

Remarks to the Business Roundtable June 12, 1997

Thank you very much, ladies and gentlemen. Thank you, Don, for your introduction and for the good work that you do and that we have tried to do together. I'm delighted to be joined here today by several members of the administration. I see Secretary Daley; Secretary Herman; our NEC Chair, Gene Sperling; my Presidential Adviser for Public Liaison, Maria Echaveste; and Mack McLarty, who is known to many of you for the many hats he has worn and now, among other things, is my special envoy to Latin America.

I wanted to come today to talk to you, at what we all know is a very hopeful time, about what we have to do together to keep our economy growing and to prepare America for the 21st century, with the lowest unemployment in 24 years, the lowest inflation in 30 years, the highest corporate profit in more than two decades, the biggest drop in inequality of incomes among working people last year since the 1960's, and a stock market that has done reasonably well. *[Laughter]* We also have had the biggest drop in crime last year in 35 years and now 5 years in a row of crime going down, by far the largest drop in the welfare rolls ever since 1994 when it reached its all time peak. Our country is also leading the world again in exports and cutting edge technologies. And we can be forgiven if we now hope that we can make the 21st century, like the 20th century, another American century.

The great credit for this remarkable economic turnaround goes primarily to American businesses and workers, to small businesses and entrepreneurs, to those on the cutting edge of research and development, to the responsible policies of the Federal Reserve. But I also like to think that our new economic policy had a little something to do with it as well.

In 1993, we replaced trickle-down economics, which had quadrupled the Nation's debt, with invest-and-grow economics, starting with cutting the deficit. We cut it from \$290 billion a year to what is estimated to be about \$67 billion this year. That is a 77 percent reduction based on the 1993 plan. Now, with the balanced budget agreement that the administration has reached with the Congress, it will go to zero.

Second, we have invested in the skills and education of our people, beginning to put in place a system of lifelong learning for all Americans, which starts with expanding Head Start and includes raising academic standards, opening wider the doors of college, improving job training for employees, and developing with the business community, in every State, school-to-work partnerships for those who don't go on to 4-year colleges or universities.

Third, we have vigorously worked to open markets for American products. With NAFTA, GATT, and over 200 other hard-won trade agreements, our exports are at an all-time high and will be further advanced by the agreements recently reached in telecommunications and information technology. Fiscal responsibility, investing in people, free and fair trade, that has been our economic strategy.

We have also tried to modernize and improve the way the Government works with the private sector. The Federal Government now has 300,000 fewer people working for it than it did the day I became President in 1993, some 16,000 fewer pages of regulations, hundreds of fewer Government programs but, more importantly, genuine partnerships with all different kinds of industries to grow the economy and preserve the environment and to reach other genuine and legitimate aims of the American people, including moving people from welfare to work and giving our children a greater future, things to which Don alluded.

The results of your efforts and ours and our partnership have made the United States once again the envy of the world. I read the business magazines when they come out, and they're a long way from where they were in 1993, when I didn't enjoy reading them so much. Now there is a hyperbole contest. One says this is the best economy in 30 years; another says it's the best it's ever been. I don't feel the need to resolve that debate. *[Laughter]* Regardless, that's a high-class problem.

But we know that underneath that there are other challenges facing us, so I came here to say I think we can keep this going. I believe we can do better. But it will require us to make some critical choices in the coming months that

will determine whether we will keep to the vision and the partnership and the forward march that we are on, or abandon it.

First, we have to finish the job of balancing the budget, and that means we have to implement this budget agreement in good faith. It will happen in two steps. In the beginning, there will be votes on what's called a reconciliation package for the multiyear spending and the multiyear tax cut between now and 2002. And then there must be votes on next year's appropriations which are faithful to the budget agreement and to the reconciliation package.

It is absolutely essential for both Republicans and Democrats, especially those who voted for the agreement—in the House, nearly two-thirds of the Democrats and nearly 90 percent of the Republicans; in the Senate, over 80 percent of the Democrats and just over 70 percent of the Republicans—it carried with overwhelming bipartisan support in both Houses, with one party having the greater percentage in one House, the other in the other House—it is essential now to implement the agreement in good faith. It is quite specific, and ambiguous on very, very few points.

If we had enough changes around the edges that some want to make, pretty soon we could make the edges ragged enough to unravel the fabric of the agreement. I do not expect that to happen. I expect it to be implemented. But you will see a lot of efforts, I think, in the next few weeks and months to get people to hold to the terms of the agreement. And since you support the agreement, I hope you will support the discipline necessary to hold to its terms.

