

ALBERTINE *Enterprises* INCORPORATED

Public Policy Advocacy
Economic Forecasting
Public Relations

Memorandum

To: Senator Bob Dole
From: Jack Albertine
Date: August 30, 1993

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I would like from time to time to pass along some of the ideas we have on the economy and economic policy. I hope this will be helpful to you as you grapple with the tough economic problem our country faces.

I. Our Forecast

The recovery continues to inch along. The Administration is relying on an economic model which predicts acceleration in growth propelled by low interest rates. As you know, we have suggested from the beginning that this model is deeply flawed. So far, we have been right, and the Administration has been wrong.

We forecast a growth rate of 1.5% for the second quarter. The Administration and the Federal Reserve had forecast 2.5%. The actual number was 1.6%. We were right, and they were wrong because their models overstate the influence of low interest rates and understate the effects of structural changes on the micro side of the economy.

The sharp decline in housing starts in July is not good news for Administration forecasters. The most interest sensitive sector of the economy is housing. The performance of the housing sector has been lackluster for the last six months. Clearly, other factors are swamping the effects of low, long-term rates.

Orders for durable goods have fallen in four of the last five months. Moreover, the order book is thinning for manufacturers across the business spectrum. The export sector is in the doldrums despite the low dollar.

Business now needs to factor a substantial tax increase into the equation which will affect consumer spending. In addition, the uncertainty surrounding the Clinton health care proposal will give business people pause to reflect on the efficacy of expansion.

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Finally, we believe that the bond market has rallied, not because it believes the liberal media foolishness about Clinton's "tough" deficit reduction plan, but because it expects sluggish growth for the foreseeable future. Ironically, the bond traders may be saying through their actions that low interest rates will have little stimulative effect on the growth rate of GDP.

Our forecast is for a second half not much better than the first half of 1993. We anticipate that GDP will grow at about 2% for the year.

We are increasingly worried about 1994. The recovery is shaky. The tax increase will be a drag. The 1990 Clean Air Act amendments will hit the economy hard in 1994. The cumulative effect of this will be to push the economy perilously close to zero growth for at least two quarters of 1994. We expect a growth rate of about 1.5% for 1994.

The Democrats will have an interesting political position to defend in 1994. They will have to explain why taxes went up, the economy went down, and the federal deficit got worse. The bottom line is that bad policy is bad politics. The only question is just how badly will the Democrats get clobbered at the polls in 1994.

II. Explaining The Clinton Budget Deficit Program To Average Americans

The President won the election by convincing the American people that he is not what he is - a very liberal Democrat. He was able to push his budget through the Congress by convincing the American people it was not what it is - a huge spending increase disguised as deficit reduction.

The Administration claims to cut spending by \$255 billion over the next five years. The \$255 billion spending cut, combined with \$241 billion in new taxes, yields \$496 billion in deficit reduction according to the Administration.

However, using the Administration's own numbers, spending will increase from \$1.496 billion in fiscal year 1994 to \$1.752 billion in fiscal year 1998.

How does the spending increase of \$255 billion become a spending cut of \$255 billion? Accounting, Washington style. The Administration claims a spending cut of \$255 billion because spending will not increase by the \$511 billion previously projected. In the real world, outside of the Beltway, the Clinton budget, at best, institutes a \$241 billion tax increase to fund a \$255 billion spending increase.

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To explain this to average Americans, it might be helpful to use analogies to the family budget. For example, recently, an average working father and mother called a family conference with their three teenage children to discuss their dire financial situation. The father and mother explained to the children that the family had a serious budget deficit and they would have to cut spending and bring more revenue into the family coffers. The parents told the children that they would be cutting family spending dramatically and that they wanted the children to get part-time jobs to bring more revenue into the family. A few days later, the children reported to their mother that they had all gotten part-time jobs to bring more revenue in to help the family in its dire financial straits. Just as they finished their report to their mother, the father drove up with a brand new \$60,000 Mercedes automobile. The children were incredulous. "Dad, I thought you said we had to cut spending and increase family revenue. How could you buy a new \$60,000 Mercedes?" The father said, "Children, I have cut the budget to the bone. I had previously planned to buy a \$90,000 Mercedes, so we have saved \$30,000 for the family budget." This family lives within the Washington Beltway.

III. Speaking Invitation

As you know, the Levy Institute has asked you to keynote the conference they are having in Washington on October 21st. The Levy people have asked us at Albertine Enterprises to help them put on the conference. We think this conference will give you a wonderful opportunity to set out your economic program at a time when forecasters and the media will be sensing that the economy will not be rebounding in 1994. Additionally, the Levy Institute has a liberal Keynesian background, but its forecast is that the Clinton economic program is likely to produce a recession in 1994. In other words, speaking at this conference will give you an opportunity to critique the Clinton economic program in a bipartisan fashion.

