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Remarks and a Question-and-Answer Session With the National Governors' Association

February 3, 1992

The President. I hate to interrupt your former colleague and now mine, Bob Martinez. I heard a little of that, and I think there is some room for optimism. But I also think, as John said, well, we've got a long way to go.

I want to just make some opening comments about the overall policies I spoke about the other night. And then I understand we'll have a Q&A session which I hope will be statements and positions from you as well as inquiry of me. I've learned from these sessions. But let me just make some remarks on where we are in our overall economy.

I salute the members of the Cabinet that are here, but especially our visiting Governors. It seems that everyone in this country agrees on two things: First, that we need to get the economy moving, and second, that our people are up to the challenge of remaining number one in the world. I do not believe for a minute this is a country in decline. If you doubt it, go talk to any single world leader.

Last Tuesday, I really made a challenge to the Congress to pass what I feel is a commonsense growth package and do it by March 20th, and pass a long-term series of growth initiatives without delay. So, we had it divided short term and long term. The package relies on some commonsense objectives. It encourages investment. It protects the value of basic investments, like a home. And it does not raise Federal taxes. It does not increase the Federal deficit. And it doesn't employ short-term gimmicks that create long-term trouble.

Now, we all know the political process, particularly people sitting around this table. And you know that in an election year of this magnitude, bipartisan good will is in basic short supply. But we really cannot afford politics as usual. I think we have a realistic window here of opportunity, a chance to make real progress and to do it now. And maybe I'm a little optimistic on this one, but I do sense that Members on both sides of the aisle on Capitol Hill want action now. I've watched it and listened to the debate in the last few days, and that's my feeling.

Inflation and long-term interest rates are at their lowest level in two decades. That's good in terms of the recovery that inevitably is going to ensue. And I think more and more we're beginning to hear people say this sluggish economy is turning around. And certainly the American people are ready for action.

John Kennedy once wrote, "Any system of government will work when everything is going well. It's the system that functions in the pinches that survives." Well, it's pinch time. And I have proposed a way in which all of us can rise to the occasion.

In the State of the Union Address, I outlined a short-term growth package that does take care of the essentials. And it encourages investment which allows us to expand businesses and create new ones. And I'm talking here mainly about creation of new small business. It strengthens the real estate industry which historically has led us out of recessions in troubled times. And it encourages risk-taking and investment by cutting the tax on long-term capital gains and by some other stimulative procedures. It also reforms Government. We're going after a bunch of pork barrel projects. It holds the line on spending while moving money out of unnecessary programs and into vital ones.

And here's what I think it means for you: A 13-percent increase in money available for highway funding; a 158-percent increase from last year in land and water conservation fund grants; record amounts for education, a 15-percent increase from last year; and a 27-percent increase in Head Start. These proposals will make every 4-year-old eligible for Head Start, every one.

I believe the budget puts the money where it does the most good. Now, some complain, clearly, that it doesn't do much. I am proud of what it does. It lays out a

blueprint for growth. And some of the things it doesn't do deserve some credit. It does not violate the budget agreement which is the only constraint in existence on discretionary Federal spending. And it doesn't raise taxes. And I think the program will work. And so while you're here, my pitch would be to visit the congressional delegations and urge them to move by March 20th. I really believe that deadline should be met.

Just a word about the long-term proposals. If you think of this moment in history, after the cold war, right in the middle of the information revolution where we are, something becomes crystal clear: We've got to retool America to meet the challenges of a new age, and that's an age of international competition. Cold war policies just simply are not going to get the job done.

Now, businesses have begun retooling for competition in the world economy. State governments have adopted innovations that let them provide better services for less money. And I believe that it's time the Federal Government becomes part of that solution, too. So, let's start with one long-term goal that will make a huge difference in your lives. For years and years we in Washington have talked about cutting the deficit. And I really believe we must get that deficit under control. The Federal Government is too big, and it spends too much. And what that leads you to then is real budget discipline, and the long-term plan and the short-term plan provide that discipline. And I simply cannot let the Congress bust the spending caps that now exist.

I want the Congress to do what I believe you want, transcending party lines, and that is to stop showering the States with these mandates, unfunded mandates. For businesses or for States, mandated programs and benefits too often mean mandated deficits. And I've told Congress: If you pass mandates onto the States, pay for them. And don't do it by raising taxes on all the Americans, on the American people.

I want Congress to give me something that you have. I'm not naive about this, but I'd like to have that line-item veto. And I understand the Legislature's urge to please a constituent by putting something in the budget. I was there. I was a Member of a Congress. And I also know that that practice of bending to the constituents' will on every project enrages taxpayers across the country, as well it should. So, I will keep repeating that a line-item veto lets a President or a Governor say something that's very hard to say, and that is, no.

