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that would have seemed impossible just a few years ago. We can pay off the national debt, keep interest rates low, and give our children a healthy economy for a generation. We can save Social Security. We can save and strengthen Medicare with preventive benefits and the prescription drug. We can do these things. We can invest in our children's future. We can use this historic opportunity of a lifetime to do our duty by the next generation.

This is not a time to walk away from that duty, and again I implore the Members of the Republican majority to come up with their own Medicare plan, sit down with me and talk about it, figure out what we have to spend and invest, and then we can give the rest back to the American people in a tax cut. But we have to do first things first.

I will not—I will not see, after 6½ years of progress, us return to the problems that we faced in the years before I took office. We're not going to do it. It is not right. We should be looking to the 21st century and facing the challenges and doing right by our children. And that's exactly what I intend to do.

Drought Relief and Farm Aid

Q. Mr. President, on this Federal drought task force, sir—on this Federal drought task force, sir, what specifically do you have in mind? What could the Federal Government do that it's not doing now? And how do you respond to critics who say you haven't pushed hard enough for drought relief now for drought-stricken farmers?

The President. Well, I think that there should be more drought relief in the agricultural efforts. I believe we have to go back and—before the farm bill comes to me—the emergency farm bill that is working its way through Congress is designed largely to deal with the problems of the last 4 years—record-high world crops, the collapse of the markets in Asia, the collapse of the prices. And that's important because that deals with what all the farmers do off the East Coast. But if you look at what they're facing here, there needs to be a special provision to deal with the drought crisis. And I hope that, and believe that, there will be.

So, I wish we could have done it before the August recess, but I think it will be there in time to aid the farmers. I don't believe that this Congress will walk away without doing something to deal with the emergency problem caused by the drought. I'm going to be with James Lee Witt in Arkansas tonight. We're both going to be home, and I expect to have a discussion with him about it—about what we should do.

Yes, go ahead.

Q. And what about the task force?

Nomination of Roger W. Ferguson, Jr.

Q. What about Roger Ferguson? We understand that you're going to appoint him today to the FED?

The President. I am. He will be the first African-American Vice Chair of the FED. He is superbly qualified. He has served well. And I am very excited about the prospect of his service. I'm glad he's willing to do it.

Tax Cut

Q. Mr. President, you've made a point of saying that the only way of strengthening Medicare and meeting your priorities would be to have a tax cut in the $300 billion range. Are you saying that the Republicans have to come down to that range? And if so, if it were to include an across-the-board tax cut or components that you don't philosophically agree with, would you be willing to entertain those as long as it's in the $300 billion parameters?

The President. No. Let me back up and say first of all, the most important thing to me is that Congress engage in the same exercise I did and that I believe the Democrats on the Senate Finance Committee and the House Ways and Means Committee tried to do, which is to say, what do we believe it will take to secure Medicare, provide a modest prescription drug benefit, these preventive changes, and all the modernization and competition things that I think we all agree need to be done—what will it take to do that?

What does the Congress—even the Republicans are up there spending a lot of money—what about the money they're going to spend over and above the '97 balanced budget limits for education, for medical research, for the teaching hospitals, the inner-

city hospitals, the therapeutic services? What about the veterans? Have they decided—what do they want to spend for defense? And we have to protect Social Security.

Now after we do all that, then they ought to ask themselves what their revenue estimates—or whatever revenue estimates they intend to use—what is left? And then that is how we ought to determine the size of the tax cut. We're doing this backwards. So you have this curious situation where the majority party is both passing a big tax cut, and passing big spending bills without any sense of how this is going to be reconciled. So to me, the most important thing is that we engage in the same process, that we put first things first.

Now, if we can agree on an amount, do I have to be flexible on how it's done? Of course I do; they have more votes than we do. Even the Democrats in Congress had a different plan than I did, and I thought they had some good ideas. The most important thing is that we engage in a process that saves Social Security and Medicare, that pays the debt off, and that continues to invest in education, defense, and the things we have to invest in. Then I think we ought to give whatever's left back to the American people in a tax cut. I obviously will argue for the fairest possible way.

I mean, if you look at the tax cut they adopted, the top one percent get 25 percent, the bottom 81 percent get 25 percent. So I think that, you know, 75 percent of the benefits go to the top 20 percent of the people. I think that there are problems with it, but I'm—clearly we'd have to negotiate the content, the details. But the amount should be determined not by politics but by arithmetic and by what we agree on in Medicare and the investments we agree to make in our country's future and our education and defense and the environment and by what we have to spend for the agriculture, for the veterans, for the problems that are now out there with the teaching hospitals, the inner-city hospitals—the therapy services have been cancelled, those kinds of things. We need to find out what we are going to do and what we have to do and what is right for the long-term interest of America, and then we can have the short-term tax cut.

And let me just make one other point about that, as we celebrate 300,000 more jobs and finally breaking the 19 million job barrier. We have seen warning after warning after warning in the business press in the last 2 weeks that a big tax cut in the face of this growing economy would be viewed as an inflationary measure which would cause the markets to raise interest rates, which would turn right around and take the benefits away from ordinary Americans that they get from tax cuts. If you get a tax cut today and the tax cut causes higher home mortgage rates, higher car payment rates, higher interest—credit card rates, higher college loan rates, and a weaker economy, then it won't take long for that tax cut to disappear in the flash of an eye. And that's another thing that ought to be considered here.

Inflation and Interest Rates/FED Chairman Alan Greenspan

Q. Mr. President, regardless of the tax cut debate, the unemployment report today was only the latest in a series this week that have raised concerns about inflation. Would a small increase in interest rates now be an understandable response to that? And secondly, have you made any decisions on Chairman Greenspan and another term at the FED?

The President. Well, first of all, I think he has done a terrific job, and they will make their own judgments. But what I am doing is designed—he testified in the Congress along these lines. Now I'm very gratified that the actual inflation rate is not high. It is true that we're finally getting some wage increases the last 2½ to 3 years for ordinary people, and they're getting ahead again after 20 years of falling behind. And I think that's good. But we—what—we should do everything we can—those of us with political responsibilities in the Government, to fight inflationary pressures so we continue to create jobs and raise incomes without inflation which will certainly raise interest rates. The market will raise them, whatever the FED does, if we really have big inflation come back into the economy.

So I'm doing my best to hold inflation down. And that's the signal that I want to send today. I never comment on the interest