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Remarks to the National Business Action Rally of the U.S. Chamber of Commerce

February 23, 1993

Thank you very much. Chairman Gorr, President Leshy, Vice Chairman Marcil, ladies and gentlemen, I thank you for that warm welcome. And I welcome you to your Nation's Capital and to this magnificent old hall.

I was glad to be here early enough to hear at least some of the Marine Band warming you up. That should put us all in a better frame of mind.

I thank you all for your concern for your country and for the contribution you make every year and every day to make America work. I want to say a special word of appreciation for the people from my native State who even hung a sign up there so I could find them.

As you know, if you've been following the news, I have been out on the road discussing with the American people the economic plan

I have presented to the Congress. Yesterday I had a particularly amazing day, seeing everything that is best about our economy and some of the most profound challenges we face. I began at an interesting firm called Silicon Graphics in California's Silicon Valley, where I spent a goodly amount of time visiting with the employees and watching what they do.

The Vice President and I went there to outline our technology policy. But afterward we just talked to the employees and listened to them. I was amazed to see that this company, as so many others in this country, has really succeeded in making the changes going on in our world friendly to the company, its employees, its owners, and its customers, not the enemy. As I have said so many times across this country, I think one of my primary jobs as President now is to try to figure out a way to make these turning changes in the global environment our friend and not our enemy.

Silicon Graphics have unleashed the creative energy of their most talented people. They've made a strength of the diversity that is so prominent throughout the State of California. They reduced bureaucracy to make it virtually nonexistent, pushed decisions down to the lowest level, and succeeded in creating products that are displaced every 12 to 18 months with their own products.

Then I flew up to Washington to meet with the employees at the Boeing Corporation, our Nation's largest exporter, a company that, as you know, is in some trouble now. It just announced 23,000 layoffs. And after I met with several thousand of the employees there, I had an hour private meeting with the heads of all the major American airplane companies: with Boeing, then with McDonnell-Douglas, with Pratt-Whitney, those who manufacture the airplanes and the component parts that are an important part of our economy.

They're facing some very tough competition. They have some structural problems in the market here, and I think have been subjected to some fairly unfair competition abroad, principally from airbus, a consortium of European efforts that has benefited from

\$26 billion in direct Government subsidies in the last year few years.

I spent a lot of my adult life dealing with large organizations in times of challenge and change. I had the great privilege to be Governor of my State for a dozen years. And I have acquired an enormous respect for people in the private sector and what they've had to cope with in this country over the last 12 to 15 years, some of you over the last 20 years, as we have moved inexorably into a very different global economy.

I came here today to ask for your support for my economic plan to take this country in a new direction because I believe it will make business more competitive and workers more productive and will help us to deal with some of the principal problems that we have faced over the last several years: high levels of unemployment periodically, stagnant wages among workers, lower levels of overall productivity than many of our major competitors.

In the news today, there are things which are good news. We know that in the last quarter, American productivity jumped to almost a 20-year high as more and more American businesses have come to grips with the challenges they face. We know that the housing markets are beginning to pick up, and that's good news. We know that in the last 2 months of the last quarter, consumer confidence took a big jump, and that's good news.

But we also know that there are still very serious problems in this economy with creating new jobs, serious problems with stagnant incomes, and enormous problems that have led to dampening the growth of new jobs in the small business sector. The restructuring of big business, which has been going on now for more than a decade, led to a reduction in employment in every year of the 1980's in larger businesses. But in most of that decade, the reduction in employment in big business was more than offset by the creation of new jobs in small businesses. In the last couple of years, that trend has not been able to continue.

There are lots of reasons why. Clearly, the exploding cost of health care is one. The credit crunch that exists in much of our country is another, and we're trying to address

that. And there are many other reasons. But it is plain that the lack of a clear national economic strategy to deal with our long-term problems has played a central role.

My goal in this economic program is to follow a strategy which will, short- and long-term, increase jobs, increase incomes, and increase productivity. That means, in my judgment, we have to increase investment, both public and private; we have to do more to educate and train our people so that they can produce at high levels; we have to take far better advantage of technology in the world, especially in the commercial sector.

In the 1980's, the most successful industrial strategy we had was our defense budget which kept our lead in international defense technologies while we were losing our lead in many commercial technologies.

We have to have a strategy for preserving our environment that makes that an engine of economic growth, not a burden on business and a drag on the economy. We have to reduce our inordinate Government deficit. We have to deal with the health care crisis. And we have to change the way Government operates and relates to the private sector in very fundamental ways.

