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Presidential Press Conference 5/14/93

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ADVANTAGES OF THE WAYS AND MEANS RECONCILIATION BILL

Real Deficit Reduction

- Over five years, reduces the deficit by $300 billion.

- Shares the burden for deficit reduction fairly among American citizens -- those with greater resources will contribute more.

  -- About half the total tax increase in the package will be paid by individuals who make well over $100,000 a year.

  -- Corporate America pays its fair share too, by increasing the corporate tax rate and eliminating excessive corporate tax deductions.

  -- Those struggling to make it get tax relief.

- Includes interim controls on Medicare costs, pending enactment of health care reform.

- Through a modified version of the proposed energy tax, reduces the deficit in an environmentally-responsible manner that also protects US products.

Helps Put America to Work

- Simplifies and expands the earned income tax credit, rewarding low-income working Americans.

- Devotes $5.3 billion to demonstrations of enterprise and empowerment zones designed to help rebuild America's cities and offer real opportunity to urban and rural distressed areas.

- Permanently reauthorizes the targeted jobs tax credit and the low-income housing credit. Creates a youth apprenticeship credit for non-college-bound youth.

- Repeals the luxury tax on boats, furs, airplanes, and jewelry and reduces the proposed increase in the inland waterway tax.

Refurbishes our Competitive Edge

- Limits the proposed increase in the corporate tax rate to one percentage point.

- Includes provisions designed to help assure that foreign companies doing business in the US pay their fair share of taxes.

- Extends the deduction for the health insurance costs of the self-employed, increases the authority small businesses have for expensing to $25,000 equipment purchases, and authorizes targeted capital gains incentives for investment in small businesses.

- Permanently extends the research and development tax credit, and, on a prospective basis, simplifies tax treatment of intangible assets.

- Restores employer tax credits for educational assistance.

- Deletes the proposal to increase taxation of royalties of US companies. Allows a permanent 50 percent research and development allocation for US companies.

- Extends the Generalized System of Preferences which fosters economic development and overseas markets for US exports, provides leverage to reduce barriers and enhance intellectual property rights protection in developing countries, and lowers input costs for US manufacturing.

- Extends the "fast-track" negotiating authority for the Uruguay Round multilateral trade negotiations.

- Provides needed relief for the real estate industry through liberalization of the passive loss rules, elimination of certain tax barriers to pension plan investment in real estate, and modifications in the rules for discharge of indebtedness.

<u>Offers Help to those with Basic Needs</u>

- Authorizes $1.5 billion in spending on family preservation programs designed to help families avoid foster care and improve the foster care experience for those children who must be placed.

- Creates a $2.1 billion trust fund to finance childhood immunizations for Medicaid-eligible children and those without health insurance coverage for immunizations.

- Modifies the extended unemployment benefits program to make it more responsive to changes in unemployment.

- Reauthorizes, for three years, the trade adjustment assistance program for dislocated workers.

5/14/93

TREASURY NEWS

Department of the Treasury | Washington, D.C. | Telephone 202-622-2960

FOR IMMEDIATE RELEASE
MAY 14, 1993

STATEMENT OF TREASURY SECRETARY LLOYD BENTSEN

Good morning. I want to say a few words about the progress we've seen in passing the largest deficit cut in history.

For twelve years there's been an unwillingness in Washington to do anything substantial about our deficit, and there's plenty of blame to go around. The problem has gotten worse and worse. We heard lip service paid to the idea, but nothing but excuses when it came time to step up and deliver.

President Clinton has changed all that.

This year, under President Clinton's leadership, we will pass the most far reaching deficit reduction program ever.

I'm convinced of it because for the first time an administration has stepped forward and made the difficult decisions about what programs to cut, about what taxes to change. That takes courage, and it takes leadership.

For the past few weeks you might not have known we had a four-year, $500 billion deficit reduction plan at Ways and Means. You'd think that they were just going through a stack of unrelated bills. The fact is they were building -- one item at a time -- a deficit reduction package to change the course of our economy. That was hard work.

Ways and Means has produced legislation that largely achieves what we asked for in the way of deficit reduction. Does the plan still do what we set out to do -- reduce the deficit in a significant way? Yes.

That bill looks remarkably like what we sent up. It makes our tax code more progressive. It contains a ground-breaking energy tax that encourages conservation and reduces pollution. It promotes investment and economic growth. And it brings the deficit down substantially. That's what we set out to do.

The process is far from over. I expect there will be more changes. But we're not going to lose sight of the fact that our job is to reduce the deficit.

LB-183

We've already changed the economic picture just by talking about our plan. These lower interest rates didn't just happen. The rates are down because the bond market took seriously this President's promise to reduce the defict, and they expect his program to pass.

Bringing the deficit down is our most important economic responsibility, and that's what we intend to do.

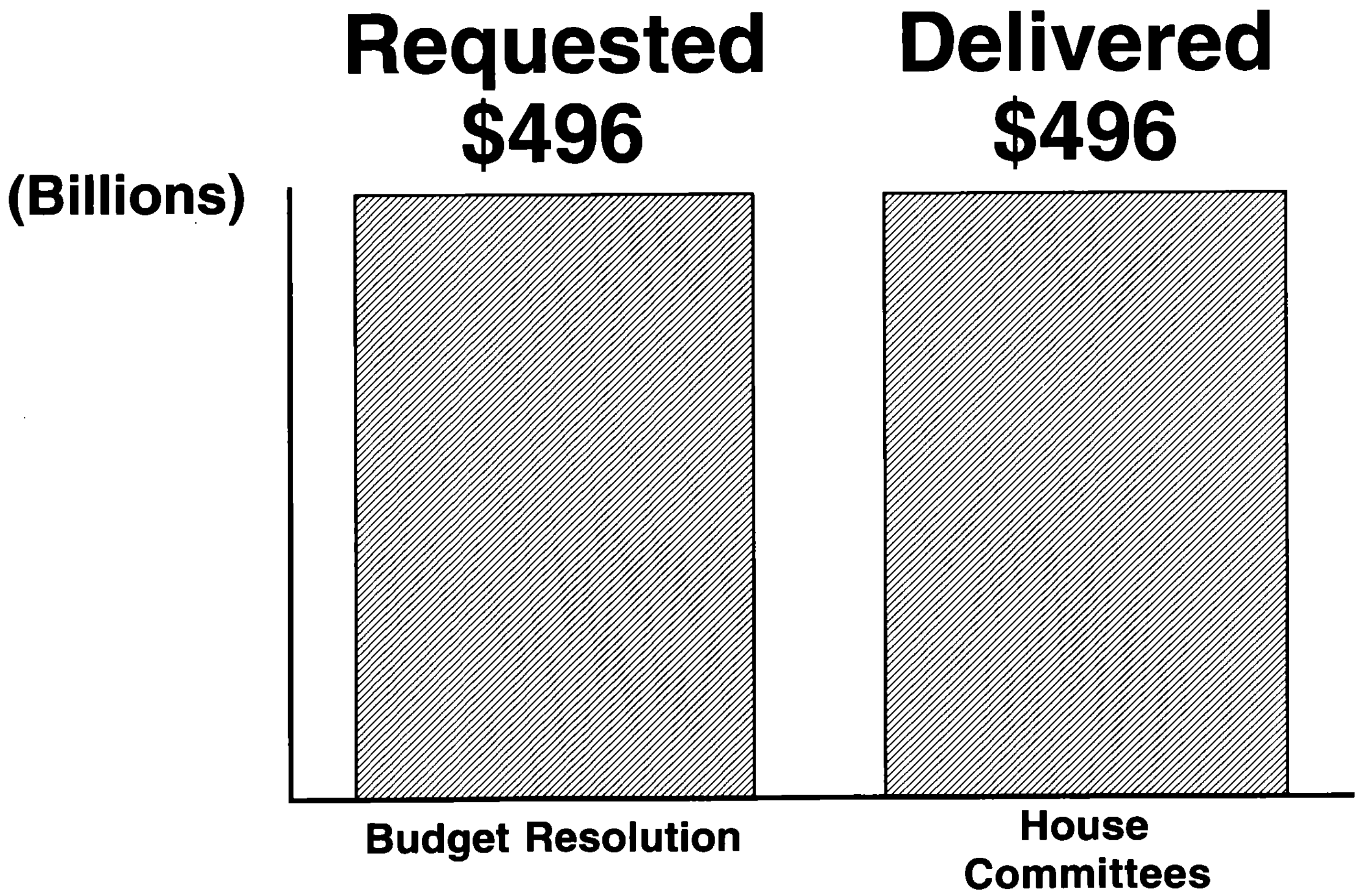
Thank you very much.

* * *

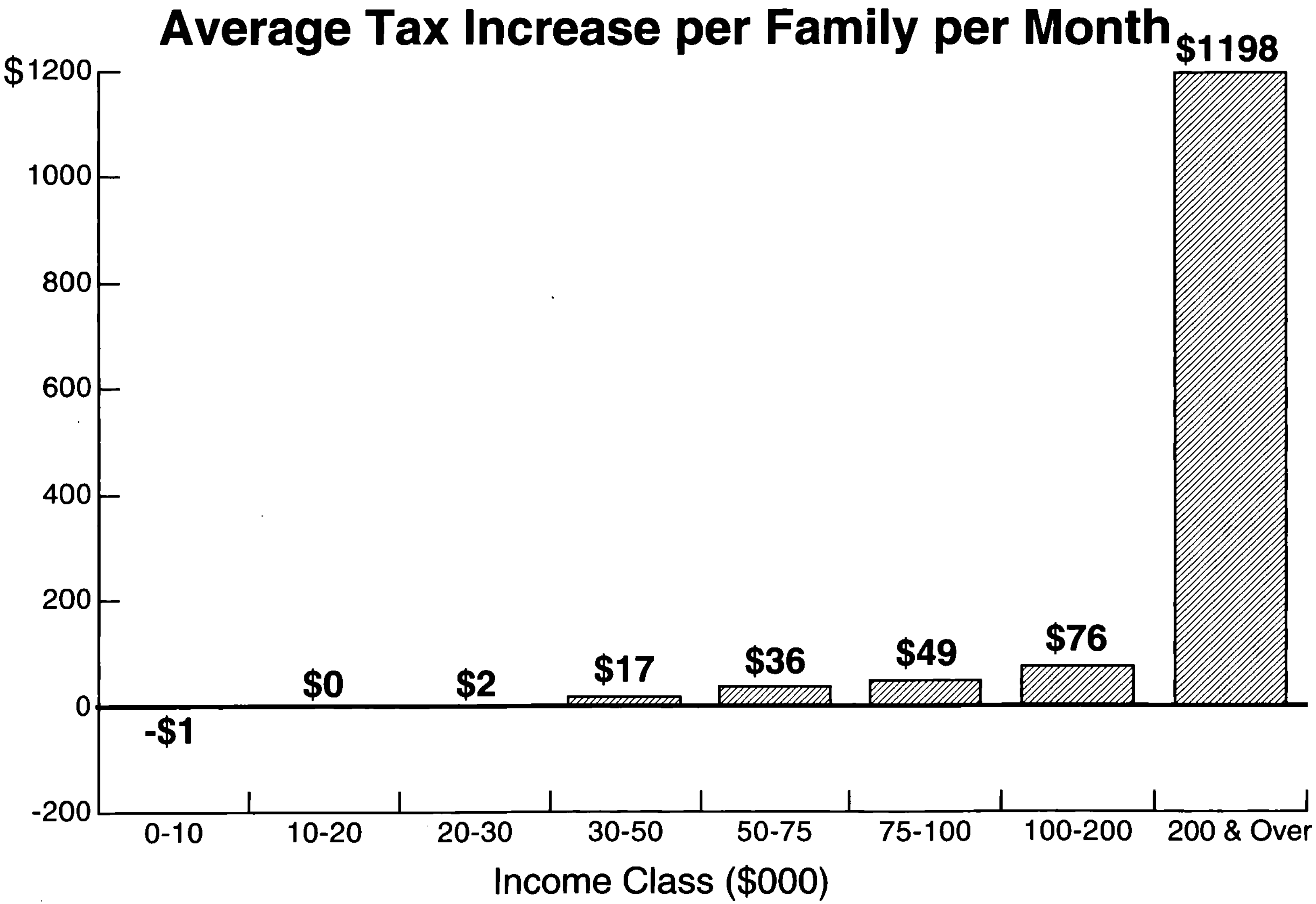
ECONOMIC GOALS ACHIEVED

- ☑ Substantial Deficit Reduction
- ☑ Restoring Progressivity to the Tax System
- ☑ Business Investment Incentives
- ☑ Investing in People and Communities
- ☑ Closing Loopholes
- = Restoring Economic Growth

