

THE WHITE HOUSE
Office of the Press Secretary

Internal Transcript

December 29, 1994

INTERVIEW OF THE PRESIDENT
BY USA TODAY

The Oval Office

1:16 P.M. EST

THE PRESIDENT: Let me just make a kind of an opening, a couple of opening remarks, and then I'll answer whatever questions you want. The end of the year is a time when you always think about what happened the last year, what's going to happen next year. And I guess the thing I want most to say is that I end this year with an enormous feeling of optimism and hope about the future and a real sense of gratitude for the opportunities that we've had in the last couple of years to make real progress in laying the building blocks this country needs to move into the 21st century.

I look at what happened in 1994 -- we were able to continue the economic recovery with low inflation. We've now got over 5 million new jobs in the economy since I've become President. We finally are dealing with the wage problem -- beginning to deal with this wage problem which has left so many people angry and frustrated. This year we had more high-wage jobs coming into the economy than in the previous five years combined, and we hope that will be a trend for the future.

We've still got the deficit coming down -- the biggest in history -- we've now removed about \$10,000 worth of debt off of every family in the country through our deficit reduction. We've had the biggest expansion of trade in any comparable time period in American history with the world trade agreement. We're investing in new technologies. We've got this economy going.

In 1994 we passed a lot of very important education legislation -- very important to me -- this whole business of moving forward with everything from Head Start for little children to apprenticeships for people who don't go to colleges to making more affordable college loans. It was a big year for that.

We passed the crime bill, and it had almost to the letter all the provisions that I campaigned on in 1992. And even though there was a lot of controversy about it at the time, and a lot of people who had been for it changed at the end and made a lot of political noise about it, it's a very good bill. And I think it will make a difference as we implement it; and we're working hard to implement it.

We continued the Reinventing Government effort under Vice President Gore; and generally, began solving problems that government had too long ignored. And I think that's one thing that I'm proudest of about this administration is that we take on problems. You know, Mike Espy just left as Agriculture Secretary. He took on the meat safety problem, the crop insurance problem. We opened Japanese markets to American rice for the first time. That's a huge deal where I come from, you know? It's something we never thought would happen.

We began the long process of healing the pension systems of this country. A big thing for American people -- the pension

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reform, almost totally unnoticed here at the end of the year. It was part of the GATT legislation, but that's very important. We got our plan for rebuilding the Pacific Northwest and getting over the environmentalist versus loggers controversy. It's been approved in court. We resolved the fight between the environmentalists and the farmers in California over water. And we're trying to move forward in solving problems. We've now given 23 states permission to get around all these federal rules to pursue welfare reform -- nine states to pursue health care. So that's very important.

Oh yes, the last point I'd like to make is that it was a very good year for American foreign policy -- our role in the Middle East, our role in Haiti, our role in Northern Ireland, our successes with the denuclearization of the former Soviet Union and agreement with North Korea.

So I'm feeling very good about what happened in 1994. It was a big year, a good year for America. And as we -- in terms of my overall objective of restoring the middle class and rebuilding a sense of community in this country and moving us into the future, we're clearly moving in the right direction.

Of course, next year, I want to begin with the focus on this Middle Class Bill of Rights, because I think that people don't feel secure, even in the midst of this recovery. And I think there are economic reasons for it, and then there are non-economic reasons for it. And I would just like to offer a couple of observations for it.

To raise incomes, you have to raise the skill level and get more good jobs in this country.

Q Yes. It doesn't happen overnight, either.

THE PRESIDENT: And it doesn't happen overnight. First of all, it didn't happen overnight -- I was coming into a 20-year trend of stagnant incomes. But if we can pass this Middle Class Bill of Rights, and give deductibility to people for all their educational costs and let everybody put an IRA into place that will let them save every year and then withdraw for education or health expenses or care of a parent or first-time home-buying, and have deductions for their children when they're raising them, then I think we'll be rewarding work and family and education in a way that will help us to rebuild the middle class and restore a sense of security.

I also would say I don't think we can walk away from health care. I've written a letter to the Republican and Democratic leaders of the Congress -- of the coming Congress -- and said I realized that the proposal that I made last year didn't find favor, but the problem's still there. The costs are still going up; another million Americans in working families lost their health insurance. So let's get together and take this on a step-by-step basis; reassure the American people we're not going to undermine their quality of care, their choices, but that we can do more to reform the insurance policies so they don't lose -- people don't lose insurance because of their health. We can do more to cover children; we can do more to move toward providing coverage to all Americans.

And the last thing is, I'm hopeful we can have some bipartisan agreements on a lot of things -- on welfare reform, on a lot of foreign policy. There are some things I do not believe we should do. I don't believe we should explode the deficit again; I think we ought to be fiscally responsible. I don't believe we should just be handing out tax breaks to people who don't need them, unless it creates jobs and raises incomes. I don't believe we should cut funding for these education and training programs. I don't believe we should punish poor people who are genuinely doing the best they can, and willing to work their way into the middle class.

I believe -- I've taken the lead -- another round of Reinventing Government cuts, dramatic. I have no problem with giving more authority to the states and cutting the federal government where it needs to be cut. But we need to keep in mind, we need a national government that's on the side of middle-class families; that there is a role for government in this society; and that we have got to -- our goal should be to move the country into the 21st century, to rebuild the middle class, to rebuild a sense of community in this country.

Q I want to ask you about next year and longer, but first, I'm a little -- I think people will be a little surprised to hear you assessing this year that's just ending in such a positive note because for you it's been a tough one personally with some losses in your family, and politically as well. How does that all fit in to your summary of what the year has been, and how do you deal with it?

THE PRESIDENT: Well, it was a difficult year for me personally. I lost my mother at the beginning of the year. And this was our first Christmas without her. And my whole life -- I've had nearly 50 Christmases now, and this is the only one of all those 50 that I ever spent without her.

Q It must have been tough.

THE PRESIDENT: And it was a very difficult thing at one level. Although, it's interesting -- I had my brother here and my nephew and my sister-in-law. He's got a seven-month old son. And I had my brother-in-law -- one of my brothers-in-law and his wife. And this was our second Christmas without Hillary's dad. And we had a lot of laughs; we told a lot of stories about them and tried to be grateful for their lives. But it was -- we have had some significant personal losses since I've been here. But that's a part of living. And I guess if you're President, it's just sort of a -- relief. And the pressure of it may seem more, but I don't know that there's any -- I feel very blessed in the way that I had my mother as long as I did.

Just last week, a man who's been a friend of mine for 25 years -- he's only a year older than I am -- passed away, a magnificent man. And I was thinking, when he came to see me -- he knew he was sick, he came up here and stayed with mother and me right before she died. And he said, I would liked to have lived longer, but I feel fortunate to have lived as well as I did and to have known as much as I did. And I thought it was such a brave thing for him to say.

So the personal losses just come along with it. The political reversals, I think, are -- they've been analyzed to death; no point in talking about them. But they can't reverse the truth. I mean, there is a truth here. We had a lot of problems on our hands when I showed up in '93. And we've begun to get our economic house in order; we've begun to put education first again; we've begun to tackle the tough problems that have been long ignored; we've begun to make the kind of revolutionary changes in the government that need to be made to get us into the 21st century. We've begun to focus on trying to empower people and communities to solve their own problems. And we've just got to keep working on it.

Q But how does it make you feel when you read, as you inevitably must, these stories about approval ratings and people don't want you to run for reelection and speculation about Democrats challenging you? Do you just not deal with that, or how do you --

THE PRESIDENT: There's nothing I can do about it. All people can do is have judgements based on what they see and hear. And my mission is to tell the best -- to do the best job I can to do

the job, and then to take whatever time I can to try to tell the people about what we're doing and try to involve them on the journey.

Q You've been counted out a time or two before, and proved people wrong.

THE PRESIDENT: Yes, that's right. But this is not about me, this is about the American people. What they think about me is something I'll leave for the election. The important thing is what I think about them. And they have been subject to a -- it is difficult for them to get beyond their own problems now for too many people. And it's easy for them, I guess, to believe the negative characterization. And maybe I haven't done as well as I should in communicating with them.

But the point is, the country is in better shape than it was when I took office. And we finally -- we have a responsible budget for the first time in ages. We have a responsible trade policy. We have a responsible education and training policy. We have a responsible policy on reducing the size and bulk of the federal government, but focusing on the missions the federal government should pursue; and trying to empower people to take more responsibility for their own lives. We're focused on the future; on middle-class interests and middle-class values; on this new ethic of responsibility as well as opportunity and rebuilding the communities of this country. That is all I can do.

I have no control over the daily polls and what people see about me on the news at night and all the kind of things that affect their opinion.

Q Thing we obsess about.

THE PRESIDENT: Well, it's a bizarre world we're living in in that sense. I mean, people get their information however they get it, and then they draw whatever conclusions they drew from it. My job -- I have to keep my eye on what I know I can affect. And I am very, very upbeat about the future of this country and about the prospects of it.

Q How's the insomnia quotient?

THE PRESIDENT: I sleep every night. But I'm inherently optimistic about America. Anybody -- let me just say this -- anybody who really tries to change instead of talk about it, is going to engender opposition, there will be static in the air; it's ugly to watch laws being made. Who was it? Mark Twain said, nobody should ever watch laws and sausage being made.

You're going to have opposition. But I didn't run for this job with a view toward thinking about the next election. I'm trying to keep my mind on the next generation and on what's good for the 21st century for America; and just keep slogging away at the things that I know need to be done. And I think that is the ultimate strength in our country is that we have -- that for more than 200 years our leaders focused on what had to be done.

Q Let's talk about that just a little bit. A year from today, if we're sitting here -- and I hope we will be -- realistically, how much of your Middle Class Bill Of Rights do you think will have been enacted?

THE PRESIDENT: Well, if the Republicans will work with me and put country first, and politics as usual dead last, as I say we ought to, I think they will enact it. First of all, many of them have embraced the IRA, which former Secretary Bentsen really pushed hard. They have a version of the children's tax credit and that's good, because in '92, when the Democrats were for it, they weren't.

So now you've got the Democrats and the Republicans for the children's tax credit.

The third aspect of the Middle Class Bill Of Rights was to collapse all the federal programs -- these zillions of federal programs in training, instead of just giving states -- just allow workers themselves, people who have lost a job or who are struggling to get a better job -- instead of getting a program to get them money to enroll in their local community college or whatever for job training. I would think that would have great appeal to Republicans who always want to empower people over government. So I think that has a good chance.

But the most important thing is that they -- instead of just having a blanket tax cut we can't afford, I think is to adopt this deductibility for the cost of education -- for college education, for vocational education, for medical school education, for adults who have to go back and get retrained if they lose their jobs. I mean, it is one thing we can do for everybody in this country that will use a tax provision to build America, just like the GI Bill did educating people. And I think that the issue there will be, is if the Congress knows that the country wants this, and if it makes sense to people. And I must say, since I spoke to the country, I've gotten more support from ordinary citizens calling in here, writing in for the deductibility of education expenses than anything else.

Q Struck a chord. A year from today, how much of the Republican contract will have been enacted, and how many pieces of it will you have been forced to veto?

THE PRESIDENT: Well, I don't know. I want to help them enact some of it, as I said all along.

Q Tell me which pieces of it you'd like to move on and help them.

THE PRESIDENT: I like the line item veto, and I hope they'll give it to me right away. I have no problem with -- we have our own deregulation initiative. I think theirs goes to far in some ways, but I think -- I would hope that they'd be willing to work with us on that.