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SENATOR BOB DOLE

DETROIT ECONOMIC CLUB

SEPTEMBER 13, 1993

**THANK YOU. IT'S A PRIVILEGE
TO RETURN TO THE DETROIT
ECONOMIC CLUB AND TO OPEN
YOUR 60TH ANNIVERSARY YEAR.**

**I ALSO BRING GREETINGS
TODAY FROM MY WIFE, WHO**

MADE A NUMBER OF VISITS TO
DETROIT DURING HER YEARS AS
SECRETARY OF
TRANSPORTATION. SHE'S
DOING VERY WELL, AND IS
ENJOYING HER WORK AT THE
RED CROSS, AND YOU SHOULD
BE GLAD YOU'RE LISTENING TO
ME--AND NOT HER. MANY THINK
THAT ALL POLITICIANS DO IS
ASK FOR MONEY. WELL, IF

**ELIZABETH WERE HERE, SHE'D
BE ASKING FOR YOUR BLOOD
AND YOUR MONEY.**

**WE MEET TODAY ON WHAT
HAS BEEN A VERY HISTORIC
MORNING. AS YOU KNOW, IN
WASHINGTON, D.C., ISRAELI
PRIME MINISTER YITZHAK RABIN
AND PLO CHAIRMAN YASSER
ARAFAT HAVE JUST COMPLETED
A CEREMONY MARKING THE**

**SIGNING OF A MUTUAL
RECOGNITION AGREEMENT.
LIKE ALL AMERICANS, I SALUTE
THE COMMITMENT OF THE
ISRAELI GOVERNMENT AND THE
PALESTINIAN LEADERS TO
BREAK THE CYCLE OF VIOLENCE,
AND TO LAY THE FOUNDATION
FOR A GENUINE PEACE.**

**THE JOURNEY FOR PEACE IN
THIS TROUBLED REGION HAS**

BEEN A LONG ONE, AND IT IS
STILL FAR FROM COMPLETE.
THERE ARE STILL PALESTINIAN
FACTIONS WHO WANT NO
ISRAEL, AND WHO HAVE CALLED
FOR ARAFAT'S ASSASSINATION,
AND THERE ARE THOSE IN
ISRAEL WHO WANT MORE
ISRAEL, AND WHO BELIEVE THAT
THROUGH THIS AGREEMENT,
THE PLO WILL BECOME A WOLF

IN SHEEP'S CLOTHING.

**I WAS PLEASED THAT
FORMER PRESIDENT BUSH WAS
AT TODAY'S CEREMONY,
BECAUSE THIS HISTORIC
AGREEMENT WOULD HAVE BEEN
IMPOSSIBLE IF NOT FOR HIS
LEADERSHIP IN THE PERSIAN
GULF CRISIS, AND IF NOT FOR
THE MIDEAST DIPLOMATIC
INITIATIVES HE BEGAN IN**

MARCH OF 1991.

**FROM THE POSSIBILITY OF
PEACE IN THE MIDDLE EAST, TO
THE FALLING OF THE BERLIN
WALL, MUCH HAS CHANGED IN
THE SIX DECADES SINCE THE
DETROIT ECONOMIC CLUB
BEGAN TO MEET AND DISCUSS
THE ISSUES OF THE DAY, BUT
ONE THING HAS NOT--AND
THAT'S THE FACT THAT**

**AMERICAN LEADERSHIP HAS
CHANGED THE WORLD.**

**WHETHER IT WAS SAVING
FREEDOM AS WE KNOW IT
DURING WORLD WAR
II...SETTING NEW STANDARDS IN
INVENTIONS AND INNOVATIONS,
PUTTING A MAN ON THE MOON,
OR STANDING GUARD UNTIL THE
COLD WAR WAS WON, IT HAS
BEEN AMERICAN LEADERSHIP--**

ECONOMIC
LEADERSHIP...MILITARY
LEADERSHIP...MORAL
LEADERSHIP...AND
TECHNOLOGICAL
LEADERSHIP...THAT HAS BEEN
THE MOST POWERFUL FORCE
FOR PEACE, PROGRESS, AND
PROSPERITY AROUND THE
GLOBE.

THERE ARE SEVERAL

DEBATES ONGOING IN
WASHINGTON WHICH WILL
DETERMINE IF AMERICAN
LEADERSHIP WILL CONTINUE
INTO THE 21ST CENTURY, OR
WHETHER WE WILL PASS THE
MANTLE OF LEADERSHIP ON TO
OTHERS.

