

We have to have help with Congress to cure the remaining problems with the Superfund. Small businesses and communities trapped in the liability net, lenders afraid to finance clean-ups—all these have to do with the way the law is written. And only Congress can change it. Only Congress can finish the job. They should do it the right way, by making sure, as Senator Lautenberg says, that polluters pay. Right now, Congress is moving forward with Superfund legislation that would let polluters off the hook and make the taxpayers pay. I don't think the taxpayers should pay when the polluters can pay. That is wrong.

All of you have been very patient to listen to us today make our plea for a new bipartisan commitment to the protection of the environment. But all of you here know that our ability to make America strong in the 21st century and to keep our people living in the place of greatest possibility in the world is clearly, clearly based on our ability to continue to make progress in the environment.

As President I take no particular pleasure in exercising the power of the veto. I like to get things done. I like to move things forward. I like to work with people who have different ideas in a positive way. But when it comes to protecting our air, our food, our water, I cannot sacrifice America's values and America's future, or America's health and safety. It is important to remember—let me say again, as so many have said—that this current state of affairs that we have endured for over a year now is a drastic aberration from the pattern of a previous generation.

When Jim Florio was in Congress working with Senator Lautenberg and Congressman Torricelli and others on the Superfund legislation, people knew that these were things Republicans and Democrats did together because it was good for America. The natural blessings God gave this country were not given to Democrats or Republicans because of their political party. They were given to people who live on this particular piece of God's good Earth, and we had better go back to protecting them together.

Robert Frost once wrote, "The land was ours before we were the land. Our environment is fundamentally us. Its well-being is ours. And when we revitalize it we nourish our souls and restore our communities." I thank you for coming here today. I thank you for your good citizenship. I ask you in this coming year to exercise that citizenship to make sure that when we leave this Earth it is cleaner and fresher and purer than we found it. That is our fundamental obligation.

Thank you, and God bless you all.

NOTE: The President spoke at 1:45 p.m. in the Rothman Center Auditorium at Fairleigh Dickinson University. In his remarks, he referred to Frank Mertz, president, Fairleigh Dickinson University; Mayor John F. Zisa of Hackensack; James J. Florio and Brendan Byrne, former Governors of New Jersey; the families of Sarah Duker and Alyssa Flatow, U.S. citizens killed in terrorist attacks in Israel; and Leah Rabin, widow of Yitzhak Rabin, former Prime Minister of Israel.

Interview With the New Jersey Media in Hackensack

March 11, 1996

Corporate Downsizing

Q. You talked briefly in your speech, and you talked more about it last Friday, about the new jobs that have been created while you've been President. Yet here in New Jersey there's a terrific amount of economic insecurity on middle management people—AT&T laying off thousands; two major drug companies have just announced a merger, more people are going to be laid off. What do you see as the Govern-

ment's role in—or the Government's response to the fact that people are losing good jobs and they're not interested in how well you say the economy is growing?

The President. First of all, I think we do have a responsibility to them. And I think to address the responsibility, you have to ask yourself first what is the problem and what is the answer to the problem. It is clear—what's happening basically is that in—this is the second great wave

of restructuring. The first one occurred in the early eighties when a lot of manufacturing jobs were lost, and it went on for about 10 years. Now, in our administration we've been able to rebuild the number of manufacturing jobs. They're coming back up slowly, partly because we targeted automobiles and related industries and partly because the productivity of American manufacturing is so high.

But what's happening—there are basically, I think, two things driving this. The overwhelming fact is that the information and technology revolution, the sort of the digital chip revolution, means that organizations in the future probably won't have as many middle managers and won't have as many people passing instructions down and information up. And then, of course, there are—the second problem is there are just differences from company to company over—particularly really big companies—if they think they have to sell off subsidiaries or other things that may change. There may be facts from company to company that are different, but it's obviously a sweeping change.

So what is the answer? The first answer is to keep creating jobs and to create a higher percentage of high-paying jobs. In the last—in each year of the last 3 years, we have increased the percentage of our new jobs in the high-wage category from—in '92, before I became President, only about 20 percent of a very small number of new jobs that were created that year were in higher wage categories. In '93 it was 35 percent, then 45 percent, and in '95 over 55 percent. So the first thing we have—I know it's cold comfort if you're losing your job, but if you look at the economy as a whole, we have to keep trying to create higher wage jobs.

For example, a lot of the middle managers from AT&T—let's just take AT&T—I'm going to come to the specific problem in a minute, but if you look at the problem all across the country, the fact that we finally passed telecommunications legislation that will unleash a lot of competition there will, it is estimated, create over 3 million jobs in the telecommunications area in the next few years; and a disproportionate share of those jobs will be higher wage-paying jobs in the range of those being lost by people being laid off by the big companies. So that's the first thing.

