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Remarks to the Business Council

February 23, 1994

Thank you very much, Bob, and thank you, ladies and gentlemen. I was glad to walk in here and see the Attorney General. I just saw Lloyd Bentsen, the Treasury Secretary. He said, ''I've heard this speech before. I think I'll leave.'' [*Laughter*] Mr. Panetta, how are you? Is anybody working in the Federal Government?

I am delighted to be here, and I thank you for the invitation to come by. I have seen many people in this audience on various occasions to talk about different issues over the last several months. And I'm glad to see so very many people in the administration here tonight to have the opportunity to speak with you. We have tried to maintain close ties to the American business community and to work in partnership on as many issues as we possibly could.

As all of you know, the Business Council was formed in 1933, a pretty tough year for this country, to help President Roosevelt pull America out of the Depression and move it forward. This group provided guidance on a number of profoundly important issues then, and I believe has a very important role to play today.

Most of you know that with the help of Bob Rubin, the National Economic Adviser, and Alexis Herman, who is here, my special liaison to the business community and to other public groups in the country, I have worked in a very disciplined way over the last 14 months to try to seek out the opinions of people in the business community of different political parties, different views, both support and sometimes opposition, because I think it is so important to have a dialog and for you to believe that there is a genuine listening ear in the White House and a real interest in trying to work on these problems together.

I'm glad to see Senator Riegle and Senator Packwood here. We have a lot of important work to do today in this coming session of Congress. But let me just say, when I took office it really was the end of one era and the beginning of another. The election conveniently dovetailed, missing by only about 3 years the formal end of the cold war and the beginning of the post-cold-war era with a whole new awareness in our country of the extent to which all our affairs were shaped by a global economy which we can no longer totally control or even largely dominate, and that we had profound questions to face on the eve of not only a new century but a new millennium, which would determine whether or not we would go into that new millennium stronger, better, and more well positioned to make sure that it wouldn't be only the 20th century that would be known as the American century in the history books.

I have always believed that the purpose of politics in our country is to get people together and to get things done. Therefore, I have always sought and often achieved partnerships sometimes with allies that were unusual in the cause that was plainly good for the public. I want to thank those of you who were part of those partnerships last year, part of our efforts to reduce the deficit or to pass NAFTA or to get the GATT agreement done, or to reduce export controls or to start a genuine defense conversion initiative or to help prove that we could pursue an environmental policy that would be good for the environment and also good for the economy. I also want to challenge you to keep talking with us as we face the problems that lie ahead this year and in the years ahead.

I have tried to address the issues that the business community talked to me about in the campaign of 1992, the issues that are uppermost in the minds of most of you who just want a good environment in which to operate. We've worked on the budget deficit and the investment deficit in America. We've tried to get the growth rate up and to produce jobs in the private sector, after years in which most new job growth net was in the public sector. We've tried to address the fact that for more than a decade, health costs have outpaced the growth of the economy by a factor of two or three, and that we have not been as aggressive as we ought to be as a nation in opening the world to our products and services and, at the same time, making sure our markets were open as well.

In short, I have tried to fashion a role for the Government and this time, fit it to this time—one that recognizes that the private sector is the engine of economic growth, but

that our Government has a role to play as a partner in setting the framework and dealing with the basic fundamental questions that every government must face in dealing with the particular challenge of this age and time—trying to prepare our country to compete and win in the global economy.

The economic plan which the Congress adopted last year by such a stunning margin reduced the deficit by $500 billion, cut spending by $255 billion, allocated every new tax dollar to deficit reduction, cut over 300 Government programs, including $80 billion in entitlement savings over the budget which was in place when I took office, much more than was thought possible when we began.

This year's budget, which I have submitted to the Congress, cuts 379 program lines out of a total of 636 in the Federal budget, eliminates 115 programs altogether. And the Wall Street Journal said, and I quote—I'm sure the editors will make sure nothing like this appears again—but they said, and I quote, ''For the next year, discretionary spending will actually fall by $7.7 billion without adjusting for inflation. That has not happened since 1969.'' This budget reduces Federal employment by 118,000, more than the 100,000 this year recommended by the Vice President's reinventing Government commission.

