

Economy scenario. And then the second part was, why, if there is such a booming economy, do you think it hasn't trickled all the way down to some of these distressed inner cities and the rural areas?

THE PRESIDENT: First, I do believe in the new economy. I think that technology is rifling through every sector of economic activity, in ways that have given us dramatic increases in productivity and potential for growth without inflation, that I think most models have not accurately measured.

And I think that, therefore, the most important thing for government policy is to be fiscally responsible, to create the conditions in which people can prosper, and then to try to do things which will accelerate the trends that are already underway. I think that that's what we're trying to do with Internet II, for example, and what we're trying to do with having heavy investments in biomedical research.

Now, why hasn't it trickled down to everybody? I think there are -- I'd like to make three points. First of all, there has been a remarkable amount of trickling down. We have the lowest minority unemployment rate, among African-Americans and Hispanics, recorded in the nearly three decades we've been doing racially separate unemployment statistics. And many cities -- Detroit, for example, has an unemployment rate that's roughly half what it was in '93.

On the other hand, I think there are two reasons why it hasn't. One is, there are enormous premiums in this new economy for education and skills, so that people who don't have an education are both more likely to remain unemployed, and even more significantly, more likely to remain underemployed or relatively undercompensated, which I think explains the lion's share of why you've had increasing inequality for over 20 years -- which began to abate about the last two or three years.

Q In the last couple of years.

THE PRESIDENT: You've begun to see comparable and, in some cases, relatively larger income gains in the lower 40 percent.

I also think the wage inequality is also reinforced by the fact that people at lower income levels are less able to buy stocks, and an enormous amount of increased wealth has come from ownership, as opposed to just salaried employment. So you see a lot of the companies, for example, that offer their employees, even their lowest-wage employees, stock options -- something that Wal-Mart, for example, has done for a long time -- those companies will have a better record of increasing equality because their workers can afford wealth. And I think that that's important.

The other thing is, of course, what you're here to talk to

me about. The third point is that I think there are still disincentives to invest in the neighborhoods and communities, or people, which still need to be brought in. They're either real disincentives or they're imagined ones -- there are, you know, we have these, I think there are accumulated preconceptions about where market opportunities exist and don't exist.

And what I'm trying to do with -- what I've been trying to do from the beginning of my administration, with the empowerment zones, and enterprise communities, with a vigorous Community Reinvestment Act -- over \$18.5 billion was loaned under the CRA in 1997, for example, that's the last year I have numbers for. With community development financial institutions, with the micro-enterprise lending, with all these initiatives we've tried to remove the institutional barriers and create mechanisms which would allow capital to flow to people and to neighborhoods where they miss. We had the tax credits for hiring people off welfare or for hiring people that were in the empowerment zones or the enterprise communities. Those are things that have already had an impact.

But what we're trying to do -- what I'm trying to do now is to deal with what I think are both of the problems that have kept some of our inner-city neighborhoods and poorest communities from fully participating. That is, we have this new markets initiative, which is basically designed to put together a package of loan guarantees and tax credits, to induce new investment in these areas at more attractive rates -- and, also, the psychological barriers. We're going to take -- we've got Sandy Weil and Hugh McColl and Dick Huber joining Republican and Democratic elected officials, and Jesse Jackson and Al From and, you know, all these people, to shine the light on the opportunity.

You know, you've got a purchasing power gap over actual sales, retail sales, that averages 25 percent in urban areas throughout the country. It's 35 percent in Los Angeles and 40 percent in East St. Louis, two places we're going.

Dick Huber actually made a, kind of an interesting comment, only in jest, when we went to Atlanta to kind of kick off this program. He said, you know -- he said, I may be the only guy that's kind of sorry you're doing this, because we figured out there's a huge opportunity out there and now all our competitors are going to know. (Laughter.)

Q Well, that's -- that's one of the things that I was curious about. I mean, some of these corporations and executives -- Citicorp, Aetna, Nations Bank -- have realized this. But at the same time, it seems to be uneven in the corporate community --

THE PRESIDENT: Very.

