Goldscheid, JKC*

POLITICS & POLICY

Darman Says Taxes Won't Be Trimmed in '91, But May Be Cut Next Year if Economy Stays Limp

By ALAN MURRAY
And DAVID WESSEL

Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON—A tax cut won't be enacted this year but might be next year if the economy remains sluggish, White House Budget Director Richard Darman predicted.

In an hourlong interview, Mr. Darman said that "if the economy is still sputtering" next year, "then it is conceivable to me that there would be the right political context in which to enact a responsible tax cut."

The White House and Republican leaders in Congress are close to substantive agreement on a tax package, he said, but they disagree on whether it would be wise to push it aggressively right now. The plan would reduce the capital-gains tax, expand individual retirement accounts, create new tax incentives for home buyers and give the middle class a tax cut for just one year. Mr. Darman wouldn't elaborate on the temporary tax cut, but the advantages are obvious: It gives voters more money immediately while limiting the damage to the deficit to a single year.

Mr. Darman is the administration's point man on budget issues, and his views



Richard Darman

will be critical in shaping White House policy over the next year. Some Republicans, inside and outside the administration, have been urging President Bush to push Congress to cut taxes now. Mr. Darman, among others, has been counseling against that, and his view appears to be prevailing.

The budget director's comments during the interview suggested his own strategy will hinge on what happens to the economy. If the economy recovers, he seems unlikely to push for any major tax or budget changes in the next year. But if economic growth fails to pick up, he may advocate more substantial action.

The budget director dismissed the notion that tax cuts in the next few years could be paid for by slashing defense spending. No substantial defense savings are likely to occur before 1995, he said. He added he hopes that health-care issues are debated in the presidential campaign so that the winner can claim a mandate for his approach to the complex problem.

The following are excerpts from the interview:

Do you think there will be a tax cut enacted this year?

In 1991? No.

How about next year?

If the economy is still sputtering, then it is conceivable to me that there would be the right political context in which to enact a responsible tax cut. There is, however, the risk in an election year that such a tax cut could become a tax-cut bidding war.

Could tax cuts for the middle class be

paid for by reducing defense spending?

I doubt that will be possible next year. You can't talk about a significant middle-income tax cut without talking about significant amounts of money. Defense savings are simply not going to produce significant amounts of money, at least in the near term. Furthermore, if you tried to make such a transfer before 1995, you'd be violating the budget agreement, and I do not believe we should reopen the budget agreement.

I think in the more distant future, in fiscal year 1995 and beyond, that certainly becomes a more interesting possibility, because at that stage it is possible to imagine there being somewhat more substantial defense savings.

The world has changed enormously since you negotiated the budget agreement last year, as a result of the collapse of the Soviet Union. Why not scrap the budget agreement?

No one is denying the world has changed in a fundamental way. But to think that translates immediately into a large volume of defense savings is wrong.

You also have to ask yourself, has the world changed in a way that has eliminated the federal deficit? Is the federal deficit irrelevant? I think not. The U.S. now has a rising amount of debt as a percentage of gross national product. That should not be allowed to continue.

Is there any chance you could make further progress in cutting the budget deficit next year?

Not without reopening the budget agreement. My personal opinion is, it is unlikely you will get a responsible outcome if you

reopen the budget agreement in the midst of an election year. It would be better to reopen an agreement for extension and, as necessary, any renegotiation, in '93 than in '92. It has been suggested my reasoning on this point is political, and it is. I think you get a better outcome from the political system in a non-election year than in an election year.

You've been criticized for being on both sides of this issue. On "Meet the Press" (a weekly television show) a few weeks ago, you seemed to suggest that under the right conditions, you'd be willing to reopen the budget pact next year.

I would. But I said so with very specific conditions, and I do not believe those conditions can be met next year.

The conditions included that, one, the purpose should be a combination of deficit reduction and growth; two, there had to be agreement there would be growth-oriented tax incentives in the package; and three, that growth of the trillion dollars worth of totally unreviewed, uncontrolled, so-called automatic spending increases in the federal budget would have to be constrained.

Republicans on Capitol Hill and within your own administration complain you are hurting the president politically by resisting idea of a broad tax package that combines tax cuts for the middle class with the capital-gains tax cut.

I don't resist the idea of such a package. The practical question is, when you don't control either branch of Congress, how do you ensure that when you start this process, it develops in a way which produces responsible policy?

When you put out your budget earlier this year, the capital-gains tax cut was not mentioned until the back of the book. It seemed clear you were trying to play it down. Why are you now talking about capital gains?

We used the phrase "growth-oriented tax incentives," which I think most people understood to mean capital gains. I think

"capital gains" has suffered as a phrase in that it has not resonated with average people. They think of it incorrectly as strictly a benefit to the rich.

But IRS figures show that more than two-thirds of the capital gains that are reported in this country go to people making over \$200,000 a year. How can you not expect people to see that as a tax break for the rich?

It is seen incorrectly if it is looked at that way. There are at least two other points. One is that the theory underlying a capital gains incentive is that you will have more productive investment, greater productivity, more economic growth, more jobs, more American competitiveness in a global economy, and that's good for everybody, that isn't peculiarly good for the rich.

The second one is that many of the people in the upper-income brackets are people who will pay more taxes if the capital-gains tax rate is cut than they would if there was not a capital-gains tax cut, and they held onto their assets until death.

Politically, in an election year, can you ever hope to get those points across?

No, not unless it's combined convincingly with the connection with jobs and growth, and probably also with some specific tax incentives or benefits for the middle class.

When is the administration going to come up with its long-delayed health-care plan?

I've said for some time that I would hope it would do that in the course of next year. That would continue to be my hope.

Do you think it's important that it be thoroughly debated in the election?

Elections rarely debate anything thoroughly, but I do think it would be useful to have it debated at least in the abstract so that when as I expect President Bush is re-elected, the framework of his preferred policy approach could be part of a mandate.

FROM
THE WHITE HOUSE
WASHINGTON, D.C.

Deliver by Messenger

The Honorable Jack Kemp
Secretary
U.S. Department of Housing and Urban
Development
451 7th Street, SW
Washington, DC 20410

PERSONAL

TO BE OPENED BY ADDRESSEE ONLY



THE PRESIDENT

11-5-91

Dear Jack,

I enjoyed our chat on
AFI - We talked only about
the problem areas.
We didn't talk about
how grateful I am to you
for taking our message

of hope (both capital "H" and
small "h") into so many
dense comments - keep
it up.

And yes keep those cards
and letters coming. I don't want
that special TK action to cool --
-- just want it in a way so as
to avoid future frantic Helen
Thomson phone calls - in close - But
a

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
04. Memo	From POTUS to Ede Holiday Re: Kemp's Remarks at Press Club (2 copies) (2 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: Kemp (HUD) (1991) [1]

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To: Ede cc John S

Re" Kemp speech or debate at Press Club yesterday.

Jack Kemp called explaining his remarks.

Please see if there is a transcript of that denate available. I want to be fair, but we cannot have Cabinet Officers so visibly differing with Admin. Policy. Inside "Yes", outside "No." Let's see, however, what was actually said.

gb

A handwritten signature, possibly "Coy", is written in dark ink. It consists of a stylized first name followed by a long, sweeping horizontal line.

CC: Patty Presock

FROM THE PRESIDENT



To: Ede cc John S

Re" Kemp speech or debate at Press Club yesterday.

Jack Kemp called explaining his remarks.

Please see if there is a transcript of that debate available. I want to be fair, but we cannot have Cabinet Officers so visibly differing with Admin. Policy. Inside "Yes", outside "No." Let's see, however, what was actually said.

gb

07

CC: Patty Presock

FROM THE PRESIDENT

Secretary Jack Kemp
Addresses
★ The National Alliance ★
of Business

**“Getting America and the World Moving Again:
Democratic Capitalism in a New Millennium of Freedom”**

**Washington, D.C.
October 7, 1991**



"America at last has its chance to lead the emerging democracies of East and West into a new millennium of unbounded freedom. After a century of struggle against totalitarian regimes of every imaginable form, democracy is no longer a fragile American experiment. It is a powerful force linking nations together in a vast global enterprise. We must seize this opportunity to complete the democratic revolution begun in 1776."

Jack Kemp
October 7, 1991

Thank you very much, Bill Kolberg (President of the National Alliance of Business) for that kind introduction. It's an honor to address this conference of the National Alliance of Business. In 1991, nearly 3,500 NAB member companies were involved in the Alliance's mission to upgrade the American workforce and bring unemployed and low-income Americans back into the economic mainstream.

NAB was formed in 1968, at the height of the Johnson era's first War on Poverty. But while Great Society programs only reinforced the underlying patterns of poverty, NAB's public-private initiatives gradually brought to bear the power and experience of the private sector. Thousands of American workers have benefited by your commitment to practical, anti-bureaucratic, free market programs which work.

I think, frankly, that the NAB model was the inspiration for a key part of President Bush's America 2000 plan. The New American Schools Development Corporation, which is chaired by my good friend Governor Tom Kean, will raise \$150 million in corporate donations to harness private sector experience to literally reinvent the American school.

Ultimately, 535 new schools will be created across the country, based on the innovative designs developed by the New Schools Corporation. The President met with major business leaders at Camp David on Friday to lay the groundwork for this initiative.

America 2000 builds on the creative activism already taking place in the private sector. Eugene Lang set the standard for education reformers when he promised the students at PS 121 in New York that he would send each and every one of them to college if they kept their grades up. Since then, some 40,000 students nationwide have received similar offers of support from others following Eugene Lang's example.

And in Louisiana, Pat Taylor has proposed that the State guarantee a college education to all its citizens who can gain admission. It's an idea whose time has come.

The United States spends more than \$400 billion a year on education. That's \$5,600 per student, up more than 35% in real terms during the last decade—more than any other country on earth. Yet we rank 14th in academic achievement. The massive funding increases since the *Nation at Risk* report have not stopped SAT

scores from dropping for the fourth year in a row. If the American workforce of the 21st Century is to meet its full potential, there's no question we have to do much better.

One thing that will *not* work is a brass knuckles approach to mobilizing the business community's support. Senator Edward Kennedy and Congressman Richard Gephardt have introduced a new bill which would compel business to provide workforce training and foist a stiff tax on the those companies which decline to follow orders.