AMERICA'S ECONOMIC
LEADERSHIP IS WHAT WAS AT
STAKE DURING THIS YEAR'S

**BATTLE OVER THE PRESIDENT'S
BUDGET. OVER THE COURSE
OF THIS YEAR, YOU'VE SEEN
TWO VERY DISTINCT AND
DIFFERENT PHILOSOPHIES ON
HOW TO MAINTAIN A STRONG
AND VIBRANT ECONOMY.**

**PRESIDENT CLINTON
BELIEVES THAT GOVERNMENT
CAN TAX, SPEND, AND MANDATE
AMERICA'S WAY INTO**

**PROSPERITY. MY REPUBLICAN
COLLEAGUES IN THE SENATE
AND I COULDN'T DISAGREE
MORE. WE BELIEVE THAT
GROWTH AND PROSPERITY CAN
ONLY BE ACHIEVED BY
PROMOTING AND REWARDING
INDIVIDUAL RISK-TAKING,
INITIATIVE, AND HARD WORK.
THIS BASIC FUNDAMENTAL
DIFFERENCE IN PHILOSOPHY--**

**AND NOT SOME PARTISAN
DESIRE TO OBSTRUCT--WAS THE
GLUE THAT HELD EVERY HOUSE
AND SENATE REPUBLICAN
TOGETHER IN THE VOTE ON THE
PRESIDENT'S BUDGET.**

**THERE WERE A LOT OF
CHARGES AND COUNTER
CHARGES, AND A LOT OF
ECONOMIC CHARTS FLYING
AROUND DURING THAT DEBATE.**

**BUT LAST WEEK, THE
CONGRESSIONAL BUDGET
OFFICE RELEASED IT'S MID-
SESSION REVIEW OF THE
BUDGET. AND THE CBO--WHICH
PRESIDENT CLINTON HAS
CONSISTENTLY PRAISED--
CONCLUDED THAT
REPUBLICANS WERE RIGHT.**

**ACCORDING TO THE REVIEW,
THE CLINTON BUDGET PLAN**

**WILL NOT REDUCE THE DEFICIT
BY \$496 BILLION, AS CLAIMED
BY CONGRESSIONAL
DEMOCRATS. INSTEAD, TOTAL
DEFICIT REDUCTION WILL BE
CLOSER TO \$432 BILLION OVER
5 YEARS. THOSE NUMBERS ARE
VERY CLOSE TO THE ONES
REPUBLICANS WERE CRITICIZED
FOR DURING THE BUDGET
DEBATE.**

**AND LET ME TELL YOU
SOMETHING ABOUT THAT SO-
CALLED \$496 BILLION IN
SAVINGS CLAIMED BY THE
DEMOCRATS. THE
ADMINISTRATION GETS THAT
FIGURE BY ADDING \$241 BILLION
IN NEW TAXES WITH \$255
BILLION IN SPENDING CUTS.
BUT, BY IT'S OWN NUMBERS,
THE ADMINISTRATION ADMITS**

**THAT SPENDING WILL INCREASE
BY \$256 BILLION IN THE NEXT
FOUR YEARS.**

**HOW DOES A SPENDING
INCREASE OF \$256 BILLION
BECOME A SPENDING CUT OF
\$255 BILLION?. WITH
ACCOUNTING THAT GIVES
SMOKE AND MIRRORS A BAD
NAME--THAT'S HOW.**

**THE ADMINISTRATION SAYS
THAT SINCE PRIOR
PROJECTIONS CALLED FOR A
\$511 BILLION SPENDING
INCREASE, A \$255 BILLION
INCREASE IS ACTUALLY A
SPENDING CUT. OUT IN THE
REAL WORLD, HOWEVER--
OUTSIDE OF THE BELTWAY--THE
CLINTON BUDGET AT BEST,
INSTITUTES A \$241 BILLION TAX**

**INCREASE TO FUND A \$256
BILLION SPENDING INCREASE.**

**IT'S NO WONDER THAT THE
C.B.O. HAS ALSO PREDICTED
THAT FOR THE NEXT FIVE
YEARS, ECONOMIC GROWTH
WILL NEVER EXCEED 2.7%.
REMEMBER THAT DURING THE
CAMPAIGN, PRESIDENT BUSH
WAS DRAGGED THROUGH THE
MUD BECAUSE ECONOMIC**

GROWTH IN 1992 WAS "ONLY"

3.9%

**WHY THE ECONOMIC
SLOWDOWN? A LOT OF
ECONOMIC EXPERTS AGREE
WITH ME THAT THE PRESIDENT'S
TAX AND SPEND BUDGET PLAN
AND THE THREAT OF MORE
TAXES TO PAY FOR HEALTH
CARE REFORM HAS BUSINESS--
ESPECIALLY SMALL BUSINESS--**

**WORRIED SICK. THEIR WORRIES
HAVE LED THEM TO CUT COSTS,
TO NOT BUY THAT NEW PIECE
OF EQUIPMENT, TO NOT HIRE
THAT NEW WORKER, OR OPEN
THAT NEW OFFICE.**

