cent, we'd have 755,000 new jobs, a 20-year low in mortgage rates, a 6-year high in housing sales, a 9-year high in construction employment, the family leave bill, the motor voter bill, the Biodiversity Treaty, a new policy on choice, the most diverse administration in history, an appointment schedule—contrary to what you may have heard—ahead of the last two administrations, you would have felt pretty good about that on election night. And you ought to feel pretty good about it tonight, because this country is on the move.

But never forget this. That sounds good, and compared to the last two administrations it may be, but we've just been here 5 months, and the changes we are trying to make are not in place. We still have to do the economic program and health care and national service and welfare reform. We still have to pass a program that says to people who work 40 hours a week and have children in their homes, you're not in poverty anymore. We still have a lot of work to do. And the things we're doing have still not affected most Americans. We still don't have a serious program for defense conversion, but we're working on that. We've got an airline industry in trouble we're trying to help resuscitate and move forward. We've got all kinds of jobs in this country we have still got to create. We have problems in this country that Government has overlooked for so long, we pretend they're not even there. People say to me, "I am so glad that the Federal Government could help to break up the terrorist ring in New York," or that once again we stood up for our values last weekend. But never forget, in this the Capital City of this country 24 people were killed last week. We have got a lot of work to do, my fellow Americans.

And I'll tell you something. It may not always be easy, and sometimes it may be ragged, but you've got an administration in this town that gets up and goes to work every day and thinks about the problems and the promise of the average people of this country. And we will continue to do it as long as you keep us here.

Thank you, and God bless you all. Thank you.

NOTE: The President spoke at 11:15 p.m. at the Washington Convention Center. In his remarks, he referred to Scott Pastrick, Presidential gala dinner chairman; and Roy Furman, national finance chairman, and David Wilhelm, chairman, Democratic National Committee.

Remarks and a Question-and-Answer Session With the National Federation of Independent Business

June 29, 1993

The President. Thank you. Thank you very much, and good morning. Please be seated. When Jack Faris came to see me the other day in the Oval Office, he invited me to come over here and speak. And he said the best time to come would be noon. But the President of Argentina will be in the White House at noon, and I couldn't figure out how to explain that to him, that we were going to miss lunch. So then I was invited to come at 9:15, which is okay for me most days. But I'm one of these people who gets up at 6 every morning, and then I wake up about 10:30. [*Laughter*] So if I say anything I shouldn't today, I'll have total deniability since it's 9:15.

I was eager to come by and address you this morning for several reasons: first of all, because your organization is one of this city's most aggressive participants in the economic debate now taking place here and around the country; and because when I was the Governor of my State, I worked very closely with the NFIB on a wide range of issues; and because I know that unless we are firmly and unequivocally committed to private sector job growth, and especially to small business growth, we cannot succeed as a country.

Let me say that when I got into the race for President about a year and 8 months ago, I did so after having worked for nearly a dozen years as a Governor of a State that until the last year I was Governor usually had an unemployment rate above the national average. I spent all my time trying to figure out how to create conditions in which jobs could grow, children could be educated, people could be trained, and folks could be empowered to do what they could do in a very

tough global marketplace. I worked year-in and year-out to try to establish partnerships with the private sector. Until I became President, except for one brief interlude when I took office and found an operating deficit as Governor, I had never proposed raising one red cent in taxes to pay down a debt, because my State had a very tough balanced budget law, perhaps the toughest in the country in its practical operation. This has been an interesting and a difficult experience for me in that regard.

But here's how I see the world: We have now been in a long-term economic slowdown of about 3 years in which our economy is not producing many jobs. We have been in a global economic fight which has caused us grave problems for 20 years. And literally for 20 years most middle class wage earners have worked longer work weeks, and their wages have not kept up with inflation. We have seen an enormous increase in this country, in the 1980's, in the cost of health care, housing, and education, which has far outstripped the earnings of most wage earners and small business people to cope with. And we now find ourselves in the midst of a global recession, as I prepare to go to Tokyo to meet with the leaders of the other G–7 nations—the European nations, Canada, and Japan—in which our economy, though it is weak by our standards, is now perhaps the best performing of all these countries.