American business already understands the need to retrain workers, and billions are being spent for that purpose. Workforce improvement is a hot topic for industry. This conference is proof. Bill Kolberg has said that "The last frontier of international competition is the workforce."

What businesses need are tax incentives to encourage them along a path they are already taking. For example, accounting regulations and tax rules should be changed to make it easier for businesses to invest in their workers. And it *is* an investment ... an investment in the most important kind of capital—human capital.

We live in a new and different kind of world. The rules of the game are being rewritten with every passing day, with every passing revolution. Business and government will have to quickly adapt—and focusing new attention on human capital is just one example.

It is sometimes easy to forget how much things have already changed. Think back just ten years. When Ronald Reagan and George Bush came into office, Communism was advancing on every front. The Third World was mesmerized by Soviet power and caught up in the myth of centralized planning. But with stunning rapidity, the American economic miracle helped stimulate a crisis in the Communist system and catalyze a worldwide democratic capitalist revolution.

There was a time—not long ago in the history of freedom—when democracy was still seen as a bold but fragile experiment.

And indeed democracy faced many challenges. Threats from foreign shores and threats from within. Its success was never assured. By its very nature, the democratic dream was fated to succeed or fail through the choices made by free men and women.

Yet every democratic nation knows it is impelled by a force greater than itself ... drawn inevitably toward fulfilling some final purpose, not for itself but for all humanity.

In the bleak winter of 1861, President-elect Abraham Lincoln stopped at Independence Hall on his way to Washington for the inauguration, having left Springfield, Illinois, never to return. The democratic experiment in America was in grave peril ... but in this place, Lincoln was serene, even hopeful. He said:

"I have never had a feeling politically that did not spring from the Declaration of Independence ... [It] gave promise that in due time the weights should be lifted from the shoulders of all men, and that *all* should have an equal chance."

And democracy *has* survived. It has come through the most brutal century in human experience, not weakened by its ordeal but grown strong. And America has found both power and prosperity in the struggle.

One hundred and twenty-six years after the Emancipation Proclamation, we have conquered the shame of slavery and segregation. And having done so, we have preserved for the world the luster of the American example.

Yet we cannot, in all good conscience, claim that America has totally fulfilled its mission. Not when the American Dream remains out of reach for too many low-income Americans. This is our next great challenge: to expand the depth and reach of American prosperity ... to make our Nation an example for all the world in what President Bush has called a Pax Universalis.

The President believes we must inaugurate a new era of boundless economic opportunity and growth for all people. It is time for a new round of 1981-style tax rate cuts on capital and labor—new incentives for risk-taking and entrepreneurial growth, this time paying particular attention to the classic American formula for escaping poverty. We must commit ourselves to waging and winning a New War on Poverty guided by the logic of marketplace incentives which strengthen the link between effort and reward.

Millions of Americans, including many of our parents and grandparents, escaped poverty by acquiring assets and property, starting a business, owning a home. We must open up the flow of entrepreneurial

venture capital which was locked up by the liberal Democrats' huge 65% increase in the capital gains tax in 1986.

President Bush's call for a dramatic reduction in the capital gains tax has highlighted the stark differences between Democratic and Republican economic philosophies. The Democrats would respond to sluggish economic growth by spending billions on unemployment benefits and soaking the rich. President Bush has rightly said we must respond instead by creating millions of new jobs. But you can't create employees without first creating employers.

The tax on capital is a tax on the ability of America to create new wealth—it's a tax on the American Dream, and it's driven up the cost of capital to where we have what Jesse Jackson called a "capitalistic economy with no capital." I thought he was kidding, but he's right.

But his Democratic Party sees the capital gains tax as just another tax—one they wrongly think falls only on the wealthy. What President Bush is saying is that the capital gains tax is fundamentally different. More than all other taxes, it is a tax on innovation, a tax on risk-taking, a tax on the entrepreneur, and thus a tax on the poor, the jobless, the future potential of the Nation.

By boosting the tax on capital gains to one of the highest levels in American history, as we did in 1986, we locked up billions of dollars of potential investment capital in safe, blue chip, mature investments. Entrepreneurial capitalism cannot survive if everyone invests only in front-runners and no-risk-attached sure bets. If that's the way our tax code continues to work, we will only muddle along at 1% or 2% growth, when in reality we need a decade of 4% to 5% growth and a doubling of our GNP by 1999. A \$10 trillion economy gives us another \$250 billion in revenues with which to rebuild transportation and infrastructure, help educate our children, and clean up the air and water.

In recent testimony before the House Ways and Means Committee, Michael Boskin, Chairman of the President's Council of Economic Advisors, said:

"Reducing the tax rate on capital gains could give a needed boost to the economy and improve long-term growth prospects. It would encourage entrepreneurial activity, which

creates new products, and new methods of production, which in turn generates new jobs.”

From 1978 to 1986, when the capital gains tax was incrementally reduced from 49% to 20%, investment seed capital—the lifeblood of the entrepreneur—surged from \$250 million to \$22.5 billion—almost a hundred-fold increase. At the same time, Federal revenues from the capital gains tax nearly quadrupled from the resulting jump in economic activity.

Moreover, the number of black-owned businesses soared during this golden era of venture capital, increasing by more than one-third in just four years. Blacks, Hispanics, and other minorities have the most to gain from a capital gains tax cut since they have most of their capital gains ahead of them. Today, blacks represent more than 12% of the population, but own only one-half of 1% of the Nation’s capital stock.

Capitalism without any capital is a “sham.” The current “credit crunch” is causing a “capital formation crunch” which is preventing many entrepreneurs from acquiring the seed corn they need to start new businesses. Trying to open up the stock of capital so low-income entrepreneurs and at-risk businesses can get venture capital is what lies at the heart of President Bush’s attempts to get Congress to cut the capital gains tax and eliminate it in urban pockets of poverty.

In the worst urban and rural neighborhoods, there frankly is no earthly reason why there should be any capital gains tax at all. That’s why President Bush has asked Congress to immediately authorize 50 Enterprise Zones all across America, in which capital gains taxes would cease to exist and a range of other Federal tax incentives would be offered.

As Professor John Sibley Butler of the University of Texas will show in his forthcoming book on black entrepreneurship, where blacks have developed an entrepreneurial tradition, they have escaped poverty in large numbers. In Durham, North Carolina, where there is a long history of black entrepreneurship, Dr. Butler found that 40,000 blacks control more wealth than one million blacks in Chicago.

That should come as no big surprise. That’s a classic American story—a classic human story.

In his revolutionary new papal encyclical, “Centesimus Annus,” Pope John Paul II writes, “A person who is deprived of something he can call ‘his own’

and of the possibility of earning a living through his own initiative comes to depend on the social machine and on those who control it.” And having grown up in Communist Poland, this Pope speaks from personal experience.

We must help flood the inner cities with new capital and new opportunities. We must also introduce private property ownership into the enclaves of urban socialism. Some of the most poverty-stricken neighborhoods in America were built and paid for by the U.S. Government. Public housing residents are kept isolated from the power and private property opportunities of our macro and mainstream economy. President Bush intends, for the first time in history, to give public housing residents the right to own their own homes. This is the same spirit of homesteading used by President Lincoln in 1862 when he opened up millions of acres of government land to the poor. His Homestead Act became one of the most successful anti-poverty measures in American history.

The President sought \$855 million in fiscal year 1992 to create 30,000 new low-income homeowners and start 60,000 more on the same path. Congress approved less than half that amount, instead allocating new funds to failed status quo programs.

The liberal Left is fighting President Bush’s pro-growth plan to reduce the cost of capital and promote private property ownership as though it were an attack on God, country, and the Constitution. They have called forth their vast reserve arsenal of class warfare rhetoric and brought the politics of envy out of mothballs.

A new generation of liberal Left doomsayers are describing the coming American apocalypse, like so many Rip Van Winkles awakened from a Carter-era nap.

Robert Reich of Harvard, the Left’s new economic guru, is typical. In his book, *The Work of Nations*, he writes of a rising new class of so-called “symbolic analysts”—what we lesser mortals might call “white collar” workers—like stock brokers, scientists, and corporate executives. In the future, Reich expects the symbolic analysts to comprise an elite group of skilled workers living at the expense of the poor.

Here is Robert Reich’s America: “The townships and urban enclaves where [the symbolic analysts]

reside, and the symbolic-analytic zones where they work, will bear no resemblance to the rest of America; nor will there be any direct connections between the two. America's poorest citizens, meanwhile, will be isolated within their own enclaves of urban and rural desperation; an ever-larger proportion of their young men will fill the nation's prisons."

Reich's fresh and provocative solution?

Two trillion dollars in new Federal spending for education, job training, and new roads and bridges—all of it funneled through an ever-growing Federal bureaucracy.

And Reich falls into the same old trap. By raising the top marginal tax rates back to their 1977 level (he seems to still have a warm place in his heart for the Carter years), he says we'll pick up \$93 billion in new annual revenues. This assumes, in the best tradition of static modeling, that the economy will keep growing as if nothing had changed. As for the rest of the \$2 trillion ... well, that part's easy. Just cut defense by 50 percent.

This is the voice of so-called "resurgent liberalism," mind you. This is the best they have to offer. But Reich's "Twilight in America" ideas promise only to make the 1990s look like the 1970s, complete with stagflation, low productivity, and high taxes. And it will make America poor, not rich. You can't help the poor when our Nation is getting poorer.

Others on the Left, like the *New Republic's* economics editor Robert Kuttner, would have us return to a "more assertive" trade policy. Translation: they want to slam the door on booming American exports by starting a trade war. But America and the world's future lies in quite another direction.

With the whole world now coming to recognize the power of private property and free enterprise, why should our free markets end at the water's edge? The maze of tariffs and quotas which obstruct the free flow of capital across borders and oceans are an anachronistic throwback to the zero-sum, mercantilist logic of the past.

President Bush has committed the United States to creating a North American Free Trade Zone, the largest

free-trading community on earth, to build on Mexico's historic economic reforms. President Salinas and his Finance Minister, Pedro Aspe, have slashed marginal tax rates, cut tariffs, and stabilized the peso, making Mexico a leader in the booming Latin American market. When established, this Free Trade Zone will encompass more than 360 million people and about \$7 trillion in annual output.