There has not been a serious reexamination of the structure, the role, and the function of the Federal Government in some sort of comprehensive way in a generation. And because we have guaranteed claim on revenues and guaranteed claim on some customers, we have not been under the same pressures that many of you have to undergo, the kind of searching reexamination that the international economy has imposed on all of you. And I am committed to doing that.

I ask you before we get into the details to look at just two things: First of all, if we do not think to change the fundamental pattern of the way your National Government works, if we just keep on doing what we've been doing and argue around the edges, the Republicans winning a little here, the Democrats winning a little there, everybody chipping around, but basically we keep on the same course, here is what will happen. By the end of the decade the annual deficit will be \$653 billion. About 22 cents of every dollar you pay to the United States Government will go to pay interest on past debt. We'll

be up to about 60 cents on entitlements by then because of the exploding cost of health care and more people retiring. We will be spending a certain amount of money that we have to spend on the national defense, and people in the Congress will come to this city having made great campaign commitments to all of you out in the country and without regard to their party, they'll be arguing over how they're going to spend 3 or 4 cents on the dollar because we will be paralyzed in the expenditure of the public money, and we'll have less money to spend on investment in our future.

We'll be spending 20 percent of the gross national product on health care. And no other country, if present trends continue, will be above 10, which means every productive enterprise in the country will be spotting its international competitors 10 cents on the dollar in health care alone. If we continue the present patterns, that is what we have to look forward to.

We have no alternative but to change. We should begin with a program that increases public investment in technology and education and in people and bring this deficit down at the same time. That's hard to do. This country has never tried to do that before. We've had times past when times were good and the deficit was brought down. And in times past when things were tough, the deficit has been increased to increase investment. Our Nation has never before tried to increase investment and reduce the debt at the same time. It is not easy to do.

I have offered a plan to do that that cuts spending with real specific cuts, not rhetoric about overall caps; with tax increases that I believe are progressive, although none are free of pain; and with targeted, specific investments to grow this economy.

Now, already we're beginning to see some impact. Just since the election, since the Secretary of the Treasury and other people on our economic team and the President have been able to send clear signals to the market that we are going to bring down this deficit, there has been a seven-tenths of one percent drop in long-term interest rates.

Just yesterday, due to increased confidence in the plan in the bond market, long-term interest rates fell to a 16-year low. As

a result, over the last several days mortgage rates have begun another significant decline. The serious drop in interest rates is already providing a major stimulus to economic growth and major savings to millions of American families.

As interest rates fall more people will be able to save money on business loans, home loans, car loans, credit card transactions; all these things will free up cash to get the economy moving again. If we do it right and deliberately, the vast majority of Americans will save more money on lower interest rates than they will pay in the higher energy tax. Many businesses will save more money on lower interest rates than they will pay in the other tax increases. By increasing the pool of available investments through debt reduction, we can free up tax money away from interest on the debt to invest in education in our future, and we can free up major sources of funds in the private sector.

We have to do this together. The reason the debt portion of the package is important is that many of the changes which happen in America that are good, by definition, have to happen outside Washington. Generations of experience has taught us that the private sector functions best when the Government supports it but does not direct it; frames environment but does not intrude upon it; when the climate is stable and sustaining but when you can create jobs and grow the economy through your own enterprise.

For many years I was charged with being the chief advocate for the business community of my State. I went around the world trying to sell our products and increase investment in our State. We worked on a long-term strategy under the most difficult imaginable circumstances. When I took office in 1983, our unemployment rate was in double digits and most of our counties had unemployment rates not only in double digits but in the high unemployment counties in the State we had several counties with unemployment rates in excess of 20 percent. And we set about to increase investment, increase competitiveness, improve the education and training of our work force. Last year we ranked second in the country in job growth, and for the last 5 years have been in the top

10, not because of anything I did but because of what we did.

There has to be a clear partnership here that empowers the private sector to grow jobs by having the right kind of environment, the right kind of incentives, and the right kind of long-term commitments. This is the sort of commitment that I seek to bring to the Nation with this national economic program.

I think it is impossible to underestimate the importance of any particular element although there are those who will. If we don't reduce the deficit, long-term interest rates don't go down, and the Government spends more of your money paying interest. If we don't cut spending, the deficit reduction package has no credibility. And besides that, a lot of this spending really needs to be cut. If we don't raise some revenues, we won't really cut the deficit as much as we should. And if we don't have some targeted investments, we will ignore the fact for the last 12 years, while other countries have been putting more into infrastructure, into technology, and into education and training, relative to the efforts of our competitors, we have been declining. And in absolute dollars, our Federal effort has declined in many critical areas.