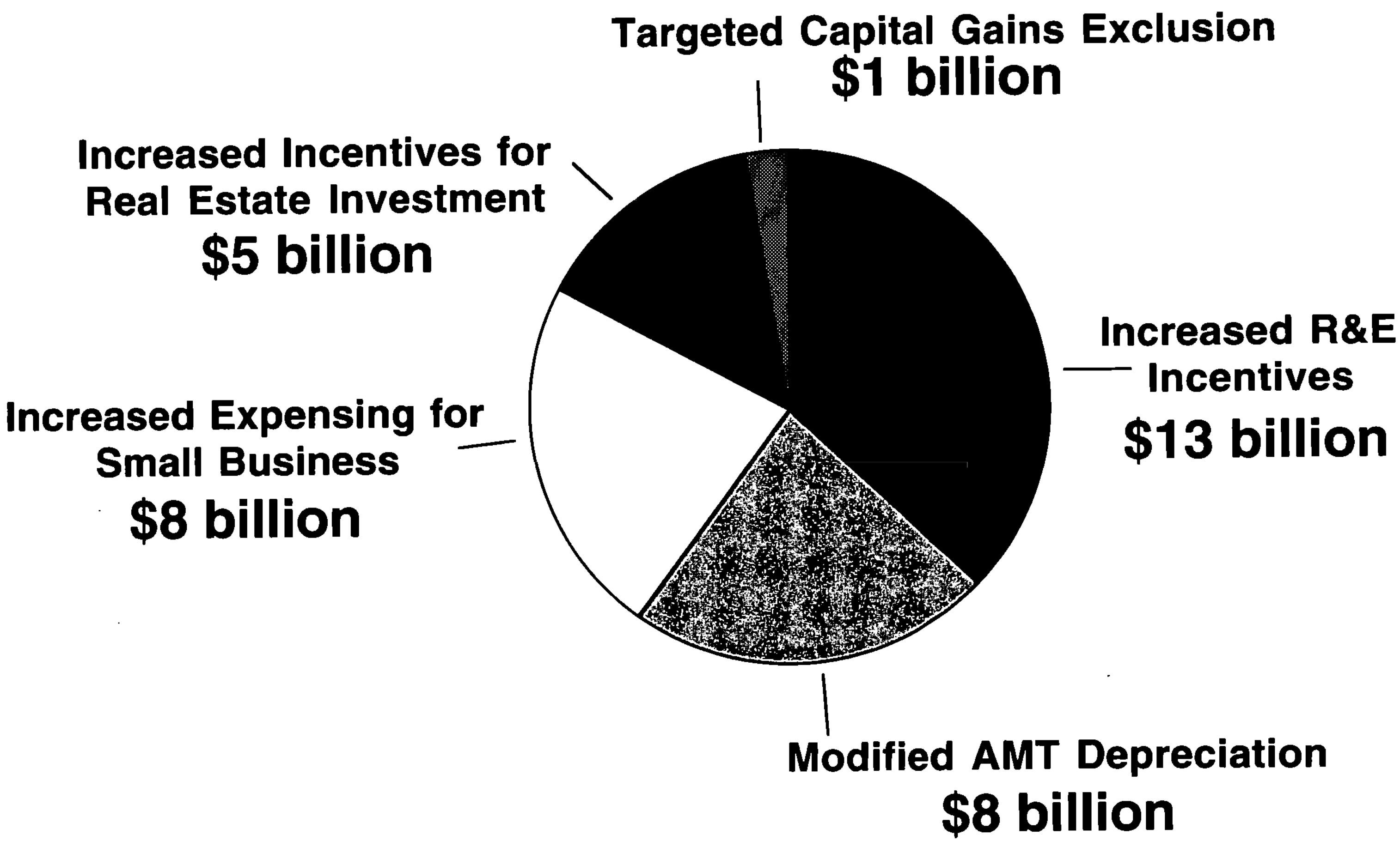
SUBSTANTIAL DEFICIT REDUCTION



RESTORING PROGRESSIVITY TO THE TAX SYSTEM



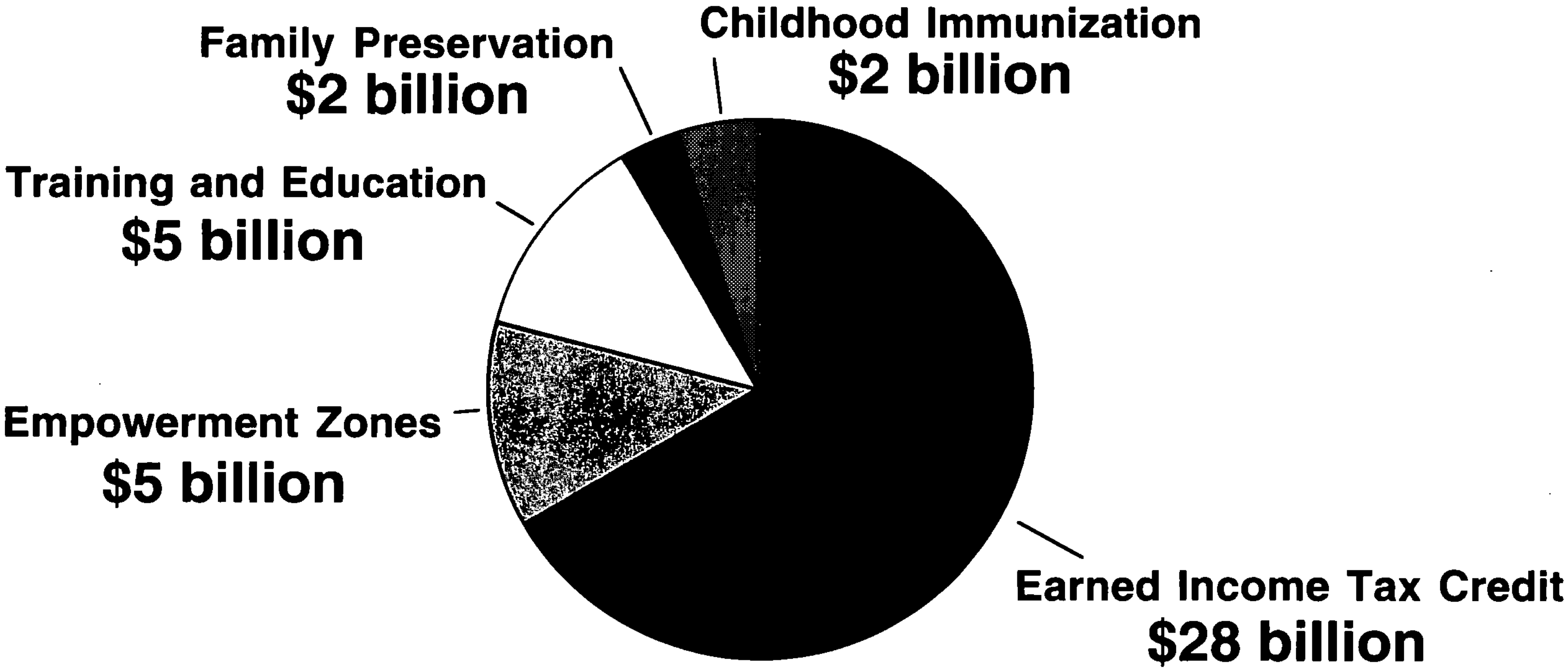
BUSINESS INVESTMENT INCENTIVES



Totals $35 Billion

Covers 1994-1998

INVESTING IN PEOPLE AND COMMUNITIES



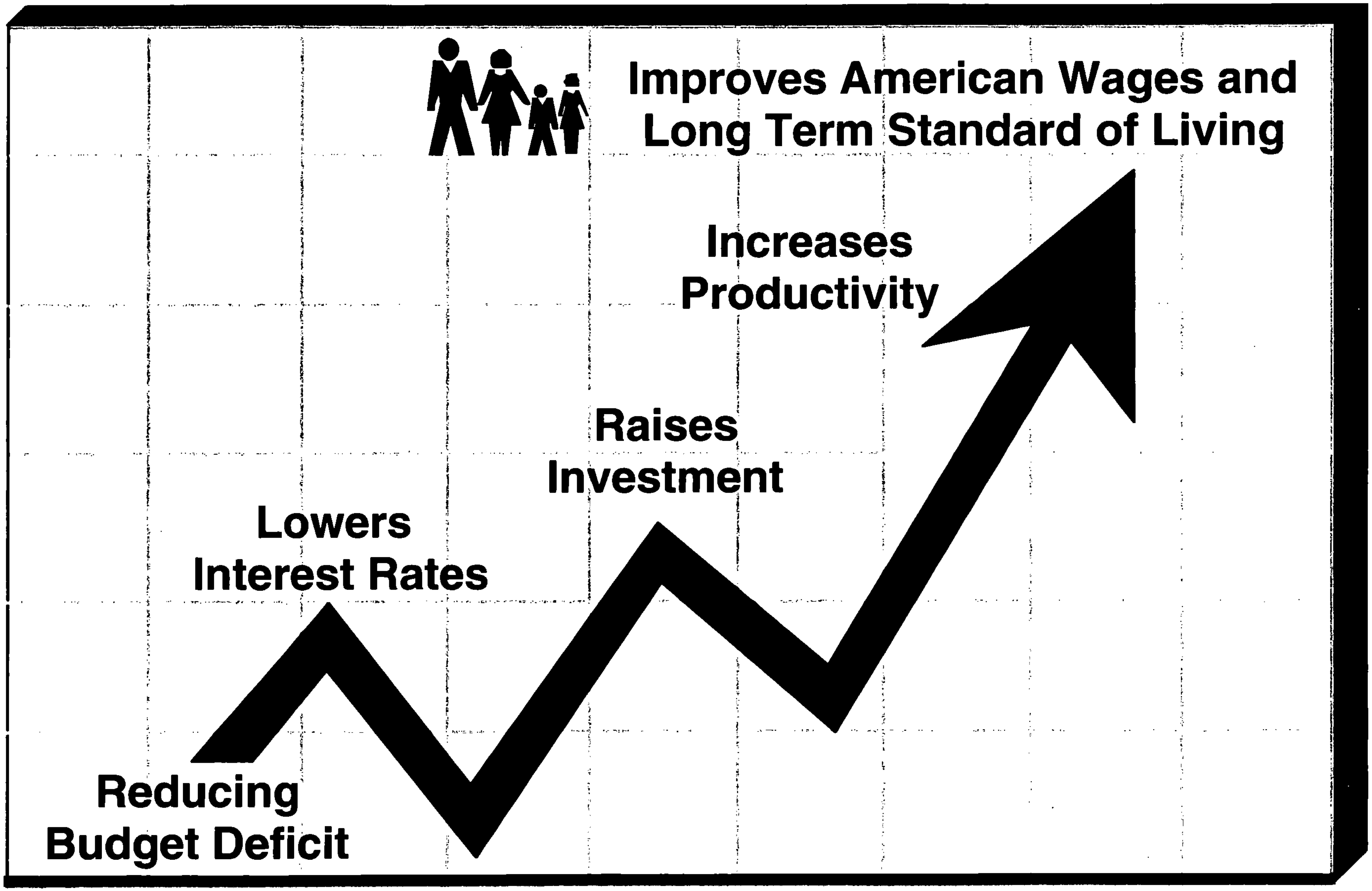
Totals $42 Billion

Covers 1994-1998

CLOSING LOOPHOLES

- Denied deductions for lobbying expenses
- Denied deductions for club dues
- Reduced deduction for business meals and entertainment

RESTORING ECONOMIC GROWTH



STATUS OF THE ADMINISTRATION'S MAJOR REVENUE PROPOSALS

PROPOSAL	INCLUDED	ADDED	DROPPED
Investment Provisions:			
Investment Tax Credit			x
Increase Expensing		x	
Capital Gains Incentives for Small Business	x		
Other Business Incentives	x		
Enpowerment Zones	x		
Expand Earned Income Tax Credit	x		
Revenue Raising Provisions:			
Provisions that Improve Fairness of the Tax System	x		
Provisions Affecting Business	x		
Energy Provisions	x		

STATUS OF THE ADMINISTRATION'S REVENUE PROPOSALS

PROPOSAL	UNCHANGED	ADDED	MODIFIED	DROPPED
Investment Provisions:				
Extend education assistance exemption	x			
Extend targeted jobs credit	x			
Investment tax credit				x
Increased expensing		x		
Extend R&E credit	x			
Targeted capital gains exclusion	x			
Modify AMT depreciation	x			
Incentives for high-speed rail	x			
Extend small-issue and mortgage revenue bonds	x			
Empowerment zones			x	
Expand earned income tax credit	x			
Extend low-income housing credit	x			
Provide passive-loss relief			x	
Increase recovery period for buildings	x			
Pension investment in real estate			x	
Repeal AMT preference for gifts	x			
Extend health insurance deduction	x			
Revenue Raising Provisions:				
Increase top individual tax rates	x			
Repeal health insurance wage cap	x			
Reinstate top estate and gift tax rates	x			
Reduce meals and entertainment deduction	x			
Deny deduction for club dues	x			
Deny deduct. for exec. pay over $1 mill.	x			
Reduce contribution limit for pensions	x			
Disallow certain moving deductions	x			
Increase top corporate tax rates			x	
Deny lobbying expense deduction	x			
Require mark-to-market for dealers	x			
Prohibit FSLIC double-dip	x			
Extend corporate estimated tax			x	
Limit possession credit	x			
Eliminate working capital exception	x			
Transfer price initiative	x			
Modify R&E and royalty income rules			x	
Enhance earnings-stripping rules	x			
Current taxation of certain CFC income	x			
Modified BTU tax			x	
Extend motor fuels tax	x			
Service industry compliance initiative	x			
Raise standards for certain penalties	x			
Increase inland waterway fuel tax			x	
Individual estimated tax		x		

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

FOR IMMEDIATE RELEASE
May 14, 1993

Contact: Barry Toiv
(202) 395-3080

CONGRESS TAKES "MAJOR STEP" TOWARDS PASSAGE OF PRESIDENT'S ECONOMIC PROGRAM

Thirteen committees of the House of Representatives have adopted the spending cuts and revenue increases needed to implement President Clinton's $500 billion deficit reduction plan, Office of Management and Budget Director Leon E. Panetta declared today. He said their action represented a critical step toward enactment of the President's economic program.