We have -- we're going to give them a budget which drastically reduces the federal government even further than we have already, and I hope they'll work with us that. So I think we can work on those things.

I am not in favor of cutting federal investments and education.

Q You don't like their welfare reform. Secretary Shalala was on Today --

THE PRESIDENT: Well, what I think about the welfare thing is I still would hope that we could get a -- after everyone gives their speeches about this -- 90 percent of the American people want welfare reform that promotes work over welfare; that promotes independence over dependence; that promotes responsible parenting over irresponsible childbearing.

Q How do you feel about doing straight block grants to states on it?

THE PRESIDENT: Well, I think the states should be given more discretion. I think that -- I don't want to get into the details now, because I want to have a meeting. I've already met with Republican and Democratic governors; I've talked to the Republican

leaders, as well as the Democratic leaders; and I've worked on this issue myself for 14 years. I gave them a good bill last year. I wish it had passed last year, but we couldn't pass it last year.

I think there are lots of options we can pursue, but the issue should be, will this promote work over welfare; will it strengthen families; and will it promote responsible parenting, not irresponsible child-bearing? I think that's what the American people want us to do. And that's what I will focus on.

Now, within that -- I think that I have tried to reduce the number of federal prescriptions in welfare reform, and to give more states flexibility. I think, I don't know -- I guess Secretary Shalala said that -- we've given 23 or 24 states now, waivers from these federal rules. I don't think we necessarily need a whole new set of federal rules.

I do say, if you're going to require people to go to work, they need to have a job to go to work at. And if you want them to work for themselves -- if you want people to work themselves from poverty into the middle class, they also must be able to get access to training and skills. So there needs to be a theory of how we're going to do this.

But I'm -- I don't agree with the details -- some of the details of their welfare reform, but I think the idea that they want to do it now -- that the Democrats want to do it -- is basically a hopeful thing, because it needs to be done in America. The poverty rate has been going up. It's been going up almost exclusively among young women and their little children. There are almost no families -- I wouldn't say almost -- there are very few families living in poverty where you've got a coherent family with two parents living in the home and -- particularly if both of them are working, or able to work and they're just taking off for childbearing. So this is a very important issue for our country. And again -- so I'm hopeful that we'll be able to work together on it.

Q And crime -- Brady II? Do you think your first veto might be a repeal of the assault weapons ban?

THE PRESIDENT: Well, I don't think they ought to repeal it; I sure don't. I don't think they ought to repeal the Brady Bill. I don't think they ought -- some of them talk about that, too. I don't think they ought to repeal the Brady Bill or the assault weapons ban.

Now, they may feel constrained to do it, because a lot of them believe the NRA elected them. And I think that's right, I think they did elect a lot of them. But I think that the people were basically -- a lot of our people in rural areas felt culturally assaulted. They felt that they might lose some weapon they own to try to take care of a crime problem in urban areas that weren't present in rural areas.

Q Yes, it didn't touch their lives.

THE PRESIDENT: That's basically what they thought. So they saw this as sort of a cultural arrogance by the federal government. Now I believe that the more it's explained in its own terms -- the way Senator Bob Kerrey did in his campaign, or the way Senator Howell Heflin from Alabama did when he spoke about this -- the more the supporters of the assault weapons ban will tend to prevail.

Q And it will make sense to people.

THE PRESIDENT: Yes. I think this was part of people's madness about government. They were out there -- and particularly these --

Q That's true.

THE PRESIDENT: -- the rural people were saying, my God, I'm having a tough time; I can't make a living, now they're coming for my gun. It was this sort of psychological thing. And my guess is that the public mood will change on it as people have a chance to reflect. None of us make the best decisions in the world when we're angry -- and I think that it will. I feel very strongly that it should not be repealed. I think it would be a big mistake.

Q Ginny is going to give me heads up here, so two fast ones. People are worried about your safety, sitting in this building. Should they be?

THE PRESIDENT: No. I mean, there's a lot of anxiety out there. We had the fellow with the assault weapons out front --

Q Yes, that was serious.

THE PRESIDENT: -- who was apparently angry at the assault weapons ban.

Q Right. Right.

THE PRESIDENT: The guy with the airplane was trying to make a statement. He was --

Q But then there's been this whole spate of stuff. And I think the overall impression left with the people is that you need to be taken better care of.

THE PRESIDENT: Well, they're shooting at the house. (Laughter.) I think the Secret Service has done a fine job. I do not -- it used to be, when Mr. Roosevelt was here, on a Sunday, there was no fence around here --

Q Right.

THE PRESIDENT: -- and families could walk off and picnic in the back yard. Now they've got the fence here; they've got the fence up front; we've got the bullet-proof glass.

Q Do you find yourself looking over your shoulder when you're walking in the dark?

THE PRESIDENT: Never. Never. I never think about it. I believe -- and I don't mean to be careless about it, because I feel a responsibility to my country, as well as to my family, to try to be careful. But the Secret Service does a good job. They are much more able today than they were a few decades ago to protect the President.

But this is a free and open society. We don't want the President living in a closet. The biggest problem with the White House for most Presidents most days is not the danger you get from being exposed to people, it's the danger -- it's the problem you have by developing a tin ear by being isolated from people.

Q Which I know was a big concern of yours.

THE PRESIDENT: -- from the run of -- yes, and it still is. I just -- now as President, there's 255 million Americans, so I mean, I have to speak to them in large measure through you, for example, as we are now. But I think it would be important for any

person who holds this office to be able to do things that would get beyond the confines of the White House, and would be in touch with ordinary citizens. And so I have high levels of confidence in the Secret Service. There is -- it's impossible to have a 100-percent guarantee for anybody, but they have done a terrific job, I think. And I feel good about it.

Q One last question before Ginny runs me out of here. Any developments from Korea? And how long are you willing to be as patient as you're being?

THE PRESIDENT: Well, let me just say this. All I can tell you today is exactly what I said yesterday. I think he -- our serviceman should be released. The helicopter made a mistake and got into their airspace. But there was -- it was a routine training mission. And I have someone there who is working very hard as we speak.

Q Is he making progress?

THE PRESIDENT: So anything else I say would be premature. I just don't think I can say anything --

Q Okay.

THE PRESIDENT: -- except that I'm very interested in it. I've been getting reports regularly, ever since he's been there.

Q Are you still hopeful he'll be released soon?

THE PRESIDENT: I'm hopeful. I think it should be done, but I don't have any progress report. I certainly don't have a lack of progress report. I just don't want to say anything today while we're working this.

Q Okay. Thank you sir.

THE PRESIDENT: Thanks.

Q Happy New Year to you in Little Rock.

THE PRESIDENT: You too, I enjoyed it.

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1:42 P.M. EST

As both Republican and Democratic leaders might announce new health care proposals as early as Wednesday, it is essential that you lay out a clear, succinct vision of how the nation should move towards full health care security. This is quite important, because if Republicans announce an insurance market reform bill or Democrats announce a children's package next Wednesday, even if we suggest at that time that those are good, though not fully adequate, steps, the press may perceive our position as another case of "me-tooism" -- however unfair or unjustified that would be. On the other hand, if you lay out a very clear three or four step process for how you want to get full health security, then you are making clear before anyone has spoken that you remain committed to your core vision but that you are simply laying out a pragmatic legislative process for getting there over the next few years. If you can make that three or four step process clear enough in the next few days, then when Democrats or Republicans propose one of those steps it can be perceived by the media as fitting within the framework that you have laid out.

Proposed Q&A

Q: What are your plans for health care?

A: First, people being with their families over the holidays reminds all of us that every really important policy issue is ultimately about the security and well-being of our families. Crime legislation is about the physical security of our family -- economic policy is about the economic security of our families -- and health care reform is still about the insecurity that tens of millions of Americans feel because they know at any time they can lose their coverage, or their prices can be raised or coverage denied to them. Health care also hurts us in a more hidden way. Its exploding costs drain away resources not only from national savings but from things we need to invest in for our future. All of these problems still exist today and that is why we still need to be committed toward reaching health security ^{to working} ~~for~~ keeping costs down. ^{and}

While I think there was a strong logic in trying to do all this in one legislative step, I think it is clear -- whichever analysis of last year you accept -- that we may need to proceed towards that goal through a series of legislative steps, each one important and necessary but not ultimately sufficient.

I want to make clear after reflecting on the past year and studying this issue further, I believe that this nation should be able to move forward through a bipartisan three step process and I will take seriously any proposal that makes a good faith effort to achieve any of these three steps, either separately or together.

Our goal is to work together in crafting legislation. If necessary, we are willing to lay out our own specific plans but

we are just as willing to work off of constructive proposals laid out by either Democrats or Republicans.

Step 1 - Insurance market reform - Preventing Americans from being discriminated against because of their health: Without universal coverage, we cannot provide full insurance market reform which is one of the reasons we must stay committed to full health security. However, there is a considerable amount of good that we can do, that both Democrats and Republicans agree on, to prevent Americans from being locked in their jobs or losing their coverage or paying an exorbitant cost for their coverage because of an illness of a family member. This could also reduce the amount of administrative costs spent on figuring out how to exclude people as opposed to covering people at good quality and a good price. There is no reason Democrats and Republicans cannot start working together to get this done.

Step 2: Covering all children and helping those who lose their job (this could be defined as either a single step # 2 or as Step #2 and Step #3) - One major step to secure health care that Democrats and Republicans should be able to make together and that we would all be proud of, is to say we have provided full health security for every child whose parent could reasonably be seen as having trouble paying for it. We can do this through the private sector and encourage competition for covering children and we can do it at a reasonable cost. We also could do more to provide more security for the overwhelming majority of Americans who work and have health insurance but fear that they are always one pink slip and one illness away from financial devastation. Just as the unemployment system ensures that your family will not go hungry while you are looking for a new job, we can also do a lot more to insure that tens of millions of Americans don't fear that they will lose their home when a child falls ill while they are looking for a new job because they have lost their health insurance.

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Step 3: Health security for all Americans: While we must make every effort to achieve the steps just mentioned, we must remember that we will never be able to keep costs under control, prevent uncompensated care and have true health security until health care insurance truly is ~~a~~ part of a middle class bill of rights. The last year has taught me how difficult it is to achieve that goal all in one step and it has shown the importance of ~~convincing people that this can be done~~ through the private sector, through guaranteed private sector insurance, better private sector competition, and without making anyone who currently has insurance worse off.

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

October 21, 1994

PRESS CONFERENCE BY THE PRESIDENT

The East Room

2:32 P.M. EDT

THE PRESIDENT: Good afternoon. Ladies and gentlemen, when I became President, I did so with a commitment to help more Americans seek a higher education, because it was important for our people and important for our long-term economy.

A big part of the problem of getting more Americans into college and having them stay there has been the broken federal college loan program. It's too expensive; it did not provide eligibility for too many middle-class people; and there were too many people who didn't go to college or, having gone to college, dropped out, because they never thought they could meet their repayment options. There were others who were frustrated because they thought they couldn't take a job they might want because they simply wouldn't earn enough money to meet their repayment obligations.

Today, I want to talk about what we have done to fix that system. We already give Americans looking forward to their retirement the chance to save in what we called an Individual Retirement Account. Now, we offer people at the beginning of their careers the chance to pay for college in what we call Individual Education Accounts. Here's how it works.

The Individual Education Account enables you to borrow money for college and then to determine how best to pay it back in the way that best fits each individual's needs as their work life changes. There will be four ways to repay the accounts, and people will be able to switch back and forth among payment options at any time and at no cost, depending on what's best for them.

