

Memorandum on Trade Agreements
May 31, 1993

Memorandum for the United States Trade Representative

Subject: Presidential Determination Under Section 1105(b)(1) of the Omnibus Trade and Competitiveness Act of 1988

Section 1105(b)(1) of the Omnibus Trade and Competitiveness Act of 1988 (Public Law 100-48; 19 U.S.C. 2904(b)(1)) (“the Act”), provides that the President shall determine, before June 1, 1993, whether any major industrial country has failed to make concessions under trade agreements entered into under section 1102(a) and (b) of the Act (19 U.S.C. 2902(a) and (b)) which provide opportunities for the commerce of the United States in such country substantially equivalent to the competitive opportunities, provided by concessions made by the United States under trade agreements entered into under section 1102(a) and (b) of the Act, for the commerce of such country in the United States.

Since the United States has not entered into any agreements under section 1102(a) or (b) of the Act, I hereby determine that there has been no failure to make concessions thereunder.

William J. Clinton

Memorandum on the Withdrawal of Russian Armed Forces from Lithuania, Latvia, and Estonia
May 31, 1993

Presidential Determination No. 93-24

Memorandum for the Secretary of State

Subject: Withdrawal of Russian Armed Forces from Lithuania, Latvia, and Estonia

Pursuant to the Foreign Operation, Export Financing, and Related Programs Appropriations Act, 1993 (Public Law 102-391) (the “Act”), including subsection (e) under the heading “Assistance for the New Independent States of the Former Soviet Union” in Title II of the Act, I hereby certify that substantial withdrawal has occurred of the

armed forces of Russia and the Commonwealth of Independent States from Lithuania, Latvia, and Estonia.

You are authorized and directed to notify the Congress of this determination and to publish it in the *Federal Register*.

William J. Clinton

NOTE: This item was released by the Office of the Press Secretary on June 1.

Remarks to the Community in Milwaukee, Wisconsin

June 1, 1993

The President. Thank you very much. Senator Kohl, Congressman Barrett, Mayor Norquist, ladies and gentlemen, it’s wonderful to be back in Wisconsin and back in Milwaukee again for the first time since I became President. I suppose I ought to begin by thanking the State of Wisconsin for your electoral votes. I’m very grateful for that. I’d also like to thank the Metropolitan Milwaukee Association of Commerce and the Public Policy Forum for hosting this opportunity for me to visit with you, and through you, all the people of Wisconsin, about the economic issues facing our country.

I’d like to introduce some other people who are here, up there somewhere. I asked Senator Kohl where they were, and he said, “Up there somewhere.” But it’s dark. I can’t see. I brought with me the former chancellor of the University of Wisconsin, now the Director of the Department of Health and Human Services, Donna Shalala, who is here; the chairman of the Joint Economic Committee in the House, your Congressman, David Obey, is here with me somewhere there; and we were met at the airport by Congressman Gerry Kleczka, who is here, Gerry; and Congressman-elect Peter Barca, who is also here somewhere. Thank you.

You know, a lot of times when I get out in the country now, people who worked for me—or who didn’t, who just feel like they can come up and talk—say, “Well, aren’t you worried about getting isolated up there in Washington? I mean, what’s the real difference in being President and just being out

here living?" And I had one thing happen to me a couple of weeks ago that illustrates the problem of being President or in the Congress or anything else.

I was in the White House and I was up on the residence floor. And I got on the elevator, and I was going down to the first floor where all big—if you've ever taken a tour of the White House, that's where all the big, fancy rooms are that the public tours. But we also use them when they're not open for tours, and I was going to a meeting there. And the young man who was taking me down in the elevator works for the Usher's Office, and of course, they were all hired under my predecessors. He didn't know me very well, and he was a little awkward, you know. So he took me downstairs, and he opened the doors of the elevator, and I found myself immediately in the presence of 30 total strangers who were standing there in front of the elevator. And it turned out that they had been walking out of a meeting with my wife on something entirely different. I didn't know them. They didn't—they knew who I was, but I'd never met any of them. [*Laughter*] And there I was. So I said hello to them, shook hands with them, and they walked by. And I turned around and looked at the young fellow running the elevator, and he was all red-faced. And he said, "Oh, Mr. President," he said, "I'm so sorry I let you out in the midst of all those people." And I looked at him, and I said, "John, that's okay. I used to be one myself." [*Laughter*]

I want to say a lot of things that I'll get into in a moment, but there are one or two things I want to say especially about Wisconsin. First, I was very moved by the drinking water crisis here. And one of the things that we tried to invest in that I don't think is a waste of your money in the next 5 years is more Federal investment in dealing with drinking water problems, waste water problems, and other environmentally related issues. I think that's a good investment of our tax dollars. And I did enjoy my conversation with your Mayor about that.