Panetta reported that all thirteen committees have completed their work prior to today's deadline, and that all appear to have met their deficit reduction targets. The individual committee proposals will be packaged into an omnibus reconciliation bill by the House Budget Committee, and Panetta predicted that the bill will be adopted by the House before the end of May.

He asserted that the measure would be the largest deficit-reduction package in history.

"I want to congratulate the hundreds of House members, including the thirteen committee chairmen, who worked in their committees to get the President's economic program over one of its most significant hurdles," Panetta said. "We have taken a major step towards enactment of the largest deficit reduction package in the nation's history."

"The only way to make serious reductions in the deficit," Panetta added, "is to make tough choices, to take on the special interests and lobbying groups that stand guard over every program, no matter how wasteful, no matter how unnecessary. The President is taking on those special interests, and the House of Representatives is clearly joining him in that fight."

He continued, "The President's program is essential to getting our economy moving again. Our commitment to deficit reduction has already reduced interest rates and effectively pumped billions of dollars into the economy. Every step we take to implement that plan puts us one step closer to our goal of freeing capital for the private investment that will lead to more jobs and higher living standards for the working families of today and tomorrow."

The net five-year deficit reduction contained in the reconciliation bill, including the enforcement provisions, is expected to meet the target of $496 billion under Congressional

Budget Office scoring, or $524 billion under Administration scoring. The exact savings will be calculated over the next several days.

Panetta said the legislation contains numerous politically difficult savings, most of which are based on the President's original proposals. Highlights of the package include the following:

- the President's direct student loan program, which saves taxpayers' dollars by taking the middle man's profits out of the current guaranteed loan program;

- the President's proposal to auction the telecommunications spectrum rather than giving this valuable public commodity away free, as has been done in the past;

- $48 billion in savings in the Medicare program, based on the President's proposal;

- delays of cost-of-living adjustments for federal civilian and military retirees;

- the President's proposal for a federal pay freeze in 1994 and reduced cost-of-living adjustments in later years;

- the President's proposal for raising from 50 percent to 85 percent the portion of Social Security benefits subject to income taxation for the top 22 percent of Social Security recipients, thus equalizing their tax treatment with recipients of other federal retirement programs;

- the President's proposal to authorize the Department of Veterans Affairs to collect from veterans' health insurers the cost of care for treatment of military-related conditions;

- reforms in the loan program of the Rural Electrification Administration based on those proposed by the President;

- adoption of a tax package based largely on the President's proposals for revenue raisers to reduce the deficit and tax incentives to spur economic growth.

# # # # #

STATUS OF PRESIDENT'S ECONOMIC PROGRAM

RECONCILIATION	5-YR. SAVINGS ($ in billions)	STATUS
Agriculture	3 *	✓
Armed Services	2	✓
Banking	3	✓
Education and Labor	6 *	✓
Energy and Commerce	48 *	✓
Foreign Affairs/Judiciary Merchant Marines/Public Works	1 *	✓
Natural Resources	2 *	✓
Post Office and Civil Service	11 *	✓
Veterans Affairs	3 *	✓
Ways and Means	300 *	✓
Total	343	
DISCRETIONARY SAVINGS	102	✓
DEBT SERVICE	51	✓
TOTAL		
CBO Scoring	496	
OMB Scoring	524	

*Includes items reconciled to multiple committees.

BUDGET ENFORCEMENT MECHANISMS

- Discretionary Spending Controls
- Pay-As-You-Go
- Sequester
- Deficit Reduction Trust Fund
- Modified Line-Item Veto

HISTORY OF RECONCILIATION SAVINGS

(In billions of dollars)

Reconciliation Legislation 1/	Deficit Reduction Achieved Over 3 Years	5 Years
1981	-233	NA
1982	128	NA
1983	4	NA
1984	63	NA
1985	18	NA
1986	13	NA
1987	48 2/	NA
1989	24	41
1990	130	245
1993	150 3/	343 3/

1/ Includes separate tax bills in 1981 and 1982.

2/ Estimates available for only 2 years.

3/ Targets.

RECONCILIATON SCHEDULE

May 14 - Committees report reconciliation

May 17 - All legislation to House Budget Committee

May 20 - House Budget Committee reports reconciliation bill

May 25 - Reconciliation bill filed

May 26 - Rules Committee

May 27 - House floor

AGRICULTURE COMMITTEE

5 Year Savings Target: $2.95 billion

Savings Achieved

- Increases "triple base" acres (crops grown on these acres are not eligible for deficiency payments) for program crops from 15 to 20 percent, starting with 1994 crop.
- Increases assessments on some non-program crops: by 10 percent for tobacco and sugar, by 2 percent for peanuts.
- Decreases current law assessment on dairy to 10 cents.
- Reduces Market Promotion Program to $148 million per year (equals FY 1993 level).
- Lowers payment limit on honey, and wool and mohair programs to $50,000. Reduces honey program loan rate. Eliminates marketing assessment on wool.
- Increases Forest Service recreation fees.
- Stretches out sign-ups beyond 1995 for Conservation and Wetlands Reserve Programs.
- Adjusts purchase prices to effectively buy more milk powder and buy less butter.
- Creates free catastrophic crop insurance for losses above 65 percent.
- Reforms Rural Electrification Administration (REA) to reduce 5 percent loans and establish municipal bond rate and Treasury rate loan programs. Consolidates REA under the Rural Development Administration.
- Expands Food Stamp benefits to improve the well-being of low-income families and help offset the effects of the energy tax.

HOUSE ARMED SERVICES COMMITTEE

5 Year Savings Target: $2.4 billion direct spending
$20.3 billion authorization

Savings Achieved

- o Delays the 1994 military retiree COLA by four months from January to May 1994.
- o Delays the 1995 through 1998 military retiree COLAs by three additional months each year. These COLAs would be granted August 1995, November 1996, February 1998 and May 1999.
- o Exempts disabled retirees and survivors from the COLA delays.
- o Achieves required discretionary spending targets by:
  - -- Freezing military pay in 1994
  - -- Reducing ECI-based military pay raises by one percentage point in 1995, 1996 and 1997.

HOUSE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

5 Year Savings Target: $3.1 billion

Savings Achieved

- Authorizes HUD to use IRS data to verify the income of families that live in assisted housing. Savings result from more accurate reporting of income since housing subsidies vary inversely with income levels.

- Approves the use of real estate mortgage insurance conduits by the Government National Mortgage Association. Savings are due to the additional guarantee fees GNMA collects from each REMIC.

- Accelerates the rate at which the Federal Housing Administration's Mutual Mortgage Insurance Fund collects a one-time upfront fee from homebuyers.

- Requires the transfer of earnings from the Federal Reserve's surplus reserves to the Treasury in 1997 and 1998.

- Grants national depositor preference to the Federal Deposit Insurance Corporation, the Resolution Trust Corporation and all uninsured depositors. This preference gives them first claim to the assets of a failed depository institution.

HOUSE EDUCATION AND LABOR COMMITTEE

5 Year Savings Target: $5.8 billion

Savings Achieved

- Converts the guaranteed student loan program into a direct loan program and provides student borrowers with a range of flexible loan repayment options.
- To encourage States to insure that post-secondary institutions provide quality educations, charges an annual fee based on the dollar amount of defaults by borrowers who attended schools within the State that is in excess of 20 percent.
- Removes unintended barriers preventing States from recovering Medicaid payments properly paid by proper health insurance.

ENERGY AND COMMERCE COMMITTEE

5 Year Savings Target: $7.2 billion for Auction of the Radio Spectrum

Savings Achieved

- Authorizes auctions for assignment of FCC licenses for use of the radio spectrum.
- Treats spectrum licenses the same as licenses for offshore drilling, grazing on federal land, and harvesting timber from national forests.

5-Year Savings Target: $1.16 billion for Nuclear Regulatory Commission (NRC) Fees

Savings Achieved

- Reconciliation bill amends the Omnibus Budget Reconciliation Act of 1990 to extend to the end of FY98 the existing requirement that the NRC recover 100% of its costs through user fees. This requirement to recover 100% of NRC costs currently expires at the end of FY95. Without this amendment, NRC would only recover 33% of its costs through user fees.
- The NRC fee extension increases receipts by $1.16 billion in FY96 through FY98.

5 Year Savings Targets: $48.35 billion for Medicare
$7.9 billion for Medicaid

Savings Achieved -- Medicare

- reduction in the Medicare Volume Performance Standard that would limit future physician payment fee increases;
- limits payments for clinical laboratory tests;

- an extension of current reductions on reimbursement for hospital outpatient department capital costs and sets reasonable costs;

- Medicare Secondary Payer reforms that help assure that automobile, workers compensation and other insurance pay before Medicare trust funds are used;

- a reduction in the scheduled 1994 increase in physician fees;

- limits payments for durable medical equipment;

- expands the ban on self-referrals by physicians, i.e.,to facilities in which the physicians have a financial interest; and

- extends Part B (SMI) premium levels beyond 1995.

Note:

The Committee has limited jurisdiction over Medicare that does not include most Part A services. Therefore, the Energy and Commerce Committee package of $28.1 billion in Medicare savings, in combination with the Ways and Means Part A recommendations, exceeds established savings targets.

Savings Achieved -- Medicaid

- The Committee exceeded by $356 million the five-year savings target of $7.9 billion. The Committee adopted most of the President's budget initiatives at least in part. These proposals would:

- strengthen Medicaid transfer-of-asset restrictions and mandate estate recovery programs in all States to ensure that individuals with substantial assets pay their fair share for long-term care services;

- improve States' abilities to enforce medical support for children and recover other types of third-party payments;

- enable States to adopt prescription drug formularies;

- assure that disproportionate share hospital payments to public hospitals are tied to costs; and

- correct an error that would have mandated coverage of personal care services in all States, thus allowing States to retain personal care as an optional benefit;

Investments

- The Committee adopted legislation to help assure that the Nation's children have access to immunizations. The Committee's immunization proposal will purchase pediatric vaccines for: (1) all Medicaid eligible children, (2) Native American children, (3) uninsured children, and (4) insured children whose insurance fails to cover vital immunization services. The action will assure that costly vaccines will no longer be a barrier to childhood immunizations.

- The Committee also adopted the President's immunization monitoring and notification proposal. This proposal will allow monitoring of children's immunizations and notifying parents of upcoming or missed immunizations.

- The Committee extended some areas of Medicaid coverage, including:

  -- raising the cap on Federal Medicaid contributions to Puerto Rico and the other U.S. territories; and

  -- funding medical assistance payments for States with a disproportionate share of border-crossing individuals.

  -- extending eligibility for some Medicaid services to impoverished TB patients.

HOUSE FOREIGN AFFAIRS COMMITTEE (HFAC)

5 Year Savings Target: $5 million

Savings Achieved:

- o HFAC deferred to the House Post Office and Civil Service Committee (PO & CS) to report out legislation necessary to amend COLA benefits to retirees, including those in the Foreign Service retirement program.

- o HFAC informed the House Budget Committee in writing today that HFAC supports the PO & CS Committee legislation to delay COLAs for three months in '94, '95, and '96.

HOUSE JUDICIARY COMMITTEE

5 Year Savings Target: $0.3 billion

Savings Achieved

- This proposal extends patent fee surcharges created by Omnibus Budget Reconciliation Act of 1990 (OBRA) that would otherwise expire at the end of 1995. This proposal does not increase patent fees beyond levels anticipated under current law.
- The savings begin in 1996, at slightly over $100 million per year through 1998.

HOUSE MERCHANT MARINE AND FISHERIES COMMITTEE

5 Year Savings Target: $0.2 billion

Savings Achieved

- Meets the target by extending the Tonnage Duty Fees included in the Omnibus Budget Reconciliation Act of 1990 (OBRA) that would otherwise expire at the end of 1995. This proposal does not increase fees beyond the levels contained in OBRA.
- The savings begin in 1996, at over $65 million annually.
- The Fees are collected by the Customs Service but are credited as offsets to the Department of Transportation for services provided by the Coast Guard to the merchant marine industry such as aids to navigation.
- The fees are paid by all ships entering U.S. ports after calling on foreign ports.

HOUSE NATURAL RESOURCES COMMITTEE

5 Year Savings Target: $2 billion

Savings Achieved

- Permanently recovers 50 percent of Administrative costs for Federal mineral leasing programs prior to the sharing of receipts with States.
- Permanently institutes a hard rock mining claim maintenance fee in lieu of the current assessment work requirement.
- Authorizes collecting a surcharge from beneficiaries of Federal western water projects.
- Expands the authority for the collection of certain recreation fees and user fees for rights-of-ways, commercial tours, and communication sites on Federal lands.
- Reforms grant assistance for the Commonwealth of the Northern Mariana Islands.
- Extends through FY 1998 the existing requirement that the Nuclear Regulatory Commission recover 100% of its costs through user fees.

