

Mar. 2 / Administration of William J. Clinton, 1998

## Letter to Congressional Leaders Transmitting a Report on International Agreements

February 27, 1998

*Dear Mr. Speaker: (Dear Mr. Chairman:)*

Pursuant to subsection (b) of the Case-Zablocki Act, (1 U.S.C. 112b(b)), I hereby transmit a report prepared by the Department of State concerning international agreements.

Sincerely,

WILLIAM J. CLINTON

NOTE: Identical letters were sent to Newt Gingrich, Speaker of the House of Representatives, and Jesse Helms, chairman, Senate Committee on Foreign Relations. This letter was released by the Office of the Press Secretary on March 2.

## Message to the Congress Transmitting the Trade Policy Agenda and Trade Agreements Program Report

February 28, 1998

*To the Congress of the United States:*

As required by section 163 of the Trade Act of 1974, as amended (19 U.S.C. 2213), I transmit herewith the 1998 Trade Policy Agenda and 1997 Annual Report on the Trade Agreements Program.

WILLIAM J. CLINTON

The White House,

February 28, 1998.

NOTE: This message was released by the Office of the Press Secretary on March 2.

## Remarks to the Mortgage Bankers Association of America

March 2, 1998

Thank you all so much. Thank you, Marc, and Paul Reid and Mike Ferrell and all the officers and staff of the Mortgage Bankers Association; to our national Treasurer and members of the National Association of State Treasurers. I'm delighted to be here, along with Frank Raines, my OMB Director, who used to spend some time with some of you, and Gene Sperling and others on our staff.

I have looked forward to this day for a long time, just to be able to thank you for the work that all of you have done in giving America the highest homeownership rate in the history of the Republic. It means a lot to a lot of people out there in the country, and I appreciate your role in this historic achievement. And I thank you very much.

In my State of the Union Address, I called upon all our people to strengthen our country for the new century ahead. Historically, that has always meant deepening the meaning of America's freedom, strengthening our Union, and drawing our people closer together across all the lines that divide us, and clearly, always widening the circle of opportunity.

Now, we are seeing a remarkable increase in the circle of opportunity. In addition to reaching the highest level of homeownership in history, millions of Americans have been able to refinance their mortgages, which has amounted to billions and billions of dollars in tax cuts for families, putting more money in their pockets, freeing up more for investment and savings. Access to capital has spread to minorities who for years have been locked out of the economy.

And I appreciate what Marc said about going to New York. We do see increasing homeownership rates for minorities now, and I hope it will continue. Our capital markets are the strongest in the world, and clearly, they have played a major role in helping us to do well in this new economy.

Today what I'd like to do is talk to you just for a few minutes about why we have to follow a consistent strategy of fiscal discipline and investment in our future and our people. The strategy that has worked for the last 5 years we must continue into the next century. I also want to talk about how all the discussions surrounding the tax system and the IRS fit into this: what is the right way to cut taxes; what is the right way to reform the IRS; what is the wrong way to do it? I especially want to comment on what I believe strongly is a misguided scheme recently introduced in the Congress that I believe could take us back to policies which have failed us in the past.

These are good times for our country, with a new economy powered by technology, nurtured by the ingenuity of the human mind, enlarged by our newfound fiscal discipline at home, and increasing trade among all nations. Over the past 5 years our new economy has produced now almost 15 million new jobs, with the highest percentage of those jobs in the private sector of any recovery in memory. Unemployment is the lowest in 24 years; business investment is growing at 11 percent, the fastest pace in 30 years; since 1993, family incomes are up about \$2,200.

Today we have fresh new evidence that the economy continues to grow. Personal income rose six-tenths of one percent last month alone. Our social problems, from crime to welfare, are bending to our efforts. The welfare rolls are the lowest in 27 years; the crime rate the lowest in 24 years. We now have, literally, a system in which we have opened the doors of college education to all people in this country who are willing to work for it, with tax credits, with IRA's, with better student loans and tax deductibility for the interest on those loans, more Pell grants, more work-study positions. We are adding 5 million children from working families to the ranks of those with health insurance. Combined with our record levels of homeownership, the American dream is clearly within reach for more and more American families.