Now, let's focus on the people themselves because—some of these people are being laid

off, I think, just because of the drastic changes in the economy. I'm concerned that some of them feel that they're being laid off just because their companies want to save future—either earnings or health care or pension costs. We need to look at—and for the simple reason that a lot of these people are about my age. A lot of people who are losing their jobs now are about 50 years old. Their kids are just getting ready to go to college.

And if you're in northern New Jersey, for example, and you just heard that—I'll just make this up—let's say Sprint is hiring 3,000 people in California, and 300 of them are going to be in doing more or less what you were doing, some area that you were trained for. If you've got a child who's a senior in high school, a child who's a junior in high school, and a child who's a sophomore in high school, it may not be so easy just to up and move. You know, if everybody in your neighborhood is losing their job and you've got a mortgage on your home, it may not be so easy to sell your home at a profit or at least to even net out.

The real fundamental problem here is not only that there may not be enough jobs for these folks but they may not be where they live now or close enough to where they live to allow them to change their circumstances.

Now, I think—we're looking at—first of all, let me say, we're looking at a number of things that we might be able to do to facilitate people who have been victimized by downsizing moving to a new life. And I don't want to get into a lot of specifics until I have time to research them all, but let me just say what the general problem is. The general problem is that most of the social safety nets for people who lose their jobs were constructed for a more static economy.

For example, if you look at the unemployment system, the unemployment system we have today was constructed for a time when 85 percent of the people were called back to the same job they were laid off from. Today, 85 percent of the people are not called back to a job they were laid off from.

If you look at the pension system, we thought as a nation that we had done a great thing, probably nearly 20 years ago now, whenever it was, when we reformed the ERISA system; you know, we passed ERISA and said if you worked 10 years for a company, you had pension rights that vested so your pension rights couldn't en-

tirely be taken away from you. But now we know that you still have to work a long time to get full benefits, and pension rights aren't as portable as they might be. So we're going to have to look at ways to make—and a lot of these people, for example, who might leave a big corporation and want to set up a small business—we need to look for ways for them to somehow always be able to have greater portability in the pension system.

The same thing is true with health care. A lot of people are reluctant to start their own businesses or go to work for a small business instead of a large business because they're afraid they won't have access to health care.

And if we're going to move into a new world where a higher and higher percentage of people work for smaller companies and where there is more volatility in the job market, then you have to have lifetime access to education and training that starts immediately with no delay. You have to have access to health care and pensions, and they have to be somewhat portable. And then there have to be special, I think, efforts made for people who are in these higher wage categories where the jobs themselves may be disappearing from all big corporations to try to help them either start new businesses or find others to go into business with within reasonable distance of where they are now living.

And there may be—another thing we're looking at is the question of whether the people who are being downsized who are near high unemployment urban areas, whether there might be some marriage that could be made between what we're doing with our empowerment zones and our enterprise communities and trying to encourage people to invest in the inner cities by giving certain special incentives for people who lose their jobs, to give them extra help through the SBA or otherwise to start a new venture of some kind.

Q. In the city?

The President. Yes, or they hire people who come out there. Either they relocate there or hire people who come out of there so that—but we're looking at—there are seven or eight things that I've got our staff working on now, where we're looking at various things that we could do to try to facilitate people who are going to be downsized, moving back into the work force. Because the truth is a lot of these people are at their most productive years. We don't need to be without the benefit of their

experience and their efforts. And it is devastating to them psychologically as well as economically to be without a job and without prospects of a job. So it's a terrible problem.

And so when I talk about it, the economy is doing better. To give you an example, if you look at the other six big economies in the G-7, all of us together have created a net of 8.4 million jobs, the American figure. The other 6 have created a net of zero jobs. So we shouldn't sneeze at the fact that we're creating new jobs. That's a good thing. The European unemployment rate is twice ours.

But we shouldn't be insensitive to people who are being downsized and people that these huge structural changes in the economy—are having their lives disrupted because of them. This is, after all, let me say again, this is a period of most profound change in the American economy really in 100 years, since we moved from farm to factory, from the rural area to cities and towns. We're now moving into an age where all production and services are dominated by information technology and all markets are global. And that is changing not only the nature of work, it is changing the nature of work organizations.

And our society—no society has kept up. And that's why I've pushed for all the things I have, for lifetime learning and portable pensions and constant access to health care, because in a volatile environment like this, what our objective as Americans should be is to keep the job engine going. We should keep trying to create more jobs and, as I said, to make them more and more high-wage jobs. But we should also recognize that all the high-wage jobs in the world are cold comfort if you lose a good job and there's not another one anywhere near you, particularly if you have a lot of built-in family responsibilities. And we're going to have to develop a whole new set of flexible systems of family and work security that will allow the economy to continue to be dynamic and grow but will help people like those folks that are being displaced now.