Under one option, you can simply pay a fixed amount back on your loan over 10 years. Two other options will permit people with very high debts to spread their repayments over a longer period of time. And as I promised during our campaign, people will be able to pay back their debts as a percentage of their incomes for the life of the loan.

This income contingent repayment, or pay-as-you-can option will give people the chance to start a business, do community service, work as teachers, police officers or in other public service-oriented employment, and make payments in smaller amounts in the early years if their wages are lower.

Our plan eliminates the middle man in the student loan process, who used to impose enormous and inefficient transactions costs and, in so doing, to save \$4.3 billion for U.S. taxpayers and \$2 billion for students in lower loan fees. It means that more people will be able to borrow in a simple, fair and affordable way.

Over the next few years, as part of our larger school reform, named for Congressman Bill Ford, who's retiring this year, every American will be eligible for an Individual Education Account. Already, 300,000 students have taken out these new college loans. By

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next year, 40 percent of all of our colleges, some 1,500 of them, will be enrolled. In January, we'll announce a phased-in plan to allow millions of people who have already borrowed for their educations, to consolidate loans into an individual education account and get the benefits of these new repayment options.

As more and more middle-income Americans will discover, this is a very good deal, which is a very important part of America's long-term strategy for economic health.

Unfortunately, there are those who don't support this approach and want to take us back to the days when working families couldn't afford to send their children to college. Every single one of our political opponents voted against the college loan reform plan. Most of them have now signed a contract telling us what they would do if they controlled Congress. They would give a \$200 billion tax cut to the wealthiest Americans. They would explode the deficit and, to help pay for their promises, they have made a specific pledge to cut the student loan programs for three million American student borrowers every year. Well, our contract is with the future. I don't want to go back, and I don't believe the American people will support this approach.

Ten days ago I got a letter that shows how important this issue is. A 16-year-old boy named Artur Orkisz, who immigrated here from Poland just four years ago, attends Elk Grove School in Des Plaines, Illinois -- here's what he wrote me about his dream of going to college.

"Since I came to the United States my dream has been to attend a school like Harvard or Stanford. I rank number one in my class, but I know for a fact my parents are not going to be able to pay my tuition if I should get accepted to a good university. I'd like to know if students not as rich as others will get the opportunity to fulfill the American Dream and graduate from a great university."

Well, Artur, if you're listening, I got your message and the Individual Education Account will help you get your wish.

Before I take your questions I'd like to say just a word about the framework with North Korea that Ambassador Gallucci signed this morning. This is a good deal for the United States. North Korea will freeze and then dismantle its nuclear program. South Korea and our other allies will be better protected. The entire world will be safer, as we slow the spread of nuclear weapons.

South Korea, with support from Japan and other nations, will bear most of the cost of providing North Korea with fuel to make up for the nuclear energy it is losing. And they will pay for an alternative power system for North Korea that will allow them to produce electricity, while making it much harder for them to produce nuclear weapons.

The United States and international inspectors will carefully monitor North Korea to make sure it keeps its commitments. Only as it does so will North Korea fully join the community of nations.

Terry.

Q Mr. President, when you met last January with President Assad of Syria, he said that peace with Israel is a strategic option. And you said that he was taking the risks for peace. Has he followed through on that? Do you think that he's been forthright enough? And when you go to the Middle East next week, what can you do to break this impasse between Syria and Israel?

THE PRESIDENT: Well, I can say that there has been progress in the negotiations between Israel and Syria. Let me also say in general terms why I'm going there.

As you know, I and my administration have worked very hard for a comprehensive peace in the Middle East. It is very much in the interest of the United States. I have been invited by King Hussein and Prime Minister Rabin to be at this signing, and I think it's important that particularly now, with the violent reaction to the efforts at peace, that the United States stand shoulder-to-shoulder with our friends and allies who are taking such terrific risks to make peace.

While I am there, I will visit Syria because it is my judgment that the visit will further the goal of an ultimate peace agreement between Israel and Syria. And until that is done, we will never have comprehensive peace in the Middle East. There has been some progress in the negotiations, which are, as you know, candid and confidential between the two. I think there will be more progress. I want there to be more progress, and I think this visit will further it.

Q I have a three-part question. In the overall sense, what do you expect to achieve from this trip? In view of the recent incidents are there real security concerns? And in the interest of reconciliation, will you try to persuade Israel to release some of the thousands of political Palestinian prisoners that it still holds?

THE PRESIDENT: First of all, let me begin with your second question. I have confidence in the security capacity of the governments that I will -- and the countries that I will visit, and in, of course, the work of our own Secret Service. And I think it is terribly important, especially since there have been violent reactions from the enemies of peace, that the United States stand with the friends of peace and the champions of peace at this time. It is even more important than it would have been a few days ago that I go there, and that our country stick up for this.

Secondly, what I hope to achieve is to continue to further the peace process. This peace treaty is a huge step forward. I will have the opportunity in Cairo to meet with President Mubarak and Mr. Arafat. I will have a chance there to talk about the importance of implementing fully the PLO-Israel accord. I will have the opportunity to go to Syria. As to what specific things I will discuss with Prime Minister Rabin and others, I think it's better for me to have the conversations and discuss it later.

Q -- be trying to move everything forward?

THE PRESIDENT: I will definitely be trying to move everything forward. My purpose in going there is, first, to stand with our friends at this moment when they're standing up for peace, and the enemies of peace are trying to derail them; and, secondly, to move the peace process forward.

Q Mr. President, how difficult a decision was this to go to Damascus, since your own State Department still lists Syria as a country that supports international terrorism? And a related question -- only this morning, there were Katiusha rockets landing from Southern Lebanon, an area dominated by Syrian control, landing in Northern Israel. How do you believe that this will advance the peace process? And do you have any assurances in advance from President Assad that he's willing to go further now than he went in Geneva earlier this year?

THE PRESIDENT: First, I think that with regard to the Katiusha rockets, I think that matter will be resolved between the

parties involved before the trip develops. Secondly, with regard to meeting President Assad, even though Syria is on the terrorist list, that remains an issue between our two countries. It is a serious issue. It has been constantly discussed between us, and it will continue to be. But I do not believe that we can permit it to keep us from pursuing a comprehensive peace -- as long as nothing in our peace agreements undermines our commitment to end terrorism.

So I believe that anything I can do, just as I did when I met with President Assad in Geneva, to further the peace process is something that ought to be done. And I believe that meeting with him and talking with him and working with him, we will continue to make some advances.

Q Mr. President, what can the United States do to make sure that Hamas is not getting money from organizations here in the United States, not recruiting people and training people here in the United States? And are you satisfied with Yassir Arafat's response so far, in his willingness to really crack down on Hamas and other terrorist groups?

THE PRESIDENT: We can, here, do everything we can through the FBI and our other law enforcement agencies to make sure that we're handling any possible illegal activities in the United States redounding to the benefit of Hamas vigorously. And just in the last week I have given instructions to the proper federal agencies to redouble our efforts in that regard.

With regard to your question about Mr. Arafat, I do believe, and the Israelis believe that he did his best to support them with good intelligence when Corporal Waxman was captured and held hostage. And I believe that in the wake of the killing of Corporal Waxman, the determination of the PLO to distance itself from Hamas and to enforce the law within its territories has stiffened; and I think it will continue to stiffen.

Q Do you think that he has cracked down sufficiently in the Gaza, especially regarding this latest incident?

THE PRESIDENT: I think that he's moving in the right direction. One of the things that we are always trying to determine in this moment when they're taking over in the West Bank and Gaza is the capacity of the Palestinian government, the PLO government to do that work, and we're trying to support an increase in that capacity. I can say that I believe that they're moving in the right direction.

Q Mr. President, having spent hundreds of millions of dollars to restore democracy to Haiti, why is it necessary for American taxpayers to spend still more, renting the homes that Raoul Cedras left behind? I realize it's a relatively insignificant sum, but isn't that adding insult to injury?

THE PRESIDENT: Well, first of all, I don't think it's an insult that we spent the money to restore democracy to Haiti. Let's look at what has happened in the last four weeks. We have restored democracy, the military dictators have stepped down, the military dictators have left Haiti. President Aristide is rebuilding his government, the economy is beginning to be rebuilt, people are being put to work at rebuilding the country.

This is a signal triumph for the men and women in uniform who are down there and the work that they have done, and it is a very important lesson in what can be done to promote democracy and to end human rights abuses.

Now, with regard to the houses, let me just say that the United States and other countries that are with us on the coalition are not in the business of expropriating people's property. And when

you make people leave their home, something, arguably, should have been done. The only instruction I gave was that nothing could be done that would exceed the fair market value of the property -- that was the rule under which the State Department was operating anyway -- and that some use had to be made of it. So they're either going to use it, or turn around and release it so that the taxpayers in this country aren't disadvantaged by it.

But I think that this policy has been phenomenally successful in terms of saving lives, not putting Americans unduly at risk, and moving this country's objectives forward. And I think the American people should be very proud of it.

Q Mr. President, during the last Persian Gulf crisis, the Bush White House at times suggested that Saddam Hussein should be overthrown. What's your assessment of the internal situation in Iraq now, and do you think Saddam Hussein should be overthrown?

THE PRESIDENT: Well, the Bush White House also made it clear that a condition of their international coalition was that they would not do the overthrowing. My position is that we should keep the pressure on that regime as long as it is out of compliance with U.N. Security Council resolutions. And there are obviously costs to the regime internally from that pressure. And that is the consequence of the misconduct of Saddam Hussein. And the immediate threat is receding. The withdrawal above the 32nd Parallel is nearly completed.

But we will maintain the deployment at the level we have it now for a while. We will watch the situation. I am gratified by the United Nations Security Council resolution unanimously condemning that conduct. There is no question that internally the pressure will continue to build up unless Saddam Hussein decides to do the right thing and fully comply with the Security Council resolutions.

Q And your assessment of the internal situation there?

THE PRESIDENT: Your assessment might be as good as mine. I think there are extra pressures on them. And I think that those are creating some difficulties, but I don't want to predict what would happen within Iraq.

Q Mr. President, to change to domestic policy -- or politics. For the first time in 40 years, a multitude of polls are suggesting that more Americans are prepared to vote for Republicans in congressional elections than Democrats. Can you explain why that's happening for the first time since the Truman administration, and to what degree you believe your administration is responsible for it?

THE PRESIDENT: Well, I think it's changing in the last few days and we didn't want to peak too soon. (Laughter.) Let me say, just on a brief, serious note -- one of the things that we know is that Americans almost always to the right thing when they have all the information. We know that Americans literally don't know a lot of what went on in Congress, who was responsible for what, and what's happening now.

As more and more Americans find out between now and Election Day, that our administration, working with our allies in Congress, did things to make government work for ordinary Americans -- like the middle class college loans, the family leave law, the Brady Bill, immunizing kids under the age of two; a dozen more things -- and that these things were uniformly opposed by the Republican congressional leadership, and sometimes by all Republicans; that the Republicans killed the Superfund law to clean up toxic dumps and all the political campaign reform laws, and now have a contract that

would take us back to the trickle-down economics of the '80s, explode the deficit, ship jobs overseas and cause the cuts of Medicare and all other government programs, including student loans -- and they talk tough on crime, but they've got a plan to cut the crime bill and make sure it can't be funded and police officers can't be put out there -- I think the voters will change their minds. And I think that when Congress went home and the American people now have a change to hear the debate and hear both sides, if we can get the evidence and the arguments out there, I feel quite confident that they'll do the right thing.

Q You and other Democrats around the country have been complaining about the contract that -- the Republican's Contract with America -- that it would cut Medicare steeply. Can you say that you would not propose to cut Medicare next year?