Since 1986, when Mexico began opening up its economy, U.S. exports to Mexico have more than doubled to over \$28 billion per year. A study by the accounting firm of Peat, Marwick, shows free trade with Mexico adding at least 61,000 new jobs to the U.S. economy.

The critics of free trade view the international marketplace as a battleground in which nations vie for a fixed supply of global wealth. But with free nations practicing free enterprise in free markets, there is no limit to the amount of wealth that can be created.

Amid today's worldwide democratic capitalist revolution, America at last has its chance to lead the emerging democracies of East and West into a new millennium of unbounded freedom. After a century of struggle against totalitarian regimes of every imaginable form—Fascism, Communism, Apartheidism—democracy is no longer a fragile American experiment. It is a powerful force linking nations together in a vast global enterprise.

Americans have always pledged their lives, their fortunes, and their sacred honor in the defense of freedom. Now is not the time to turn back to the failed politics of limits and timid aspirations. We must seize this opportunity to complete the democratic revolution begun in 1776.

Now is the time to follow the logic and heed the results of the Reagan Revolution—to help President Bush unlock our Nation's greatest source of wealth, the American entrepreneur, and unleash our greatest asset, the American people.

Thank you very much, and God Bless America.

THE WHITE HOUSE
WASHINGTON

AC/TM

October 31, 1991

MEMORANDUM FOR THE PRESIDENT

FROM: EDE HOLIDAY *EL for EH*

SUBJECT: Your Request For a Transcript of Secretary Kemp's
Debate at the National Press Club

The transcript from yesterday's National Press Club forum is being prepared by the Atlantic magazine, but it will not be available until next Tuesday or Wednesday. C-SPAN also recorded the proceedings, but did not air them. C-SPAN intends to broadcast the forum on Sunday or Monday and will make the tape available after that broadcast.

In the meantime, I have attached a number of news stories that reported on Secretary Kemp's remarks. As soon as the tape or transcript is available, I will forward you a transcript of the relevant sections.

Attachments

cc: Gov. Sununu

Kemp Would Reopen 1990 Budget Deal

By JANE E. ALLEN

Associated Press Writer

WASHINGTON (AP) — Housing Secretary Jack Kemp said Wednesday that last year's budget agreement with Congress should be abandoned, a position hinted at but never before flatly stated by a Bush administration official.

Kemp joked to a National Press Club audience that it might be his last comment as a Cabinet member.

Administration sources say Kemp, in White House meetings, has privately stressed the importance of devising an economic package to stimulate the economy. Such a package would mean reopening the budget agreement, which sets strict spending ceilings and prohibits transfer of money from military to domestic spending.

During a forum on the domestic agenda, Kemp said he agreed with Sen. Bill Bradley, D-N.J., that the collapse of communism in the Soviet Union, combined with the slowdown of the domestic economy and financial institution failures were compelling reasons to re-examine the deal.

"I think it forces us to open up the budget agreement, honestly and candidly" in a way that would "not exacerbate the deficit," he said. In recent weeks, as several tax-cut plans began circulating on Capitol Hill, the administration gave some indications it might be willing to reopen the deal.

White House spokesman Marlin Fitzwater said Bush was not inclined to violate the budget agreement, but that all options were being considered. Others have hinted it might be necessary to reopen the budget agreement to alter the ceilings and apply any defense savings to domestic needs.

Two weeks ago, the White House said Bush would come up with an economic growth package. However, as recently as Monday, Bush told Republican leaders he was not likely to make any new economic proposals this year. Bush has held all along that the budget agreement is the best mechanism to control spending.

Kemp, an unabashed opponent of higher taxes, said it was no secret that he believed the budget deal was a mistake.

"It was bad politics," said the housing secretary. "It was bad economics and it raised taxes."

Kemp had made his displeasure known when Congress forged the deal with the administration last year.

During the forum, the participants' views converged on one point — that they believe in some sort of tax cut.

Kemp advocated taking steps, such as cutting or eliminating the capital gains tax on assets held more than three years "to get this economy moving again."

Sen. Phil Gramm, R-Texas, also called for a capital gains tax cut to help jump-start the economy by creating jobs through investments. He would apply defense reductions to deficit reduction as well as middle-class tax relief.

Gramm also showed some flexibility on the budget deal. He said could endorse a new agreement if it did not increase the deficit.

Bradley, who doesn't believe a capital gains tax cut will stimulate the sluggish economy, advocated a tax fairness plan. He would grant middle-class tax relief through \$350 child tax credits, to be paid for with \$80 billion in military reductions and nearly \$40 billion in domestic cuts.

Sen. Jim Sasser, D-Tenn., discussed his proposal to cut \$80 billion from the defense budget and an additional 5 percent in the next five years. He would use the proceeds for middle-class tax cuts, infrastructure spending and deficit reduction.

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Kemp denies reports he is leaving Cabinet

BY HELEN THOMAS

UPI White House Reporter

WASHINGTON (UPI) — Housing Secretary Jack Kemp Thursday emphatically and unequivocally denied reports that he plans to quit the Cabinet. He also insisted that he has no political ambitions for the near future.

In a telephone interview with United Press International, Kemp was questioned about rumors that he was planning to step down. "You have my unambiguous statement. I'm not contemplating leaving," he replied.

"No, unequivocally, unabiguously, unashamedly, no," he added. "Everybody knows how strongly I have supported the president."

Kemp, a former New York Republican congressman who once sought the presidential nomination and a well-known fiscal conservative, said the rumors may have started from a quip he made when asked about the budget.

"I smiled and said that might be the last question I answer as a member of the Cabinet," he recalled, adding that he was only joking.

In addition, Kemp said that on Fox Television Network Wednesday night there were hints that he might be quitting the Bush administration to return to the political arena.

"I'm not contemplating a political move," Kemp said, adding, "I'm a loyal member of the Cabinet."

"It is no secret that I am a strong proponent of holding the Congress in session until Christmas Eve if that's what it takes to get the president's growth package" passed, he said.

He said that he supported the middle income tax cut proposed by Sen. Lloyd Bentsen, D-Texas, chairman of the Finance Committee. "It's no secret that I have for a long time believed we could get a pro-growth, pro-family, pro-man and woman tax package that would meet the goals of the Bush administration" and Bentsen and Sen. Daniel Moynihan, D-N.Y., Kemp said.

However, on that score, White House press secretary Marlin Fitzwater said there is no decision on a growth package to stimulate creation of new jobs and to increase middle class income, and formulation of a package before the end of the year seems remote.

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Kemp Says It's Time to Reopen 1990 Budget Agreement

By JANE E. ALLEN

Associated Press Writer

WASHINGTON (AP) — Housing and Urban Development Secretary Jack Kemp wants to reopen the 1990 budget agreement, as long as that doesn't put the country into deeper debt.

During a forum at the National Press Club, Kemp said the collapse of communism in the Soviet Union, combined with the slowdown of the domestic economy and financial institution failures were compelling reasons to re-examine the deal.

"I think it forces us to open up the budget agreement, honestly and candidly" in a way that would "not exacerbate the deficit," he said Wednesday.

Kemp's comments marked the first time a Bush administration official has flatly advocated abandoning the deal struck last year by Congress and the White House. Up to then, there had only been hints that the White House might be willing to take another look at the five-year agreement.

Kemp joked he might be making his last comment as a Cabinet member.

White House spokesman Sean Walsh had no comment about Kemp's remarks.

Administration sources say Kemp, in White House meetings, has privately stressed the importance of devising an economic package to stimulate the economy. Such a package would require reopening the budget agreement, which sets strict spending ceilings and prohibits transfer of money from military to domestic accounts.

In recent weeks, as several tax-cut plans began circulating on Capitol Hill, presidential spokesman Marlin Fitzwater said Bush was not inclined to violate the budget agreement, but that all options were being considered. Others have intimated it might be necessary to alter the spending ceilings and apply any defense savings to domestic needs.

Two weeks ago, the White House said Bush would come up with an economic growth package. However, as recently as Monday, the president told Republican leaders he was not likely to make any new economic proposals this year. He has held all along that the budget agreement is the best mechanism to control spending.

Kemp, a vocal opponent of higher taxes, said it was no secret that he believed the budget deal was a mistake.

"It was bad politics," he said. "It was bad economics and it raised taxes."

The HUD secretary also made his displeasure known when Congress forged the deal with the administration last year.

Kemp advocated taking steps, such as cutting or eliminating the capital gains tax on assets held more than three years "to get this economy moving again."

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CBS News

FACE THE NATION

Sunday, November 10, 1991

CBS Television Network, 10:30 AM - 11:00 AM, ET
and the
CBS Radio Network - 12:30 PM - 1:00 PM, ET

MODERATOR: Bob Schieffer - CBS News Chief Washington Correspondent

GUESTS: **JACK KEMP**
Secretary of Housing and Urban Development

JAMES CARVILLE
Democratic Strategist

ED ROLLINS
Republican Consultant

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Transcript by:

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MR. SCHIEFFER: Welcome to "Face the Nation." I'm Bob Schieffer. Democratic political analysts are calling Tuesday's elections a vote on the president's economic policies. Republican analysts are worrying whether the same thing will happen next year.

But the president continued to insist things really are not so bad.

PRESIDENT BUSH: It is not recession; it does not fit the definition of "recession."

MR. SCHIEFFER: Maybe so, but in a new appeal to middle-class voters Democrats rolled out yet another plan this week to cut taxes.

REP. DAN ROSTENKOWSKI (Chairman, Ways and Means Committee): If you're a middle-income American, you get a tax cut. If you're in the top one percent, you get a tax increase.

PRESIDENT BUSH: I'd love to be in a position to pledge every American whatever a tax cut, but I don't want to do that when I can't see how I can do that and keep it inside the budget agreement.

MR. SCHIEFFER: As the battle over the economy continued at home and reportedly even within his own cabinet, the president traveled to Rome for a NATO meeting. The Democrats were ready.

REP. VIC FAZIO (D-CA): While a recession raged and millions of Americans are out of work, our president was out globe-trotting on his anywhere-but-America tour.