**AND NOW SMALL BUSINESS IS
NERVOUSLY AWAITING FOR THE
OTHER SHOE TO DROP--
PRESIDENT CLINTON'S HEALTH
CARE REFORM PLAN.**

HEALTH CARE

I GREW UP IN AN ERA WHERE
HEALTH INSURANCE WASN'T A
REALITY FOR MOST AMERICANS.
MANY OF THE HOSPITAL BILLS I
FACED AFTER WORLD WAR II
WERE FINANCED BY THE
PEOPLE OF RUSSELL, KANSAS.
A FEW OF MY FRIENDS CREATED
THE "BOB DOLE FUND." IT
BEGAN WITH A FEW DOLLARS

**TOSSED INTO AN OLD CIGAR
BOX, AND EXPANDED FROM
THERE. FROM THIRTY CENTS TO
A HUNDRED DOLLARS, DOZENS
OF MY NEIGHBORS DUG INTO
THEIR POCKETS TO GIVE
WHATEVER THEY COULD. IN THE
END, THE CONTRIBUTIONS
ADDED UP TO AROUND
EIGHTEEN HUNDRED DOLLARS.
SO I KNOW WHAT IT'S LIKE TO**

WORRY ABOUT HOW YOU'RE
GOING TO PAY FOR HEALTH
CARE, AND I KNOW IT'S
SOMETHING THAT NO AMERICAN
SHOULD HAVE TO EXPERIENCE.

AND LET ME BE CLEAR IN
SAYING THAT IF AMERICA IS TO
CONTINUE ITS LEADERSHIP
ROLE AS AN ECONOMIC
POWERHOUSE, THEN WE
SHOULD REFORM OUR HEALTH

CARE SYSTEM. BUT WE MUST
ALSO RESIST THE TEMPTATION
TO FIX SOMETHING THAT
DOESN'T NEED FIXING. A
MAJORITY OF AMERICANS ARE
CONTENT WITH THE HEALTH
CARE THEY RECEIVE, AND WE
MUST NOT TAKE ANY ACTION
WHICH WOULD REDUCE THE
QUALITY, CHOICE, AND
ACCESSIBILITY THAT

**AMERICANS HAVE COME TO
EXPECT.**

**THREE DAYS AGO,
REPUBLICANS GOT THEIR FIRST
CHANCE TO REVIEW A 239-PAGE
DRAFT OF THE PROPOSAL THE
PRESIDENT WILL ANNOUNCE ON
SEPTEMBER 22ND. THE DRAFT
PROPOSAL IS HARD TO
DESCRIBE WITHOUT A TEAM OF
DOCTORS, LAWYERS, AND**

ACCOUNTANTS STANDING
NEARBY, BUT MY FIRST
IMPRESSION IS THAT IT DOES
CONTAIN SOME ELEMENTS ON
WHICH WE CAN ALL AGREE, AND
SOME ELEMENTS THAT SHOULD
CONCERN ALL AMERICANS.

UNDER THE CLINTON PLAN,
UNCLE SAM WILL BE AN ACTIVE
PARTICIPANT IN ALMOST ANY
PHYSICIAN/PATIENT

**RELATIONSHIP. AS THE
WASHINGTON POST SAID ON
SATURDAY--THE PLAN "WOULD
GIVE THE FEDERAL
GOVERNMENT DRAMATIC NEW
REGULATORY POWERS OVER
THE NATION'S HEALTH CARE,
INCLUDING THE RIGHT TO
CONTROL SPENDING, TAKE
OVER STATE PROGRAMS THAT
FAIL TO MEET ITS GOALS, AND**

**IMPOSE A PAYROLL TAX ON
EMPLOYERS IN THOSE STATES."**

**I'M STILL LOOKING FOR
ANYTHING IN OUR NATIONAL
EXPERIENCE SUGGESTING THAT
WASHINGTON CAN EFFECTIVELY
MANAGE AND BALANCE A
HEALTH CARE BUDGET WHICH
TOTALS 900 BILLION DOLLARS.**

**ONE UNIVERSALLY-HELD
OPINION ON CAPITOL HILL IS**

**THAT THE PRESIDENT'S PLAN IS
NOT THE END---RATHER IT'S THE
BEGINNING OF A LONG
NATIONAL DISCUSSION ON
HEALTH CARE REFORM. IT
TOOK THE ADMINISTRATION
NEARLY EIGHT MONTHS TO
DEVELOP THIS PLAN, AND IT
COULD TAKE CONGRESS AT
LEAST THAT LONG TO ANALYZE
IT, COMMUNICATE WITH THE**

AMERICAN PEOPLE, AND TO
WRITE A TRULY BI-PARTISAN
PLAN THAT ADDRESSES YOUR
NEEDS.

