

Interview With Ron Insana of CNBC's "Business Center" in Clarksdale,
Mississippi
July 6, 1999

New Markets Initiative

Mr. Insana. Mr. President, this trip and your new markets initiative in some ways have already been compared to Lyndon Johnson's War on Poverty, Bobby Kennedy's swing through Appalachia. How will this program work where some of the other Government programs on poverty have failed in the past?

The President. Well, first of all, I think it's important to recognize that this is different because we don't say the Government can solve all these problems, but we do say the Government can no longer ignore them. And, in fact, we've been working on them for 6½ years, ever since I took office.

This is a classic example, this approach to new markets, of the New Democratic or Third Way philosophy that I articulated back in 1991 and 1992. That is, Government's role is to create the conditions for success, give people the tools they need to succeed, and then in effect, empower people to make the most of it.

But we recognize, if you look at—go back to the War on Poverty, it did a lot of good in terms of giving children preschool and feeding hungry children and giving them access to health care. But in the end, if you want these communities to be self-sustaining, they have to get private-sector capital with private-sector jobs, and they have to prove that they can compete for it, they can win it, and that people can actually make a profit investing in these places and that it will be profitable to put people to work.

And because I believe that very passionately, especially now—you know, there was all this big discussion in business circles and the people that watch your program, there was all this big discussion over the last few weeks about would the Fed raise interest rates or not. And it was like the fifth reincarnation of how much can we grow and how low can unemployment get before we have this big explosion of inflation which then we'll have to clamp down, which will then kill the recovery, so everybody's been trying to avoid it.

Well, I think about that all the time. And it seems to me that the way to keep America's

economy growing without inflation is to sell more products overseas and find more consumers and workers at the same time here at home. And there are only—there are a couple of options. You can bring more people from welfare or from the ranks of the disabled into the work force, or you can go to these areas where you invest in them and you get more consumers and more workers at the same time. And I think this is terribly important.

Mr. Insana. What specific items will be included in the legislation to advance those goals? What kind of tax credits?

The President. Well, the big ideas in the legislation are a tax credit of up to 25 percent for people who invest in vehicles that will be creating businesses or expanding businesses in high-unemployment, underdeveloped areas. In addition to that, once you get into those vehicles, then you would be eligible to borrow \$2 for every \$1 invested and have the money borrowed be subject to a Government loan guarantee, which would mean the interest rates would be much, much lower. So by those two things, you lower the relative risk of investing in these new markets.

But we've seen—you heard the person from Bank of America say today, we heard the gentleman from a local bank in Kentucky yesterday or the people from Aetna or these other companies say, "These are good investments; we can make money here." So if you lower the relative risk of getting in, in the first place, and in effect, try to provide for the whole Nation what now you can find in the empowerment zones that the Vice President's worked so hard to manage over the last 6 years, I think we can get a lot more growth here.

Republican Proposal for Economic Recovery

Mr. Insana. Now, House Speaker Dennis Hastert sent you a letter over the weekend attacking poverty from a slightly different approach with respect to more tax-cut-type incentives. Do you have common ground with him where you can fashion some—

The President. Well, I want to have a chance to evaluate it. It would seem to me, though,

that we would have—this is something that Democrats and Republicans all agree on. I mean, our approach is a completely private-sector approach. We do have, in addition to the big tax cuts I talked about, we have a venture capital approach where we want to try to do a little more to get real venture capital out there. You heard the lady testify today that she went from being an employer to a business owner, and she had no equity, so she had to have venture capital to start. So we do that. And we have a little bit of technical assistance to help communities and businesses that don't have any way of getting the information they need.

But apart from that, I think we ought to be able to find common ground. I can't imagine that Republicans wouldn't want to do this. This has got to be good for Republican businesspeople, to have a better chance to invest in areas where you can have more growth without inflation.

Interest Rates

Mr. Insana. Now, last week some congressional Democrats, led by Barney Frank, came out and suggested that, if the Fed raised interest rates, something you mentioned a minute ago, that it would hurt the poor, people you've been visiting here over the last couple of days. Is that what the Fed's doing, or is the Fed extending a noninflationary economic environment by tapping on the brakes a little bit?

The President. Well, I think that plainly that's what the Fed is trying to do. And I've made a real practice of trying not to comment on interest rate changes and trying to let Chairman Greenspan and the Fed do their work, and I would do mine.