So I would argue that we need a comprehensive approach. But let me be clear again: This administration understands clearly that the private sector is the central engine of economic growth. I have tried to put together a plan that will enable you to succeed.

I hope that this plan and this speech, frankly, is just the beginning of a continuing dialog between us. I don't accept the conventional wisdom that a President has about 6 months, and after that everybody's running for reelection and everything's over and the political climate takes over. The truth is that we have been going in a certain direction economically for 2 decades, and we have been in the grip of a partisan and interest-dominated gridlock for a long time, and it is not going to turn around overnight. And a lot of the things that I have to do here with our business cannot be done overnight. And so we need a dialog, a set of continuous changes.

If it is true that business has to manage change on a constant basis, surely it must

also be true of Government. We can no longer afford the luxury of being told that the President has a year to work and after that everybody just waits around until the next election. That is a highly unproductive way to spend your money. And I believe we can do better.

Every one of you who's ever run any sort of enterprise knows that there comes a time in the life of any organization when the person in charge has to face facts and change or just let the thing drift into decline, maybe sudden loss. I sought this office because I became convinced that the classic American idea of progress, the idea that if we worked hard, played by the rules, made the necessary adjustments, we'd all do a little better, and we could certainly leave a better life to our children. And that idea had been imperiled by our failure to face many of the fundamental realities about which I have already spoken.

Our Government has responsibilities which have been too long neglected: to run a balanced economy, to invest in our people, to support business ability, to create wealth. In this city, people are very good at blaming one another for who did the wrong thing and pointing the finger at one another, but we've not been very good in the last few years at forgetting about blame and assuming responsibility.

Last Wednesday when I gave my State of the Union speech to Congress, I said to the Republicans and the Democrats in the audience, and I say to you, that I don't much care anymore whose fault our problems are. I do think we should all be willing to assume responsibility for improving the situation. And if it gets better, I could care less who gets credit for it. But the time has come to go to work.

I think that, to be fair, before I ask any of you to change anything, I need to set an example with the Federal Government. Let me begin by saying there are an awful lot of good people who work for you everyday in the Federal Government, people of astonishing dedication. And like any other business, there are a lot of people who are out there in the Federal Government who know a lot more than I do about what we could do to change it, to save you money, and to

make it work. But as an institution, our system has become too large, too slow, too unresponsive.

The Government accepts, even when it's doing things that you would all agree with, is often locked into a style of management and outmoded priorities on spending and regulation and rulemaking that hamper even the best of intentions. Really, if this Government were a business, it would have gone under a long time ago. And again I say, not because of the people working here—most of the people who work for you decided to do this because they love their country, and they believe in public service—but because we have simply not been forced to undergo the discipline of reexamining how we do our business.

And so it is time to take stock of Government, not just from the point of view of cutting but from the point of view of how it can be made to work. We have to look through every program and ask if it works. I've said this before, but I'll say it to you in case any of you missed it, I felt enormous sympathy for all my predecessors when I walked into the Oval Office and found that I had Jimmy Carter's phone system operating with Lyndon Johnson's switchboard. *[Laughter]* It was a metaphor for how business is done: when you call into the White House, there's someone actually there picking up a wire and hooking it into the extension. *[Laughter]* And I might say, they're some of the most valuable people we have, because they do something that every modern organization needs: They can find anybody in the country when they need to. *[Laughter]* And we certainly need those operators to do that. But the point is that that really is a metaphor for the fact that Government often feels that it doesn't need to reexamine it.

I found that I could not have a conference call as the President of the United States in the Oval Office—*[Laughter]*—except for one: anybody in the central office who wanted to hear what I was saying could punch the lighted button and listen. *[Laughter]* We also found, interestingly enough, that while it cost money to change the technology on telephones, we were actually spending more money than we should be on monthly service

charges and operating charges because we had an antiquated system. It was amazing.

Well, anyway, I think the Government has to set an example. So I have submitted to the Congress a budget that, in the coming fiscal year, will cut the White House staff by 25 percent below what it was when my predecessor left office, and not only cutting it but reorganizing it so that it will function better. We'll have a smaller drug policy office with more influence and more impact. We'll have an Economic Policy Council for only the second time in our country's history to go with the Domestic Policy Council and the National Security Council so that we can bring all the people who have an influence on economic policy together and focus on every aspect of it so that the right hand knows what the left hand is doing, and so that, hopefully, we can do a better job of anticipating the real consequences of any decisions which are made.

