

Exchange With Reporters Prior to a Meeting With the Progressive Caucus

August 2, 1993

Bosnia

Q. Mr. President, could you clarify U.S. policy towards Bosnia? Is the U.S. prepared to unilaterally use military force to break the siege of Sarajevo and get humanitarian supplies in? Or will it work only in conjunction with the NATO allies?

The President. Well, let me say, I think the stories this morning perhaps exaggerate our position a bit. Our position is we are working with the allies. We're going to try to work through to a common position. We believe we will be able to work through to a common position. And I don't think it serves much of a purpose to speculate what might otherwise happen.

I don't believe that the allies will permit Sarajevo to either fall or to starve. I just don't believe that will happen. So I think we'll have a common position. There are some concerns; there always have been by those who have forces on the ground there, particularly those in the exposed positions. And I think we'll work it through, and I want the talks to continue. My goal has always been to work with them and to proceed together, and I think we'll be able to do that.

Q. Are you concerned about the reports that the talks may be delayed because the Bosnians expect you to come in on their side militarily?

The President. No, I don't think that will happen. Let me say this: I think peace has been delayed by the reverse perception that because the allies have not done anything to try to stabilize the position. The situation has until very recently gotten much worse since they were all in Athens talking—because the allies did nothing. Now, I think it's getting a little better again because, in part, because we're talking about what ought to be done for humanitarian reasons and to protect our own forces there, the U.N. forces.

So I'm very hopeful. I think they've made real progress in the peace talks, and I'm hopeful that will go on. I don't think the Bosnian Government will pull back.

Economic Program

Q. Are you going to win?

The President. America is going to win. Not me, it's not about me; it's about the country.

NOTE: The exchange began at 10:14 a.m. in the Roosevelt Room at the White House. A tape was not available for verification of the content of this exchange.

Interview With Newspaper Editors

August 2, 1993

The President. Hello?

Senator Herb Kohl

Q. Mr. President, I want to give you the first question and to point out that the attention you've given our Senator Herb Kohl in the last couple of days has raised his level of notoriety to a point that he hasn't known since he was elected. Now, I know you wouldn't trade a vote, but is there anything that you and Senator Kohl mutually want in terms of legislation or other benefits for Wisconsin that you have an interest in?

The President. The main thing that Senator Kohl was concerned about—he was interested in two things, to be fair, and there was—in the national interest. One was to minimize the burden on middle class taxpayers. And when he looked at the whole package and saw that working families with incomes under \$30,000 were held harmless and that working families with incomes of \$50,000 and \$60,000 were looking at a \$33-a-year burden with the spending cuts, I think that really made a big difference to him.

The other thing that he was interested in that I think is certainly as significant over the long run is he wanted a program that had some real economic growth incentives, that had some business help in it. And this program does a lot for small businesses. Over 90 percent of the small businesses in the country are eligible for a tax reduction if they reinvest more money in their businesses. It does more for research and development. It does more for revitalizing homebuilding and real estate. It does more across a whole range

of issues. For the heavy industry in Wisconsin, under this plan, there will be more incentives to invest in new plant and equipment in Wisconsin to be competitive there as opposed to going overseas. So all those things were important.

And then the third issue that he raised, which I certainly agree with him on, is that we need to bring this deficit down to zero. And in order to do that, we're going to have to cut more. But to do that, we have to reform the health care system. So the next issue is how to bring down health care costs so we can get this budget deficit down to zero and not just take \$500 billion off of it.

Q. Have you convinced him, Mr. President, that these changes are enough to get his vote on this issue?

The President. Well, I hope so. I've worked hard on that. That's going to be up to him, not me, and I don't think I should speak for him. But let me say this: I think he has really done a good job here, and he has been very important in bringing a business, projobs perspective to the whole debate. So we'll just see. But we've got a \$495, \$496, \$497—something in that range—billion dollar deficit reduction package. We're now going to have more cuts than tax increases in the package. The top 1.2 percent of the American people, of people with incomes over \$200,000 will pay more than 75 percent of the burden now. And there are quantifiable spending cuts now in excess of \$250 billion across the whole range of Federal programs. So it is a very important first step here.

Senator David Boren

Q. Mr. President, you haven't had quite as good a success with our Senator Boren, who, I think, like many people in Oklahoma are concerned that the spending cuts to come later—when we went through that in 1990, and they never came. Why should things be different this time?

The President. Well, for one thing I'm going to have a trust fund and all the money will have to be put into the deficit reduction package, both the spending cuts and the tax increases. What actually happened in 1990, Jim, to be completely accurate about it, is that the Congress adopted a plan based on

the previous administration's rosy revenue estimates. And no one really thought the revenues would grow that much; so they didn't. And then spending increased because the recession went on and more people were entitled to Medicare and Medicaid. And between those two things, they were in deep trouble.

