CHAPTER 1

Building on Success

IN 1989, THE U.S. ECONOMY marked its seventh consecutive year of economic growth, the longest peacetime expansion on record and the second longest expansion in U.S. history. The American economy has created more than 20 million new jobs since 1982. The average unemployment rate in 1989 was at its lowest level since 1973 and was lower than in any major European country. America's standard of living, as measured by per capita income, is the highest of any major industrialized country in the world, fully one-third higher than that of West Germany or Japan. In 1989, exports reached an all-time high, and the United States once again became the world's leading exporter. Moreover, unlike any other expansion since World War II, inflation has been contained, laying a solid foundation for continued strong growth in the 1990s.

The successes of the 1980s stand in sharp contrast to economic performance in the 1970s, when inflation soared and unemployment simultaneously increased. In that earlier decade, tax rates climbed for a growing segment of the population. Productivity growth collapsed. Government interference in private markets escalated. The result was an inefficient economy and stagnant living standards.

America's economic successes in the 1980s also stand in sharp contrast to the poor performance of countries that had severely restricted economic and political freedom. Indeed, this contrast, along with U.S. support for democracy in the 1980s, helped to spur the most historically significant events of 1989—the revolutionary transformation of the countries of Eastern Europe. Along with the rapid adoption of democratic principles has come a recognition that economic freedom is also essential to raising the quality of life. By the end of the year, bold economic reform programs were being developed to turn away from central planning and government ownership toward free markets and private ownership. It is significant that as the United States marked the seventh year of its economic expansion last November, the President signed legislation providing for U.S. support for economic reforms in Eastern Europe.

The Nation now has an opportunity to build on its recent economic successes. It can address problems from the past and con-

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front current and likely future challenges. The Nation must save and invest a larger share of its income. The performance of U.S. elementary and secondary schools must be dramatically improved. Employment and housing opportunities available to disadvantaged Americans must be expanded. The quality of the Nation's environment must be preserved and enhanced. And at this crucial moment in history, U.S. support for democracy and market reform movements around the world cannot diminish. The success of these market reforms will be a significant determinant of political freedom and economic progress throughout the world in the 21st century.

Strong sustained economic growth is the key to providing rising real incomes and resources for the needs, desires, and aspirations of the American people. Sustained economic growth will also provide employment opportunities for American families and offer people the dignity and self-respect that come with participating fully in the economy.

Therefore, the Administration's primary economic goal for the 1990s is to achieve the highest possible rate of sustainable economic growth. Government policy must enhance the economy's potential for growth and ensure that its potential is more often fully utilized than in previous decades. Keeping inflation in check is essential to achieve this goal. In designing policies to meet this goal, it is important to be ambitious but realistic. Setting the Nation's sights too low guarantees mediocre performance. Setting hopelessly unrealistic goals guarantees disappointment.

Economic research and the policy experiences of the 1970s and 1980s have led to an improved understanding of the appropriate role for the Federal Government in achieving the Nation's goals. In general, government's role should be modest, with limited, targeted, and cost-effective policies aimed at augmenting the economic power of the private sector. The Federal Government's monetary and fiscal policies should be systematic and credible and should focus on the long run. The demonstrated success of free markets has brought a new appreciation of the power of economic incentives and has encouraged efforts to maintain maximum flexibility in markets. An increasingly integrated global economy has demonstrated the simple truth that a freer and more open trading system stimulates worldwide economic growth and rising living standards.

The Administration's economic policy principles are designed to achieve the maximum sustainable rate of economic growth, both by enhancing the economy's ability to grow and by ensuring that its potential is more fully utilized than in previous decades. The principles are as follows:

- Reduce government borrowing by slowing the growth of Federal spending while economic growth raises revenue until the budget is balanced, and reduce the national debt thereafter;

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- Support a credible, systematic monetary policy program that sustains maximum economic growth while controlling and reducing inflation;
- Remove barriers to innovation, investment, work, and saving in the tax, legal, and regulatory systems;
- Avoid unnecessary regulation and design necessary regulatory programs to harness market forces effectively to serve the Nation's interest; and
- Continue to lead the world to freer trade and more open markets and to support market-oriented reforms around the world.

Specific programs and proposals to implement these policy principles in the evolving economy of the 1990s are summarized in the balance of this chapter and discussed in detail in the remainder of this *Report*.

