

The Economic Club of New York

332nd Meeting

George W. Bush
43rd President of the United States

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Questioners: Dwayne Andreas
Former Chairman of the Economic Club of New York
Chairman of Archer Daniels Midland Co.

Donald Marron
Chairman of the Paine Webber Group

Chairman Richard A. Voell: Welcome to the 332nd meeting of the Economic Club of New York. This is indeed a very special meeting. And what makes it particularly special is that the President's and our First Lady, Barbara Bush is with us this evening. (Applause)

Also returning to the dais is our fellow member and former trustee, Secretary of the Treasury, Nick Brady. (Applause) Shortly we will be privileged to be addressed by the President of the United States, but I would like to take this opportunity to recognize one man and that is our immediate Past Chairman Rand Araskog. (Applause)

If you will permit me, I just want to say a few words about Rand, he won't like it, but I want to say it anyway. Rand not only led the Club with great judgment and distinction and good humor for the last three years, he also established a record of sort as the only Chairman in the Club's 84 year history to serve three full terms. So Rand, from many of us, all of us, many, many thanks. (Applause)

There will be a small departure tonight in our program from the normal format. In that dessert and coffee will be served following the speaking program. Ladies and gentlemen, please now enjoy your dinner.

AFTER DINNER

Introduction

Chairman Richard A. Voell

Alright, just as soon as we can, really a very historic evening for our Club, but more than that, this is a defining moment in the history of our nation. And I know that all of us here in this room share in our deep gratitude to the President for being with us here tonight. (Applause) In a much larger sense, Mr. President, we are all so immensely grateful to you for the strong, unswerving and decisive leadership you are providing this country and indeed the entire free world.

(Applause)

And finally, we bid you a warm and admiring welcome. Ladies and gentlemen, it is my honor to present the President of the United States. (Long Applause)

George W. Bush

43rd President of the United States

Thank you all very much. Thank you very, very much. Thank you Dick. Thank you for that welcome. Thank you very, very much. Thank you so very much. And Dick thank you sir for inviting me to this most prestigious organization. May I pay my respects to Secretary Brady who is with us, came up with us from Washington and in my view is doing an outstanding job for our country and I am just delighted he is here. (Applause)

And I want to thank one other, Ray Price an old friend who I understand does a lot of heavy lifting for this organization. A lot of the organization. And each one of you, all of you, and I want to thank you not for standing up to greet me, for heaven's sake, but for standing up for all of those fighting against aggression tonight in the Persian Gulf (applause) and especially... all of the coalition forces, but especially the fighting men and women of the United States of America. Looking around at this dais and at the audience I wonder who is home minding the GNP. (Laughter) This is a classy, star-studded audience and we are very pleased again, once again, let me say to be here.

This marks, this year, as Dick said, marks a defining hour, a moment of truth, for this generation, for this country, and I would also add to the United Nations. We were patient and we were cautious, but when the moment of truth came, America and the world did what was moral, what was just, and what was right. And we said, the occupation of Kuwait would not stand and three weeks ago tonight, at just about this time, we announced that the liberation of Kuwait had begun. And three weeks ago tonight, allied forces moved to end the conflict that we did not seek, and that we did not begin. But ladies and gentlemen it is one that we and our allies will finish. (Applause) And I can tell you firmly that tonight we are on course and we are on schedule. Mission by mission, hour by hour, Iraq's capacity to wage war is being systematically destroyed by American and coalition forces.

And the road to real peace will be difficult, long and tough I'd say, but we will prevail. And

when we do we will have before us a historic opportunity from the confluence of the Tigris and the Euphrates, where civilization began, civilized behavior can begin anew and we can, build a better world and a better new world order.

Tonight the world is united by shared commitments, shared interests, shared hopes and our efforts will determine the kind of legacy that we bequeath our children. The kind of world they will live in, and so let us rededicate ourselves to the ideals in which our troops resolutely believe. Because in the final analysis, America and her partners will be measured, not by how we wage war, but how we make peace. And I said in my State of the Union address that we are the nation that can shape the future and shaping the future is a job that begins at home.

So I want to talk to you tonight about the economy. Long-term economic growth is central to the quality of life for America's families, quality of decency for America's communities and to the quality of leadership America can bring in its special role as the world's leading diplomatic, cultural and economic power.

Just over eight years ago when we came out of a recession, the longest peace time expansion in American history began. Working together we created millions of new jobs, cut both interest rates and inflation in half, a triumph driven by the energies of the most dynamic and diverse economy on Earth. And against this background the events of 1990 serve to remind us that even a fundamentally healthy economy faces the risk of temporary disturbances; short-term setbacks.

