

a hard enough time negotiating in private. I can't do it with you as well as them.

But I want to make two comments. First of all, it is important that the budget number have integrity. Therefore, it is important that the budget number be supported by policies to achieve that number. And I will—I have not offered anything that I did not think there was a policy to back up, that would actually save money without hurting our efforts to provide Medicare to the seniors or to help poor and disabled children or the seniors in nursing homes that get the benefit of the Medicaid program.

So that is basically my parameter. And I'm open to new ideas and new suggestions on that. We're trying to encourage more people and more States to have the option of managed care because we know that will lower inflation in the out-years without undermining the integrity of the program or the services available. No one knows exactly how much savings that will achieve, so we're trying to find a more reasonable thing to do on that.

Now, as a general proposition, I don't think that I or any Democrat—and I believe many Republicans—want to be in the position of appearing to have cut Medicare and Medicaid to fund an excessive tax cut. On the other hand, we can have some modest, but significant, tax relief in this budget bill if we do it right.

Q. Mr. President, back to the economy again. In assuming that perhaps some of the pessimism might be justified, as the markets have done in the past couple of days, are you willing, first of all, to consider a long-term CR that would keep the Government operating but not settle the budget question until, as you say, there is an election about it? And two, are you willing to pay the economic price of that happening, considering the way the markets reacted over the past couple of days on news that there may not be a deal?

The President. Let me give you two answers to that. First of all, if that happens, I'll cross that bridge when I come to it, and we'll all have to talk about it. But every time we have started to talk about what would happen if we didn't reach an agreement in our private meetings and how we would move from—we stopped after about 2 minutes, because at least in the context of our private conversations, no one has wanted to acknowledge that we could not reach an agreement for a plan over 7 years because

we are close enough to do it and because we know we owe it to the United States to do it. So I believe we will reach an agreement.

Now, let me make a comment that I made the other day in a different context that I think perhaps I didn't emphasize enough. You now have two parties, not one, committed to reducing this deficit until it is eliminated. You have a record here of the Democratic President and our Democrats in Congress who alone—alone—passed a budget plan in 1993 that has reduced our deficit by one-half.

So I would say to the American people and to the financial markets, we're going to get this budget deficit down until the budget is balanced. But the best way to do it is to sign an agreement now so people can see. It's like the man on the moon—the budget will be balanced by "x" date. And that's what I think we should do. And I still believe that we will.

Tax Cut

Q. Mr. President, back on the budget, the Republicans propose a tax cut; you propose a tax cut. How will a tax cut, a modest tax cut, reduce the deficit?

The President. Well, first of all, the tax cut won't reduce the deficit unless it leads to increased growth in the context of a deficit reduction plan. If it does lead to increased growth, if it's part of—if it's a balanced plan so that the deficit reduction still has credibility, then the tax cut can play an important part of that by helping to provide some extra income, particularly to hard-pressed families with children who have had a more difficult time the last 10 or 15 years.

Let me ask you—you could make the same argument about education. You could say, well, how can you invest money on education and reduce the deficit? You do it because it strengthens the economy over the long run.

So if we target this tax relief particularly to families, to people seeking an education, to some of the priorities of the White House Conference on Small Business, some of those things that we've all talked about that I think we have broad agreement on, it will strengthen America, and in so strengthening America, it will make us stronger, we'll grow more, and we'll do better. But we have to do it in the context of knowing we're going to balance that budget.

Yes, Peter [Peter Maer, NBC Mutual Radio].