

Speech | November 20, 1991

A New Covenant for Economic Change **Remarks to Students at Georgetown University**

By Governor Bill Clinton

Editor's Note: *This is the **second in a series of 3 speeches** Governor Clinton gave at Georgetown University in the Fall of 1991.*

First Speech: ["The New Covenant: Responsibility and Rebuilding the American Community"](#)

Third Speech: ["A New Covenant for American Security"](#)

GOV. CLINTON:

Thank you for being here today. A better future for your generation -- a better life for all who will work for it -- is what this campaign is about.

But I come here today convinced that your future -- the very future of our country -- the American Dream -- is in peril. This country is in trouble. As I've traveled around this country, I've seen too much pain on people's faces, too much fear in people's eyes. We've got to do better.

This month, I visited with a couple from New Hampshire named David and Rita Springs. He's a chemical engineer by training she's studying to be a lab technician. They told me that a month before his pension was vested, the people who ran his company fired him to cut their payrolls. Then they turned around and sold the company, and bailed out with a golden parachute while David Springs and his family got the shaft.

Last week, at a bowling alley in Manchester, I met a fireman who was working two jobs and his wife who was working 50 hours a week in a mill. They told me they were worried that even though both of them were working like this and their son was a straight A student, they still wouldn't be able to afford to send him to college because of the rising cost of college education and because they were too well-off to get government help.

At a breakfast in a cafe in New Hampshire, I met a young man whose 12-year-old child had had open-heart surgery, and now no one will hire him because they can't afford his health insurance.

The families I met are from New Hampshire, but they could be from anywhere in America. They're the backbone of the country, the ones who do the work and pay the taxes and send their children off to war. They're a lot like people I've seen in Arkansas for years, living with the real consequences of our national neglect. These are the real victims of the Reagan Revolution, the Bush Succession, and this awful national recession.

During this administration, the economy has grown more slowly and fewer jobs have been created than in any administration since World War II. People who have jobs are working longer hours for less money; people who don't are looking harder to find less. Middle-class people are paying more for health care, housing, education, and taxes, when government services have been cut.

And as these hard-working middle-class families look to their President to make good on his promises, his answer to them is: Tough luck. It's your fault. Go buy a house or a car.

Just this week, George Bush said we don't need a plan to end this recession -- that if we wait long enough, our problems will go away. Well, he's right about that part: If he doesn't have a plan to turn this country around by November of 1992, we're going to lay George Bush off, put America back to work, and our problems will go away.

We need a President who will take responsibility for getting this country moving again. A President who will provide the leadership to pull us together and challenge our nation to compete in the world and win again.

Ten years ago, America had the highest wages in the world. Now we're 10th, and falling. Last year, Germany and Japan had productivity growth rates three and four times ours because they educate their people better, invest more in their future, and organize their economies for global competition and we don't.

For 12 years of this Reagan-Bush era, the Republicans have let S&L crooks and self-serving CEOs try to build an economy out of paper and perks instead of people and products. It's the Republican way: every man for himself and get it while you can. They stacked the odds in favor of their friends at the top, and told everybody else to wait for whatever trickled down.

And every step of the way, the Republicans forgot about the very people they had promised to help -- the very people who elected them in the first place -- the forgotten middle class Americans who still live by American values and whose hopes, hearts, and hands still carry the American Dream.

But Democrats forgot about real people, too.

Democrats in Congress joined the White House in tripling the national debt and raising the deficit to the point of paralysis. Democrats and Republicans in Congress joined the White House on the sidelines, cheering on an S&L boom until it went bust to the tune of \$500 billion.

For too many Americans, for too long, it's seemed that Congress and the White House have been more interested in looking out for themselves and for their friends, but not for the country and not for the people who make it great.