For example, when Iraq invaded Kuwait in August 1990, it was a shock to the world's conscience. Business and consumer confidence fell. We all remember the rise, the dramatic rise in oil prices, inflation worries rose, and interest rates reflected an extra risk premium. Taken together this produced a very real blow to an economy that had already slowed down.

But make no mistake, the current recession, does not signal any decline in the fundamental long-term health or basic vitality of our economy. America is a can-do nation and America is home to the largest, most productive economy on Earth. And our administration's economic policies are designed to strengthen the foundation for a solid recovery and guarantee the highest possible rate of sustained economic growth. I described the three pillars of that foundation in the State of the Union address. Encouraging economic growth, investing in the future and giving power and opportunity to the individual.

Encouraging economic growth means reducing federal borrowing, by cutting the growth of federal spending. And that is why we sent Congress a budget proposal that holds spending growth below the rate of inflation. The lowest increase in spending in five years. And that is why the budget law was armed with real teeth, pay-as-you-go provisions and enforceable spending caps aimed at cutting the growth of debt by nearly half a trillion dollars over five years. True, the deficit is high, unacceptably high. The S&L costs, the war, the economic decline haven't helped a bit. But thanks to the budgetary reforms that began last fall, the deficit will be virtually eliminated by 1995. (Applause) To ensure economic growth this administration will also

redouble its efforts to weed out counterproductive government regulations. (Applause) I thought there might be some enthusiasm for that one. Because I really believe that the market must be allowed to work without unnecessary federal intervention.

We must also fuel economic growth by providing incentives to promote private savings and job creating investment. Our budget includes tax-free family savings accounts, penalty-free IRA withdrawals for first-time home buyers and a required tax, reduced tax for long-term capital gains. (Applause) And that will help bring down the cost of capital which will help American businesses compete at home and abroad.

We must also renew our investments in America's future. And that means investing in the education and safety of our children; investing in the infrastructure of our transportation system, investing in reforms for the financial services system, investing in high technology and in space. The budget proposal that we sent up there to Capitol Hill has been well received. I am not saying we don't have any critics, but when you look back over your shoulders, I think it is fair to say this one has been well received. And it includes a record \$76 billion for research and development. One of the most important investments we can make in the long-term economic and military strength of our nation. It also recognizes that government must help translate the results of basic research into the generic technologies that strengthen our industries and improve our lives. This isn't an investment in machines, it is an investment in people, in the scientists, the engineers, in the educators who will produce the advances of the 21st century, and together with

the nation's governors we have launched a comprehensive effort at reform and restructuring aimed at producing an educational renaissance. We still have a long way to go, but we won't sell our kids short. As one observer said of the troops manning patriot missiles in the Gulf, in one day, they wiped out the idea that young Americans are not smart enough for the 21st century.

(Applause)

Investing in the future, it also means modernizing our financial system which is exactly what our able Secretary of the Treasury unveiled yesterday with our banking reform proposals. (Applause) These reforms will continue to protect every insured depositor in America but they will also address the reality of the modern financial marketplace, by creating a US financial system that protects tax payers, serves consumers, and strengthens our economy. We don't want to be back again in a couple of years to do this all over again.

And that is why half-way solutions won't do. We have to do the whole job. And we have to do it now. The challenges ahead are great. But by any historical standard, the current downturn is expected to be mild and brief and today in America the bottom line is this, while our economy may be beset by difficulty it should not be beset by doubt. A healthy sense of confidence is backed by the facts. Inflation has been kept under control, interest rates are beginning to decline further. The trade deficit declined for the third year in a row. Inventories have been kept down reducing the need for many production cuts to work off excess inventory. And because our major trading partners are seeing relatively strong growth and the price of U.S. exports on world

markets remains low, the pace of U.S. exports will continue to set record highs. In spite of many prewar predictions that a Gulf War would send oil up to \$80 a barrel, and I think we can all remember those speculations, oil prices have fallen substantially since their peaks in October, especially since the start of Operation Desert Storm. And I believe that by standing up to aggression in the Gulf, we are guaranteeing the future security and the stability of that entire area. An area that is so vital to global economic prosperity.

Later this month the administration will release our National Energy Strategy. The strategy will propose federal, state, and private sector initiatives to increase energy efficiency and conservation. It recognizes the need for creating a clean, safe environment. And it also recognizes that we must find more domestic oil and gas and use more alternative sources of energy. Our strategy is designed to reduce our vulnerability to foreign oil supply disruptions.