The other thing I'd like to do is to—[*ap- plause*]. Thank you. I want to say a little more about this in a moment, but since it was brought up, I want to compliment Congressman Barrett and Congressman Kleczka for

reintroducing the appropriations to fund the New Hope welfare reform project. It was vetoed last year. And I just want to tell you that, as I said, I want to say a little more about this in my speech, but the idea of giving people the tools they need to move off welfare and then calling a halt to it after 2 years, saying it has to come to an end and people who can should go to work, I think is a good thing. And I think we ought to fund that experiment in Wisconsin and see if it won't work. I think a lot of people will be for it, and I think it will work.

For any visitor who comes here to Milwaukee, as I have many times, the church steeples and the factory smokestacks are a vivid reminder of the faith and the work that made our country what it is today. People from every continent have come to our Nation and come to cities like Milwaukee and Chicago and Detroit without much money in their pockets, but filled with the faith that if they worked hard and played by the rules, they would find a better life for themselves and give their children a better chance.

In my part of the country, in the rural South, when the agricultural economy collapsed in the Depression and then didn't pick up after the Second World War, for 30 years people poured out of the places where my folks farmed in Arkansas and Mississippi and southern States and came up here to the northern cities seeking that same kind of opportunity.

Over the years in different ways our country has dealt with different economic challenges, but we have always tried to keep alive that American dream that if you worked hard and played by the rules you would be rewarded. If you were especially good you could get very, very wealthy, but everyone knew that the country would rise or fall based on the broad middle class, the small business people, the factory workers, the farmers, the people who really lifted the country and made it work.

We have, to a large extent, in the 20th century succeeded in doing that until just recently. Until recently, that is, in the last 20 years, we had succeeded in building the world's most diverse society and keeping it growing together, not coming apart.

Today, we're more diverse than ever before. One county in California, Los Angeles County, has 150 different racial and ethnic groups. Today, we still have the strongest, most vibrant free enterprise economy in the world. We have some of the most productive businesses in the world. But we have serious economic problems, as you all know.

Hard work rewarded by rising living standards is literally at the heart of what it means to be an American. It's at the heart of my family's heritage and probably at the heart of most of your families' heritage. And it's at the heart of the economic philosophy that compelled me to enter the race for President in 1991 and that brings me here again to Milwaukee today.

Once Americans looked forward to doubling their standard of living roughly every 25 years. As I said, that stopped about 20 years ago, as we began to be confronted with the highly competitive global economy and a slower rate of economic growth in our own country. Now, it will take us about 75 years to double our standard of living at the present pace. That means that not only do you have too many people who want to work who can't work, you have too many people working part-time, and you have too many people who are working like crazy and falling further and further behind.

Because I believe we can do better, I asked the people of this country to give me a chance to serve as President. As I said, it's very important to note what happened and when. Our real average hourly wages peaked about two decades ago. And since then, they've either been stagnant or declining as a whole. Indeed, the average working family is spending more hours a week on the job than they were in 1969 for lower real wages than they were making certainly 12 years ago, and in many cases, 20 years ago.

This is because, as I said, of changes in the global economy, more competition from people who were either more productive than we are or who work for wages we can't live on, or lack of productivity growth, of efficiency growth in our own country, or other problems with our economy.

Twelve years ago, in 1981, after the Presidential election of 1980—another election conducted in very difficult economic cir-

cumstances—the American people decided to give another President the chance to try an approach to deal with this problem. The whole idea of Reaganomics was trickle-down economics, that we should lower taxes on the wealthiest Americans, depend upon them to invest in our economy to grow it; we should reduce domestic spending, but increase defense spending even more than we reduced domestic spending.

Now, in the last 12 years, that philosophy was modified around the edges some, but it maintained itself at the heart of our economic dealings. Because the taxes were cut so much in '81, they were added back a little bit over the last 12 years, mostly on the middle class. And after a while, defense spending could not be sustained because of the end of the cold war, so it began to be cut. But by the time it was cut, health care costs were exploding. So all the defense cuts were swallowed up by exploding health care costs and interest payments on the debt.