SENATOR HARRIS WOFFORD (D-PA): The first Democratic senator in 23 years reporting for duty.

MR. SCHIEFFER: Was Tuesday's vote a referendum for 1992? We'll ask Housing and Urban Development Secretary Jack Kemp. And what is the outlook in Louisiana where ex-Klansman David Duke is challenging former Governor Edwin Edwards. We'll talk about that with James Carville, the architect of this week's Senate upset in Pennsylvania, and the Republican strategist Ed Rollins.

The view for '92--an issue facing the nation.

ANNOUNCER: From CBS News, Washington, "Face the Nation," with CBS News Chief Washington Correspondent Bob Schieffer.

This portion of "Face the Nation" is sponsored by the Archer Daniels Midland Company--ADM, supermarket to the world.

(Announcements)

MR. SCHIEFFER: Joining us now, the Secretary of Housing and Urban Development Jack Kemp.

SECRETARY KEMP: Bob.

MR. SCHIEFFER: Secretary, thank you for being with us.

SECRETARY KEMP: Thank you.

MR. SCHIEFFER: You are one of the Republicans who has been telling the president maybe it is time to start thinking about a tax cut. I noticed on Friday you talked about a tax cut, and you said the way to get that done is to also give the Democrats a little something. What did you mean by that?

SECRETARY KEMP: Well, clearly there's a number of Democrats in the Congress on the Senate side and the House side who want to do something. They used to want to spend money to get out of a recession. Now they want to cut taxes. So I'd say claim victory intellectually and politically for our ideas and embrace some of the programs, from Bentsen and Moynihan to members of the House, like Rangel and others, who want to do something to not only get a macro-economy growth, as the president does, but also inject some incentives into housing, first-time homebuyers, giving people IRAs that you can convert into a first-time home.

And I think there's a number of issues, from enterprise zones and low-income housing tax credit and IRAs for first-time homebuyers, that could be coupled with extending unemployment benefits, which the president wants to do and Democrats want to do, plus the president wants--and rightly so--to cut the capital gains rate and get this bone out of the throat of our body economic and create more jobs.

So I think the time is ripe, personally--I haven't yet convinced everybody in Congress or the White House--to have a joint Bush and congressional tax rate reduction, not to bust the budget, but to get America growing again.

MR. SCHIEFFER: So what you're talking about is to start with capital gains that the president wants, but also think about some way to extend these unemployment benefits, as many of the Democrats are talking about now. And also you mentioned Senator Bentsen's name--you're talking about what there? What looks good to you in the Bentsen plan?

SECRETARY KEMP: Well, Senator Bentsen and Senator Roth have collaborated on a widely popular view that IRAs should be available to the first-time homebuyer. The president accepts that; it's in his budget.

And I need to make the point, the president sent up to the Congress in 1989 in his first budget things like enterprise zones, low-income housing tax credit that has yet to be extended, tax credits for research and development, and a cut in the capital gains tax rate, plus IRAs that could be extended for first-time homebuyers.

Now, clearly the time is ripe. This economy, while technically perhaps out of recession, it's limping, it's anemic, and it needs some oxygen in the body economic to create more jobs, to create more growth. And we don't need what Dan Rostenkowski suggested, a redistribute-the-wealth tax cut. What we need is a broadly based reduction in tax rates on capital, labor, the family, and the poor in order to get the country growing to the level at which we cannot only meet our budget goals, i.e., equilibrium, but also to meet some of the social goals of housing and helping create jobs for minorities and putting this country on the road to full employment without inflation.

MR. SCHIEFFER: Now, one of the things that Senator Bentsen is talking about when it comes

to paying for this is a cut in defense spending. How would you feel about that?

SECRETARY KEMP: Well, look, Rostenkowski--Chairman Rostenkowski wants to pay for his tax cut by putting a 10 percent surtax on so-called rich people. He defines rich as people over \$85,000 a year. Now, George McGovern made the mistake in 1972 of making--

MR. SCHIEFFER: Well, now, he wants to put it only on millionaires, not--

SECRETARY KEMP: Well, he raises taxes--

MR. SCHIEFFER: And then he would add another tax bracket, 35 percent, for anybody that makes over--

SECRETARY KEMP: Okay, all right, that's right. A 35 percent bracket if you earn more than \$85,000 and a lower tax if you earn \$84,900. That is really class envy, and I think it is disdainful of the American dream, that poor people want to get to be middle class and middle class--all people want to get rich.

MR. SCHIEFFER: So how do you pay for it, though?

SECRETARY KEMP: Well, you shouldn't cut defense. We shouldn't beat our swords into plowshares at this moment. It's still a dangerous world. We ought to pay for it by cutting the capital gains rate.

I think the mistake that is made in most projections of the economy under the president's plan to cut the capital gains rate to 15 and index it--I'd eliminate it. I would eliminate it on any asset held longer than three years. But the president wisely wants to bring it down to 15, not to help rich people get richer, but he says there's a tax on the American dream of getting rich, and he's right. You could pay for many of the proposals that have been offered by the Congress by bringing the economy to higher levels of growth, output and employment such as we had in the mid-1980s.

MR. SCHIEFFER: Okay now, let me ask you about one thing. Some people that one talks to at the White House will say there really isn't time to get this done now. And whether you can do it next year or not, it's an open question as to whether that would jumpstart the economy if you wait till then.

You talk to a lot of people up on the Hill. I know that. You used to be a member of the House.

SECRETARY KEMP: 18 years.

MR. SCHIEFFER: Do you think it would be possible to get something done this year, to get a tax cut through before Congress goes home?

SECRETARY KEMP: Well, now, this is the real debate, both in the Congress as well as in the administration. And it's a friendly debate, it really is, but it's a vigorous one, and I think this is a defining moment for our country in terms of getting the type of growth that can meet both economic as well as social goals, as I pointed out earlier.

Having talked to a number of leading Democrats--I'm not the negotiator for the White House, obviously; I'm just the Secretary of Housing and Urban Development, but I can't meet the goals of housing and urban economic development and creating more jobs and housing for low--poor Americans without some macro-economic stimulus to this economy and oxygen for the body economic I talked about earlier.

So I am convinced that there a number of men and women on Capitol Hill in both parties who believe a package could be framed in such a way as to get both the president's macro-economic or growth-oriented tax policies through, plus extended unemployment benefits, extended low-income housing tax credit, enterprise zones to put jobs and capital formation and entrepreneurship into our nation's inner cities. And this is the time that we ought to try, in my view. And if the American people see us trying--

MR. SCHIEFFER: But do you think that's possible before they go home?

SECRETARY KEMP: If the American people see us trying, they'll forgive you for trying and losing. They will not forgive not trying at all.

MR. SCHIEFFER: But you really think that you could probably do it this year?

SECRETARY KEMP: I think that we could do it this year.'

MR. SCHIEFFER: The president said at the start of this program that technically the recession is over. But when I hear you talking about an economy limping, it doesn't sound to me as if you totally agree with that.

SECRETARY KEMP: Well, housing starts are at the lowest level almost in the century, or at least since 1925. Sales are down. Automobiles are in trouble. Unemployment is rising among minorities. The poor are squeezed. The middle class is squeezed. And people are not willing to put their capital at risk.

And I believe that the president was right four years ago, or three years ago, suggesting that the bone in the throat of the American economy, which is turning the economy blue--I mean, if you saw a man on the street limping along and with some form of anemia and blue in the face, he might have a bad ankle or a bad knee, but at the margin, the most important thing you can do is to help him breathe again. And frankly, the bone in the throat of the American economy is that we tax the formation of capital so heavily that poor people can't get access to capital, middle income cannot get enough access to capital to buy a house or to start a new business.

The only people that can get capital are the rich folks at the top. And lowering the tax rate on capital gains would unlock the oxygen, if you will, get the bone out of the throat of this economy. And the president is right. He says, while we're technically out of a recession, that people are hurting. And I believe that. And I think growth is absolutely essential to getting our nation breathing good again about the American dream.

MR. SCHIEFFER: Well, if you don't call what you have just described a recession, what does one call that? I mean, in a phrase.

SECRETARY KEMP: Well, there are some good signs the president has a right to point to. We're opening up a global trading system that is more liberal than ever before in the history of the world, particularly in this hemisphere. Peace--the dividend for peace is going to be a more peaceful, less threatening world. The president rightfully takes credit for helping to liberate the Middle East, if you will.

But the problem, in my view, is that while inflation's down and long-term and short-term interest rates are down, that's good news. The bad news is that there is a--excuse me for using it again--there is a terrible bone in the throat of our economy. And it is the high tax on capital. We can't get people to put their capital at risk.

Now, my liberal friends, some of them, are more worried that somewhere in America someone's going to get rich than they are about how many people are getting poorer as we continue to tax income and capital and labor and the family in such a way as to really weaken the overall economy. And that is a shame because I don't think envy is what the American people--you know, people don't find that they want to bring down the house of a rich man to house a poor man. They just want more housing. They don't want to take a job out of the suburbs to give it to someone in the inner city. They just want more inner city jobs. And they don't want to soak the rich; they want to get rich--or at least get richer. And today, you cannot get rich in America with a tax that confiscates the reward for putting your savings and your investment at risk, i.e., starting new businesses and starting new jobs.

MR. SCHIEFFER: Jack Kemp, thank you very much for joining us this morning. We'll be back in just a minute to talk about the elections this week and the one coming up down in Louisiana.

(Announcements)

MR. SCHIEFFER: And here with us now are two top political strategists, the Democrats' James Carville and the Republicans' Ed Rollins. Gentlemen, thank the both of you for coming. Mr. Carville, you are the new wonder boy: your man won in Pennsylvania, and when you overcome a 50-point lead in the polls, people stop and take notice--not only of the candidates but the man who planned the strategy.

Let me ask both of you as we start here, Jack Kemp came out very tough--I wouldn't say came out against the administration, but he said it's time to really start doing something about this economy. And I must say I was a little surprised at his candor. He's a very candid man, but this morning even I was a bit surprised by some of the things he said.

Let's start with you, Ed Rollins, what did you think about what he said?

MR. ROLLINS: What he said was absolutely right. First of all, technically a recession may be over, but nobody cares. There are a lot of people out there who are hurting, and this president ought to be saying, listen, I'm going to do whatever it takes to stimulate this economy, get people back to work.