Now, let me just address the major objections Senator Boren has, because I think what he says is right, but it's not a good reason to vote against this program. What he says is that in order to take the deficit from where we're taking it down to zero, you have to do something about the entitlement programs, especially about Medicare and Medicaid. Now, that is true. But the problem is if you don't reform the health care system, that is, if you don't fundamentally restructure the system of the way health care is insured against and the way the—cutting out a lot of the paperwork and a lot of the things that are more expensive in America than anywhere else that have nothing to do with health care, and you cut the medical expenses of the Federal Government, all in the world you're going to do is have a hidden tax on the private sector because the providers will do what they always do. They'll pass their costs on to people that have insurance. So that, for example, the Daily Oklahoman would have its medical premiums go up more than otherwise would be the case because the Government's not paying the full cost of its health care.

So I don't disagree that we have to do something about health care costs and entitlements. But the time to do that is in the context of a health care reform debate, which we're going to start as soon as we can get this budget out of the way. If we don't adopt the budget, we'll never get there. Everybody who looks at it can see that this budget's a lot better deal than the one in 1990. The numbers are more realistic. The growth package is realistic. We've got new business capital gains tax in there and all kinds of other incentives for small businesses to grow. Over 90 percent of the small businesses can get a tax reduction under this plan because of it. This is going to create some jobs, too. So it's a better package.

But you can't solve all the problems of the world in this bill. That's my quarrel and dis-

pute with Senator Boren. He's right, you've got to get the entitlements if you want to go to zero, but we're going to have to do it in two steps, not one.

Spending Cuts

Q. Mr. President, a lot of people are concerned with, out here, the fact that the spending reductions, the major ones, seem to come so late in the plan, and the tax increases come so early. Wouldn't it be better to go back in and make another slash, even if this means delaying the budget a little bit?

The President. Here's the problem with it: First of all, there are going to be more spending reductions all the way along. The House of Representatives has already approved \$10 billion in spending reductions over and above what's in this budget, but working with me. I've encouraged them. The Vice President is going to have a reinventing Government report out sometime next month, which will provide a lot more savings. So we're just getting started on the spending reductions. And then as I said, we'll be able to project a decade of spending controls in the health care area if we do health care reform.

The problem is that no matter what you do with that, the budget we have now and the budget we're going to have next year—we're already preparing to cut more off next year right now. But that is not an excuse not to act now. Still the big reductions in spending are those that aggregate up over time. That is, if I cut \$10 billion this year and \$10 billion next year, then that's \$20 billion over this year's figure and then \$30 billion and \$40 billion. You see what I mean? So the spending cuts are always going to look bigger in the out-years because they compound one another.

Small Business

Q. Mr. President, we're relaying some of our readers' questions. One of them was, how can the job market grow when small businesses are afraid new taxes and the health plan will put them out of business?

The President. Well, first of all, new taxes and the health plan won't put them out of business. We've tried to send a clear signal to the small business community that there won't be a tax problem here. But if they have

to have a premium to cover their own employees, we will limit how much of their payroll it can be, and it will be phased in over a period of years.

But let me flip it over to you on the other side. Seventy percent of the small businesses in America provide some health care coverage for their employees, and almost all of them pay much more than they should because we're the only country in the world that forces employers who cover their employees to subsidize employers who don't, and that's what happens. Everybody in this country gets health care, but if you don't have health insurance and you can't pay for it, you get it too late when it's too expensive. You show up at the hospital; you get cared for, and then the providers, the doctors and the hospitals, in effect, raise their costs to everybody else. So you could argue that the small business community as a whole in this country is more hurt by the system we have than by the one we're moving to.

Also, let me make one other point. We spend about 10 cents on the dollar more than any other country in the administrative costs of our health care system because we have 1,500 separate health insurance companies writing thousands of different policies, all with different rules and regulations, so that the cost of compliance is staggering, and then the Government aggravates it.

So I think the small business community will wind up ahead on this. But we've tried to send some clear signals that we're not going to pop them with a big payroll tax, and I do think employers who don't provide anything for their employees should bear some responsibility through the private insurance system. But it ought to be limited and phased in so that nobody goes broke doing it.

Getting the Message Out

Q. Mr. President, on Friday, last Friday we had a conversation with Roger Altman about your budget plan, and one of the questions we asked him was what the administration would have done differently to sell this plan. And he was very frank about it. He said, "We would have started a lot earlier." And I'm curious in terms of your strategy why you didn't really start giving everybody the hard sell a lot earlier.

The President. You mean not in the Congress but in the country?

Q. Yes, talking to the people.

The President. Well, actually we did a lot of that, but we didn't have our war room set up, and we were, frankly, just overwhelmed by the day-to-day news coverage of Republicans carping about taxes and unable to kind of break through about what the facts of the program were.

