

targeted to middle class families. I was determined to reach this goal in a way that reflects our fundamental values: our duty to care for our parents and our children, our commitment to provide opportunity for all Americans, to invest in education, and to protect the environment for the future.

In June I announced a balanced budget plan that offered a modest tax cut and protected Medicare and Medicaid, education and the environment, without raising taxes on working people. Then the congressional Republicans said that the plan took too long and asked me to do it in 7 years. In an effort to find common ground, I went back to work and cut several hundred billion more dollars out of the budget and presented a 7-year budget. Then, because we disagreed on certain assumptions in the budget—primarily affecting the last 3 years, I might add—they asked me to agree that in the end we would have to have a budget that met their assumptions. I agreed to that, as long as the budget protected Medicare, Medicaid, education, and the environment and did not raise taxes on working people.

Then some of those in Congress said they wanted me to present such a budget. So after our negotiations had gone on for some time, I did that. When I presented that budget, which was prepared by Senator Daschle, it did highlight the differences between us, because it does have smaller cuts in Medicare and Medicaid and education and the environment. There is no tax increase on the hardest pressed working families. And the tax cut is a smaller one and more carefully targeted to middle class families. But clearly, it balances the budget in 7 years, and the Congress and the Congressional Budget Office agreed.

I want to emphasize that I want to do this. And I ask all of you to remember that the deficit has already been cut in half in just 3 years from what I found when I came here. This administration has the credibility of its actions behind its plan. I hope that we can reach agreement. There is still about a hundred billion dollars' difference in the cuts that the Republicans want us to make in Medicare, Medicaid, aid to poor children, and the earned-income tax credit for working families that we believe are not necessary. We are trying to work through that.

It seems to me clear that—and as I've said this many, many times—sooner or later a deci-

sion has to be made: Are we going to balance the budget and provide a modest tax cut, or are we going to fundamentally weaken the guarantees inherent in the Medicare and Medicaid programs and change policies dramatically and provide a tax cut that, in my view, cannot be justified by the circumstances in which we find ourselves? So that is where we are today.

Let me say again, we moved closer together today. I made a move toward them, and then at the end I made a proposal, then asked them to consider it. I hope that we can continue to make some progress. I will say again, we have agreed on several policy areas in the Medicare program, for example. The most important policy we can adopt is one which gives more incentives for people to move into managed care programs without forcing them to do so. I've been for that since 1993. We are in complete agreement on that. And the Medicaid program—we've agreed that the States should have more flexibility to get people into managed care, to find ways to save money on the program so that they can expand coverage to others who don't have it. We're in agreement on that. And we can agree on a balanced budget with a tax cut if we don't hold either goal hostage to an excessive tax cut or to excessive cuts in the priorities that are very important to our future.

So I want to keep working together. I think we did; we've covered a lot of ground. We have certainly learned a lot from each other. And I am very much hoping that we can make this agreement. It will require us to make some more steps to bridge the gap, but the—we have agreed to well over—way over \$600 billion in savings, more than enough to balance the budget. What remains is the, if you will, the ideological differences over the size and shape of the tax cut and over the size and character of the changes in Medicare and Medicaid and the investments in education and the environment.

Q. Mr. President, do the Republicans want the biggest tax cut for the richest people in the country? Do they still hold to that?

The President. Well, the largest amount of money in their tax program is one, of course, with which we're very sympathetic; it's a children's tax credit. I've proposed the family tax credit for children, and they have, and theirs is more generous than mine. They spend much more money on theirs than mine. So that's the largest amount.