If we stay on the path we are now on, by 1998, the National Government will be smaller than it has been in 30 years, the deficit will be $200 billion a year less than it was projected to be when I took office and before our plan passed, and for the first time since Harry Truman was President, there will be 3 years of declining deficits in a row. The deficit as a percentage of national income is now as low as it was in 1979, before the deficits started to explode. In other words, we have restored fiscal discipline to this budget and to this Government without gimmicks or without fooling with the Constitution.

I hope that the budget I have presented and the record established by the Congress last year will be sufficient to persuade at least most of you that we should not pass the balanced budget amendment because it would mandate one of two things: either significant tax increases which could imperil the economic recovery along with cuts, significant cuts in defense, in Social Security or Medicare and Medicaid and in areas where all of you believe we should be investing more; or it will be ignored. And if it is ignored, it will put the Government's future in the hands of 40 percent plus one of both Houses, basically giving minority control over the future of the country to whoever wants to blackball any kind of budget proposal made. This is a gimmick. We don't need it. We are bringing the deficit down.

And I'll talk a little more about today, a little more about what we have to do to bring it down further. Do I think it should be structurally in balance? Yes, I do. But it's also important to note that the Federal Government doesn't handle its accounts the way most of you do. We don't have a capital budget. We don't amortize capital expenses. We don't separate long-term investments with high return from current expenditures that amount to basically consuming the same programs we've had in years past. So I hope that you will support budget discipline but oppose the balanced budget amendment.

The second point I'd like to make is this administration tried to prove once again that open trade is a bipartisan American commitment, that we have never done very well when we tried to close our borders or be protectionist, but that if we are going to open our borders and push for open trade in a world economy where we are 22 percent of the world's GDP as opposed to 40 percent, which we were at the close of the Second World War, we have to demand equal access to our goods and services.

We worked on NAFTA. We worked on GATT. We worked on a national export strategy, supported strongly by the Secretary of Commerce, who is here, and also the Secretary of State, who came in. And I want to say, for the first time in a long time, we've got the State Department and our Embassies all around the world genuinely working on promoting American economic interests, that the commercial desks mean something there now, and we are really trying to do this in a disciplined, comprehensive way that I believe is very, very important.

The Saudi purchase of the Boeing and McDonnell Douglas aircraft I hope—it may be the biggest—but I hope it's only the first

in a long line of examples of partnership involving, in this case, three Cabinet members, the President's Chief of Staff, and many others working to see that we got a contract that American business earned on the merits, the kind of contract we have too often lost in the past for reasons having nothing to do with the merits. And I'm very proud that that happened.

We lifted export controls on $37 billion of high-technology equipment in the telecommunications area and the computer area that had no relevance to the post-cold-war era. And it will be a very significant and important contribution to economic growth.

I have approved for announcement tomorrow a new export administration act which will be significantly better than the present law. I want to be candid with you: A lot of you won't like it all because we do provide for the continuation of the capacity of the President and the Government to restrict exports for reasons that appear to be good and sufficient. I urge you to look at what we will recommend, evaluate it. If you think it is wrong, tell us and work with us.

But remember this: One of America's continuing responsibilities is to try to do whatever we can to deal with some of the problems that will replace the terror of the nuclear age, in all probability, in the 21st century. One of those big problems is the proliferation of weapons of mass destruction, not just nuclear weapons but biological weapons and chemical weapons and the vast proliferation of conventional but high-tech weapons that can do a lot of damage in a short amount of time.

So we will, for the foreseeable future, as a nation have certain responsibilities that I believe require us to maintain the ability to do some things in the area of export control that may be difficult for everyone from time to time. So I urge you to look at the act, evaluate it. If you think we're wrong be as specific as you can and tell us why, because we want an honest dialog on this. I think you know that I am for more trade. And I think you know I want to listen if you think we're wrong on this. So I think we're on the same wavelength, but we do believe that this administration and its successors for the foreseeable future, in a world in which there will be a lot of chaotic events that can be made much worse by irresponsible conduct by others, we need some leverage in this area. And I hope we can reach agreement on what the proper balance is.