Q -- where others are sitting on their corporate hands. I was wondering what you can do, as President, or what could be done through legislation to try to encourage more companies to go into these areas.

THE PRESIDENT: Well, I think there are two things we can do, and I hope to do both on this tour. The first is to actually make sure that all the people in positions to make investment decisions understand that there are very gifted, very hard-working, very creative people out there in these communities, and that there are enormous opportunities there. Just to shine the light on what's going on and what's out there, including the infrastructure we've worked hard to put in place in the last six and a half years.

And, secondly, I hope to build bipartisan support for passing the new markets initiative which will, in effect, make it more attractive for people to invest in these areas, by giving them a tax credit of up to 25 percent, and making them eligible -- making certain investments eligible -- for loan guarantees of up to two-thirds of the amount of the total investment. I mean, if you have government-guaranteed loans on two-thirds of an investment, you get 25 percent tax credit on what you put up, that cuts the risk considerably, in ways that I think are important. So I hope to achieve that.

And if I could back up, I asked the people to think about this in another way. I think there is a moral logic here, which is that we don't want to go into the 21st century at an all-time high in prosperity, leaving so many people behind. That's not right. There's also a very compelling economic argument. You know, we've got all the debates now about what's the Fed going to do and do they need to raise interest rates and all that. I don't want to get into that. I think Mr. Greenspan and the Fed do a perfectly good job, and we've had a good partnership by recognizing each other's appropriate roles.

But let me -- no one believes, I don't think, that we have completely repealed the laws of economics, traditional laws of economics; that we've completely repealed any tendency for inflation in our economy; or that we've completely repealed the tendency to have some business cycle. But we've dramatically improved it through this technological revolution that's going on.

So if you ask yourself -- you put yourself in my position, and you ask yourself: okay, you've got 4.2 percent unemployment; you've got the longest peacetime expansion in history -- the country may be able to have the longest expansion in history, including wartime, in the next several months. Now, how can you keep this going? How can you keep growth going with low inflation? And that involves, is there a non-inflationary way to add more

workers? Is there a non-inflationary way to raise wages? And the answer to that, it seems to me, is -- there are only basically three answers.

One is, we can sell more of our goods and services around the world, which is why I strongly favor new trade initiatives, and not seeing America go back to protectionism. And that's a subject for another day, but you know I'm hoping we can continue to push that forward.

Then, secondly, you can look at discrete populations in America which are underemployed. There are basically only two now: people on welfare -- we cut the welfare rolls in half, but we know that there are still people on welfare who could work, but they're harder to place; and the disabled. We're about to take a huge step in that direction, with almost unanimous votes from Congress, by allowing disabled people who get Medicaid health insurance to keep their Medicaid while they go into the work force. And that will bring a lot of extra people into the work force, at competitive wage rates.

The third big opportunity -- and I'm convinced the biggest one, because it's a two-fer, you get more workers and more customers -- is going to the neighborhoods and the communities that have basically not participated in this recovery.

So it seems to me that, quite apart from our moral obligation to do this -- if, in fact, there are business opportunities there, which are there right now, in the tens of billions of dollars -- and if there are ways to make those opportunities even more attractive, by the passage of this legislation, that this is a major, major opportunity for our country to keep our economy going and to keep it going with low inflation. So, to me, it may be finally something whose time has come.

I also think we've learned something in the last six years about what works. And of course, there were models out there before the last six years. In the 1960s, there was this great effort, through the Great Society programs, to build up the poor urban and rural areas. And we found that, actually, they did a lot of good, in terms of providing nutrition for people, in terms of providing health care, in terms of providing educational opportunities. But the government alone could not build a sustaining economy. You couldn't build an economic infrastructure with government alone.

In the 1980s, we learned that the stock market could grow, and we could create record numbers of new millionaires and billionaires, but the private sector alone could not do this, and that more and more people would fall further and further behind.