During the 1980's, most of our job growth came from two sources. First of all, we had a huge operating deficit that was built into our system because we had a very large tax cut in 1981, twice the original size that President Reagan proposed, when the Congress and the President got into a bidding war, and very large increases in defense spending. So that the deficit, plus investments in defense, especially in defense contracts, as those of you who are from California or Connecticut or Massachusetts who saw it go up and then watched it come down, know that that created a lot of jobs.

The other thing that created a lot of jobs in the 1980's was you, the small business sector. Indeed, throughout the 1980's and every year, the Fortune 500 lowered employment in America, even as income went up, by a couple of hundred thousand people a year. But small business people generated the vast mass of the jobs. In fact, a study by David Birch at the Massachusetts Institute of Technology indicated that about 85 percent of all new jobs were created in units of under 50, and most of those were created by people who themselves were small business persons.

Then about 3 years ago, that stopped. And we can all argue about why that is, but I think it's clear that there were a couple of reasons. First of all, small business people are not unaffected by slowdowns in the global economy, as well as the domestic economy. Secondly, the extra added cost of hiring one more employee became exponentially greater as health care costs, payroll costs, and other things mounted up, and more and more people, even in the small business sector, turned to overtime and part-time workers.

But the bottom line is we now find ourselves in a world in which there is a global recession, in which we have the lowest unemployment rate of any of our competing wealthy countries, except for Japan which has, as you know, a much different trading system and economic organization, and in which still our unemployment rate is way too high for us. And when we look to the future, it seems to me absolutely clear that we have to find ways to reinvigorate the job machine of America and to restore the health of small business.

The problem is that we have dug ourselves into a number of holes that we have to dig out of, none of which are easy. And all along the way, we have to know that we may not be able to get instant results because what happens in America today is at least to some extent affected by what happens in Europe, what happens in Japan, and what happens in other countries. I know, for example, you had the Trade Ambassador, Mickey Kantor, here yesterday talking about the trade agreement with Mexico. And there's a lot of debate in this country about that. Our administration believes it will create more jobs than it will cost. We feel very strongly about that. We're going to have a debate about it later in the year, but the point is at least it's the right debate. That's the right debate: Is it going to help the American economy? Is it going to create more jobs than it will cost?

Well, it is against that background, anyway, that I became the President: 3 years of slow economic growth, which doubtless contributed to a challenger beating an incumbent; and then a very large Federal debt, having gone from $1 to $4 trillion in 12 years; an annual deficit having gone from $74 billion a year in 1980 to $311 billion projected in 1993; and the deficit for the next 5 years was written up $165 billion, estimated after the election.

And so I was confronted with a very significant problem, one which had very practical impacts on you in at least two ways. First of all, the bigger this debt and the deficit gets, the more of your tax money we have to spend every year paying interest on the debt and the less we have to invest in the future: to finance research and development, to finance new technologies, to finance education and training of the work force, to grow the economy. Second, and even more important for you, America had a historic gap between short-term interest rates and long-term interest rates because of the size of the deficit and because nothing was being done to bring it down. So you had very low short-term interest rates. As you know, they started coming down way over a year ago with the Federal Reserve lowering, lowering, lowering the rates they were charging. But our long-term interest rates, which determine home mortgages, business loan interest rates, consumer loan rates, car loan rates, college loan rates, they were quite high. And the gap between the short and long-term rates was very high.

It was obvious to me that unless we first did something to reassert control over our economic destiny, unless we did something about this deficit first, we would not be able to move forward. And so I proposed a plan to the United States Congress to bring the deficit down by $500 billion over the next 5 years, in roughly equal amounts of budget cuts and tax increases with almost all the taxes, 74 percent of them, falling on the upper 6 percent of income earners, including subchapter S corporations, the upper 5 percent of those, and they were pretty stiff.

But the reason I did it was because it seems to me we had to try to lower the deficit about $500 billion. We imposed what amounted to a 5-year freeze on domestic discretionary spending. That is, we do increase funds for defense conversion to help those poor people that lost their jobs because of the defense cutbacks, for Head Start, for education and training, and for some technologies. But we cut other stuff even more, so there's a decline in defense, a freeze on domestic spending. The only thing that's going up is basically the retirement programs and the health care programs. I'll come back to that. I'll come back to that in a moment. So we had big cuts over the previous budget in everything, all the entitlements: veterans, agriculture, pay of Federal employees, retirement of Federal, civilian, and military employees. Things that had not been touched in previous budgets we went after, it cut them, locked that down, and then asked for what I thought was a progressive tax package.