Now some will argue that reducing our energy vulnerability is not enough and that we should embark upon more drastic measures designed to achieve total energy independence. That is down the road. Because the reality is we are a long way from total energy independence and we must avoid unwise and extreme measures that would seriously hurt American consumers, American jobs, American industries. Yes, we have to begin reducing our energy vulnerability now. Our new strategy will do that, because it is prudent, it is balanced, and it is comprehensive.

And finally, don't forget another underlying strength of our economy. The flexibility of

America's free-market system. To preserve this flexibility we must keep our markets open and hold government restrictions to a minimum and this frankly is not easy. I will continue to oppose protectionism. I will continue to fight for a level playing field so that international trade is free and fair. And that is what we are doing in this Uruguay round of trade negotiations. Trying to lower the barrier to the free-flow of goods and services around the world. And that is also what we see in the negotiations that we will launch this year with Mexico and Canada to create a North American free-trade area. And our enterprise for the America's initiatives and again I salute Secretary Brady for his key role in all of this, is intended to extend the benefits of flexibility throughout the western hemisphere.

To build a new peaceful world order we must secure the democratic triumphs of the past year. I am thinking especially of the revolution of '89. The new democracies in Central and Eastern Europe inspire us all with their commitment to free societies and free-market economies. But look they face daunting obstacles from the communist past, as well as severe new problems brought on by lost markets and brought on by higher oil prices. Our administration is committed to help and we are committed to lead, despite the burden we are bearing in the Gulf, I have asked Congress for \$470 million in new assistance for Central and Eastern Europe, a substantial increase over last year's request.

Four decades ago, the Marshall Plan helped build a West European Zone of prosperity and security that greatly benefitted the United States. Together with our Western European partners

we can now extend this success to create a Europe whole and free, an entire continent of prosperity and stability that fulfills the vision of that Marshall Plan. With their great human potential and commitment to market economic reform, Central and Eastern European countries offer real opportunities for U.S. trade and investment. And I urge American business to seize these opportunities as many are doing.

I see Jack Welch over here, well GE weighed in with \$150 million joint venture with Tungstam in Hungary. Drew Lewis who is not here with us tonight, but his Union Pacific stepped up to the plate with an impressive effort to modernize Poland's railroads and Bell Atlantic and U.S. West have begun an \$80 million telecommunications venture in Czechoslovakia. History is moving decisively in favor of freedom. Thanks in large part to American ideals and perseverance. The touchstones of the modern world which the emerging democracies are now striving for. Free-markets, free-speech, free-elections, America has lived by these tenants for over 200 years. And they have given us both our power and our purpose. And that is why America, and our allies are going to prevail in the Gulf. And that is why America and our partners are going to prosper in the years to come. You see I firmly believe that our best days are before us. And I can assure you, America and the world that we will continue to fight for principle, we will continue to do the hard work of freedom.

Thank you all very much. I would be glad to take your questions and may God bless the troops in the Gulf and the United States of America. (Applause)

QUESTION AND ANSWER SESSION

CHAIRMAN RICHARD A. VOELL: Thank you Mr. President for those very encouraging and uplifting remarks. We will now go into our traditional question period. Our questioners this evening are Mr. Dwayne Andreas former Chairman of the Economic Club of New York and Chairman of Archer Daniels Midland Co. Seated to my far right. And Mr. Donald Marron, Chairman of the Paine Webber Group seated to my far left. And Mr. Andreas will ask the first question.

DWAYNE ANDREAS: Mr. President, every year there are 80 million new more mouths to feed in this world. You and your presidency have been sensitive to their needs, not only to help feed them as we can, but more importantly to help them economically to be able to feed themselves. Recently, you sent Carla Hills to the GATT negotiations and she has done a superb job of moving the world's food trade to the top of the agenda at GATT. In an effort to try to get more market-oriented agricultural trade which would help enormously during the next decades, in getting food from produced where it should be produced and into the mouths of hungry people. Now while we try for free-trade, just about every country we compete with is using managed trade in a democratic socialist mercantile system replete with export subsidies. Like Japan and the EEC in view of the fact that they seem to be rejecting our desire that they move towards freer trade, do you think GATT will ever be able to solve the problems of that kind or will we have to

go to a managed industrial policy like most of the western world in order to compete?

