

The President. Well, of course, the conventional wisdom is that it should slow down, but I don't believe that. Let me say what I want to do is to keep a sustained period of growth going. If we could ratchet it up a little bit, it would be even better, but if we could average 4½—let's say 2½ percent for 8 years in a row, that would have quite a compound effect, actually, in our economy.

Keep in mind, when we started, we thought our plan would reduce the deficit by 50 percent; it did by 63 percent. And over the long run, we are opening up investment dollars to help educate people, to help move people from welfare to work, to help invest in science and technology, to help do the things we need to be doing here, and to make some of the tax changes that will reduce inequality, as well.

Mr. Hunt. But you can do that at 2½ percent the next 4 years?

The President. Well, you can do some of it. For example, in the last 4 years when we had to really do a lot of the hardest work on the deficit reduction, we were able to—because growth took care of part of our deficit problem, we were able to cut spending overall but still increase spending in education and in science and technology, primarily, and then deal with the problems of health care costs.

I think if we can keep growth between 2½ and 3 percent, and if we can avert a huge increase in health care inflation—you know, there have been a lot of disturbing articles in the press in the last couple of days, well, health care inflation is coming back now. If we can avoid that—and we're going to try hard to do that—then I believe we'll have some money for the kinds of investments we need.

I also would point out that in—we won't know until later this year, but in 1996 we saw that in 1995 inequality among working people began to go down for the first time in 20 years, for a number of reasons. Most of the new jobs are coming in high-wage areas, and the impact of the tax changes of '93 on workers with incomes of \$30,000 a year or less was very positive. So I think we may be able to see declining inequality now for several years if we can continue with good new jobs and education.

Mr. Hunt. In that context, the other day Chairman Greenspan of the Federal Reserve worried that wages may be rising so fast that it could threaten a renewed inflation, which

would cause higher interest rates. Do you share that concern?

The President. Well, so far—I don't yet, but there are two reasons why I don't. Number one, so far, workers have gotten, finally, some real raises, and they should. But you haven't seen a lot of demands for wage increases all out of line with profitability growth in given enterprises. You haven't seen any kind of demands that people would say are outrageous, even in tight labor markets.

And I think that workers are very sophisticated now, and they're very sensitive to—they want a fair deal, so if their business is doing very well they'd like to participate in that, but they also understand that they can't kill the goose that laid the golden egg. And I think there's a lot more sophistication among working people, both members of labor unions and people who are not members of labor unions but are working in enterprises where they have to make those judgments.

Now, in addition to that, I think productivity increases are continuing to be brisk, and there's now, finally, a lot of scholarship coming out indicating that we may have underestimated productivity in the last several years, especially in the service industries. And I think if that happens, if we can keep the productivity going, and we can keep our markets open—we can keep competing, keep expanding our horizons in competition overseas in trade—that we can have some appropriate wage growth without having inflation. That's the goal, anyway.

Budget Negotiations

Mr. Hunt. You mentioned earlier the deficit reduction. What do you think of the odds right now that you can reach an agreement with Congress on a balanced budget by the year 2002?

The President. I think they're quite high.

Mr. Hunt. You do?

The President. I do.

Mr. Hunt. Better than 50 percent?

The President. I do.

Mr. Hunt. In that context, I know that you favor a very specific targeted reduction in the capital gains tax rate, just for specific endeavors. But could you envision accepting what the Republicans are advocating, namely a broad-based unconditional reduction in capital gains taxes?

The President. Well, let me say I can envision being more flexible on capital gains. I think it's a mistake to do a very expensive retroactivity