But there were also some interesting growth features in the tax program that I proposed that the House of Representatives passed. One was one of your long-time goals, increasing the expensing provision from $10,000 to $25,000 a year. I think that's real important. If we do that, there are hundreds of thousands of businesses in this country that might be able to hire one more person, might be able to get their incomes up by buying another piece of equipment.

The second was something that larger businesses, by and large, wanted, and that was a change in the alternative minimum tax calculations designed entirely for one purpose: to encourage people to invest in more plant and equipment, to become more productive. The third was the small business capital gains tax, designed to encourage people to invest in ventures under $50 million in capitalization and to get a 50 percent cut on the tax due if they held the investment for 5 years. This was designed to get a bunch of new venture capital and private capital into the real job generators of this economy.

The third was a permanent extension of the research and development tax credit. Next, there was changes in the passive loss provisions on real estate designed to get home building and real estate up again, particularly in those regions of the country where it has been so depressed that it's dragged everything else down.

Then we extended the deduction people can take for their health insurance premiums to self-employed people, as well as to other small businesses which already had it, which I thought was very important, a big deal for farmers.

And finally, there were other things, but finally there was a proposal which I think we ought to try to finally test whether the rhetoric that both Democrats and Republicans have been putting out in Washington for years, and in the streets of America, about using the private sector to revitalize the distressed areas of our country could really prove true. We devised an empowerment zone proposal which was an expansion of the enterprise zone proposal that for the last several years had been supported by everybody from Jack Kemp in the Republican Party to Charles Rangel in New York in the Democratic Party. This empowerment zone proposal went beyond anything previously proposed to give really powerful incentives for the private sector to hire people out of depressed cities and small towns in rural areas or to put businesses into those areas. And it seems to me that's very important.

If you look at all the millions of people that live outside the free market economy in America because they live in areas that are so depressed, there is a huge potential market there if the free market system can work. So, those things were also in the bill. In other words, we raised tax rates, but we tried to find ways for people who have been successful, who have money, to lower their taxes but only if they invested in things designed to grow the economy, create jobs, and expand opportunity for all Americans.

Now, when the Senate passed the bill last week there were a lot of things in the Senate bill that were good. They had some less tax and some more spending cuts so that, by any calculation, clearly now the spending cuts exceed the tax increases. But by taking most of the tax cut out of the energy tax and having to make it up to get $500 billion in tax reductions, they reduced the size of the small business expensing from 25 to 20; they eliminated the new business or the small business capital gains tax; they put a surcharge on capital gains, which I think is not well-advised; and made the research and development tax credit temporary. So, we are now trying to resolve the conflicts between those two bills. I know the NFIB will be actively involved in that, but I think it's very important that you understand basically what the tradeoff was made between the Senate and the House bills. The bottom line is both of them reduced the deficit by $500 billion.

You had long-term rates going down again today to a 16-year low, and this has already produced some very significant consequences, if I just might mention a few. From the time Secretary of the Treasury, then designate, Lloyd Bentsen said we were going to have a serious deficit reduction plan and talked about what was going to be in it in November, we've seen long-term interest rates take a dramatic drop. While the economy itself is not recovered by any means, there have been some very significant advances tied directly to the drop in long-term interest rates. And if I might just mention a few, number one, we've had a 20-year low in home mortgages; a 6-year high in housing sales; a 9-year high in increase in construction employment, 130,000 new construction employees in America in a 4-month period; and there have been 755,000 jobs, over 90 percent of which are in the private sector, come into this economy in the last 5 months. That compares with only a net gain of a million over the previous 4 years, all tied to bringing down the long-term interest rates.

There are people in this room today who are responsible for that, directly or indirectly, people who have refinanced their home loans. Most of the real financial gains have come from people who have refinanced their home loans and then turned around and done something else with the money, and that's bumped the economy. But business loans are lower, consumer loans, car loans, college loans, the whole 9 yards. That is the strategy.

It is estimated that if we can pass this deficit reduction plan and keep the interest rates down for a year, that'll put another $110 billion back into this economy. And by the end of the year or next year, that will really begin to produce some job growth, and we'll also begin to produce some real earnings potential.