So what we've tried to do is to apply our Third Way philosophy -- that we should have a partnership between

government and the private sector that would literally empower people to change the dynamics of their lives in these poor neighborhoods. That's what the whole empowerment zone, enterprise community initiative that the Vice President has so ably run, is designed to do; that's what these CDFIs are designed to do. That's what the -- you know, that's why we've been so vigorous in pursuit of the Community Reinvestment Act. As I'm sure you know, over 90 percent of all the loans made under the CRA, even though it's been on the books for over 20 years, have been made during the life of this administration.

So this is the next logical step. The problem with all that is, it's sort of uneven, and it -- the CRA applies nationwide, where there's available capital, but the CDFIs and the empowerment zones, the enterprise communities, they only apply where they are. And there are 125 of them, but they don't cover every place. And even in the places where they exist, they don't cover all the areas of need within the cities where they exist.

So if we can dramatically increase the awareness in the business community of the investment opportunities, through the use of the bully pulpit with the tour we're about to take with the business leaders and others, and if we can pass the new markets initiative, it is literally -- it's a nationwide initiative. It would apply everywhere where there's an economically distressed area.

So I'm very, very excited about this.

Q I've been talking to Sandy Weil, and he's a big backer of new markets initiative. He was saying that if the U.S. government can create programs that help American corporations, protect them from some of the risks around the world, that it makes sense that something similar would be offered to -- more incentives in the United States. I was wondering how much of this may be modeled on some of the -- OPIC, or other programs, that have been successful around the world, and if you've had any of the same kinds of thoughts in trying to model this.

THE PRESIDENT: Yes. We actually -- what we tried to do is to create at least the same, if not greater, incentives for American business to invest in America, that we give them to invest in developing economies overseas.

I've been a vigorous supporter of OPIC and the Ex-Im Bank. I think that they're incredibly important to our interests, and to the welfare of the people of developing countries around the world. And I would -- and I have strongly opposed attempts to cut back on them in the last six years.

But I think that it is -- I woke up one day and basically realized -- we started debating what we could do -- that American businesses could get lower risk to invest in developing economies overseas than they could in the developing economy right here in

America. And I think that's wrong.

So there is a -- the American private investment companies that we set up, which would be eligible for the loan guarantees -- \$2 in loan guarantee for every \$1 of unguaranteed investment put up by the private sector -- it directly came out of our attempts to parallel the incentives for investing overseas with incentives to invest here.

Q You've mentioned both Al From and Jesse Jackson. I'm curious what you think of the efforts that Jesse Jackson has made, working with corporate America -- Wall Street, now in Silicon Valley -- to try to encourage corporate America to hire more minorities, to invest more in minority areas, and to help underwrite minority businesses. I was wondering both what your sense is of what he's done, and how it may have helped shape what you're doing here.

THE PRESIDENT: Well, I strongly support it, and I think that -- you know, I've spoken to his Wall Street conference in each of the last two years. And I think he deserves a lot of credit. He's been out there trying to get this done for a long time.

And it also influenced my thinking because Dick Grasso, who, you know, sponsors this with him every year, and the others who help, have -- they really persuaded me that there was a lot more we could do, even within existing law. And I'm hoping that I can support his efforts, that there will be -- that these things will be entirely complementary.

You know, maybe this is just the moment at which years and years of accumulated effort by a lot of people will be bearing fruit. I've been interested in this whole issue, and Hillary has, for a long, long time, ever since we first learned about the efforts of the South Shore Development Bank in Chicago, and we brought a development bank like that to Arkansas, with a micro-enterprise loan program. And I realized that -- AID was helping people like Mohammad Yunus, who's founded the Grameen Bank at Bangladesh, you know, to do this kind of thing around the world. And I thought we ought to be doing it at home.

And we had some good success in Arkansas. And in the mid-80s, I headed, along with the governors of Louisiana and Mississippi, the Delta Development Commission, the Lower Mississippi Delta Development Commission. And we looked at how to do these kinds of things in the Mississippi Delta, which is the poorest part of America.