HOUSE POST OFFICE and CIVIL SERVICE COMMITTEE

5 Year Savings Target: $10.6 billion direct spending
$28.7 billion authorization

Savings Achieved

- Eliminates the 1994 annual civilian pay adjustment; reduces the adjustment by 1% in 1995, 1996, and 1997; and delays to July 1 the effective date of the adjustment beginning in 1995 and ending in 2003.
- Delays to July 1 the effective date of locality pay beginning in 1994 and imposes a ceiling on the cost of locality pay for fiscal years 1994 through 1998.
- Reduces the Federal workforce by 150,000 over the next five fiscal years.
- Eliminates cash awards between fiscal years 1994 through 1998.
- Caps the amount of annual leave that members of the Senior Executive Service can accumulate.
- Delays COLAs for civilian retirees by 3 months during FY 1994 - 1996. (Includes Civil Service, Foreign Service and CIA)
- Permanently eliminates the "lump sum" retirement option except for the critically ill, beginning January 1, 1994.
- Extends the current formula that determines the government's share of Federal Employee Health Benefit premiums through 1998.
- Adopts medicare limits for charges physicians and other providers may make to Federal Employee Health Benefits enrollees age 65 and over who are not Medicare eligible.
- Requires the U.S. Postal Service to make payments, over three years, to the Civil Service Retirement and Disbility Fund and to the Federal Employees Health Benefits Fund to satisfy past Postal pension and health care liabilities.

HOUSE PUBLIC WORKS AND TRANSPORTATION COMMITTEE

5 Year Savings Target: $0.3 Billion

Savings Achieved

- Charges more equitably for Federal Aviation Administration (FAA) services provided to users of the national airspace system. These charges are described as follows.

  - Increases annual general aviation aircraft registration fee and ties it to aircraft weight. Fee ranges from $40 per year for small aircraft to $2,000 for larger aircraft. This is estimated to raise $137 million over 5 years.

  - Increases general aviation aircraft title recordation fee to $200. This is a one-time fee paid whenever an aircraft is bought or sold. The Committee action will permit the fee to be weight based, i.e., the fee must average $200 across all payees. This is estimated to raise $48 million over 5 years.

  - Establishes an aviation medical examiner certification fee of $500. Doctors take classes from the FAA for free, receive credit towards their state accreditation requirements, and then charge pilots for the annual medical exam required by the FAA. This will raise an estimated $15 million over 5 years.

  - Increases the triennial pilot certificate fee of $12. This will raise $13.8 million over 5 years.

- Permits the Army Corps of Engineers to increase fees for the use of recreational facilities it administers.

HOUSE VETERANS AFFAIRS COMMITTEE

5 Year Savings Target: $2.6 billion.

Savings Achieved

- o Extends five provisions in current law that allow VA to:
  - -- Collect from veterans health insurers the costs of medical care provided by VA to veterans with military-related disabilities for the treatment of non-military related conditions.
  - -- Collect a $2 copayment for each 30-day supply of outpatient prescription drugs that are not for the treatment of military-related disabilities.
  - -- Use Internal Revenue Service and Social Security Administration data to verify veterans' incomes in the income-tested pension and medical care programs.
  - -- Limit pension payments to $90 per month for veterans living in Medicaid nursing homes.
  - -- Allow VA to include the costs of expected losses on the resale of foreclosed property in the formula that determines whether it is more cost-effective to acquire the property and sell it or pay the guarantee to the lender.
- o Increases fees charged for most VA home loans by .75 percent.
- o Authorizes VA to collect from veterans' health insurers the cost of care for treatment of military-related conditions.
- o Freezes the annual increase in benefits for surviving family members who receive the highest benefits payments.
- o Reduces the new annual increase in GI Bill benefits by one percent.
- o Limits educational assistance benefits for veterans' dependents to natural and adopted children of veterans.

HOUSE WAYS AND MEANS COMMITTEE

5 Year Savings Target: $48.35 billion for Medicare

Savings Achieved

- The Ways and Means Medicare package would save $50.5 billion over five years -- meeting the savings objectives of the President's budget.
- Ways and Means placed a two-year hold on increasing the fees to Medicare health providers. These temporary limits on payment increases to hospitals, physicians, and other Medicare providers would save $38 billion over five years.
- Medicare Secondary Payer reforms that help assure that automobile, workers compensation and other insurance pay before Medicare trust funds are used;
- The Committee extended the Part B (SMI) premium levels beyond 1995.
- The Committee adopted a tough, expanded prohibition on self-referrals by physicians, i.e., to facilities in which they have a financial interest.

5 Year Investment Target: $20.48 billion (net) for Child Support Enforcement, Matching Rates for Welfare Programs, Family Preservation and EITC

Investments

- Improves child support enforcement by streamlining paternity establishment procedures and strengthening medical support enforcement.
- Changes various Federal funding match rates for State administrative costs of the AFDC program to a uniform 50%.

- Charges States fees for a portion of the cost of administering their State supplemental SSI payments.
- Increases the earned income tax credit for working families with children, and creates a new credit for low income workers without children.
- Initiates a new family support and preservation program to provide low-income parents with the skills to help raise their children and services to prevent the need for foster care placement.
- Extends expiring Trade Adjustment Assistance program for three years to provide training and income support to workers who lose their jobs because of increased imports.
- Increases Federal share of Unemployment Insurance Extended Benefits costs to 75 percent (from 50 percent) to encourage States to adopt the optional trigger for this stand-by program, making the program more widely available.

WHITE HOUSE PRESS GUIDANCE -- 9:00 AM
FRIDAY, MAY 14, 1993

Star Wars Program

Q: Do you agree with Secretary Aspin's decision to kill the Star Wars program?

A:

- -- Secretary Aspin has renamed, restructured and reoriented the former Strategic Defense Initiative Office (SDIO); he has not canceled research and development on missile defenses.

- -- Under the new Ballistic Missile Defense Office (BMDO), which will now report to the Undersecretary of Defense for Acquisition instead of directly to the Secretary, the Defense Department will continue as a first priority to develop and deploy theater missile defenses. The second priority is to develop a limited defense for the Continental United States that would be consistent with the ABM Treaty and which we could consider deploying in about a decade or so.

- -- We have requested $3.8 billion for work on missile defenses in FY 1994, so it isn't accurate to say we have terminated our efforts in this area.

- -- The decisions announced by Secretary Aspin yesterday are fully consistent with the position on SDI that the President took during the campaign and enjoy his full support.

Bosnia/Macedonia

Q: Are we sending forces to Macedonia as reported in the media?

A: -- As I said previously, we are considering this among a number of options we are studying in our efforts to deal with the conflict in Yugoslavia.

-- No final decisions have been made.

Q: Are we sending ground troops to monitor the border between Serbia and Bosnia?

A: -- I am not contemplating any such steps. As I have said, I do not intend to put ground troops into Bosnia except as part of an effort to implement a settlement.

Q: Why are you back-pedaling on military options for responding to the Bosnian crisis after such intensive rhetoric last week?

A: -- We remain committed to our approach to the Bosnian crisis. We have always said that all options for dealing with this crisis are on the table, including more forceful measures to help bring a stop to the killing. In fact, the current general cease-fire may have been reached in part because the Serbs know we are serious about more forceful measures.

Q: Why has the air come out of your Bosnian policy? How are you going to recover from the European rejection of your initiatives? Doesn't the current stall put the lie to the U.S. as leader for the post-Cold War world?

A: -- Not so. Together with our allies and friends, we have made clear that all options are open; we continue to assess the situation.

-- The conflict in Bosnia is among the most complex anyone has ever faced. Deeply rooted hatreds have been fertilized with the blood of thousands. Bringing peace to this region will require the full effort of the international community. The United States cannot solve this problem on its own.

-- With the cease-fire generally holding in Bosnia, and Mr. Milosevic on record as disassociating himself from the actions of the Bosnian Serbs, we are at an important phase in the search for peace. It is up to the Bosnians to maintain the cease-fire which has been agreed.

-- The international community is watching developments in the former Yugoslavia very closely. Mr. Milosevic has said that he will sever all but essential humanitarian goods to the Bosnian Serbs. It is now up to him to deliver on this promise.

-- In short, in assessing the responsibilities of the international community -- including the United States -- for resolving this conflict, it is also important to keep in mind the responsibilities of the parties, the governments in Belgrade and Zagreb.

-- We, together with other concerned members of the international community are, as we have been, willing to help bring peace to the region. But others must do their share.

Q: Doesn't the continued warfare between the Croats and Muslims complicate efforts to bring peace to Bosnia?

A: -- We have condemned those who initiate violence, regardless of their affiliation. We have given strong messages to Zagreb that they must do what they can to prevent violence from breaking out. We have sent similar messages to the Izetbegovic government.

Q: A general cease-fire seems to be holding, but how will the U.S. react if the violence in Eastern Bosnia resumes?

A: -- I won't address that hypothetical situation, but will stress that we continue to follow events in Bosnia very closely and have not ruled out any options.

Q: What about the upcoming vote of the Bosnian Serb Assembly?

A: -- The U.S. places no legitimacy in this so-called referendum.

Q: If the U.S. were to take stronger action, do you need additional authorization by the UN?

A: -- We will ensure that any action we take will be consistent with UN resolutions. We will seek additional action in the UN if it is required.

Q: How about consultations with Congress?

A: -- My advisers and I have had extensive consultations with Congressional leadership and interested members on the Bosnian situation. Their observations and recommendations have been an important part of our deliberations.

Q: What about the Bosnian Foreign Minister's (Haris Siladzic) call for removing UNPROFOR from Bosnia?

A: -- We understand the frustration of the Bosnians as this conflict has dragged on.

-- The men and women of UNPROFOR, the UNHCR and ICRC have worked tirelessly under extremely difficult circumstances to relieve the suffering of tens of thousands of Bosnian citizens, as well as the suffering of others.

-- The United States does not believe that UNPROFOR presents a problem for the international community as it contemplates what further measures may be necessary to help bring peace.

May 14, 1993

Guidance on Status
of lifting gay ban

There are two groups working parallel tracks on lifting the ban against service by homosexuals in the military based on status. One is a military working group comprised of flag and general officers, and another is a Rand Corporation group. These dual efforts were chartered to work simultaneously to bring the widest possible expertise to bear in the shortest time to find the best way to execute the policy change.

Both groups will come up with proposals to implement the President 's instruction to end the ban on service based on status. The public debate over service by homosexuals has been conducted in broad terms, but the actual implementation of the new policy requires that a host of details be worked out. None of these alternatives or options for implementing the new policy has been presented to the Secretary of Defense, so it is premature to speculate about specifics. The secretary has made no decision on what approach to recommend to the President.

The effort is on track to meet the President's deadline of July 15 for a draft executive order concerning the service of homosexuals in the military.

# # #

China: MFN

Q: During the campaign, you spoke out on your concerns over humans rights abuses and criticized the previous administration for coddling China. China's MFN treatment comes up for renewal in a couple of weeks or so. Will you hold to your campaign position and place conditions on MFN?

A:
- -- We have no interest in isolating China. China is changing rapidly and growing quickly. I hope it will be a partner in building a more secure and prosperous world.
- -- But continued progress in our relations must include progress in human rights, trade access and non-proliferation.
- -- As we chart our China policy, I am consulting closely with key members of Congress, including on the issues of MFN.
- -- Our approach to MFN renewal will depend on steps the Chinese government takes to address these important issues.

Q: What is your reaction to the news that the Chinese rebuffed Lord during his recent trip?

A:
- -- Ambassador Lord met with senior Chinese officials for two days of frank discussions in Beijing earlier this week.
- -- He pressed for additional progress in the areas of human rights, trade and nonproliferation.
- -- I do not intend to characterize the Chinese response until Ambassador Lord has provided me his full report.

Q: Do you support the China MFN bill introduced in Congress by Pelosi and Mitchell, including the provision on Tibet?

A:
- -- I share the concerns of Congress over China's record. I share with a majority in Congress the belief that progress in our relations must include progress in human rights, trade and non-proliferation.
- -- As to the issue of Tibet, we continue to urge Beijing to revive discussions with the Dalai Lama and to address the full range of concerns and issues of the people of Tibet, including human rights abuses.

Q: Will you place conditions on MFN through an Executive Order?

A:
- -- I have not made any decisions yet. As I said, our approach to MFN renewal will depend on steps the Chinese government takes to address these important issues.

China and Missile Proliferation

Q: Are you going to impose sanctions on China for missile exports to Pakistan?

A:
- -- We've made very clear to China our concern about reports that they may have exported missile-related technology to Pakistan.

- -- We expect China to live up to the commitment it has made to observe the guidelines and parameters of the Missile Technology Control Regime (MTCR) with respect to its exports.

- -- U.S. law requires us to impose sanctions on countries or individual companies if we determine they have exported missile technology in contravention of the MTCR Guidelines. We will enforce that law.

[IF PRESSED]:

- -- No determination has been made regarding whether new missile technology sanctions must be imposed against China.

Middle East Peace Talks

[Background: The Middle East peace negotiations adjourned yesterday without any substantive agreement. Nevertheless, all sides in all the tracks have tabled papers and are negotiating their differences. Progress is being made but it is slow and difficult. The U.S., for the first time since Madrid, has introduced an American draft of a joint Israeli-Palestinian agreement. We sought to do this at a trilateral meeting (U.S.-Israel-Palestinians), but the Palestinians did not show up. This was disappointing since they had been demanding trilateral meetings. Nevertheless, both sides are now giving serious consideration to the U.S. draft. We are treating this break in negotiations as a recess. We expect the negotiations to resume, after Jewish and Muslim holidays, in early June.]