HEALTH CARE REFORM
OFFERS A UNIQUE
OPPORTUNITY FOR
GOVERNMENT TO PROVE TO THE
AMERICAN PEOPLE THAT IT CAN
WORK. AND WE'RE GOING TO
HAVE TO TAKE THE TIME

**NECESSARY TO GET IT RIGHT--
WE WON'T HAVE A SECOND
CHANCE, AND WE CAN'T
AFFORD TO DO IT WRONG.**

**WE MUST NOT BLOW THIS
OPPORTUNITY BY RUSHING
THROUGH LEGISLATION THAT
WOULD PUT AMERICANS OUT OF
WORK, OR BY DISMISSING
THOSE WHO MAY DIFFER WITH
THE CLINTON PLAN AS "SPECIAL**

INTERESTS."

NAFTA

**WHILE ALL AMERICANS SEEM
TO BE UNITED IN THEIR DESIRE
FOR HEALTH CARE REFORM,
THERE IS A SERIOUS
DISAGREEMENT OVER THE
NORTH AMERICAN FREE TRADE
AGREEMENT.**

**I KNOW THERE ARE THOSE
HERE TODAY WHO OPPOSE**

NAFTA, AND I RECOGNIZE THERE
CAN BE HONEST
DISAGREEMENTS ON THIS
ISSUE. AFTER ALL, ANY ISSUE
THAT BRINGS BILL CLINTON AND
BOB DOLE TOGETHER ON ONE
SIDE, AND JESSE JACKSON, PAT
BUCHANAN, RALPH NADER,
JERRY BROWN, AND ROSS
PEROT TOGETHER ON THE
OTHER HAS TO BE CONFUSING.

**BUT WHAT ISN'T CONFUSING
IS THE SIMPLE FACT THAT
AMERICA MUST TRADE TO
PROSPER. AND AT IT'S HEART,
THE DEBATE OVER NAFTA IS A
DEBATE OVER LEADERSHIP.**

**IF THIS COUNTRY WANTS TO
CONTINUE TO LEAD THE
WORLD'S ECONOMY, IF WE
WANT TO SUCCEED IN TODAY'S
NEW GLOBAL MARKETPLACE,**

**THEN WE CANNOT BE AFRAID TO
COMPETE. WE CANNOT BUILD A
WALL AROUND OUR COUNTRY
AND CALL IT "ECONOMIC
SECURITY." THAT NOTION IS A
DELUSION.**

**BUT NO DOUBT ABOUT IT--THE
ADVOCATES OF THAT NOTION
HAVE MET WITH SOME
SUCCESS, BECAUSE THEY PREY
ON FEAR AND ANXIETY--**

**ESPECIALLY THE FEAR OF
LOSING A JOB.**

**PROTECTIONISM MAY GIVE A
TEMPORARY FEELING OF
SECURITY--BUT THE PRICE TAG
FOR THAT FEELING IS HIGH. WE
PAY FOR IT BY ROBBING FUTURE
GENERATIONS OF GROWTH,
PROSPERITY, AND
PRODUCTIVITY.**

I'VE SURE MANY OF YOU HAVE
SEEN ROSS PEROT'S NEW ANTI-
NAFTA BOOK CALLED "SAVE
YOUR JOB, SAVE OUR NATION."
WELL MY ADVICE IS THAT YOU
SAVE YOUR MONEY, AND NOT
BUY THE BOOK, BECAUSE,
ACCORDING TO THIS STUDY BY
THE CLINTON ADMINISTRATION,
IT IS FULL OF MISSTATEMENTS.

**THE BOOK IGNORES A LOT OF
FACTS, BUT MOST
IMPORTANTLY, IT IGNORES
WHAT MEXICO HAS DONE TO
TRANSFORM ITS ECONOMY. I
MET WITH PRESIDENT SALINAS A
FEW WEEKS AGO. HE HAS
COMMITTED MEXICO TO A PATH
OF ECONOMIC REFORM THAT
HAS BROUGHT STUNNING
RESULTS, AND WHICH EXPERTS**

**BELIEVE WILL YIELD CONTINUED
GROWTH AND PROSPERITY IN
THE COMING YEARS.**

**BY NOT TAKING ADVANTAGE
OF THIS HISTORIC
OPPORTUNITY, WE WILL ALLOW
OTHER COUNTRIES TO TAKE
OUR PLACE AS MEXICO'S
PARTNER. AND THAT WOULD BE
AN ECONOMIC MISTAKE.**

**THE FACT IS THAT MEXICO
HAS A TREMENDOUS APPETITE
FOR AMERICAN GOODS AND
SERVICES...FOR OUR
AUTOMOBILES, HEAVY
MACHINERY, CONSTRUCTION
HELP, ELECTRONIC EQUIPMENT,
AND CHEMICALS. IN FACT,
AMERICA NOW ENJOYS A TRADE
SURPLUS WITH MEXICO OF
NEARLY \$5.4 BILLION, AND A**

**FULL SEVENTY CENTS OF EVERY
DOLLAR MEXICO SPENDS ON
IMPORTED PRODUCTS IS NOW
SPENT ON AMERICAN GOODS.**

**THE APPETITE FOR AMERICAN
PRODUCTS MEANS JOBS FOR
AMERICAN WORKERS. SINCE
1986, U.S. EXPORT VOLUME TO
MEXICO HAS TRIPLED,
CREATING MORE THAN 400,000**

NEW JOBS HERE IN THE UNITED STATES.