So that is why we have done what we have done. And I'll say again, as somebody who was a Governor in a State with a very tough budgeting system, it was very painful for me to ask anybody to pay any money just to pay down the deficit. But unless we do something about this, we will never—it's like a bone in our throat as a nation—unless we deal with this, we can't get on to dealing with our other problems. We'll spend all our time in Washington working around the edges of these other problems because we have not faced the problem of the deficit.

Now, let me just make one or two other comments about that. No matter what plan you might embrace to reduce the deficit, and no matter what plan you've read or heard about, every one of them can have our annual deficit go down for 5 years, and then it starts to go up again. Why? Health care costs. We cut $50 billion in the House version, $60 billion in the Senate version off of projected Medicare expenses from the previous year's budget. And it is still estimated that over 5 years, the Medicare budget alone will go up 45 percent. Now, that's better than most of you are doing, right? Most of you are paying more than 9 percent a year in increased premiums. Most of you are paying almost twice that.

But I say that to try to illustrate the next point. There's been a lot of controversy about the willingness of this administration to try to take on this health issue and whether we're being too comprehensive and what we're going to do and all that. The point I want to make is this: We've got to do something to bring costs within inflation, or it's going to break the country. That's the first thing. You can talk to just about any conservative in Congress of either party, you can talk to the most conservative Republican in the Republican Party, and most of them will tell you now we are not spending enough money on some of the things that will generate jobs in the future. If we don't spend enough money to keep our technology lead over other countries in areas critical to the future, in super computing and electronics and aerospace and these other things, and if we don't really educate and train our people, then our incomes will fall behind. But if we are strangled by rising health care costs, the future can have no lobby in the Congress.

So this budget plan that we presented is great on deficit reduction. It does invest some money in the future, but it doesn't invest anything like what you would want us to invest if we weren't strung up by our heels by the deficit. And there is no answer to it except to get health costs in line with inflation. There is no other answer, because that's the only thing that's eating us alive now through Medicare and Medicaid. It is the same with you.

Now, what we see is people have learned a lot about controlling health care costs, and a lot of big businesses that can self-insure now have their costs in line with inflation. The California public employees system, which is a huge system with bulk purchasing power, this year has a contract which is below inflation. That's great for them. But what does that mean? Even more pressure on you to pay for the uncompensated care bills of people who don't have health insurance if you do. Which means every year more and more small businesses are either dropping coverage—about 100,000 Americans a month lose their health insurance—or they have more limited coverage that may or may not be adequate for the people whom they insure.

So, what I want to say about that is this: It seems clear to me, if you study the Federal budget and you want the deficit down to zero and you want America to invest and grow again, if you look at the private budgets of businesses in this country, that we have to do something to give small businesses bulk purchasing power; relief from all these rules and regulations the Federal Government imposes; relief from the incredible paperwork imposed on health care providers by this country being the only country in the world having 1,500 different health insurance companies, thousands of different policies, a dime on the dollar more in paperwork costs than any other advanced country in the world, a dime on the dollar. And the more big businesses self-insure and control their own costs, the more you're paying the difference. So, we have got to do some things to simplify and make more uniform this system.

Now, the big controversy obviously is over whether there should be a mandate for employers, employees, one or both, to cover people who have no health insurance. Here is the problem, and I invite you to the debate, but here is the problem: Seventy percent of all small businesses have some health insurance. And they're paying out the ears for it. I have to be delicate in my language. [*Laughter*] Seventy percent do. Costs are going up like crazy. For the 30 percent who don't, those folks, if they get sick, will still get health care. Show up at the emergency room, and they will get it. Everybody gets it. But who paid for the emergency room to be there? The rest of you. You built the infrastructure. You financed. You maintain the infrastructure.

The Government should clearly insure the unemployed, uninsured. And my goal has been to do that by managing the system better so we don't have to raise taxes on you to do that, because people who are paying too much already shouldn't pay more to fix the system. But if you look at every system in the world, it is perfectly clear that unless you have some mechanism by which everybody is covered, you cannot control the costs, and you cannot stop the cost-shifting.