And so, as I said, there are -- lots of people have been out there working on this, trying to get this done for a long time. And it seems to me that we now have enough evidence that what we have done works, but that we still have these two big barriers. One is, the business community is not fully aware of what

opportunities they actually have to make money now. And the second is that there are, frankly, still some greater risks in these areas that we ought to try to overcome by putting in place a framework where there's much more incentive to invest, and at least as much as we give to invest overseas.

Q You've mentioned your upcoming trip that leaves July 5th and will go everywhere from Appalachia to Los Angeles. I was wondering if there are any kind of specific proposals that you will see there, that will bring improvement to the communities you're going to visit? If you're -- I know that the idea is to leave rays of hope in each of the places, but I didn't know if there were any specifics that you're looking to leave.

THE PRESIDENT: We're going to do -- we will try to do three things. One, we will try to highlight initiatives that are working now, things that we -- like, we'll have places that have benefitted from the Community Development Financial Institutions, for example.

Two, we will try to highlight how the impact of the new markets initiative, if the Congress were to pass it, would take these benefits and immeasurably increase them, and do it on a national basis, wherever there's need. And the third thing we will do is to have a whole series of announcements by business leaders about things they are going to do, on their own, because they would be profitable -- and, by the way, they'll create businesses, they'll create jobs, they'll create opportunities in these areas.

So we will have a heavy emphasis on that third area, because I don't think that, as I said, for a minute that this is primarily a government initiative. This is a partnership initiative. But there are lots of opportunities right now, here, that people are genuinely unaware of. And I think most Americans understand how much prosperity we have, and that no one could have imagined that the stock market would more than triple, and that we would have now almost 19 million new jobs in the last six and a half years, and that all these things would happen, and yet there would still be these pockets left behind. So I think there's a longing to see all of our fellow citizens caught up in this prosperity -- everyone who's willing to work.

And I think that, you know, when people actually know the facts, that there's a lot of money to be made out there. Just on the retail -- if you think about the retail issue alone, the fact that there's a purchasing power gap of 25 percent in these urban inner cities, that's a stunning statistics. And it's a bigger market than virtually all of our foreign markets. And that's just on retail -- never mind the factories you could put in, never mind the other kinds of non-retail, small business services you could have. It's amazing.

Q What is the status of the legislation? Republicans on

the Hill say that they're still waiting for precise wording. It's pretty well known in general what will be in it. I was wondering if you have both timetable and game plan for going ahead and trying to get something done --

THE PRESIDENT: Well, what I want to do, I wanted to do this tour first, and get -- I know there will be a lot of Republican legislators, I believe, will participate in this because this really is something that Republicans should like. It's a completely -- it's free enterprise. It's using the tax system to prove that the enterprise system can work in every community in America, which is what they believe.

And so what I'm hoping will happen, and what I intend to do is, during the tour and then immediately after, I want to consult with the leaders of Congress in both parties, see if there is the kind of bipartisan support for this concept that I think there should be, and then we will quickly move to get the legislation up there -- because we've got it all budgeted, and it's well within the budget.

And it also would be well within the budget potential of many Republican initiatives. I mean, the interesting thing is, if you do loan guarantees and tax credits, they don't cost that much money for the enormous benefit that they bring.

Q I guess most of the Republican, the Republican approach where it differs is -- zero capital gains, they're talking about, or some further regulatory relief. That is sort of separate from these kinds of incentives, and I don't know if there's any room for that in the final package or --

THE PRESIDENT: But that wouldn't do anything -- you know, we had a capital gains reduction in the Balanced Budget Act. But that wouldn't do anything to specifically increase the likelihood of money going here. Because what we propose to do is to increase the relative attractiveness of these investments, recognizing that the relative risk is still slightly greater for a lot of the things that we'd like to see done.

So I think that those conversations ought to occur in the context of our larger budget negotiations. But on this, I think that we still should do this. Whatever we come up with, in the end, with a tax bill, this should be done on its own merits. We need to increase the relative attractiveness during this period -- just like we're increasing the relative ability to hire people who are disabled, because they can carry their Medicaid health insurance with them into the work force.