AND AS THE MICHIGAN INTERNATIONAL TRADE COALITION, LED BY GOVERNOR JOHN ENGLER, HAS POINTED OUT, THE CONNECTION BETWEEN TRADE WITH MEXICO AND JOBS HERE IN MICHIGAN IS A STRONG ONE. OF ALL 50 STATES, MICHIGAN RANKS

**THIRD IN TOTAL EXPORTS TO
MEXICO. THESE EXPORTS HAVE
GROWN BY 51% IN THE LAST
FIVE YEARS, AND 31,000
MICHIGAN JOBS NOW DEPEND
ON EXPORTS TO MEXICO.**

**AND THESE NUMBERS WILL
ONLY INCREASE UNDER NAFTA.
GOVERNMENT FORECASTS ARE
THAT GENERAL MOTORS, FORD,
AND CHRYSLER SHOULD**

**INCREASE EXPORTS TO MEXICO
BY NEARLY \$1 BILLION IN THE
FIRST YEAR OF NAFTA ALONE--
PRODUCING SOME 15,000 NEW
JOBS.**

**NOW, THOSE WHO OPPOSE
NAFTA WOULD HAVE US BELIEVE
THAT IT IS GOING TO RESULT IN
AMERICAN COMPANIES LINING
UP BY THE HUNDREDS TO MOVE
TO MEXICO TO TAKE**

**ADVANTAGE OF THE CHEAP
LABOR COSTS--THAT'S THE
"GIANT SUCKING SOUND" THAT
ROSS LIKES TO TALK ABOUT.**

**BY RELYING ON THIS
ARGUMENT, NAFTA'S
OPPONENTS ARE SAYING THAT
THEY HAVE NO FAITH IN THE
SKILLS, ABILITIES, AND
PRODUCTIVENESS OF THE
AMERICAN WORKER. THEY**

**THINK THAT ON A LEVEL
PLAYING FIELD, AMERICAN
WORKERS ARE GOING TO GET
THEIR CLOCKS CLEANED. AND
THEY'RE DEAD WRONG.**

**IN A THOROUGH STUDY, THE
CONGRESSIONAL OFFICE OF
TECHNOLOGY ASSESSMENT
FOUND THAT IT COST \$8,770 TO
BUILD A TYPICAL AUTOMOBILE
IN THE UNITED STATES. AND IT**

**COST \$9,180 TO BUILD THE
SAME AUTOMOBILE IN MEXICO--
DESPITE THE FACT THAT LABOR
COSTS PER HOUR IN THE
UNITED STATES WERE EIGHT
TIMES HIGHER.**

**THAT DIFFERENCE WAS MORE
THAN ERASED HOWEVER BY THE
FACT THAT THE U.S. CAR COULD
BE BUILT FASTER, IN A MORE
ADVANCED FACTORY, WITH**

**MORE SKILLED WORKERS. AS
WAS POINTED OUT IN THE
WASHINGTON POST LAST WEEK,
"WHAT COUNTS MOST IN A
MODERN GLOBAL ECONOMY
ISN'T THE COST OF LABOR, BUT
THE LEVEL OF ORGANIZATION
AND AUTOMATION."**

**THE BENEFITS THAT NAFTA
BRINGS TO THE UNITED STATES
WILL ALSO BRING BENEFITS TO**

**MEXICO, AS WELL. NAFTA WILL
ALLOW PRESIDENT SALINAS TO
CONTINUE HIS PROGRAM OF
MODERNIZING MEXICO. THE
JOBS CREATED IN MEXICO AND
THE CONTINUED PRESENCE OF
AMERICAN GOODS AND
SERVICES WILL RAISE THE
MEXICAN STANDARD OF LIVING,
AND AMBITIOUS AND RISK-
TAKING MEXICANS WHO HAVE**

**BEEN LEAVING TO SEEK
ECONOMIC OPPORTUNITY IN
THE UNITED STATES MAY NOW
BE ABLE TO FIND IT AT HOME.**

**IN FACT, A COMMISSION
CREATED BY THE 1986
IMMIGRATION ACT LISTS NAFTA
AS THE SINGLE MOST EFFECTIVE
WAY TO STEM MEXICAN
IMMIGRATION INTO THE UNITED
STATES.**