I am very proud of where we are to date. If you look at the last year, we've had a very good year. I appreciate what Chairman Greenspan said about it in his congressional testimony yesterday. Business investment was up 18 percent in 1993. There was a record number of public offerings for high-tech companies. Durable equipment expenditures were at their fastest pace in 20 years. The private sector provided for over 90 percent of the nearly 2 million jobs created by the American economy in 1993, which, as I said, is a reversal of the trend of recent years when many of the new jobs were coming from Government.

These are things that I think are very, very important. Yesterday Mr. Greenspan said—I've got his quote. I wouldn't have quoted him if I had known he was going to be here; I would just ask him to stand up and speak and I'd sit down. [*Laughter*] But he said, and I quote, "The deficit reduction package apparently had a salutary effect on long-term inflation expectations. The outlook for the economy as a result of subdued inflation and still low long-term rates is the best we've seen in decades." That is the environment we want to preserve. It is the basis which will permit you to create success for the American economy.

The question then is, what is our role, and what are our responsibilities? What things do we need to do, and what things do you need to help us do well? First, I think it is clear to everyone here—and I might mention I'm glad to see my friend, David Kearns, because he's done so much work on education—that we're still a long way from where we need to be in the education and training of the American work force. We are supporting some bills which have enjoyed significant bipartisan support and business support in the Congress that will enable us to enshrine in law the national education goals and promote local experimentation, everything from charter schools to public school choice, in the Goals 2000 bill.

We are supporting opening the doors of college opportunity to everyone with a student loan program now that has lower interest rates and better repayment and will allow up to 100,000 people in 3 years to be part of a national service program to earn some money against their college costs by working in their local communities.

We are supporting a school-to-work program which will build on the apprenticeships which now exist in some States and some industries but which are not uniform throughout the country. Most Americans will not get and do not need to have 4-year college degrees to have good jobs. But the economic data is clear, 100 percent of the American people coming out of high school now need at least 2 years of some kind of further training, whether in the work force, in a community college, in the service, in a blend of all. But if you look at the income differentials, it is shocking.

The unemployment rate for people who drop out of high school is 5 percent higher than it is for high school graduates. That unemployment rate, in turn, is 2 percent higher than it is for people that have 2 years of college. That unemployment rate, in turn, is another 2 percent higher than it is for 4-year college graduates. Average income is $4,000 lower for high school dropouts than for high school graduates, which is—their incomes are $4,000 lower than for people who have had 2 years of college, and their incomes are about $8,000 lower than people who graduated from college. So it's clear that this country has a national interest in at least getting people through high school and with 2 years of further education and training.

And finally, I hope, as major employers, you will help us when the Secretary of Labor and the Secretary of Education come forward at the end of the year or later in the year with this reemployment system. The unemployment system on which payroll taxes are paid today is based on an economy that no longer exists. People are not normally called back to the job they are laid off from. But that is the premise of this unemployment system. That's the whole basis of the feud attacks. And it doesn't work anymore.

We believe we can cut down on costs over the long run and dramatically increase labor mobility if, instead of waiting for people passively to run out of their unemployment and then start looking for a job which, because they haven't acquired a new skill, will probably not pay what their old job did, if we start immediately, as soon as people are unemployed, retraining them for a job that is relevant to the future.

I think this is a profoundly important structural change that we have got to make if we want labor market mobility, if you want a pool of trained workers. And we don't want a lot of alienated, hard-working Americans who think that they went all over the country looking for decent jobs, they have played by the rule, and they can't find a place in life. So I hope you will help us this year to pass the reemployment system.

The next thing I hope you'll do is to help the Attorney General to pass a good crime bill. We had a bunch of people in from California today to talk about earthquake relief, and I couldn't help noting that yesterday in California—you may have seen it on the news—a 45-year-old mother of two who had been a policewoman for 4 days was gunned down by a teenager who just murdered his father with a semiautomatic weapon—one week, less than one week after she had become a police officer.

This crime issue is a complicated one. It is easy to demagog and difficult to do much about. But there are things we can do. We know there are things that work. We know that if we had the same ratio of police to violent crimes today we had 35 years ago, and the police were walking the streets, working with the neighbors and the kids in the neighborhood, that the crime rate would go down, not just because of more arrests but because there would be fewer crimes. We know that.