THE CURRENT EXPANSION AND FUTURE PROSPECTS

The economy's performance during 1989 has set the stage for a continuation of the expansion into the 1990s. Adjusting for the rebound in farm production from the 1988 drought, real (inflation-adjusted) gross national product (GNP) rose 1.9 percent during the year, well below the strong pace of 1987 and 1988. Significantly, pressures for increased inflation evident in 1988 were contained. The broadest measure of economy-wide inflation, the GNP fixed-weighted price index, rose by 4.1 percent during 1989, down from 4.5 percent in 1988 and about the same as in 1987.

Continued growth in employment and income in 1989 provided new economic opportunities. A substantially better balance between domestic spending and domestic production was achieved. Growth in government purchases slowed, while net exports and business investment grew more rapidly. Both government and household saving rates rose. These patterns have provided a foundation for sustained strong economic growth.

The Administration's outlook is contingent on implementation of the President's proposals to reduce the Federal budget deficit steadily to zero by fiscal 1993 and to reduce the national debt thereafter. It is also contingent on the Federal Reserve maintaining a credible monetary policy program to support strong noninflationary growth. With these policies, the Administration projects that the U.S. economy will enjoy sustained growth in 1990 at a slightly faster pace than in 1989. Real growth is expected to pick up in the second half of 1990 relative to the first half. In 1991, the economy's growth rate is expected to increase further, as the level of output rises to its full potential; the growth rate is then anticipated to return gradually to its longer run expected potential

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pace of about 3 percent. Inflation is anticipated to remain close to its 1989 rate in 1990, and then to decline gradually in later years.

The remarkable length of the current expansion, by itself, does not increase the likelihood of an imminent recession. To be sure, occasional episodes of economic contraction will occur in the future. Adverse external events cannot be ruled out, even in the near term. But with the right economic policies in place, expansions in the future can be longer than expansions in the past. The success in containing inflation in this expansion offers an important protection against future recessions. Since World War II, sharp increases in inflation have usually caused policy responses or private-sector imbalances that have led to a recession.

MACROECONOMIC POLICY

Economic research and the lessons of the past two decades suggest a macroeconomic strategy for meeting the challenges of the 1990s and beyond. If fiscal and monetary policies are systematic and credible, rather than characterized by the frequent exercise of short-sighted discretion, strong sustainable noninflationary growth can be achieved.

Popular accounts of economic ideas typically focus on controversies and areas of disagreement. This focus is particularly common in discussions of macroeconomics, where monetarists, supply-siders, Keynesians, new classical macroeconomists, and others are often paired off against each other. While such controversies exist and have been important in the development of economic thinking, they mask two key areas of consensus concerning macroeconomic policy.

First, agreement is now widespread on the detrimental effects of a short-sighted discretionary approach to macroeconomic policy that attempts neither to lay out policy plans nor to maintain a commitment to such plans. Because policymakers are regularly praised and criticized for short-run developments, they experience pressures to approach economic policy from a short-run viewpoint. Stating a plan or program as clearly as possible tends to counteract such pressures.

Second, research and experience have demonstrated the great advantages of establishing a credible commitment to a policy plan. Improved credibility, which is enhanced by achieving stated policy goals and consistently following stated policy principles, can favorably affect expectations. It can help resolve the uncertainty that arises when changes in the structure of the economy complicate the interpretation of policy actions. It also enables households and businesses to plan for the future, thereby promoting saving, investment, and economic growth.

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FISCAL POLICY

The Administration's commitment to the principles of the Gramm-Rudman-Hollings law, clearly demonstrated by the President's actions last fall, constitutes an important step toward a credible and systematic fiscal policy. Moreover, the Administration supports the principle that any supplemental spending increase in the current fiscal year must be offset by decreases in other parts of the budget.

The Administration has proposed *a new rule for fiscal policy* that would extend the Gramm-Rudman-Hollings law by requiring the Federal Government to maintain a balanced non-Social Security budget after 1993. The projected future surpluses in Social Security could not be spent for other purposes but would be devoted to building reserves through a proposed Social Security Integrity and Debt Reduction Fund. This rule would reduce the national debt, free up substantial funds for private capital formation, and increase economic growth. Higher growth would not only protect the integrity of Social Security by increasing the resources available to cope with the retirement of the baby-boom generation, but would also raise national output to meet other private and public needs and wants.