Now, nobody wants to do this in a way that kills the only job-generator we've had in America over the last 2 years, which is you. But it's very important to remember that most small businesses do provide health insurance. This is the nub of the economic dilemma. If it were easy, somebody would have done it already, right? I mean, if it were easy, it would already be done. It's not easy. There is no perfect solution. But I assure you that we're all going to be better off if we enter into an honest debate and try to work through this, and we try to resolve it. The worst thing we can do is to leave it alone, and especially, the worst thing we can do for the small business sector, because bigger employers will figure out how to get managed care, and they'll just go around this whole health insurance system we have today. Everybody else is going to be out there just strung up. So we must face it. And we've got to provide some means of covering people, letting them change jobs, and having people have this without going bankrupt. And that is something that I am deeply dedicated to.

Let me mention one or two other issues that are very important, and then we'll move on to questions. I believe the SBA can be a force for good in small businesses. And I promised myself if I got elected President, when I started, I would appoint somebody to run the SBA who had literally had real experience and was not just a political appointee. Now I plead guilty. Erskine Bowles is a personal friend of mine. His wife went to college with my wife. That does not disqualify him. [*Laughter*] But his wife is a successful business person, and he has spent his lifetime trying to help people like you start your businesses, expand your business, market your business overseas. He actually knows what he's doing. So it seems to me that would be nice to have an SBA director who could do that, who had been through that.

The second thing that I really thought about a lot early in the election because of the experiences I had seen not only in my State but around the country, is that we had to do something to try to deal with the credit crunch. The access to credit is obviously going to have more to do with how a lot of your members do than a lot of other things this Government does. So, early in my administration we brought together all the appropriate banking regulatory agencies and, in what was then an act of unprecedented cooperation, we changed a lot of the restricted regulations that cause so much of the credit crunch. Banks are now clearly empowered to make more character loans based on the reputation of the borrower. Documentation requirements by the Federal Government have been relaxed dramatically, as have regulations regarding appraisals of real estate to secure small business loans. And there will be more flexibility in classifying loans.

Now, that has been done at our level. It takes more time than I wish it did for all those changes here to actually be felt in every community bank in America. And one of the things that the NFIB needs to do with Erskine Bowles is to let us know in which communities this is working and in which communities there has been no change, because we made a vigorous, clear effort to send this

signal out all across America by changing the way we did business with the banks. But it has not changed in every community in America, and a lot of people are still really stung by what happened to them in the eighties. But the banks are in much better shape today than they were 3 years ago. And that's good, that's a good omen for our future. But now that they're in better shape the time has come for them to loan money on good terms, at low interest rates. So we need your help on that.

Next I'd like to say a little something about regulatory reform. Every President talks about it, and almost nothing ever happens. There's a division in our Budget Office that a lot of you probably have never heard of in the Office of Management and Budget called OIRA—that would gag you—OIRA, the Office of Information and Regulatory Affairs. For years, the position of Administrator of this Office, believe it or not, was vacant. But this Office actually has the capacity to rationally review all of these regulations. We have named, and Congress has confirmed, an Administrator for OIRA, and we are going to do our best to see what we can do to reduce unnecessary regulations.

Perhaps more important, I have asked the Vice President as part of his job in reviewing the whole operations of the Federal Government—and by the way, I predict you will be very pleased by the report that is issued by his group in September—we are reviewing the operations of every last part of this Government. Unlike your business, unlike all big businesses, the way we do business in the Federal Government and many of these agencies has been largely unexamined for decades. So that when something new comes along that we have to do, it normally is just added on to what was being done already, instead of being substituted for it. And the whole quality revolution that has engulfed the American private sector and led to rapid increases in productivity has largely escaped Government. And we're trying to change that, too. It escapes nearly every organization that has a mandate for customers and income, so we're trying to change that. Our goal is pretty simple: We want to avoid regulations that are inconsistent with the goals of jobs and growth; we want to avoid regulations that overlap; we want to create a process that is open and fair, where business has some input, and not just large businesses but also medium and small ones as well; and we want to change the whole way Washington works.

I think these are the kinds of things that you would want us to do, and these are certainly the things that we have to do. I don't plan or pretend that we're always going to agree on all these issues. And I wish that the world looked to me as President just the way it does to you or the way it even did to me as Governor. Like I said, it took a lot of mental gymnastics for me to finally face the hard reality that we had this huge deficit and unless we did something about it, we were never going to be able to do anything else. We'd spend all our time—I spent all my time giving speeches about things we were going to do, and no impact would be felt because we were out of control of our economic destiny. So I hope that you will be supportive, not supportive of me personally so much as supportive of our efforts, common efforts to deal with our common problems. The one thing I made up my mind to do when I won the election in November was at least try to level with the American people about the problems and try to face things that other people in public life had avoided. This is painful. You know, my daughter and the kids her age who get into all this interesting music has got this great phrase. She said, ''Dad, denial is not just a river in Egypt.'' [*Laughter*] And sometimes I think that's probably a good phrase for us to remember in a lot of ways.