But the fundamental idea remains, that the most important thing was not to worry about investment or the deficit or anything else; the most important thing was to worry about keeping taxes low on upper income people and keeping the Government's hands off the economy, except when it was necessary to invest in defense, and then when it wasn't necessary, to even get out of that.

Now, that was the theory, and we now have had a chance to see how it works. I think it's fair to say that the only reason I was elected in 1992 is that the American people thought that it hadn't worked very well, that there were problems. I say this—as I will make clear in a minute, this is not a partisan criticism, because it took bipartisan agreement at least to go along with the framework of this. But what had happened was that we had a good deal of growth in the early eighties, where we had defense increases and tax cuts, but the deficit got big. Then when the defense business got cut, all we did was pay more for the same health care. No one reinvested in the economy to give those defense workers something else to do, and the deficit got bigger and bigger and bigger.

Now, the American people voted for change. They wanted me to try to rebuild

the middle class both in terms of jobs and incomes, to invest in our own people and our jobs, to cut the deficit, to open the doors of education to all, and to deal with the terrible health care crisis, and to make a real dent at welfare reform, removing people from dependence and moving them to independence.

I was sent to the White House, I think, to take on brain-dead politics in Washington from either party, or from both. Some, but not all, in the national Democratic Party have placed too much faith in the whole politics of entitlement, the idea that big bureaucracies and Government spending, demanding nothing in return, can produce the results we want. We know that is simply not true. There is a limit to how much Government can do in the absence of an appropriate response by the American people at the grass-roots level. And there is a limit to how many decisions can be made properly in Washington. And most of our growth has and always will come from the private sector.

On the other hand, some, but not all, in the national Republican Party have practiced the politics of abandonment, of walking away from common concerns like dropping test scores or rising crime rates or an insufficient infrastructure or taking care of the people who won the cold war for us and now don't have anything to do in the wake of defense cutbacks, and in simply insisting that as long as you don't raise taxes on upper income people and don't talk about it when you raise taxes on anybody else, everything's going to be fine. Well, that's not right either. We have to move beyond entitlement and abandonment.

I ran for President basically on the same things that I found had worked for me when I was a Governor, not entitlement, not abandonment but empowerment, the idea of creating a new American community by offering people more opportunity and demanding more responsibility.

I think we have made a real start at that. In the first few weeks of this administration we have passed an important political reform measure, the motor voter bill, and we have moving through the Congress a really tough lobby disclosure bill and a campaign finance

reform bill that are the kind of things Wisconsin has been famous for for years.

We have tried to support the middle class in this administration. Only 17 days into the administration, I signed the family leave bill to guarantee that people don't lose their jobs when they have to take a little time off to have a baby or when there's a sick parent. The Congress is now considering our national service legislation, which would open the doors of college education to all, and soon will have a health care program that will provide real security to working families.

For the first time in 17 years the Congress passed the budget resolution, the outline of our deficit reduction plan and our plans to invest in the country, on time, for the first time in 17 years. And that helped to produce the lowest home mortgage rates in 20 years and other low interest rates because people believe we're trying to bring this deficit down. So we have made a good beginning.

But to be fair, the hard work is still ahead. The House of Representatives passed my economic program last week with some minor modifications, many of which made them better, I thought. But the hard work lies ahead. All the difficulties in this world are in the details. We can always agree on generalities. The question is, what are the specifics?

I came here to ask you to join with me in trying to tackle the three deficits that are paralyzing this country today: the deficit of dollars in our Federal budget, the deficit of investment in the private and public sectors, and the deficit of responsibility in our National Government.

Now, let's talk about this deficit, the Government's budget deficit. Our country last ran a balanced budget in 1969. We haven't balanced our national books since then. But to be fair, the deficit was not a serious problem for our economic performance until 1981 when we built permanent deficits into our Federal Government system.

What happened? President Reagan, in the midst of a recession, made what has been a typical proposal by Presidents throughout American history. He said, "We're in a recession. We ought to have a tax cut." The problem was, by the time he and the Congress got through bidding each other up and play-

ing to the American people's hatred of taxes, the tax cut was twice the percentage of our annual income that he originally proposed. And it was adopted anyway. Nobody really thought about what it would do to the structure of the Federal budget.

And ever since then, we've been dealing with the consequences of that, plus increasing spending, as I said, first in defense, and then after defense was cut, an absolute explosion in health care costs, which I'll bet many of you have also experienced in your private health insurance premiums as well as your Government tax dollars.