I've also asked the Congress to cancel next year's pay raise for Federal employees and to reduce their raises in each of the following 3 years, not because I want to hurt those people—they make this Government go—but because we have to tighten our belts before we ask Americans to tighten theirs.

I have submitted a budget that reduces the administrative costs of every Federal Agency in the next 4 years by 3 percent, 3 percent, 3 percent, and 5 percent, a total of 14; and which will reduce by attrition, not by firing, the Federal work payroll by 100,000, for savings in excess of \$9 billion.

I was pleased the other night when I went up to the Congress to deliver my talk that the leadership told me they were going to reduce the staffs of Congress by the same amount that we reduced the administrative budget of the Federal Government, which is a real change and a welcome one.

We have also tried to reduce a lot of the executive perks to set an example. A lot of our Secretaries are now eating in the dining room with their employees, and they're finding they're learning more during the lunch hour about how we can improve the Agency than they could have in all the meetings that have been scheduled.

But these things are the tip of the iceberg. We have really got to find a way to reinvent

the way the Government works, to bring modern technology and modern management practices to the workplace, to speed the flow of information, streamline decisions, and empower people at the grassroots level. I want you to be able to look at your National Government a couple of years from now as a model for customer service, not a bureaucratic monstrosity.

As an indication of that commitment, I have appointed as the Deputy Director of the Office of Management and Budget for Management, my friend Phil Lader, a remarkable businessman from South Carolina, who understands these concepts and will be able for the first time to make the management part of the Office of Management and Budget as important as the budget part. It's not just important to cut the spending; it's important that whatever you give us we spend right. And I think we can.

Let me just give you one example. We have contributed an inordinate amount of money to the Superfund to clean up sites which need to be cleaned up. The money is being used to pay lawyers' fees instead to clean up the sites. We might as well have just have been crass and said, "We don't care about the environmental consequences. We're not going to raise this money. We're not going to have a fund." Then we could pat ourselves on the back and say, "We're really concerned about this environmental problem of toxic waste sites, and so we raised the Superfund." Except the Fund's not being spent to clean up the sites. We're going to find a way to spend that money cleaning up pollution not paying for lawyers. That's the kind of thing we have to do if we're going to run this Government right.

There are also 150 very specific budget cuts in this budget. And to people who say to me, "Well, you ought to be able to find more," I say, "that's right, but there's 150 I found in 4 weeks that haven't been there in 12 years." So I feel that we're doing pretty good.

I'm more than happy to do more. But since the first budget President Reagan submitted in 1981, which did have a lot of very specific budget cuts, this budget is the one that has the most specific cuts. Not saying to the Congress, "Well, let's put a cap on this or a lid

on that and you all figure out how to distribute the pain," but saying, "I'll take responsibility for angering these constituencies by cutting this spending."

Can we do more? Of course we can. But we had to get off to a fast start. And I have made a good-faith offer to Republicans as well as Democrats, and to the Congress, and to people around the country to talk about how we can do that. It is very, very important.

The second thing I want to say to you, however, is that there is a big structural deficit which it is difficult to overcome by budget cuts alone, for this reason: Every year we grant cost-of-living increases to people on Social Security, and we should. There is a surplus in the Social Security tax fund which is being used to make the deficit look smaller. And that is very hard on small business in America, by the way, that we finance so much of our Government through the payroll tax. We'll need those payroll taxes later, but not now.

We have increases in health care for the same reasons you do, that is, the cost of health care is rising faster than the rate of inflation. That drives up the cost of Medicare for the elderly and Medicaid for low-income people.

And then we have another problem aggravated by the flaws in our system, which is that every month in this country 100,000 Americans lose their health insurance and some of them are eligible for the Medicaid programs for the working poor. So our costs go up as private sector folks can't afford to cover people with health insurance anymore, and they get pushed onto the Government payroll. So those increases occur and will continue to occur until we reform structurally the health care system. And I'll come back to that in a moment. So those increases are there.

Then there are some programs that I think are quite central to our economy that require us to continue to fund them. Many are controversial with those who don't benefit from them, but I believe in some of them. I'll tell you a couple I believe in. I think that we should continue to fund the superconducting super collider because I think it's good science, even though it's expensive. We are going to create a lot of jobs in the future

through investments in technology and science.