But my plain duty to you is at least to try to articulate what these issues are and face them. We tried it the other way. We tried ignoring the deficit. It didn't go away. We tried telling everybody what they wanted to hear, that it could all be done by some sleight of hand, and it didn't happen. And we tried a lot of things about health care in the Federal Government which, frankly, made your problems worse. I could control health care costs without doing anything on the health care system. And what would happen? All the providers, when we just cut Medicare and Medicaid more, all the providers will send you the bill. That's what happens today.

So, I ask you to think about this. Let us face our problems; let us talk about our problems. The first big urgent thing is to pass a deficit reduction plan that keeps as many of these growth incentives as we can possibly have. That was the good thing about the House bill. Then I look forward to engaging in the health debate. I look forward to engaging in the trade debate. I look forward to engaging in the job creation debate. But in the end just remember, every advanced country in the world is having a terrible time creating jobs. We are doing better than most of them because of you, because we have a vigorous small business sector. Unfortunately, a lot of the things that we want to do may help some people and impose burdens on others in the small business sector at the same time, though we know that these big issues will not go away. And we know now after 3 years of stagnation we have to change if we want to grow.

I believe if we do it together the next 20 years can still be the best years this country ever had. We are in a new and unprecedented era. This happens to us about once a generation, and when it happens we have to adjust as a people. That is what we are now trying to do. That's what makes being here so exciting. But I never forget that the thing that's important about it is that what happens here affects what you do there. And what you do there, wherever ''there'' is, in your hometown, is what really makes America work.

Thank you very much.

Moderator. Mr. President, again we very much appreciate you taking the time to be with us in your remarks today. One of the things the President has asked for and is willing to do is to take some questions from us. I will tell you from the years past, in other conferences with other Presidents who have spoken, this is the first President who has said, ''I would like to have questions from the group.'' And because we have such a large group assembled, Mr. President, what we've done is, we've circulated cards for people to use to ask questions. We've accumulated these, gone through, and picked out the top questions. And we have time for just two or three if we could.

The President. Did you say the tough questions? [*Laughter*]

Moderator. The tough ones—the only kind we have.

The President. I have a feeling when this is over, I'm going to know why my predecessors didn't take questions. [*Laughter*] Go ahead.

Health Care Reform

Moderator. The first one is: I have a small business with two part-time employees. The business is out there for me to expand. However, mandated health care and the present uncertainty has caused me not to hire more people. What assurances can you give me and others in my position that will give me the confidence to hire more people and to create more jobs?

The President. First of all, I think you ought to wait and see what we come out with. I think that most people believe that this plan would be much tougher on small businesses than I believe it will be. But let me put it to you in another way. We have to decide what to do with part-time employees. And either employers will have to make some contribution to their health care. By the way, I think all employees should make some contribution to their health care, because if they don't, they may get to thinking it's free, and overutilization is one of the problems. I mean, everybody should pay something in accordance with their ability to pay. But I have to say this: I believe employers should make some contribution, because I will say again, those who don't pay at all are being supported, even when they don't use the hospital, even when they don't use the clinic, even when they don't use anything, they're being supported by those who do pay something, because they are keeping the infrastructure going. And everybody's bills will be lower over the long run if everyone makes a fair contribution. I think small businesses should really be limited in what they're required to pay by the Government. And also, anything that is done should be phased in so that as we go along the way, if there are mistakes or unanticipated consequences, they can be corrected. We should not wave a magic wand and say, okay, next year the system is going to look like this. We're going

to have to phase this thing in so we can all work together and see what the problems are.

But I have to say that I think in terms of job creation over the long run, you're going to have more people working over the long run if we don't have these costs being bounced around and thrown off from one group of employers onto another. The trick is going to be how to keep the questioner's costs low enough, and also what is the fair way to apportion the costs for the part-time workers.

Workers' Compensation

Moderator. Dear Mr. President, as a North Carolina strong Democrat and a strong supporter of the Clinton-Gore campaign, please share your views on reducing the cost of health care and workmen's compensation for my small business.