Listen to this: Over the past dozen years alone, the annual deficit soared from \$79 billion to \$322 billion. The national debt in 12 years, after over 200 years as a nation, quadrupled from \$1 trillion to \$4 trillion. While Washington cut taxes on the wealthiest individuals, even after the deficit went up, we had exploding health care costs, exploding costs to pay interest on a bigger and bigger debt. And while the Government was used as a punching bag—everybody talked against big Government—no one ever really did anything fundamentally to reform the way it operates or rein in its unnecessary spending.

As this deficit soaked up more and more of our national savings which could otherwise have been invested in private plant and equipment and human skills, we created a second deficit, an investment deficit. From the 1960's to the 1980's public investment—that is, the expenditure of your Federal tax dollars in education and training, in new technologies for new jobs, and in infrastructure, things like better water systems and bridges and roads and airports—dwindled from 4½ percent to just 2.6 percent of our annual income.

Every time a company can't find qualified workers, every time trucks are rattled by highways riddled with potholes, every time a department store closes because a city is not safe after dark, we see the consequences of the investment deficit. Our income as a nation goes down, and we have fewer jobs as well.

Meanwhile, national policy rewarded companies for their financial strategies, not their investment strategies; for making deals, not products; for seeking new mergers, not new

markets. Business investment declined from 7.2 percent of our gross national product in the 1970's to only 5.4 percent in the eighties.

The investment deficit also slows the growth of our workers' productivity. And in a market economy, people get paid by what they can produce by global standards. Compensation per hour, what workers earn in wages and fringe benefits, grew more slowly in the last 20 years than in the previous 100. From 1954 to 1973, hourly compensation grew at over 3 percent per year. The more people produced, the more they earned. But in the last 20 years, as productivity slowed down, compensation increased by less than one percent per year.

This low productivity led to higher unemployment, stagnant wages, and—guess what—lower tax receipts. So the deficit got bigger, because people weren't earning enough money to pay into the Government to keep the deficit down. They relate one to the other.

This was aggravated when we cut the defense budget with no plan to put the defense workers back to work in the new civilian economy. And in some of our biggest unemployment areas, you see, from Connecticut to southern California, you see high-dollar scientific workers, people with advanced degrees and very skilled factory workers, with nothing else to do because there was no thought given to what these people would do once the defense work was shut down, even though we know there are tens of thousands of jobs waiting to be had in the global economy in new technologies, in aerospace, in electronics, in biotechnology, and environment cleanup, just to name four. We know those jobs are out there. But we know our competitors are working hard in partnership with the government and the private sector to develop them.

At the same time, the exploding costs of health care and education put a crimp not only on the growth of average families' incomes and small business incomes but on the overall health of our economy. Average health costs per family tripled in the last dozen years. Too many middle class people at the same time experienced "job block," that is, they couldn't move jobs because someone in their family had been sick. They

had what the insurers call a preexisting condition, meaning that if they wanted to have their health insurance, they had to stay in the job they were in.

Now, we're living in a country, folks, where the average 18-year-old will change work seven or eight times in a lifetime. If you can't change jobs in this kind of an economy, your future is dramatically constricted, all because we are the only nation with an advanced economy that hasn't figured out how to provide basic health care at affordable cost to all of our people.

And look what's happened to education. In the 1980's, the value of an education virtually doubled. By the end of the decade, the average college graduate was earning twice the average high school graduate; the difference between what a college graduate and a high school graduate earned at the end of the decade was twice what it was in 1980 at the beginning. And yet, look what happened to college costs. The cost of public colleges went up by 109 percent and private colleges by 145 percent; college drifting, drifting, drifting out of the reach of ordinary Americans. And the college dropout rate became more than twice as high as the high school dropout rate, either because people were sent unprepared, which was wrong, or they couldn't afford to stay, which happened all too often.

Virtually every economic decision that was made in Washington, or not made properly, sent signals to our people that the old rewards for hard work and playing by the rules and responsibility were declining. Most of the economic gains of the 1980's went to people in the top one percent of the income brackets, and most of them were not those that were producing new products and services but instead were those who were producing financial arrangements, which exploded the cost of paperwork and didn't do much to create more jobs in America.

Too many people who were at the bottom rung of the ladder and working hard to get out, which, after all, is where most of our families started somewhere along the way, found that their hard-earned wages left them below the poverty line and removed even more the incentive to work instead of to be on welfare. If work doesn't pay, why not go

on welfare? How many times have we heard that said in the last 10 or 12 years in the city streets and in the rural communities of America?