And, now, after 12 years of Reagan-Bush, the forgotten middle class is discovering that the reward for 12 years of sacrifice and hard work is more sacrifice and more hard times: They've paid higher taxes on lower incomes for service cuts, while the rich got tax cuts, while poverty increased, and the President and Congress got pay raises and health insurance.

We've got to move in a radically different direction. The Republicans' failed experiment in supply-side economics doesn't produce growth. It doesn't create upward mobility. And most important, it doesn't prepare millions and millions of Americans to compete and win in the new world economy.

And we've got to move away from the old Democratic theory that says we can just tax and spend our way out of any problem we face. Expanding government doesn't expand opportunity. And big deficits don't produce sustained economic growth, especially when the borrowed money is spent on yesterday's mistakes, not tomorrow's investments.

Stale theories produce nothing but stalemate. The old economic answers are obsolete. We've seen the limits of Keynesian economics. We've seen the worst of supply-side economics. We need a new approach.

For 12 years, we've had no economic vision, no economic leadership, no national economic strategy. What America needs is a President with a radical new approach to our economic problems that will give new life to the American Dream.

We need a New Covenant for economic change, a new economics that empowers people, rewards work, and organizes America to compete and win again. A national economic strategy to liberate and energize the abilities of millions of Americans who are paying more taxes when the government is doing less for them, who are working harder while their wages go down.

This New Covenant isn't liberal or conservative. It's both and it's different. The American people don't care about the idle rhetoric of left and right. They're real people, with real problems, and they think no one in Washington wants to solve their problems or stand up for them.

The goals of our New Covenant for economic change are straightforward:

- We need a President who will put economic opportunity in the hands of ordinary people, not rich and powerful special interests;
- A President who will revolutionize government to invest more in the future;
- A President who will encourage the private sector to organize in new ways and cooperate to produce economic growth;
- A President who will challenge and lead America to compete and win in the global economy, not retreat from the world;

That's how we'll turn this country's economy around, recapture America's leadership in the world, and build a better future for our children. That's how we'll show the forgotten middle class we really understand their struggle. That's how we'll reduce poverty and rebuild the ladder from poverty to the middle class. And that, my friends, is why I'm running for President of the United States.

Our first responsibility under this New Covenant is to move quickly to put this recession behind us. Last week, I released a plan for what I would do right away to help working people and get the economy moving again. I'd not only extend unemployment benefits, as Congress and the President have finally done, but I'd push through a middle-class tax cut, an accelerated highway bill to create 40-45,000 new construction jobs over the next six months, and an increase in the ceiling on FHA mortgage guarantee so half a million families could pump up the economy by buying their first home. I do think good credit card customers should receive a break from the 18 and 19 percent rates of banks, which have cut the rates the customers get paid on their deposit accounts. And I'm proud to say that four of the ten banks charging the lowest credit card rates nationwide are in my state.

I would also make sure federal regulators send a clear signal to the financial community not to call in loans that are performing, and not to fear making good loans to local businesses.

But even if we did all those things tomorrow, it wouldn't change the fundamental challenge of the 1990s. We need to get out of this recession, and soon. But we also need a long-term national strategy to create a high-wage, high-growth, high-opportunity economy, not a hard-work, low-wage economy that's sinking when it ought to be rising.

It doesn't have to be that way. I believe we can win again. In the global economy of the 1990s, economic growth won't come from government spending. It will come instead from individuals working smarter and learning more, from entrepreneurs taking more risks and going after new markets, and from corporations designing better products and taking a longer view. We're going to reward work, expand opportunity, empower people, and we are going to win again.

Empowering Every American

There are two reasons why middle-class people today are working harder for less pay. First, their taxes have gone up -- but that's only 30% of their problem. The other 70% of the problem is America's loss of economic growth and world economic leadership.

If we're going to turn this country around, we've not only got to liberate ordinary people from unfair taxes, we've got to empower every American with the education and training essential to get ahead.