Q Do you -- you were talking about growth and perhaps the new economy, and the changes of the recent decade would change the models of growth. Do you see, down the road, where you could have growth more than 2 percent, where it could be 3.5 percent, or more, per year?

THE PRESIDENT: Without inflation?

Q Without inflation.

THE PRESIDENT: Oh, sure, well, that's what we've had for the last six years.

Q Yes, exactly.

THE PRESIDENT: I do. But I think if we're going to do it, you have to find ways to find new customers, and add to the work force in areas where there is an opportunity for growth without inflation. For example, I think -- suppose we did all this, and we got down to a 3.5 percent unemployment rate. It's not inconceivable to me that we could do that if we target these population groups and these neighborhoods, and these places, without a substantial increase in inflation.

If then, the next big step is, I still believe, is that we and the other wealthy countries of the world are going to have to really work in a disciplined fashion with well-run nations, developing nations, and maximize the use of technology -- I think a lot of these poor countries, if they're well-run, could skip a whole generation of economic development because of technology. With the advent of the Internet, I think you could -- first of all, you could revolutionize all their schools. When I was in Africa, in these little villages in Uganda, which is the country in Africa that's done the most to cut its AIDS rate -- so it has, it's a country with capacity and a sophisticated government. And I went into the little villages that had outdated maps that still had the Soviet Union there, and all that.

And I thought to myself, if we wired all these schools -- if we hooked them up to the Internet -- they could also have printers. And they wouldn't have to buy new maps; they could print out new maps. And the government could cover the operating costs of the computers in the schools. They could just be printing -- you know, you just hook them up with a printer. They could print their educational materials. They could print their maps.

There are things we could do -- and I believe, let me just say one other thing. I also think these countries can skip a generation of development in the sense that they do not have to, even in their initial stages, worsen their environment the way people did through the Industrial Revolution, if they do it in a clever way.

So I think the opportunities for new jobs, new growth, without inflation, because of technology and because of what we know in these areas, are stunning. But in order to do it over the long run, over a sustained basis -- for 10 years, let's say -- we're going to have to have much more sophisticated trading

links, which means that we are going to have to deal with the things I talked about in Geneva -- both times, in my two trade talks there -- and the things I talked about at the University of Chicago. We've got to somehow build a consensus on trade that makes the American working people feel that we are preserving the social contract, if you will, here at home, and that we're doing it in a way that advances the lives of ordinary people around the world.

I think, if we can do that, if we can sort of adapt the world trading system -- on the theory of leaving no one behind and making maximum use of new technologies and what we know about economic potential -- I think that this thing can go on for an indefinite period.

But if we don't, if we don't do that -- if we don't deal with the populations and the neighborhoods here at home, if we don't do these things -- then at some point, you'll reach a floor in unemployment, and wage demands will occur and there will be some shortage or another around the world in some thing or another people need, and inflation will resume.

Q Right.

THE PRESIDENT: But I do think that the world is in a different place now. I think that we -- whatever happens about things we don't know about -- you know, no economist has an accurate model of how this has all changed the business cycle, or what productivity has really done to growth.

But what we know is, that if we are fiscally responsible and we continue to pursue this course that you and I discussed here today, that we will perform far better than we otherwise would, that we'll be better citizens, in terms of our relationships with one another in America, and we'll be better citizens of the world. We know that, regardless, we'll get better performance and we'll be a better society. So I hope that we can keep pushing all of this.

Q I wouldn't be a good BusinessWeek reporter if I didn't ask about the trillion-dollar windfall, as it were, and if you see this as an opening to a possible agreement that would cover everything from Medicare, with the prescription drug benefit that you talked about today, to, on the Republican side, perhaps tax cuts that would be larger than what you had spelled out in the State of the Union.

THE PRESIDENT: I think it -- obviously, when you have more money than you thought you were going to, it should make it easier to have an omnibus agreement. And I hope it will.