These are the things, my fellow Americans, that we have to change. This is a historic moment. Now that the House has passed this budget plan to reduce the deficit and to target investments in our future, and it's going to the Senate for further debate, we can make a decision to seize control of our economic destiny. That is why I have asked everyone in Washington to go beyond politics as usual, to forget about partisan divisions, to try to find bipartisan responsibility in place of bipartisan blame and irresponsibility.

Now, the plan that I have proposed cuts \$500 billion from the Federal deficit, the largest deficit reduction program in our history. It makes decisions long delayed and avoided. The plan is balanced and fair. About half of the deficit reduction comes from spending reductions and restraints on entitlements; about half comes from tax increases. Entitlements—that is, medical programs, Social Security benefits, agriculture benefits, welfare benefits, food stamp benefits, things you get because of who you are—those things, we rein in spending by \$100 billion over the next 5 years. We cut 200 other areas of the budget by more than \$150 billion in the next 5 years. We cut some very popular programs in this country, from highway demonstration projects to rural electrification. But that has to be done. We cut about \$47 billion directly out of the operations of the Federal Government: freezes in Federal pay, restrictions on Federal retirement, the reduction in the Federal work force by 149,000 people over the next 5 years.

All of that has been written into this budget. The plan imposes new discipline on Government spending: no increases in taxes unless there are cuts in spending, and all of it put into a trust fund that must remain there for the 5-year life of the deficit.

We also adopted a unique mechanism right at the end of the House of Representatives debate which requires every year, if we miss this deficit reduction target—and Congressman Obey got a bunch of charts, I wish he were up here showing them to you, about how the two previous administrations said

the deficit would go down to zero three different times, and they never did make a target—if we miss our target, every year now the President is legally bound to come in and offer a correction in the budget to meet that deficit reduction target, and the Congress has to vote on it.

Now, I lead with all this—I dare say that most of you, since all you've heard are about the fights on taxes, didn't know how much spending was cut and probably don't know what incentives are there for investment. I'll get to that in a minute. Some taxes are raised. No less authority than David Stockman, who was President Reagan's Budget Director, was quoted not long ago as saying, anybody, Republican or Democrat, who thinks you can get this deficit down without increasing taxes does not understand what we did to the tax system in 1981.

Now, those are the spending cuts we had. The spending cuts are real. There are more than 200 of them. There are more than I recommended in the campaign because I didn't know in the campaign what happened right after the election, which is that the deficit miraculously was increased by \$165 billion, announced by the Government before I took office but after the election. So we cut spending some more.

And there are some more tax increases, too. But look how they fall. Seventy-four percent of the money we raise comes from people with incomes above \$100,000. Over 60 percent of this money comes from people with incomes above \$200,000. Now, that is not an attack on the wealthy. It is an acknowledgement that people in that income group had their incomes go up and their taxes go down in the eighties. Middle class people had their taxes go up and their incomes go down in the eighties. So we're just trying to redress the fairness of the matter.

Now, let me tell you exactly what you will pay if you're a middle class American, if your family income is under \$100,000. I had wanted, and I advocated in the campaign, tax relief for middle class families, especially those with children. I still want that, and I still intend to propose that before I'm done. But I can't do it now because the deficit is so much bigger than it was when I was making these proposals. It would be irresponsible for

me to advocate a very substantial increase on upper incomes and not ask the middle class Americans to make any contribution at all.

But listen to what it costs. First of all, for working families with incomes under \$30,000, we have done everything we could to make sure that the energy tax, which is the middle class tax here, will cost nothing by giving an income tax credit to offset the income tax. One fellow out here has been heckling me and saying I'm not telling the truth. So I'll say, Arthur Anderson, which is a fairly reputable firm, hardly packed full of Democrats, has examined my program and says that a family of three with an income of \$25,000 a year or less will actually get a tax cut under the Clinton economic plan as it is now. For a family with an income of \$40,000 a year, if the energy tax passes just as it is, and if there are four people in the family, the bill will be a dollar a month next year, \$7 a month the year after that, and \$17 a month the year after that. All of the money, every last red cent of it, will go into a deficit reduction trust fund to bring down the deficit, every penny.