THE PRESIDENT: You know what my position is. My position is that any Medicare savings that we can get from managing the program better should be put back into providing for the health care needs of our country. That was my position; that's the position that I offered in the health care debate, and that's still my position.

Q President Clinton, there have been a lot of reports coming out about you meeting with former Governor Wilder. Can you tell us whether the subject of an ambassadorship for him to an African country ever came up during that recent meeting in exchange for any promise he made to endorse Chuck Robb? And what do you think of the comments that candidate Oliver North has been coming up with, suggesting that there should be some kind of investigation of the meeting, that you may have broken the law during that meeting?

THE PRESIDENT: Well, first of all, there was absolutely no discussion along the lines you mentioned of an ambassadorship to an African country in return for his endorsement of Senator Robb; that just did not happen. I would not do that, I would never be part of that, and that did not happen. The Vice President spoke to it today; I will tell you again: that did not happen. It did not happen.

Now, you know, Oliver North says a lot of things, and you know, if you've got \$17.5 million to buy your own version of the truth, then you don't have to be held, apparently, to the same standard that other people do. I noticed the other day he said that I wasn't his commander-in-chief, and someone asked me if it bothered me. I said, it didn't bother me nearly as much as the fact that he didn't act as if Ronald Reagan was his commander-in-chief, either, when he had a chance. (Laughter.) So, I don't know what else to say about Mr. North.

Q Mr. President, you've been able to report advances in foreign policy across a number of fronts, some that you've mentioned here today. I doubt anyone here would have anticipated two years you would be spending next week, the week before the election, out of the country. Obviously, historic events have something to do with that, but I wonder if your attitude toward the role of foreign policy in your presidency and your absorption with it and interest in it has changed or grown.

THE PRESIDENT: I wouldn't say that, but what is happening now with regard to Haiti and Korea and Iraq in the sense that Iraq is an example of our increased mobility as a result of commitments we made in the defense budgets, what happened with the Chinese commitment to comply with the missile control regime and not to sell dangerous missiles to its neighbors, a lot of these things are the accumulation of two years of hard work, trying to fashion the national security of the United States and advance the economic interests of the United States and advance democracy in the post-

Cold War world. And it is all -- a lot of these things have come together in a short time. But we have been working on them for quite a long time now, and it's just -- I think, to some extent, a simple coincidence that the benefits of these long efforts are coming to fruition now.

You're right -- I never would have anticipated going to the Middle East at this particular season, but I think it would be wrong for me not to go, particularly for the reasons I just said at this moment. I think it's important.

And one of the things I tried to say in the election campaign that I'd like to reiterate -- I wish it were possible for the American people to believe what I believe about this, which is that there is no simple and easy dividing line between domestic policy and foreign policy, that in a global economy, a global society where everything is so interrelated, we can't be strong abroad if we're not strong at home, but we cannot maintain our internal strength and our values unless we are secure and strong beyond our borders.

Q Mr. President, Washington is becoming an issue in this campaign. The latest thing is that a candidate in Oklahoma says there are no normal people here. (Laughter.) You've lived here almost two years now. I wonder what you think of Washington. (Laughter.)

THE PRESIDENT: I would be glad to testify in court that I think you are a normal person. (Laughter.) I don't know. I think there is a bunch of normal folks here, but I think this atmosphere is sort of abnormal. The thing that I think is bizarre, though, is I think the American people need to have their antenna up when they hear that, especially since Mr. Gingrich had already said in his meeting with the Republican professional politicians that his mission in life was to convince people that I was the enemy of normal Americans. So I would just caution the voters everywhere in this country, and when they hear somebody say there's no normal people in Washington, a lot of the people that are saying it are the people that have done their best to hang on to every last job they could get in Washington in the Executive Branch for two, three decades now.

So the atmosphere is abnormal, and that makes the people sometimes do and say weird things. But there's a lot of fine folks here, and what we ought to do is kind of get together and do better.

Q Mr. President, notwithstanding the problems all around the world, there are pernicious social problems here in the United States. And many of these problems, in many views, are breaking down along racial lines. Indeed, some people say that the progress of the '60s has been upset and overturned, that the great divide between black and white is worsening, widening. And lately, there is a new book out that suggests that these problems, these conflicts may be inherent, and we may be doomed to them. What do you think about race as it applies to the social problems? And what can you do, what can a government do to try and fix some of it?

THE PRESIDENT: Well, if you're asking me first of all about Mr. Murray's book, I haven't read it. But as I understand the argument of it, I have to say I disagree with the proposition that there are inherent, racially based differences in the capacity of the American people to reach their full potential; I just don't agree with that. It goes against our entire history and our whole tradition.

I also think if you -- let's just take the social problems. And I guess -- I don't want to overly digress; I know a lot of you have a lot of questions, but this is a huge deal. I don't know if you saw the piece in The Wall Street Journal not very long

ago where black Americans and white Americans were polled about the social problems generally -- crime, family breakdown, drugs, gangs, violence, welfare dependency -- the aggregate of them overwhelming majorities agreed that these were the great problems of our country. And they've been developing for 30 years now. Then, overwhelming majorities agreed that we needed to reform the welfare system to move people from welfare to work.

The great divergence came when one group said that this was caused because of the loss of economic opportunity, and the government had a responsibility to rebuild it; and the other group said, no, this is caused by an escalating amount of personal misconduct and people needed to change their personal behavior. In other words, the government can't do anything about it.

I would like to make the following points: I think both groups are right and both groups are wrong, number one. Number two, there's not as much racial difference here as you think there is. And let me try to illustrate it by starting at the second point.

The out-of-wedlock birth rate in the aggregate in the United States is today about 30 percent. It is higher for African American young women -- that is a birth where there was never a marriage -- than it is for white young women, but it is rising faster among whites than among blacks -- markedly faster. And it seems to be far more tied to poverty and lack of education and lack of being connected to the future than to race.

Number two, it is plain that we are dealing with both the loss of economic opportunity and a changed set of social mores; a changed sense of what is right and wrong, what is acceptable and unacceptable. And I believe we need to change both.

What can the government do about it? What can the President do about it? First, we can try to bring this economy back. In 1994, we've had more high-wage jobs created in our economy than in the previous five years combined. This is the first year when over half of the jobs coming into our economy are above average wages.

Number two, as all of you know, I have signed laws to create community development banks and empowerment zones in our inner cities to try to get investment back there, to give hope to people who have been left behind -- to try to do the economic mission. But having said that, to try to rebuild a society that has been pressured both in our inner cities and our isolated rural areas for a generation now -- we're talking about 30 years of serious pressure -- is going to take a concerted effort that starts with parents and churches and community groups and private business people and people at the local level. The federal government cannot be the salvation of that. We have to rebuild the bonds of society.

And everybody has a role to play. That's why -- I want to compliment -- Deputy Secretary Kunin is here -- Governor Kunin from the Department of Education. We signed the Elementary and Secondary Education Act today; we're kicking off the college loan program -- yesterday -- we're kicking off the college loan program today. One of the things in that act that Secretary Riley fought so hard for was the so-called "character education" provision, so that the schools can explicitly work with their communities and agree about what values need to be transferred to children through the schools, and promote them.

This is a very serious and complicated issue. I think it is a quick fix to try to break it down by race. I believe that the evidence is clear that what we ought to be working on is a way for every kid in this country to live up to the fullest of their potential. And that potential is quite extraordinary and they will do quite well without regard to race if we can attack these problems.

Q Mr. President, a question on the North Korean nuclear arms accord. Even before the ink is dry on that accord officials of the International Atomic Energy Association are complaining it denies them of a key right, that of special inspections. Doesn't this set a bad precedent for other countries with nuclear ambitions, such as Iran?

THE PRESIDENT: I don't think it does deny them special inspections. It commits North Korea first to freeze and then to dismantle -- something they've never committed to do before and something they weren't required to do under the NPT. It also commits them to ship out their spent nuclear fuel, to get it physically out of the country so they cannot do anything with it.

The question of special inspections, whether and when, is put off from the present. And that bothers some people, but if you consider the fact that the waste sites are not going anywhere, that the IAEA is going to be in the country, and that we have a commitment for a freeze and then a dismantling, and that if they ever violate it they won't get the benefits that they seek from it, it seems to me this is still a very good deal indeed. And I think that what we have to do is to work with the IAEA people who will be on the ground and work out the practical details of this.

Q Mr. President, related to Deborah's question, several years ago a Piscataway, New Jersey, school board had to lay off teachers. And it came to a white female teacher and a black female teacher. And rather than flipping a coin -- as it turns out, both had been hired on the same day so they had equal experience -- the school board fired the white teacher because of the color of her skin.

Now, your Justice Department originally opposed the school board in court, but has flipped recently. And I was wondering if you agree with that decision, if you think that we need more affirmative action acts like this, or whether that's a case of reverse discrimination.

THE PRESIDENT: I support the position as finally articulated, but I'd like to say it's a very narrow case. That is, if you have a school district where the children are overwhelmingly of one race or another and the faculty is as well, and you have two equally qualified people, and you stipulate that -- in this case, both sides in the lawsuit stipulated they were absolutely equally qualified -- then can trying to preserve some racial diversity on your faculty be a ground for making the decision as opposed to flipping a coin. As long as it runs both ways, or all ways, I support that decision. That is, there are other conditions in which if there were only one white teacher on the faculty in a certain area and there were two teachers, they were equally qualified, and the school board or the school administrator decided to keep the white teacher also to preserve racial diversity -- that is the position the Justice Department has taken. And on those very narrow grounds, I support it because both sides stipulated, both teachers and their lawyers stipulated that there was absolutely no difference in their qualifications for the job.

Q Mr. President, this is a political season and you've been out on the stump a fair amount. What is your prediction of how many seats the Democrats will lose in the House and the Senate? And do you think if the Republicans manage to win the House, given all the mean things that have been said this year, could you work with a Speaker Newt Gingrich? (Laughter.)

THE PRESIDENT: Well, you know, Newt's the person that said I was the enemy of normal Americans. I didn't say that about him. The American people have to make a judgment in the election. I

can tell you this: I believe with all my heart if the American people knew the record of our administration in making advances, making this government work for ordinary people, if they knew that; if they knew what we'd done to restore the economy, bring the deficit down, shrink the size of the federal government; if they knew what we'd done in passing the crime bill; and if they knew the extent to which the Republican leadership had opposed this every step of the way; if they understand what's in this contract; then if they know we have a contract with the future, that my only interest is in moving this country into the future in a stronger position, I don't believe we would lose seats at all.

Now, almost always at midterm the incumbent president's party loses seats. That's partly because there's a lag between when you do something and when people feel it. And, of course, this is an extremely contentious time. But I believe that that will happen. So what I'm going to do in the next two and a half weeks is to do everything I can to get as many voters as possible to know exactly what the facts are and what our vision for the future is. Then they will make their judgment. After they make their judgment, I will do everything I can to honor their judgment by fulfilling my responsibility, which is to challenge every member of Congress without regard to party and especially the leaders to work with me to make this country a better place. That's what I have always done, and that's what I will do.

Q Mr. President, now that the IRA and the loyalists paramilitaries in Northern Ireland have called a cease-fire, which has been today accepted by Prime Minister Major, can you say how soon the administration will have ready a package of economic incentives to help a peacetime Northern Ireland economy? And can you characterize the package? And can you also say what is now the United States' role in the talks that are going to take place regarding Northern Ireland?