I want the Congress to let the States apply their own resources to important social programs, apply their imaginations. And too often we have this one-size-fits-all blueprint that just doesn't fit outside of here, outside of this beltway. Jefferson called the States laboratories. We referred to that at the summit, educational summit. Well, it's time we let the States do this R&D, get going on innovation. And I want to give State and local governments greater flexibility in administering services. And that's why we propose a revised $14.6 billion block grant. And that grant will provide the States with needed flexibility to administer education and health and social services and the drug program, some of which I guess Bob Martinez was talking about.

I want to focus the Federal policy on crucial issues like welfare reform. And the key to that lies in one real simple word, and that is "responsibility." Now, many States are in the innovation business, beginning to reform welfare with that responsibility. And they believe that when healthy adults receive Government assistance, they have responsibilities to the American taxpayers who fund them: seeking work, education, job training. I see Tommy Thompson; I had a long talk with him not just about the experience in Wisconsin but about what other States are doing in these areas. And we support that innovation. Clearly, we have responsibility to those in the social safety net. And we have a responsibility to ensure that welfare is a temporary net, not a guaranteed lifestyle. So, we're going to do what we can to help reform the systems. That leads us to waivers. If you need a waiver of Federal regulations to reform, we'll get you a waiver as quickly as we can.

And I want the Federal Government at another point to redouble our efforts for the most fundamental building block of a home, a school, a neighborhood, a city, our Nation,

and I'm talking about the family. Several weeks ago—I mentioned this in making the State of the Union—a group came in from the National League of Cities, Democrats, Republicans, large cities, small cities, urging me to appoint this Commission on the Urban Family. The decline and disintegration of the family was at the very heart of the problems that they spelled out. And it was without exception; they agreed on this unanimously. And of course, I'm very grateful to Governor Ashcroft and the former mayor of Dallas, Annette Strauss, who agreed to lead this Commission.

I believe our plan looks at the fundamentals. It gives much-needed support to those raising families by increasing that personal exemption on the Federal income tax by $500 per child. I wish it could be more, but that's all that can fit into this budget that will not bust the ceilings. That's all we can afford right now. We give families a greater stake in health care and education. And it proposes IRA reforms and tax changes that help people pay for these basics.

A final issue, and one where you all have literally starred in an exemplary bipartisan manner, and that's education. The Governors have helped unleash a long-overdue and much-needed revolution in education. And I want to commend the works of Governor Romer and Governor Campbell on that report of the National Council on the Standards and Testing. The Senate has indicated unanimous support for the recommendations, and our new budget injects new funds for research, statistics, and assessment funding that would be used to help implement these recommendations. So now, we must take the work that we began together and take it further. And we must revolutionize these American schools. I don't know if Lamar has had a chance to bring you up to date, but clearly, I hope you will ask him where it stands if he hasn't.

I'd like to urge you to help me send this message to Congress to literally join in this revolutionary crusade for American education and to pass the strategy, pass the American 2000 strategy. We have got to give every child full and fair opportunity to learn. We believe educational choice is the way, the clear way to help do that. Choice serves as a cornerstone in our America 2000 program. Thirty States have already embraced America 2000. And we can ensure just around this table that every State joins the march, that every community becomes an America 2000 community, that every kid is prepared for the competitive world of the 21st century.

So, our education revolution, and I use the term "our" advisedly. Governor Nelson chided me last night because I said "my" educational program. I was taking that up to Congress because, very candidly, they have a different approach there. But I accept that because it is "our" educational program. And that revolution is ours. It started in Charlottesville more than 2 years ago. It shows what can be done when we lay down our partisan swords in service to a higher cause. And I hope that you all will serve as an example, an inspiration for all of us in Washington during the next 6 weeks.

In sum, I don't want a partisan fight over our education program or, indeed, over this growth package. And I really want us to do what's right. And my eyes are open in terms of the partisan political year. But again, we have this timeframe now in which we can lay aside our partisan ambitions and get something done for this country, both in the educational field and in terms of growth.

So I guess the bottom line is, I need your help. I'd like to ask for your help to talk to the Congress about these initiatives. And certainly I would solicit, earnestly solicit your help to see us move this country forward to try to revolutionize education for the generations coming.

Thank you all very much. In just a second we will be alone and able to hear a few suggestions or answer a few questions. Who's next?

Governor Ashcroft. Mr. President, let me just begin by thanking you for your firm and steadfast leadership in the world during this time of rapid change. We're grateful for your budget initiatives to stimulate economic growth. And your partnership with Governors is a significant one in Federal-State relations. Especially in a city that is covetous of power, we appreciate the fact that you think of us as partners. Especially we've

appreciated the opportunity of working with you on national education goals, child care legislation, on increased funding for Head Start——

Governor Romer. Could I ask the press not to leave yet? Go ahead. I'm sorry.