Now, the question is, is it worth it? Is it worth it? And here's my answer to you. You may say it's not worth it, but look what's happened since November. First, when we announced the energy tax and the deficit reduction plan, long-term interest rates started to go down. Second, after I actually presented it to Congress in February, they went down some more. Now, for most of the last 3 months, long-term interest rates have been at their lowest rate in decades: mortgage rates at the lowest rate in 20 years; consumer loans down; college loans down; car loans down; business loans down. Millions and millions of Americans are out there breaking their necks to refinance their home loans and their business loans, so much so that the business analysts say that if we can keep interest rates down at this level for a year, we will put \$100 billion back into this economy in lower interest rates because people think we're serious about bringing the deficit down.

What does that mean? What does that mean? Let's just say if someone had a \$100,000 home mortgage financed at 10 per-

cent and they refinanced it at 7½ percent, that would be a \$2,000 saving in one year, a \$2,000 saving in one year. In other words, there would be more than twice the savings in one year as this program would cost that same family in 4 years if it were passed exactly as it is today.

Now, I think that's pretty good for America. If we don't do something to get the interest rates down, clean the debt out, and get control of our economic destiny, we're going to be in big trouble.

Now, there are also a lot of incentives in this program for people to further save money. Let me just give you a few. Let's take a typical farm family in Wisconsin. The family's income net is under \$30,000. They will be eligible for tax credits. A single-family farm under this program for the first time will be able to get a tax deduction for their health insurance premiums, something they haven't been able to do before. The expensing provisions for small businesses and farmers will allow them to write off \$25,000, not \$10,000, of investment now. So much so that the average Wisconsin farm, even after they pay higher energy costs and have agricultural budget cuts, will wind up with a lower bill rather than a higher bill if this whole program passes.

And I think it's very important to look at the incentives here. We have more incentives for small businesses, an historic incentive for people to invest in new business, real incentives for people to put money into plant and equipment and hire people in America, instead of just put money into financial transactions or invest money overseas. These are incentives that will give the American people the way to lower their taxes by creating jobs here in America, which is what I talked about in the campaign. That's how you ought to be able to lower your tax bill.

Now, let me also tell you that this plan invests some new money. You have to ask yourself whether you think it's worth it. Is it worth it for us to invest enough money at the national level to do the following things: to try to provide some incentives for companies who won't have defense contracts anymore to develop domestic technologies to put those high wage workers back to work. Is it worth it to try to provide jobs in America

in areas where America needs work with new water systems and new environmental clean-up systems? Is it worth it to provide a small amount of money to try to see that America joins Germany, Japan, and every other advanced country in saying if you don't go to a 4-year college, at least you ought to have access to 2 years of further education and training so you can get a good and decent job? Is it worth it or not? You have to decide.

Now, if you believe all Government spending is evil and bad, you would say no, it's not worth it. But if you look at our competitors and if you look at what works and what produces growth and the fact that it is clearly the skill levels of our people which will determine as much as anything else the economic future of America, I think you'd have to say yes, it is worth it. We've got too many people who are not competitive in a global economy today.

One final thing: This State has always been a pioneer. People in both parties have always been interested, at least in my experience as Governor, in welfare reform, in moving people from welfare to work. One of the biggest problems with welfare reform is this: If you take somebody off welfare and you put them in a low-wage job because they don't have much education, they have to take that wage and pay for child care out of it, because they're not home taking care of the kids anymore, and they may not have medical insurance. And the earnings are so low there is a big incentive not to do it.

This bill, this economic program, makes a major downpayment on welfare reform, doing what I want to do, which is to change the whole system and say after you get education and training, if after 2 years you don't have a job, you have to go to work in the public or private sector. This bill starts that by saying this: If you work 40 hours a week and you've got a kid in your house, the tax system will lift you out of poverty. We'll give you a tax break so that you will not be living in poverty if you work full-time with children in your home. What else could be more American, and what else would do more to end the welfare dependency we have in this country?

Now, let's talk about where we are with this. This bill's going to the Senate now. Sen-

ator Kohl and Senator Feingold are going to get a chance to work on it. And everybody in America—if I said, wouldn't you like it if we did everything I just said but we did it with more budget cuts and even less tax, and you would say, yes; I would say yes. Who could disagree? Who could disagree? The question is, what are the details?

Let me try to describe to you what's going on. When you hear all this stuff, that this is a tax program, this is not just a tax program. This is a budget cutting program. This is an investment program in your future. This is incentives for the private sector to create new jobs in ways that have never been provided before.