Let me make this clear: Education is economic development. We can only be a high-wage, high-growth country if we are a high-skills country. In a world in which money and production are mobile, the only way middle-class people can keep good jobs with growing incomes is to be lifetime learners and innovators. Without world-class skills, the middle class will surely continue to decline. With them, middle-class workers will generate more high-wage jobs in America in the '90s.

Empowering everybody begins with preschool for every child who needs it, and fully funding Head Start. It includes a national examination system to push our students to meet world-class standards in core subjects like math and science, and an annual report card for every state, every school district, and every school to measure our progress in meeting those standards.

Empowerment means training young people for high-wage jobs, not dead-end ones. Young Americans with only a high school education make 25 percent less today than they would have 15 years ago. In a Clinton Administration we'll have a national apprenticeship program that will enable high school students who aren't bound for college to enter a course of study, designed by schools and local businesses, to teach them valuable skills, with a promise of a real job with growing incomes when they graduate.

Empowerment means challenging our students and every American with a system of voluntary national service. In a Clinton Administration we will offer a domestic GI Bill that will say to middle class as well as low income people: We want you to go to college and we're glad to pay for it, but you've got to give something back to your country in return. As President, I'll ask Congress to establish a trust fund out of which any American can borrow money for a college education, so long as they pay it back either as a small percentage of their income over time or with a couple of years of national service as teachers, police officers, child care workers -- doing work our country urgently needs. The fund would be financed with a portion of the peace dividend and by redirecting the present student loan program, which is nowhere near as cost-effective as it should be. This program will pay for itself many times over.

But in an era when what you can earn depends largely on what you can learn, education can't stop at the schoolhouse door. From now on, anyone who's willing to work will have a chance to learn. In a Clinton Administration, we'll make adult literacy programs available to all who need it, by working with states to make sure every state has a clear, achievable plan to teach everyone

with a job to read, to give them a chance to earn a GED, and wherever possible, to do it where they work. In Arkansas we had 14,000 people in adult education programs in 1983. Today we have over 50,000. By 1993, we'll have over 70,000. Every state can do the same for a modest cost with a disciplined plan and a flexible delivery system.

And we will ensure that every working American has the opportunity to learn new skills every year. Today, American business spends billions of dollars on training -- the equivalent of 1.5 percent of the costs of their payrolls -- but 70 percent of it goes to the 10 percent at the top of the ladder. In a Clinton Administration, we'll require employers to offer every worker his or her share of those training dollars, or contribute the equivalent to a national training fund. Workers will get the training they need, and companies will learn that the more you train your workers, the more your profits increase.

We need special efforts to empower the poor to work their way out of poverty. We'll make work pay by expanding the Earned Income Tax Credit for the working poor, and by supporting private and public partnerships to give low-income entrepreneurs the tools to start new businesses, through innovative institutions like Shore Bank in Chicago and its rural counterpart, the Southern Development Bancorporation in Arkansas. We've got to break the cycle of dependency and put an end to permanent dependence on welfare as a way of life, by really investing in the development of poor people and giving them the means, the incentives, and the requirement to go to work.

Finally, empowering working Americans means letting them keep more of what they earn. Ronald Reagan and George Bush raised taxes on the middle class. I'm going to cut them. In a Clinton Administration, we'll cut income tax rates on the middle class: an average family's tax bill will go down 10 percent, a savings of \$350 a year. And the deficit won't go up -- instead, those earning over \$200,000 a year will pay more, though still a smaller percentage of their incomes than they paid in the '70s, not to soak the rich but to return to basic fairness.

A Revolution in Government

Besides empowering citizens, we must lead a revolution in government so it becomes an engine of opportunity again, not an obstacle to it. Voters who went to the polls in this month's elections sent us a clear message: People want more for their money. The experts in Washington think that is a contradiction. But I think the experts are wrong and the people are right. People want a better deal from government, and they'll get it in a Clinton Administration.

