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NOTE: Identical letters were sent to Thomas S. Foley, Speaker of the House of Representatives, and Robert C. Byrd, President pro tempore of the Senate.

Remarks in an Interview With the New York and New Jersey Press

July 22, 1993

The President. Thank you very much, Mr. Vice President.

I'm sorry we are a little bit late. We had an unavoidable problem come up in the office a few minutes ago that we had to deal with. But I do want to echo a couple of things the Vice President said and make one or two specific points.

On Tuesday, the Chairman of the Federal Reserve Board, Alan Greenspan, appeared before the House Banking Committee. And in his testimony he said the most important thing we could do would be to urgently pass this plan for deficit reduction because there's no question that it is the primary thing driving down long-term interest rates and that the economy could absorb $500 billion in deficit reduction. And that plus trying to do something about the ever-increasing costs of health care to the Government budget and to the American people generally were two things which could give us a very vibrant economy. And I think he used the phrase, something like we could have more prosperity than we'd had in decades.

But I just want to emphasize that when you get outside of the political arena and you analyze this thing, there are Republicans as well as Democrats; there are small-, medium-, and large-sized businesses. Yesterday I had lunch with a significant number of small business people from around America, because most of the vocal support we have gotten for the economic plan had come from bigger businesses. And they were supporting the plan because of the capital gains incentives for investment in new businesses, enterprises that are capitalized at $50 million a year or less. They were supporting it because of the emphasis on research and development. They were supporting it because, frankly, over 90 percent of the small businesses in the country are in a position to get a tax cut under this bill with the expensing provisions, which says that if you invest more you pay less tax. They pay no income tax increase, and they can reduce their tax burden if they invest more. Now, you never get any of that in the rhetoric of our opponent, but that is the fact.

Let me make one other point. There's a lot of talk about spending cuts and people saying, well, there ought to be more spending cuts. Well, there are 200 specific spending cuts in this program, over 100 of them in excess of $100 million apiece. And when the Senate Finance Committee took up this economic plan and dealt with the spending cuts that were on the table, the Republicans on the committee did not offer one single spending cut in addition to the ones that we had put on the table. Not one, not one red cent. So it is very easy to talk in general terms about cutting spending and capping this and ''We'll figure out something later,'' and quite another thing to say, ''This is where we're going to cut the spending.'' And that's what we have done. And therefore, I think we put together a good and balanced plan.

I'm encouraged by the progress of the conference so far. There are still some difficult issues ahead and a lot of vote-getting to do, but the main thing is we have to resolve the uncertainty, keep the interest rates down, bring the deficit down, and get this economy moving again.

And that's why we're doing a whole series of these, and I'm glad to have so many of you from New York and New Jersey here. And if you have questions, I'll try to answer them.

Economic Program

Q. This scenario, as we heard today, to paint the picture of not passing this and economic catastrophe, is that your strategy for the next couple of critical days or critical weeks?

The President. No, I think we are going to pass it. But I think that if you look—there was an article in either the Times or the Wall Street Journal today, I can't remember which, which said there was a little bump up in the long-term interest rates yesterday because the bond markets, the people who

set these interest rates were afraid that maybe the Congress wasn't serious. I think they are serious. I think they will pass it. There is not a serious alternative. And there is no question that the failure to pass the budget would be a destabilizing effect on the economy. It would lead to an increase in long-term interest rates, there's no question about that. But I'm not trying to talk in terms of Armageddon. I want the Congress to do something that will move the country forward, that'll get energy back in.

I feel, frankly, quite good about what's happening. These are tough decisions. You know, the easy decisions had all been made by the time we got here. Anybody can write you a check and run the deficit up. It's quite another thing to have a disciplined plan to cut spending, increase revenues in a very fair way, and have a very targeted increase in investments in areas that will generate jobs. That's a much tougher thing to do.

Q. At our briefings today we were led to believe that you are moving towards the Senate version of this plan. Is that accurate?

The President. No, not quite. I think what is fair to say is, I think that any energy tax that comes out will be closer to the Senate version, not only in form but in dollars. It will be closer to the Senate version. But the House version has a lot of very important economic initiatives in it and one very important prowork, profamily provision that I believe should be in the final bill. And if I might, I'd like to just mention them very quickly, the things in the House bill which I believe should be either in the final bill, or the final bill should be more like the House bill than the Senate bill.

Number one, both bills dramatically increase the earned-income tax credit, which is, in effect, a tax reduction for people of middle incomes and lower incomes who work and therefore earn income and pay income taxes. It was appropriate for the Senate to lower the earned-income tax credit a little bit, because the energy tax was lower and it was really designed to make sure that nobody with a family income of $30,000 a year or less would pay any new taxes under this program. But the other major thing is that we want to be able to say that anybody who works 40 hours a week and has children in a home will not be in poverty after this plan passes, that we're going to reward work, we're going to encourage people to get off welfare. And the way it starts is by saying if you do work 40 hours a week, if you have a child in the house, you won't be in poverty. Let me give you an idea of why that's so significant. Eighteen percent of the American people in the work force today are living below the Federal poverty line. So I want some adjustment in the number that came out of the Senate so we'll be able to achieve that goal.