The Administration remains committed to the principles of low marginal tax rates and a broad tax base developed in the Economic Recovery Tax Act of 1981 and the Tax Reform Act of 1986. Steady adherence to these principles reduces tax-induced distortions of private incentives and increases the economy's growth potential.

MONETARY POLICY

Monetary policy should be designed and credibly committed to sustaining strong economic growth and macroeconomic stability while predictably controlling inflation. Changes in the relationship between the monetary aggregates and the economy have made it difficult to be precise or mechanical in designing monetary policy.

Nevertheless, it is important both to state clearly the basic intentions of monetary policy and to recognize the long-run significance of the monetary aggregates as an anchor for price stability. The Federal Reserve generally increases interest rates when inflationary pressures appear to be rising and lowers interest rates when inflationary pressures are abating and recession appears to be more of a threat. Judgment about such factors as inflationary expectations is of course required to determine the degree of inflationary pressures and the size of the appropriate interest rate response. But, the demonstrated consistency of the Federal Reserve's behavior is evolving into a monetary policy procedure with a considerable degree of credibility. That credibility has been enhanced by the strong record of achievement built in the 1980s. The Administration firmly supports the Federal Reserve's goal of strong non-

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inflationary growth and believes that continued vigilance in controlling inflation is necessary.

INTERNATIONAL MACROECONOMIC ISSUES

Greater international trade and financial flows have fueled economic growth, both in the United States and abroad. This increased integration of the world economy has significant implications for macroeconomic policies. Both monetary and fiscal policies in the United States have fundamental effects on exchange rates and trade flows. These policies also affect the economic performance of other economies, although to a lesser extent than the U.S. economy itself.

The first priority of U.S. macroeconomic policy should be to maintain an environment conducive to strong noninflationary growth of the domestic economy. Pursuit of this goal will benefit the U.S. economy and contribute to economic growth and stability abroad. A sustainable trade balance and relatively stable exchange rates are part of such a policy environment.

International macroeconomic policy coordination can help governments to maximize sustainable growth worldwide, while taking into account the spillover effects of domestic policies and their implications for trade flows and exchange rates. The regular economic summits of the G–7 nations (United States, West Germany, Japan, United Kingdom, France, Canada, and Italy) provide a framework for the discussion of economic issues of mutual concern. This cooperation has been an evolving process, but it has achieved some important successes. Economic growth has been strong, inflation rates among countries have tended to converge, and trade imbalances have declined. These successes argue for continued efforts to improve the international macroeconomic policy coordination process.

PROMOTING ECONOMIC GROWTH

In order to maximize sustainable growth, the Federal Government must remove obstacles to saving, investing, innovating, and working. Even the modest changes in growth rates that government policies can create would have a substantial impact on future living standards and on America's world leadership.

Over the long haul, growth in the Nation's capacity to produce goods and services depends on increases in the work force and in worker productivity. Productivity growth in turn depends mainly on investment in physical capital (new buildings and equipment), intellectual capital (advances in knowledge and technology), and human capital (increases in the skills and abilities of the work

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force). Entrepreneurial activity plays a critical catalytic role in starting new businesses and bringing new technology to market.

Investments in plant, equipment, technology, and education are all more attractive the more robust is economic activity. A strong business climate not only spares people the short-run costs of unemployment and lower living standards, but is also conducive to the investment on which their long-run prosperity ultimately depends. Sound fiscal and monetary policies thus enhance economic growth.

INVESTMENT AND TECHNOLOGY

In order to enhance the economy's long-run health, the Federal Government should aim for a prosperity marked by a high ratio of investment to GNP through policies that reduce obstacles to both saving and investment. U.S. investment in physical capital increased in the 1980s, but it remains low by international standards. Moreover, the United States invests a smaller fraction of its GNP in nondefense research and development, which builds intellectual capital, than some of its major competitors. If the Nation is to achieve robust economic growth, government policy must create a climate in which private firms find it attractive to make productive investments both in physical and intellectual capital. The government should also support research that is likely to have widespread societal benefits, but that no individual firm would have the incentive to undertake.

A key item on the Administration's economic agenda, reducing the tax rate on capital gains, will enhance all types of investment. Cutting the capital gains tax rate will lower the cost of investment funds and thus stimulate investment. Much of the reward to entrepreneurial activity, such as generating new technology and bringing it to market, comes in the form of an increase in the value of businesses. Reducing the capital gains tax rate will thus reward these efforts and encourage invention and innovation.