Too many Washington insiders of both parties think the only way to provide more services is to spend more on programs already on the books in education, housing, and health care. But if we reinvent government to deliver new services in different ways, eliminate unnecessary layers of management, and offer people more choices, we really can give taxpayers more services with fewer bureaucrats for the same or less money.

Every successful major corporation in America had to restructure itself to compete in the last decade, to decentralize, become more entrepreneurial, give workers more authority to make decisions, and offer customers more choices and better products.

That's what we're trying to do in Arkansas -- balancing the budget every year, improving services, and treating taxpayers like our customers and our bosses, because they are. Arkansas was the first state to initiate a statewide total quality management program. We've dramatically reduced the number of reports the Department of Education requires of school districts, slashed bureaucratic costs in the Department of Human Services and put the money into direct services that help real people, and speeded up customer services in the Revenue Department. We measure the job placement rate of graduates from vocational-technical programs, and if a program can't show results, we shut it down.

So I know it can be done. But let us be clear: Serious restructuring of government for greater productivity is very different from the traditional top-down reorganization plans that have been offered over the last 20 years, including in this campaign. Those require a lot of time and energy and generally leave us with more of the same government, not less.

What I am proposing is hard, unglamorous work. It will require us to reexamine every dollar of the taxpayers' money we spend and every minute of time that the government puts in on business. It will require us to enlist the energies of front-line public servants who are often as frustrated as the rest of us with bureaucracy. And if we do it in Arkansas, which has among the lowest taxes in the country, imagine how much more important and productive it will be at the federal level. In a Clinton Administration, we'll make government more effective by holding ourselves to the same standard of productivity growth as business and insisting on 3% across-the-board cuts in the administrative costs of the federal bureaucracy every year.

If we're going to get more for our money, we ought to have a federal budget which invests more in the future and spends less on the present and the past. As President, I'll throw out last year's budget deal, which brought us the biggest deficits in American history and the fastest-growing spending since World War II. In its place, I'll establish a new three-part federal budget: a past budget for interest payments; a present budget for spending on current consumption, and a future budget for investments in things that will make us richer.

Today the federal government spends only 9% of the budget on investing in the future -- in education, child health, environmental technology, infrastructure, and basic research. We'll double that in a Clinton Administration. We'll begin to finance the future budget by converting resources no longer needed for national defense to the investments needed to rebuild our economic security, and by controlling health care costs.

We can bring the deficit down over time, but only if we control spending on current consumption programs by tying overall increases to real revenue increases, not estimates. I propose to limit overall increases in the consumption budget to increases in personal income, so that the federal budget can't go up any faster than the average American's paycheck. Making Congress and the President live by this rule will cut the deficit drastically in five years, in a dramatic budget reform.

Finally, if we're serious about reinventing government, we must reinvent the way we deliver health care in this country. We spend 30% more than any other country on health care and do less with it. For many Americans, the rising cost of health care and the loss of it is the number one fear they face on a daily basis. Thousands of American businesses are losing jobs because health care costs are a 30% handicap in the global marketplace. Two-thirds of the strikes today are about health care, and no matter how they come out, both sides lose. We are the only nation in the world that doesn't help control health care costs.

We could cover every American with the money we're spending if we had the courage to demand insurance reform and slash health care bureaucracies, and if we followed the lead of other nations in controlling the unnecessary spread of technology, stopping drug prices from going up three times the rate of inflation, and forcing the people who send bills and the people who pay them to agree on how much health care should cost. We don't need to reduce quality; we need to restructure the system. And no nation has ever done it without a national government that took the lead in controlling costs and providing health care for all.

In the first year of the Clinton Administration, Congress and I will deliver quality, affordable health care for all Americans.

A Revolution in the Workplace

These changes are vital, but American workers and American businesses are going to have to change too, the private sector is where the jobs are created. Many of the most urgent changes cannot be legally mandated, but we know they're overdue after a decade in which the stock market tripled and average wages went down.