From my point of view, I want to caution, however, that -- all of this, what we have this year, we will actually have -- everything else, we're projecting -- that what will make the

projections turn out to be facts is very disciplined, responsible management of the economy, and the clear signal to the markets that we're managing our long-term problems.

So this should make it easier to make an agreement on Social Security and Medicare, and paying down the debt, and still have more funds for education, medical research, tax cuts, you name it.

But we have to have our priorities in order. We still don't want to go off and have a big tax cut and ignore the Medicare liabilities, the Social Security liabilities, or what I consider to be the enormous opportunity we have to pay off the debt of the country over the next 15 years.

When I became President we had a \$290 billion deficit, and it was projected to increase forever. And now we project that next year we'll have a \$142 billion surplus, and we could actually be out of debt in 15 years.

Now, I think it's important to note why that is in -- again, in a global economy with global financial markets, I think that's quite a desirable thing, because it means lower interest rates for everything from business investment to car payments to home mortgages to college loans to credit cards. It means, therefore, more money for jobs, for growth, for wages. And it means we are relatively less dependent on global markets in times of turmoil, like we had in Asia.

It also means that our trading partners -- again, we want them to grow, they need to do well, these developing countries -- it means they will be able to access capital that they will have to get from beyond their borders, at lower interest rates than would otherwise be the case, because we won't be -- the government, at least -- won't be in these markets.

So I think the idea of the United States -- and, hopefully, other wealthy countries in the world -- being free of public debt

-- at least long-term, structural public debt. You know, maybe if a country wants to undertake to rebuild all its airports and float bonds to do it, that's one thing. But you know what I mean, I mean long-term, structural public debt -- I think is a very appealing prospect for the world over the next 15 to 20 years, because then we could take a lot of this investment capital that would normally go to governments in the United States and put it into these developing economies, where it is desperately needed, in a way that would benefit them and benefit us.

So I hope that -- again, this should have appeal to the Republicans as well as the Democrats, the idea of making America debt-free.

Q Right.

THE PRESIDENT: And we can have a tax cut, but we ought to do Social Security and Medicare. And I still believe a big portion of these taxes ought to be -- tax cuts ought to be directed toward helping more people save for their retirement. That's another thing.

You know, most people will not have enough in their private pensions, and Social Security, and in their present 401(k) accounts, to sustain their lifestyles when they retire. So I do think that my proposal there deserves some consideration from the Republican majority, just because I think it's good social policy, and it's a good way to give a tax cut to increase savings.

We've got -- our savings rate in America has gone up in the last six years solely because of the decline in government deficits, and now the surplus. There has been no increase in savings by individuals. Now, that is somewhat misleading, because it doesn't count record-high homeownership. But still, I think -- I hope we can get all this done. The new economic news should increase the chances of an omnibus agreement. But we still have to keep first things first here.

Q My Sam Donaldson question is, what about Alan Greenspan?

THE PRESIDENT: Well, you know, he's established a pretty good record, and he's been right a lot more often than he's been wrong over the last several years. And as I said, the relationship we've had has been one of mutual respect and independence. And I respect his -- he knows what we're doing. He knows that we're determined to be fiscally responsible. And he knows -- actually, we haven't talked about some of the things that are in this article, but I'm sure he'll read it and he'll get a feel for what my theory is for how we can achieve long-term growth without inflation.

But he also knows there are these underlying things that he monitors every week for the Fed, and he'll make the best judgment he can. And whatever he does is his decision to make.

Q Do you think he might for five more years?

THE PRESIDENT: Oh. I don't even know if he wants to do it. I haven't talked to him. I don't even know if he's interested.

Q Well, thank you very much.

THE PRESIDENT: Thank you.

END

4:58 P.M. EDT

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FYI on new mktg

# After Kosovo, Clinton Faces Domestic Issues

Podesta

## Eager to Shed Mantle of War Commander

By JOHN M. BRODER

WASHINGTON, June 23 — With the conflict in Kosovo more or less behind him and impeachment a fading memory, President Clinton is eager to reassert himself in the familiar realms of domestic policy and politics.