THE PRESIDENT: Let me first congratulate the action which was taken and Prime Minister Major's response to it. I think both are very hopeful. And I am very glad that the United States has been able to be involved in this peace process in Northern Ireland. We will continue to be involved in it. And we certainly want to contribute to the development of Northern Ireland in ways that go beyond even what we've done already with the Irish American Fund. And there are a lot of private citizens in this country who are also really committed to that. And in the end, they will have the most to say about it because we need private enterprise development in Northern Ireland. We have looked at a number of options. We have not finalized any of them because obviously we want to wait for developments to unfold, until the appropriate point. We're a lot closer to the appropriate point today because of the announcements that have been made.

Q Mr. President, are you still committed to lifting the arms embargo against Bosnian Muslims unilaterally if you can't achieve it in the U.N. Security Council by November 15th, even though that might mean the evacuation by peacekeeping forces, a buildup by the Serbs, and alienation of our relations with the Russians?

THE PRESIDENT: Well, let's go back to the timetable first. Under the law that our Congress adopted that I agreed to, the compromise we worked out between the administration and the Congress, because the October 15th deadline has passed without an acceptance of the peace plan by the Bosnian Serbs, we are obliged to go to the United Nations with a resolution to lift the arms embargo through the United Nations, but at the request of the Bosnian government to delay it for six months, to give us six more months to work on the peace. That is our commitment. If that fails, we are then obliged to go back and consult with Congress to discuss whether we should have a unilateral lift.

I still believe that is a mistake. I have believed for more than two years that would be a mistake, because if we lift unilaterally it will cause the collapse of the United Nations mission. The people of the United States don't want our soldiers to go their alone to engage in a battle that is essentially a civil war. I am convinced that the United Nations troops, or most of them, will withdraw if there's a unilateral lift. And I am convinced that it will undermine our ability to work with other countries within the United Nations to resolve this. So I don't support that. But under the law I am obliged to bring that back to Congress and work it through.

But keep in mind, we still have six months to work through this in the United Nations at the request of the Bosnian government itself. So that's what we'll keep working on.

Q I want to ask you about Mrs. Clinton, if I may. What is Mrs. Clinton's professional role at this point? Will she be fully engaged in the health care bill after the next Congress? And does she have any other professional or political portfolio right now?

THE PRESIDENT: You bet she does. I mean, I think if you follow her schedule every day, you know what she's doing. And, of course, she will continue to be involved in health care. I would never call it a professional role except insofar as everything she does as First Lady is professional. But we intend to continue to work on the health care issue. I would remind you that another 1,100,000 Americans in working families lost their health insurance this year; that the new estimates are that unless we do something about the rising cost of health care, we will be spending well over 25 percent of our federal budget on health outlays early in the next century or the next decade now.

So we're going to have to face this. This is not a problem that's going to go away. It's going to keep rearing its head.

Q A year ago, you took a position on a California ballot initiative. Do you have any advice this year for Californians facing Proposition 187, which would deny benefits to illegal aliens and services? And do you have any concerns about the strong tie of anti-immigrant feelings that are in California right now?

THE PRESIDENT: Yes, I have concerns about it. I spoke about this briefly with USA Today a couple of days ago, but I'd like to talk about it a moment.

First, let me say the people of California and the people of the United States are right in wanting to eliminate illegal immigration and increase our ability to protect our own borders. Even against people that we welcome to our shores when they are legal immigrants. That was a part of the tension recently with regard to Cuba when we made the agreement to stop illegal immigration there. It was part of the early tension last summer with regard to Haiti. The people of California, therefore, are right to want that.

It is, on the other hand, a great mistake to be against immigration generally. We are a nation of immigrants. Practically all of us have forbearers who came from somewhere else. And from time to time, we have been greatly strengthened by immigrants. The fact that we have so many different people of different races and ethnic groups and religious backgrounds will be, I might add, an enormous strength for this country as we move into the next century and we get into a global economy.

Let me just give you one small example, and I will come back to 187. What other country besides the United States could have undertaken the operation in Haiti and sent Haitian American soldiers in uniform to Haiti to speak Creole to the citizens of that country? That's just one example. We're having the Summit of the Americas here in December. We can do that because Spanish is the second language of America now, and because of our growing involvement in the rest of the world. So we -- in being against illegal immigration, we should not be against immigration and the incredible source of strength that immigrants bring to our borders.

Now, what to do about it. I guess I've spent as much time working on California and the problems of California, the economic problems of California as any President ever has. It was my duty to do so. They've had so many problems, caused by the decline of defense spending, caused by the recession generally, coupled with the explosion of immigration and a whole range of other problems they have out there.

Look at what we have done. We have increased spending on the states to deal with the immigration problems by 32 percent since I've been President, even though we've been cutting overall spending. We've increased border guards by 30 percent. We put 1,000 more border guards on. We have doubled the border guards in San Diego. We've had -- San Diego and El Paso and Arizona. We've had very successful initiatives to slow the influx of illegal immigrants. We have toughened the penalties. We're beginning to send criminals who are illegal immigrants out of the country. We are the first administration every to give money to the states to deal with the criminal justice costs. We're spending money on health care and education never before spent. So we are doing things that have not been done.

Barbara Jordan just issued her commission's report. We have those recommendations under advisement. We are going to do some things that will continue to increase our capacity to reduce illegal immigration. That's what I think the right thing to do is.

I have some problems with 187. One is, even its supporters admit that it's unconstitutional. And I don't think as a matter of practice it's a good thing to condition an election referendum, much less other elections in California, on a measure that even the supporters say is unconstitutional.

Secondly, I think it presents significant risks. If you don't give the children health care, you can create health risks for the society generally. If you don't give the children education, and they're still in the country and you can't get them out, then they'll be on the street and the increased risks of crime or other antisocial behavior will go up. If you turn the teachers and other educators into instruments of a sort of a state police force, it's like bringing Big Brother into the schools.

I guess what I'm saying is, I sort of agree with what Jack Kemp and Bill Bennett said in their article about it. And I applaud them for saying it. I mean, this is an issue, again, where our parties ought to be together. Historically, both Republican and Democratic parties have been strengthened by our immigrants. And I think -- if the people of California would be fully candid, they would have to say that leadership decisions made in the past in California have actually facilitated illegal immigrations, when they were called undocumented immigrants, in ways that people in California thought were supporting the economic growth of California in good times.

So we need to back away and change our policy. But we don't need to do it in a way that is over-broad, that runs the risk of these problems and that is plainly unconstitutional, in my

judgment. And I have fought harder, I think, than any president to help California deal with the problems of illegal immigration. I just don't think that's the way to do it.

Thank you very much.

END

3:19 P.M. EDT

SEVEN MORE IN '94

An Agenda for the Republican Senate Majority in the 104th Congress

"We pledge to the American people that if they empower us as a Majority in the U.S. Senate on November 8, 1994, we will dedicate ourselves to the adoption of these legislative priorities and other legislative initiatives that promote the interests of the people who do the work, pay the taxes and pull the wagon in America."

1. ENACT A BALANCED BUDGET AMENDMENT TO THE CONSTITUTION

During the past decade, the Senate has repeatedly come within a few votes of passing a Balanced Budget Amendment to the Constitution. A Republican Majority will proceed to immediate consideration of the Balanced Budget Amendment after new Senators are sworn in at noon on the 3rd day of January, 1995, and vote to make it the law of the land.

2. DOUBLE THE INCOME TAX EXEMPTION FOR CHILDREN

During the past forty years, the average American family with children has seen its federal tax burden rise from \$1 of every \$50 earned to \$1 of every \$4 earned. A Republican Majority will begin to undo this anti-family bias by doubling the income tax exemption for children from \$2,500 to \$5,000. This tax cut will let families keep more of their own money to invest in their own children, in their own future, and, in the process, invest in the future of America. Tax changes in these proposals will be paid for by spending cuts.

3. REAL HEALTH CARE REFORM BASED ON CONSUMER CHOICE AND PRIVATE MEDICINE

During the last 2 years, the American people have watched in horror as the Clinton Administration has attempted to tear down the greatest health care system in the world and remake it in the image of the Post Office. A Republican Majority will build upon the strengths of the current health system to expand access and control costs by expanding consumer choices, promoting competition, reforming medical liability laws, and reducing government paperwork and bureaucracy.

4. ENACT LEGISLATION THAT BRINGS AN END TO CRIME WITHOUT FUNDAMENTAL AMENDMENT IN AMERICA

During the past several years, our bleeding Nation has watched a Congress that seems to be willing to do anything to fight crime except get tough with criminals. A Republican Majority will impose mandatory minimum prison sentences on violent felons and drug traffickers, stop building prisons as though they were Holiday Inns, and put prisoners to work. The pork barrel spending contained in President Clinton's "crime" bill will be repealed.

5. REFORM WELFARE AND EXPAND JOB OPPORTUNITIES

During the last quarter century, our welfare system doomed a generation of Americans to dependency and hopelessness while our tax policy has blocked the only sure path out of poverty -- a job. A Republican Majority will enact welfare reform based on work, more individual responsibility, and less federal spending. To encourage job creation, saving will be rewarded by enactment of the IRA-Plus bill, the capital gains tax will be reduced and taxes on assets will be indexed for inflation.

6. TAX FAIRNESS FOR RETIRED AND WORKING ELDERLY

During the Clinton Administration's first year, taxes were raised on the Social Security benefits of the elderly. A Republican Majority will repeal the Clinton tax increase on Social Security benefits and repeal the penalty of reduced benefits imposed on the elderly who work.

7. PROTECT NATIONAL DEFENSE

During the Democrats' control of the Senate, Congress has slashed defense to fund social programs. This trend has accelerated under President Clinton. A Republican Majority will stop the defense cuts and restore the "firewall" between defense and non-defense spending to prevent future raids on defense. Republicans are committed to the principle that even in a world where the lion and the lamb are to lie together, America will be the

CONCEPTUAL FINANCING OF THE SENATE REPUBLICAN AGENDA

5-Year Deficit Impact

Double the dependent exemption by increasing the current \$2,500 amount by \$500 each year for five years	+\$75 billion
Phase-in Republican Health Care Reform	+\$100 billion
Repeal "pork barrel" spending in Clinton crime bill	-\$5 billion
Welfare Reform & Jobs Initiative	
Reform welfare so that work is required. benefits are capped and a 2-year limit is imposed on most assistance	-\$50 billion
Phase-in reduction of tax rate on capital gains from 28% to 15% over five years	+\$10 billion
Index taxes on assets for inflation	+\$5 billion
Enact IRA-Plus bill which allows individuals to save up to \$2,000 per year where contributions are not deductible but where interest builds up and is distributed tax-free	-\$14 billion
	-\$49 billion
Tax Fairness for Elderly	
Repeal the 1993 Clinton tax hike on Social Security benefits	+\$24 billion
Phase-in 5 annual increases in the amount of wages elderly can keep without paying the Social Security earnings limit penalty from the current \$11,160 level to \$45,000 in 1999	+\$10 billion
	+\$34 billion
Restore and Protect Defense	+\$20 billion

TOTAL
+\$175 BILLION

POSSIBLE OFFSETS**3-Year Deficit Impact**

Entitlement reform generating savings at least equal to all proposals made by President Clinton not yet enacted that reduce non-Social Security entitlements -\$238 billion

Freeze non-defense discretionary spending for 5 years -\$94 billion

Establish Spending Commission similar to Defense Base Closing Commission with charge of recommending for an up or down vote by Congress \$100 billion in savings -\$100 billion

TOTAL**-\$432 BILLION****DIFFERENCE:**

**Potential Down Payment
on Balanced Budget-**

\$257 BILLION



CAMPAIGN NEWS U.S. SENATE '94

National Republican Senatorial Committee - Senator Phil Gramm, Chairman

FOR IMMEDIATE RELEASE
Wednesday, September 21, 1994

CONTACT: Gary Koops
Howard Opinsky
(202) 675-6006

DOLE & GRAMM HOLD "SEVEN MORE IN '94" PRESENTATION '48 Days Before Election; Republicans Continue Momentum'

WASHINGTON — U.S. Senators Bob Dole, Republican Leader, and Phil Gramm, Chairman of the National Republican Senatorial Committee, along with their Republican colleagues hosted Republican candidates for the U.S. Senate at a "Seven More in '94" presentation today.