I believe that we cannot afford the space station design we have been operating on. And it hasn't been properly funded for years, and it's having huge costs overruns. But I think there should be a space station program that supports our shuttle program and supports the kinds of technological benefits that space has produced for the American economy here down on the ground over the last several years. And so I will support that, though we will not increase that spending as rapidly as it would take to support the old design. But we will do enough to keep all the people that are working, working in this area that I think is important. And that means we'll spend more money on that, and I think that's significant. But there still will be net budget cuts that are very deep, and I'm looking for more.

I also want to say that I intend to make reports to you on that, and before we get to any tax increases I want to know that the spending cuts are going to be there. I will not sign a tax increase without the spending cuts.

The tax problem, as you know, is highly progressive. And some say that it is so progressive that it will discourage people from reinvesting. I would just ask you to study the whole thing. We provide for the first time in the history of the country a permanent investment tax credit for small businesses for 90 percent of the employers who have 40 percent of the workers but create a majority of the jobs in this country.

We provided alternative minimum tax relief for the big capital-intensive businesses of this country, who have told us repeatedly that the alternative minimum tax treatment in the present Tax Code actually discourages people from making investments. We have provided some relief from the passive-loss provisions of the income Tax Code for people who are in the real estate business, because I think that has aggravated the condition not only of real estate but of some of our banks and contributed to the credit crunch. So I think there will be both direct benefits to real estate and indirect benefits to people who had to get bank financing by changing this passive-loss provision.

There are lots of other things in this bill which I think are important to the creation of jobs. So I ask you to look at it as a whole package and to recognize that we have to, again, move away from a tax system that is based too much on fixed-rate taxes, like excise and payroll taxes, more toward income taxes that have also offsetting incentives to invest. I believe that that is the proper direction to go.

I know there is also some controversy over the energy tax. And I'd like to talk about that for just a moment. If we are to find more revenue, I would rather not tax work and effort of working people. I would instead rather have some tax that operates on consumption and promotes energy efficiency in the development of alternative energy technologies. We have the lowest energy taxes in the world by far. And there was an enormous consensus among the deficit-reducing folks all over the country that there ought to be an energy tax but a big difference about what kind it ought to be.

There were those, principally in the East, who said we needed a huge gas tax. I can hear the groan from my folks up there in the gallery. It's tough on people who live in the West or who have to drive long distances to work where there's no public transport, where there's no practical carpooling. It really could have an adverse impact on sectors of our transportation economy.

Then there were those who if you want only to clean up the environment, you should have a carbon tax. The problem is, that's pretty rough if you're from Pennsylvania or Ohio or West Virginia or someplace where coal is important to the economy and where you're already bearing the enormous burden of the enforcement of the Clean Air Act.

So this BTU tax, taxing the heat content of energy, seemed to be a fair way of spreading the burden in a limited way across all energy sources, in a way that would still do what I think needs to be done, which is to promote conservation and not undermine something else that I strongly support, which is the increased production of natural gas in America. It's our fuel. It's clean, and it will create enormous economic opportunities in the future.

I want to say again, I don't want to raise one penny of this money unless we have the spending cuts. Not a penny. And I am sure, after now almost 5 weeks in office, that there are more cuts coming. I can tell you I will find more. And I think we have gotten everybody in the National Government interested in finding more. And I encourage you to give us more. Nothing is off the table, except those things that reflect the fundamental interest of the American people.

But remember, we don't want to do anything that will further erode our investment in our children and their future in programs that are working. Indeed, we need to do more there. And we cannot afford to break the fragile bond of responsibility we have with elderly people who live on Social Security for all their income and who need Medicare for their health care. We can reduce further health care expenditures of the Government but only in the context of an overall resolution of the health care crisis.

The plan I have presented will reduce the deficit substantially and fairly. And if we do, it will mean lower interest rates. You can see that already by this historic low in long-term interest rates coming out today.

I also want to say, however, that in my judgment, there are some things we should invest in, not just the things I've mentioned for business: the permanent investment tax credit for small business, the targeted capital gains tax, the technology extension center, the manufacturing changes in the alternative minimum tax, the incremental investment tax credit that will be available to every business in America over the next couple of years. But there are also some things that we need to invest in our people. And I'd like just to mention one or two of them.

Another change in this tax system is one that I will hope you will all support, and it is the one that enables us to hold harmless to 40-plus percent of the taxpayers with incomes of \$30,000 or less. This is a dramatic increase in the refundable-earned income tax credit for working people. This mechanism in this plan will enable us to say for the first time in the history of the country, "If you are a full-time worker with a child in your house, you will not live in poverty." Let me say why I think that is so important.