But again I say, look at what we've done here. I think if you just look at Chairman Greenspan's own testimony, we've all been somewhat surprised that we could grow as much as we have, have unemployment as low as we've had, and have virtually no inflation. And it's a tribute to the productivity of the American businesspeople and the explosion of technology, and it's rifling through every sector of the economy and giving us more high productivity-driven growth without inflation than anyone dreamed.

The trick is if—to go back to what Barney Frank said—what he wants is to keep the economy going, to keep the growth going until middle and lower middle income working people

can get their wages up to overcome the stagnation of the 20 previous years and until we can get more people caught up in the areas where the recovery hasn't occurred. That's why, it seems to me, the most important thing to do is to have initiatives like this which give you concrete examples of how you can have growth without inflation.

Tax Cuts

Mr. Insana. Now, Republicans would argue that one other way to extend the recovery here would be to cut taxes even further. And you hinted last week in USA Today that, if you got what you wanted on Medicare reform and prescription drug benefit subsidies, that you might go along with an expanded list of tax breaks. Can you elaborate on that? What would you accept in exchange for a Medicare deal?

The President. Let me make it clear. What I said was that, obviously, we would be working together on all the appropriations issues and expenditure of money if we did first things first. But I think that it's quite important that the Republicans say how they're going to pay for all these things. You know, they say they want even larger increases for defense than I do, and I've proposed substantial increases. Then they want huge increases in tax cuts. Do they propose to keep us in debt? Do they propose to basically eviscerate the education and health and environment budgets of the country? What is their proposal?

Of course, we will negotiate, but we ought to think about first things first. Let me just say this: I think we proved in '93, when we didn't have a single Republican vote and the Vice President had to break the tie in the Senate, that we were right and they were not right about what would be the best economics for their constituents. That is, when we passed that '93 economic plan, there is no question that it sparked a huge drop in interest rates, a huge increase in investment, and an explosion in economic activity. And it had a lot more positive impact on the markets and on business investment and on job creation than a tax cut, which perpetuated a deficit, would have had.

Now, in 1997, we reached agreement on a bipartisan balanced budget deal which kept that philosophy going. We continued to invest in

education and technology and research. We provided tax cuts to families and for college education. We did it in a balanced way, and what's happened? Now we've got this surplus.

I will say this: The most important thing we can do for the long-term health of the economy is to say to the whole world, we're going to make America debt-free in 15 years. If we did that, what does that mean? Much lower interest rates, higher business investment, lower credit card, lower consumer, low homeownership rates, higher wages.

So will we negotiate? Will there be a negotiation? Of course there will be. But let's do the first things first. Let's keep America economically strong. We've got 6½ years of evidence now about what works. Why in the world would we take a U-turn and run this deficit back up or just pull out of the education business?

Mr. Insana. Let me ask the question more simply than the way maybe an individual might, which is, if I overpay my taxes every year, I get a refund; if I overpay for 15 years, why can't I get a really big refund and get that money back in the way of a tax cut?

The President. Well, how do you define overpay?

Mr. Insana. Well, if you're running a surplus, I mean, Government has more money than it can use.

The President. That's right. But Government has more money than they can use for 15 years after quadrupling the debt in the 12 years of the Reagan-Bush years. I mean, we tried it their way. We tried it their way. We tried all the supply-side economics. Every year—every year—they came in and said, "Oh, we're going to get rid of the deficit this year." And every year, it got bigger and bigger and bigger. You go back and look at what they said, my predecessors said was going to happen to the budget and what, in fact, had.

You know, sooner or later, results should account for something. Sooner or later, we should stop having this debate as if there is no history, no evidence, no facts, no results. Now, we've produced an economy with 19 million new jobs, the longest peacetime expansion in history, and if we get out of debt, the average person will get much more than they would from an extra tax cut.

Second, I am for a sizable tax cut. I have proposed a sizable tax cut. I also supported the previous tax cuts, the \$500 child credit, the col-

lege credit which is \$1,500 a year. I supported all these tax cuts. But first things first. If we take this country out of debt for the first time since 1835, then average people are going to have more money in their pockets than if we keep the country in debt and give them a tax cut now because we've got an election in a year and a half.

Stock Market and the National Economy

Mr. Insana. Can I stick in one final question? As we speak right now, the stock market again is at a new all-time high; the Dow, the NASDAQ, everything's going very well on Wall Street. Do you worry at all about a bubble in the stock market or the economy today?