Q. If instead of President you were a CEO of a large corporation—and we had heard that, for instance, you had, I guess, maybe met with Bob Allen sometime in the recent past—and you were facing these same pressures from Wall Street to international competition from technological change, would you do anything differently with the corporation in mind than what

these corporation heads are doing in ending up on the cover of Newsweek as corporate killers?

The President. Well, first of all, some corporations are doing different things. If I tell you that—I mean, if I answer the question in the way you asked it, the inference will be inescapable that they could have done something different. I've never looked at AT&T's books. I've never looked at their long-term prospects. I don't know what their corporate strategy is. So I make no judgment about any of this. I don't know enough about any of these companies' specific situations to know. I know AT&T got into some businesses that they couldn't make run; they had to get out of them. And when they got out of them and divided, they had more folks than they needed. But I don't have a judgment about what else could be done.

I will tell you what I would do. I can tell you what I would do if I were running my own company that had a defined mission, where we were in the line of business like—whether it would be steel manufacturing or digital chips or whatever. I think the first thing you'd want to do is to set in motion—set up a relationship between the management and the work force so that the work force feels it's always involved in the corporate culture and the corporate mission and they know what the deal is. It's always easier to live with a tough decision if you know what the deal is, if you really trust it and believe it.

Secondly, I would set up a system in which both the gains and the losses of the company were evenly shared. If you look at Nucor Steel, for example, it's a very popular steel mill, a profitable steel mill. They've got 15 mills, I think, in the United States. They have a no layoff policy. And they tell you when you go in, "We have a no layoff policy, so if we lose money, you're going to get your pay cut, but at least you won't lose your job. And if we lose money your pay will be cut, but management's pay will be cut by a higher percentage than yours will be, if we lose money." And they explain to you how it works. So needless to say, it's easier to bear the burdens—it depends on whether they—if they're doing well, you do well; if they're doing poorly, you do poorly, but so do the people running the show.

Then I think when you have—if you're in some—but not everybody can have a no layoff policy. If we had to have a layoff policy, I would attempt to find something for these people to

do while they're being laid off, if they could ever be called back. For example, I was at Harman International in southern California a few days ago. They are among the most successful makers of electronic speakers in the world. Sometimes the orders fall off. And they depend on orders from Europe as well as here. So they set up something called Ole. They've got a lot of Hispanic—Latinos in their work force. It stands for off-line enterprises. And they took all the scrap materials in their main line of production, and they said, "What all kind of products can we make out of this?"

They made clocks out of it—like the wood that they didn't use for the speaker cabinets. And they gave all the people—whenever they had to lay them off, they gave them an opportunity to work in the off-line enterprises. And they even gave the manufacturing workers a chance to become sales people in their stores and to their distributors and all that. The point is all the—not that they save every job, but all the work force can see they were making an extra effort to save people.

If I had to downsize a lot of middle managers, I would—and I had the money to do it—I would do an exhaustive study of what kind of options were available to find other productive endeavors for them and to what extent I could afford to maintain their benefits until they found something else to do—how could they keep the integrity of the retirement benefits and their health care benefits, for example—and whether or not in the severance between the company they could cash out some benefits and do something else which might help them to either go into business for themselves or form partnerships or do other things.

And again, I would say, I make no judgment on any of these companies. I do not know enough about the facts in any of the operating—but I basically believe that some people think that global markets and technology means people aren't very important. But I believe that global markets and technology mean that people are more important than ever before, because if you look at what's going to happen—technology is mobile; money is mobile; management is mobile; and labor costs—even if you have high labor costs, labor costs will become a smaller and smaller and smaller element of most productive enterprises, even services; certainly manufacturing. And therefore, people that have a fanatically loyal work force that is highly pro-

ductive, that feels that they're involved in a common enterprise, and can take a punch—because times won't always be good in business; that's what a free enterprise system is all about—they're going to tend to do very well.

But I do want to say to you, look, this is not an easy problem. And I'm going to do everything I can to take this issue and do what I've tried to do with every other issue with the American people, and that is come up with a very constructive solution. I don't think it's particularly productive for us to spend a lot of time in idle criticism. What we need to do is to find ways for these people who are being downsized to go on with their lives.

And I want to say, too, the American people need this. This is not just a matter of sympathy. This is a terrible waste for the American people to have to see people at this level of talent and capacity, who can serve our country so well in so many different ways, lie idle and fall on serious misfortune. So we've got to find ways to do it.