The second thing is, I think the House bill had a lot of economic incentives that ought to be in there. By the way, the ones I mentioned, you shouldn't infer from that that anything I forget to mention, I don't care about whether it gets in. I can't remember every issue, but let me just give you a few. I'm confident that the conference report will include the new business, small business capital gains tax. It's been pioneered by the chairman of the Senate Small Business Committee, Senator Bumpers, from my home State, and others. It is not particularly expensive, but it gives a very significant incentive for people to invest in enterprises capitalized at less than $50 million a year. I think they will take the surcharge off capital gains, which I hope will be done. I think they will do more on the research and development tax credit and more to revitalize the real estate markets than the Senate bill does. I think all those changes will come in, and I think that will give more of a progrowth, proinvestment, probusiness, and projobs shape to the final bill.

After all, keep in mind, the way the bill was structured was not simply to impose virtually all of the taxes on people with incomes above very high levels. Now, the bill will clearly have 70 percent or more of the tax burden on people with incomes above $200,000. The bill also was designed to say to those people, ''But you can ease that tax burden if, but only if, you turn around and invest in job-generating activities in the American economy.''

Yes, sir. You had a question back there.

Energy Tax

Q. There's a report out this morning from the Heritage Foundation that says the gas tax would affect eight or so States in particular, New Jersey among the hardest. There are other statistics that a Senator like Frank Lautenberg looks at and says——

The President. How does the gas tax affect New Jersey hardest? It's the most densely populated State in the country.

Q. If you drive between Philadelphia and New York, I guess.

The President. More single-car commuters?

Q. I haven't seen the report myself. But at any rate, Senator Lautenberg takes this and says that this plan is a bad deal for New Jersey. Is there any response that you have to that?

The President. Yes, I do have a response to that. Let me say, first of all, Senator Lautenberg's position is premised on two arguments. One is that New Jersey has a high per capita income. The second is that New Jersey gets a low per capita return in Federal aid. But the point I want to make to you is that those two things are inextricably related. That is, if New Jersey is the second highest State in the country in per capita income, obviously you will pay more taxes to the Federal Government, and you will get less Federal money in the income-based programs. Keep in mind, an awful lot of Federal money is spent on Social Security, Medicare, Medicaid, food stamps, and a lot of other things that are tied to income. So the richer you are, the lower you're going to be on the Federal payroll unless you happen to have a huge defense establishment. And even that, of course, is now ratcheting down.

But look at it the other way. New Jersey also has a lot of high-tech companies, a lot of entrepreneurs, a lot of people who are trying to make the future. Frank Lautenberg himself created a high-tech company and became a very successful person financially by creating a company with an idea and with technology. This is the most protechnology economic plan I think our country has ever adopted. We just had a press conference out here this morning with people in the communications industry on the plan that's in this economic program to auction 200 megahertz of communications in the spectrum, to open that up to commercial development. It's going to generate $7 billion to reduce the deficit and create up to 300,000 jobs in the next 10 years. The new business capital gains tax, the expensing provision for small business, more on research and development, the probusiness, projob growth aspects of this program, I think, have been largely lost. And to the extent that New Jersey has a better economic infrastructure than other places and an artificially high unemployment rate—both of which are true now, right?—historically low unemployment now high, strong economic infrastructure, New Jersey should do quite well from these economic incentives.

So I don't believe in terms of private sector job growth that the State will be hurt. But I understand the force of his argument, and I understand that it has a lot of appeal to voters, too, the first time they hear it.

Drug Policy Director

Q. Mr. Clinton, I wonder whether we could move to another subject on the minds of the region of New York.

The President. We'll answer any questions. Let's let the plane go over. Thank you.

Q. That's nice for us because we're television.

The State report on the riots was released, which greatly criticized the performance of your now drug czar, Lee Brown. And we're wondering, first, whether you're worried they may have damaged his credibility as drug czar. And also, as a secondary question, I was wondering what your general feelings are on the issue of the riots in New York and whether you might be paying a visit to perhaps help your embattled friend, Mayor Dinkins, there.