Q: The Arab-Israeli negotiators have now left town. Why didn't you meet with them?

A:

- -- I was looking forward to meeting with them to hear them report that they had achieved agreement.
- -- Unfortunately, that did not happen in this round. But I remain optimistic that we will be able to meet soon and announce real progress.
- -- As I have often stated, I believe that 1993 can be a year of serious and substantive progress in the Middle East negotiations -- a year of breakthrough. Because of that assessment, I have instructed Secretary of State Christopher and our team to be actively engaged in the negotiations as a "full partner."
- -- The U.S. was fully engaged in this round of the negotiations, working with all the parties. We even introduced an American draft of an Israeli-Palestinian agreement.
- -- There is a lot of hard work to be done. We are ready to do our part. I expect the parties to live up to their responsibilities. We can only be a "full partner" if they are full participants too.
- -- Frankly, I think some opportunities were missed this time. That makes it all the more important that all the parties come back after the recess, as early as June, in a problem-solving mode, ready to do real work.

Q & A FOR PRESIDENTIAL PRESS CONFERENCE
Friday, May 14, 1993

I. BUDGET RECONCILIATION AND ECONOMIC PLAN

QUESTION: What is your response to those who say that this is just a big tax bill:

ANSWER: There are three points I would like to make.

One, my budget is evenly divided between spending cuts and revenue increases. Indeed, with each year, the ratio of spending cuts to taxes increases so that by the end of the five years there is significantly more spending cuts than tax increases each year.

Two, every tax dollar in my bill goes to deficit reduction.

Three, for every dollar of new investments that goes to things like new cops, national service, immunizations and defense conversion, nearly two additional dollars in spending cuts goes to deficit reduction. Let me make that clear: not only is every dollar in investments paid for with a spending cut, it is paid for while still leaving around two dollars in additional spending cuts [discretionary, entitlements and reduced interest deductions] to go toward deficit reduction.

FOLLOW-UP QUESTION: But isn't this reconciliation bill all taxes?

ANSWER: No. There are significant entitlement cuts in this reconciliation package. A lot of people like to talk about entitlement cuts by calling for caps and other devices that keep them from having to be specific. This plan has tough specific cuts:

My plan gives over 30 specific cuts in Medicare and Medicaid that reduce the deficit by $56 billion.

Agriculture entitlements are cut by $3 billion

Federal worker entitlements are cut by $11 billion.

FCC spectrum is cut by $7 billion.

And that is not counting the spending cuts on the discretionary budget side, which include:

pay reduction for Federal employees by $13.2 billion
Administrative cuts by $11 billion

Cutting 100,000 federal workers save $10.2 billion
R&D saves $1 billion
REA subsidies saves $545 million
Agriculture administrative cuts save $1.1 billion
Consolidate overseas broadcasting saves $894 million
Streamlining education programs saves $2.2 billion

Nuclear reactors

FOLLOW-UP QUESTION: But are you ending any programs?

ANSWER: Many of our cuts, call for reductions -- and tough ones. But, is you look at my budget, I have called for eliminating several programs:

Tens of Highway Demonstration projects saving $1 billion

Special Purpose HUD grants

Tens of NOAA Demonstration projects

The current and outdated student loan program

Earmarked SBA grants

Agriculture special grant programs.

Unnecessary commissions.

FOLLOW-UP QUESTION: Even with the cuts, this is a tax package that hit the middle class hard with taxes, isn't it?

ANSWER: No. This plan turns around trickle-down economics by putting forth a deficit reduction plan that is as fair as it is real.

First, we used increases in such things as energy assistance and the Earned Income Tax Credit so that families with incomes under $30,000 are on the whole held harmless.

Second, the overwhelming majority of these taxes fall on the most well-off Americans. Indeed, the Congressional Budget Office found that 75% of the taxes we raise fall on the 6% most-well families -- those that make over $100,000.

Third, according to CBO as well as our own Treasury numbers, the average family making $40,000 will pay only $17 dollars in taxes when our plan is fully phased in. Yet, I want to stress that the energy tax does not even go into effect until the summer of 1994, and when it does, it will be phased in three equal stages over three years. So until fiscal year 1996, average middle class family will be paying less than $10 a month.

Fourth, while some families will pay a small contribution, millions of families will save hundreds a year through lower interest rates that lower their mortgages and other borrowing if our deficit reduction package is passed. Already, many families are saving as much as a thousand dollars a year by refinancing their mortgages.

QUESTION: Why have you had to make so many compromises to secure support of your Reconciliation bill?

ANSWER: The core of my reconciliation bill were the following four things: one, we first and foremost wanted to hit our deficit targets, and we did. Second, we wanted to pass significant entitlement cuts that in past years Congress has been unable to pass, and we did. Third, we wanted to pass a revenue package that turned around trickle-down economics by have a progressive and fair tax package, and we did. Fourth, we wanted to pass tax incentives that would help small businesses, encourage investment in depressed communities and ensure that every working parent who worked 40 hours a week, would not be in poverty, and we did.

So we compromised on some small provisions, we were simply convinced to take another course of action in some others, and we strengthened some of proposals on other cases -- like with Empowerment Zones.

QUESTION: What are the next steps for your economic program?

ANSWER: The next steps are to pass this reconciliation bill on the House floor and then take it to the Senate next month. If we can complete these two steps, we will have made a remarkable accomplishment. After 12 year of rising deficits, we will have come in and put forth the largest deficit reduction package in our history in the first six months.

After that we will move to the appropriations process. The goals there are clear: we will have to secure all of our spending cuts so that we have the funds to both pay for deficit reduction and to pay for the new investments.

QUESTION: The Deficit Reduction Trust Fund you proposed this week has already been criticized as a "gimmick" by Republicans in Congress. They argue that the proposal is just a smokescreen for your tax proposals and would do nothing to actually reduce the budget deficit. What's your response?

ANSWER: We have a real and specific deficit reduction package that the CBO has stated would reduce the deficit by $496 billion. That is undisputable. What we heard from people all over this country is that we are willing to accept entitlement cuts and even fair tax increases if you can ensure us that all of it will go to deficit reduction, and that Congress cannot later change their mind. That is what this idea does. It locks in $496 billion in deficit reduction and throws away the key. It gives the American people a legal guarantee that all of the funds will go to deficit reduction.

It is a needed enforcement provision because currently, the budget law I have inherited does not have a way of locking in the deficit savings that come from taxes and entitlement cuts. We have done this with this Deficit Reduction Trust Fund and I cannot understand how anyone who is serious about reducing the deficit could oppose this.

FOLLOW-UP QUESTION: But isn't this just like President Bush's check-off provision that you and your staff railed against during the campaign?

ANSWER: No, the two policies are completely different. The check-off was one of long and seemingly never-ending list of budget gimmicks in which someone wanted to say that they have found a way to reduce the deficit without having to tell you or anyone else one single tough choice that they have to make. That proposal said we will set aside additional funds for deficit reduction -- when the President Bush had no deficit reduction policy -- without saying how he would cut spending to support it. That is the same with entitlement cap proposals: they call for deficit reduction without telling you any of the tough choices you would need to make.

My plan lays out every specific cut and tough choice we need for $496 billion in deficit reduction -- line by line, year by year. What the Deficit Reduction Trust Funds does is create an enforcement provision that locks in this deficit reduction and gives the American people a legal guarantee that it will all go to deficit reduction. It is a gimmick-preventer -- something that I wouldn't expect some of its critics to recognize.

QUESTION: You tried, unsuccessfully, to sell Congress and the American people on several versions of your stimulus package. The Administration is still pursuing a scaled-down version. After several defeats already, do you really expect success this time?

ANSWER: Unfortunately, the Republican Senators have made it clear that they will never even let the majority in the Senate take a vote on a jobs bill that I believed would have strengthened the economy, spurred some job creation and put the economy on a stronger footing before entering a period of deficit reduction.

In the absence of being able to get a true jobs package, we will fight for my longterm investment agenda that I believe if we pass, will bring this economy back and create 8 million jobs over four years. So the only thing we may try to do now is put down a small down-payment on our investment package with some of the investments we really need for this summer. For example, I would still like to get more young people off the street and into jobs, and I want communities who were forced to put police officers in the street because of the recession, to put them back on the jobs making our streets safe.

QUESTION: What do you think about the Republican stimulus plan that would give tax incentives and pay for it with spending cuts?

ANSWER: First of all some of the tax incentives in there are in my plan, such as increasing expensing for small business. Second, I believe that we need a mix of new investments -- both public and private to get this economy going. Third, they have an additional $25 billion in tax incentives -- some of which might by things you would want to consider if we had the funds. Yet, ironically, they only pay for $9 billion of it. So after all that talk, now we have Republican Senators proposing a plan that would raise the deficit $16 billion because they don't want to pay for their tax incentives.

II. THE ECONOMY

QUESTION: There have been strong signs of a slowdown in economic growth during the first quarter. Is the recovery stalling? What will you do to improve near-term performance?

ANSWER: We inherited a fundamentally weak economy and that cannot be changed overnight. As you all know, I pushed for a modest jobs package, one that would create some jobs this summer without breaking the budget, but the Republicans would not even let the majority take a vote.

Overall, I believe we have taken steps that have helped move us in a better direction, but it is not nearly good enough.

First, we did pass the broad outlines of my deficit reduction plan in both houses of Congress in record time. This caused a sharp fall in long-term interest rates which has acted to stimulate the economy to some degree already. Mortgage rates are at a 20 year low. Indeed, a bipartisan study showed that 74% of 30-35 year olds believe that home-ownership is accessible, while only 47% believed this to be so just one year earlier. The reason these people gave
was the lower interest rates.

Second, we have also eased regulations on certain types of lending by financial institutions so that credit can flow more quickly to businesses that want to invest.

Third, we have adopted a proactive defense conversion plan to help the transition from military to civilian production in many areas of the country. But our problems developed over 12 years, so we've still got a lot of work to do.

BACKGROUND: The 1.8 percent growth rate for GDP in the first quarter of 1993, compared with 4.7 percent in the fourth quarter of 1992, suggests continued weakness in the recovery.

- Some slowdown was inevitable, since third and fourth quarter growth rates were attained through increases in consumption beyond income gains and unsustainable increases in defense spending.

- First quarter growth was depressed in part by several temporary factors: unseasonably bad weather in February and March, the expectation of smaller tax refunds as a result of changes in income tax withholding, and the largest decline in defense spending in 20 years.

- Other factors do indicate some signs of genuine weakness: consumer confidence was estimated at 68 in April, down from 78 in December 1992 -- though still greater than a year ago; new orders for durables fell 3.7 percent in March, the largest decline since December 1991; building permits have fallen precipitously in early 1993; and retail sales have increased very little since December 1992.

- Several factors will continue to exert downward pressure on economic growth in the near future: the slowdown in growth among U.S. trading partners, defense spending reductions, the commercial real estate glut, and the low rate of household formation which slows down residential construction.

QUESTION: Yesterday's Washington Post reported that recent job statistics have been in error, and that in fact there was far less job loss during the recession than previously reported and that all the jobs that were lost in the recession will be recovered by next month. Doesn't this prove that the job loss your stimulus package was supposed to address was never needed?

ANSWER: Nothing could be farther from the truth. It is true that the Bureau of Labor Statistics is correcting some past numbers, but lets focus on what even the corrected numbers say:

The fact that we have done nothing more than gain back the jobs lost during the recession is a very disturbing fact. It means that we have gained no additional jobs since July of 1990 even though we have added 5 million more adults in this country. No additional jobs in nearly three years. Because we have no new jobs in those three years while the population has grown, unemployment has risen since the recession started from 5.4% in July 1990 to 7% now -- indeed over 7% for 17 months in a row.

The correct numbers do not change the fact that we are more than 3 million jobs behind the pace of a typical recovery or that 16 million Americans remain unemployed, underemployed or too discouraged to even keep looking for a job.

The last Administration still had the worst private sector job growth of any Administration since the Great Depression. I'm not casting any blame, but that is a distressing statistic and we have to do better.

QUESTION: Recent data shows that inflation may be on the rise. Are you concerned?

ANSWER: I believe that last months number shows that we have to closely monitor the situation and watch the trends over a period of months. The prior month the inflation rate was only .1% and most analysts still believe that the underlying fundamentals [factory capacity at only 80%, stability of the dollar versus a market-basket of currencies, lack of strong wage pressure] do not reveal significant inflationary pressures. But, as I said, we will have to watch the trends very closely.

BACKGROUND: So far this year, inflation has been rising at a slightly higher rate than it did during 1992.

- Consumer price inflation is running at a 4.3 percent annual rate so far this year, well above last year's rate of 3.1 percent (Q4/Q4) and the Administration's forecast of 2.8 percent (Q4/Q4).

- Core inflation--which excludes the volatile food and energy components--is rising at an annual rate of 4.5 percent, compared to 3.3 percent during 1992. This is often considered to be the more reliable indicator of underlying inflation.

- We would be surprised to see the rate of inflation continue at its year-to-date pace. The weak growth in employment costs, excess capacity in many industries, and the relative stability of the dollar all suggest that a sustained upturn in inflation is unlikely.