One of the things we have to deal with in America to make ourselves more productive is how we can reduce the volume of the large underclass we have: the people who are permanently trapped in poverty, the children living in the big cities. And we have to think of strategies to deal with that. Some of those things are things that I think you can do. I have proposed, for example, urban enterprise zones which give huge incentives for private sector investment in depressed areas.

But we have to break the psychology of poverty and dependence on the Government. I will come forward later this year with a welfare-reform proposal that will literally end welfare as we know it, will say we'll have education and training and child care and health care. After two years you've either got to go to work or do public service work to draw an income tax from the Government.

But consider this: We also need to build in incentives. You know as well as I do from the people you work with that an incentive system is better most of the time than a rule-making system. So we can have a welfare rulemaking system, but you've got to change the incentives. How many working women are there in America today who barely make ends meet because of the cost of child care? I mean, an enormous number.

So what this refundable-earned income tax credit will do is to change the economic system. It will say: We are going to reward work. You put in your 40 hours; you've got a kid in the house. If we need to, we will refund money through the tax system, but we're going to lift you above the poverty line so no one will ever have that as an excuse not to be a productive citizen. If everybody in this country were working, we wouldn't have half the problems that the Government wrestles with here all day, every day. And I hope you can support that.

Now, let me just make another couple of comments that relate to this. In the next few days we will be announcing some initiatives that we're going to take from a regulatory point of view to try to deal with the credit crunch, to try to make it possible for banks to loan money to businesses again, to try to release the energies for the old-fashioned character of small business loans, to try to reduce the fear that a lot of banks have that

if they make sensible loans, the Government will come down on them.

I think that the improvement in the books that will come from changing the passive-loss provision, plus the regulatory changes we make, will really make a dent in this credit crunch problem, especially in the areas of our country where it has been so profound. And if it isn't, you let me know about it in a few months, and we'll do something else. We have got to deal with this problem for small business to grow again.

Now, let me talk just very briefly about what I think will become very quickly a controversial part of this program. There will be those who want to cut spending and wish we didn't have to raise any taxes, who will say, "You wouldn't have to raise so many taxes if you didn't spend any new money on anything." And that is absolutely true. I admit that is absolutely true. I want you to know what I propose to spend new money on and why, in addition to the tax incentives I've already discussed.

First of all, I want to increase research and development in new technologies that will create new jobs and new economic opportunities, dramatically. Not only by making the research and experimentation tax credit permanent, but by increasing commercial R&D by more than we reduce defense R&D, and by emphasizing dual-use technologies in defense research and development.

It is killing me to look at the numbers when you compare the percentage of our income we're spending on research and development in America compared to our competitors. Five years, 10 years, 20 years from now, that means more high-wage jobs somewhere else and fewer high-wage jobs here. And we cannot tolerate it. We must again achieve competitive levels of R&D, and that is a worthy expenditure of your tax money. We have good people who will do that right and spend it efficiently, and I would hope you would support it.

There is no way the private sector can equal the aggregate efforts in Germany, Japan, or any other rich country, provided there by enormous public sector investment to support the private sector. So I hope you'll be for that.

Secondly, I think we have to invest more in our infrastructure, in our roads, our bridges, our airports, in high-speed rail, in water projects, in sewer projects, in environmental cleanup. We are again spending a much lower percentage of our income on that than all of our major competitors. And that bears a direct relationship to productivity, to wealth generation, and to the cost of doing business in the private sector. So we propose to fully fund the surface transportation act and to do a lot of things in this area.

Third, we propose to really invest some money in targeted people investments that will increase productivity. Let me just mention three or four. Number one, we want to spend some new money to set up a network that will permit us to immunize every child in America by the age of two for preventable childhood diseases. For every dollar we spend on that today, we will save \$10 in the future in preventable diseases. We are dangerously at risk of new outbreaks of diseases because our immunization levels have fallen so low.

Most of the controversy you've seen in the press is about the price of vaccines, and that's a legitimate issue. But it is also true that we don't have the delivery network in this country we need. And as a result, we have the appalling statistic that in America, which produces vaccines for the world, we have the third-lowest immunization rate in this hemisphere. Only Bolivia and Haiti are lower. It is unconscionable. We can't justify it. For a little bit of money today we can save big bucks tomorrow.

Secondly, we ought to fully fund the Head Start program, because it is a proven success that will save us \$3 tomorrow for every dollar we spend today.