White House aides described the President, who returned from a weeklong trip to Europe early this morning, as eager to shed the unaccustomed mantle of wartime commander and to devote his full energies over the next several weeks to what he truly loves: verbally punishing Republicans over domestic policy matters like gun control and health care.

After more than a year of war and scandal, Mr. Clinton has had little space lately in which to exercise his powers of public persuasion on domestic issues.

But starting on Friday with an address to a group of Presidential scholars, Mr. Clinton hopes to focus public attention on a long list of pent-up proposals from an increase in the minimum wage to tax credits for poor neighborhoods. As his tenure in office winds down, the President is returning to more traditional Democratic themes that he had until now largely muted in an effort to fashion a third way between the orthodoxies of the dominant parties.

"For the first time in a long time, the decks are clear for resetting the agenda and defining the universe of the possible," said Joel P. Johnson, the newly appointed senior adviser to the President for policy and communications.

Over the next three weeks, Mr. Clinton plans to unveil a Medicare proposal with a popular new prescription drug benefit and to travel the country recycling a number of tax-cut proposals and spending initiatives from his State of the Union Message in January. Presidential aides expressed hope that the Republican-run Congress will enact some of Mr. Clinton's proposals, but they seem perfectly content to use legisla-

The most significant initiatives that the President will push in coming weeks are a plan to try to insure the long-term solvency of Medicare and a series of proposals to bring private sector investment to the nation's poorest regions.

Sandwiched between promotion of those policies will be several fundraising forays, visits with leaders from South Korea, Egypt and Israel, announcement of the removal of the bald eagle from the list of threatened species and an undetermined number of photo opportunities to attack Republicans for quashing a gun-control bill in the House and for bottling up new regulations governing health maintenance organizations in the Senate. The White House sees those as hanging curve balls that Mr. Clinton intends to swat out of the political park — repeatedly.

In his State of the Union address, Mr. Clinton proposed setting aside 15 percent of anticipated Federal budget surpluses over the next decade to shore up Medicare, the Government

health plan for the elderly and disabled.

But the Administration has delayed release of its plan as it struggles to reconcile competing political and financial interests behind one of the most popular programs of guaranteed benefits to all who qualify.

Mr. Clinton is set to release his plan next Tuesday, meeting his self-imposed deadline of the end of June by one day. Aides were stingy with details, saying the President had not yet approved the final provisions of the plan.

"We want to have a universal, affordable benefit that will ask Medicare beneficiaries to pay a modest premium for benefits that are substantially better," John D. Podesta, the White House chief of staff, said in an interview.

The "modest premium" is a monthly cost that Medicare beneficiaries will be asked to pay for prescription drug coverage, expected to fall somewhere between \$20 and \$30 a month, with a partial subsidy for the poorest recipients. But Mr. Podesta would not be more specific about the cost of the program or the mechanism for helping the poor afford the new benefits.

pharmaceutical industry, which sees it as a wedge for Government price controls. It is certain to set off a ferocious fight on Capitol Hill that will almost certainly continue well into the 2000 campaigns for Congress and the White House.

Mr. Clinton, eyeing his legacy, will spend four days in early July touring depressed regions of the country, traveling from eastern Kentucky to the Mississippi Delta to a South Dakota Indian reservation to the Watts neighborhood of Los Angeles. The trip comes late in his second term because Mr. Clinton has not been willing before now to draw attention to the pockets of poverty that belie the nation's general prosperity.

The aim of the President's anti-poverty plan is to inspire private businesses to increase investment in what the President likes to call "untapped markets" within the nation's borders. He has proposed a set of tax initiatives to help companies open businesses in depressed areas and bring the fruits of the economic expansion to the regions it passed by.

A subtext of those visits is the nation's continuing racial friction and the uneven economic performance of minorities in America.

"This is a real reflection of how the President looks at the world," Mr. Podesta said. "He wants to use the mechanism of Government to encourage partnership with the private sector to spread the benefits of the great economy we have."