There's a story in the Washington Post today where people making \$30 or \$45 thousand a year cannot buy a house. Something is wrong with a system, something's wrong with an economy when that doesn't take place. We need to get this economy. Bashing the Fed won't do it. We need some kind of a stimulus.

MR. SCHIEFFER: Was that the overriding thing in that Pennsylvania race when your man

Harris Wofford beat Mr. Bush's man?

MR. CARVILLE: It was definitely a contributing factor. I think the overriding thing with Senator Wofford and his performance. But it certainly was a contributing factor to what was going on here in Washington.

And I might add that Secretary Kemp is concerned, a lot of people are concerned. This is a White House that is adrift. John Sununu has got the president all over the map. We have an expression in campaign when they're not focused, they're playing Moses--they're wandering around the desert. I mean, one week he's against the civil rights; the next week he's for it. One week the unemployment compensation bill is garbage; the next week the president is for it. One week he's going to Japan; the next week he's not.

All I can say, as a Democrat, is that I'm glad Ed Rollins is over at Sawyer Miller making money, and Jim Baker is in Madrid making peace, and that we've got John Sununu making policy in the White House. That's the strongest thing that the Democratic Party has going right on. This is the most unfocused White House that I've seen in a long time. And when you see a good Republican like Jack Kemp making that point, Bob, that is an indication that there's real alarm within the Republican Party about 1992.

MR. SCHIEFFER: Well, Ed Rollins, I'll guess you'll have to respond to that. You're a Republican.

MR. ROLLINS: Well, first of all, I think it's very important for this president to get this campaign going. They've got to put a strategy together. I agree with James. He ran a brilliant campaign in Pennsylvania as he always has. He's not a boy, though; he's a young man who's been in the wilderness for 20 years, working hard.

The bottom line, though, I think is that we need a strategy, we need to get this thing going. Democrats are going to have a serious campaign, whoever their nominee is. And you can't take anything for granted. Thornburgh walked in there waiting to be coronated and got clobbered. I think it's very important this president and his people not think they're going to be coronated.

They've done a great job, but they need to basically talk about things that matter to people and talk about future.

MR. SCHIEFFER: Let's talk about that race up in Pennsylvania for just a minute. Do you see that really as having a national impact? So many times in any race, it has to do with candidates and we national reporters try to draw some national lesson out of it. You're a Republican; your side lost up there.

MR. ROLLINS: Here's what James was able to do with his candidate who's going to be in the Senate, is in the Senate. He understood middle-class values, and he talked to those middle-class values. This wasn't a referendum on national health care, but health care is something, or the uncertainty of health care or access to the health care system, is something bothering people. They talked about issues that were relevant to the people of Pennsylvania, and they attracted back their voters that Reagan had built a coalition around, Bush inherited in 1988.

If we let Democrats take back their coalition, take back their Democrats, we're going to lose.

MR. SCHIEFFER: Do you think that that might happen?

MR. ROLLINS: I think that it's going to happen unless people start focusing on the issues that matter to people, and that's the economy, the economy, and the economy. All the great successes that we've had in foreign policy don't mean a darn thing to the guy standing on the unemployment line. It doesn't mean a darn thing to someone who's lost their health insurance. It doesn't mean a darn thing to someone who feels they're accused of getting a lousy education. We've got to talk about issues that are relevant to Americans today.

MR. SCHIEFFER: Let's talk about Louisiana where that election is coming up between David Duke and Edwin Edwards. I understand that you were down in Louisiana this week.

MR. CARVILLE: Correct.

MR. SCHIEFFER: What's your reading on what's happening down there?

MR. CARVILLE: Well, I mean I have seven brothers and sisters that live in Louisiana, my mother lives in Louisiana. I have 20 nieces and nephews. I stayed there the first 34 years of my life. It is a very, very serious situation. I've been talking to people down there. I'm very concerned. This Duke thing is very real. By the same token, I've talked to some of the Edwards folks. They seem to think that the situation is in hand. I don't know.

But I do know that if Duke is elected governor of Louisiana, it could very well tear my family apart. The economics of this thing are going to be very dire. I'm very concerned about it, and I just hope that Governor Edwards stays focused and pulls this thing out at the end.

MR. SCHIEFFER: People talk about what an awful person David Duke is. But people vote for him.

Is everybody that votes for David Duke a racist, Ed?

MR. ROLLINS: No, absolutely. I think--

MR. SCHIEFFER: Then how does he get all these votes?

MR. ROLLINS: Because I think he once again is tapping into the values and uncertainties of an awful lot of people. He's doing what George Wallace did a number of years ago. And to a certain extent, a lot of the people that are supporting him are part of the Reagan coalition. Excluding the racism, I think a lot of the people are willing to forgive his past and listen to his message, and that's a message that's out there that's very real.

MR. SCHIEFFER: Well, what is this message?

MR. CARVILLE: First of all, I think some people are voting for him because it's sort of a protest vote. And I would tell those people you're about to shoot yourself in the foot, you're about to lose your job if you put this little Nazi in the governor's office.

The second thing is the old-fashioned, garden variety bigotry does play in American politics, and I think Duke is showing that.

Also, Edwards came back; he was not particularly popular coming back, and you had a unique situation where you have three people running and the vote got split. But this situation in Louisiana--Duke is very articulate, he looks very good. And I always tell people, when the Antichrist comes back, he's not going to come back wearing horns, he's going to come back smooth. And this is a very dangerous thing, and it just--it could happen anywhere, not just in Louisiana.

MR. SCHIEFFER: Is there anything George Bush ought to be doing about this, Ed?

MR. ROLLINS: I think the president has done everything he can. He has distanced himself from this man. He personally said he would vote for Edwin Edwards. I think that's a sorry state of affairs when you've got a choice between a guy who's a crook and a guy who's a kook, and I think that's part of the disaffection the American public has. But David Duke is on the scene and we're all going to have to deal with him. He's going to run for president, win, lose or draw. I'm convinced of that, and I think we're going to--he's just going to be around, and we're going to basically have to take care of--

MR. SCHIEFFER: Do you think he'll run for president?

MR. ROLLINS: I think he clearly will run for president. He ran for president in 1988 and my sense is that he'll--

MR. CARVILLE: As a Democrat, I want to jump in and defend the president on this, because I believe the president when he says that he's offended by Duke and doesn't want him to be governor of Louisiana. And I think that he's right. He's gotten a lot of advice, if he jumps in too hard it's going to create a backlash. And we've seen that time and time again in Louisiana.

And I think the Democrats that criticize the president of that are being really insensitive to what's going on, because Democrats and Republicans, I mean, we've got to stick together to beat this threat. And I criticize the president for a lot of things--for not having an economic policy, for being insensitive to middle income Americans. But I think that he is really trying to do the right thing in Louisiana, and that's to keep this guy out of the governor's office.

MR. SCHIEFFER: That does raise an interesting possibility. Let's suppose that he does run for president. Then what does George Bush do with him? And how do you handle him as a Republican?

MR. ROLLINS: Obviously if he gets elected as a Republican, my sense is the Republican governors won't allow him to sit with them. We certainly wouldn't want him leading the delegation to the convention in Louisiana.

MR. SCHIEFFER: Could you seat a delegation led by David Duke at the Republican Convention?

MR. ROLLINS: I don't want to be hypothetical. I would certainly think the intentions of the

National Committee today and the chairman of the National Committee would be not to do that. But part of the problem that we face is that all of us sitting here in Washington telling Louisianans what we want or don't want just makes people down there rally around him. He just stands up and says, "See, it's us against them." And that just hits into that whole message of disaffection. I mean, if we all shut our mouths and let the good voters of Louisiana make the right judgments, which I hope they will, and vote this guy out, or not in, we'll all be a lot better off.

MR. CARVILLE: Amen. Amen.

MR. SCHIEFFER: Well, let's move north, then, to talk about Mario Cuomo. I heard a report last night that indeed he may finally announce what it is he's going to do sometime this week. We hear that about every week.

Have you--first, have you all heard anything? Do you have any insight?

MR. ROLLINS: I don't have any insight, but I think he's going. I think he clearly has given all the signals that he's going to run.

MR. SCHIEFFER: Is he the toughest candidate for George Bush?

MR. ROLLINS: I think he's the toughest for this reason: he is extremely articulate, he will reinvigorate the various coalitions that have been the traditional primary voters for the Democratic Party, he's one of the best debaters going. And in spite of his liberal background, I mean, he is a man who articulates very, very well a message to blue collar voters.

MR. SCHIEFFER: How would he play in the South, Jim?

MR. CARVILLE: Well, I mean, again, the campaign has to be run out. We saw that in Pennsylvania. As I said, Dick Thornburgh came to Pennsylvania expecting a coronation and ran into an election. If Governor Cuomo runs, and I think he understands this, he's going to have an election. If he talks about things that matter, if he talks about tax fairness, if he talks about health care, if he talks about economic empowerment for the middle class, if he talks about economic issues and stays away from some of these social issues, if he talks more about the middle class, five-to-one as much as he talks about the underclass, he'll do very well. He can do very well.

But again, it's going to depend on his message and the way that he frames it, and it's also going to depend--there are a lot of other strong Democrats out there--Governor Clinton, Senator Kerrey, Senator Tsongas, I mean, Governor Brown, Governor Wilder. We have a good strong field, and I think Governor Cuomo understands that it's a good field. He certainly would be the front runner when he got in, but you know, front runners get--bad things happen to them sometimes.

MR. SCHIEFFER: Fifteen seconds left, Ed. How do you run against Cuomo?

MR. ROLLINS: You basically run on your own agenda. The president has to talk about what he's going to do for the country, talk about the future, and he's got very strong leadership quotients that you can't take away.

MR. SCHIEFFER: All right. Good to have both of you.

MR. CARVILLE: Thank you, Bob.

MR. ROLLINS: Thank you.

MR. SCHIEFFER: We'll be back.

(Announcements)

MR. SCHIEFFER: Despite the fact that term limitations were voted down in the state of Washington, we got more mail about it, pro and con, than any other topic this week. David Neal of Arvada, Colorado, called it a case of throwing out the baby with the bath water. "We turn out both the rascal and the hero," he says.

