AN AGE OF POSSIBILITY

The President's 1997 Budget achieves two basic objectives:

- It reaches balance in seven years, making real cuts in entitlements and discretionary spending while providing modest tax relief; and
- It maintains our commitments to economic growth and to protecting the most vulnerable Americans, including senior citizens, working families, and children.

The budget strengthens Medicare and Medicaid; invests in education and training, the environment, science and technology, and other priorities; reforms the welfare system; provides for a strong defense; and provides tax relief to help families raise their children, send their children to college, and save for the future.

Reaching Balance

The budget reflects the President's most recent proposal in his budget negotiations with the bipartisan congressional leadership. Because it reaches balance in 2002 by basically using the economic and technical assumptions of the Congressional Budget Office (CBO), it fulfills a goal that the President shares with Congress. Using the economic and technical assumptions of the Office of Management and Budget, this budget projects a surplus of $40 billion in 2002.

The President believes that Congress should quickly enact the savings that he and congressional leaders have in common in their budget proposals—savings that are sufficient not only to balance the budget in seven years, but to provide a modest tax cut. As the President said in his State of the Union address, we should make permanent deficits a part of yesterday's legacy.

To reach balance, this budget saves $596 billion over seven years by reforming Federal entitlement programs, cutting deeply in discretionary spending, and limiting corporate subsidies. It saves $124 billion in Medicare, $59 billion in Medicaid, $40 billion in welfare programs, $56 billion in other mandatory programs, $297 billion in discretionary spending, and $59 billion in corporate subsidies and other revenue provisions.

The budget also includes a mechanism, known as a "trigger," to ensure that the budget reaches balance under either CBO or OMB assumptions. Under this trigger, most of the tax cuts end after 2000 if the deficit is not at least $20 billion below CBO's initial estimate for that year. If, on the other hand, the deficit *is* at least $20 billion below estimates, then (1) the tax cuts remain in place, and (2) the amount that exceeds $20 billion is applied, first, to reduce the discretionary spending cuts and, then, to a larger tax cut and more deficit reduction.

Spurring Economic Growth

From the start, the President's economic program has emphasized one primary concern—to raise the standard of living for average Americans now and in the future. His budget policy has played a central role.

By cutting the deficit nearly in half in the last three years, we have reduced Federal borrowing, making more funds available in the private markets so that businesses can invest, grow more productive, expand, and create jobs. We also have shifted resources to education and training, science and technology, and other priorities, not only to make businesses more competitive but to give Americans the skills they need to compete in the new economy.

Like the President's previous budgets, this budget maintains his investments in education and training, science and technology, environmental protection, law enforcement, and other key priorities. These include the Head Start program for disadvantaged children; the Safe and Drug-Free Schools and Communities program to create safe learning environments; Goals 2000, which helps States and school systems extend high academic standards, better teaching, and better learning to all students; AmeriCorps, through which 25,000 Americans a year serve their communities and earn money for college; lower cost student loans with greatly increased flexibility for repayment; Pell grant scholarships for needy students; and Skill Grants (or job training vouchers) for dislocated workers and low-income adults.

The budget also protects environmental enforcement through the Environmental Protection Agency's operating program; programs to protect national parks and other sensitive resources; and basic and applied research and technology development. It funds the Community Oriented Policing Services (COPS) initiative to put 100,000 more police on the street by 2000; more border patrols to prevent illegal immigration and more inspections to prevent the hiring of illegal immigrants; and the Community Development Financial Institutions fund to spur growth and create jobs in communities that have been left behind.

In addition, the budget includes funds to launch the important initiatives that the President outlined in his State of the Union address. In education, the budget funds an educational technology initiative to connect every classroom to the information superhighway by 2000; expanded work-study to help one million students work their way through college by 2000; a $1,000 merit scholarship for the top five percent of graduates in every high school; and charter schools to let parents, teachers, and communities create public schools to meet their own children's needs.

For workers, the budget funds an initiative, which the White House Conference on Small Business recommended, to make it easier for small businesses and farmers to establish their own pension plans. For the environment, it funds tax incentives to encourage companies to clean up abandoned, contaminated industrial properties in distressed areas. And for law enforcement, it provides funds with which the FBI and other law enforcement agencies will launch a war on juvenile crime and gangs that involve juveniles.

A Period of Change

The Nation has entered a period of profound change—from an economy based on traditional manufacturing to one based on information—the most profound change since the transformation from agriculture to manufacturing a century ago. It is a period of great opportunity and great uncertainty, a period that demands new thinking and new responses.

In this age of possibility, the United States must continue to provide leadership across the globe and cooperate in the community of nations, not retreat from it. At home, the public and private sectors must work together; we cannot rely on just one or the other. Americans of all generations must come together in the interests of all.

For this new era, we need the right kind of Government and the right kind of policies. We need a Government that creates opportunity, not bureaucracy, one that works with State and local governments, businesses, and religious, charitable, and civic associations. We need policies that grow the middle class and shrink the underclass. And we need to invest in our future, both by balancing the budget and by finding additional resources for education and training, the environment, science and technology, and other priorities.

Government should not do for individuals what they can do for themselves. We must ask more of ourselves, expect more of one another, and meet the challenges that confront us together. We must strive to enable all of our people to make the most of their lives with stronger families, more educational opportunity, economic security, safer streets, a cleaner environment, and a safer world.

The Record to Date

Three years into this Administration, the Nation is stronger and moving in the right direction. The economy continues to grow, with the lowest combined rates of unemployment and inflation in nearly three decades. We have created nearly eight million new jobs—over seven million of them in the private sector, and a million of those in basic industries like construction and automobiles. Exports are at an all-time high. And we have cut the budget deficit nearly in half, bringing down interest rates and, in turn, the costs of home mortgages, car payments, and credit card rates.

We are also cutting the size of Government. We have reduced the Federal workforce by more than 200,000 employees in less than three years, and we will continue to reduce the workforce in the years ahead. Already, we have the smallest Federal workforce in 30 years; as a share of the Nation's civilian workforce, it is the smallest since 1933.

With the help of Vice President Gore's National Performance Review, we are streamlining the bureaucracy, overhauling the procurement system, and delivering better service—that is, creating a Government that "works better and costs less." And to ease the burden on small businesses and average Americans, we are cutting 16,000 pages of Federal regulations.

Meanwhile, communities across America are coming together. Crime is down in most major cities and, across America, the poverty rate is down, the welfare rolls are down, the Food Stamp rolls are down, the teen pregnancy rate is down, and the divorce rate is down.

In the world at large, American leadership is strong, bringing new hope for peace. Today, more people than ever live free and, with our help, peace is taking root in Haiti, in Northern Ireland, in the Middle East, and even in Bosnia, where U.S. soldiers are enforcing an historic settlement. We are safer at home as well; today, not a single Russian nuclear missile is aimed at America's children.

Honoring Our Commitments

To remain strong, we must do more than play a leading role on the military and diplomatic front. We also must honor our financial obligations. The President urges Congress to send him a straightforward, full-year extension of the Nation's debt limit, ensuring that the United States can honor our obligations, make timely payments to Social Security, veterans, and other beneficiaries, and meet other commitments.