Governor Ashcroft. ——for clean air legislation, the U.S.-Canada trade treaty, and national transportation legislation, all of those things. We're here today to say to you that we appreciate your cooperation and pledge our cooperation with you as we share this opportunity to bring America into the 21st century.

Governor Romer. Excuse me, we need a new format here. I come as a part of a nonpartisan organization, NGA. I'm the incoming chairman, and I think there are a lot of things that we need to discuss with the administration. And unfortunately, this format is not a good one; it's kind of structured. They're assigned questions.

The President. Ask me anything you want.

Budget Proposals

Governor Romer. But I think that there are things that we do have a bipartisan program on, and there are some things that we honestly differ, Mr. President. And I, before the press left, wanted to say that on the main issue that is on your mind, and that is the economic recovery program and the budget, I think that there are some very strong feelings about that issue from Governors. And I think that we, hopefully, can arrive at a bipartisan answer to it. However, there are a couple of points that you made that I think have partisan implications, and I just frankly want to answer them before the press leaves the room.

It is in reference to your budget proposal. I also want to get gimmicks out of that budget. I don't think they're out yet. I think there's a $12 billion gimmick, which is an asterisk which is not yet identified as to where the money is going to come from. And I think there is a $28 billion gimmick in there in terms of accrual accounting, of anticipating things in the future.

Now, I want this to be settled, if we can, by honestly working through the options. But I honestly believe that we ought not pose this meeting with the Governors of how can we as Governors help you go to Congress and convince them that your approach alone is the only approach. I think there are other approaches, and we ought to, as Governors, recognize that and to say together that we need to take these differences and work at them positively. I just hope that whatever solution we come by, that we do not, in the short-term solutions, dig ourselves holes where we do not have long-term economic growth available to us.

I just wanted to lay out that issue because it was an honest issue among some Democratic Governors that we want to communicate to you, that we're concerned about the budget that you've laid out. We're concerned that it does not provide the revenue to do what is anticipated there, and we're concerned that some of those may end up on our backs, particularly the $12 billion undesignated source.

The President. But if it doesn't provide the revenue, are you all suggesting a tax increase now at the Federal level?

Governor Romer. I think that the approach that many Democratic Governors are taking is the following: That we ought to take the peace dividend, whatever size it is, $50 billion to $100 billion over 5 years, and have it directed toward economic stimulation of the country. Secondly, that we ought to take the issue of tax fairness and adjust it between the middle class and those in the upper brackets as Congress and you may jointly decide. I'm worried about trying to take the peace dividend and to make the economic tax adjustments that you suggested with figures in the budget that I do not yet believe balance.

The President. Well, let me get to the defense budget. The Democratic Governor has taken a position that it ought to be a $100 billion defense cut? I have said to the Nation I think it ought to be $50 billion, and the Joint Chiefs of Staff think it ought to be $50 billion. And I have a responsibility for the national security and the foreign policy. And in my view, $50 billion, based on recommendations from the Joint Chiefs and from the Secretary of Defense, is right.

Now, are we saying—we're getting to specifics here. Do you want it to be $100 billion, and if so, what bases do you want to

close? What areas do you want to shut down? What weapon systems do you want to knock off right now? Where do you want to lay off the people? We've got a program. We're testifying on it every day. Now, I'd like to know what your suggestion is specifically, while we have the press here.

Governor Romer. Let me answer it. The reason I got into this is that I recognized in your presentation—and before the press was to leave—was an identification of these Governors to go to Congress and argue for the budget message that you made. And I simply am trying to say there is an alternate point of view that ought to be put on the table. And that alternate point of view is, first of all, in the size of the military peace dividend——

The President. Right.

Governor Romer. ——there is a debate whether it's $50 billion or $100 billion. And I don't know the answer to that because I don't sit in the Halls of Congress. But I think that debate ought to go forward. Secondly, there is a debate as to whether or not the tax structure is fair, and that debate ought to go forward. And I think that the Governors ought to be able to participate in both parties in that debate and——

The President. Well, let's discuss it. What do you think we ought to do? What level do we have of defense spending? We're testifying every single day for the details of this program. But if you've met and you want to say something in front of the press, I ask you to be specific with me. I think that's the way we ought to approach it.

Governor Romer. Well, the specific that I'm really concerned about, about the budget, and I'll be detailed about it, is there's a $12 billion asterisk that I think hangs over the head of Governors because it may be State programs that are cut. There is accounting, accrual accounting of future receipts that concern me. There are implications of tax revenue loss in the IRA treatment in years ahead that may produce additional deficit. And in the course of the 2 days that I have been in town, I find that there is a considerable point of view, at least among some Democratic Governors, as to what that's going to mean in terms of how we settle on the economic recovery package.