You know, in this bill, if you invest in a new business and it makes money, and you hold that investment 5 years, you cut your tax rate in half under this program. That's a real incentive. Under this bill, if you invest money in a poor neighborhood in Milwaukee, if it gets designated an empowerment zone, you can get all kinds of incentives for private sector investment that have never been available before, ever; never proposed by Republicans or Democrats before to get private sector investment to rebuild. So there's a lot of things in this bill.

But let's just take the rhetoric. Everybody would like to do all this with less tax and more budget cuts. But look behind the rhetoric. For example, when the House voted on my program last week, there was a Republican substitute. The Republican substitute purported to have the same amount of deficit reduction I did with no taxes and all budget cuts. Guess what. More Republicans voted against a Republican bill than Democrats voted against my bill. Why? Why? Because the Republicans who voted against it thought it cut too much out of Social Security, too much out of medical care, too much out of farm programs, too much out of things that are part of the fabric of this Nation's economy or part of our built-in obligation to one another. So they disagreed. They couldn't agree on that.

Let me give you another example. Some define less tax and more cuts as lower taxes on the very wealthy, replaced by reducing the cost of living increase to Social Security recipients barely above the poverty line, or

to people barely above the poverty line who are working, they want to reduce the tax credits they get.

Let me give you another example. Others say, "Well, just cut more Medicare costs. Don't give those doctors and hospitals any more money." Now, that's got a lot of appeal to a lot of people. But let me tell you what happens. If you cut Medicare costs without reforming the health care system, you can do it to some extent, but if you do it too much, you know what will happen? Every one of you who works in the private sector who has a private health insurance policy, will have your premiums go up as a result. Because if the Government doesn't pay for the care that the Government mandates that people get, what do the doctors and hospitals do? They put the cost onto private business, onto private employers and private employees. And your health insurance premiums soar.

One of the reasons a lot of you are paying too much for health care today is that America has 35 million people with no health insurance and other people who are being undercompensated. And as a result of that, you're paying more. Because everybody in this country gets health care, don't they? They just get it when it's too late, too expensive, and at the emergency room. And you get sent the bill if you have health insurance. So it sounds good, but it may not be so good.

I could give you a lot of other examples. The way words are used, for example, the way our adversaries calculate this, if we ask upper income Social Security recipients, who are getting more out of the system than they put in, plus interest, to pay a little more of their income to taxation, then that's a tax. But if we cut the cost of living allowance to the poorest Social Security recipients, that's a budget cut. Right? That's the way they define it.

Now, but most people in this room say, "Well, if you have to do one or the other, better to ask people who can pay and who are getting more back out than they put in plus interest to give a little more than to take it out of the poorest ones who are just above the poverty line." But if you get into these word games, it sounds terrible if it's tax and

cut. It doesn't sound so bad when you talk about what it really is.

Here are the principles that I hope the Senate will honor next week:

Number one, we've got to cut the deficit at least \$500 billion, and we ought to put it in a trust fund so the money can't be fooled with for the next 5 years.

Number two, because of what happened in the last 12 years, any taxes we raise must, in the end, be progressive. Those who can pay more should pay more, and we should minimize the burden on the middle class.

Number three, don't do anything to the incentive to move people from welfare to work. Let's go ahead and say that if you work 40 hours a week and you have a child in your home, you don't deserve to be in poverty. You've played by the rules, and we'll let you out of poverty.

Number four, keep the incentives for small businesses, for new businesses, for investment in our cities, for housing incentives, for research and development, keep all those tax incentives in there to grow this economy. Don't take them out.

And number five, when we cut spending, and we'll cut some more and raise some, we'll cut the taxes and have more spending cuts next week. But when we do it, let's leave the money in there that will shape these children's economic future. Let's have the money for education and training, for investment in technology, for help for the defense industries that are building down. Let's rebuild the American economy. Because, after all, you can cut all the spending you want, and if people don't have jobs and they aren't earning money, we're still not going to be able to balance the budget. So let's keep the economic future of the country uppermost in our minds.

The last thing I'd like to say to you, my fellow Americans, is that none of this is going to be easy, but you should not be discouraged. After all, these trends, as I said, have gone through administrations of Democrats and Republicans for 20 years now. We are moving away from a set of policies that have been the rule for 12 years. I'm trying to move beyond a bipartisan gridlock which has existed for about a decade.