The second test will be whether we can make good on the critical need to invest in our people and especially in education and training. This budget contains the biggest increase in educational investment since the 1960's. And arguably, in making universal access to the first 2 years of college after high school, so that it can become just as prevalent as a high school diploma is today, it is the biggest advance in opportunity for all Americans in education since the GI bill.

In addition to that, it contains the funding necessary for us to conduct a national examination of all fourth graders in reading and all eighth graders in math according to generally accepted national standards in 1999. I want to again say, of all the things the Business Roundtable has done that I am grateful for, there

is nothing that I appreciate more than your steadfast adherence to the cause of high national academic standards and the proposition that all our children can learn, should be expected to learn, and should be measured against those standards. I want to particularly thank you and thank my longtime friend and fellow Arkansan Brooks Robinson for going public on this, and thank you for mobilizing other baseball players and getting the Orioles involved. Stay with this.

Even though we just this week had evidence that our fourth graders rank well above the national average in the Third International Math and Science Test, there are States that are reluctant to participate, and it is wrong. It is wrong to pretend that this is some sort of a Government plot to take over the schools, which it isn't, or that somehow math is different in Washington State than it is in Maine and that physics is different in Miami than it is in Montana. That is not true. And we, and you especially, have an interest in our hanging tough on this.

So we can do it. Already, since I called for this in the State of the Union, we have education leaders in States reflecting about—now over 20 percent of the school students in our country willing to participate, but we ought not to stop until we have 100 percent. And I thank you for your support of that.

And let me finally say just one more word about the budget agreement. The budget agreement has a unique provision for tax relief, and I think that the amount can be afforded. And the framework of the tax relief is set out in the budget agreement. For me, the tax package that they will send to my desk should meet five tests. One, and most important, it's got to be faithful to the agreement; if you want to know what it can do, just read the agreement. Second, it should help the economy grow. Third, it should be fair to working families. Fourth, it should target our top priority of education. And finally, it should not explode the deficit in later years and make it more difficult to meet the fiscal challenges we will face as the baby boom nears retirement.

Now, the amount fixed in the agreement was \$85 billion in the first year—first 5 years, and a little less than twice that in the second 5 years, which allows for natural growth. In the 10-year window that we have agreed to, this is—to give you some perspective—will provide for a lot of possibilities, but it's about one-tenth

the total cost of the 1981 tax cut, much of which, as you'll remember, had to be undone in 1982 and then in subsequent years because of what happened to the deficit. We don't want to go down that road again, so there are strict limits.

Within these limits, I favor tax relief to help families raise their children and send them to college, to pay for lifetime learning, to own a home. I could support a pro-growth capital gains tax relief package, along with some help to ease the burdens of estate taxes on small businesses and family farms, as long as these tax relief measures are consistent with the budget agreement and especially consistent not only with the 5-year time window but the 10-year time window. We are trying to balance the budget over a long period of time, not just have it balanced in one year and have it bump up again the next year and leave our successors here another set of headaches.

Now, from my point of view, the tax package revealed by the Republicans in the House Ways and Means Committee does not meet all those standards. One of the biggest challenges Americans have today—and you know this, all your employees do, even upper income people—is balancing the demands of work and family, raising a child, and doing your job. I believe the package that was revealed this week by the House committee would make that job more difficult for millions of Americans for the following reasons.

First, it explicitly excludes 4 million of our hardest pressed families from receiving the child tax credit. I think that's a mistake because their incomes are so modest, they qualify for the earned-income tax credit under present tax law. Another provision actually penalizes families with working mothers by saying that parents who receive tax relief for child care under present tax law will have their children's tax credit cut. I think that is wrong. I don't think that we should single out working families who need child care for less tax relief. I cannot let that provision stand. And since a lot of you employ members of those working families, I hope you will stand with me on that in opposing it.

Nonetheless, let me say that, on balance, I think good things are happening. It is bound to be that in the beginning of this skirmish there will be a lot of particular proposals made that are inconsistent with the budget agreement.

Why? Because the budget agreement, while it was voted on by the whole Congress, was developed by just a few people. And I would dare say that not everybody who voted on it has read every word of it.

So don't get too upset or distracted or think that things are hopeless if we get into a big fight here over an issue or two, because it's part of the inevitable process of going from the terms of the budget agreement to the specifics of a reconciliation package and then to the even more specific appropriation bills that will have to pass later in the year.

The third big test, after our investment priorities and balancing the budget, is whether we will continue to lead the world in trade. I have to say that it is somewhat mysterious to me that we seem to have, if anything, even more opposition to expanding trade in 1997 than we did when we had the critical vote in 1993 and then again on GATT in 1994, when we have more evidence that our policy works.