Old economic arrangements are holding America back. It's time for a revolution in the American workplace that will radically raise the status of the American worker and tear down the Berlin Wall between labor and management.

It's been years since the U.S. could outproduce the rest of the world by treating workers like so many cogs in a machine. We need a whole new organization of work, where workers at the front lines make decisions, not just follow orders, and entire levels of bureaucratic middle management become obsolete. And we need a new style of management, where front-line workers and managers have more responsibility to make decisions that improve quality and increase productivity.

Dynamic, flexible, well-trained workers who cooperate with savvy, sensitive managers to make changes every day are the keys to high growth in manufacturing and in the service sector, including government, education, and health care, areas where productivity growth was very weak in the 1980s.

Everyone will have to change, but everyone will get something in return. Workers will gain new prosperity and independence, but they'll have to give up non-productive work rules and rigid job classifications and be more open to change. Managers will reap more profits but will have to manage for the long-run, train all workers, and not treat themselves better than their workers are treated. Corporations will reach new heights in productivity, growth and profitability, but CEOs will have to put the long-term interests of their workers, their customers, and their companies first.

We should restore the link between pay and performance by encouraging companies to provide

for employee ownership, profit-sharing for all employees, not just executives. And executives should profit when their companies do. We should all go up or down together. We'll say to America's corporate leaders: No more taking bonuses for yourselves if you don't give bonuses to everybody. And no more golden parachutes if you don't make good severance packages available for your workers.

It's wrong for executives to do what so many did in the '80s. Executives at the biggest companies raised their pay by four times the percentage their workers' pay went up and three times the percentage their profits went up. It's wrong to drive a company into the ground and have the boss bail out with a golden parachute to a cushy life.

The average CEO at a major American corporation is paid 85 times as much as the average worker. And our government today rewards that excess with a tax break for executive pay, no matter how high it is, or whether it reflects increased performance. If a company wants to overpay its executives to perform less well, and underinvest in the future, it shouldn't get any special treatment from Uncle Sam.

If a company wants to transfer jobs abroad and cut the security of working people, it shouldn't get special treatment from the Treasury. In the 1980s, we didn't do enough to help our companies to compete and win in a global economy. We did too much to transfer wealth away from hard-working middle-class people to the rich without good reason and too much to weaken our country with debt that wasn't invested in America. That's got to stop. There should be no more deductibility for irresponsibility.

I believe in business. I believe in the marketplace. I believe that the best jobs program this country will ever have is economic growth. Most new jobs in this country are created by small businesses and entrepreneurs who get little help from the government.

Too often, especially in this environment, banks and other investors won't take a chance on good ideas and good people. I want to encourage small business people and entrepreneurs. In a Clinton Administration, we'll offer a tax incentive to those who take risks by starting new businesses and developing new technologies. Instead of offering a capital gains tax cut for the wealthy who will churn stocks on Wall Street anyway, we'll put forth a new enterprise tax cut that rewards those with the patience, the courage, and the determination to create new jobs. Those who risk their savings on new businesses that create most of the jobs in the country will receive a 50% tax exclusion for gains held more than five years.

And I want to encourage investment here in America in other ways -- by making the R&D tax credit permanent, by taking away incentives for companies to shut down their plants in the U.S. and move their jobs overseas, and by offering a targeted investment tax credit to medium and small-size businesses who'll create new jobs with new plant and equipment.

A New Strategy to Compete and Win

Finally, we owe American workers, entrepreneurs, and industry a pledge that all their hard work will not go down the drain.

We must have a **national** strategy to compete and win in the global economy. The American people aren't protectionists. Protectionism is just a fancy word for giving up; we want to compete and win. That is why our New Covenant must include a new trade policy that says to Europe, Japan and our other trading partners: we favor an open trading system, but if you won't play by those rules, we'll play by yours. That's why we need a stronger, sharper "Super 301" bill as the means to enforce that policy.