If you look at the experience of Houston, where, in the last 15 months, there was a 22 percent drop in crime and a 27 percent drop in the murder rate—and coincidentally, the mayor got reelected with 91 percent of the vote; I think there was some connection there—if you look at what they did, it was the deployment of more police officers in a better, smarter way, more relevant to the existence of the people in the communities. I see Mr. Lay nodding his head there. That

is what happened. I've seen this happen place after place after place.

This crime bill also provides not only stiffer penalties for serious offenses but also provides more money for drug treatment for people, facilities, and alternatives to incarceration, opportunities like boot camps for first-time nonviolent offenders. We can have a smart, as well as a tough, crime bill.

I hope you will help us to pass a sensible welfare reform bill this year which recognizes that welfare should be a second chance, not a way of life, that cracks down on child support enforcement and provides education and training and child support and moves people into the workplace.

I hope you will support the administration's antidrug strategy. I know that Lee Brown was here. And I see Jim Burke over here. I should let him come and give a speech for it. But we have a significant increase in funds to help us deal with drug problem areas in this country. And it's an important time to take a stand on this because of the disturbing evidence that there is now an increase again in drug use among young people because they think it may be more acceptable. And it's no more acceptable or no less dangerous than it was last year, the year before, or the year before. This is a cultural thing we have to change. And we're trying to make a beginning on that.

Finally, let me say a couple of words about health care. We spend 14.5 percent of our income on health care. No other country except Canada spends over nine. They are at about 10. Erskine Bowles, who has done such a great job as head of the Small Business Administration, probably because he's qualified—it wasn't a political appointment in that sense; he spent 20 years helping people start businesses—says that we're servicing less than all of our people with 14 percent of our revenues and other countries are servicing all of theirs within the range of nine. That doesn't make any sense. And no company could survive like that in a competitive environment. I think that is one of the problems.

We know that every month about another 100,000 Americans lose their health insurance permanently. We know we have significant problems where people who retired early from companies that aren't solvent are losing their health care before they are old enough to get on Medicare. And a lot of other companies that are critical to our economic future are bearing massive burdens because of that. We have some American companies now spending almost 19 percent of payroll on health care.

We know that there is massive cost-shifting in our system because of totally uncompensated care and because Medicare and Medicaid, especially Medicaid, often don't reimburse our physicians and hospitals for the full cost of their care. We know small businesses pay 35 to 40 percent more in premiums for the same health care coverage that big business and government pay.

We know that if something doesn't happen and present trends continue, that we'll be spending over 18 percent of our gross domestic product on health care by the end of the decade. And if present trends continue, none of our competitors will be over 12, which means we'll be at a 50-percent disadvantage.

We know that some of this is unavoidable because of factors, good and bad. The good factors are that the United States invests more in medical research and medical technologies, in academic health centers. A lot of you in this room are probably on the board of various academic health centers. And that is an important part of our economy, an important part of our quality and way of life, and we wouldn't give it up for the world. And we shouldn't. And we pay a premium for that in our health care system.

We also know that this country is more violent than other countries. We have higher rates of AIDS than a lot of countries. We have bigger, therefore, bills at the emergency room, more people cut up and shot and getting expensive care than other countries. That's something we would gladly trade in, and we're trying to find out how to trade it in. But until we trade it in, we'll pay a premium in our health care system for that. And it's wrong for us to pretend that health care reform on its own terms can close the gap between where we are and where our competitors are.

Nonetheless, we also know that this is the most bureaucratic, the most expensive to administer system in the world, even though a lot of big companies have found ways to

have access to managed competition and to squeeze the inflation out of their costs. But the system is causing us great grief.

The other thing I want you to understand—going back to the budget, because so many of you supported the deficit reduction plan—is that every single scenario for every single budget—and you can ask the Budget Director to attest to this—shows the deficit going down for about 3 more years and then shows it going right back up when we have flattened all discretionary spending, when we have continued to decrease defense, only because of exploding health care costs overtaking everything else in the budget.

So that if we do not reform the health care system, if we don't do something to get costs under control and to provide coverage to everybody to stop the cost shifting, then you will see an exploding Federal deficit as we move toward the end of the century. And you may want us to spend more money on—what will the world look like by then—on job retraining, on export promotion, on defense conversions, on the development of dual-use technologies, on whatever, and we won't have it because all of our new money will be going to health care—everything—and not more money for new health care, but more money for the same health care.