Now, Mr. President, I'm frankly trying not to make this any more partisan. I'm just saying that I want to have an opportunity that we can come to the table, we as Governors on both parties, have this discussion in detail so that whatever this economic package is, it's going to fit with the States when we get it passed.

The President. I think you will recall, at the opening of my remarks, I invited that kind of suggestion. Now, inasmuch as you raised a couple of specifics, I think you're entitled to an answer. And I'd like Dick Darman, who has testified, to respond to those two points.

Director Darman. Thank you, Mr. President.

The accrual accounting point is really quite arcane. But for those who are aware of the issue to which the Governor referred, let me clarify a couple of things. First of all, the budget numbers that we published and the deficit numbers we published do not, do not include the effect of the accrual reforms. In other words, the number that is an unattractive number for fiscal year '92, which we published, $399.4 billion estimated deficit with our program, does not include the effect of the accrual accounting reform we recommend, point one. In other words, the premise is wrong.

Second, the accrual reforms which we proposed, we proposed in June of last year before the growth package. They are independently desirable. We were asked by the Congress to make a recommendation. We made that recommendation. The Congressional Budget Office was also asked. They made the same recommendation, that insurance programs should be subject to accrual accounting. The two different independent accounting organizations, outside CPA's, made the identical recommendation. And in fact, many States followed the same approach and are ahead of the Federal Government. Some have argued that had we had accrual accounting in the past, we would have seen the adverse effect of the S&L crisis in advance, and it would have taken the appropriate preventive action in advance.

So, I think that that point is not quite apt as a criticism. In fact, it's a useful reform

we're recommending, but it is not used in the deficit numbers that we published at the lead of the budget.

On the IRA scoring issue, again I'm afraid there's a little bit of confusion. We actually scored the IRA proposal as losing money. But we nonetheless propose it because we think it has a favorable long-term effect on growth. There are some in Congress who have proposed IRA reforms which they score positively. We did not adopt those. We adopted and explicitly over 5 years showed revenue losses: small gain in the first 2 years, substantial decline in the 3d, 4th, and 5th year, with the declines increasing in exactly the manner you suggested, Governor Romer. But we did it above board, and we financed it.

On the point about the asterisk—sorry for going on so long, Mr. President, this is all rather arcane. This one is extremely technical. I believe what you're referring to shows up in fiscal year '94 and '95. And it's the only thing that I can think of that would qualify as related to the number you've mentioned.

What we have done is we have proposed a budget authority freeze, fiscal year '93 relative to '92, with every single program cut fully identified above board, with every program termination fully identified, and with all the increases identified. That's what the law asks us to do. That's all we have to do in the Federal appropriations process, one year.

For the outyears, we extended the budget authority freeze forward, '94, '5, '6, '7. The outlays that are associated with that you can't know at this stage; you don't know until the Congress has made the decisions on fiscal year '93. And you have to assume an outlay ratio. We did, but they've hit the cap. So, we made an allowance adjustment to make it consistent with the law on the outyears at the same time as we proposed to amend the caps to make it conform correctly.

But none of that has effect on the actual appropriations process. For the appropriations process for this year every single line, every project, every proposal is specified in detail. There is no magic asterisk.

Thank you, Mr. President.

The President. While the press is here, did the Democratic Governors meet, and is there any feeling that we shouldn't press to try to get something done by March 20th? Is there a spokesman on that point? Because what I would like to suggest, not that you have to sign every "t" and "i" but that we all urge Congress to move by that date. If that date isn't good, what date? Is there feeling on that one?

Governor Richards. I don't believe, Mr. President, that there was any question that the Democratic Governors as well as the Republican Governors are anxious to have Congress move expeditiously. There was no discussion of a magic date, but I suspect that the Congress is going to move very quickly, not only because we're going to urge them to do that because it's the right thing to do, but because we are very cognizant that it is an election year. It is time for Congress to get its budget proposals out there.

The President. That's good because I think most agree, people in the country agree that it can move. It moved very fast on, and properly so, on these extended benefits, and I think it can. And I just hope that that's an area that we can have common, make common ground here because it's important.

While the press are here, are there any other—Jim, yes.

Medicaid and Welfare Waivers

Governor Florio. Mr. President, I'm authorized to ask a question that I think is on the minds of many of the Governors. As we try to put together our budget problems, there are two areas that sort of jump out that are extremely difficult for us to deal with: One is health care in general, Medicaid in particular, and the other is the welfare situation that you've talked about.

We are all trying to, in the best federalistic tradition, frame our own packages to be able to be cost-effective. And we are doing it, at least some of us are doing it, in ways that are not, policywise, universally applauded. It is tough. I was pleased to hear in your State of the Union Message the discussion about waivers, and today again I was very pleased.