But it needs to be seen for what it is. It is something that is happening because of this period of transition when the instruments of flexible—we haven't developed a flexible safety net to deal with the problems these people have.

Q. Can the Government and should the Government have a role in encouraging this kind of behavior in corporations in any way that you talked about? Should it use incentives somehow to make sure that they do take these kind of flexible approaches?

The President. Perhaps. But it depends on what—let me just give you an example. I'll give you an example of something I've studied. Right now, we give corporations, right now, a deduction for the cost of health care and education and other fringe benefits up to a certain ceiling. And some companies go beyond that ceiling.

The chairman of United Technologies, for example, gave a speech to the Washington Press Club the other day in which he pointed out what their policy was. And their policy is if you want to go back for any degree program, undergraduate or graduate, whether or not it's related to your job, they will provide half the time—you have to do half of it on your time; they'll give you half the time—and they will pay the tuition costs up to—I forget whatever it is. It's a pretty hefty chunk of money for them, but they're in a position to do it, of course. Maybe it's \$11,000 a year or something.

You can get a copy of the speech he gave, the United Technologies chairman—it was a couple of months ago—before the Washington Press Club.

So he suggested—he pointed out, he said, “I can afford to do this, our company can, because we're a high-tech, high-wage company, and we're in an area of growing opportunity.” But he was saying that he thought that there, in effect, should not be caps on the deductibility for corporations for the education of their work force. It shouldn't be subject to the same constraints that you—there's a social policy subjecting health care to it because otherwise you'd give everybody all their pay raise in health care—you can argue that. But he said, “In education I think the tax law should be changed to give an even bigger deduction, not that we need it, but other companies do.”

Well, that's one of the things we're looking into, because we know that there are still many areas of economic endeavor in this country where there's a chronic shortage of skilled people. And most of the people who can make it into a successful career at the companies that are now downsizing could do a lot of other things. The trick is to find a way for them to do it that doesn't have their lives disrupted for a year.

Gambling

Q. I'd like to ask a question related to the spread of gambling nationally. It has been reported that you would sign a bill to create a national gambling study commission. The casino industry opposes the bill, saying its backers are all antigambling and they see the study as a prelude to Federal regulation or taxation or even a ban on gambling. Why do you support the study, and do you think the Federal Government should have a role in regulating or taxing gaming?

The President. Well, the answer to the second question is no—that is, unless gaming becomes—we may be forced into some sort of role if it becomes a complete interstate activity so that there's something other than what's involved now. But basically I don't favor Federal taxation of gambling, and I don't favor any greater Federal role for gaming.

The reason I think the study is appropriate is—and I think the gaming industry should think about it before opposing it—is at least from my point of view, I'm not trying to get into

the regulation, the taxation, or even the extinction of gambling. That's up to—I think it ought to stay the way it is; let the people decide from State to State. Most of our States require the vote of our people.

I grew up in a town that had one of the most successful race tracks in America—still does—and when I was a boy, a young boy, until the early sixties, had the largest illegal casino gaming operation in the country. So I know quite a bit about this. And the reason I support Representative Wolf's legislation is that I am afraid that if you line up with gambling in every third corner in America without considering the consequences, the social consequences will be devastating and the economics won't be very good in the end. But there's got to be a limit to this.

And I think that no one has sort of backed off and said, "Well, what is the capacity of America to absorb extra gaming enterprises?" Whatever advantage New Jersey has would be obviously significantly eroded if every State in the country decided to have an Atlantic City, right?

So I think that, given how explosive this has been—I'll give you another example. As a matter of constitutional right, now the Native American tribes have been held to have the right to engage in gaming. Well, how are they doing with it? How many of them are diversifying their enterprises and really using the gaming revenues to build the kind of independent economic system that was envisioned when this whole thing was started? Is there anything else we can do to encourage that?

I mean, in other words, there are a lot of things short of Federal regulation, Federal prohibition, and Federal taxation that a national study might point up. And I have to tell you, when I was Governor of my own State—I'll make full disclosure here—and there was a referendum to legalize casino gaming in my State, I opposed it, and the voters voted it down. But I told them if they voted it up, I'd do my best to run it in a completely honest and straightforward way. It was their decision, and they were entitled to know my opinion.

So that's the position I have. I have no agenda here. Maybe somebody who's behind this does have one. All I can tell you is I know very little more about this legislation than you do. It was proposed by someone in the Congress. I reviewed it. I asked the staff for an analysis

of it, and I sent the sponsor a note and said if it passed I would sign it. But I thought that the gambling industry has grown so much so fast that it would be appropriate to study it. And that's it.