I supported fast track negotiations with Mexico for a free trade agreement, but our negotiators need to insist upon tough conditions that prevent our trading partners from exploiting their workers or by lowering costs through pollution to gain an advantage. We should seek out similar agreements with all of Latin America, because rich countries will get richer by helping other countries grow into strong trading partners.

We also need a new energy policy to lower the trade deficit, increase productivity, and improve the environment. We must rely less on imported oil, and more on cheap and abundant natural gas, and on research and development into renewable energy resources. We must achieve European standards of energy efficiency in factories and office buildings. That will free up billions of dollars to invest in the American economy.

If we want to help U.S. companies keep pace in the world economy, we need to restore America to the forefront not just in inventing products, but in bringing them to market. Too often, we have won the battle of the patents but lost the war of creating jobs, profits, and wealth. American

scientists invented the microwave, the VCR, the color TV, and the memory chip, and yet today the Koreans, the Japanese, and other nations make most of those products.

The research and development arm of the Defense Department did a great job of developing products and taking them to production because we didn't want them produced overseas. We should launch the civilian equivalent -- an agency to provide basic research for new and critical technologies and make it easier to move these ideas into the marketplace. And we can pledge right now that for every dollar we reduce the defense budget on research and development, we'll increase the civilian R&D budget by the same amount. We should commit ourselves to a transitional plan for converting from a defense to a domestic economy in a way that creates more high-wage jobs, and doesn't destroy our most successful high-wage industrial base, and with it the careers of many thousands of our best scientists, engineers, and workers.

We must do all these things, and something more. The economic challenges we confront today are not just a matter of statistics and numbers. Behind them are real human beings and real human suffering. I have seen the pain in the faces of unemployed workers in New Hampshire, policemen in New York and Texas, computer company executives in California, middle-class people everywhere. They're all showing the same pain and worry I hear in the voices of my own people in Arkansas, including men and women I grew up with who played by the rules and now see their dreams for the future slipping away.

That's why we're offering a new radical approach to economics. Economics as if people were really important. If we offer these hard-working families no hope for the future, no solutions to their problems, no relief for their pain, then fear and insecurity will grow, and the politics of hate and division will spread. If we do not act to bring this country together in common cause to build a better future, David Duke and his kind will be able to divide and destroy our nation. Our streets will get meaner, our families will be devastated, and our very social fabric -- our goodness and tolerance and decency as a people -- will be torn apart.

The politics of division which the Republicans have parlayed into the Presidency will turn on even them. George Bush has forgotten the warning of our greatest Republican President, Abraham Lincoln: A house divided cannot stand. Lincoln gave his life for the American community. The Republicans have squandered his legacy.

I want to be a President who will unite this country. This morning, here at Georgetown, the Robert Kennedy Human Rights Awards ceremony was held. Twenty-five years ago, when I was President of my class here, Robert Kennedy accepted our invitation to come to Georgetown to give a speech. In that same year, he gave a very different description of what American politics should be all about. And I would like to read that to you today, and ask you how long it's been since you heard an American President say and believe these things:

Each time a man stands up for an ideal or acts to improve the lot of others or strikes out against injustice, he sends forth a tiny ripple of hope, and crossing each other from a million different centers of energy and daring, those ripples build a current that can sweep down the mightiest walls of oppression and resistance.

That is the spirit I seek to bring to the Presidency. The spirit of renewal of America. I believe with all my heart that the very future of our country is on the line. That is why these are not just economic proposals. They are the way to save the very soul of our nation.

This is not just a campaign. This is a crusade to restore the forgotten middle class, give economic power back to ordinary people, and recapture the American Dream. It is a crusade not just for economic renewal, but for social and spiritual renewal as well. It is a crusade to build a new economic order of empowerment and opportunity that will preserve our social order and make it possible for our country once again to make the American Dream live at home and to be strong enough to triumph abroad.