We are trying to do it in a global economy where other rich nations have unemployment rates as high or higher than ours, and there's a recession all over the world. This is not easy, but it can be done. It can be done if we have the courage to change direction. And if we will listen and look beneath the labels to the facts, I believe we can do it. It is simply a question of asking what we have to do to regain control of our destiny, what we have to do to invest in our people, what we have to do to get jobs and incomes and health security back into this country again.

And let me just say one last thing in closing. When I was a Governor for 12 years, my State in every one of those 12 years had a tax burden—the State and local tax burden was in the bottom five in America. We had one of the toughest balanced budget laws in the country. And when I asked the people of my State for more taxes it was always to pay for something specific, better schools, better roads, more jobs, in a trust fund. I never ever dreamed I would be in a position in my life asking people to pay \$1 just to bring the deficit down. But we got ourselves in this fix, folks, over a long period of time. And until we get our interest rates down and regain control of our economic future and show that we have the discipline to handle our affairs, it is going to be very difficult for us to do a lot of these other things that all of us want to do.

These decisions are not easy, but we must make them. So I ask you again, encourage Senator Kohl and all the other people in the United States Senate, encourage Senator Feingold, encourage them all to give me a good budget with less taxes and more spending cuts. But remember the principles: make sure the money goes to deficit reduction; invest some in our economic future, because that's important; make sure the people who can pay do; don't take the welfare reform initiatives out of it; and remember that in the end, the private sector creates the jobs, so leave the incentives in there.

And let me say this: 50 of the 100 biggest companies in this country have endorsed this program. I have been very moved that so many people in upper income groups, who are going to pay the overwhelming majority of these taxes, have endorsed this program,

because they know that it is imperative to get control of our future. And I ask you, the people of Wisconsin, to endorse the program for the future of your children and our Nation.

Thank you very much, and God bless you all.

NOTE: The President spoke at 12:10 p.m. in the Milwaukee Exposition Convention Center and Arena. In his remarks, he referred to Milwaukee Mayor John O. Norquist.

Exchange With Reporters in Milwaukee

June 1, 1993

President's Priorities

Q. [*Inaudible*—view the whole treatment where you basically—first with having to deal day after day with the news accounts that kind of talk about the haircuts and the Travel Office and things? No, no, I'm asking you how important—

Q. That's a cheap shot. That's a cheap shot. You are the President of the United States. You should—

Q. Can I do my job, please?

Q. Get out of here. We don't need those cheap shots. That's a cheap shot. Get out of here.

The President. The answer is, I have to work in Washington, but you have to work outside, too. The real issue is not so much what you said, but the real issue is, I secured agreement early on for about \$250 billion in tax cuts, spending cuts, I mean, a little under, about \$245 billion. And as a result of that, because they weren't the focus of controversy, no one knows we did it.

And then we got agreement early on for the new incentives, for small businesses and for starting new businesses and for investing in our depressed areas, reviving the housing market. Because there was no controversy, people don't know we did it. So the only controversy has been over the taxes. It's important that people know that there are budget cuts in here. It's important that people know there are real incentives to the private sector in here. It's important that people know what we still spend money on. And it's important

for people to know that over 70 percent of the money is being paid by the top 6 percent of income earners. If I don't get out here and do all that work, they won't know it. So that's what I'm doing.

Health Care Reform

Q. Let me follow, sir. Are you going to recommend a tax on hospitals to pay for the health care program on the theory that they're going to have a windfall profit from your reform program?

The President. Well, let me say this, if we do it right, they will have significantly lower administrative costs. That is, if we do health care right, they will have lower administrative costs. Let me just give you one example: The average American doctor in 1980 took home 75 percent of the income that he or she generated into the clinic. By 1992, that figure had dropped to 52 percent, all the rest of it going to administrative costs caused by insurance companies and the Government just piling on regulations and rules and paperwork and thousands of different insurance costs. If we simplify that, their costs will drop dramatically.

So one of the options that has been recommended is that we leave some of that money with them but have some of that money flow back in to cover the uninsured, which will also help them because that will come right back to the doctors and the hospitals in the form of insurance for the uninsured. So it would be almost like returning the money to them in a different form for services rendered. We'll just have to see whether that works out. No final decision has been made on that.

Q. But you like that idea?

The President. I have made no decision on it. I don't want to flame the story anymore. That is one of the options that has been presented, and one of ones that, frankly, some hospital people have talked to us about.

Q. Are you going to hold off the health plan until the fall, Mr. President?

Q. That's all. You talk—

The President. Hold it off until what?

Q. Are you going to hold off the plan until the fall to let the Congress concentrate—