I worked hard—for 2 months after I made my State of the Union Address I went out into the country once a week. I did my best to talk about the program. But we didn't have the kind of organized disciplined effort we've had for the last few weeks in reaching out to local newspapers and television and radio stations and bringing in opinion leaders and doing all these things we're doing now. And I think we did lose control of the debate. Also, to be fair to them, to Roger Altman and the others, an issue like this tends to go through cycles. I told the people about it on February 17th, and they liked it. Then the sort of negative rhetoric took over. Now we're kind of coming back to reality, and all the surveys show we're bringing it back our way now.

Interest Rates

Q. Mr. President, Alan Greenspan has been giving some subliminal signals about raising interest rates. Wouldn't that sort of derail your plan for reducing the deficit if the interest rates went up? And are you worried about that?

The President. Yes, I am. I don't think you should raise interest rates until there's real economic growth that brings on real inflation. I mean, there's no real inflation in this economy, and we can have growth without inflation. And I think we may be reading too much into his remarks.

Q. Have you talked to him directly about what he did mean since he made those remarks?

The President. No, but I talk to him fairly often, and I'm scheduled to have another session with him pretty soon. I know him pretty well, and my read on what he said was if inflation warranted it, he might raise interest rates. But if you think about it, what we're trying to do in bringing the deficit down is

to justify keeping the interest rates down even when there's economic growth because the Federal Government will be taking less capital away from the markets, and therefore, there won't be as much competition for it, and we ought to be able to keep lower interest rates. That's our theory. He has constantly and consistently supported the deficit reduction efforts of this administration in very explicit terms. So I would be surprised to see him raise interest rates when we're doing something to support the reverse. If we were having 4 or 5 percent growth and inflation was getting out of hand, I could understand it. But there's no grounds for it now.

Economic Program

Q. Mr. President, obviously, in this part of the country it would have been more popular to cut spending first, raise revenue later. You used the early year forecast of the deficit to go back on your pledge for a middle class tax cut. Since, there have been other estimates, why haven't you gone back to a cut spending first program?

The President. Well, first of all, we are cutting spending. We are cutting spending. This idea that we're raising taxes—taxes come in constant amounts, whether it's a fuel tax or an income tax.

This is a dodge. David Stockman, who pioneered Reagan's program in 1981, has now admitted in repeated interviews that they cut taxes twice as much as they meant to because they got into a bidding war with Congress, that there is no way to restore any kind of fairness to the Tax Code or reduce the deficit to zero unless there is a revenue component. So if I were to say, "Okay, we'll put these spending cuts in for a couple of years, and then we'll raise taxes," all we would do by doing that is basically have a bigger deficit in the first years because we'd have the spending cuts but not the taxes, and we would have higher interest rates, and we'd have slower economic recovery.

Let me just say, in the year that I'm in now—which I'm not even responsible for this budget until October the 1st—our deficit is going to be about \$25 billion less than it was predicted to be when I became President.

But to go back to the middle class tax argument, after the election but before I took

office, the previous administration said, "Oh, by the way, the deficit's going to be \$165 billion bigger over the next 5 years." So I always in that campaign said I am not going to say "read my lips" because I've run a government long enough at the State level to know that sometimes circumstances can change on you. I've been very candid with the American people about that. I think most people with incomes of \$50,000 a year don't think \$33 a year is too much to pay. I think what most people have believed is, they've been told that they're going to be paying a fortune. And——

Q. Mr. President——

The President. Now, wait a minute. Let me just finish this. I want to make this point. I'm going to be President 4 years. We've got opportunities to have even more fairness in the Tax Code if we're bringing down the deficit and we are opening up economic growth. There are all kind of options to do things over the next 4 years. But the most important thing now is to do something about the deficit. The truth is that all these people who say they want to cut spending now, what they really want is an accounting practice which still would have all the spending cuts come in the 3d, 4th, and 5th year of this budget cycle.

What they're really saying is let's pass a bill that says it's going to cut spending later now before we raise taxes. They don't propose more spending cuts in these first years than I do, none of them do. And to go back to Senator Boren's bill, particularly the one he offered in the Senate didn't have nearly as much support as the one I offered, because it didn't have the kind of deficit reduction unless you did what he proposed to do, which was to take more out of Medicare for middle class people. And even then it wasn't going to happen for the 3d, 4th, or 5th year, most of it.

So the people that say cut spending now are saying, "We don't want to cut any more spending than Bill Clinton does right now, but we want to pass a bill that cuts spending in the 3d, 4th, and 5th year in health care without health care reform and then talk about whether we should tax the wealthiest Americans later." That's what they're really saying.