I guess what I would urge, and I think I

urge it on behalf of everyone, is that the Departments, particularly Health and Human Services and of course OMB, which gray eminence always plays a particular role here, look at these waiver requests with the—I'm hesitant to use the word—the most liberal interpretation capable in order to let us put these programs into play in the way that we think our localities will be able to deal with them.

And then, and most importantly, expeditious. There has to be some review of these things quickly as opposed to—and I was talking with the Governor of Massachusetts who was lamenting the fact that it took a year for something that he has an interest in. So that if there's a way that you can, in accordance with what you've expressed already, communicate directly with some of your folks that this is a high priority, it would help us. I suspect it would help the Nation. And I just want to lay that out as a very important initiative that the administration can take.

The President. I think we've got agreement on that one. And I can assure you that's what we will be trying to do. I hope it doesn't require—we were just talking about this when I was talking to the Director before coming over here, as to whether legislative changes are essential in any of this waiving of authority and control. And I gather we can do a lot without that.

But Dick, do you want to address yourself to that one? Some of it, again, is technical.

Director Darman. Only to say, Mr. President, that this is one where I do think we are in complete agreement and are anxious to make sure that the waiver process moves more quickly and also that in applying it we're more flexible than we have been in the past, both of which I think have been subjects of legitimate complaint by the Governors. That is, that we've been too slow and that we've been too, if you'll pardon the word, illiberal. So, I would think under the President's direction you'll see a visible and discernible and prompt change on this subject.

Governor Miller. I'd just like to ask a more particular followup question, after the President, of the Office of Management and Budget, and that is: Can that be interpreted to go into the provider payment in which the OMB had a contrary position that was more limiting on States just several months ago and that was worked out, a temporary compromise, I believe, with the Congress? Can we interpret, then, that with that type of philosophy that we will be able to utilize that in the future? And that's something that affects our budget of potentially $25 million; some other States, a couple of hundred million. And that's the type of interpretation, I think, that has caused us some concern.

Director Darman. Are you referring to the Medicaid agreements we reached—excuse me, Mr. President, may I?

The President. No, please.

Director Darman. The Medicaid agreement we reached at the tail end of the Congress and then legislated? We propose to honor that 100 percent, notwithstanding the interest in reforming the health system. And some have advocated going back at disproportionate share and other things and reopening that agreement. We propose to stick with that agreement, honor it, and live within it. It, I think, is a stable and mutually agreeable place to move forward, isn't it?

Trade Initiatives

The President. Any others? Tommy.

Governor Thompson. Mr. President, let me compliment you on your leadership as trying to get through GATT and the NAFTA. If we're going to get our economy moving, it's got to be done with a lot of exports. I was wondering if you could give us an update as to how the GATT is proceeding as well as NAFTA, which is very important to States like Wisconsin and Texas. And I want to compliment you on your leadership in that regard.

The President. Well, NAFTA, as you know, is getting a little caught up in politics. We are not going to take a bad agreement to the Congress. We are going to push for a North American free trade agreement. I talked to the Prime Minister of Canada yesterday on it. I've been in touch with Salinas of Mexico, who's doing a superb job down there. And I told them we are not going to pull back one inch, politics or no politics.

This expands job opportunity for Ameri-

cans. And the argument that it takes American jobs away is just not true. Just in recent history, the exports to Mexico have dramatically gone up, and that's very, very good for American jobs. So on that one, we're pressing forward. I'm going to try to set aside any political timetable on it but move it to completion.

We are being fought by the unions, strong. They are wrong. And those of us who believe in expanding markets and a more prosperous Mexico is good for the United States, whether it's their ability to do something about their environment, or whether it's their ability to buy more American goods, that's sensible trade policy. So, we're going to press for it. Whether we'll get it, Governor Thompson, in time or not, I don't know.

The GATT, which in a sense is broader because it gives us problems in Europe, is extraordinarily difficult. The major stumbling block is still agriculture. It is not the only stumbling block. I had a chance to visit with President Mitterrand up at the United Nations on Friday. We've agreed to talk again in a bilateral meeting on this subject. The Germans are involved, and they tell me they're trying to be helpful. But I don't want to misrepresent it to the Governors; we still have some big problems on bringing this one to conclusion.

And it is essential that it get done because if it doesn't get done, what we're going to do is see the world start dividing up into trading blocs. There's one out in Asia that makes some sense, the ASEAN bloc. But if you add to that Japan and try to make a Pacific trading bloc, that would not be good for free trade worldwide. I similarly went to great ends to tell them that the NAFTA, the free trade agreement, was not an effort on the part of this hemisphere to divide into a trading bloc. And I think I've made that point, I hope convincingly, to the EC and to Europe.