This did not happen by accident, but no one alone can claim credit for it. It was the product of a remarkable concerted endeavor by tens of millions of Americans. But it also was supported by the economic policies that we have followed with discipline and consistency over the last 5 years. We moved beyond the sterile debate between those who said Government was the problem and those who said it was the solution to a new way, a new Government for the information age that gives our people the tools they need to make the most of their own lives, that is unashamedly a catalyst for new ideas where the old ones don't work, that is a good partner with the private sector.

We have the smallest Government here in Washington since President Kennedy was in office. But it is still more progressive, more active. It is smaller, but the Nation is stronger. We put in place a three-part economic strategy, rejecting these false choices from the past: first, restoring fiscal discipline and conquering the deficits that hobbled growth, spiked interest rates, and robbed our economy of capital for investment throughout the 1980's; second, investments in our people, in science and technology, in education and job training, and health care, so that everyone has a chance to reap the rewards of growing prosperity; and third, we responded to the global nature of the new economy by opening new markets to our goods and services.

The strategy is clearly working. There is renewed confidence in the American economy. Its stability, its strength, its steady growth are the envy of the world. More than ever we are also investing in the future. A record two-thirds of Americans almost—as Marc said, almost two-thirds—now live in their own homes, and we must finish the job. I agree with you that the most important thing we can do in this session of Congress is to support Secretary Cuomo's plan to raise the FHA loan limit. We can pass it, and we must.

Now, last month I submitted to Congress the first balanced budget in a generation. If we are fortunate and if we can work together with our allies around the world to minimize the impact of the recent difficulties in Asia on our own economy, Mr. Raines says that we'll probably have a balanced budget this year. Instead of deficits, America can now look forward to about a trillion dollars in surpluses over the next 10 years.

Now, that is a tempting target in an election year in Washington. But, first of all, let me remind you they have not materialized yet. And we shouldn't count those chickens before they hatch. Secondly, we should remember what we did to the long-term strength of America when we quadrupled the debt of this country in the 12 years from 1981 through 1992. And we should not repeat that error again. Finally, we shouldn't use the surplus for any new tax cuts or new spending programs until we have confronted the challenge of saving Social Security first. I think that is very important.

All of you are generally familiar with the problem. It's projected that the Social Security Trust Fund will not cover payments starting in the year 2029. That's the year when all the baby boomers will finally be in the Social Security system, and at presently projected birth and immigration rates and labor force participation rates, it means that there will be only about two people working for every person drawing Social Security.

Now, those things could all change to some extent, but no matter what, it is clear that the generation of the baby boomers entering the Social Security system will be quite larger than the generation just following it. Indeed, the generation now in public schools, starting last year, is the first generation in American history larger than the baby boom generation. I do not know a single person my age or younger—because I'm the oldest of the baby boomers—I hate that, but it's true—[laughter]—I don't know a single person who doesn't think about the problems we could create for our children if we don't make the changes now in the Social Security system we need to. No one wants to burden our children and our ability—their ability to raise our grandchildren.

On the other hand, it is important to remember that it's just since 1985 that senior citizens have been less poor than the rest of us. That is an astonishing achievement for a country that 60 years ago had 70 percent of its seniors living below the poverty line, many of them in abject poverty. Now, if we make small changes today with discipline, we can deal with this issue. And I also want to point out something all of you know, which is that hardly anybody—even though Social Security helps people keep body and soul together—hardly anybody in America can retire and maintain his or her standard of living on Social Security alone. So we must also

do more to help Americans save for their own retirement. We've done a lot of work with the 401(k) plans and other things; we need to do more.