Terri Grando of Thousand Oaks, California, added, "It is just a Republican ploy because they can't beat Democrats at the polls."

But Vincent Caldarone of Davie, Florida, said, "Get them out before they get too comfortable. Two terms, then put them back in the private sector."

A. Long of Leesburg, Florida, agreed but pointed out a down side: "...all the ex-congressmen we'll be supporting in addition to five ex-presidents."

Well, that's it for this week. Drop us a line if you have a thought. And thanks for joining us on "Face the Nation."

ANNOUNCER: This portion "Face the Nation" was sponsored by the Archer Daniels Midland Company--ADM, supermarket to the world; and by Merrill Lynch--a tradition of trust.

If you'd like to write to "Face the Nation," send your letters to Bob Schieffer, Face the Nation, 2020 M Street, N.W., Washington, D.C. 20036.

This broadcast was produced by CBS News.



*thought you might
be interested
in the attached.*

Secretary

JACK KEMP

U. S. Department of Housing and Urban Development
Washington, D.C. 20410
(202) 708-0417



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0001

October 23, 1991

The Editorial Page
The New York Times
229 W 43rd Street
New York, NY 10036

Dear Editor:

Homeless families deserve our most compassionate attention, but your editorial ("Homeless, but Not Hopeless," The New York Times, September 16, 1991,) wrongly blames budget reductions in the public housing construction program for the homeless problem.

The Bush Administration has not sought funding for public housing construction starts because we believe public housing construction both encourages dependency and perpetuates bureaucratic inefficiency. Virtually every study has shown that public housing construction costs at least twice as much as housing vouchers, rehabilitation, and homeownership programs. These latter programs give low-income people greater choice about where to live and better opportunities to gain access to assets and self-sufficiency. And they are also far less subject to the scandal-plagued problems of the past.

Considering all the Department of Housing and Urban Development's (HUD) programs and not solely public housing starts, HUD has been fighting a war against homelessness and poverty that got little attention in your editorial. The Department's budget has risen 85 percent since 1980, and HUD is serving 45 percent more low-income households: 4.5 million families in 1991, up from 3.1 million in 1980 (see enclosed chart). In 1992, an additional 200,000 needy families will be served in a near-record increase in assistance.

The Bush Administration has called for a 90 percent increase over the last 2 years in HUD programs targeted exclusively to the homeless, including the Administration's innovative program for the homeless called "Shelter Plus Care," which combines services for the mentally-ill and substance abusers with housing, including SRO housing. This approach has been applauded by the New York Times and many other homeless advocates as the wave of the future because it treats the homeless as real human beings as opposed to just statistics.

Unfortunately, Congress has stymied the Bush Administration's attempt at radically different approaches to attack the roots of homelessness by placing a new emphasis on self-sufficiency. Congress rejected the "Shelter Plus Care" program. They slashed our request for HOPE, the Administration's low-income homeownership and resident management program. They eliminated State/local matching funds from the new HOME housing block grant program, thereby cutting assistance for almost 25,000 poor households. They cut tenant-based housing assistance for another 26,000 needy families. They rejected Administration recommendations for new incentives to eliminate NIMBY policies, such as rent control, unnecessary housing rules and regulations, exclusionary zoning, and user fees that are driving up the price of housing.

The Bush Administration seeks to help more families by empowering homeless and poor people directly. Congress continues to insist on empowering the developer and the public housing bureaucracy, even at the expense of the needy. This indefensible approach is an open invitation to the kind of corruption which HUD has been working so hard to eliminate. The New York Times should not be defending the indefensible. It should be in the forefront of innovative and progressive ideas for helping the homeless, even if they come from a Republican Administration.

Very sincerely yours,

A handwritten signature in dark ink, appearing to read "Jack Kemp". The signature is fluid and cursive, with a large loop at the beginning and end.

Jack Kemp

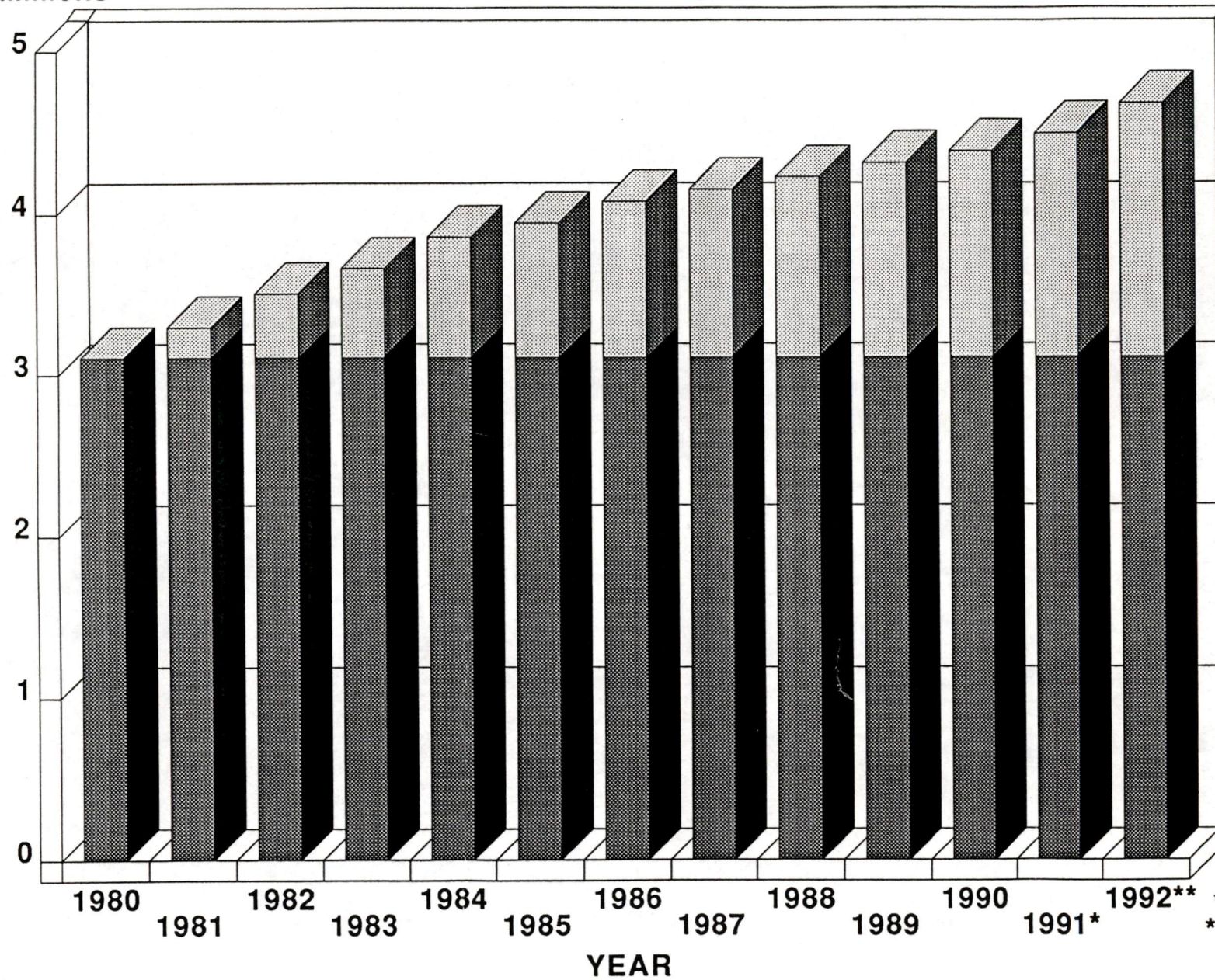
Enclosure

Reagan-Bush Record

Number of Families Assisted

Under HUD Programs

Millions



* Estimate
** Estimate includes units for HOME

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
UNITS UNDER PAYMENT
1980 - 1992

Year	Units under Payment	Additional Units	Cumulative Additional Units
---	-----	-----	-----
1979	3,031,979	NA	NA
1980	3,107,070	75,091	NA
1981	3,297,451	190,381	190,381
1982	3,507,896	210,445	400,826
1983	3,663,328	155,432	556,258
1984	3,859,676	196,348	752,606
1985	3,943,238	83,562	836,168
1986	4,076,783	133,545	969,713
1987	4,151,252	74,469	1,044,182
1988	4,227,330	76,078	1,120,260
1989	4,315,317	87,987	1,208,247
1990	4,386,365	71,048	1,279,295
1991 a/	4,495,100	108,735	1,388,030
1992 a/ b/	4,674,044	178,944	1,566,974

a/ Estimate

b/ Includes 44,444 units provided under the HOME program.

Source: Annotated table (H-38c) for fiscal years 1980 through 1990.

Latest estimate provided with 1993 Budget for fiscal years 1991 and 1992.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
05. Letter	From Jack Kemp to POTUS Re: Capital Gains Taxes (4 pp.)	10/16/91	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: Kemp (HUD) (1991) [1]

Date Closed:	12/30/2004	OA/ID Number:	29188-011
FOIA/SYS Case #:	1998-0004-F[2]	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

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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]

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

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U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0001

October 16, 1991

President George Bush
The White House
Washington, DC

Dear Mr. President:

I just wanted to write to you in a personal and heartfelt way to elaborate on the views I expressed at the recent EPC meeting. While the recent steps to address the "credit crunch" are important and useful, I continue to believe that your capital gains tax reduction remains absolutely central to restoring economic growth and helping the American economy achieve its full potential over the next five years of your presidency.

We all agree that there is a problem with the economy and the capital, credit and financial markets. Notwithstanding some of the good news about inflation, interest rates and a more stable dollar, in my view, what needs to be clearly articulated is how government tax and regulatory policies caused the recession and continue to be major impediments to stronger economic growth and deficit reduction. Here, in my opinion, are the reasons for this dilemma:

1. Labor costs have been driven higher by the 1988 and 1990 payroll tax hikes, minimum wage increases in 1990 and 1991, the expansion in the tax base for Medicaid, and the phase out of exemptions forced upon you as a result of the 1990 budget act.