But it is important we get that deal done, and get it done so the Congress can approve it. We're not going to take a bad deal up there. It isn't simply agriculture: We've got intellectual property rights; we have market access; we have some other ingredients. But we've got good people working this problem. There's Ed Madigan here today. He's handling the agriculture end and can expand on that. But Carla Hills, doing a superb job. It isn't easy right now because I think it's much more European politics than it is U.S. at this time. Because the common agricultural policy there is one of high subsidization.

And the last thing I'd say, for those who are doubtful about it or unclear, the best way to help countries that need help the most is through a successful conclusion of the GATT round. The Third World countries would benefit there more than any others.

But Ed, do you want to add a word to that? Because I know a lot of people around this table are vitally interested in the agricultural component of this.

Secretary Madigan. Mr. President, the Director General of GATT, Arthur Dunkel, has made a proposal for the solution to the round, and that proposal is regarded by the United States as being a very acceptable framework for bringing the negotiations to a close. And as you point out, the Europeans will not accept it. So, Mr. Dunkel has begun meeting unilaterally with the Europeans this week to see if he can work out something with them that he would then propose to the rest of us. We don't know the status of those talks at this point.

The President. Pete, Governor Wilson.

Congressional Mandates and State Priorities

Governor Wilson. This is really coming back on Jim Florio's point. I think that there should not have been a Governor listening to your State of the Union who didn't cheer when you made the point that you did and that you repeated this morning about waivers. If there should be bipartisanship on anything, at least among the Governors, it's on that point. I can't think of a Governor here who has not at some point or another given voice to the complaint that we are being compelled to spend State tax money in accordance not with our own priorities but really with the agenda of the congressional committee chair. And it does distort priorities. It does distort our spending, not just at the State level, but I would suggest that most of the distortion is linked to Federal spending.

And so, I would say that we have reason to be not only grateful but also, as we seek the waivers, I think we're all well aware that the waiver is temporary relief. God knows we're grateful for it, and we are very grateful for the speedy action that you're bringing about. The real answer is that Congress passed these laws, and Congress should repeal them. And I think we ought to help one another. I think, frankly, that those of us who have complained so loud and long have an obligation to ourselves as well as to you, not only to Federal taxpayers but to those common constituents who are State taxpayers as well, to go up there and really start changing the laws. Now, that's going to be hard to do because committee chairmen enjoy the power of the purse. They love that generalized prescription.

But this may not be the perfect season in which to do it. But after your reelection, to venture a partisan comment, we ought to go up there, bipartisan, and say to these committee chairmen, "We've had enough. You are distorting the whole process."

The President. Would it be possible to get agreement amongst Democrat and Republican Governors as what legislative changes would be enacted, whether we could get together on that, whether the Governors' Association might get together and suggest legislative changes? Because if that came up there in a bipartisan way, I believe it would make a tremendous impact on Congress, far better than, say, the administration taking it up with the backing of some Governors.

Governor Romer. I think that there is the possibility for us to do some bipartisan work in that area, and I think it would be very helpful for us to sort that out. And Mr. President, I appreciate this conversation. This is what I was hoping that we could do, is to identify those things where we bipartisanly really can go together, but also to identify that there are some times and some places in an election year that we do have differences. And I appreciate your giving us the opportunity to raise these differences this morning. And the reason I did it in an abrupt way, I just did not want us to be in the posture of endorsing only the one economic approach which was in your State of the Union Message. There is more than one, and I appreciate you giving us the opportunity to expound that this morning.

The President. All I was doing was appealing for an endorsement, not suggesting you endorse it. [*Laughter*] I've known you too long.

Who's next? Terry.

Agricultural Trade

Governor Branstad. Mr. President, first of all, I want to thank you for your assistance in trying to open some markets for us. Something that was done a few years ago, opening the market for beef in Japan, is really making a difference in my State. And I heard David Gergen say recently that 80 percent of the new jobs created last year were as a result of exports. We can't afford to go into protectionism. We have to continue to fight for access to those markets. And I just want to encourage you to continue to lead that effort for access.

We're being discriminated against in the European Community because of the hormone issue, which is a false issue, doesn't have anything to do with health. And we need to continue that. And I know that's a stickler; that's an issue in the GATT negotiations. But I just want to encourage you to continue to take a strong stand on that. It's very important to us, especially in agriculture. Given an opportunity to compete in a fair playing field, we can compete in the world.

The President. You want to respond, Ed?

Secretary Madigan. I think, Mr. President, in the Dunkel text, the standards on sanitary and biosanitary issues have been well-regarded by the wheat producers in the United States because they would deal with that hormone issue in Europe. That's one of the things that all of our producers seem to like about the Dunkel text.

The President. Governor Sinner had his hand up.