So we're going to work in this next year very hard, in what I hope will be a completely non-partisan way, to acquaint the American people with the details of the challenge before us, to explore all the alternatives, and then to come up with a solution, which I hope the Congress will pass early next year to deal with this. You say, well if you pass it in 1999, 2029, that's 30 years away. First of all, those of you in the audience who are my age or older know that 30 years can pass in the flash of an eye. But secondly, I would remind everyone that the longer we wait to deal with this, the more severe actions will be required to deal with it. If we move now, with modest but disciplined changes, we can do a great thing to ensure the financial strength of America in the 21st century and to preserve the compact that binds us together across the generations. I cannot emphasize how strongly I feel about this.

Now, there are other economic challenges we face as well, and I'll just mention two very briefly. One is, how do we extend the benefits of enterprise that have brought so much to America in the last few years to those who still have not felt the impact of the economic recovery, principally in the inner cities and isolated rural areas? We have a whole range of proposals in that regard, a lot of them coming out of Secretary Cuomo, a lot of them coming out of the Vice President's community empowerment initiative, but I think it is very important that we recognize that these people who are still unemployed or underemployed are the great target we have for the rest of us to keep the economy growing with low inflation, so we can do what is morally right to try to expand opportunity to people who still don't have it and help the overall American economy as well.

The second point I'd like to make is that if we want to continue to see this economy grow, we have to have people who are skilled enough and well trained enough and well educated enough to take positions in tomorrow's economy, not yesterday's economy. There was a study which came out a couple of weeks ago, I can't remember the exact number, but there was something like nearly 400,000 openings in America today for people in information technology related jobs. And when you go to some

of our larger inner-city neighborhoods where the unemployment rate is still 10 percent, you say, well, what is wrong with this picture? Well, we got one indication of what is wrong with this picture last week when we saw that our 12th graders in the International Math and Science Survey scored 19th among 21 countries in their performance in math and science.

So the other big economic issue before America is how to make our system of elementary and secondary education as good as our system of higher education. No one doubts that we have the best system of colleges and universities in the world; we should not rest, and we cannot rest, until we have the best elementary and secondary education in the world. It is a major economic issue for our country.

Anyway, it's against this background that I think you have to see the emerging debate, or, if you will, the continuing debate, on the tax system—what taxes should be cut and how? And the IRS, how should we go about collecting taxes? This is a hazardous discussion that it's easier for me to enter into maybe because I'm not on the ballot anymore—[laughter]—since there's no such thing as a positive thing anyone ever wants to say about this.

But we need to think about it. This debate can be a very healthy thing. We should always be examining, you know, whether there are changes in the tax system we could have which would either be fairer or which would achieve our common objectives more or which would grow the economy faster. And we should always be looking for ways that, through either common sense or new technology, we can ease the burden on our people of paying taxes—always. The door should never be shut to reform, and there will always be more to do no matter what system we adopt. I think all of us know that.

But the point I want to make today is that this debate must occur within the context of our commitment to a long-term economic strategy that will work for our people. It should occur within a context of our commitment to maintain economic confidence in the future. There is a right and a wrong way to do reform. And the right way must involve our continued commitment to fiscal discipline, to investing in our people, and to making the future a predictable and confident one in terms of our economic policy.

Now, within that context, over the last 5 years we've worked hard to reform our tax laws.

We've honored our responsibilities as parents with the \$500-per-child tax credit. We've rewarded work by more than doubling the earned-income tax credit, which basically is designed to say if you're a parent and you work 40 hours a week, your child ought not to be in poverty. Over 2 million children have been lifted out of poverty because of the changes in the earned-income tax credit.

We've recognized the importance and the cost of college education with the HOPE scholarship tax credit, which is worth \$1,500 a year for the first 2 years of college, lifetime learning credits for junior and senior years and graduate school, the tax deductibility of student loan interest payments, and other initiatives.