With the 200 trade agreements that were negotiated in the first 4 years I was President went along over 12 million new jobs, the first time in history one 4-year term ever saw the American people produce over 12 million new jobs. The unemployment rate is at 4.8 percent for the first time in 24 years, since 1973. And in the last 2 years, more than half of the new jobs created in this country have been in categories that pay wages above the average. We know that trade-related jobs pay above the average. So it's not like we don't have any evidence here.

Yet, in the face of all this evidence, it appears to me that there are some people—in both parties, I might say—who are afraid to give the President the same authority that every President since Gerald Ford has had to negotiate fast-track agreements, not just with specific countries but within the framework of the general trade regimes of which we're a part.

I do not believe we have anything to fear from more trade with Chile. I do not believe we have anything to fear from more trade with Argentina and Brazil. I believe we would be making a terrible political as well as a terrible economic mistake to walk away from the democratic and free market movement that is sweeping the world and especially our neighbors in South America, who have known so much heartache in the past from oppression and poverty and have given us a lot of heartburn in the

20th century, growing out of the governments they had and the suffering of their own people. Now we have a chance to solidify a much more positive movement, and we know it is good for us because we have the evidence. So I hope that you will help us win the fast-track vote.

I also know that there is, if anything, even more at least emotional opposition to the extension of MFN to China. You know what a lot of our fellow country men and women don't, which is that MFN is the most wrongly worded term in Government language. And that's a mouthful. *[Laughter]* We do not seek any special favors for China. We seek simply to continue the status quo, treating them as we do other normal trading partners. We believe that it will help us to maintain a stable, open, and peaceful China. We believe that our interest is having a China that is not only stable and open but one that is nonaggressive, that respects human rights, works to strengthen the rule of law, and works with us to build a more secure international order.

Now, we have great disagreements with China. The question is, can we influence China best by treating them differently from all of our other trading partners for the first time in a very long time, or can we influence them more by giving the possibility of genuine partnership?

Every President since 1980 has extended MFN to China. Ending that would end our strategic dialog, which has led to cooperation on nuclear nonproliferation issues, to stability on the Korean Peninsula, to the protection of American intellectual property rights. All of that cooperation would go by the boards. It would close one of the world's largest markets to our people and our businesses and our exports. It could put in danger some 170,000 American jobs today. It would make China more isolated and remove incentives to play by the rules of international conduct.

Revoking normal trade treatment would have grave consequences especially now, I'm afraid, as we stand on the eve of Hong Kong's reversion. In 1984, Great Britain and China made an agreement about the terms under which Hong Kong would revert and asked the United States, when President Reagan held this office, to bless the agreement. The United States did that. We expect the agreement to be honored: one China, two systems. We think it should be.

Ending MFN now would shatter any claim to influence we have on that important subject.

Half of all China's trade flows through Hong Kong. Revocation would have a more devastating effect on Hong Kong probably than China as a whole. All the political leaders in Hong Kong across the political spectrum, including the most ardent human rights and democracy advocates, have implored us to continue MFN with China and not to revoke it.

So what I say to you and what I know you agree with, but I hope you will say to Members of Congress in both parties, is that this is not about whether we agree with China on every issue; it's not about whether we have profound disagreements with them; it is about what is the interest of the American people and what is most likely to give us the largest amount of influence and cooperation with China in the years ahead.

We have to continue to speak out for human rights, and we have, and we will. We have worked with the U.N. Human Rights Commission in Geneva. Our State Department issues unvarnished annual reports. We meet with China's leaders on human rights initiatives. We talk about expanding Radio Free Asia's broadcast to China in Mandarin. And all of us have to do more on these important issues.

We have supported and will continue to support programs to advance civil society and the rule of law in China. And I ask America's business community to join with us to contribute to programs that will support the rule of law in China and in other countries where it is desperately needed. We need more educational exchanges, more training centers for lawyers and judges, more support for those who stand against corruption. You have great interest in rules that are predictable and consistent. It will help democratic society eventually to emerge and serve our values as well as our interests. But we cannot do it, I would argue, if we cut off our relations with China in trade.

The road ahead may not be entirely uniform and will be unpredictable and will be rough, but you can disagree with people and still do business with them, knowing that if you're talking to them and working with them, the incentives not to go over the edge to truly destructive behavior and a more isolated world are always there. That is what I believe is in the interests of the American people.

I would point out, too, that I have been heartened by the growing support among religious leaders in the United States for continuation of MFN status based on the ability of people in China of different religious faiths to practice their religion. So we're broadening the support. But again I ask you, please help us with this. There are a lot of people of great and genuine conviction on the other side of this issue, but I think the evidence is on our side and I hope we can prevail.