PRESIDENT GEORGE W. BUSH: Well Dwayne, I don't want to give up on the GATT round, I go from optimistic and sometimes pessimistic. I still believe that we have an opportunity to get a successful conclusion of the GATT round, whether it will be done by the time our fast-track authority runs out, I am not sure. But, I believe that we can get the kind of conclusion that will avoid making the situation that you have described even worse because I don't want to see us resort to the kind of government mandated targeting and the government controls that go with the kind of economies that you have described. So I am still hopeful that we can get the successful conclusion. The major hang-up on the GATT round involves agriculture and we have had a great deal of difficulty getting some of our friends in Europe and to some degree the Japanese fully on board in terms of agriculture. Carla Hills is tough as nails. And she will continue to work hard to get this done, but I think we ought to, before we start going down the road of managed economies and targeted products, like some of the others that we compete with do, I think we ought to go all out to see that we can successfully resolve that round. At the same time I was talking to David at dinner, Duran, we are working hard on this new North American free-trade zone. And I believe that even if GATT gets hung up for a while we should keep pushing hard for a free-trade zone with these three countries, Canada, Mexico and the United States, and that will lead (applause) that would lead, I think, inextricably to a hemisphere that is free and fair. So I want to keep pushing on that. I worry about the problems that you throw out there, but I am not prepared to give up yet on GATT and we are weighing in heavily with the EEC, with France, with Germany and with Japan so we can reach a successful conclusion.

DONALD MARRON: Mr. President, wars are often historic moments in the relationship among nations. In this war, our two largest economic partners, Germany and Japan, appear to have become our two most reluctant and troubling political partners. Will this adversity affect your economic relationships with these two countries or on a brighter note, do you think that the war will make Germany and Japan realize the need for closer political and economic cooperation with the United States? (Applause)

PRESIDENT GEORGE W. BUSH: Well, in the first place I believe that it is not fully realized that Japan has pledged \$9 billion to Desert Storm, in addition to the billion they spent before we were in the war, and Germany has now pledged \$5 billion. Those are very generous contributions in my view, or appropriate contributions in my view. And I am grateful to Prime Minister Toshiki Kaifu and to Chancellor Helmut Kohl for doing this. So the concept of burden sharing that has concerned the American people on the costs of the war, is in far better control than I think we have made clear. Another words I feel comfortable where it is. Now I think we have to recognize that Japan and Germany have constraints, constitutional constraints placed on them as a result of World War II. I think if you look around the world and you take a look at the Pacific countries, particularly the countries out there, the Asian countries, there still is some concern about a totally rearmed Japan and that is a sentiment that is shared by many members of the Japanese Dia. So we should not be saying to them, you have to do more in the way of tanks and planes and military force. So I am hoping that the world will see that they are pitching in and

will continue to pitch in as these costs mount, because clearly we are doing a lot of work that benefits the people in both those countries. They are both dependent on foreign sources for oil. Both of them heavily dependent on oil from that part of the world. But I think they understand that. In terms of the long run it is my hope that because we have taken this lead role in the coalition, because we have put together what I think history will show is an historic, albeit diverse coalition, that the people of Germany and the people of Japan as well as others around the world will see a United States that has a vastly restored credibility and that, that will help us I think as we talk to them about other kinds of problems. So I don't see anything out of this that should diminish our interests in continuing strong economic relations with them. Having said that, I go back to Dwayne's question, both, particularly Japan has got to give us access and in Germany in agriculture as part of the EC, has got to give us access to markets. But perhaps our credibility will be such, because we have bitten off this really tough, decided to bite off this tough assignment and complete it, that we will have some, I wouldn't say leverage on them, but persuasiveness that will lead to a more harmonious trading relationship. (Applause)

DWAYNE ANDREAS: Mr. President, every European nation now has a comprehensive trade treaty with the Soviet Union including investment guarantees. Western Europe this year will do eight times as much business with the Soviet Union as we do, and in manufactured products almost 30 times as much. Now looking ahead and with special reference to the problems you see involved in the negative attitudes of Congress, how do you see the possibility of U.S. business and industry catching up with the long lead that the Europeans have in trade with Russia?