QUESTION: Your policies seem to be aimed more at putting people <u>out</u> of work than putting them <u>back</u> to work, because of NAFTA, Defense conversion, protecting the environment, etc. What are you doing to help Americans get jobs?

ANSWER: The central focus of my economic plan is to ensure that ALL Americans can work to support themselves now and in the future. The plan I've submitted to Congress would create 8 <u>million</u> new jobs over the next five years. We're going to open up new markets and expand exports for American products. We're going to give our workers the best tools to do their jobs by supporting new technologies. And we're going to prepare future workers by making it easier and cheaper for people to go to school.

FOLLOW-UP QUESTION: But what about all the people -- for example in the defense industry -- who are losing their jobs as a result of your program?

ANSWER: I have a special concern for those who may have lost their jobs as the country shifts away from defense spending to focus on developing a broad-based economy. We need every one of those workers. They're well-trained, and America couldn't have won the Cold War without them. As you know, in March I announced a comprehensive defense conversion initiative that will invest nearly $20 billion over the next five years to develop new technologies and will create high-wage, high-skill jobs for former defense workers.

BACKGROUND: A recent Post editorial entitled, "It's Jobs, Remember?" culminated with "It's the global economy stupid." We should combat the image that the jobs issue is lost in the melee of foreign policy crises, arcane Congressional budget processes and negotiations, and less significant pieces of legislation.

III. DIRECT STUDENT LENDING

QUESTION: Won't your proposal to move to direct student lending raise the government debt, make it harder for students to get loans, and put private companies, like banks and Sallie Mae, out of business?

ANSWER: The real problem is that over the last twelve years, the price of education has been zooming out of sight. That's causing two serious problems: First, it discourages people -- including older people -- from pursuing advanced training and education. Second, it stops people from taking the kinds of volunteer or low-paying jobs that might help their communities and their country, because they have huge loans hanging over their heads.

My proposal reduces the cost of education to both students and the government, because it provides direct loans to students. It cuts out the extra profits that the banks have been skimming off the top of the student loan business, which the taxpayers have had to guarantee. Needless to say, the banking lobbyists have been trying to stop us, but the House of Representatives' Education [and Labor] Committee approved my plan this week.

Furthermore, by offering students what we call EXCEL Accounts, we make it easier for all students to invest in themselves and pay back their loan. The EXCEL Accounts allow every student to pay back their loan by a small percentage of their income, deducted from their earnings. This takes away the crushing debt burden some students face and makes it easier for some young people to choose to start new businesses or take jobs as teachers or police officers.

FOLLOW-UP QUESTION: But what about the banks and Sallie Mae? Won't your plan hurt them?

ANSWER: No, student lending is a relatively small part of the banking business, anyway. And Sallie Mae will still be able to service, and possibly originate loans.

BACKGROUND: Direct lending will make the process of getting a student loan far simpler than it is now, involving only a student's school and the government rather than the school, one or more banks, a guarantee agency and the federal government.

By funding loans directly, instead of through the current convoluted system that guarantees excess profits to banks, both the government and student borrowers will be able to save money.

Our EXCEL Accounts, moreover, will allow students who wish to get a good education to enable them serve their country -- whether for a time or a life-time -- to do so.

While direct lending will increase direct borrowing by the government, the savings the program generates will actually reduce the deficit.

Banks and Sallie Mae will lose a line of business that has been excessively profitable at the taxpayers expense. However, student lending is a relatively small portion of the banking business and Sallie Mae will still have a major role to play in the program as a servicer, and possibly originator, of loans for a fair and competitively determined fee.

IV. MISCELLANEOUS ECONOMIC ISSUES

QUESTION: Last week you introduced you empowerment zones proposal in Congress. Hasn't the response on the Hill been tepid and how are 10 zones going to do any good when there are so many more impoverished communities in the U.S.?

ANSWER: In fact, the response has been tremendous. The Washington Post, USA Today and the U.S. Conference of Mayors have all endorsed the proposal and praised us for our new, comprehensive approach. Communities will have to come forward with a comprehensive strategic plan for revitalizing distressed areas and show substantial private sector commitments and community participation. In exchange, 110 communities will be given the freedom to try new approaches with existing money by getting burdensome federal regulations out of the way. You know the further you get away from Washington, the less partisan things become. Mayor Althouse, the Republican Mayor of York Pennsylvania and the Chairman of the U.S. Conference of Mayors said last week that he thought this was one of the best designed enterprise zone proposals he had ever seen. And now, even the House of Representatives have joined with us in increasing the funding for empowerment zones now that they have seen the details of our plan

QUESTION - MARITIME REFORM: When will the Administration submit maritime reform legislation?

ANSWER: For the last three months, Secretary Peña has led an interagency effort to identify policies that would help our maritime industries become more competitive. As part of that effort, the Department of Defense is working to define the role of our Merchant Marine in filling our overall national security requirement. As you may know, however, the Department of Defense is in the midst of a comprehensive review of its military requirements in this post-Cold War era. Upon completion of that review, the Administration will be able to complete its consideration of maritime policies.

BACKGROUND: In January, Secretary Peña announced his intention to submit comprehensive maritime reform legislation by the end of April or early May. However no money for maritime reform was included in the FY94 budget request. Following a May 11 meeting of the NEC Deputies, Secretary Peña informed Sen. Breaux and Rep Studds that the Administration would not submit maritime reform legislation this year. The reasons are two-fold. First, there is no room in the FY94 Budget. Second, Defense Department estimates of the need for sealift capacity--the overriding reason for subsidizing U.S. flag ships--will only become available in August.

The Operating Differential Subsidy program is set to expire during the 1997-2003 period. Without new subsidies, U.S.-flag carriers will begin to reflag sometime this year (reflagging involves switching from U.S. to foreign crews; ownership, however, will remain U.S.). The NEC Deputies believe that the Administration can wait until the end of the summer to announce a new program without seeing substantial job losses. Within five years, however, up to 10 thousand jobs could be lost.

QUESTION - PENSIONS: A story in yesterdays Washington Post suggested that, whatever troubles the American people have now, life will be even harder when those currently working retire and discover they have no pension benefits. What are you planning to do about this?

ANSWER: It used to be that Americans worked for just one or two companies in the course of their working lives. Now, people are changing jobs and careers, industries are re-structuring, new companies are moving out and moving in. Our goal ought to be to make sure that when people are ready to retire, they have the money to do it.

My Administration is taking steps to make sure the pension guaranty system is safe and sound. The Administration is taking a serious look at the Pension Benefit Guaranty Corporation, which guarantees benefits under defined benefit plans. As part of that effort, we will be considering what, if anything, should be done to encourage continuation and creation of defined benefit plans.

BACKGROUND: The Post story highlighted the shift from defined benefit plans, where the investment risk (and much of the responsibility for contributions) is on employers, to defined contribution plans -- 401(k) plans -- where the investment risk is on employees and which frequently are funded entirely by employees.

QUESTION - AIR TRAFFIC CONTROLLERS: Will your Administration rehire the air traffic controllers who were fired by President Reagan after they went on strike?

ANSWER: The men and women who went on strike in 1981 have been banned from jobs as air traffic controllers for nearly twelve years. I have asked the secretaries of Transportation and Labor and the Director of the Office of Personnel Management to report to me on ways that we can move forward on this issue. I expect to receive that report shortly.

V. TRADE ISSUES

QUESTION - NAFTA: The Cabinet met yesterday to discuss NAFTA strategy. Is the Administration going to seek trade sanctions for violations of environmental and labor standards? Won't that require reopening the underlying NAFTA agreement? Are you seeking tougher measures because you agree with Director Panetta -- that the NAFTA would be dead in Congress if the vote were held today?

ANSWER: My position on NAFTA is unchanged. I firmly believe that a NAFTA agreement, coupled with strong and effective supplemental agreements, can be an important component of a stronger and more competitive U.S. economy. A good agreement must include tough enforcement provisions with real teeth.

-- As for the specifics of the U.S. position, I do not intend to do our negotiating in a press conference.

-- I believe Congress wants the same things from a NAFTA that I do. If we succeed in putting together a strong NAFTA package, I am confident it will win support in Congress.

-- You can see the potential of the NAFTA by looking at what we've already gained. Since Mexico began to liberalize its economy in 1986, we've gone from a $6 billion trade deficit with Mexico to a $5-plus billion trade surplus. That improvement in the U.S. trade balance has created over a quarter of a million new American jobs. The NAFTA can help lock in that change.

-- Many people may not know that Mexico already is a critical market for U.S. goods. In 1992, Mexico passed Japan as the second largest market for U.S. exports of manufactured goods.

QUESTION - EC Procurement Dispute: Last week you held your first U.S.-EC Summit. You settled part of a dispute with the EC over government procurement, yet the Ambassador Kantor announced that the United States is still planning to retaliate. Are you trying to paper over U.S.-EC differences in order to focus on problems with the Japanese?

ANSWER: I am pleased with the outcome of U.S.-EC discussions on the procurement issue. Our U.S. manufacturers won access to the EC's $20 billion market for heavy electrical equipment -- a market that had been closed. The affected U.S. companies believe this is a great opportunity.

-- At the same time, the U.S. and the EC will continue to negotiate over other outstanding issues. As Ambassador Kantor explained, the U.S. will move ahead with measured retaliation over barriers that remain in the telecommunications sector.

-- There is no link between this issue and our trade agenda with Japan. The U.S. will work to reduce trade barriers wherever we find them.

QUESTION - Negotiating Framework with Japan: How do you expect to get results from Japan, when previous Administrations have had such difficulty? Your new economic framework negotiations seem identical to the initiatives past Administrations have pursued (e.g. MOSS talks, SII). How is this one different?

ANSWER: We view the U.S.-Japan relationship as having three, interconnected parts: economic issues, political/security partnership, and cooperation on global problems.

The exact content of our initiative is currently being worked out, but several things fundamentally are different. First, we have zeroed in on the need to advance the economic agenda in our relationship. Second, for the first time in 12 years, the U.S. is honestly addressing its budget deficit -- and that puts us in a stronger position to request action from Japan. Third, I will remain personally committed to these talks and will stay actively involved.

QUESTION - Japan's Accuses U.S. of Unfair Trade Practices: Earlier this week, Japan issued a report accusing the U.S. of being the worst offender of free-trade principles among its major trading partners. In particular, it criticized the U.S. for the use of unilateral sanctions. What is the Administration's response?

ANSWER: By all reasonable standards, the U.S. maintains the most open market in the world.

-- Japan imports far fewer manufactured goods than the U.S. or any other developed country relative to the size of its economy. The U.S. imported over 2.5 times as many manufactured goods in 1992 compared to Japan, as a percentage of GDP.

-- While the U.S. takes 36 percent of all the developing world's exports of manufactured products, Japan's takes only 9.6 percent.

-- If Japan is really interested in liberalizing world trade, it will turn its attention to the successful completion of the Uruguay Round and the development of the framework for economic negotiations announced last month by President Clinton and Prime Minister Miyazawa.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release May 14, 1993

PRESS CONFERENCE BY THE PRESIDENT

The Rose Garden

1:05 P.M. EDT

THE PRESIDENT: Good afternoon, ladies and gentlemen. I'm glad the weather permitted us to do this outside.

Three months ago, I presented a plan to our country and to the Congress designed to address what I believe were the significant challenges of this time. For more than 40 years, our country was organized to stand up against communism, to try to help develop the free world, and for most of that time we took our economic prosperity for granted. It is now clear that, at the end of the Cold War, we must organize ourselves around the obligation we have to be more competitive in the global economy and to enable our people to live up to their full potential.

That means we have to do a lot of things to turn this economy around, beginning with a serious effort to reduce our national debt, to invest in jobs and new technologies, to restore fairness to our tax code, and to make our political system work again.

This week I was able to go back again to the American people to take my case into the country, into Cleveland and Chicago and New York. And here in Washington there were new efforts to break the gridlock and to put the national interests above narrow interests. The results were particularly impressive in the work done by the House Ways and Means Committee, achieving over $250 billion in deficit reduction through spending cuts with $2 in spending cuts for each dollar in new investment, in jobs, in education. The program provides significantly everything that I presented to the Congress, even though there were some changes. In fact, some of the changes I think made the bill better.

Let me reiterate them. Number one, significant deficit reduction. Number two, taking on entitlement issues that have for too long been left on the table. Number three, real investments for small businesses and for big businesses -- incentives to get people to invest money in this economy to create jobs. And perhaps most importantly, a break for working-class families -- a huge increase in the earned income tax credit for people with incomes under $30,000 to relieve them of the impact of the energy tax and to say for the first time, people who work 40 hours a week with children in the home would be lifted above poverty. And finally, of course, the plan was very progressive -- seventy-five percent of the revenues coming from the top six percent of the American taxpayers.

I also reiterated that I don't want a penny in taxes without the spending cuts. And I proposed in New York that we create a deficit reduction trust fund into which all the taxes and all the budget cuts could be put and kept for the five-year life of this budget. This is a very important thing. I realize some have said it is little more than a gimmick, but the truth is there is no legal protection now for the life of the budget for these funds. This will provide it in stone, in law.