You may say, ''Well, inflation is down in health care costs.'' Inflation has gone down in health care costs every time there has been a serious attempt to reform the system. It went down in the Nixon administration when President Nixon proposed almost the same plan that I've proposed. And then it started right up again. So I would say to you, we have to find a way to deal with this.

The Congressional Budget Office, in evaluating our program, confirmed our analysis that our plan would pay for itself and contribute to deficit reduction, and it would reduce health care spending—listen to this—$400 billion between the years 2000 and 2004. In the short run, we had differences with the CBO; they said that our program would cost a little more of Government money and save a little more in private sector money, by the way, than we had estimated. But we've had these kinds of differences before, but we worked them out.

I want to be clear on a couple things. Number one, any health care bill that I sign will pay for itself and contribute to long-term deficit reduction. It won't be some pig-in-a-poke that will explode the Government budget in the years ahead.

Number two, I do not want to pay for people who do not have health care now who are in the work force with new broadbased taxes. I don't think it's right to tax people who are already paying too much for their own health care to pay for somebody else's.

Number three, a lot of the doctors who have read this program actually like it. We consulted with hundreds and hundreds of doctors, and I had a doctor in my office a couple of weeks ago that put together an organization with several thousand other doctors who worked for him. He said, you know, if people understand what's really happening to medicine, they would like this. It gives doctors more protection than the present, the status quo will, unless we do something to change it.

The fourth thing I want to say is, the nub of this is something I would hope you would agree with me on. The nub of this is, you cannot solve this problem of cost-shifting and of inflation until you do one thing: find a way for everybody to have access to health care and to pay for it, so that somebody else doesn't have to pay for it. Then if you want to control costs, there has to be some competitive pressure. That is, the consumer has to know what the health care bill is, which is why in our plan employees have to contribute as well as employers. And there has to be some competitive pressure, which is why we proposed the most controversial part of this from the point of view of most large employers, which is the whole alliance structure.

And I will just say this about the whole issue of alliances. I do not want to create a new Government bureaucracy. I want to find some way to recreate the same economic reality that the farmers' co-ops did when they were organized. In other words, if you want to have community rating, which I think is very important to this, so you don't have real rating discrimination, especially for small businesses, if you want to have real community rating, you have to have a way to aggregate at least the smaller purchasers into big

enough units so they can buy on the same terms that most of you can. And if you don't do it, you can legislate community rating all you want, and it won't happen. The State of New York has legislated community rating. But it doesn't necessarily happen.

So if you don't like this, then tell me how you would do it. Somebody says, "Well, make these alliances voluntary." Washington State made them voluntary. Look at the Washington State plan. Anybody that wants that instead of mine, step forward. The alliances are voluntary in Washington State because there is one plan and one fixed price. If you fix the price, you've got community rating. So Washington State can make the alliances voluntary because the small businesses want to get in so somebody else will handle all their paperwork for them. It's a heck of a deal. And the price is already set. The Congress won't do what Washington State did, I predict. We want to see competition and market forces, not price fixing. But that is a possible option. I don't think it's going to happen.

The point I want to make is this: This is a complicated thing. There are no easy answers. My bottom line is I can no longer justify why America spends more and does less than anybody else with a system that threatens to bankrupt the Government, paralyze our ability to invest in the future and to grow and to be a good partner with the private sector, and that promises to charge you more and more every year in cost-shifting once you have squeezed all you can squeeze out of your ability to compete by your size and your disciplined organization, which is what most of you have been able to do the last 2 or 3 years.

So what I'm asking you for on behalf of myself and the Congress, including Members in the other party like Senator Packwood, who really want to see something done on this, is to be our partner in this. You know based on your experience that everybody is going to have to be covered. And there is only—in my opinion, there are only three ways to do it. You can have a tax and do it the way the Canadians do. You can require employers to cover it, the way most people are covered here. You can have a mixture the way the Germans do, where employers, cover their employees but if you're a high-income person, you have to get your own. You can have an individual mandate on everybody, but the problem is, look at the problems States have right now in enforcing the automobile liability requirement.