PRESIDENT GEORGE W. BUSH: Well right now Dwayne, as you well know, we have some big problems. And you have seen the EC pull back within the last few days on some of their trade breaks for the Soviet Union. You see the pressure mounting in our Congress, for me to pull back on most favored nation and on the moderate steps that we took to include the Soviets or to encourage the Soviets to join some of the international financial organizations. And that stems from the fact that there is this visible repression against the Baltic States. A little history, we have never recognized the incorporation of the Baltic States into the Soviet Union and so we have enormous problems when we see force used against those three republics. And it is a big problem and it concerns me deeply, it concerns the American people deeply and there are certain constraints on what we can do moving forward until we get satisfied that this was an anomaly and not a new way of life. Mr. Gorbachev faces enormous problems inside the Soviet Union. You have heard suggestions, and maybe you heard the press conference yesterday, the tone of some of the questions, well you ought to start dealing with other leaders. He is the President of the Soviet Union, he has done wonderful things in terms of reunification of Germany in terms of getting out, of freeing up the Eastern European countries. But he is faced with big problems. And these are internal affairs of the Soviet Union that I have to be a little bit careful discussing. But for the United States standpoint, we have to see that no more force will be used against these Baltic States and that there can be peaceful resolution to these questions, otherwise, not only will our trade relations be set back as they are now being set back in some European countries, but the rest of our overall relationship could undergo a problem. I don't want that. They have been

steadfast in support of our objectives in the Gulf and that is very, very important. They have lightened up on their sending military equipment into this hemisphere, a problem we have always had. We are having cooperative work with them in terms of freedom in Angola. So it is to our interest to work closely with the Soviets for many things. But when we see a repression in the Baltics, it is very hard to have business as usual, say nothing about trying to catch up. So I am very hopeful that the representations that were made to us when Mr. bis Martin(?) was here, will prove to be doable by President Gorbachev and I am hopeful that we can find a way to move this productive relationship forward. But I am not in a position at this juncture to say exactly what we can do more positive while we have this big problem of....a human rights problem and the problem of this military crackdown in the Baltics. It puts us in a very difficult position and I think the Soviet leaders know this. I have talked frankly with two of them about this and I believe they know it. So let's hope that these things can go forward with a peaceful resolution to the question of the Balts. (Applause)

DONALD MARRON: Since it is the Economics Club we have an economics question. In reaction to the S&L crisis and in response to new and tougher guidelines from banking regulators, many banks have now become ultraconservative, some to the point of making no loans at all. We all know that sound bank lending is central to stimulating the economy and getting us out of the recession. Do you think the regulators have gone too far and do you think the new legislation that we just heard about will stimulate and encourage bank lending in the United States?

PRESIDENT GEORGE W. BUSH: To answer the easy part, I think the less controversial part, the new Brady proposal will be called the Bush proposal if it is successful, (applause) should indeed renew confidence. Regulatory reform is long overdue. I headed a task force when I was Vice President that I thought came up with some very sound recommendations for regulatory reform. Now Secretary Brady has come up with some recommendations that are, I think are even better, they are more simplified. The fed manages one set of organizations and the new organization under Treasury another, and I should think this would renew confidence. I think the interest rate is coming down should instill confidence. Yes I do believe that some of the regulators, I am not sure I can answer it specifically on regulations per se, but I think some of the regulators in the past got over zealous. And I think that scared some of the banks. (Applause) Just to be fair about it, I think some of the banks made some bad loans. (Laughter and Applause) What I think we are seeing is, in an effort in this reform legislation, and hopefully as the economy starts coming out, a banking system that is fundamentally sound, a banking system that deserves the confidence of the American people and I think these reforms will help on that. A banking system that will be able to make...get into other forms of business as some of our competitors abroad do, and that I think should usher in a whole new era of prosperity involving fundamental loaning by these banks.

DWAYNE ANDREAS: Mr. President, I was talking with an old friend of yours, Tip O'Neil the other day, and he seems to be now one of your greatest friends and advocates and supporters

particularly of your management of American foreign policy and your presidency. But he asked me to ask you, housing is fundamental to our economy, the rate of housing and construction is less now than it was in 1982 and he feels it ought to be at least 20% higher. What do you have in mind, if anything, to correct this situation?

PRESIDENT GEORGE W. BUSH: Well first let me profess my love for Tip O'Neil and I really sincerely mean it, as I think many people... I know Barbara knows, and I really feel strongly about it. The guy has not been well lately, nor Millie his wife who we love dearly. So I will take this opportunity through C-SPAN or whoever to pay my genuine respects and affection to him. And he knows this. And I think you phrased it very well. We do have a different approach on how housing should be done in this country. I think when Tip goes back he was talking about government paid for, government owned housing. Our approach is something else. We believe that the best way to do it is to have tenant management, encourage ownership, voucher systems. We have a program called HOPE which relates fundamentally to home ownership as opposed to federal ownership. We have put much more money in the budget for this. We happen to believe that enterprise zones going into low income areas would do an awful lot to bring business there and thus enable people to buy more homes. So I think that, I hope that the program that we put forward, the HOPE program, will have the support of many of Tip's former colleagues. I have a feeling it will. We have made a good step on it last year in the Congress, and got good support from both sides of the aisle. But if Tip is referring to the government owned bricks and mortar approach, we think that, that has been tried, and we think in many instances it has failed. We

think it has built misery into the system. You have seen programs in St. Louis that at one time looked good, and then they had to tear them down in their entirety. So I would like to encourage support for this new approach which empowers the people and I think will lead to far more housing. (Applause)