We've encouraged homeownership by eliminating capital gains on almost all home sales. And we've helped Americans save for their retirement, for their education, and health care costs, by expanding IRA's. At the same time, billions of dollars in tax loopholes that were more wasteful have been closed.

This year, the balanced budget proposal I presented to Congress continues to help working families with new tax cuts to make child care more affordable, our economy stronger, and our environment cleaner by meeting the challenge of climate change.

We also had to continue our work to improve the operations of the IRS. Like every American and the majority of IRS employees, who are trying hard to do their jobs well, I get outraged when I hear about abuses in the IRS. But we are making changes, and we must continue to do so. I've already signed into law 40 tax simplification measures and a new Taxpayer Bill of Rights.

As of February 20th, less than 2 weeks ago, 10.7 million Americans had filed their tax returns electronically for this year; that's a 19 percent increase over last year. Three-point-eight million Americans have filed by telephone; that's a 25 percent increase over last year. The average telephone conversation is 10 minutes. I think that's pretty good, and I hope more will continue to do that.

We are having problem resolution days, which have been widely publicized by the media, and I thank them for that. In every IRS district, at least once a month, where the IRS employees are open—they open the offices at night or on the weekends—people come in with their tax

problems, and we try to resolve them in a quick and informal way.

I think all these things are very important. We just approved new regulations to protect so-called innocent spouses who are left with tax liabilities by their spouses, that they had no role in undertaking. Now, there's more to do, but a lot has been done. Among the new reforms proposed are new citizen advocacy panels, new systems to file taxes by phone or computer to make it even more easy and more widely used, stronger taxpayer advocates, phone lines open 24 hours a day, further relief for innocent taxpayers.

Late last year the House passed these reforms almost unanimously. I think there were over 400 votes for them and only 3 or 4 against. So again let me say, I hope that the Senate will quickly pass this legislation and send it to me for my signature. It's a good bill, and it will do a lot of good for Americans.

Now, we need to continue to do these kinds of things, and we need to be open to broader reforms of the tax system. But there are some people in Congress who have made a proposal that I think would not fit within the formula of economic discipline and confidence that I believe we have to stay with. Under the guise of reform, they have proposed what, to me, is an irresponsible scheme—to eliminate our tax laws without any system to replace them.

Now, at first glance, this might look good. "Sunset the Tax Code. When everybody knows there will be no more Tax Code, that will shake everyone up, and then they will come forward with a responsible alternative. And trust me, everything will be fine." That's the message. Once you know that the old code is gone and on a date certain it won't be there, well, everyone will surely have to come up with something, and it must be something that will be better. "Don't worry about the details." That's what this proposal is, and it has a lot of appeal. It's like saying you can't go on a diet until the refrigerator is empty. But if you think about it, it only works if you know that you can fill the refrigerator up again and what will be in there.

Now, instead of proposing reform, this proposal is really economic uncertainty. What we have done is to restore some confidence and predictability to the American economy. When you knew that we were going to stay on a path of fiscal discipline and the deficit was not going

to go to \$300 billion a year, was not going to go to \$370 billion a year—which was what it was predicted to be for this year when I took office—instead of \$10 billion or zero, which is what it's going to be, this is a way of going back to that era—a total economic uncertainty.

What would it do? Think about your business. It would cripple families' and businesses' ability to plan and save for the future while the uncertainty existed. It would undermine the fiscal progress of the last 5 years. No one concerned about fighting crime would even think about saying, "Well, 3 years from now we're going to throw out the criminal code, and we'll figure out what to put in its place." No one would do that. That is what this proposal is. That is exactly what some people in Congress are proposing to do.

Now, think about what repealing the tax laws with no known alternative would mean. It would mean that you would know there would be no home mortgage deduction, but you wouldn't know what would be in its place. There might be no charitable contribution deduction, but you wouldn't know what would be in its place. We would repeal the Roth IRA, but you wouldn't know what would be in its place. All that would be certain about this proposal is uncertainty. And again I say, as all of you in this room well know, uncertainty is the enemy of economic growth.