The Administration has recommended substantial increases in Federal investment in research that has broad relevance and that would be underfunded by the private sector alone. Basic research builds the knowledge base on which technological progress depends and augments the ability of U.S. universities to train the scientists and engineers in whose hands the Nation's technological future rests. In order to enhance incentives for private investment in the Nation's intellectual capital, the Administration also proposes to make permanent the research and experimentation tax credit and will work to remove unnecessary legal and regulatory barriers to innovation.

But the Administration remains strongly opposed to any sort of industrial policy, which would involve second-guessing private in-

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vestment decisions by selecting particular firms, industries, or commercial technologies for favorable tax treatment or direct subsidies. History provides strong support for the view that private market participants, who have profits and jobs at stake, have sharper incentives and better information than government decisionmakers and, as a consequence, make sounder investment decisions.

Similarly, the Administration recognizes that participation in an efficient global capital market benefits all nations. Foreign capital inflows amounting to about one-sixth of U.S. domestic investment in recent years have strengthened investment and productivity in the United States. The Administration strongly opposes the erection of barriers to foreign investment in the United States and is continuing to work to reduce formal and informal barriers to investment throughout the world.

Foreign direct investment in the United States has grown rapidly in recent years, in large part because America has become a more attractive country in which to invest. Despite this growth, foreign-owned firms play a smaller role in the U.S. economy than in the economies of many other industrialized nations. Moreover, U.S. companies continue to make substantial investments abroad. Increases in direct investment by U.S. and foreign firms reflect the increasing integration of the global economy and benefit both host and investor nations.

NATIONAL SAVING

Business, households, and governments all save at a lower rate in the United States than their counterparts in other advanced economies. Moreover, during the 1980s, the U.S. national saving rate—the sum of what households, businesses, and governments save—was substantially below its average over the previous three decades. A higher rate of national saving will reduce the cost of investment funds to U.S. firms. A lower cost of capital will, in turn, encourage investment, enhance productivity, and spur growth.

The most direct and important step that can be taken to increase U.S. national saving is to reduce the Federal budget deficit. The Administration's new rule for fiscal policy, discussed above, will eliminate the budget deficit and then reduce the national debt. The Administration's program for increasing national saving also includes policies to increase private saving by reducing the tax rate on capital gains and by establishing Family Savings Accounts to encourage saving for pre-retirement objectives.

HUMAN RESOURCES

The new jobs created by the U.S. economy increasingly require high levels of skills and education, and the growth of the working-

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age population is slowing. Together, these trends are creating a new set of labor market concerns. The future may well bring occasional episodes of cyclical unemployment associated with shortfalls in the demand for labor. But concerns about the availability of jobs that have dominated macroeconomic policy discussion since the Great Depression are giving way to new concerns about the availability of workers and skills.

The U.S. economy will continue to benefit significantly from the remarkable flexibility of its labor markets. Employers and workers have generally adapted well to labor market changes, including the entry of the baby-boom generation and the sharp increase in female labor force participation. However, the Federal Government can lead in promoting excellence in education and can help to bring less advantaged groups into the economic mainstream, thereby expanding the supply of workers and skills.

Increasing the skills of the Nation's work force—building human capital—requires improving the performance of the Nation's elementary and secondary schools. By international standards, U.S. outlays for education are high, but U.S. students regularly do less well than their peers abroad on tests of knowledge and achievement. The most pressing task, therefore, is not to invest more money in education, but to invest more effectively. Elementary and secondary education is primarily a State and local responsibility, but the Federal Government and the private sector can play important leadership roles.

Last fall, the President called together the Nation's Governors and the Cabinet to lay the foundation for a national performance-oriented education policy. This historic summit, only the third of its kind in U.S. history, has already led to an ambitious set of national education goals. The proposed Educational Excellence Act and other Administration iniatives seek to give students and their families more choice, to give local schools more flexibility, and to hold school systems accountable for the performance of their students. The Administration's 1991 budget calls for increased funding for education programs. Particularly large increases are targeted for Head Start to help prepare young children from disadvantaged families for effective learning.

In order to expand economic opportunity at both the individual and national levels, the Administration has supported a number of initiatives designed to bring the disadvantaged into the economic mainstream. These include the Americans with Disabilities Act, increased funding for assistance to the homeless, reforms of welfare and job training programs, and programs designed to increase homeownership and the supply of affordable housing and to bring jobs to depressed inner cities.