DONALD MARRON: Mr. President you have talked several times about basing the future on a new world order. Can you give us a definition of the new world order, and if it depends on the collaboration between the Soviet Union and the United States, how do events in the Soviet Union affect this concept?

PRESIDENT GEORGE W. BUSH: Well it doesn't depend entirely on it. But it would be greatly enhanced by a Soviet Union that goes down the line with its commitment to market reform to private ownership of land, to a free economic system, to a system that resists and does not use force to assure order in and amongst the Republics. It goes farther down the road with elections and all of the openness that I give President Gorbachev credit for. And as well as the openness in terms of Glasgow's and the reforms in terms of Perestroika. We are going to continue to support those concepts. But it was this, it was the farsighted vision of Mr. Gorbachev that enabled us to work together in the United Nations. Now my vision of a new world order foresees a United Nations with a revitalized peacekeeping function. I think most that follow the United Nations see the economic and social side of the United Nations as having performed well since it was founded. Most people that follow it, find that the peacekeeping function for the most part has not

been effective. And one of the reasons it hasn't is, because of the veto in the hands of the five permanent members of the Security Council, one of them being the Soviet Union. When I was an Ambassador 20 years ago in the U.N. we hardly ever voted with the Soviet Union. Now we are with them on many, many things. So the new world order I think foresees a revitalized peacekeeping function of the United Nations, but I cannot, and I will not predict a Soviet Union going back, turning its back on reform, perestroika. Turning its back on Glasgow's openness. I don't believe, no matter what the ferment in the Soviet Union today, that they are ever going to go back to that. And I don't think anyone there wants to go back to that. And so it would envision, though, much more cooperation between the United States and the Soviet Union, and on matters of the Gulf, in international matters, not bilateral, it envisions a greatly enhanced peacekeeping function of the United Nations itself. One of the reasons we have so much support for this is that we went to the United Nations 12 times. There are 12 resolutions that speak to the Gulf. And that is mobilized world opinion. And so when we are successful in fulfilling all 12 of those resolutions, I think there is going to be new credibility for that peacekeeping function, new credibility for the United States. But we should have, and should strive to have Soviet cooperation all along the way. (Audio ends and begins again, no overlap)...spoke out on it, but I think it is in the interest of the United States to have continued relations with China. And I think it is vital to this new world order that, that veto holding member of the Security Council, go along, and be with us on these matters of trying to bring peace to troubled corners of the world.

(Applause)

DWAYNE ANDREAS: Mr. President this is a followup question on having to do with Soviet trade. The Jackson-Vanik amendment, the Jackson-Vanik Bill has been in effect since 1972, really in effect says that we cannot have normal trade with the Soviet Union until they have permitted free immigration from their country. There is no question but what the Jackson-Vanik legislation has played a role in Gorbachev's decision to free immigration. So in that sense it has been a success. Now, the immigration rate from Israel is about 600,000 a year which is ten times more than we asked for. And most of the religious organizations that I know are saying they are very happy with it and very well satisfied. And as a matter of fact, Prime Minister Shamir of Israel has said publically that he thinks it is totally satisfactory. There doesn't seem to be much possibility that they are going to get around to codifying that, but as is the custom in Russia for a 100 years that immigration is an administrative decision. I am wondering, recognizing the problems in Congress, do you think there is a possibility in view of the fact that they have fulfilled that commitment, that Congress will authorize business with the Soviet Union on the same basis that we trade with other countries, somewhere along the line here.