Energy Policy

Governor Sinner. In this whole area of trade I get very nervous about us putting ourselves in a continual vulnerable position on energy. I can see why other countries have the same feeling about food. You and I had a long talk about energy when you were Vice President, and you had been

over to the Middle East. And I remember then that you shared my concerns that we sit here totally vulnerable to a Middle East tyranny. And I want the free trade. But I think when you get into the area of energy and food, we have to understand that the people of Europe have been hungry, and they aren't going to forget that. And we have been through a horrible war, $100 billion we spent, a couple hundred thousand people dead to protect our energy resources. I want to say that I think we have to be extremely careful and not euphemize free trade as though there weren't some other considerations because it is not magic. It's not in the Constitution. What we are bound to do here is protect the people's needs.

The second thing, you asked a while ago if any of us were for tax increases. And I don't speak for anybody but myself. But my children and your children and the children of all the people around here are going to pay one hell of a debt. And I, for one, say my answer to your question: Yes, I would favor that. I think it's time we go back and tax some of the wealthy people. I'm not super-wealthy, but what I pay in income taxes isn't very much, really, compared to what people in low-income brackets pay. I think you could tax the wealthy a lot more.

And the fact is if we continue into this sewer of debt, our children and the families that are suffering today, that's nothing compared to what the families of tomorrow will suffer. So, I just want you to know that I, for one, would stand and say yes, I do think we should raise them.

The President. My problem on that is that the percentage of the GDP, GNP taken by taxes is inching up and is too high. But anyway, we have a difference on that one.

I don't think we've got a difference on energy. One, you and I do agree, I think, that there is a risk in becoming ever more dependent on foreign oil in this country. And one of the reasons I strongly support the ANWR is because, one, I think it's environmentally compatible, and secondly, most importantly, I think that offers us a chance to at least turn around this increasing dependence on foreign oil. And I think it's about time that we make that case. For those of us, Democrat or Republican, who believes in our national energy strategy as outlined, we ought to fight for it. So, I don't think we have a difference.

What I'm getting at, though, is I don't think that there's anything in these free trade agreements that is going to adversely affect development of domestic energy. I just don't believe that there's anything, if we've got a good NAFTA or we get a good GATT agreement, that either one of those would make us more dependent on foreign oil at all. I don't see the connection on that one. Maybe I've missed it. But I certainly don't want to see us become more dependent on it, and I don't think we have to.

Governor Sinner. [*Inaudible*]—that free trade will somehow or other obliterate the dangers that befall society if we become totally dependent on something called free trade in energy. That's the point I wanted to make.

The President. Yes, unfortunately we're becoming, because of failure to move forward with safe nuclear power, which I think we can do—we'll get a lively debate on that one around this table, I'm sure—or getting more technology going, I think we've got a problem on energy dependence. And I'd like to see it reverse. And that's what we've tried to do in our national energy strategy which we have not gotten through the Congress. Again, I'd make an appeal for you people that are interested in the energy side of things to take a look at it and support it where you can.

I see Jim over there, who's done a superb job on our overall energy requirements, trying to make us less dependent. I cannot certify that our program—and, Jim, correct me—will make us independent of foreign sources of all energy. It won't. But it will move us in the right direction. Is that about right?

Secretary Watkins. Yes, that's right, Mr. President. The bill stripped down will come to the floor this afternoon at 2 p.m. It will then go through a debating period and come up for a motion to proceed. Whether there's going to be a filibuster, I don't know. That should happen on Wednesday, but we should be underway on the debate. Unfortunately, it does take out the Arctic National Wildlife Refuge. It takes out the

CAFE standards which we we've been against all the way along. Nevertheless, the Arctic National Wildlife Refuge, as you mentioned properly, is part of the growth package. It is worth about 500,000 jobs over the next 10 years. It's worth about $200 billion in reduction of our trade deficit. Those monies always go offshore.

The movement of that particular refuge will not only be worth that 8.5 billion barrels but will also carry along, with the residue of the Prudhoe Bay will add another billion barrels. Now, that's good for the economy of the United States. And so that's why you include it as part of your growth package and encourage them to pass this bill, which is filled with natural gas expedition movements to the private sector, to industry, to business. It's good; it's clean. You've got a very balanced program there, and I'm hopeful that the 14 titles that remain, that we will see an expeditious address by the Congress.

And I hope that we can continue the fight for bringing back the Arctic National Wildlife Refuge as part of your growth package, if nothing else. You can't get it in the energy bill; keep it in the growth package. It is real growth.

We need revenues to find the alternatives to oil which is the very thing we're trying to do in getting alternative fuels. You have the most powerful alternative fuel package that's ever been put together in this country, to go in all directions. It will help many Governors around this table with the ethanols; the methanols; the electric car, the opportunity to drive those electric cars with the off-peak loads in our industrial plant today. We have plenty of electrical power for 120 million of those vehicles. We can get off this oil in our transportation sector.

