

The capital gains tax credit will have the biggest economic benefit to the smallest number of people. And then there are some other things in their tax program which is kind of skewed upward. There are also some other very good things in their program. We have to ask ourselves, you know, how much we can afford. A lot of the things in their program that I agree with involve help for small business on the expensing provision. I have proposed some pension reform legislation. That was the number one priority of the White House Conference on Small Business. It only costs a billion and a half dollars over 7 years, but it was their number priority, and we agree on that.

So—and of course I would like to see this education credit that I have been advocating. But overall we have to ask ourselves: What is the prudent amount of tax cut that can be afforded in a credible balanced budget plan? And how much saving can you achieve in the Medicare and Medicaid plan without either hurting the beneficiaries or crippling the health care delivery system? That is the issue.

And the truth is, no one knows for sure over 7 years. The savings that we have proposed are by far the greatest ever actually enacted. If the ones I have proposed were to be enacted, they'd be by far the largest ever enacted. But I have tried, instead of taking an arbitrary number, to go out and analyze what the burdens on the providers, analyze what is likely to happen with the—for example, the number of poor children, the number of disabled people, the number of elderly people, and just figure out what we think the system can bear as we move towards managed care.

Keep in mind, if the Republicans turn out to be right and a lot of these reforms that are happening in the health care system generate more savings than I think they will or than I—than we can know they will, then no one in the wide world will object to us putting those in the budget next year, the year after that, the year after that. I just hate to see us write into stone something now that we might not be able to live with. And the markets are entitled to know, if we adopt a balanced budget plan, it is a credible plan with a reasonable chance of achievement.

Q. Mr. President, could you tell us whether the offer that you made at the start of today's meeting was a full-blown counter to the offer that the Republicans had made over the week-

end? And secondly, could you describe, at least to some extent, the idea that you outlined at the end of the meeting?

*The President.* Well, we have agreed not to get into too much of our negotiations. I can say that—I don't know whether you'd call it a full-blown counter. It was—I moved in advance of the Daschle budget, toward their position at the beginning of the meeting, with the agreement of our Democratic negotiators. At the end of the meeting, I basically offered a set of changes which would bring us to the same amount of dollar savings, with a tax cut that would be targeted to families that would, I thought, come nearer to meeting what they said their objectives were on the tax side, without compromising where I thought we had to go with Medicare and Medicaid and education and the environment. Whether it will be—they want to examine it, I think, and I understand that. I don't think they would characterize it as an offer, because it came literally from me only, not from Senator Daschle or Senator—or Congressman Gephardt.

Q. They seem to be suggesting that they'd made a great big step and that the response had been a rather smaller step—

*The President.* No. Well, you can make numbers look like anything, but I—but let me say, I think if you go back and look at where my first budget plan was and where their first budget plan was, we have moved, I believe, at least as far as they have in the numbers.

But the point I want to emphasize to the American people is our administration has cut this deficit in half in 3 years. I have always been for balancing the budget. I have bent over backwards to meet them halfway in a good bipartisan spirit, to do it in 7 years, not 9, as my plan would have done; to do it according to the Congressional Budget Office analyses, even though I don't entirely agree with it; and to make significant savings in the entitlement programs as well as the investment programs. But I don't believe we can go to the point where we don't know for sure that we have protected the people that are entitled to protection.

I have already—neither of these budgets is a big spending budget. Both these budgets will require steep cuts in spending. My discretionary budget, out of which we fund education and the environment, is lower than a hard freeze, which means there will have to be steep cuts