But I'm not—I can tell you right now, I'm not for a national tax. It's an important source of State revenues. And if we subjected it to a national tax and thereby depressed the activities in any given State, it would undermine the State revenues. So that's not a part of—that's not where I'm going with it.

Taiwan

Q. Mr. President, how far is the United States prepared to go to defend Taiwan?

The President. Well, first of all, I think it is not helpful for me to say anything that would add to the tensions which already exist in that region. I believe what is going on in terms of the military exercises that China is undertaking is related to the elections in Taiwan and the fact that Chinese apparently see the elections themselves as a step in Taiwan attempting to become more or less permanently independent. I'm not sure that's right, but that's, anyway, their view of it.

Our view is that we have had a—we have adopted a one China policy. We have strictly adhered to it. But a part of the one China policy was the clear, indeed, the explicit understanding that China and Taiwan would work out their differences peacefully over time. And we think—we still believe that's how it should be done, and we hope that's how it will be done. And in terms of getting into contingent "what if" questions, it's my belief that the tensions there right now are tough enough already. I don't think I should contribute to them.

Q. When you were—before you shook John Kennedy's hand as a young man, he ran for President guaranteeing the security of two islands. Is there a parallel here? [*Laughter*]

The President. No. I remember that—

Q. There's no parallel?

The President. I've had occasion to think about it since then. No. We're attempting to maintain constructive relationships with the Chinese, to work together when we can and to find ways to disagree in a forthright way when we have to disagree. And as I said, I don't want this to get out of hand, but neither do I—we would view any attempt to violate the understanding of the agreement that had already

been reached that this would be resolved in a peaceful way very negatively. But I don't want to get into any hypotheticals.

Q. You wouldn't put American troops on Taiwan to show that commitment, would you?

The President. I'm not going to answer any more questions about it right now.

National Economy and the Legislative Agenda

Q. In 1992, you spoke pretty eloquently about people who played by the rules. And then in the sense of Presidential politics you've been playing by the rules. You have all these jobs created, but yet the pollsters will tell you that because of the downsizing and other factors, there's a great deal of anxiety over there, and perhaps this administration is not being given credit. And I was wondering if that's a frustration for you that there's a disconnect between what's happening economically and what people feel about where their country's headed?

The President. Well, I think there are—I think people see apparently contradictory facts because of the nature of the time we're living in. There really are three groups of people that are—that could rightly feel some anxiety. There are the people that are downsized, and there's a lot of them in New Jersey. So you're sensitive to that. Then there are the people who live in the inner cities and the isolated rural areas who haven't had any of the new jobs at any level. There's still some places like that. And then there are those who are working at the same jobs they've been working at for several years and, in terms of purchasing power, they haven't gotten a pay raise.

All three of these groups of people are basically living in a global economy which is highly competitive, where there's a lot of structural change. And the last two groups are suffering in part because they don't have as much education and training as they need. The first group, the downsized groups, are suffering in part because of the traumatic changes in the nature of corporate life in America.

And so that does not mean that the new jobs haven't helped anybody and that it's not a good thing to get more new jobs and to change the job mix. But it does mean that the old pillars that people viewed as completely stable, reliable sources of economic security are changing. And we have to learn to define our security in different ways.

But I believe that the American people know there have been more jobs. And I think they know there are some people who still feel at risk and that it's apparently contradictory. And you can only understand it if you understand how the work and the workplace are changing in this new world and why our obligation is both to create jobs and more good jobs and to create a new kind of social safety net, if you will, that enables people to get a good new start without messing up the dynamism of the economy. And that's what a working on.

I think the American people—who gets credit or not, that will take care of itself. I just want them to know that I understand what the problem is, that I've got some ideas about how to deal with it, and that I'm going to work as hard as I can to see us make progress on dealing with it.

I'll say this: There's a bill right now before Congress that they've just been sitting on in the Senate for weeks and weeks. It's out of committee, and the Senate won't pass it, the Kassebaum-Kennedy bill, which says you can't lose your health insurance benefits if you change jobs or someone in your family gets sick. That's a classic example of a clearly defined, precise thing we could do that I think will make a difference.

I sent a bill to the Congress over a year ago, the "GI bill" for America's workers before the Congress now, asking them to collapse all these 70 different Federal job-training programs into a big pool and just send a voucher to people who lose their jobs so they can immediately take it to the local community college to get new training and start again. That again would make a difference.