And we still need the oil, our own oil. And so, we can move in the direction that stabilizes that increase in imports. And I think your bill not only does that, but your bill is a very powerful growth package for both jobs and revenue for the country.

Low Income Home Energy Assistance Program

The President. Governor Dean.

Governor Dean. We've been tossing around huge numbers. I want to talk about a much smaller number, just about $500 million. In your budget last year, you recommended the cutting of the low-income human assistance program. It's a small program. It's $1.5 billion this year. It's principally used in the northern States to help people get through the winter with fuel assistance. We had to put some State money up. Of course, we had to level-fund our State budget this year, so that meant we had to take the money from somewhere else.

In your budget this year, Mr. President, it's recommended that you cut the program again by 33 percent. And we could barely handle last year's cuts. I would ask that you might reconsider and possibly levelly fund that, which I think would be consistent with your own budget goals. It would mean a great deal particularly to those over 65, living alone, and who really depend on this program in the northern States for keeping themselves warm throughout the winter.

The President. Has anybody got available the figures on home heating oil price, say, 2 years ago compared to what it is now?

Governor Dean. Well, this year, Mr. President, you're correct. This year we were able to——

The President. It's less, isn't it now?

Governor Dean. It's much less now, and that's one of the reasons we were not hurt as badly by the cuts this year. But I don't expect the home heating oil price to go down another 33 percent next year. And also, of course, there are a great many, at least in Vermont, that heat with other fuels such as wood or natural gas, and the price has not dropped commensurately.

I'm not so much complaining about last year's cut, which we did deal with, but if we were to lose 33 percent of that program, small program though it is, we would be devastated.

The President. Dick, do you want to comment on it? I can't remember the exact numbers. Go ahead.

Director Darman. The Governors will perhaps remember, Mr. President—it's all a question of perspective, I suppose. The standard proposal for this program, which is known colloquially as LIHEAP, the standard proposal has been zero in the past from

the administration. And this year, we're at a billion. So, we look at it as a billion more than some might have recommended and proposed, and you look at it as half a billion less.

The way the appropriations process works, as you know, these things are still subject to adjustment within the caps. And so if this goes up 500, something else has to go down 500. This is not one that we would, I think it's fair to say, fight and die over. We thought a billion was a lot more than zero. I can understand why you think it's less than 1.5 billion.

Medicaid Waivers

Governor Romer. I want to thank the President for his willingness to exchange these views with us on such a candid level. And I appreciate his welcome to the White House that he has consistently extended to us as Governors.

And even more importantly, I appreciate the fact that we've been able to work together in a true federalism partnership which has made it possible for us to be more productive.

Some of the questions today even reflected the way in which we've been able to work out differences. The one about the Medicaid settlement was a very serious problem to a number of us. We worked together through the months of October and November in a fashion which included they-said-it-couldn't-be-done type activity. And the Congress, because the President had worked so arduously with us toward reconciling those differences, agreed. And we were able to stabilize the situation which was highly volatile for our own budgets and for the Federal budgeting process as well.

So, Mr. President, thank you very much for your special welcome to us, and your kindness to us, your cooperation with us, and your willingness to exchange these views with us. We're deeply grateful to you.

The President. Listen, I enjoyed having you. I see John Sununu. I think those of you, as we tried to get through that Medicaid problem, you had an inside voice here. [*Laughter*] And I really think he deserves credit for the fact we were able to reach agreement that brought some relief and, I wouldn't say joy, but at least less concern to the Governors around the table. I'm very grateful to him and Dick also. But it required some skill up on the Hill, too, which he demonstrated.

But in any event, thank you all very much. And I appreciate the spirit of this visit, and look forward to doing this again. Thank you very much.

Note: The President spoke at 11:15 a.m. in the East Room at the White House.

Exchange With Reporters Prior to Discussions With President Ronald Venetiaan of Suriname

February 3, 1992

Japan-U.S. Relations

Q. Any defense of American workers in response to what Mr. Miyazawa said?

The President. Just go by what Marlin Fitzwater told you guys when you asked the same question about 6 hours ago. [*Laughter*]

Q. Have you seen the——

The President. Strong support. I just heard what Marlin said, and I back it 100 percent. I also saw the correction by Mr. Miyazawa, I'm pleased to say. So, that was fine.

Q. Do you accept that, sir, as an apology?

The President. I accept it for what it was, a very clear statement from a good man, a man who has said clearly that they're going to live up to their commitments, and I support him for that. And we had a very good visit. So, you know, he's gone out of his way to make clear that he was not denouncing all American workers. And I strongly support them and continue to say so. We can compete with anybody in the world if we're