**MAKE NO MISTAKE ABOUT IT,
NAFTA EXTENDS FAR BEYOND
CANADA AND MEXICO. OTHER
COUNTRIES LIKE CHILE AND
ARGENTINA WHO HAVE BEEN
MOVING FROM STATE-
CONTROLLED TO MARKET-
DRIVEN ECONOMIES ARE
FOLLOWING NAFTA VERY
CLOSELY. IF IT PASSES, THEN
THEY WILL WANT TO BE NEXT.**

**THEY WILL OPEN THEIR
BORDERS TO MORE AMERICAN
GOODS AND SERVICES.**

**AND IF NAFTA FAILS, THEY
WILL KNOW THAT AMERICA HAS
DECIDED TO NOT PLAY A
LEADERSHIP ROLE IN THE
WORLD MARKETPLACE. AND
WHILE THERE MAY BE A PRICE
TO LEADERSHIP, CHOOSING NOT
TO BE A LEADER WOULD RESULT**

IN AMERICAN EMPLOYERS AND
EMPLOYEES PAYING A MUCH
HIGHER PRICE.

BOSNIA/SOMALIA

AS I SAID, THERE CAN BE NO
DOUBT THAT LEADERSHIP HAS A
PRICE. AND SOMETIMES THAT
PRICE MEANS GETTING
INVOLVED IN MATTERS IN OTHER
COUNTRIES WHICH MAY AFFECT
THE WORLD'S STABILITY.

**TODAY, THERE ARE TWO
INTERNATIONAL HOT SPOTS--
SOMALIA AND BOSNIA. AND I
AM VERY CONCERNED THAT
AMERICAN LEADERSHIP IS
BEING BROUGHT TO BEAR IN AN
AREA WHERE THE UNITED
STATES DOES NOT HAVE A
NATIONAL INTEREST --
SOMALIA -- AT THE EXPENSE OF
AN AREA WHERE THE U.S.**

INTERESTS ARE AT STAKE --

BOSNIA-HERCEGOVINA.

**WHILE I STRONGLY
SUPPORTED THE HUMANITARIAN
MISSION IN SOMALIA, I DO NOT
SEE THE NEED FOR AMERICA TO
CONTINUE A LEAD ROLE IN THE
NEW MISSIONS OF
ESTABLISHING SECURITY AND
OF "NATION BUILDING." I
BELIEVE IT'S ABOUT TIME FOR**

**AMERICA TO DISENGAGE IN
SOMALIA AND TURN OVER THE
REINS TO THE UNITED NATIONS
AND TO AFRICAN COUNTRIES
WHO HAVE A CLEAR STAKE IN
THE STABILITY OF THE AREA.**

**SO, WHY ARE WE LEADING IN
SOMALIA, BUT NOT IN BOSNIA
WHERE WE HAVE INTERESTS?
THE REASON FOR THIS IS VERY
SIMPLE: THE UNITED STATES**

**HAS ADOPTED THE AGENDA OF
THE UNITED NATIONS. THE
CLINTON ADMINISTRATION HAS
SUBORDINATED U.S. FOREIGN
POLICY TO MULTILATERAL
ORGANIZATIONS, IN
PARTICULAR, THE UNITED
NATIONS. IT CALLS THIS POLICY
"ASSERTIVE MULTILATERALISM."**

**IN CONTRAST TO SOMALIA,
WHAT IS AT STAKE IN BOSNIA IS**

**MORE THAN JUST BOSNIA--IT IS
THE FUTURE OF THE
INTERNATIONAL ORDER. AND
ONE HAS TO WONDER HOW WE
CAN SUPPORT "NATION
BUILDING" IN SOMALIA, WHILE,
AT THE SAME TIME, WE SIT
QUIETLY BY AND WATCH THE
WHOLESALE DESTRUCTION OF
BOSNIA AND HER PEOPLE, AND
ENCOURAGE NEGOTIATORS IN**

**GENEVA TO DRAFT "PEACE"
AGREEMENTS WHICH RATIFY
THE GAINS OF THIS
AGGRESSION.**

**A FEW DAYS AGO, I MET WITH
THE BOSNIAN PRESIDENT, ALIJA
IZETBEGOVIC. HE TOLD ME
THAT BOSNIA FACES TWO
CHOICES: DEATH WITH A
SIGNATURE OR DEATH WITHOUT
A SIGNATURE. WHAT HE MEANT**

**WAS THAT IF THE BOSNIANS
SIGN THE CURRENT PEACE
PLAN, THEY LOSE MOST OF
THEIR TERRITORY AND ANY
HOPE OF A VIABLE STATE.
MOREOVER, HUNDREDS OF
THOUSANDS OF PEOPLE WILL
NOT BE ABLE TO RETURN TO
THEIR HOMES.**

**AND IF THEY DON'T SIGN THE
PEACE PLAN, THEY WON'T BE**

**ABLE TO CONTINUE TO DEFEND
THEMSELVES. HOW DID BOSNIA
GET INTO THAT POSITION?
WELL, THE INTERNATIONAL
COMMUNITY PUT IT THERE.
BOSNIA HAS BEEN REFUSED
COLLECTIVE DEFENSE BY THE
UNITED NATIONS AND DENIED
ITS RIGHT TO SELF-DEFENSE BY
A U.N. ARMS EMBARGO WHICH
WAS PLACED ON THE FORMER**

YUGOSLAVIA.