Let me say, finally, that there are a few other things that I think we have to do beyond these three issues of finishing the work of the budget, investing in our people, and expanding trade. This moment of prosperity and stability has given us an opportunity to work together to repair our social fabric, to join together to face those issues which, if we don't face them, could flare into crises and keep us from becoming the nation we ought to be in the new century.

And let me just mention a few. You were kind enough to mention the Summit of Service that President Bush, President Carter, Mrs. Reagan, and General Powell and I and others sponsored in Philadelphia. One of the things we have to do if we want to give our children a better future is to help their parents be gainfully employed. We were able to reduce the welfare rolls dramatically because of a growing economy and because of work we did with States before the passage of the welfare reform bill to help them move people from welfare to work.

Now, this welfare reform bill did two things. It required people on welfare who are able-bodied to move from welfare to work within a certain amount of time, and it gave the States, in a block grant, funds that used to be spent in a Federal entitlement so that they would have more flexibility to create incentives for people to move from welfare to work.

Forty of our States now have a windfall there because they're getting money based on how much they got when the welfare rolls were at their peak, and there has been a 20-percent-plus drop in the welfare rolls in the last 3 years. I urge you, in all the States that you're working in, to get the Governors, to get the legislators to work with the business community to spend that money in ways that, with your efforts, can move a million more people from welfare to work in the next 4 years.

We moved a million people in the last 4 when we were creating 12 million jobs. That had never been done before, the 12 million jobs; neither had the million people. Under the terms of this welfare reform law, whether we create 12 million jobs or not in the private sector, we have to move nearly another million people. We have got to have your help. But the States have the power to do things like give employers the welfare check for a year or two to use as an employment and training subsidy for people that are especially hard to place, to spend even more money on child care, to spend money on education and training.

So I implore you to help us do this. It will be a terrible thing if, having called for welfare reform and personal responsibility, the end of it is to wind up hurting poor people. That was never what was intended. The children should not suffer in this. And you are going to have to take the lead in helping to do this.

The second thing I'd like to say is, we have to—now having faced the structural budget deficit in the country, we have to deal with the generational deficit. That means we have to have long-term entitlement reform to face the realities of the baby boom generation retiring. And I will be—as soon as we get the budget out of the way, I'll be working with the bipartisan leadership in Congress on an approach to that, and I ask for your support.

It also means that we have to fulfill the mission of the Philadelphia summit, with the public and the private sectors doing their jobs. Remember what the Philadelphia summit was about: Every child ought to have a safe place to grow up, decent health care, a good education and marketable skills, a mentor, and the chance to serve.

And we live in a country where 11 percent of the people over 65 are poor, but 20 percent-plus of the people under 18 are. And we cannot do well unless we do better by our children. So this intergenerational thing is about entitlement reform, but it's also about giving our kids a better chance.

The third issue—the one I'm going to speak about in San Diego in a couple of days—and that is the challenge presented to us as we become the world's first truly multiracial democracy. We have 5 school districts in America today with kids from over 100 different racial and ethnic groups—5. We'll soon have 12.

We have—we all know this—but my Baptist minister from Arkansas came up to see me during the Inaugural, and he told me he had a cousin who had a Baptist church across the river here in Virginia that now has a Korean mission and runs English-as-a-second-language classes out of the church. There are thousands of stories like this.

And yet we know that there are still dramatically different perceptions among different racial and ethnic groups, starting with the historic tensions that have existed between African-Americans and whites in the country and layered on by the successive waves of immigrants, that pose great challenges to us.

When you look at how the world is being torn asunder in the Middle East, in Bosnia, in Northern Ireland and Africa by people who would rather kill each other over their differences than celebrate what they share, you realize that what we are trying to do here is truly astonishing.

Within the decade, more than one State in America will have no majority race—within the decade. Within three decades, the whole country will almost have no majority race. We are going to test whether what we always say about America is true, that we are basically a country founded on an idea. It's not about land. It's not about race or ethnic origin. It's about the idea that all of us are created equal. And that means, among other things, we have to deal with both the perceptions and the reality. And I don't want to get into this except to say that I hope that all of you are concerned by the consequences of the wholesale abolition of affirmative action on enrollment in higher education that we've seen in California and Texas. And I know a lot of employers at large companies have led the way in trying to preserve a sensible form of affirmative action. So I ask you to consider that, because this is not just the President and the Government. All of us are the stewards of whether we can become one America in the 21st century.

Finally, let me say on an issue that I know is a concern to some of you because I read your ad in the paper—[laughter]—I think that we have to prove that we can grow the economy while not only preserving but actually enhancing the environment. And I believe most of you think we can do that. And I think the message you were trying to get across in the ad is, don't

wreck the economy without knowing what you're doing. I understand that.