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REGULATORY POLICY

All levels of government engage in regulation that potentially serves the public interest. But too many regulatory programs have pursued unrealistic goals with excessively costly methods and offered society only meager benefits in exchange for slower growth, higher prices, and lower living standards.

PRINCIPLES OF REGULATORY POLICY

A key function of government in a private enterprise economy is to construct a legal framework that enhances the health and vigor of the private sector. Sensible and vigorously enforced antitrust policies promote competition, which in turn reduces prices and spurs innovation. Innovation is also encouraged by policies that protect intellectual property from unauthorized use. Current product liability law often discourages innovation by imposing unrealistic safety standards on new products. The Administration has proposed reforms that would restore balance to this area of the law.

While it may seem obvious that governments should not try to do what the private sector can do better, this important principle is often ignored in practice. Government regulation can rarely improve on well-functioning private markets; it usually makes things much worse. The renewed vigor of industries that were deregulated during the 1980s—including telephone equipment, airlines, overnight delivery services, and trucking—has made clear how regulation hobbles competitive markets and thus inflates costs and prices, reduces consumer choice, discourages innovation, and, ultimately, eliminates jobs.

Government action may be called for where competitive private markets do not exist or cannot function. For example, even though many consumers may be willing to pay for cleaner air, no unregulated private economy has a market in which they can do so.

Imperfections in private markets do not suffice to justify regulation, however. It must be demonstrated that these imperfections can be addressed by a regulatory policy—itself inevitably imperfect—with benefits that exceed its costs. Regulatory targets should be chosen by careful cost-benefit analysis, and the methods of regulation should minimize the cost and disruption of reaching their targets. Cost-minimization often requires carefully structuring the incentives faced by the private sector as well as granting firms and their workers flexibility in meeting regulatory requirements. Government policies should generally be designed to strengthen, not weaken, market forces and, where appropriate, to harness them in the public interest.

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THE ENVIRONMENT AND THE ECONOMY

These principles underlie the Administration's policies toward the environment. The United States can and must have both a sound, growing economy and a healthy environment. Economic growth is critical to provide the resources necessary to protect the environment; the wealthiest nations are the most willing and able to devote substantial resources to environmental protection. But environmental policies that pursue unrealistic goals through inflexible regulation waste the Nation's valuable resources. Such poorly designed programs not only slow economic growth and eliminate jobs; their excessive costs also reduce support for the goal of environmental protection.

The economy and the environment both benefit if the goals of environmental programs are selected through careful cost-benefit analysis and are pursued through flexible programs that enhance the private sector's incentives to minimize costs. The Administration's proposed amendments to the Clean Air Act apply this approach. While the Administration plan calls for significant reductions in automobile emissions, it explicitly rejects the application of unreasonably stringent emissions standards whose costs would be far out of proportion to their benefits; other measures can achieve similar goals at much lower costs. The Administration's proposal for acid rain control employs tradable emissions allowances, a cost-minimizing approach advocated in this *Report* for more than a decade.

The Administration's proposals for reform of pesticide regulation also reflect its principles of regulatory policy. An unworkable zero-risk standard now applies to processed foods. The Administration proposes employing instead the standards that apply to unprocessed foods and that balance benefits and risks of pesticide use. The Administration proposal would also strengthen and simplify the pesticide regulation process. These proposals would benefit both the public health and the agricultural economy.

Discussions of many environmental concerns—including the possibility that human activity may lead to future changes in the Earth's climate—are dominated by scientific and economic uncertainty. In such areas, the Federal Government has an important role to play in supporting research to develop the knowledge base that is critical to intelligent decisionmaking. This Administration has proposed substantial increases in funding for scientific research on the processes that might lead to future climate change. Many feel the costs of substantial reductions in the emissions that might produce global warming are high; much better information on the corresponding benefits is necessary to decide if those costs should be incurred.

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FINANCIAL MARKETS

When financial markets and institutions work well, they encourage saving and channel it efficiently into the most productive investments, thus stimulating economic growth and contributing to rising living standards. The Federal Government must design its regulation of financial markets and institutions carefully to ensure the soundness of the U.S. financial system while encouraging competition and innovation. This Administration's prompt actions to resolve the savings and loan crisis have laid a solid foundation for further progress and reform.