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In every element of this, there has been some willingness on the part of those who have supported our efforts to take on powerful vested interest in behalf of the national interest, whether it is in repealing the lobby deduction or in going for a direct loan program for college loans that will save $4 billion but which will remove a government-guaranteed income from several interests who like the system as it is now.

The Congress also moved this week to reinvigorate our democratic process by ending the filibuster and passing the motor voter bill. These are the kinds of changes that the American people expect of us. They do not expect miracles, but they expect solid, steady progress, and I am determined to stay on this course.

It has been a good week, and if we're willing to take more tough decisions, there will be more good weeks for the American people ahead.

Q Mr. President, you've said that the United States will not go it alone with military action in Bosnia. And yet, the European allies have refused to sign-on to your proposals. If the allies refuse to follow suit, where does that leave the United States?

THE PRESIDENT: Let me reiterate what I have said because I think that the United States has taken the right position and I think that we've gotten some good results. I have said, and I will reiterate, I think that the United States must act with our allies, especially because Bosnia is in the heart of Europe and the Europeans are there. We must work together through the United Nations.

Secondly, I do not believe the United States has any business sending troops there to get involved in a conflict in behalf of one of the sides. I believe that we should continue to turn up the pressure. And as you know, I have taken the position that the best way to do that would be to lift the arms embargo with a stand-by authority of air power in the event that the present situation was interrupted by the unfair use of artillery by the Bosnian Serbs. That position is still on the table. It has not been rejected out of hand. Indeed, some of our European allies have agreed with it and others are not prepared to go that far yet.

But we have to keep the pressure up. And I would just remind you that since we said we would become involved in the Vance-Owen peace process, two of the three parties have signed on. We've gotten enforcement of the no-fly zone through the United Nations. We've been able to airlift more humanitarian supplies there, and we've been able to keep up a very, very tough embargo on Serbia which I think led directly, that and the pressure of further action, to the statement that Mr. Milosevic made to the effect that he would stop supporting the Bosnian Serbs.

Where we go from here is to keep pushing in the right direction. As we speak here, the United Nations is considering a resolution which would enable us to place United Nations forces along the border between Serbia and Bosnia to try to test and reinforce the resolve of the Milosevic government to cut off supplies to the Bosnian Serbs. If that resolution passes and in its particulars it makes good sense, that is a very good next step. We're just going to keep working and pushing in this direction. And I think we'll begin to get more and more results.

Q Are you contemplating sending U.S. forces to Macedonia and perhaps to protect safe havens in Bosnia?

THE PRESIDENT: On the question of Macedonia, the Defense Department has that and many other options under review for

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what the United Nations -- what the allies could do to make sure that we confine this conflict, to keep it from spreading. I've not received a recommendation from them and, therefore, I've made no decision.

Q Mr. President, there is a wide spread perception that you're waffling, that you can't make up your mind. One day you're saying, in a few days we'll have a decision, we have a common approach -- the next day you're saying, we're still looking for a consensus. Will American troops be in this border patrol that the U.N. is voting on and, you know, where are we?

THE PRESIDENT: Well, first of all, I have made up my mind and I've told you what my position was. And I've made it as clear as I can. But I also believe it is imperative that we work with our allies on this. The United States is not in a position to move unilaterally, nor should we. So that is the answer to your question.

The resolution being considered by the United Nations I think contemplates that the UNPROFOR forces would be moved and expanded and moved to the border. At this time there has been no suggestion that we would be asked to be part of those forces.

Q A domestic question. Could you tell us how were you affected by the testimony of Colonel Fred Peck, whose son is a homosexual, who said that, nonetheless, he could not in good conscience support lifting the ban?

THE PRESIDENT: I thought all the testimony given in that hearing -- I saw quite a lot of it from more than one panel -- was quite moving and straightforward. I still think the test ought to be conduct.

Q Do you think that -- does this allow for the possibility of the "don't ask, don't tell" -- the compromise that would allow --

THE PRESIDENT: You know what my position is. I have nothing else to say about it.

Q Mr. President, you said last week that if you went to air power in Bosnia you would have a clear strategy and it would have a beginning, middle, and end. What happens, though, sir, if a plane is shot down, if you lose a pilot or a couple of pilots, or if the Bosnian Serbs decide to escalate the conflict -- or the Serbians -- by going into, say, Kosovo?

THE PRESIDENT: Well, the Bush administration before I became President issued a clear warning to the Serbs that if they try to occupy Kosovo and repress the Albanians there, that the United States would be prepared to take some strong action. And I have reaffirmed that position. As a general proposition, you can never commit American forces to any endeavor on the assumption that there will be no losses. That is just simply not possible, and as the Pentagon will tell you, we lose forces even now in peace time simply in the rigorous training that our armed forces must undertake.

Q In the debate on homosexuals in the military, you use the word "conduct" as though it were an absolute and easily definable term. Do you believe, one, that homosexuals should be celibate, as Schwarzkopf suggested, or could they engage in homosexual activity, consenting, on or off base; or two, should the uniform code be allowed to have any sort of difference between its treatment of homosexuals and heterosexuals?

THE PRESIDENT: I support the present code of conduct, and I am waiting for the Pentagon to give me its recommendations.

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Q Your nominee to head the Justice Department's Civil Rights Division has expressed what many regard as rather striking views about voting rights and a number of other areas, including expressing some misgivings about the principle of one man, one vote. And I wonder if you are familiar with all these views and if you support them, and if you do not, why you chose her.

THE PRESIDENT: I nominated her because there had never been a full-time practicing civil rights lawyer with a career in civil rights law heading the Civil Rights Division. I expect the policy to be made on civil rights laws by the United States Congress, and I expect the Justice Department to carry out that policy. Insofar as there is discretion in the policy, that discretionary authority should reside either in the President or the Attorney General in terms of what policies the country will follow. I still think she's a very well-qualified civil rights lawyer, and I hope she will be confirmed. And I think she has every intention of following the law of the land as Congress writes it.

Q Were you familiar with them when you --

Q Mr. President, as you know, there is a lot of concern in the Democratic Party and in the White House about the upcoming Senate election in Texas. And one of your top political advisors, Paul Begala, is becoming more involved down there. Do you see any expanded role for yourself? Is there anything you can do, or are you all pretty much resigned to losing this seat?

THE PRESIDENT: Well, I'm not -- first of all, I'm not resigned to losing it. I think Bob Krueger can still win the race. But it depends on, as with all cases, it depends on how he frames the issues, how his opponent frames the issues, and what happens there. I think he's a good man, and I think he's capable of doing a good job. And I think he could still win the race. But that's up for the people of Texas. You know, in the primary one of the big problems was 25 percent of the Republicans turned out and only 15 percent of the Democrats did. I don't know what's going to happen there. But I certainly support him, and I hope he will prevail. I think it would be good for the people of Texas and the Congress if he did.

Q Do you expect to do any more for him and possibly go down there?

THE PRESIDENT: No one's discussed that with me. You know, I don't know. I've always been skeptical about the question of whether any of us could have any impact on anyone else's race. I've never seen it happen up or down in my own state in Arkansas. There may be some ways we can help with fundraising and things of that kind, but all the time I ran at home I never let anybody come in to help me, whatever the national politics were.

Q Mr. President, what would you say or what do you say to federal reserve officials who are arguing for a slight rise in short-term interest rates because they're concerned about resurging inflation?

THE PRESIDENT: I would say that the month before last we have virtually no inflation, and you can't run the country on a month-to-month basis. You've got to look at some longer trends. There are some clear underlying reasons for this last inflationary bulge which don't necessarily portend long-term inflation. I think it's a cause of concern. We ought to look at it, but we ought to wait until we have some more evidence before we raise interest rates in an economy where industrial capacity is only at 80 percent.

If you look at all the underlying long-term things, long-term trends in energy prices, industrial capacity, the kinds of things that really shape an economy, there is no reason at this time to believe that there could be any cause for a resurge in inflation.

Q Sir, the argument is made at the Federal Reserve that higher taxes, higher burdens on business through health care fees or other things like that will indeed raise inflation while the economy stays weak.

THE PRESIDENT: Just a few weeks ago some people were arguing that all this would be deflationary and would repress the recovery. So I guess you can find an expert to argue any opinion, but there is no evidence of that. The prevailing opinion at the Fed and the prevailing opinion in the economic community has been that the most important thing we can do is to bring down long-term interest rates by bringing down the deficit. You can't have it both ways. You're either going to bring down the deficit or we're not. And everything in life requires some rigorous effort if you're going to have fundamental change.

Q I wonder if you ever stop to think that this month we are celebrating two events, Small Business Week and World Trade Week. I wonder do you understand what the importance of the world trade in this week is in the minority and small business people can contribute to support their services and product to the world and mainly to those countries of the former Soviet Union? How do you respond?

THE PRESIDENT: How do I want small business to contribute? Well, first of all, an enormous amount of our economic growth in the last three years has come out of growth in trade. And one of the problems we're having with our own recovery is that economic growth is virtually nonexistent in Asia and in Europe -- at least in Japan and in Europe -- not in the rest of Asia. China is growing rapidly.

One of the things that we can do to increase exports is to organize ourselves better in the small business community. The Germans, for example, have enormously greater success than do we in getting small and medium-sized businesses into export markets. And one of the charges of my whole trade team is to organize the United States so that we can do that. That's one of the things the Commerce Secretary is working on.

Q Mr. President, you're going to be meeting with the President of Ireland in a little while. And as a --

THE PRESIDENT: I'm looking forward to it.

Q -- as a candidate, you made several promises in regard to Ireland. One of them was to send an envoy -- a special peace envoy, and another was that you would not restrict Jerry Adams' admittance into this country. He's the leader of Sinn Fein, and his visa was denied last week. And you promised that as President he would be admitted.

THE PRESIDENT: I think you ought to go back and read my full statement that I made in New York about the Adams case. I'll answer that in a minute.

But let me -- first on the peace envoy, I talked to the Prime Minister of Ireland and I will discuss with the President of Ireland what she thinks the United States can do. I am more than willing to do anything that I can that will be a constructive step in helping to resolve the crisis in Northern Ireland.

Q -- whether an envoy is necessary --

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THE PRESIDENT: I don't believe the President of the United States should be unaffected by what the Prime Minister or the President of Ireland believe about what is best for Ireland. I don't believe that. I think I should ask them what they believe. I'm not sure I know better than she does about that. And I should listen and should take it into account. I am prepared to do whatever I can to contribute to a resolution of this issue.

On the Jerry Adams question, I said at that time because he was a member of Parliament, if I were President I would review that. I thought that if there no overwhelming evidence that he was connected to terrorists, if he was an elected -- a duly elected member of Parliament in a democratic country, we should have real pause before denying him a visa. I asked that his case be reviewed by the State Department and others. And everybody that reviewed it recommended that his visa not be granted and pointed out that he was no longer a member of Parliament.

Q Mr. President, in your opening statement, you said this has been a good week for you. But the latest CNN/USA Today Gallop poll, as you probably saw, shows a 10-percent decline in your job approval rating since the end of April, from 55 to 45 percent. Why do you think that is happening and is it your fault and what can be done?

THE PRESIDENT: Well, for one thing, I'm trying to do hard things. And I can't do hard things and conduct an ongoing campaign at the same time. You know, I'm doing things that are hard, that are controversial. And anybody who doesn't want to assume responsibility can stand on the sidelines and criticize them. I never expected that I could actually do anything about the deficit without having some hits. I never expected that I could take on some of these interests that I've taken on without being attacked. And whenever you try to change things, there are always people there ready to point out the pain of change without the promise of it. That's just all part of it.

If I worried about the poll ratings I'd never get anything done here. My only -- the only thing I'd remind you is for 12 years we've seen politicians and the Congress and the Executive Branch worry about their poll ratings every month and then at the end of every four years things are a lot worse. If things are better at the end of the period that I was given to serve, then the poll ratings now won't make any difference. And if they're not, they won't make any difference. So my job is to do my job and let the chips fall where they may.

Q There seems to be a Catch 22 emerging on Bosnia. One would be the -- you have consistently said that you want to have a consensus with the U.S. allies. But until that consensus is formed, you found it seems very difficult to explain to the American people precisely how that war should be defined -- is it a civil war, is it a war of aggression. And also not necessarily what the next step should be, but what are the principles, the overriding principles that should guide you as policy? What can you tell the American people right now about that?

THE PRESIDENT: First, that is both a civil war and a war of aggression, because Bosnia was created as a separate legal entity. It is both a civil war where elements of people who live within that territory are fighting against one another. And there has been aggression from without, somewhat from the Croatians and from the Serbs -- principally from the Serbs -- that the inevitable but unintended impact of the arms embargo has been to put the United Nations in the position of ratifying an enormous superiority of arms for the Bosnian Serbs that they got from Serbia, and that our interest is in seeing -- in my view, at least -- that the United Nations does not foreordain the outcome of a civil war -- that's why

I've always been in favor of some kind of lifting of the arms embargo -- that we contain the conflict, and that we do everything we can to move to an end of it and to move to an end of ethnic cleansing.

Those are our interests there and those are the ones I'm trying to pursue. But we should not introduce American ground forces into the conflict in behalf of one of the belligerents, and we must move with our allies. It is a very difficult issue. I realize in a world where we all crave for certainty about everything, it's tough to deal with, but it's a difficult issue.