PRESIDENT GEORGE W. BUSH: The provisions of ...what they have agreed to do is pass legislation that will, I think, as you put it, codify this. They have not been able to do that. I think they have some internal problems inside the Soviet Union on this. Under our law they have to be passed before we can have the kind of trade agreements and other things with them that we would like to have. I think you make a very good point on the fact of immigration. The Israelis are pleased, the Israelis have started up, taking a step through consulate relations for diplomatic

relations. And they are very happy with the exodus and so am I as one who had been very much concerned about the exodus of Soviet Jews to Israel and to other places. But I think...I don't want to overstate the problems of the present, I can tell you it would be extraordinarily difficult to pass anything of this nature in terms of waivers given the current situation inside the Soviet Union. It is very difficult to do. You see all kinds of legislation getting talked about and some perhaps already being offered, that would indeed move the relationship backwards, not towards understanding of this nature. So it is my fervent hope that problems that I have outlined earlier in the Baltics can be resolved peacefully and demonstrably so, so that we can get on with finding ways to improve our trade relations.

DONALD MARRON: Mr. President, with the end of the Cold War, many Americans believe we might be able to reduce our spending on national defense, creating a so called peace dividend. Has the Gulf War and the problems inside the Soviet Union delayed or eliminated the chance for a peace dividend or do you see it long-term?

PRESIDENT GEORGE W. BUSH: No, we have actually...well let me get to dividend in a minute, but in terms of, I always had a different concept of dividend. You have a profit you pay a dividend, if you don't, well you don't. We are operating at 300 and some jillion dollar deficit, so we are not in exactly a dividend paying mode. (Applause) But the fact of the matter is, that we have reduced defense spending. It is substantially reduced with almost every other account going up in this budget. When you take a look at what we put out there yesterday you will see that

defense spending is down. I think it is robust enough to have the kind of rapid deployment force that is going to be required in the future. You heard Cheney yesterday, you are doing a superb job testifying about why we are having to lay up some of the battleships that are proving themselves today off Kuwait. He said he had to make the tough choices and we have done that. But we are not going to do it to the degree some of the anti-defense members of Congress want, where they want to go in and slash 30% out of the muscle of defense. And I think if there ever is a reason not to do it, you just have to look halfway across the world today. So we are not going to stand for that, and I think that we are going to try to find ways to further reduce defense spending, but not at the risk of weakening our fundamental defense. And I think that some of the criticized high technology weapons are paying off. I am annoyed at the propaganda coming out of Bagdad about targeting civilians. This has been fantastically accurate and that is because a lot of money went into high technology weaponry. These laser guided bombs and a lot of other things. Stealth technology. Many of these technologies were ridiculed in the past now coming into their own and saving lives, not only American lives, coalition lives, but the lives of Iraqis. So we are going to have to have a high-tech, highly mobile force and it ain't going to come cheap. It is not going to be achieved by slashing the muscle of our defense. And I will keep it strong, and I think yesterday's budget which is at a reduced number from what we had before, is going to provide us that kind of force. That anything less, I won't stand for. (Applause)

DWAYNE ANDREAS: Mr. President, our governor Edgar was grinning from ear to ear, very, very pleased at the governor's meeting the other day where it was explained to him your new

plan to transfer a good many functions to the states. I wonder if you wouldn't mind telling us the philosophy behind this new emphasis on state activity.

PRESIDENT GEORGE W. BUSH: Actually...one it is a concept that could have the label block grant. The governors heretofore have been suspicious of block grants because they never got the funds with it. They got the mandates, they had strings attached, and this is a block grant where we will, where we have proposed by name the elimination of programs and we then say the money saved and \$15 billion is the figure we are using will be distributed to the states to use as they see fit. And the philosophy behind it is very, very true. I have been president only two years but I believe that the best problem solving is done as close to the people as possible, at the state level, or at the local level. (Applause) So this concept is to give these governors the opportunity in these various fields and the money with it to solve the problems. It will cause innovation, it will cause a lot of experimentation, but it will be done without some centralized mandate from a committee chairman or committee action in Washington. So the concept isn't spectacularly new but it has never been tried or you actually get it fully funded and give the governors that flexibility. Now some of the mayors are upset because they say, hey don't give it to the governors, give it to us. We can't give it to everybody, so will give it to the governors and let them use their legislatures to distribute it. But it was well received by liberals, conservatives, Republicans and Democrats at the gubernatorial level. Now our fight is to take some of these entrenched committee interests in the Congress and have them look at it with the same farsighted view. (Laughter and applause)

DONALD MARRON: Mr. President the war in the Gulf has shown your decisive leadership and every American is proud of American technology and American servicemen and the success we are having there. (Applause) But at home one of the unfortunate things that has happened is businesses have postponed expenditures, consumers are postponing spending, travel is down, a lot of things have been put on hold. What would you tell us all and what can you and business do to regain this momentum?