At the event, the GOP discussed its "Agenda for the Republican Majority." The Republican Senate plan outlines themes, issues, and legislative priorities for a GOP Senate majority.

U.S. Senate candidates appearing at the event included Spence Abraham (Michigan), Rod Grams (Minnesota), John Ashcroft (Missouri), Hal Furman (Nevada), Colin McMillan (New Mexico), Ben Clayburgh (North Dakota), Jim Inhofe (Oklahoma), Rick Santorum (Pennsylvania), Bill Frist (Tennessee), Stan Klos (West Virginia), Craig Thomas (Wyoming), Bob Welch (Wisconsin), Bernadette Castro (New York), and Jon Kyl (Arizona).

Republicans need to pick-up seven Senate seats in the November 8th elections to reclaim the majority. The present Senate breakdown is 56 Democrats to 44 Republicans. Republicans last controlled the Senate in 1986.

SEVEN MORE IN '94

An Agenda for the Republican Senate Majority in the 104th Congress

"We pledge to the American people that if they empower us as a Majority in the U.S. Senate on November 8, 1994, we will dedicate ourselves to the adoption of these legislative priorities and other legislative initiatives that promote the interests of the people who do the work, pay the taxes and pull the wagon in America."

1. ENACT A BALANCED BUDGET AMENDMENT TO THE CONSTITUTION

During the past decade, the Senate has repeatedly come within a few votes of passing a Balanced Budget Amendment to the Constitution. A Republican Majority will proceed to immediate consideration of the Balanced Budget Amendment after new Senators are sworn in at noon on the 3rd day of January, 1995, and vote to make it the law of the land.

2. DOUBLE THE INCOME TAX EXEMPTION FOR CHILDREN

During the past forty years, the average American family with children has seen its federal tax burden rise from \$1 of every \$50 earned to \$1 of every \$4 earned. A Republican Majority will begin to undo this anti-family bias by doubling the income tax exemption for children from \$2,500 to \$5,000. This tax cut will let families keep more of their own money to invest in their own children, in their own future, and, in the process, invest in the future of America. Tax changes in these proposals will be paid for by spending cuts.

3. REAL HEALTH CARE REFORM BASED ON CONSUMER CHOICE AND PRIVATE MEDICINE

During the last 2 years, the American people have watched in horror as the Clinton Administration has attempted to tear down the greatest health care system in the world and remake it in the image of the Post Office. A Republican Majority will build upon the strengths of the current health system to expand access and control costs by expanding consumer choices, promoting competition, reforming medical liability laws, and reducing government paperwork and bureaucracy.

4. ENACT LEGISLATION THAT BRINGS AN END TO CRIME WITHOUT PUNISHMENT IN AMERICA

During the past several years, our bleeding Nation has watched a Congress that seems to be willing to do anything to fight crime except get tough with criminals. A Republican Majority will impose mandatory minimum prison sentences on violent felons and drug traffickers, stop building prisons as though they were Holiday Inns, and put prisoners to work. The pork barrel spending contained in President Clinton's "crime" bill will be repealed.

5. REFORM WELFARE AND EXPAND JOB OPPORTUNITIES

During the last quarter century, our welfare system doomed a generation of Americans to dependency and hopelessness while our tax policy has blocked the only sure path out of poverty -- a job. A Republican Majority will enact welfare reform based on work, more individual responsibility, and less federal spending. To encourage job creation, saving will be rewarded by enactment of the IRA-Plus bill, the capital gains tax will be reduced, and...

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CONCEPTUAL FINANCING OF THE SENATE REPUBLICAN AGENDA

**Double the dependent exemption by increasing
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for five years**

+\$75 billion

Phase-in Republican Health Care Reform

+\$100 billion

Repeal "pork barrel" spending in Clinton crime bill **-\$5 billion**

Welfare Reform & Jobs Initiative

Reform welfare so that work is required,
benefits are capped and a 2-year limit
is imposed on most assistance

-\$50 billion

Phase-in reduction of tax rate
on capital gains from 28% to
15% over five years

+\$10 billion

Index taxes on assets for inflation

+\$5 billion

Enact IRA-Plus bill which allows
individuals to save up to \$2,000 per
year where contributions are not
deductible but where interest builds
up and is distributed tax-free

-\$14 billion

-\$49 billion

Tax Fairness for Elderly

Repeal the 1993 Clinton tax hike
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Phase-in 5 annual increases in the amount
of wages elderly can keep without
paying the Social Security earnings
limit penalty from the current \$11,160
level to \$45,000 in 1999

+\$10 billion

+\$34 billion

Restore and Protect Defense

+\$20 billion

TOTAL

+\$175 BILLION

POSSIBLE OFFSETS**5 Year 1995-1999 Impact**

Entitlement reform generating savings at least equal to all proposals made by President Clinton not yet enacted that reduce non-Social Security entitlements -\$238 billion

Freeze non-defense discretionary spending for 5 years -\$94 billion

Establish Spending Commission similar to Defense Base Closing Commission with charge of recommending for an up or down vote by Congress \$100 billion in savings - \$100 billion

TOTAL**-\$432 BILLION****DIFFERENCE:**

**Potential Down Payment
on Balanced Budget-**

\$257 BILLION

"CANDIDATE BRIEFING MATERIAL"**BALANCED BUDGET AMENDMENT**

CHALLENGE: In 1969, Neil Armstrong stepped on the moon, the New York Mets won the World Series while the Jets took the Super Bowl, and President Nixon was sworn into office. That was the last time the federal budget was in balance. Today, the federal government stands \$4.3 trillion deeper in debt, and, on our current path, has no chance of achieving balance for the next ten years or more.

PROSPECTS: Four times in the last 8 years, the Senate has rejected a balanced budget amendment by an average margin of 6 votes. A Republican Majority in the Senate virtually guarantees passage of a balanced budget amendment.

SOLUTION: Enact a Balanced Budget Amendment to the Constitution.

BENEFIT: Long-term prosperity requires fiscal prudence by the federal government. Specifically, federal borrowing crowds out private borrowing, causing higher interest rates, less economic growth, higher unemployment and, ultimately, higher inflation. Enacting a balance budget amendment will have the opposite effect on the economy.

During the decade of the 1950's, the federal government ran a surplus 3 times, and debt as a share of the economy dropped. The result was prosperity, with the economy averaging 3.9% growth, a prime rate of 2.6%, unemployment of 4.5%, and inflation of just 2.2%

During the 1960's, the federal government ran a surplus only twice but because the debt burden continued to drop, the economy still prospered.

But in the 1970's, the federal government never balanced its budget and debt as a share of the economy stopped dropping and started to rise. The economy averaged 2.8% growth, the prime rate averaged 8%, unemployment averaged 6.2%, and inflation averaged 7.4%.

During the first three years of Gramm-Rudman (1987 through 1989), the deficit and federal spending dropped as a share of GNP each year, and the debt burden as a share of the economy slowed to a crawl. As a result, the economy averaged 3.2% growth, unemployment averaged 5.6%, inflation averaged 4.4%, and the prime rate continued to drop from its double digit levels.

Strong growth, reduced inflation, minimal unemployment and low interest rates are the tangible benefits Americans can expect from a balanced budget.

~~CANDIDATE BRIEFING MATERIAL~~

DOUBLE THE TAX EXEMPTION FOR CHILDREN

CHALLENGE: In 1950, the average family of four in America sent to Washington only \$1 for every \$50 they earned in their paycheck. Today, the average family of four must send \$1 out of every \$4 in their paycheck to Washington. Today, the average two-earner family has a federal tax burden that absorbs 2/3rds of the income of the second worker.

PROSPECTS: Tax relief for average-income families with children has been considered in the past 2 sessions of Congress. This year, the Senate rejected by just 8 votes relief for families with children.

SOLUTION: Enact an increase in the tax exemption for children from \$2,500 to \$5,000 paid for by spending cuts. Review and convert federal spending to tax exemptions for families and children where such conversion would reduce federal control and bureaucracy while enhancing the control and resources families would have to meet their own needs.

BENEFITS: In 1949, the personal exemption shielded 70% of the income of the average family of four. Doubling the personal exemption for children would protect about 25% of average family income from taxation, well below the 1949 level but the highest level of protection since 1967.

The real benefit will come when families can keep more of what they earn to invest in their own families, in their children, and, in the process, invest in the future of America.

~CANDIDATE BRIEFING MATERIAL~**ENACT A REAL HEALTH CARE REFORM PLAN**

CHALLENGE: Private health care costs have averaged almost twice the rate of overall inflation during the past five years. While federal health care costs have averaged 23% annual growth over the past five years, about 15% of the population is still without coverage, some voluntarily but many because of cost. Current tax law and insurance rules still create "job lock" where health insurance is not portable and available only through an employer.

PROSPECTS: Because the Administration's plan of toppling our current health care system and remaking it in the image of the Post Office has been rejected by the American people, it never came up for a vote in the Congress. When the American people elect a new Congress that reflects their desire to build on the strengths of our current health care system, the Administration will have to abandon a 2-year struggle for a government takeover of health care, and we can then take care of the needs of the 15% uninsured without destroying health care for the other 85%.

SOLUTION: Senate Republicans are committed to passing a package that: makes health insurance accessible to all Americans as well as permanent and portable; reforms medical liability laws; takes care of those with pre-existing conditions; promotes competition, choice and cost containment; and targets assistance for basic health care to the needy.

BENEFITS: Health care reform that builds upon the strengths of our current system will free workers from the fear of losing insurance because they change jobs or get sick, protect families from the catastrophic cost of a serious illness, let individuals keep what they save in health care, expand the available health insurance choices and preserve the freedom to choose their own doctor and hospitals.

~CANDIDATE BRIEFING MATERIAL~**ENDING CRIME WITHOUT PUNISHMENT IN AMERICA**

CHALLENGE: Since 1973, the rate of violent crime in America has nearly doubled from 417 violent crimes per 100,000 people to 758. During that period, the rate of aggravated assault has soared from 200 to 442 and the rate of robbery rose from 183 to 267. The reason that there is so much crime in America today is because there is so little punishment.

The most important domestic function of government is the protection of the personal security of individual Americans.

PROSPECTS: For 6 years the Democrats in Congress failed to produce an effective anti-crime bill and now, in their most recent effort, the tough anti-crime bill passed in the Senate last year has been hijacked, had its provisions providing mandatory minimum sentences for violent criminals deleted and replaced with \$5 billion in spending on more social programs.

SOLUTION: Enact a truly tough and effective anti-crime bill that contains such provisions as mandatory minimum terms of imprisonment for drug traffickers and violent criminals. Specifically, provide 10 years without release for the use of a gun in a drug trafficking crime or violent crime; no less than 20 years without release if the gun is discharged; and either life imprisonment or the penalty of death in aggravated cases if the gun is used to kill a person. The Senate had approved this provision but it was deleted from the bill that became law.