So I want the American people to know that I understand what the problem is, that I'm not misleading them about how difficult it is to solve but that we are moving in the right direction; things are better now than they were in 1992 for the country as a whole in terms of employment, in terms of crime, in terms of poverty, in terms of our peace and security in the world; and that we need to build on these things, not try to put a wall around our country or go into denial and say that we have no responsibility. There are some that say, "Well, there is no responsibility. You're just out there on your own." I don't believe that either.

Health Care Reform Legislation

Q. Why do you think Kennedy-Kassebaum is just sitting in the Senate?

The President. Well, let me first of all say, the manufacturers association is for it and all the labor unions are for it. The whole productive society, labor and management, is for it. Because the health insurance companies are against it, that's why. And it got out of committee. It's got almost as many Republican as Democratic sponsors. And the health insurance lobby has kept the leadership of the United States Senate from bringing it to a vote on the floor, and it's just wrong. It is just wrong. And I keep hoping that surely the Senate will bring it up now and send it out and that the House will pass it without undue amendment.

Q. Is this Harry and Louise at work again?

The President. I don't know. Maybe it's just—part of it may be the Presidential politics over there. I don't know. There may be—but in any case, I think—at one time Senator Dole endorsed these concepts, so I would like to just see—let's just get a vote on it, pass it to the House, and let me sign the bill. It is a—it's not the biggest measure in the world, but it's kind of like family and medical leave; it's a specific thing that could help millions of Americans who are being dislocated now in this new economy. And I'd really like to see it passed. It's just something that we can do that we've got business and labor agreed on, and the health insurance companies will make their adjustments. It will be fine. They'll work out. They'll do fine.

Welfare Reform

Q. Mr. President, you promised in 1992 to end welfare as we know it, and there is ample evidence that that is happening as we speak. What I want to know is whether you envisioned back in 1992 that States, particularly those led by Republican Governors with names like Whitman, Rowland, and Engler, would be the laboratories for the change to the degree they have? And philosophically, are you on the same page with these Governors on how to change welfare?

The President. Well, first of all, philosophically, I did envision exactly what would happen. I thought the States would have a lot of room to experiment, and I'm glad—I've kept my word. I have granted more freedom to States to experiment in welfare and health care in 3 years

than Presidents Reagan and Bush did in 12 years. That is, even though we have not passed a welfare reform bill, there are now, because of the 50 experiments in 37 States that we've granted, there are now almost three-fourths, 73 percent of the welfare population in America is under welfare reform right now.

Q. Did you have to grant waivers for that?

The President. Yes. And I have done it because it is consistent with my philosophy that the States ought to be able to experiment with new ways to move people from welfare to work. And there are some very exciting things out there.

For example, Oregon and Missouri and one or two other States are saying to employers that if you'll hire somebody off welfare, we will give you the cash value of the welfare check and the food stamp check for a month as a supplement. We can't afford to hire all these people in public service jobs, but we need to have jobs for them. We're not just going to put them in the street. So we'll give you the welfare check and the food stamp check as a cash supplement, and you've got to pay them more than that, obviously. You pay them more than that. You pay them for a few months, and if you're not going to hire them for good when the supplement runs out, then you have to give us some advance notice. And at least they will have gotten the training. They will have something on their resume, they will be that much closer to being a member of the job market. I mean, that's just one example of exciting things that are being done there to try to reduce the welfare rolls and increase independence.

Now, I agree with a very great deal of what these Governors are doing. The one thing I do not think it's advisable to do is I don't think it's a good thing to hurt children. That is, I don't think it's a good idea to say you can stay on welfare 2 years, and then we're going to cut you off no matter how young your children are or whether you have a job or not. In other words, I've been for a 2-year hard cutoff as long as the people have a job. And if you turn down a job, we ought to cut you off. As a matter of fact, I'd be for cutting people off ahead of 2 years if they turned down a job.

I think we ought to be very tough when it comes to work. But we shouldn't be weak on work and tough on kids. That is, the only direction that I've seen some of this welfare reform take that kind of bothers me out in the States

is that sometimes I think they're just trying to save the money, even if it hurts the children, you know, some of these experiments. And I think what we want to do is to move people from welfare to work, to make them independent, taxpaying citizens so they're paying taxes, not drawing taxes, and so that they're independent and they're successful at home and successful at work.

And if that means we have to invest in child care and we have to invest in some training and we have to give employers some incentives to put them to work in the short run, I think it's worth it to get these welfare rolls down in the long run.

But I don't believe the Federal Government knows how to do this very well. And I think that the circumstances of the welfare population, for example, in a State with a 2½ percent unemployment rate—or a community with a 2½ percent unemployment—are very different from the circumstances of one with an 8 percent unemployment rate. And the circumstances in a rural area may be very different from those in an urban area. So I believe that States and the community should have the widest possible flexibility on the welfare reform.