So there is no easy way to do this. If this were easy, it would have been done 60 years ago when Roosevelt tried to do it or 20 years ago when President Nixon tried to do it or in the Carter administration. This is not an easy thing. But we have reached a point—if you look at the trends in the Federal budget, if you look at how we're spending our money in our economy, if you look at how every last red cent you spend needs to be evaluated in a globally competitive context, we have reached the point where, on sheer grounds of humanitarianism for the working people of this country—and most people without insurance work, and they pay their taxes to give health care to people who don't work today—so on the grounds of humanitarianism and self-interest, we need to do this.

If we care about what the Federal budget is going to look like 5 or 10 years from now, and you don't want to see Leon Panetta either gray or bald within 2 years, we have got to face this question. We have tackled it and danced around with it and struggled with it and piecemealed it, literally, for six decades now. And I believe the time has come to act.

If you can help us get wired together on the basic principles of coverage for everybody, an end to cost-shifting, responsibility for individuals as well as employers in sharing some of the cost, we can work out the rest. And we need less rhetoric and more commitment to try and to solve what is a huge problem for all Americans.

We've got a lot on our plate this year. But I didn't run for this job just to come to nice dinners. I thought you hired me to get things done. I can't do it unless you help. But helping means not only being critical but being a critical part of the solution.

Thank you very much.

NOTE: The President spoke at 7:12 p.m. in the ballroom at the Park Hyatt Hotel. In his remarks, he referred to David T. Kearns, former chairman of Xerox and former Deputy Secretary of Education; Kenneth L. Lay, chairman and chief executive officer, Enron Corp., Houston, TX; and James

R. Burke, former chairman and chief executive officer, Johnson & Johnson, Inc., and chairman, Partnership for a Drug-Free America.

Statement Announcing the Designation of Jamie Gorelick as Deputy Attorney General

February 23, 1994

I applaud Attorney General Reno's choice of Jamie Gorelick to be the next Deputy Attorney General for the Department of Justice.

She has ably served my administration with great distinction as General Counsel of the Department of Defense, and I am confident Jamie will continue to bring her sharp legal mind, penetrating analysis, and tremendous management capabilities to her newest assignment.

I look forward to working closely with Attorney General Reno and Jamie Gorelick in fighting for passage of a tough, smart crime bill and to give the American people a Justice Department that is innovative in its approaches and solutions for crime reduction and law enforcement.

Statement on Technology Reinvestment Awards

February 23, 1994

This marks another major step in our effort to protect our national security and promote our economic security in the post-cold-war world. We are investing in projects that will create the jobs of the future by exploring ideas, developing technologies, creating products, and strengthening skills that will keep America strong, militarily and economically.

NOTE: This statement was part of a White House press release announcing the fourth round of technology reinvestment awards.

Nomination for Ambassador to Finland

February 23, 1994

The President today announced his intention to nominate Derek Shearer, director of the International and Public Affairs Center at Occidental College in California, as Ambassador to Finland.

"Derek Shearer has a keen intellect and a broad range of foreign policy experience, particularly in international economics," the President said. "I am pleased that he has accepted this assignment, and I have full confidence that he will represent our country effectively and with honor."

NOTE: A biography of the nominee was made available by the Office of the Press Secretary.

Nominations for Under Secretary and an Assistant Secretary of the Air Force

February 23, 1994

The President today announced his intention to nominate Rudy de Leon Under Secretary of the Air Force, the number two civilian position in that branch, and Jeffrey K. Harris Assistant Secretary of the Air Force for Space.

"These two individuals have each given almost two decades of substantial service to their country," the President said. "I am confident their experience and commitment will serve them well in their important new roles."

NOTE: Biographies of the nominees were made available by the Office of the Press Secretary.

Remarks on Arrival in Groton, Connecticut

February 24, 1994

The President. Well, this is hardly the time and place for a speech, but I am delighted to be here with Senator Dodd and Senator Lieberman, Congresswoman Kennelly, and your Congressman, Mr. Gejdenson.

We're here to talk about health care today and to talk about the future of the people of Connecticut and the future of our country. I also want to say, since I am fairly near Groton, that I think most of you probably know, but yesterday Electric Boat was awarded one of the administration's Technology Reinvestment Projects for defense conversion, to help