me to be appealing to two different audiences?

The President. Well, I think that they tie families together, and they tie the future together. For example, younger people should care a lot about stabilizing Social Security and Medicare, not just for themselves but so that they will not be financially burdened by their parents' aging. The number of people over 65 is going to double in 30 years—double. People over 80 are the fastest growing group of Americans.

So if you're going to be—in 10 years from now, if you're going to be 45 years old and have kids going to college, you ought to be interested in this because you ought to want our programs to be strong so that your parents can support themselves with their own retirement from the Social Security, and you'll be free to raise your parents' grandchildren. So it is an intergenerational thing.

If you look at the education issue, the ability of America to sustain our economic dominance long term will rest increasingly on the ability of America to educate all American kids to world-class standards so they can occupy tomorrows with jobs. And so the older people have a big vested interest in education, apart from generally caring about how their grandchildren are going to do in the world, because it will stabilize and strengthen America. And we should look at America as a whole. We ought to—we've got to deal with the aging of America; we've got to deal with the challenges to the children of America; and we've got to make sure we can keep the economy going. If you do those three things, I think we'll solve a lot of the other problems just on our own.

Budget Surplus

Mr. Cuthbert. Critics of the surplus debate have said that nobody can guarantee the economic growth that is at the bottom of your plan. It seems to me—and I wish you to comment on this—that that may be the most important part of that education you're talking about, that without that education, that economic growth underlying this whole thing and the surplus isn't possible.

The President. Absolutely. Let me say though, to people who say that you can't be absolutely certain the surplus will be there as projected for 10 years or 20 years, to me that's an even stronger argument not to go out and give it away before it materializes with a big tax cut. At least if you adopt my plan, you know that we're going to be saving the lion's share of it for Social Security and Medicare and paying the debt down. So if it doesn't all materialize, at least you're going to be making headway.

But I should say a little something about economic forecasting, because it relates to what you said about education. When we say the surplus will be such and such over 10 years, based on the economists' forecasts, it doesn't mean that we think every year will always be better than the next and there will never be a recession or never be an economic slowdown. What these economists do is they factor the patterns of economic performance over a long period of time and they say, ''If you assume the average number of downturns and the average number of upturns and the economy performs as it has been performing for the last 10 to 20 years, then this is what the surplus will be.''

In other words, we have eliminated the so-called structural deficit. We never really had a big permanent deficit in America until 1981, you know, in peacetime, just a permanent deficit. And we quadrupled the debt in 12 years. We have gotten rid of that. So now if we had—God forbid—a big downturn next year or the year after next, we might even run a little deficit because there would be fewer people working and more people getting tax money. But over the 10 year period, the surplus estimate is almost certainly right.

Nursing Homes

Mr. Cuthbert. Can we turn for a moment to nursing homes? They've been running ads recently in major papers across the country about the effects of the Balanced Budget Act amendment cuts, some $2.6 billion. My mother is in a nursing home, and I can see the effects on her—less exercise periods, more difficulty getting service, more turnover in staff. How would your Medicare reforms and stabilization affect that problem, which appears to be growing?

The President. Let me, first of all, describe what the problem was. When we passed the Balanced Budget Act, we agreed

with the Republicans, we would try to achieve a certain level of savings in the Medicare program, which funds nursing homes and hospitals and home health and all that. We then produced, from our health care experts who deal with all the providers, the list of changes we thought were necessary to achieve that level of savings. The congressional budget people said they thought it would require more changes than that. So under the law, we had to do it. They didn't do this on purpose. What happened was they cut more than was necessary; they realized much bigger savings than they estimated. To that extent, our surplus is larger than it otherwise would be.

And we believe that it is mostly because we did too much that some of our nursing homes and hospitals and other programs are in trouble. And what I have done in extending, in taking the savings of the Balanced Budge Act for '97 out another 10 years, we have taken out of that some of the things we put in last time. And we have also set aside a fund of $7.5 billion that can be allocated by Congress to the hospitals and the nursing homes that have been particularly disadvantaged by this, to try to alleviate this quite difficult financial situation a lot of them found themselves in.

Prescription Drug Coverage

Mr. Cuthbert. Much of the discussion here in Lansing concerned the prescription program that so featured part of your Medicare stabilization program. I have not, in all my reading and listening, been able to discern too much opposition to that. Have you?

The President. Well, I think there's opposition. The only opposition I'm aware of now is there are some in the Congress who are opposed to it, who say that—mostly the Republicans who want to use the money for the tax cut—they basically say, ''Well, two-thirds of our seniors already have drug coverage.'' But as I pointed out today—we produced our report today—only about 24 percent have really good private sector drug coverage related to their former employment. The other coverage—either they don't have coverage at all, a third of them don't have any coverage; and the rest of them have coverage that's too expensive and too unreliable and is shrinking every year. Some of them have coverage that has $1,000 ceiling. And the most rapidly growing drug coverage has a $500 ceiling. Well, for people with drug problems, you know, if they have $2,000, $3,000, $4,000 worth of bills every year, that's not much coverage.

So we think that—this is a purely voluntary program, but we think that people ought to have another choice. They ought to have the option to have more adequate drug coverage at a considerably lower price than you get in the Medigap policy. Medigap is just too expensive. And it also goes up as people get older. And the older you get, the less able you are to pay, normally, and the higher the premium is. So I feel that this is quite a good thing to do.

Mr. Cuthbert. Speak to the fears of the people who say, ''If this prescription drug program comes in, my company will cut drug prescription benefits.''

The President. Well, we were concerned about that, because the 24 percent that have this drug coverage already, some of them actually have programs that are more generous than the one we're offering, and we don't want to mess that up. So we have offered, as a part of this program, quite generous subsidies to employers to continue such programs. And I think, actually, it might be that more employers will be willing to provide this coverage.

What's happening now is these employers are dropping this coverage like crazy right now; they're dropping it anyway. And so what we want to do is to give incentives for them to keep it, and then to add it back if they've dropped it. This will not aggravate this problem; this will make that problem better. However bad or good it is, it'll be better after this because it's totally voluntary. But the employers will have no financial incentives to drop it and put their people on the Medicare program because they're going to get direct subsidies from Medicare to keep what they've got.

President's Future

Mr. Cuthbert. As we'll hear in just a moment, we're going to hear from some of the folks who were at this meeting in Lansing,