The President. Well, I think every person who's thoughtful, who knows that nothing lasts forever, wonders how this will all play out. I think every thoughtful person does. But I think what we should do is to make the most of this and to make no move which would turn it into a bubble prematurely.

But it seems to me again, we can have a tax cut, but if I announced—just suppose, think about this—suppose you had an announcement—you don't expect this to occur—where Speaker Hastert and Senator Lott joined Mr. Gephardt and Senator Daschle and me, and we said, "Look, here's our program. Here's what we're going to do to save Medicare; here's what we're going to do to save Social Security. We're going to make the country debt-free in 15 years. We've got some more money for education, and we've got to take care of defense, and here's a sizable tax cut. This is our program." I believe that would lengthen the period of this recovery. I think it would minimize the chances of a bubble.

If, by contrast, we went out and said, "Hot dog! Right here before the next election, we're going to give you a \$1 trillion tax cut. Unfortunately, our deficit will be bigger, and we won't get ourselves out of debt. And unfortunately, we'll have to cut education spending and research. But we just think this is more important, and I know it didn't work the last time, but somehow we think it will work this time—even though it didn't work. We tried it for 12 years, and it never worked. Somehow, we think, poof, magically it will work this time"—I believe that my course of action is better for the American economy than that latter course of action.

Mr. Insana. Mr. President, we appreciate your time. Thanks for joining us.

The President. Thank you.

NOTE: The interview was recorded at 12:16 p.m. on July 6 at the loading area of the Waterfield Cabinet Co. for broadcast later that evening. In his remarks, the President referred to Catherine

P. Bessant, Community Development Banking Group president, Bank of America; and Alvin T. (Kit) Stolen III, president and chief executive officer, Bank One Kentucky/Lexington Market. The transcript was released by the Office of the Press Secretary on July 7. A tape was not available for verification of the content of this interview.

Remarks in a Discussion at Pine Ridge Indian Reservation, South Dakota July 7, 1999

[*The discussion is joined in progress.*]

President Harold D. Salway. But we're durable people, have a lot of pride, have a lot of dignity.

President Clinton. How do you stay warm in the winter?

President Salway. Well, we're conditioned. We're conditioned—a lot of buffalo robes, a lot of good, hard work, too. This is how a lot of people live, though. This is about the average conditions of most homes throughout the reservation, and some are really bad yet.

President Clinton. Would you say the biggest immediate need you have is for better housing?

President Salway. Housing and what new markets is going to do, create jobs. Not enough people working here on Pine Ridge, so that causes a lot of potential impacts.

President Clinton. If there were jobs in the near vicinity, some sort of small manufacturing or something like that, do you think all the people who could work would do so?

President Salway. Yes. We have one of the highest unemployment rates for—a lot of people going to work, being more responsible with their time would uplift the lives of the entire family in a lot of ways.

President Clinton. Where's your tribal college?

President Salway. Probably about 40 miles northeast of here, toward the center part of our reservation. Our reservation is about 135 by 84, 85, thereabouts. A pretty large reservation.

President Clinton. How close do the jobs have to be in order not to be too burdensome to go to and from work?

President Salway. We don't have a transportation system, so most people have to carpool

into Pine Ridge. Pine Ridge is kind of like the capital of the reservation, if you will. Most people transporting in and out, transit to come to work from IGS and BIA and tribal government. That's the greatest portion of employment. Not too much microenterprises for development.

Housing is one of the largest employers on the reservation. But the need is so high that it naturally is one of the higher employment areas.

President Clinton. Andrew, why don't you just say what we've been talking about, say what you were saying about the housing.

Secretary Andrew M. Cuomo. As the President was saying, one of the greatest needs is housing, just provide the basic living conditions where people can improve themselves. And then homeownership—very little homeownership on the reservation—and homeownership, given the conversation we've had this past week, is really the first access to capital strategy, when you think about it. Because when you own and you have equity in your home, then you can start to get loans, you can start to get financing and start to get credit to open a business or pay a tuition, whatever you'd like to do.

So our efforts are, first, try to improve as much housing as we can. We're doing that through the Housing Authority. We've set up a not-for-profit with the reservation for the first time so the tribe can do business as a tribe and also as a not-for-profit organization.

And then, homeownership, homeownership, homeownership. The people who are at the conference today—I was telling the President the numbers are up to about 800 people from across the country who come to this housing conference, 100 tribal presidents. And we have the