Those are among the things that I think we should do. Let me just mention two others. We ought to have an apprenticeship program in America that guarantees every high school graduate access to 2 years of further quality education in the workplace, in a community college, in a vocational institution. The Federal Government's responsibility here is basically to help States in the private sector create networks and to fill the funding gap. For next to no money we could bring

our 2-year education program up to where it is universally accessible to all Americans and it is at a level of quality comparable to our competitors. We are not there today. For not very much money, we can do that.

The next thing I think we really ought to do is to open the doors to college education to all Americans. Not just open them, but keep them open. The college drop-out rate today is two and a half times the high school drop-out rate. And one reason is that a college education is about the only thing that increased more rapidly than health care costs in the 1980's.

Now, all of you need to think about this as this is something you can do that I can't since all these colleges—none of them are Federal institutions. Something needs to be done to contain the rising costs of those colleges. But in the meantime, we need to make sure that young Americans are not dropping out just because they can't afford to go.

The student loan program today is wildly expensive. It costs \$4 billion a year, \$3 billion in defaulted loans alone. And what we need to do is to set up an income-contingent repayment plan so everybody can pay back as a percentage of their income, which will reduce the incentive to default; really stiffen the collection measures, including involving the IRS in it. I'm tired of people making money and defaulting on their loans; that's not right. But we also should make available the opportunity for many young Americans to pay back their student loans by serving their country, by going home and working as teachers or police officers, or doing things that need to be done in the community.

We can rescue a lot of these kids out of inner cities by letting them work before they go to college and put in time in building up credits so that they then turn their loans into scholarships before they even go. These are things that ought to be done.

You know, when President Kennedy started the Peace Corps, it shaped the imagination of a whole generation. We need a peace corps here at home to deal with our problems here at home, and it needs to be much bigger than the Peace Corps ever was.

Finally, let me just make this point: If we cut spending, increase revenues, target investments, we'll have a Government that will

go in the right direction for the next 4 years with real discipline. If you want to get to the end of the decade with a healthy American economy, we have to do something else. We've got to reform the health care system.

In 5 years, projected Government expenditures on health care would go from \$210 billion to \$350 billion, a two-thirds increase, annualized increase of 12 percent per year. We are already spending, as of the end of 1992, 14 percent of our gross domestic product on health care. No other nation in the world except Canada is over nine, and they're just barely over nine. And our health indicators are not all that much better. In fact, they're quite worse in some areas.

Now, this is not a simple problem. This is the most complex issue with which I have ever tried to come to grips. But one thing is pretty clear: If present spending trends continue, we'll be bumping 20 percent of GDP by the end of the decade, and you can forget about our being competitive in manufacturing.

At our economic conference in Little Rock, Red Poling, the chairman of Ford Motor Company, pointed out how Ford's health care costs had risen by 800 percent in the last 20 years, and now they spend as much on health care for workers as on steel for cars. Almost \$1,100 of the price of each American car is in health care. Our competitors in Japan have only \$550 in a car; hard to be price competitive and make money.

Small businesses are hit even harder by health care costs. And for many self-employed people and farmers, it's impossible to get health care. As I said earlier, 100,000 Americans a month are losing their health insurance. Seventy percent of the small businesses in this country are still providing health care to their employees, but they're hurt very badly by insurance-rating practices in most States. And workers are terrorized by the fact that if they or someone in their family has ever been sick, they have a pre-existing condition which locks them into a job.

I had dinner the other night with a high school friend of my wife who is a wonderful

small-business guy with four employees. And one of his employees just had a child with Down's syndrome. And he told me, he said, "You know, that guy and I, we're partners for life now." And he said, "He really can do better. He's a gifted person. I want him to be able to go on and move, and he can't."

And more and more businesses are having to give up their health insurance every year or run the co-pay so high they might as well be giving up on it. And that, as I said earlier, is driving some people back down into the Federal Government's and the State government's health care system.

What I want to do is to find a way to preserve what is best about American health care—the right to choose your doctor, the technology that we have—and stop the incredible waste on paperwork, which means that clerical workers are being hired at 4 times the rate of health care providers in hospitals and doctors' offices, on unnecessary technology, on the absence of preventive and primary care, on all the things that we know that are wrong.

And some time in the next several weeks, within 100 days after the time I took office, we'll be presenting a plan to the Congress and the American people to deal with that. But I want to be up-front about this. The economic plan I have presented will bring that debt down for 4 years. If we don't deal with the health care crisis, it's going to turn around and go right back up in the next 4 years, just like your costs are going to.