The President. Well, I haven't had any conversations about that issue one way or the other. I'll tell you about the Lee Brown issue. The report obviously came in an extended period of time after the riots themselves occurred. And I have not read it or reviewed it. I know generally what its conclusions were. If you read it in the light most unfavorable to Lee Brown, in other words if you say, "Well, they said that he didn't do a good job managing a riot with a police force," that wouldn't be the first police chief about whom

you could say that. And it would do absolutely nothing to undermine the irrefutable facts that he did a good job as police chief in Atlanta and Houston and in New York and that because of the intense and increased neighborhood policing systems that were inaugurated during his tenure, the statistics show that there was a drop in crime in many major categories for the first time in more than three decades during the time that he served. So I think, on balance, the people of New York were still much better off having had him as police chief, even if you read the report in the light most unfavorable to him. Whether the report is accurate or not, I just have no way of knowing.

Yes, sir.

Energy Tax

Q. Two questions, if you will, back on the economic subject. One is, by saying a moment ago that you think that any energy tax that comes out of this conference will be closer to a Senate version, are you saying that you're now ready to accept a gasoline tax?

The President. I'm saying just exactly what I said. I think that the dollar value and perhaps the form, but certainly the dollar value, of the tax that comes out of that conference will, I believe, be closer to the Senate version. And I think it should be now, because we've got some more spending cuts that we've put into the bill.

Yes, go ahead.

Terrorism in the U.S.

Q. The World Trade Center bombing brought a lot of attention to political asylum laws. That was several months back. Since then there's been a lot of speeches made. But still, if someone arrives at JFK this afternoon, the situation is the same. What can you say to the people of the metropolitan area that are worried about this?

The President. They have a right to be worried. We need to change. And just in the next few days we will have an announcement on that. We've had some people working on it for several weeks now. When I went to the G–7 summit in Tokyo, I asked the Vice President to try to coordinate their efforts a little better to make sure that we speeded up the process. And we'll have an announcement on that quite soon. That was a very good—it's very important.

I'll take a couple more. Go ahead, and then we'll do a couple more.

Campaign Promises

Q. Mr. President, one of the issues that's come up with gays in the military resolution and on this issue of the gas tax or Btu tax is when is a compromise appropriate and prudent? When is it a broken promise? And I'm curious to hear you talk a little bit about, in terms of judging your Presidency, should it be judged anymore on ''Putting People First'' and on all 232 pages there, what you fulfilled? When is a compromise, in your mind, on those issues legitimate? When is it a broken promise? And how does one judge a Presidency like your own?

The President. Well, the only commitment that I have myself abandoned on my own initiative was the one that I went before the American people and told them about on February 17th, and that was the commitment not to have any sort of tax burden on the middle class. We're now down to about $50 a year. And I explained to the American people why I did that: because the deficit was written up so much bigger after I got elected, and because I thought it was important to get the deficit down, and I thought they'd be better off over the long run, and that I still believe that the tax system ought to be changed to be more fair to middle class families, especially those with children, and I had a 4-year term to try to get it done. And I think when a President has to break a campaign commitment, the best way to do it is to go before the American people and say, ''Here's what I had to do and why.''

Now, we also, frankly, clearly delayed what I said I would do on immigration of Haitians. And I've already explained why on that. But we are working through this whole immigration policy in a way that I think will allow us to return to the policy I advocated in the campaign.

When you compromise, I think the question is almost always: What are your alternatives, and are the people you're trying to help and the objectives you're seeking to further better off? I can hardly add anything to what Barney Frank said in his op-ed piece

on the gays in the military, for example, in the Washington Post, I mean, the idea that no President in the history of this country has ever tried to take on this issue, no candidate running for President had ever really spoken to the issue before I did. I don't ask for any kudos for that, that's just a fact. I think the consciousness of the American people is different and broader as a result, and I think that the question of the compromise here is a pretty clear one.

If you look at it in words, the compromise is more restrictive than what I wanted and what I would like to do today. I think people ought to be able to say they're gay and serve and obey all the rules. But I couldn't get that past the Joint Chiefs, who are bound to follow my orders, but they're also bound by law to tell the Congress the truth about what they think when asked by Congress. That's also the law of the land, and that would have led to a certain reversal of the policy by the Congress. Everyone who lives in this town knows that. So—let me finish—on the other hand, as a practical matter, the Joint Chiefs and the Secretary of Defense, working together and then with me, agreed to provide much more practical protection for the privacy and associational rights of all members of the armed services, without regard to their sexual orientation, than existed before in ways that will clearly advance the cause that we all know is a fact: that there are homosexuals who serve in the Armed Forces with great distinction.

So the question is: Was it a good compromise or an abandonment of principle? Should I have made everybody feel better for a day and then watch their hopes dashed and see Congress maybe even return to the status quo ante, which was—the first battle we won on that was getting the Joint Chiefs to stop asking at the beginning of the year. Is it better off? I have nothing to add to what Barney Frank said. I think that it was an honorable compromise by honorable people, and we did the best we could.