Q. But I've been to Governors' conferences when you were Governor and as President, and my recollection when you were Governor, you were saying just what the Republican Governors are saying, "Give us the responsibility. Give us the money. Let us do it." Governor Whitman says you're welshing on your word.

The President. No, no, no, no. I'm not welshing on my word. Some of them want me to send them a check of Federal money, "Send me a check with Federal money, and I want no accountability at all. Give me the money and go away. I want no accountability. If I want to use the money on welfare, fine. If I want to"—and another thing they say is, "I want you to give me your money, but I want to stop putting up my money. And if it hurts children, fine." Some have said, "I want you to give me your money and I want to stop putting up my money, and then when I get good and ready I want to cut these people off even if their children don't have the funds they need to be well-nourished and well-raised."

When I was a Governor, it never occurred to me to ask the Federal Government to send me a check and then be unaccountable. I believe in accountability for everybody—every-

body. I don't believe anybody in our society should be unaccountable. It never occurred to me as a Governor to say, "Why don't you folks send me a check and then tell me I don't have to come up with my match anymore. I'll spend your money, but I won't have to spend mine anymore."

Q. Why don't you put those caveats in there, that they get the checks, but they're accountable for—

The President. That's what I'm trying to do. That's exactly what I'm trying to do. Look, I have given—you ask Governor Whitman or anybody else, did Bill Clinton, Ronald Reagan, or George Bush give the Governors more permission to experiment with welfare and health care reform. The answer is, Bill Clinton. Much more. In 3 years I have given the Governors more elbow room to do whatever they want to do in welfare and health care than President Bush and President Reagan did in 12 years.

But when I was a Governor, it never occurred to me to ask the Federal Government to send me a blank check and let me quit putting up my part of the money and then just go do whatever I wanted to with the money. That never occurred to me.

Q. So your answer is no to that compromise, right? The compromise by the Governors, you're saying no to that?

The President. No, I didn't say no to that. I don't think that's a fair characterization of their compromise. I thought their compromise was actually pretty good.

Q. Then why don't you sign it?

The President. Well, because it hasn't passed into law. The bill I vetoed didn't bear any relationship to their compromise.

Q. And if the compromise is—

The President. The bill I vetoed was a rejection of the reasonably good bill that passed the Senate. What the Governors said in their compromise was that they were prepared to keep coming up with at least some of their match—the vast majority of it—and that they wanted more money for child care, which would have to be spent on child care. We're talking about two different things now.

What I was referring to was some of the positions taken and some of the waivers—a couple of the waivers that I haven't yet granted. But their basic compromise, I thought, was pretty good. And we're working with them. And I actually think we're getting pretty close to

passing a welfare reform bill. It's my impression—is that we've made real good progress.

Q. One last question. It doesn't sound like a carefully thought-out question—[laughter].

The President. Anyway I believe we're getting close on—and in their compromise—in the Governors' conference when I met with them, they did not ask for the right to just cut people off whether or not the kids had a way to be supported or not. At least that's my impression.

Flat Tax Proposals

Q. The flat tax issue is one issue that's been up in the Republican primaries. Can you see yourself or the Democrats agreeing to some kind of a progressive flat tax, not the one Forbes proposes, but one that has different levels but eliminates a lot of deductions?

The President. Well, of course, that's what Senator Bradley and Congressman Gephardt tried to do in '86. Basically, Bradley-Gephardt, the Tax Reform Act of '86 which President Reagan signed, was supposed to be that kind of bill. And what the—and it did move in that direction.

Let me answer you this way. I think it would be a mistake to eliminate the charitable deduction and the home mortgage deduction. They're both a big part of our culture. And they also have a lot to do with the way America works now. And we learned in '86—we got a lot of things out of the Tax Reform Act of '86. We also learned that there were even then some unintended consequences which are not salutary, even though on balance—I mean, there was a lot of good in that bill.

So I wouldn't be in favor of that. Now, the problem with all the flat tax proposals, notwithstanding what the candidates say about them, that every one—that the Treasury Department and the Congressional Budget Office, if you study them all—and there has been no flat tax proposal yet made for one tier anyway that would not either explode the deficit on the one hand, or if it's deficit neutral, it would raise taxes for everybody that makes less than \$100,000 a year in the country. That's the basic problem with a flat tax. Now, to whatever extent you have more than one rate and it's more progressive, you can overcome that. But to whatever extent you do that, you get closer to the present system. So that's really the problem.