2. The cost of capital has increased markedly by the 1986 Tax Reform Act and the increase in capital gains taxes. Depreciation lives have been lengthened, and the tax burden on equipment is now higher than before 1981. Our unindexed capital gains tax is now higher than in any other industrial nation, especially punishing to the entrepreneurial, financial, and real estate sectors of the economy. The passive loss provisions and the alternative minimum tax increases have virtually shut down the real estate and homebuilding sectors of the economy, which represent almost one quarter of our GNP.

3. New regulations, mandates, and taxes have dramatically increased the real cost of production, notwithstanding the valiant efforts of Vice President Quayle and Governor Sununu to bring common sense and balance to the regulatory bureaucracy. While advancing important social causes, the Clean Air Act, wetlands

regulations, FIRREA, and provisions of the 1990 budget agreement have all depressed economic growth by raising the cost of either doing business or going into business for the potential entrepreneur.

These recently enacted government policies have smothered incentives for capital investment and depressed the entrepreneurial and risktaking sectors of the economy. Burdened with these disincentives, the economy, in my view, will not respond to calls for "easing" by the Federal Reserve and "consumer confidence" will not be restored to the extent you have the right to expect. In fact, if the entrepreneurial economy continues to be depressed, simply trying to expand "money supply" would be inflationary, and, even worse, would threaten to restore the soft money and high tax policy of the Carter years which created stagflation of unprecedented proportions.

Mr. President, in my opinion, the question is not how to get out of recession. The real question for us is what kind of an economy America will have in the year 2000. You've articulated a vision for our nation in education with America 2000; you've articulated a vision of a competitive workplace in the year 2000; and equally visionary is your Enterprise for the Americas free trade zone from Canada to Latin America. I sincerely believe we need a similar vision of domestic economic prosperity that would include more jobs, more entrepreneurship, more minority ownership and boundless opportunity for all.

We must broaden our appeal to all people by crafting a bold domestic package, including your capital gains proposal together with a pro-labor and pro-family tax cut. Such a package, like the Gramm-Gingrich proposal, could be modest at first, but would expand as the economy begins to grow. I would hope that we would also consider the idea of eliminating the capital gains tax on assets held for more than three years for it would signal your profound determination to restore entrepreneurial capitalism. Enterprise Zones have proven to be a populist idea to increase growth and jobs in the inner city, and Chairman Rostenkowski has given us strong signals that he endorses the concept. Rolling back the last one or two payroll tax increases, as suggested by many in Congress, could be a part of this package. We could also move forward on your IRA initiative and an expansion of the family exemption without breaking the budget by using a dynamic analysis instead of static revenue thinking.

I believe this type of growth package would receive strong bipartisan support from Congress and the public. However, there seem to be two key objections to offering this type of aggressive

growth package within your Administration. First, some argue very sincerely that you would get hit with the fairness issue once again. In my view, you were on the mark at the EPC meeting to reject the argument that we are on the wrong side of the fairness issue. The fairness issue only works against us if we get caught in the debate over which and whose taxes to raise. You fought the fairness issue against Dukakis virtually every day in the 1988 presidential campaign when you ran on the capital gains tax cut issue. Another campaign waged along those same ideological fault lines will win just as convincingly, particularly if the Democrats continue to pursue class envy politics.

The second concern is whether the tax cut package would destroy the budget agreement or increase the deficit. But what the American people need to hear is that the single greatest reason for deficit spending today is the failure of our economy to grow enough to reach its potential of full employment at low levels of inflation. Speaker Foley hinted at a trade of cutting capital gains for a higher income tax rate. It seems to me that someone could explore with congressional leaders a slight percentage increase in income tax rates for people with over \$1 million in income for a 50% cut--or the outright elimination--of the capital gains tax rate on long term assets.

Mr. President, I don't believe it's heresy to say that it will require reopening the budget agreement. I was pleased to see Director Darman say he too would reopen the budget agreement under certain conditions. I hope our preconditions are not so strict, however, as to preclude the possibility of getting anything done. The world has changed considerably since the original budget agreement, not least of which has been the debilitating stagnation of the economy. The budget agreement's requirement that any tax reductions be matched dollar-for-dollar by tax increases must not straightjacket vital economic initiatives, impede stronger growth in the economy, or prevent us from attacking the root causes of the deficit.

In my view, the bottom line is simply this: your pro-growth agenda cannot wait any longer, because economic growth in and of itself the precondition for any substantial effort to reduce spending and increase revenues.

As your Administration's resident "capital gains fanatic," I appreciate the opportunity to serve with you and the great team you have assembled. I particularly appreciate the encouragement you give to all of us in your Cabinet to speak candidly and forthrightly about our views. I look forward to working with you to create the vigorous, prosperous and progressive economy of

boundless opportunity for all people that you and our party's founder, Mr. Lincoln, envisioned. Mr. President, since I have quoted Winston Churchill at the outset of your successful Desert Storm operation, I want to close this letter with one of my favorite quotes from Abraham Lincoln.

"I don't believe in a law to prevent a man from getting rich, it would do more harm than good ... I want every man to have the chance ... in which he can better his condition -- when he may look forward and hope to be a hired laborer this year and next, work for himself afterward, and finally to hire men to work for him! That is the true system."

Very sincerely yours,

A handwritten signature in black ink, appearing to read "Jack Kemp", with a large, stylized initial "J" and a horizontal flourish at the end.

Jack Kemp

P.S. I am attaching a chart prepared by Larry Kudlow of Bear Stearns showing net business formations. It shows the depressed conditions of our entrepreneurial sector and demonstrates one of the real vulnerabilities in this still-stalled recovery.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
06a. Note	From Jack Kemp to John Sununu Re: Attached letter to POTUS (1 pp.)	n.d.	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: Kemp (HUD) (1991) [1]

Open on Expiration of PRA
(Document Follows)
By JP (NLGB) on 10/28/05

Date Closed:	12/30/2004	OA/ID Number:	29188-011
FOIA/SYS Case #:	1998-0004-F[2]	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)]

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

(b)(1) National security classified information [(b)(1) of the FOIA]
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Dear John —



THE CHIEF OF STAFF
has seen

I hope this letter gets
your immediate attention as our
"fellow-soldiers" in Congress need a
Signal. Let's talk soon, Jack

The Secretary of Housing and Urban Development

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
06b. Letter	From Jack Kemp to POTUS Re: FY 1992 HUD Appropriations Bill [FOIA RESTRICTIONS REDACTED] (3 pp.)	9/30/91	P- 5 , (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: Kemp (HUD) (1991) [1]

Open on Expiration of PRA
(Document Follows)
 By JP (NLGB) on 4/21/08

Date Closed: 12/30/2004	OA/ID Number: 29188-011
FOIA/SYS Case #: 1998-0004-F[2]	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:

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U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0001

September 30, 1991

The Honorable George Bush
President of the United States
The White House
Washington, D.C. 20500

(Personal & confidential)

Dear Mr. President:

I am writing to respectfully request that you veto the FY 1992 Appropriations Bill for the Department of Housing and Urban Development. As I have already communicated to OMB Director Darman and Chief of Staff Sununu, there are six major reason why your policy goals would be advanced by a veto of this bill:

1. The bill recreates the scandal-ridden programs of the past. When you signed the National Affordable Housing Act last year, you highlighted the victory the Administration had won "providing incentives to states, localities and nonprofit organizations to provide people...with vouchers, tenant-based assistance and rehabilitation of existing housing" through the HOME program. This victory was accomplished by requiring a greater local matching contribution for new construction of housing. History has shown this method of meeting affordable housing needs for the poor is highly susceptible to fraud and abuse and costs twice as much as tenant-based assistance. The bill you will soon have before you totally eliminates the HOME matching fund requirement, thereby negating the Administration's victory on this important new policy direction. Empowerment of poor people has been replaced with empowerment of developers.

2. The bill reverses Administration efforts to target programs to the needy and provides assistance to fewer low-income Americans than you requested. The elimination of the matching grant requirement in HOME -- even for one year -- reverses Administration policy in a second way. By allowing 100% of HOME funds to be used for new construction of housing, without any local contribution, thousands of needy families will go unassisted.

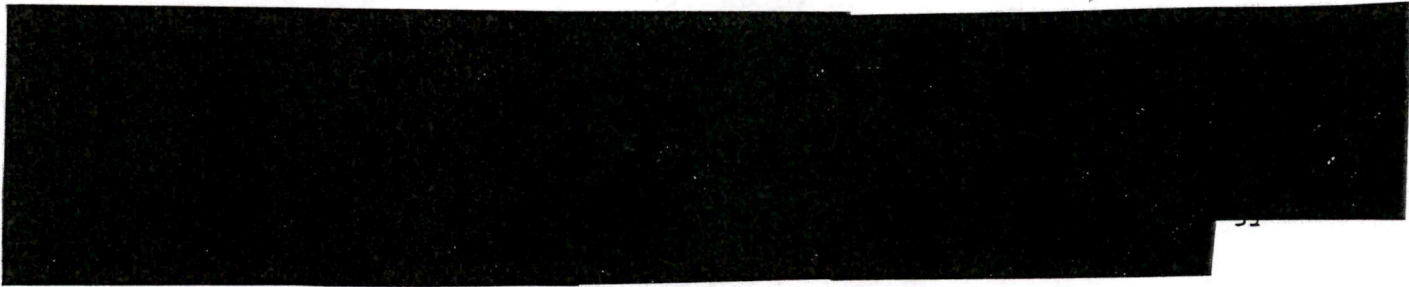
3. The bill slashes your HOPE program by 60% denying homeownership to many thousands of families. Your budget request for the HOPE program, which helps low income families become homeowners, was \$865 million for FY 1992. This appropriations bill provides only 40% of the request--while many other programs funded by HUD were given appropriations substantially above your request.

4. The bill ends your effort to "take the boards off" dilapidated public housing. The Washington Post and columnist William Raspberry both praised the Administration's effort to "take the boards off" public housing by ending subsidies for vacant units. Over 100,000 units of public housing are vacant -- up from 70,000 last year. These units are unavailable to serve thousands of needy families and become bases for drug activities and crime. The Appropriations bill, however, prohibits HUD from implementing this initiative in any form.