We have got to face this. Every other advanced country in the world has devised some system which works better than ours does to keep costs closer to inflation while providing a basic package of benefits to all Americans. We cannot fix this economy over the long run unless we do that. It is inhumane. It is also very bad business to let the status quo persist.

Let me close just by saying that if every American looks at my proposal in terms of what is best for him or her, at least one-third of it will seem unattractive. That is, if you're an upper-income person who has to pay the income taxes, you would say, "Give me the

budget cuts and don't increase spending." Unless you're in a technology-related business in which you might say, "Give me the budget cuts and the new investments, but forget about the tax increases." Or if you're an educator, you might say, "Fund Head Start." A middle-class person might say, "Tax the rich and spend the money on new jobs. Cut the budget, but forget about the energy tax." A lower-income person might say, "Tax the wealthy. Give me the new spending, but forget about the budget cuts."

In other words, if everybody looks at this just through the prism of how it will immediately affect you, it's a nonstarter, because there's no way you can bat three for three. We can't get there.

And that's why I say to all of you what I have asked the American people to do; I invite your efforts to improve this, to say what's wrong with it, to say how we can make it better. That's fine. But ask the question, not just what's in it for me, but what's in it for us. This country has got to change. We know we cannot stay on the present course. We know we cannot stay on the present course.

We also know if we look ahead to the future that the next 20 years could be the best years this country ever had. But we've got to increase productivity. We've got to increase job generation. We've got to increase income, and we've got to increase our ability to rely on all the American people. We do not have a person to waste. I believe this program achieves those objectives, and I ask for your support.

Thank you very much, and God bless you.

NOTE: The President spoke at 11:15 a.m. at the DAR Constitution Hall. In his remarks, he referred to Ivan Gorr, chairman of the board; Richard Leshner, president; and William Marcil, vice chairman of the board, U.S. Chamber of Commerce.

Exchange With Reporters Prior to a Meeting With United Nations Secretary-General Boutros Boutros-Ghali

February 23, 1993

Aid to Bosnia-Herzegovina

Q. Mr. President, is an airdrop enough to relieve the suffering? Will that do the job of getting food to people?

The President. Well, if we can reach an agreement, it will help, I think.

Q. How close are you to an agreement, Mr. President?

The President. I don't know. We can't talk until you leave. [*Laughter*]

Q. Do you think that there is some risk, though, of this being the first step to an engagement that we won't be able to get out of?

The President. Not necessarily, no. Not at all.

Q. Why not?

The President. Because what we're discussing is very different. It has no combat connotations whatever, and it's purely humanitarian and quite limited.

Q. Isn't there a risk of people being shot at by anti-aircraft artillery?

The President. Well, if we do it, we'll have an announcement that deals with that. We think the risks are quite small.

NOTE: The exchange began at 4:10 p.m. in the Oval Office at the White House.

Statement by the Press Secretary on the President's Meeting With United Nations Secretary-General Boutros Boutros-Ghali

February 23, 1993

During their meeting on February 23, the President and the Secretary General of the United Nations discussed the role of the U.N. and the support of the United States, Somalia, Haiti, and a wide range of other issues.

They also discussed the tragic situation in the former Yugoslavia. They agreed on the urgent need for an end to the fighting and

the violations of international humanitarian law.

In this regard, the President and the Secretary General urge the leaders of the parties involved in the peace talks on Bosnia and Herzegovina to come to New York immediately to resume discussions in pursuit of an agreement to end the conflict.

In view of emergency humanitarian needs in Bosnia, the Secretary General welcomed the President's explanation of the possible use of airdrops into isolated areas that are in critical need of relief and cannot be reached at this time by ground. They agreed that such drops would be temporary and supplemental to land convoys in accordance with existing procedures. The President stressed the United States intention to coordinate such operations closely with the United Nations relief effort.

Proclamation 6530—American Wine Appreciation Week, 1993

February 23, 1993

By the President of the United States of America

A Proclamation

The wine industry in this Nation has a heritage dating back to our Founding Fathers. Today it continues as a proud tradition, nurtured by thousands of family-owned farms, in every region of our country. From generation to generation, grape growers have helped sustain and preserve our agricultural resources, keeping 850,000 acres of American land as open space for active agricultural production.

More than 8,000 grape and other fruit growers work together with more than 1,300 wineries to produce 85 percent of all wine consumed in the United States. This \$8 billion industry strengthens the American economy by supporting more than 200,000 jobs and contributing \$1 billion a year in government taxes and fees.

The history of wine grape growing in the world spans more than 7,000 years. In our own history, wine has continually played an important role in a wide variety of American