Other initiatives which should be used to deal with the violent crime emergency include a requirement that prisoners work and a directive to quit building prisons like Holiday Inns. Temporary facilities should be used as necessary to insure the incarceration of every violent felon.

BENEFIT: Stiffer sentences, without early release, for convicted violent felons is the most effective way to prevent these predator criminals from continuing to prey on law-abiding Americans. One cost-benefit analysis calculates the average annual cost of incarcerating a violent felon at \$38,000 and the average annual benefit at \$2.36 million. The cost of constructing the facilities needed to keep criminals off the street is minimal when compared to the cost that violent criminals impose on victims, their families and our society.

"CANDIDATE BRIEFING MATERIAL"**REFORM WELFARE AND EXPAND JOB OPPORTUNITIES**

CHALLENGE: Since 1965, the U.S. has spent \$4.9 *trillion* fighting the war on poverty. Welfare spending stood at \$305 billion in 1992 alone, and will reach over \$500 billion and 6% of Gross National Product by 1998. The human cost of that war has been the creation of a massive culture of dependency, generating increased poverty, criminal activity, drug abuse, and an overall illegitimacy rate of 30%.

PROSPECTS: Recent attempts at welfare reform merely increased welfare spending without requiring recipients to work. In fact, welfare enrollment has surged 33% since enactment of the 1988 Family Support Act. Because of this failure the public is ready for real reform, even as the Clinton administration proposes welfare "reform" that will actually expand the attractiveness and cost of welfare. Welfare's imposed dependency has been made all the more hopeless by a tax policy that has blocked the only sure path out of poverty: a job.

SOLUTION: Genuine reform requires a commitment to spend less, not more, on welfare. Reform must be based on a no-money-without-work policy, more individual responsibility, less federal spending, and enhanced job creation. To encourage real private sector jobs rather than the government make-work variety, saving will be rewarded by enactment of the IRA-Plus bill which will allow tax-free accumulation and withdrawal of IRA earnings, the capital gains tax will be reduced from 28% to 15%, and taxes on assets will be indexed for protection against inflation.

BENEFIT: The benefits of welfare reform extend far beyond budgetary questions involving savings and deficit reduction. Dependence on government is a contributor to many social ills, including illegitimacy, crime, and the abandonment of children by fathers. Reducing these is the true aim of welfare reform.

"CANDIDATE BRIEFING MATERIAL"**ENACT TAX RELIEF FOR WORKING
AND RETIRED SENIORS**

CHALLENGE: President Clinton's first budget raised income taxes on Social Security benefits for senior citizens who had total income of at least \$32,000 per year. In addition, working seniors are subject to the "earnings test," a reduction of their Social Security benefits of up to \$1 for each \$2 earned. When these effects are combined, senior citizens can pay an effective marginal tax rate of up to 89%. Raising taxes on retirees turns the American Dream into a nightmare for senior citizens, and punishes those who plan, save, and invest for their retirement or who wish to supplement their retirement income by working.

PROSPECTS: Two amendments to defeat the Clinton Social Security tax increase were defeated by 3-vote margins in the Senate. An October 1993 amendment to repeal the earnings test was defeated 46-51 on a procedural vote.

SOLUTION: Immediately repeal the 1993 Clinton Social Security tax increase. Phase out the Social Security earnings test.

BENEFIT: The unfair tax burden on senior citizens will be reduced. Retirees will no longer be subject to punitive taxes for working to supplement or saving to provide for their own retirement.

"CANDIDATE BRIEFING MATERIAL"**RESTORE AND PROTECT NATIONAL DEFENSE**

CHALLENGE: The decline in defense spending resulting from victory in the Cold War has been dangerously accelerated by a Congress eager to channel defense dollars to domestic social programs. As a result, even the vastly-reduced military force envisioned by the Pentagon is underfunded by \$20 billion. The size of the U.S. military will shrink by more than 25% and major weapon systems will be either substantially delayed or canceled.

PROSPECTS: 3 times in the past 2 years, budget amendments which would have provided more money for defense have failed by 8-vote margins in the Senate. In 1993, a proposal to establish a "firewall" to protect the defense budget from raids by advocates of social spending programs, failed by 7 votes.

SOLUTION: Increase funding for national defense by at least \$20 billion over five years to fully fund the current defense plan. Restore the budget "firewall" to ensure that those who seek to fund pet projects cannot use defense funds to do so.

BENEFITS: The rebuilding of America's military strength in the '80's led to the defeat of Communism, the demise of the Soviet Union, the fall of the Berlin Wall and freedom for Eastern Europe. If America can avoid the mistakes already made several times during this century when it allowed defense preparedness to erode so much that our airplanes didn't fly and our ships didn't sail for lack of crews and spare parts, then we will be able to act when our vital interests are at stake. Even in a world where the lion and the lamb are to lie down together, America must be the lion.

Date: 10/26/94 Time: 09:14

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10:10
From: Kean

US HEALTH: Bentsen sees attempt to achieve less reform

By Edward Kean, Knight-Ridder Financial News

Washington--Oct 25--US Treasury Secretary Lloyd Bentsen said today the Clinton administration will pursue a "smaller-scale" effort to reform the US health-care system than the administration's failed attempt this year.

In an interview with Knight-Ridder Financial News today, Bentsen signaled that the administration would seek gradual changes in the health-care system as part of next year's effort.

"We'll try to build on it as we go along," he said.

He argued that the US has the "finest" health-care system and should try to "build on the best" of the existing system.

Clinton has said he will try to convince Congress again next year to overhaul the health-care system.

Clinton's plan this year sought to guarantee health-care coverage for all Americans, while seeking to contain costs.

The plan was rebuffed in Congress after coming under attack from most Republicans and many Democrats, who alleged it was too complicated and would give the government too much control.

Asked if there were any lessons from this year's health-care debate, Bentsen said, "We must ensure we don't create a major bureaucracy."

He suggested that the administration would need to deal with such problems as making health-care coverage transferable for individuals, "catastrophic" medical coverage, and developing "risk pools."

Also, any effort should attempt to expand coverage, and contain costs, he said.

But at no point did Bentsen mention "universal" coverage, which had been the centerpiece of Clinton's proposal this year. End

Edward Kean, Tel: (202) 383-6176

Health Care Talking Points - October 24, 1994

Problems Remain and Will Escalate

* The President had the courage to take on the challenge of health care reform because the American people want real health security and want health care costs brought under control. This President will not walk away from the challenge. We will return next year in Congress because our nation's health care problems are not going away.

* Every day, the health care picture gets worse. On any given day, close to 40 million Americans - most of them working people - lack insurance. Millions are locked in jobs they can't leave for fear of losing their insurance. Families can't get coverage because of "pre-existing conditions" and other forms of insurance discrimination. Small businesses face health care premiums 35 percent higher than those of large corporations - and those premiums are projected to grow at double-digit rates.

* Our health care problems not only take a human toll on the nation, they take an economic toll as well. This Administration has worked hard to contain the deficit. But if we want to ensure that it does not balloon over time, we must control health care costs. Month after month, year after year, health care costs are further eroding our savings, our investment capital, our public treasury, and our ability to create new jobs in the private sector. In 1994, we will spend nearly 14% of our GDP on health care services. If this trend continues, we will spend nearly 20% of our GDP on health care by 2001.

The Good News

* While as a nation we must confront our health care problems, we should also be proud of the fact that the United States has one of the best health care systems in the world. We must actively work to preserve and build upon what is good in our system and provide support and needed change for what is not working in the system.

* Let me be clear: This Administration is serious about continuing our fight for reform. We are not going to stand still while more and more Americans see health care costs eating away at their family budgets. And we are not going to stand still while American families live in fear of being one illness or job loss away from losing their insurance.

* This Administration will fight to ensure that the high quality of health care that Americans receive is protected. Americans have the right to high quality, affordable health care from the doctor of their choice.

Moving Forward

* Last year marked a milestone in the long journey toward health care for all Americans. A comprehensive proposal was developed and those recommendations were presented to Congress.

* The Administration developed an extensive data base and technical expertise which advanced the understanding of policy makers about the difficult trade-offs involved in health care reform.

* The Administration's groundbreaking work put health care at the top of the national agenda and engaged the public, the press and Congress in the most serious and thoughtful debate about the American health care system in sixty years.

* Building on last year's health care initiative, the Administration will move its health care reform efforts forward through its normal policy processes. The Domestic Policy Council (DPC) and the National Economic Council (NEC) will coordinate the future health care reform efforts. We are just beginning this process and it will be a while before decisions are reached.

* We look forward to working with Congress, doctors, nurses, hospital officials, small and large businesses, labor, older Americans and countless others who want to make our health care system work better for American families.

Questions and Answers

Q. Why is the White House developing a new health care process?

A. We are simply moving health care through the same policy process that we use for other major domestic policy issues. The Domestic Policy Council (DPC) and the National Economic Council (NEC) will coordinate our future health reform efforts. We are just beginning this process and it will be a while before decisions are reached.

Q. Indications are that you will be producing a scaled back health care plan. Does this mean that you will give up on your goal of universal coverage?

A. Throughout this debate on health care reform, we have repeatedly stated that covering every American and controlling escalating health care costs should be our goals. Our commitment to this mission has not changed. We still believe that every American deserves health care coverage. Every month that we don't act to reform our system, 100,000 more Americans will lose their insurance. And, if we want to ensure that the deficit that we have worked so hard to contain does not balloon again over time, we need to address rising health care costs. Americans will spend \$982 billion on health care services in 1994 -- nearly 14 percent of our gross domestic product. If this trend continues, we will spend \$2.1 trillion on health care in 2001 - 20% of our GDP.

There are decisions that need to be made on how to proceed on health care reform. The one thing that is sure is that we are serious about continuing our fight for reform. We have learned from the past debate and we are ready to move forward.

Q. Will the President veto a bill that does not achieve universal coverage?

A. We still believe that every American deserves health care coverage. Our goal is universal coverage. And we're going to do everything possible to assure that Americans have health care coverage when they need it. And we're going to do everything possible to control escalating health care costs.

The American people still overwhelmingly support universal coverage. The latest NYT/CBS News poll (September 8-11) stated that nearly 70% of the public believes that every American deserves health care coverage. We must continue to work toward achieving what the American people want and deserve.

Q. There is speculation that the Administration will be presenting recommendations to Congress on health care reform and that these recommendations will be part of the budget. Are you going to submit a new plan and, if yes, have you given thought to what these recommendations will include?

A. We have not had a chance to think exactly about where we will go or even in what form any such proposal would be presented. Could recommendations be submitted as part of the budget? Yes, but it is also possible they won't be part of the budget.

Q. There is also speculation that obvious revenue sources will be cuts in Medicare and a tobacco tax. Are these your options that you are considering given that they were in your original plan?

A. Let me first say that this Administration will not slash Medicare. In the President's original proposal, we took the Medicare savings and used them to provide benefits to older Americans. Our proposal - - like every bill that came out of committee - - had a tobacco tax. Again, however, no decisions on financing options for any proposal have even been discussed let alone decided.

Memorandum

To: Carol Rasco
Bob Rubin

From: Lorrie McHugh

Re: Health Care Press

Date: October 24, 1994

I believe that from now through mid-November, we have a good opportunity to start building relationships between you and the reporters covering health care. These reporters have dedicated a great deal of time and energy to the health care issue over the course of the last two years. It is imperative that we continue to work with them and not wait to touch base until we have an announcement to make - or until something leaks out and we are forced to be on the defensive.

At the present time, most health care reporters are either covering the elections or doing periodic health beat pieces. This is a good time to do what I would term "get to know" off-the-record interviews. They would need to know up front that we are not ready to get into discussions on decisions, these sessions would simply be to touch base and discuss the new structure.