GROWTH AND MARKET REFORM IN THE GLOBAL ECONOMY

Political and economic events in the 1980s underscored the growing importance of free markets and an open trading system to economic growth and prosperity. Revolutionary political and economic change is occurring in Eastern Europe. Economic reforms in some of the severely indebted developing countries, aided by new initiatives to reduce debt burdens, hold the promise of reviving growth. The market-oriented economies of Asia have grown rapidly. The move in Western Europe toward a single market by 1992 can benefit producers and consumers worldwide.

TOWARD FREE TRADE AND OPEN MARKETS

As global integration advances and competition intensifies, the United States must increase its efforts to lead the world toward a system of free trade and open markets. The Administration remains strongly committed to those efforts and staunchly opposed to managed trade. That commitment means actively removing trade barriers and resisting inevitable calls for protection—thereby opening markets, not closing them.

The President's highest priority in trade policy is to further the role of the General Agreement on Tariffs and Trade (GATT) as a rules-based system for liberalizing trade and settling trade disputes. Widening the scope of products and practices covered by GATT is especially important to move the world toward market-oriented trade. U.S. proposals in the current Uruguay Round negotiations include bold, workable plans for integrating agriculture and services into the GATT system, for establishing common rules governing intellectual property rights, and for reducing the barriers to trade-related investment.

The removal of barriers to the movement of goods, capital, and labor among the countries of the European Community (EC) by

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1992 will increase the productive potential of the economies of those countries. The reduced barriers can also benefit Americans by creating a larger, more integrated market for U.S. goods and by lowering prices to consumers as European goods are produced more efficiently. While concerns that economic integration under the EC 92 initiatives will lead to a Fortress Europe are exaggerated, it is essential that the United States remain vigilant in monitoring the EC directives to ensure that new barriers are not raised to trade with the United States and other countries outside the EC.

ENCOURAGING ECONOMIC CHANGE ABROAD

Market-oriented reforms are essential to improving living standards in the nations of Eastern Europe. These reforms will not only increase output, they will give families the freedom to choose the products they want rather than having to accept what central planners want them to have. Reforms underway in some countries demonstrate a recognition of this fact: Poland, in particular, has undertaken ambitious reforms. Along the way, such reforms may at times be difficult and painful, but they must be comprehensive to succeed.

In heavily indebted developing countries, only continued implementation of appropriate macroeconomic policies and reforms that strengthen market forces can produce strong economic growth. Negotiated reductions in debt burdens can encourage such reforms and help to ensure their success.

The Administration is deeply committed to supporting market-oriented reforms around the world. The major responsibility for their success rests with the peoples of these countries themselves and their ability and desire to implement the measures necessary to improve their economies. In Eastern Europe, the United States has taken an initiative in providing technical and financial assistance in order to increase the likelihood of success. For developing countries, the United States continues to lead in forming and implementing a strategy of debt restructuring and in supporting economic reforms that aim to revive economic growth and to restore access to world capital markets.

CONCLUSION

The economic goal prescribed by the Employment Act of 1946, a goal that is echoed in this *Report*, was "maximum employment, production, and purchasing power." Sustained, robust growth will raise living standards, maintain the Nation's position of global leadership, bring greater opportunity to Americans, and provide the resources necessary to make progress toward satisfying an array of public and private needs and wants. But as this *Report*

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endeavors to explain, the experience of four decades has led to a better understanding of how to achieve these goals.

In pursuing these goals, the United States will confront a host of economic challenges and opportunities in the next decade. The Federal Government must remove impediments to national saving, investment, and innovation to create an environment in which rapid growth can occur. Educational excellence—especially in the K-12 grades—must be promoted. The flexibility of U.S. labor markets must be preserved. Employment, income, housing, and education opportunities available to disadvantaged Americans must be enhanced. The Nation must confront persistent environmental problems and new global concerns. The continuing integration of the world economy has increased the importance of free markets and an open trading system and of resisting misguided calls for protectionism. Free people working, producing, innovating, investing, and consuming in free competitive markets—both domestic and international—are the engine driving economic growth.

It would be unrealistic to expect all of these issues to have been resolved by the end of the 1990s. The successes of the 1980s have left the Nation with the economic capability to make significant progress, but obstacles remain. The benefits to surmounting these obstacles will raise the quality of life in the United States for present and future generations. These benefits will spread worldwide if the United States is able to maintain its international economic and political leadership. As the 1980s, and 1989 in particular, have shown, America's response to these challenges can make a critical difference to the well-being of people all over the world.

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