Q. Is there any chance, do you think, that this bill will go down? Is there any chance that it will not pass in the Senate?

The President. Well, sure there is. But I think it will pass. And the reason I think it will pass is this: I think most of those people are going to say, is this a better bill than we've ever had before and better than we had in 1990? And the answer to that will be, yes. Is this fairer to average Americans than the ones we've been considering? The answer to that will be, yes. Does this restore some economic growth incentives for small business, for new high-tech businesses, for housing, for real estate that we haven't had in the Tax Code for 7 or 8 years? And the answer to that will be, yes. Does this bill lift the working poor out of poverty and encourage people to get off welfare, not with a Government program but by using the tax system to reward people who work, even at very low wages? The answer to that will be, yes. And then the last question is, do we want to hang around here in Washington for 60 or 90 more days and debate this, and either come back here and pass something very like it or something that's so much weaker that we'll have higher interest rates, more uncertainty, and we'll waste 2 or 3 months when we could be dealing with health care, with welfare reform, with a crime bill, with things that will grow this economy with a new world trade agreement, all these things we need to get on about the business of doing.

We are literally paralyzed here. We can't get anything else done. The only other major initiative that's going to come out of this is the national service bill that I've been working on for a long time. Other things cannot even be dealt with.

And again I want to say to those of you interested in the cut issue, keep in mind the Vice President is going to issue our reinventing Government report within 60 days. The Congress is still cutting some other spending with my strong support. We are going to have more cuts even than we have now. But to delay this program is a great mistake. All it will do is paralyze the Government, paralyze the financial markets, and leave us with uncertainty. We've been talking about this since February. It's time to move.

NOTE: The interview began at 3:25 p.m. The President spoke via satellite from Room 459 of the Old Executive Office Building. Participating in the interview were the editorial page editors of the Milwaukee Sentinel, the Milwaukee Journal, the Arizona Republic, and the Reno Gazette Journal.

Interview With Newspaper Editors

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Economic Program

Q. As you are well aware, Louisiana's Senator, Bennett Johnston, is or was at last report among the small, key group of Democrat Senators who've indicated reluctance to vote for your deficit reduction package. What are you doing or what can you do to get Senator Johnston's vote? And do you think you will ultimately get it?

The President. I don't know the answer to the last question, but what I've done is to try to take the strengths of both House and Senate versions of the bill and try to put them together. The strength of the Senate version was it had fewer overall taxes and was even more progressive. The strength of the House version was it had much more economic incentives, more economic growth incentives, for research and development, for investment in new firms, for small business, the things of that kind.

So the argument that I'm going to be making to all these Senators is that this plan now clearly has \$500 billion in deficit reduction; it will now have more spending cuts than tax increases in it; it will have over 75 percent of the new tax burden now borne by people with incomes above \$200,000; that the middle class tax burden is now down to \$33 a year; and that the economic growth incentives qualifying, for example, 90 percent plus of the small businesses in the country for a reduction in taxes if they invest more in their companies; and enabling the working poor through the earned-income tax credit to lift themselves above poverty by working full time, these are very, very important things. And the time has come to act.

Now, let me say just as a generic thing, since this may help to shape some of the other questions: The people who are leaning

against this program or have announced against it—not the Republicans, that's almost entirely a political deal; the Republicans have even opposed the conservative amendments to our budget to control entitlements and impose discipline. But the Democrats basically fall into two categories: There are those who think it's the right thing for the country, but they're afraid there's been so much misinformation out there about it that they'll get beat if they vote for it. And then there are those who think that it's a good first step, but it doesn't go far enough.

The only thing I would say to the latter group is that we do have to do something on entitlements, but we can't get there until we do something to reform health care spending overall, and that this is a major step that will stabilize the financial markets, keep interest rates down, and enable us to move on to health care reform, to getting a world trade agreement, to welfare reform, to the crime bill, to all these things that are out there crying for attention that we can't even address if we don't go ahead and get this budget out of the way. And also, there will be further budget cuts. The Vice President's report on reinventing Government is due next month. It will have many more suggested budget cuts. And the House of Representatives has already cut another \$10 billion off the budget that we can't fully count yet because the Senate hasn't acted. But when they do, we'll have even more cuts.

Deficit Reduction and Taxes

Q. Mr. President, good afternoon.

The President. Good afternoon.

Q. Let me pass on to you a question I'm getting increasingly from Constitution readers. How can you assure that your tax increase package does not have the same result as Mr. Bush's 1990 tax increase package, which is to say no result at all except higher taxes?

The President. I can do that in two ways. First of all, let's look at what happened in 1990. Why did the deficit reduction package in 1990 not produce the deficit reduction it was intended to? There were basically two or three reasons. But one big reason is that they overestimated how much the revenues