I've looked at a lot of other ways of going at this to see if we could make it easier on

people. You should know that the last year I have figures for, which was '92 or '93, 57 percent of the American people filed the simplest 1040 form—what is it, 1040 EZ—and paid taxes at 15 percent and took the standard deduction. So it's obvious that a lot of them made the decision that at least for their incomes they'd be better off just having a de facto flat tax. And I've asked the Treasury Department to come up with some other ways to simplify. We're also letting more people file electronically. We're trying to work it into the computer so everybody who has a State income tax or a local income tax can file one time for both the State and the Federal.

I've asked people to study the British system. It's interesting—Britain has an interesting system where two-thirds of the people never come into contact with the income tax system. If you decide at the beginning of the year that you're going to take the standard deduction, then you work out a deal, and they deduct it all, so you never have to file. You don't even have to file. You don't have to put anything in. Two-thirds of the workers never even touch the tax system. And they're by definition never audited because they didn't put it in. So they're not audited; they don't file; they don't do anything. They don't have to do anything. It's over.

So there may be some—there may be a number of things we can do to simplify the system. But I have never seen a flat tax proposal that I thought would be both progressive and simple.

Q. Are we going to get any kind of tax cut this year?

The President. I think so. If we pass the budget, we will. We've got the money there to do it. We've got over \$700 billion common to both these budget plans. And that is more than enough money to pass a 7-year balanced budget plan that every economic expert would say is credible and have a reasonable tax relief package that would benefit the vast majority of the American people. I hope it will include what I think is the most important thing we could do for the future growth of the economy. I hope it would include the deductibility of all cost of education after high school.

I think it would be very big in some of the things you and I have been talking about here today. But I still hope and believe we can get an agreement on the budget. There's no reason for us not to have an agreement on the budget. We are very, very close if we just take what

we have agreed in common and we can get there. And the Governors also helped us, I think, on Medicaid. We're getting closer on Medicaid. Their position is slightly different from mine and from the Republican Congress position, but we're trying to get there.

Press Secretary Mike McCurry. Let me do one thing, tell you guys that we had—Carol Browner and Larry Summers from the Treasury Department did a little briefing on Air Force One on the way up about the brownfields initiative the President announced today. I've got a copy of the transcript. I don't think you got it earlier.

Middle East Peace Process

Q. Mr. President, did you meet with the two families—[inaudible]—before you came in? I realize it was a private conversation, but could you sort of tell us what sort of thoughts you sent to them, especially on the eve of your trip to the Mideast?

The President. Well, they—first of all, they were enormously impressive people, very brave, very—they were very compelling people. And as you know, the sister of one of the young women of the Duker family, she's about to go back over there. She's going, I think, at the end of this week. And so, she is also a very brave young woman. And her mother urged me to just keep working with them and not to give up on the quest for peace.

And the other family, the father has spent a lot of time traveling around the country talking to young people about it, and he said—I also agreed with him—he said, "There can't be any peace unless there's security, and the Israelis can only sacrifice so much. Arafat has got to do his part as well." And of course, he's right about that. And the United States has been very insistent that Chairman Arafat take stronger steps to crack down. And in recent days there's some encouraging signs that he has. Some important arrests have been made.

And of course, these suicide bombers and the people that are running them, they're not just the enemy of Israel and the enemy of the peace process, they're also Arafat's enemies, too. I mean, if they get their way, it's hard to see what his legitimacy is as well.

But those families are—they're pretty incredible people I would say.

1996 Election

Press Secretary McCurry. Wald [David Wald, Newark Star Ledger] wants to ask you if you're confident you're going to carry New Jersey in the fall. [Laughter]

Q. No, I really want to ask you is—the prospect of running against Dole and Colin Powell. [Laughter]

The President. I don't know, that's up to them. I'm going to let them handle their politics. They've got a lot to—

Q. You've worked closely with Dole. What do you think some of his strengths are as a person or—

Press Secretary McCurry. No mas. [Laughter]

The President. Their side can run a 4-year campaign. I don't want to. [Laughter] There's too much of this already.

NOTE: The interview began at 2:30 p.m. in Dickinson Hall at Fairleigh Dickinson University. The following journalists participated: Larry Arnold, Newark Star Ledger; Thomas Fitzgerald, Bergen Record; John Froonjian, Atlantic City Press; Jim Goodman, Trenton Times; Robert Ingle, Camden Courier Post; and David Wald, Newark Star Ledger. Participants referred to Robert E. Allen, chairman and chief executive officer, AT&T Corp.; "Harry and Louise," characters in a series of commercials sponsored by the Health Insurance Association of America; Governors Christine T. Whitman of New Jersey, John G. Rowland of Connecticut, and John Engler of Michigan; Malcolm S. (Steve) Forbes, Jr., Republican Presidential candidate; and Chairman Yasser Arafat of the Palestinian Authority.