**THE ONLY ACTIONS TAKEN BY
THE U.N. IN BOSNIA HAVE BEEN
THE DELIVERY OF
HUMANITARIAN AID AND
MONITORING THE EFFECTS OF
"ETHNIC CLEANSING". YET, THE
UNITED STATES HAS NOT
ASSERTED THE LEADERSHIP
NECESSARY TO LIFT THE ARMS
EMBARGO AND IT HAS GIVEN**

**U.N. SECRETARY GENERAL
BOUTROS BOUTROS-GHALI A
VETO OVER NATO AIR STRIKES.**

**IN MY VIEW, THE
INTERNATIONAL COMMUNITY'S
ILLOGICAL, UNPRINCIPLED AND
WHOLLY INADEQUATE
RESPONSE TO THE WAR IN
BOSNIA-HERCEGOVINA WILL
ONLY INVITE MORE AGGRESSION
AROUND THE WORLD. AND**

**THESE AGGRESSORS, SOME
ARMED WITH NUCLEAR AND
CHEMICAL WEAPONS, WILL
KNOW THAT THE UNITED
NATIONS IS INCAPABLE OF
PRESERVING THE
INTERNATIONAL ORDER AND
THE UNITED STATES IS
UNWILLING TO ACT TO
PRESERVE IT.**

LADIES AND GENTLEMEN,
THROUGHOUT THIS CENTURY,
THE CITY OF DETROIT HAS BEEN
PART AND PARCEL OF THE
AMERICAN DREAM. A DREAM
THAT THROUGH HARD WORK
AND INITIATIVE, YOU COULD BUY
THAT FIRST CAR, BUY A HOME,
AND SUCCEED IN BUILDING A
BETTER LIFE FOR YOUR FAMILY
AND CHILDREN.

AND OVER THE PAST YEAR, I
HAVE BEEN PRIVILEGED TO
MEET WITH DELEGATIONS FROM
MANY COUNTRIES WHOSE
PEOPLE HAVE LONG SOUGHT
THE AMERICAN DREAM. THEY
COME INTO MY OFFICE NOT
WANTING A HAND-OUT--RATHER,
THEY WANT INSPIRATION AND
ENCOURAGEMENT. THEY TELL
ME THAT "WE WANT TO BE LIKE

**YOU. WE WANT TO BE LIKE
AMERICA."**

**I BELIEVE THAT THE
DECISIONS WE MAKE IN THE
COMING DAYS AND MONTHS
WILL GO A LONG WAY IN
DETERMINING JUST WHAT
AMERICA WILL BE LIKE.**

**WE CAN RETAIN OUR
ECONOMIC LEADERSHIP BY
REMAINING COMMITTED TO**

**FREE ENTERPRISE AND
INDIVIDUAL INITIATIVE. OR WE
CAN STAND BY AS GOVERNMENT
TAKES AN EVER INCREASING
SHARE OF OUR TAX DOLLARS
AND MAKES AN EVER
INCREASING SHARE OF OUR
DECISIONS**

**WE CAN TAKE OUR PLACE AS
A LEADER IN THE NEW GLOBAL
MARKETPLACE, OPENING NEW**

**DOORS AND OPPORTUNITIES
FOR AMERICAN BUSINESS AND
AMERICAN WORKERS. OR WE
CAN STAND ON THE SIDELINES,
AS WE CLOSE THAT DOOR, AND
ALLOW OTHER COUNTRIES TO
LEAD AND TAKE OUR SHARE OF
THOSE NEW MARKETS.**

**WE CAN REMAIN THE MOST
POWERFUL FORCE FOR PEACE
AND PROGRESS ON EARTH,**

STANDING FIRM WITH THOSE
WHO SEEK FREEDOM. OR WE
CAN DECIDE THAT THE PRICE OF
LEADERSHIP IS TOO HIGH,
ALLOWING OTHERS TO DECIDE
WHAT OUR INTERESTS ARE, AND
TURNING A BLIND EYE TO
INTERNATIONAL AGGRESSION.

I BELIEVE THE CHOICES ARE
CLEAR, AND SO, TOO, IS THE
PATH THAT WE MUST TAKE. WE

**MUST DO ALL WE CAN TO
ENSURE THE SURVIVAL OF
AMERICAN LEADERSHIP, AND
WITH IT, THE SURVIVAL OF THE
AMERICAN DREAM.**