But let me say, I was very moved by the speech recently given by the chairman of British Petroleum on the issue of climate change. I don't know how many of you read it, but essentially what he said is, look, nobody knows exactly what the impact of climate change is, but let's not deny anymore that the climate is changing and that it can't be good and that no harm will be done if we take sensible steps to try to reduce greenhouse gas emissions and to do other things which will help us to preserve the environment.

We've had more extreme weather conditions in the United States in the last 5 years than we had in the previous 30. And we know from all the scientific studies what is happening to the temperature of the globe. What I ask you to do is to work with me in good faith to give our children a world worth living in.

A lot of you have made a good deal of money in your corporations by technologies which improve the environment. And if we have the strongest economy in the world, we will find a sensible way to grow that economy in a way that fulfills our responsibilities.

Today, with 4 percent of the world's population, we produce over 20 percent of the greenhouse gases. We're up 13 percent since 1990 when President Bush and his administration said we would try to hold constant through the year 2000.

I had an interesting conversation with Jiang Zemin in New York about a year ago, when he said, "I don't want you to have a containment policy toward China." I said, I'm not sure—I said, "I don't want to have a containment policy toward China." I said, "My biggest worry about you is that you'll get rich the same way we did. And if you do that, you might burn the air up because you've got 1.2 billion people." And we need to find an environmentally responsible way for China to grow.

So I ask you to join with us in partnership. There is no secret plan; there is no scheme here to try to put thousands of Americans out of business. I have devoted my passion and the best ideas I could come up with to try to get this country in good shape economically and socially. But I do believe it is folly for us to believe that we can go into the next century without a strategy that says we're going to be responsible and we're going to do our part and

lead the world on the environmental issues—because we all know what the evidence is. We don't know what the consequences are, and we don't want to go off and do something that we're not sure makes sense. But we can do this. We can do it together. We can do it in a way that makes sense.

And I ask you not to ever ask us to back away from that but instead join hands with us and do what we've done for the last 4½ years. Let's find a way to preserve the environment, to meet our international responsibilities, to meet our responsibilities to our children, and grow the economy at the same time. I know we can do it. Look at the evidence of the last

4 years. We can do anything if we put our minds to it.

Thank you very much.

NOTE: The President spoke at 4:37 p.m. in the ballroom at the J.W. Marriott Hotel. In his remarks, he referred to Donald V. Fites, chairman, Business Roundtable; Gen. Colin L. Powell, USA (ret.), chairman, America's Promise—the Alliance for Youth; John Browne, group chief executive, British Petroleum Co., p.l.c.; and President Jiang Zemin of China. Following his remarks, the President presented a birthday cake to former President George Bush.

Remarks Prior to a Meeting With the President's Advisory Board on Race and an Exchange With Reporters

June 13, 1997

The President. I'd like to begin by thanking this distinguished group of Americans for their willingness to serve on an advisory board to me to examine the state of race relations in America over the next year, to participate in making sure that the American people have facts, not myths, upon which to base their judgments, and proceed to launching a nationwide, honest discussion that we hope will be replicated in every community in this country and that will lead to some specific recommendations for further actions on our part as we move forward.

I think this is the right time to do this, because there is not a major crisis engulfing the Nation that dominates the headlines every day. The economy is strong. Crime is down. Our position in the world is good. But if you look at where we are and where we're going, we will soon be, in the next few decades, a multiracial society in which no racial group is in a majority. And we are living in a world in which that gives us an enormous advantage in relating to other countries in the world since we have people from every country in the world here.

Already we have 5 big school districts in America with children from over 100 different racial and ethnic groups; soon we'll have 12, within the next year or so. And also, if you look at the rest of the world, all the wonders of modern technology are being threatened by

the rise of ethnic and racial and religious and tribal conflicts around the world. We'll be in a unique position to show people, not just tell people but show people, they don't have to give in to those darker impulses if we can create one America out of this incredible diversity we have.

So you all know this has been a big concern of mine for a long time, but I just believe that this is the right time for us to try to prepare for the new century and to take this time to look at it, and I have a very great group of people here, and there are hundreds, perhaps even thousands more who would like to participate in this debate, and we intend to give them the chance to do it.

State of Race Relations

Q. How bad do you think race relations are in this country today? I mean, what are the real tensions?

The President. I think they're much better than they used to be, but I think there is still discrimination. I think there is still both illegal discrimination and discrimination that may not rise to the level of illegality but certainly undermines the quality of life and our ability to live and work together. And I think there is still great disparity in real opportunity, particularly for racial minorities who are physically isolated