We live in a world where there is a lot of change and unpredictability and uncertainty by definition in the nature of this new economy. But to do well, you have to at least know what the rules are. Our economy is growing because consumer confidence and business investment are at record highs. Last week the two indexes of consumer confidence came out. One was at a 30-year high; the other was at an all-time high. What people think is going to happen, as all of you know, in an economy is just as important as what, in fact, is happening today.

Almost every business investment has tax consequences. With no ability to predict the consequences, businesses might decide to postpone, cancel, or pare back on plans to buy new computers, build a new factory, hire new workers. How could you plan, construct, or finance a new apartment complex or shopping center if you couldn't calculate the return on investment, because you couldn't determine the tax consequences? Business growth would stall in that kind of uncertainty.

And economic uncertainty is no friend to families. The scheme to abolish the Tax Code could threaten nearly every American family's best laid plans for the future. For example, mortgage rates are low now. People are refinancing their mortgages all the time. This has been a wonderful thing for America. What would happen to family behavior with regard to homeownership if people thought the home mortgage deduction might disappear? Would students be as serious about going to college if they thought the HOPE scholarships and the other tax credits and interest deductions wouldn't be there? Would families think twice about how much they were going to give to their church or their synagogue or their favorite charity if they thought there would be no tax deduction for it?

We were just talking about the Social Security reform and how no matter how we reform Social Security, people have to save more for their retirement. Will young families who have a hard enough time paying their bills really be setting aside money for their retirement if they think the tax incentives or pensions or 401(k)'s and IRA's are about to evaporate? In other words, I just think it's wrong to shut down the old tax system and tell people it's going to be shut down by a date certain without saying, at the same time, what is going to be in its place.

None of us would say that no one on Earth couldn't devise a better tax system than we have. There may be better options. But I think before we say we're going to get rid of the one we have on a date certain, we need to know what we're going to replace it with. And I would implore you, if you agree with me, to make that case to your Member of Congress without regard to party.

Again, I don't see this as particularly a partisan issue. I just think it sounds great. I will vote for a bill to get rid of this cursed Tax Code. Thank you very much. [*Laughter*] It's almost irresistible, you know, but so was the siren's song. We must continue to have predictability in the investment climate. We must continue to have predictability when it comes to

savings. We must continue to have a framework, which will keep us doing what we've been doing for the last 5 years.

And that means, by the way, it means we have to continue to be open to changes in the tax law and in the way the IRS operates, and in all these systematic things that we have to continue to modernize. Of course, we must. But we mustn't buy a pig in a poke. We have to continue to proceed with discipline. Scrapping the home mortgage deductions, scrapping other middle class tax cuts without presenting a clear alternative is simply reckless for the economy, reckless for businesses, reckless for families' budgets. I will not permit it if I can stop it. But it shouldn't pass in the first place, and I hope you will help us on that.

Now, again I say, Congress should pass the IRS reforms that are before it. It should pass further tax cuts. But we should balance the budget, do nothing with the surplus until we have saved Social Security, not abolish the Tax Code until we know what we're going to replace it with.

We're going to change around here. This system has proved that we are capable of change. No one should stand in the way of constructive change, but we should stay with the plan that we know works. You look at where we are today in your business compared to where we were 5 years ago. Look at where we are today with the people that you work to serve compared to where we were 5 years ago. Imagine where you want to be 10 years from now. Imagine what you want the future to look like for your children and your grandchildren, to do those things, which will build that future.

Thank you very much.

NOTE: The President spoke at 10:40 a.m. in the Columbia Ballroom at the Hyatt Regency Hotel. In his remarks, he referred to Marc Smith, president, Paul Reid, executive vice president, and Michael Ferrell, senior staff vice president/ legislative counsel, Mortgage Bankers Association of America; and Mary Ellen Withrow, Treasurer of the United States.