PRESIDENT GEORGE W. BUSH: Well I tried to address some of that in the remarks I made earlier because I believe we should have more confidence. We are in a recession. There is no question about that. But I think it will be shallow. I believe that the financial reforms we are talking about will help. I believe the lowering of interest rates will help. I believe that the budget, in spite of the magnitude of the deficit with the restraint growth in the spending that is held to less than the rate of inflation would help marginally because the deficit works the other way. Some people are talking about stimulating the old Keynesian approach of “pump priming” stimulating the economy. If government spending is what stimulus is, we have got the stimulus that comes from an unacceptable deficit. So I will resist all of these programs that are going to be offered up, work/job programs, or special housing programs, or special added spending programs. They will not bring this economy out. I believe it is going to be shallow for the reasons I gave; inventory and interest rates and a lot of other reasons. So I think what is needed is a boost of confidence. You mentioned travel. I understand that some people are afraid to travel

because of security. I remember the charge going up, well maybe we shouldn't have the Super Bowl because of security. We have good security. And we have good intelligence. And I think the American people should have confidence in travel and tourism. And I think people should come here with a renewed sense of confidence in travel. So some of it is psychological, some of it is something the government can do something about and I hope that some of the programs I have mentioned here tonight will do that. But I am certainly not discouraged about the economic future in this country or our ability to get back on the growth path for the reasons I said in the speech itself. (Applause)

CHAIRMAN RICHARD A. VOELL: We will have two more very short questions. Dwayne do you have a short one?

DWAYNE ANDREAS: I was just told that we are at the end. I have a short one. Mr. President it is my duty to deliver you just a bit of bad news, I am sorry to say. It is about that \$.29 stamp. I hear that the ladies would like to have it made \$.30 because the problem that the post office has with the pennies is enormous and there is a rumor going around the middle-west that maybe this was a conspiracy of the copper people to increase the consumption of copper.

PRESIDENT GEORGE W. BUSH: No comment. Next question. Thank you very much.

(Applause) I will look into it. It is better than saying I'll study that one.

DONALD MARRON: Mr. President, the final question, the outlook right now is not as great as it should be for the economy. What is your prediction for the rest of your term, this term and your next term? (Applause)

PRESIDENT GEORGE W. BUSH: I predict that in a couple of quarters we will come out of this and that we will have a robust economy. It will grow, the estimates that we used in our budget figures were somewhere in the middle of the blue chip estimates. They are not overly optimistic. They were less than the CBO, the Congressional Budget Office. Normally administrations are on the rosier side than the CBO. So I think we have a real opportunity before half of the year is over to start seeing a recovery and see us come back on a growth pattern. And see us resume our economic vigor and then I think that will begin to be felt as these interest rates hopefully come down in the housing market. I think the transportation program that I didn't talk about tonight will have a stimulatory effect in the construction industry. I think the fact that oil prices are lower than where many of the pessimistic predictors would have them is another reason that this will not be as severe a recession or put it this way, will be a shorter recession if prices stay in this range than have been predicted. So basically I am optimistic that... I think we have had too much pessimism, and I can understand why, and if I were an auto worker laid off I guess I would have every reason in the world to have doubts. But I think the fundamentals are still there. I do not think that this war is going to add an unacceptable burden to it. When you heard the testimony as to the cost that will inure to us, after the others come in with their support, I believe that, that is another reason that the economy will recover fast. I can tell you, I don't believe, I will say this

without any fear of contradiction whatsoever, this is not and will not be another Vietnam, this is not going to be a long drawn out difficult situation with an ill defined ending. I am absolutely confident of that. And I can't tell you what, when and how, but I can tell you I have never been more certain of anything in my life, we are going to win it, and we are going to (applause) ... and I think to some degree and this is your business not mine, but the market seems to be saying, there is reason to be far less pessimistic or turn it around, more optimistic than we had felt many had felt in the late fall or even when we first got in there and the oil prices were spiking up around \$38, \$40 a barrel. So the fundamentals are good, some industries are hurting, some regions in the country clearly are doing better than others. But basically we are a strong nation, we are a productive nation. We can out-trade anybody if we can get the playing field level and so that means renewed efforts on GATT or on our free-trade areas. And I will end up this way, I am very optimistic about the United States of America. Thank you all very, very much. (Applause)

CHAIRMAN RICHARD A. VOELL: Ladies and gentlemen, there are only two things to say to the President. First of all Mr. President, thank you for coming, and secondly to say, what enormous respect we have for you and for what you are doing. God speed. Please, ladies and gentlemen, remain in your seats while the President and Mrs. Bush leave. (Applause)