The President. Well, that's one thing I didn't say. The half of the—is that you? Good for you. This is just like a Baptist church. I figured we've got all the saints on the front row here. [*Laughter*] Let me say, first of all, one of the things that we are seeking to do in this health reform effort is to alleviate the inordinate burden of workers comp on employers by, and I don't want to get and sort of prefigure exactly what this is going to look like, but if you look at the workers comp system it is really three things: it's a health care system, it's a disability payment system, and it's an unemployment system, right? It was created at a time when we didn't have comprehensive systems to do all that. We now have health care systems, a disability program, an unemployment program, and we've got workers comp. And half the cost of workers comp is the health care.

So, what we're going to try to do is to fold the health care costs part of workers comp into this health care program which would dramatically cut the cost of workers comp. Like everything else, it's a little more complicated than it seems. Here is the dilemma. Here's the problem we don't want to do. Most people will tell you who have tried to cut down on abuse of workers comp, that having that health care part of the program out there is one thing that stops it from being abused, because you can prove that people are well; you can say, now you have to go back to work, you have to go to therapy. So, if we merged the cost into a health care program, we don't want to do it in a way that in effect cuts the rest of it loose so people can allege disability in excess of what it is and the abuses that are plain in the present system will be worse instead of less. We have to do this in a way that will reduce the abuses in the present system. So that's the dilemma. It is obviously extremely costly administratively, has a lot of health overlap, to have these duplicated health systems for employees. It's not necessary, and we ought to abolish it, but we need to do it in a way that doesn't aggravate the disability problem of workers comp. So that's the issue there. I think we can do it.

National White House Conference on Small Business

Moderator. Thank you. The National White House Conference on Small Business was scheduled to take place in 1994. Does your administration have a date set for the conference, and will you allow us to assist with issues hitting small business the hardest?

The President. The answer to the second question is yes, we will allow you to assist. The answer to the first question is, do we have a date yet? That was not a yes or a no. He's become a politician. He's just been up here a couple of weeks, and he's already—[*laughter*]—he said that the answer is, it'll be sometime between January and March of 1995. I'm really looking forward to it.

Meetings With Small Business Leaders

Moderator. We all are. And according to the time that I have, this is the last question. Rather than talk with the CEO's of the Fortune 500 about business matters, why not get a panel of small business members, 50 or less employees, say, 25 from each State, to inform you on a regular basis?

The President. Let me make a suggestion sort of to follow up on that without embracing that specific suggestion, although I think that's about as good as any I've heard. I will hereby, in front of you, deputize Mr. Bowles to work with you to come up with some formula for bringing in a representative group of small business leaders to see me on a regu-

lar basis and talk about this. Let me say we'll do that.

Moderator. Thank you.

The President. Let me make one other point about this. Let me say that I have started—and this question may have come from someone who'd seen the press on this. But I have started every week or 2 weeks for the last couple of months, through Alexis Herman, who is my special Assistant for Public Liaison—she works with groups throughout the country and also helped organize my coming here today—having lunch with business leaders from around the country. And we try always to have one smaller business person in with a lot of the big business leaders who come. We have manufacturers, people from finance. We always try to have at least one small business person at the table, or either that or someone who started a business from scratch that may not be so small anymore, but they started—just to try to have the mix. It's been an immensely valuable thing for me just to do this. And we just take an hour-and-a-half informal, off-the-record lunch. We talk about whatever they want to talk about and a couple of things that I'm working on. But it really helps to keep me connected to what's going on out there. It's pretty easy to get isolated, as I'm sure you know, in this town. And so I would embrace this. I'm glad you stood up when I said it, but it will do me more good than it will you. I'll get a lot out of it, and we'll follow up.

Government and the Private Sector

Moderator. Mr. President, your staff says that they will give us time for one more question.

The President. Good.

Moderator. Which we appreciate. Mr. President, thank you for speaking to us. I'm sure you agree that most of our social problems can be eased or solved by putting every capable American to work. What compromises in your social agenda are you willing to make to reduce the burden of Government?