I propose that we do this informally - a phone call from me where I would tell them that the meeting is not to create news. Although I recognize that your schedules are very busy, these meetings are probably best done over a cup of coffee or lunch. An office meeting seems far too formal and open to regular office disruptions.

The reporters we should contact are:

* **New York Times** - Adam Clymer, Robert Pear, Robin Toner - Toner and Clymer are covering the elections. I would have to call and see if they would want to meet separately or together. In the past, we have usually met with Clymer, Toner and Pear as a group.

* **Washington Post** - Dana Priest, Spencer Rich - As a courtesy, we should touch base with Dana Priest - although she will probably not be covering health care next year. Spencer Rich has been covering the issue for years and may end up doing more of the daily stories.

* **Wall Street Journal** - Hillary Stout - We should ask if she wants to include David Rogers.

* **USA Today** - Judi Hasson - We should ask if she wants to include Rich Wolfe.

* **Los Angeles Times** - Ed Chen - He is in Baghdad. We should talk to him when he returns.

* **Boston Globe** - Peter Gosselin

* **AP** - Chris Connell

* **Reuters** - JoAnn Kenan or Donna Smith

* **NPR** - JoAnne Silberner

The above list is a good starting point to build relationships. We would need to bring in the news magazines, trade publications and electronic media when health care decisions are closer to being announced.

I look forward to having the opportunity to discuss with you future health care communications plans including grassroots media and outreach to the Congressional and White House press corps.

Please let me know if you want me to begin setting up the above meetings.

Notes from Secretary Shalala's Oct. 20 meeting with the Health Communicators' Breakfast.

[Discussion of charts]

The problems are still out there. The Clinton Administration will have to come back. Time ran out; someone rang the bell. We will pick up the momentum again.

Q: What format?

A: We're thinking through our strategy on the budget, welfare reform, health care reform. We get another kick at the cat. Hopefully we learned some things in the last 2 years that will enable us to refine our strategy.

Q: What have you learned?

A: Public clearly told us the idea of taking on every piece of the system makes them very nervous. A big target creates problems. It's the same as with the Republican contract, it creates a lot of negatives. We need to decide what needs to be done first. We haven't decided which. The public perceived it as too much and sent us a message that they want reform but they want it in stages.

Q: Reconciliation?

A: Something will have to be done with the budget. The President will submit proposals on Medicare, Medicaid, welfare, etc. This will not just be a discretionary budget. It is a natural vehicle, it has discipline in terms of time frames. The budget will look at entitlements. The Entitlement Commission will demand that.

Q: Insurance reforms?

A: Got to think about how to do it without disrupting the system.

Q: Are you saying costs are your focus not coverage?

A: Both. We will emphasize both. We can't do welfare reform without expanding coverage for welfare recipients and working people. They need cost containment as much as anyone.

Q: Reconciliation could take financing away?

A: We haven't made those decisions yet. Deficit reduction is a priority but we also want to get going on health care reform.

Q: Question still is how do you pay for it?

A: There are no tricks here. There are two obvious sources of revenue: Medicare savings and cigarette taxes. They are on everyone's list. No reason to believe we won't go back. I don't kid myself that the politics of the moment on Medicare may change.

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The question is what size of cuts will be proposed.

Q: Medicare pays less than costs now?

A: Have to talk about both private sector and public sector costs. No way to back away from that discussion. What's government's contribution to helping private sector get more disciplined. Not a top down discussion of what government can do to the private sector to change behavior. We have a full-blown health care system, not like 30 years ago when we created Medicare and Medicaid. The private sector wants help. They don't want to pick up the costs of the uninsured.

Q: Elements of reform?

A: There's no new analysis being done here. The question is how much you bite off. Our attitude is to find our appropriate role in costs and coverage.

Q: Employer mandate?

A: Still a stumbling block. Options include expanding Medicaid to cover the working poor. Congress already passed legislation for kids and it's being phased in over a long period of time. The Kids First proposal would accelerate that. Another option is to create large pools. Like the SEC, get the market straight and enforce rules.

Q: Employer mandate?

A: President hasn't made a decision on that. The public has spoken and we will take that discussion into account in providing options for the President. Perhaps we can get where we want to go but take a different road. The public viewed the mandate as a proxy for a government run system. Perception was the President's plan was a government-run system. I would argue that it wasn't but taking on every aspect of the system fed that. We should do things that would be helpful. Resources are more limited now than when we started.

Q: Universal coverage? Comprehensive reform?

A: Comprehensive reform can be taking strong steps in the right direction. We're not going to drop our overall goals. A way for everyone to get good insurance; strengthen the private system. Huge plans are difficult to get through Congress. Need a vision of where you want to go. The health care system is different than two years ago.

Q: Moynihan's opinion?

A: We'll talk to him after the election about his insights on health care and welfare reform. Moynihan always had large goals and moved toward them.

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Q: Long term care?

A: States want to do more experimentation. Point of reform is you can't leave state experimentation out. Have to look at states' role.

Q: Would California need a waiver if it passes single payer?

A: Probably. We'd have to see what they ask for; it has to be budget neutral. I make it a habit not to talk about waiver requests, particularly those that haven't been made.

Q: Have you been campaigning?

A: Doing a lot of campaigning. Minimum of 2 days a week and all of next week. About 10 states: NY, IA, CA, WA, TX, MA. I'm finding the same thing I did during health care reform. A very anti-government feeling. A feeling that the government can't get anything right. It's consistent. Not just with Washington but with politicians in general, bureaucrats, state and local officials. It's a challenge. It's pretty rigid. So much so that most people think that Social Security is a private system.

I also hear that most people have had negative experiences with government. This may be reinforced by talk show hosts but they're not shaping public opinion. We walked into that with health care reform.

Q: Same with welfare reform?

A: No. That's seen as reducing the amount of government involvement in people's lives. Instead of health care reform that never leaves you it's a transitional program.

Q: Medicare underpays?

A: Vladeck is working on a Medicare strategy. Some things to make it more efficient. Some new approaches. A major integrity effort to combat waste, fraud, and abuse.

Q: Isn't most waste overutilization?

A: Not only. We have to make sure the system is not being ripped off.

Q: Individuals can't report overcharges?

A: No excuses about not doing something about that. Make it a priority for carriers. OIG is underfunded because of discretionary caps.

Medicare underpaying is an interesting argument. We're accused of underpaying and they're accused of overutilization. Everybody's making money.

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Q: More managed care under Medicare?

A: Want to offer a wider range. Have to work on pricing. We clearly would like a lot more flexibility.

Q: Don't HMOs shift costs to fee for service?

A: You can cost shift only as long as someone is willing to pay the bill. There is tremendous cost shifting going on in the system. Employers are shifting costs to their employees and shifting people to managed care. Some of those costs are being shoved back and some efficiencies are resulting. Question is are we getting quality under managed care. Just starting to get information on that.

Q: Underutilization?

Data is so fragmented we can't answer that. Governors are desperate to slow costs; employers too. Trying to stabilize costs. HMOs are leaning on drug companies for price discounts. With all this going on, are people getting better care or as good care? We have a generation used to fee for service and one used to managed care.

Q: What do you mean by "ran out of time?"

The mainstream bill was out there. It was different but it had elements. I think Congress would have passed something if they didn't run out of time. Not because they lacked interest. Not because they ran into a brick wall of opposition.

Q: On quality, won't the government be interfering in medicine?

A: Information and choices. Quality comes from a competitive system with consumer information.

Q: Budget vehicle?

A: Have to identify financing. Go through the same committees. Timing. Tradeoffs within the budget.

Q: Will the President present a plan this year?

A: Yes, he will present a plan.

Q: What if Republicans control the Senate?

A: I'm not even thinking about it. I'm working like mad to make sure of it.

Q: Are providers driving up costs?

A: Not necessarily because they're evil. They want to do everything for their patients. People demand the very best of care

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and they push the professionals. A culture of health care in this country to push to the maximum. We're all paying the bill.

Q: White House staffing changes? Ira?

A: Most of the analytical work has been done. The question is picking among the basic elements. Financial and political choices. We're having a collegial discussion of the strategy. Ira is very much part of that discussion. Chris Jennings is on my payroll and he's coordinating this. Most of the work has been done. We need a financial and a political strategy. How much to bite off with as much public support and bipartisan support. More of a strategic discussion.

Q: Why December?

A: That's when the President makes his decisions on the budget.

Q: Medicare spending?

A: The increases may be a little lower than expected. That's not new. It will reduce the deficit a bit but it limits our options on financing.

Q: Bipartisan?

A: Particularly in the Senate. Process is important. It sets tone and attitudes. President will talk to the leadership after the elections. Senator Dole says he wants to do health care reform next year. President will talk to the leaders about the agenda.

Q: Will GOP be willing to bargain?

A: It's realistic to assume that no member of Congress is asking to be elected to do nothing -- except the Congressman from California who's running for the Senate. The public wants something done. They've told us what they don't want now we need to make a case for what needs to be done. Our goals remain the same: costs, quality, coverage. We want to nudge the system along, not run it. People out there without insurance are Democrats and Republicans.

Q: Will the President use his veto pen?

A: President will speak for himself.

Q: Deficit reduction?

A: Going to be a debate within the Administration on that. President is committed to expanding coverage and it will cost money. No new tricks out there.

Q: GOP contract?

6

A political exercise. Same problem as Health care reform. Negative coalitions. Hit from every direction. Not a major vision of COP view for the future. A package of ideas for the election.

Q: Vaccines for children a success?

A: Small piece of an overall effort. Infrastructure expansion, clinic hours, education, outreach, physician involvement. VFC is an attempt to give kids without coverage access. Part of a larger strategy. Had hoped to sign all contracts by Oct. 1, Price contracts were done; delivery contracts weren't. I apologize for that. As soon as the delivery contracts are signed, we will get this system going. We're going to get it done a few months late.

Drug companies are happy they will get to deliver the vaccines. They have ongoing relationships with the doctors they want to protect.

Q: Drug companies say they get 50% of their costs?

A: Ask them: What are their costs? What do they charge in Canada? We don't know. We ought to pay a fair price and it should be negotiated. If they say the price is too low, they have to provide the data to Congress. Last thing I want to do is put an industry out of business. Lay out their case, the facts. I believe drug companies have the same goals we have. They want to make a decent income. We have to look at the overall program and two years from now look at the results. We need a system that automatically vaccinates each generation of kids.

Q: First Lady's profile?

A: I don't give her advice on her profile. I'm a fan and a friend.

Q: If FDA says tobacco a drug, how pay for health care?

A: I'd be ecstatic if less people smoked, particularly young people. We'd save a lot of money. Pricing of cigarettes is a piece of that.

Q: Health care on campaign?

A: Yes, because it's me. They ask me about health care, welfare, Head Start, Social Security. I don't get a lot of questions about GATT or NAFTA.

Q: What are you hearing?

A: Don't want the government to run health care. Horror stories of what the system is doing to people. Tell the President to keep going. The test of this Administration is how much we learned in the first two years. We learned a lot.

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Q: Prescription drugs for the elderly?

A: Haven't heard about it too much. Hear more about long term care and flexibility.

Q: Doesn't LTC alternative cost more?

A: Issue is quality of life. My mother used to take me to nursing homes to visit some of her clients. I've seen institutional care. The key is making people's lives better.

Q: Rumors of your leaving?

A: I'm not leaving.

Q: Problems with Social Security transition?

A: No. Very smooth. No administrative problems.