Q Mr. President, on the subject of the arms embargo, do you believe that the fighting between the Croats and the Muslims has validated the European objections to your proposal to lift the arms embargo, showing just how complicated it is and how easily those weapons can get into other hands? And, secondly, do you think that you should try to level the playing field by using air strikes alone if your hands are tied on the arms embargo?

THE PRESIDENT: I believe that the troubles between the Croatians and the Muslims complicate things, but at least the leaders have agreed on an end to the conflict. On the other issue, I think that the best use of air power is the one that I have outlined, and I don't favor another option at this time.

Q The Prime Minister of Norway today announced that Norway is going to resume commercial hunt of the minke whale. How do you react to that? And is the United States going to take any punitive actions against Norway?

THE PRESIDENT: It's the first I've heard of it. I'll have to give you a later answer.

Q One of the charges leveled by critics of you in Arkansas and now at the beginning of your term as President is that you've surrounded yourself with too many young people and put them in too many senior positions. How do you respond to that criticism?

THE PRESIDENT: Like Lloyd Bentsen and Warren Christopher? (Laughter.) I mean, who are you referring to? Mr. McLarty, Mr. Rubin, Ms. Rasco and Mr. Lake, to name four, and I are all, I think, older than our counterparts were when President Kennedy was President. There are a lot of young people who work here, but most of the people in decision-making positions are not particularly young. And I am amazed sometimes -- you think I ought to let some of them go?

I realize that there is this image that the administration is quite young. I think we have one of the most seasoned and diverse Cabinets that anybody's put together in a long time. And we have a lot of people who aren't so young working in the White House. I don't know how to answer your question about it.

Q Mr. President, what will you do to ensure that health care will be accessible geographically to people in inner cities and rural areas, so that cross-town and cross-county travel will not become a barrier to health care?

THE PRESIDENT: Well, I haven't received the report, as you know, of the Health Care Task Force yet but let me say that one of the markers I laid down for them when they began their work was that we didn't need just simply to provide coverage for Americans, but there had to be access in rural areas and in inner city areas, especially. And they are exploring any number of ways to do that.

I spent one afternoon here on a hearing on rural health care, talking about how we could bring health care to people in rural areas and make it economical and available. And I have spent an enormous amount of time in the last 16 months in urban health care settings trying to discover which model -- I've done that myself -- trying to determine which models can be replicated in other inner city areas. From my experience at home I knew more about rural areas. But the bottom line is you've got to have more clinics in the rural areas and in the inner cities that are accessible and where there is an ethnic diversity, where they are accessible not only physically, but in terms of language and culture. And these things can be done. And if you do it right, if they're really comprehensive primary and preventive health care centers, they lower the cost of health care because they keep more people out of the emergency rooms.

Q Mr. President, the Serbian government has indicated it is going to stop sending arms to the Bosnian Serbs. If they hold true to that, does that then preclude the option of rearming the Bosnian Muslims?

THE PRESIDENT: Well, I have two responses. First, I hope the United Nations resolution will succeed so that we can put some U.N. people on the border to determine whether that, in fact, is occurring. Secondly, whether that precludes the rearming option depends really on how many arms have been stashed already in Bosnia, particularly the heavy weapons -- the heavy artillery. I think that is the issue. And that's a fact question which we'll have to try to determine.

Q Many people wonder, Mr. President, what your policy in Latin America is going to be. Your economic team just told us that you want to spend more money in police here in the United States. The past administration spent almost $3 billion in Peru, Bolivia and Colombia. What is your vision and how are you going to change that policy?

THE PRESIDENT: I think we should continue to support those programs. I can't say that they would be immune from the budget cutting process that has affected almost all of our domestic programs here. We've had such a big deficit we've got to cut across-the-board. But I believe that those programs have served a useful purpose. I think especially where we have governments with leaders who are willing to put their lives on the line to stop or slow down the drug trade, we ought to be supporting them and I expect to do that.

Q You've been talking a lot recently about deficit reduction, the deficit reduction trust fund. You're talking now about having to stretch out your investment programs, postpone some of the things. What do you say to people in urban areas, some of the liberal congressmen on the Hill who say, wait a minute, we're the ones who elected this guy and now the programs that have been starved for 12 years that we need aren't going to be able to get money? What sort of political position does that put you in with your core supporters?

THE PRESIDENT: Well, I ask them, first of all, to look at the five-year budget. The enormous squeeze on domestic spending including investment spending began 12 years ago. I can't turn it around overnight. I asked them to look at the five-year budget and look at it in light of the fact that the deficit numbers were revised upward after the election by $50 billion a year in three of the next four years. And I ask them also to consider this: Until we can prove that we have the discipline to control our budget, I don't think we'll have the elbow room necessary to have the kind of targeted investments we need.

I think the more we do budget control the more we'll be free to then be very sharply discriminating in investing in those things which actually do create jobs. I don't think we have any other option at this time.

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Q Mr. President, in your New York speech this past week at Cooper Union, you spoke of a crisis of belief and hope. And earlier Mrs. Clinton in a speech talked about a crisis of meaning. How do you see these crises manifesting themselves? What are the causes of them? And how severe do you see this?

THE PRESIDENT: Well, I think they manifested themselves in people's honest feelings that things are not going very well in this country and that they haven't gone very well in a long time; and the alienation people feel from the political process, and in the alienation they often feel from one another in the same neighborhoods and communities. There are real objective reasons for a lot of these problems. After all, for most people the work week is lengthening and incomes are declining. The job growth of the country has been very weak. The crime rate is high, and there's a sense of real alienation there. And I don't think we can speak to them just with programs. I think that -- in our different ways, that's what both Hillary and I were trying to say.

And the thing I was trying to say to the American people at the Cooper Union that I want to reiterate today is that you can never change if you have no belief in the potential of your country, your community, or yourself. And that the easy path is cynicism. The easy path is to throw rocks. The better path is doing the hard work of change.

The thing I liked about what happened in the Ways and Means Committee this week is -- not that I agree with every last change they made in the bill, although some of them actually made the bill better -- all the fundamental principles were left intact. But we actually did something to move the ball forward -- to deal with the deficit, to deal with the investment needs, to deal with -- to go back to the other question that Mr. Lauter asked -- to deal with the need to get more real investment in the inner cities and the rural areas of the country. We are doing things.

And what I tried to do all throughout the campaign in talking about hope, in talking about belief, in trying to go back to the grass roots was to say to people, the process of change may be uneven and difficult and always controversial, but it has to be buttressed by an underlying belief that things can be made better.

When the election returns in November -- that I was not fully responsible for, there were two other candidates in that race -- which showed a big increase in voter turnout, especially among young people, that meant to me that we were beginning to see the seeds of a change in attitude. As I said at the Cooper Union, when President Kennedy occupied that office, nearly three-quarters of the American people believed that their leaders would tell them the truth and that their institutions worked and that their problems could be solved. So there was a lot more elbow room there. You know, a year or two years could go by -- people could be working on something with maybe only slightly measurable progress, but the country felt it was moving forward. That is what we have to restore today -- a sense that it can be done and it cannot be done by the President alone, but the President has to keep saying that: that faith is a big part of this.

Q And the causes of these crises as you perceive them?

THE PRESIDENT: I think the causes of them are the persistent enduring problems unanswered, unresponded to, and the absence of a feeling that there is a overall philosophy and a coherent way of dealing with them.

Q Though your tax package has made it through the House Ways and Means Committee, every Republican voted against it. If that happens again in the Senate you could be facing yet another roadblock. How have you changed your legislative strategy to see that you win over a few Republican votes this time?

THE PRESIDENT: Well, the budget cannot be filibustered. So in a literal sense it could -- we could pass it without any Republican votes. But the sad -- what I hope is that to show that by a combination of budget cuts and tax increases and the things that have been done to make this program even more attractive -- we've got a lot of business people for this program now, a lot of them -- that we ought to get some Republican support. But that's a political decision that a lot of those folks are going to make.

I can tell you that one member of the Ways and Means Committee told me yesterday that a Republican member said to him as they were dealing with this -- said, boy, there's a lot of wonderful stuff in his bill. I didn't know all this stuff was in this bill. This is wonderful. I said, well, why don't you vote for it? He said, no, we've got to be against taxes. So I think that's just -- they're going to have to decide what they're going to do about that.

Q You talk about competitive -- being competitive in the world and that, I hope you agree, that involves NAFTA. What would be the priorities of a new ambassador to Mexico and what is the latest in NAFTA? Do you support tougher sanctions in trade for those that violate the treaty?

THE PRESIDENT: I believe the treaty has to have some enforcement provisions. I have not read the last language, but it is my understanding that what the negotiators is working toward is some sort of sanctions for repeated and persistent violations of agreements that the countries involved in NAFTA make. I don't think any of us should make agreements and expect there to be no consequences to their repeated and persistent violation. But I want to say again, I believe that increased trade with Mexico and NAFTA are in the interest of the United States.

The Salinas government, through the unilateral reduction of their own tariffs, has helped to take the United States -- and through policies that promoted economic growth, beginning with getting control of their deficit -- has taken the United States from a $6-billion trade deficit with Mexico to a $5-billion trade surplus. Mexico just surpassed Japan as our second biggest trading customer for manufactured products. So I think that it's very much in our interest to pass NAFTA and I hope I'll be able to persuade the Congress to do it when we conclude the agreement.

Q Would that be a priority of a new ambassador to Mexico?

THE PRESIDENT: Absolutely, sure.

Go ahead.

Q Okay. I'd like to go back to your Justice Department for just a second, Mr. President. Since during the campaign you said it was a mistake and, in fact, apologized for playing golf at an all-white country club in Little Rock, shouldn't it disqualify your nominee for Associate Attorney General, Webb Hubbell? Is there an exception because he's a family friend? And are the locals --

THE PRESIDENT: Absolutely not.

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Q Are the local civil rights leaders wrong when they say that his attempts to integrate the club appeared to have been a last-minute political conversion?

THE PRESIDENT: No. As a matter of fact, if you go back -- first of all, let me -- the first question is no, he should not be disqualified. The second question is, is it a last-minute conversion? The African American who joined the club testified that Webb Hubbell had been trying for years to get him to do it, and he had not agreed. That's what the record shows. Thirdly, my belief is that the overwhelming majority of African American leaders in my state would very much like to see him confirmed. He has always had a reputation as being a strong advocate of civil rights, whether as Mayor of Little Rock or Chief Justice of the Supreme Court of my state. He is a very eminent citizen with a very good background. And I think the vast majority of the civil rights leaders of my state will advocate his appointment based on his record. And I think on the facts of this, I just wouldn't -- this last-minute conversion thing just doesn't hold water.

Q What does it say then, sir, that he should be a member of an all-white country club, as other members of your Cabinet also are -- or were when it was still all white?

THE PRESIDENT: I think he should have either resigned or integrated it. And, of course, he was in the middle. He said, I tried for years to integrate it and I only -- it took me too long to succeed. What I think is really the case is that some of the other people may have been blocking it. He was trying for years to do it. I know that because I used to hit on him about it for years.

Go ahead, Mara.

Q Mr. President, I want to go back to a question that Helen asked earlier about your indecisiveness over Bosnia. I'm wondering how you think that's affected perceptions of you as a leader? There is a concern reflected in polls and in some comments from Democratic members in Congress that you are indecisive and perhaps not tough enough to tackle all the problems.

THE PRESIDENT: I would just like to ask you what their evidence is? When Russia came up the United States took the lead and we got a very satisfactory result. When I took office I said we were going to try to do more in Bosnia. We agreed to go to the Vance-Owen peace process and two of the three parties signed on. We got enforcement of the no-fly zone. We began to engage in multinational humanitarian aid. We got much, much tougher sanctions. We got the threat of military force on the table as a possible option. Milosovic changed his position. All because this administration did more than the previous one.

And every time I have consulted the Congress they say to me in private, this is a really tough problem. I don't know what you should do but you're the only President that ever took us into our counsel beforehand; instead of telling us what you were going to do, you actually ask us our opinion. I do not believe that is a sign of weakness. And I realize it may be frustrating for all of you to deal with the ambiguity of this problem, but it is a difficult one.

I have a clear policy. I have gotten more done on this than my predecessor did. And maybe one reason he didn't try to do it is because if you can't force everybody to fall in line overnight for people who have been fighting each other for centuries you may be accused of vacillating. We are not vacillating. We have a clear, strong policy.

In terms of the other issues, who else around this town in the last dozen years has offered this much budget cutting, this much tax increases, this much deficit reduction and a clear economic strategy that asks the wealthy to pay their fair share, gives the middle class a break and gives massive incentives to get new investment and new jobs in the small business community and from large business as well? I think -- I don't understand what -- on one day people say he's trying to do too much. He's pushing too hard. He wants too much change. And then on the other day he says, well, he's really not pushing very hard. I think we're getting good results. We've been here three months. We've passed a number of important bills and I feel good about it.

I think the American people know one thing: that I'm on their side, that I'm fighting to change things. And they're finding out it's not so easy. But we are going to get a lot of change out of this Congress if we can keep our eye on the ball and stop worrying about whether we characterize each other in some way or another and keep thinking about what's good for the American people.

Every day I try to get up and think about not what somebody characterizes my action as, but whether what I do will or will not help to improve the lives of most Americans. That is the only ultimate test by which any of us should be judged.

Thank you very much.

END 1:44 P.M. EDT