And on the economic plan, what I said about that in the campaign, and the only thing I ever said about that with regard to the gas tax, was that I thought raising the gas tax a nickel a year in a 5-year budget plan was too much. And I still believe that. The gas tax now being debated is a lower tax on fuel than the Btu tax which passed the House. It is a lower tax on fuel than the Btu tax that passed the House. Therefore, there is nothing dishonorable or dishonest about what would happen.

I think if you look at what this administration has done—we've taken on the deficit; we're taking on health care; we're taking on welfare reform. We're about to get national service, being debated in both Houses today. We passed a campaign finance reform bill, a lobby bill, and the line-item veto, all things I advocated, through one of the two Houses of Congress. If you go back to the last several years, it would be hard to find a 6-month period earlier in a Presidency in which more had been done on more issues to fulfill the specific commitments I made in the campaign and to actually get things done that will change the lives of the American people.

So I think it is indeed a strange measure of the progress of our administration that these negative comments would come out. I mean, my predecessor had been Vice President for 8 years and didn't announce a foreign policy until August. You know, I got in here, and I got up here every day and went to work, and that's what I'm going to keep doing. But anyway, that would be my distinction between those two things.

Business Entertainment Tax

Q. Some may think the business reduction tax is elitist. But in New York City, that is the heart and soul of New York. Some analysts say that over 1,000 jobs may be lost, and these are middle class jobs.

The President. The business entertainment tax, you mean?

Q. Yes. And these are middle class jobs.

The President. Absolutely they are.

Q. Busboys, dishwashers, waiters. How can you do something in such a town that really needs this? We're in the middle of a recession in New York. We're not slipping into one; we are in a recession.

The President. First of all, New York needs a lot of things. And my own judgment is—not just New York, New Jersey, Arkansas, you name it. California is in terrible shape. We've got a lot of things to do in this country.

My response would be twofold. Number one, I think that New York will gain far more from a stable, credible deficit reduction plan and the other business incentives that we are putting into the law than you will lose by a restriction on the entertainment deduction. Number two, when the entertainment deduction was reduced before from 100 to 80 percent, the same claims were made against the reduction. And afterward a study concluded there was no loss of jobs. I believe the American people will continue to travel, and I believe more and more American people will continue to eat out as more families have two income earners and work longer hours. I think there are large social forces at work here which make it highly unlikely that a job loss will occur.

Yes, sir.

Deficit Reduction

Q. Chairman Greenspan the other day said that $500 billion of deficit reduction was about the right size as a first installment, that you have to revisit this issue. Do you expect to be proposing another deficit reduction plan of this magnitude in your first term here?

The President. Well, I think that we will point the way toward eliminating it altogether. And let me explain what I mean by that. Chairman Greenspan and I have discussed this at great length, and we discussed whether there was an analogy here to what Japan did from the mid-seventies to the mid-eighties when they had a comparable operating deficit to ours. And they took it down to zero and actually began to run a surplus. But they took, as I recall, somewhere between 9 and 11 years to do it. I can't remember exactly. But I saw a chart in one of the papers here represented, I just can't remember which one, which showed how long they took.

I believe that in order to move the deficit down beyond where it is now, if you look at it, it's clear what you have to do. You have to pass a health reform plan that brings health care costs in line with inflation plus population growth. That's what you have to do. If you go back and look at this budget, if you look at discretionary domestic spending, it's flat for 5 years now. That is, everything we increase in education, in technology, in defense conversion, we cut in some other area. Defense goes down. The only thing that's really going up in this budget besides cost-of-living increases for Social Security and much more modest pay increases for military and civilian employees, is a 9 percent increase in health care costs, which is down from the projected 12 percent per year increase in the budget before I took office. So Greenspan is right. If you want to get this deficit down, the next thing is to bring health care costs down to inflation plus population.

The other point I would make is there is the chance that this deficit reduction will be greater than we think because of lower interest rates, if we can keep them down long and if we can have good economic growth. I noticed the other day in an article in the Philadelphia Inquirer, a lot of budget analysts were interviewed on the validity of this plan, and the one for Price Waterhouse said that this was the most honest budget plan presented to the Congress in more than a decade, and the only thing I might be off on is it might well produce more deficit reduction. So we just don't know.

Deputy Counsel Vincent Foster, Jr.

Q. Can we just ask you about Mr. Foster? Is there anything more——

The President. No.

Q. Have you learned anything at all?

The President. No, and I don't think there is anything more to know. His family, his friends, his coworkers, we've been up real late two nights in a row now, remembering and crying and laughing and talking about him. I don't think there is anything else.

NOTE: The President spoke at 3:54 p.m. in the East Garden at the White House. He was introduced by the Vice President. A tape was not available for verification of the content of these remarks.

Remarks to the American Legion Girls Nation

July 22, 1993

The President. Thank you very much. Thank you. Please be seated. It's wonderful