5. The bill rejects your major homeless initiative, Shelter Plus Care. The centerpiece of your agenda to assist the homeless, Shelter Plus Care, will not become reality under this bill. Cushing Dolbeare, a prominent and respected liberal activist on homelessness called the rental housing component of your program "...the most sensible approach to linking the very different funding sources for housing and services that I've seen over my forty years experience in housing." However, this bill provides zero funding for this program element.

6. The bill undermines your reform agenda at HUD and returns the Department to "business as usual." The bill provides funding for 133 pet projects, without competition and based on no criteria of merit or need. It forgives many federal loans, which the Department has been pursuing repayment of to restore integrity to our programs. The bill stops the Department from implementing the Inspector General's recommendation that a Consolidated Supply Program, susceptible to procurement fraud, be ended. The bill prohibits the Department from implementing its programs to identify and improve troubled public housing authorities. The bill is a blueprint for "business as usual" at HUD--as if the Bush Administration had never even taken office.

(b)(6)



A presidential commitment to this domestic priority will expose the moral and political bankruptcy of the Democratic Party for attacking your position on extensions of unemployment benefits. It is the Democrats who are shortchanging the truly needy; it is the Democrats who are threatening future scandals by returning to new construction programs and special interest politics; it is the Democrats who are thwarting new directions in housing policy by empowering developers, not poor people. A veto demonstrates that we are ready and willing to fight for your domestic agenda in the face of Democratic intransigence.

The space station victory is one of your great accomplishments in this bill. That victory is not endangered by a veto, as strong bi-partisan votes in Congress convincingly demonstrate. I believe it is time to add to your many enduring accomplishments by vetoing this bill and sending it back to Congress with specific instructions to implement your new, far reaching housing and urban development programs. We have come too far, Mr. President, to allow your victory to be denied.

Sincerely,

Jack Kemp
Jack Kemp

*I've copied Gov. Sununu
& Director Garman
while I feel strongly, you can
be sure of my support for whatever
decision you should decide to make.*

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
07. Letter	From Jack Kemp to Richard Darman Re: FY 1992 HUD Appropriations Bill (2 pp.)	9/26/91	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: Kemp (HUD) (1991) [1]

Open on Expiration of PRA
 (Document Follows)
 By JP (NLGB) on 10/28/05

Date Closed:	12/30/2004	OA/ID Number:	29188-011
FOIA/SYS Case #:	1998-0004-F[2]	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]
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- (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



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0001

September 26, 1991

The Honorable Richard Darman
Director, Office of Management and
Budget
Old Executive Office Building
Washington, D.C.

THE CHIEF of STAFF
has seen

Dear Dick:

I am writing to recommend in the strongest possible terms a presidential veto of the conference report on the VA, HUD Appropriations bill for FY 1992.

I know this bill includes funding for a very important presidential priority--the space station. Congress' overwhelming support for the space station assures that President Bush's victory is irreversible. Now, the President has an opportunity to go further and win an equally important victory on his domestic agenda. He should announce a veto of this same bill on the grounds that it slashes funds for his HOPE initiative by 60%, completely guts his Shelter Plus Care initiative for the homeless, and launches a new generation of scandal-ridden new construction programs.

A presidential veto would raise the visibility of our new directions in housing policy, which have garnered so much support among Republicans and Democrats alike. In this one action, the Administration could dramatically prove, perhaps once and for all, that it isn't President Bush who lacks a domestic vision for America--it's the liberal Democrats in Congress. They just can't extricate themselves from the special interests, as shown by their continued addiction to discretionary funds for special projects.

The conference committee has totally rejected the concerns raised by the Administration on housing policy. Your letter to the conferees urged "at least the Senate's level of funding for HOPE," and my letter to the conferees (which was cleared with OMB) said that "the Administration considers a HOPE grant appropriations lower than the Senate level to be inadequate and unacceptable." Nevertheless, the conferees fund HOPE, the President's major domestic policy initiative for housing, at the House level of \$351 million, a 60% reduction from our request of \$865 million.

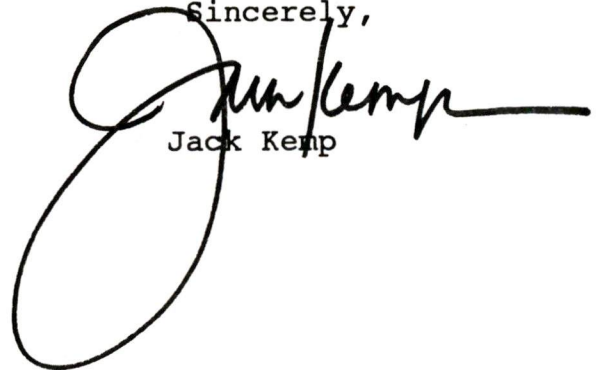
The Committee also rejected President Bush's major domestic initiative for the homeless, called Shelter Plus Care. Our letters to the conferees both urged the Senate to recede to the House provision for Shelter Plus Care, which included funding for the

flexible rental housing component of the program. Cushing Dolbeare, a prominent and respected liberal activist on housing and homelessness wrote the conferees that the rental housing component of the President's Shelter Plus Care program "...is the most sensible approach to linking the very different funding sources for housing and services that I've seen over my forty years experience in housing." Yet the conferees rejected the program out of hand.

A third key defeat for the Administration in this conference report relates to the HOME program. As you recall, the graduated match required for the HOME program was the major reason the Administration agreed to accept this new program. The President endorsed these incentives for tenant-based assistance and rehabilitation when he signed the National Affordable Housing Act. Yet the conferees have ignored the will of Congress and the Administration, turning HOME into a scandal-prone new construction program.

For these reasons I urge a presidential veto of this bill. It is a veto I believe can be sustained with aggressive leadership by the Administration and a clear commitment to this domestic priority.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Jack Kemp". The signature is written over the typed name "Jack Kemp".

Jack Kemp

cc: Governor John Sununu

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
08. Letter	From Jack Kemp to POTUS Re: BiNational Commission w/Mexico (2 pp.)	9/18/91	P-5	

Collection:

Record Group: Bush Presidential Records
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U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-00

September 18, 1985

The President
The White House
Washington, DC 20500

Dear Mr. President:

What an honor it was to join other members of your Cabinet and Secretary Baker at the meeting with Mexico's delegation at the BiNational Commission on September 9. I believe that you and President Salinas are ushering in a new era in relations not only between our two nations but for the whole hemisphere. The democratic and free market reforms in Mexico are truly inspiring.

Mr. President, your vision of free and open trade under a system of democratic and entrepreneurial capitalism stretching from Alaska to Argentina has captured the imagination of our neighbors to the south as well as the north. They are striving to create what Jim Baker has called the first hemisphere in the history of the world which is predicated on democracy, capitalism with a human face, open trade, and free people. It truly is the hemisphere's answer to your concept of a new world order.

After more than 15 years of stagflation, Mexico is emerging as an "economic miracle." President Salinas has slashed inflation and restored strong rates of economic growth by cutting tax rates and tariffs, privatizing once inefficient industries, and stabilizing the peso against the dollar. At his press conference, Secretary Baker rightly lauded Mexico as a model for reforms and change in Eastern Europe and particularly the Soviet Union.

For the first time, this year's BiNational Commission included both Secretaries of Housing and Urban Development. I was very pleased that my counterpart in Mexico, Secretary Patricio Chirinos, spoke enthusiastically about fighting a war on poverty and creating a legacy of expanding private housing and homeownership, the centerpiece of your policies for our own inner cities and pockets of poverty. We agreed that the North American Free Trade Area would be complemented by expanding economic opportunity and jobs for residents in our border communities, especially in the "colonias," through Enterprise Zones and improvements in public services and infrastructure. Secretary Chirinos and I will meet at Laredo, Texas-Nuevo Laredo, Mexico early next year to discuss comprehensive strategies to help restore and revitalize these border communities under your leadership and that of President Salinas.

Mr. President:

Sec. Kemp had
intended to include
this in last week's
Cabinet Correspondence.

Thank you

B. Copies have been provided to
the Chief of Staff & Gen. Sec. Swift.

E. Holiday

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It was equally exciting to hear Mexican Finance Minister Pedro Carlos Aspe report on the free market miracle taking place in Mexico. Under President Salinas, the top marginal income tax rate has come down from 60 percent to 35 percent and government revenues are higher -- not lower -- under the more incentive-oriented tax structure. Their budget deficit has dropped from 16 percent of GDP in 1987 to an incredible 1.9 percent in 1991. Secretary Aspe is firmly committed to another round of tax rate cuts, privatization of all banks, and further efforts to restore long-term capital and credit markets by stabilizing the peso against the dollar.

The free world has much to learn from Mexico's supply-side model. After enduring a decade of triple digit inflation, Mexico understands how very high tax rates on capital and labor smother economic growth. As a result, Aspe told me Mexico does not impose any capital gains tax on stock market investments and they fully index all other capital assets. With the United States economy still in recession, Congress should do what you have repeatedly urged -- cut the capital gains tax to generate a strong economic expansion. I agree with you, Mr. President, that it is possible to work with the leadership of Congress to advance a growth-oriented package of tax cuts along the line of Gingrich-Gramm; and if they continue to stonewall, take our case to the American people in your 1992 campaign.

While I know there are some macro statistics that give reason for optimism concerning elements of economic recovery, Mr. President, I remain more convinced than ever that without your substantial capital gains tax reduction and indexing, our economy cannot achieve its entrepreneurial potential. Despite some signs of recovery, new business starts are off for the third year in a row, initial public offerings are down and job and growth rates are sluggish. Commercial real estate remains in the doldrums, inflicting huge losses on the banking, thrift and insurance industries and causing the loss of revenues to all levels of government. Simply said, our free enterprise system is suffering from too little capital. The great wealth creating and entrepreneurial potential of America is mired in a credit crunch and tax-induced anemia that only your agenda can address.

In closing, I salute you and President Salinas in forging what promises to be the best and most productive relations between Mexico and the United States in history. It is a legacy that will prove to be one of your many enduring accomplishments. As Secretary Baker said at our luncheon with Foreign Minister Solana, the Presidents of both nations are helping the United States and Mexico set the standards of democracy and freedom "as high as our two eagles can fly."

Very sincerely yours,

Jack Kemp

*you can be
very proud of
the mark you're making
in Mexico & the Hispanic
American community.*