The President. Well, the answer is I'm prepared to do nearly anything to put everybody to work. But let me say again the country with the lowest unemployment rate of all the wealthy countries in the world is Japan. And it would be hard to make a serious case that they have a low unemployment rate because their Government's not involved in their economy. And basically what they have is high productivity for exports and labor-intensive, even not very productive protections for the domestic market, so they can keep unemployment low. It's an interesting system. I'm not suggesting we follow it; I don't think we should. The only point I'm trying to make is that a number of the business leaders who come to see me believe that one of the reasons that we have unemployment as high as it is, is that we had nothing to substitute for the big cutback in defense spending. For example, when Eisenhower was President, we built the interstate highway network. And then we had in the seventies, we had a huge investment in building new water and sewer systems, making environmental investments that had never been made before. And then in the eighties, we had a huge investment in defense industries of all kinds, not just people in the military but all the contractors.

So my feeling is, what we need to do is to get the Government out of those things where the private sector is doing well and doing better. And I think, as I said, I'm really eagerly awaiting the work the Vice President is doing. He's consulting experts from all over America on what we can do to increase the productivity of the Federal Government. I think the Government does a lot of things that hold back the job engine in the private sector. But there are also some things that Government does well that we're not doing now as much as so many of our competitors are. For example, if you wanted to have a more efficient high-speed rail network in this country, you'd have to have some sort of public input here, just like they do in every other country.

So I think the problem is, we're doing too little of some of the things we do well, and we're doing too much of things that we can't really have much of an impact on except to slow down the job machine. And it's not so much less; we need a lot less in some areas, but we also need to far more sharply define what nearly all of us could agree the Government ought to do as well as what the Government ought not to do. And we're going to

have to be much more disciplined about it. I mean, there are lots of departments here in this town that have a good mission. But they also are doing things that they started doing 25 or 30 years ago that may or may not have a credible rationale for continuing now, and we can't afford that anymore.

It's just like you. If you want to increase your impact, and you're not getting any more money, you've got to change what you're doing. You've got to stop doing some things, and you want to start doing others. And the thing I like about this budget that we're about to adopt is that if we want to do new things, it's going to require us to stop doing some old things and will require some real discipline for the first time in a long time. And we'll do our best. And if we set up this consultation process, you can help us along the way.

Thank you very much.

NOTE: The President spoke at 9:15 a.m. at the Hyatt Regency. In his remarks, he referred to Jack Faris, president and chief executive officer of the National Federation of Independent Business.

Exchange With Reporters Prior to Discussions With President Carlos Saul Menem of Argentina

June 29, 1993

President's Approval Rating

Q. How do you like your new popularity as a result of the attack on Baghdad?

The President. I think there's a lot of evidence that people are learning more about the specifics of the economic program again, too. I think that's a lot of it.

Q. Do you really think that's it?

The President. Absolutely, I do.

Iraq

Q. There were new threats from Iraqi officials this morning, threat of retaliation. Are you concerned about that, Mr. President?

The President. Well, we'll deal with those as they arise.

Haiti

Q. Are you going to discuss the Haitian situation with Mr. Menem?

The President. Absolutely, I will. I want to get his ideas. President Menem has been a real force for democracy and for human rights in our hemisphere. Argentina was extremely helpful in playing a leadership role in the recent Guatemalan crisis. And I want to know what he thinks about Haiti and what we might do.

Q. Are you going to sell him Skyhawks, 36 Skyhawks?

Economic Indicators

Q. ——sir, last month after you took great pains to attach the jump to your economic program.

The President. They won't be up every month. But the economy in our country will have great difficulty in totally recovering in any short period of time from the traumas of the last 10 to 12 to 15 years. But I think that it's clear that if we can bring our deficit down, keep our interest rates down, we can get growth up. It's also true that we have to try to work with our trading partners to get growth up. And I might just mention Argentina. Our exports to Argentina have tripled in the last 4 years. That's the sort of thing we're trying to work on with other countries around the world. And it's not going to be easier quick. We're basically restructuring the American economy at a time when the whole world is in a rebuilding process. But I'm hopeful.

[*At this point, one group of reporters left the room and another group entered.*]

Argentina

Q. Mr. Clinton, can you tell us what you want to achieve with this visit?

The President. Well, first of all, I want to just get to know President Menem a little better. He is the first Latin American leader I have received here at the White House. I admire very much the program of economic reform that Argentina has pursued under his leadership, their respect for human rights, their support for democracy. I was especially grateful for the position taken in the recent issue with Guatemala. And there are lots of things we have to talk about.