Mr. Podesta said these programs, modeled on Federal programs to spur private investment in less-developed nations overseas, attract bipartisan support and have a chance to win passage in this Congress.

Mr. Podesta also said that the President intended in coming weeks to press ahead with some promises from the State of the Union and other policy-setting speeches. Among them are a planned lawsuit against tobacco companies to recover billions of dollars in Federal health care costs related to smoking, proposed tax credits for child care and medical costs arising from long-term illnesses and a \$5 billion program to finance school construction.

...ive grimace as a weapon of partisan advantage.

Some of the proposals the President...

...the new benefits...



Todd A. Bledsoe  
07/02/99 08:34:36 AM

Record Type: Record

To: Lisa Green/OPD/EOP@EOP

cc:

Subject: Somebody stop this guy! -- From today's Lexington Herald Leader

should've cc'd you on this.

----- Forwarded by Todd A. Bledsoe/WHO/EOP on 07/02/99 08:33 AM -----



Todd A. Bledsoe  
07/02/99 08:19:08 AM

Record Type: Record

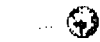
To: kgoldsmith@mail.state.ky.us @ inet, lori.kidwell@mail.state.ky.us @ inet, mforsythe@mail.state.ky.us @ inet, jjohnson@mail.state.ky.us @ inet

cc: Lynn G. Cutler/WHO/EOP@EOP, Orson C. Porter/WHO/EOP@EOP, Laura A. Graham/WHO/EOP@EOP

Subject: Somebody stop this guy! -- From today's Lexington Herald Leader

Does someone at the WH need to call this guy--again--and tell him to cool it?

----- Forwarded by Todd A. Bledsoe/WHO/EOP on 07/02/99 08:15 AM -----



Megan C. Moloney

07/02/99 08:04:24 AM

Record Type: Record

To: Sarah E. Gegenheimer/WHO/EOP@EOP, Elizabeth R. Newman/WHO/EOP@EOP

cc: Todd A. Bledsoe/WHO/EOP@EOP, Audrey T. Haynes/OVP@OVP, Lowell A. Weiss/WHO/EOP@EOP, Laura A. Graham/WHO/EOP@EOP

Subject: Somebody stop this guy! -- From today's Lexington Herald Leader



hazard.jpg\_t. Les Smith of the Hazard Fire

Department used a hose to clean the sidewalk in downtown Hazard yesterday in preparation for Clinton's visit Monday.

(Charles Bertram) (Front page of the website Photo --

<http://www.kentuckyconnect.com/heraldleader/index.htm>)

Published Friday, July 2, 1999, in the Herald-Leader

President prep

Hazard's mayor guesses 30,000 people will come to hear Clinton. That's nearly 25,000 more than live in the town.

Clinton's visit to Hazard has town in a tizzy

By Andrew DeMillo  
HERALD-LEADER STAFF WRITER

HAZARD -- For some, this is the biggest thing to hit Perry County since the Dukes of Hazzard visited in 1981.

But for others, President Clinton's visit will be just another day.

"He's just another fella with britches on," said J.B. Singleton, who owns a barbershop down the road from where Clinton is scheduled to speak Monday afternoon.

Regardless of how Perry Countians view the president or his politics, there was little doubt yesterday that his visit had local officials scrambling to deal with the pending presence of Clinton, his entourage and the crush of reporters that will come to town.

Mayor Bill Gorman estimates that as many as 30,000 people will come to hear the president speak. For a town with a population of about 5,400, that requires a good bit of planning, he said.

"Have you ever tried to ride a wild horse?" Gorman said, staring at the clutter of papers on his desk. "That's what planning for this has been like."

No banners or signs welcoming Clinton had been hung yesterday, but firefighters were hosing down Main Street in preparation for the visit.

Gorman said further preparations will occur over the weekend, such as cutting trees and setting up the podium platform that is normally used during Hazard's annual Black Gold Festival.

White House officials said yesterday that the president will speak about 3 p.m. At 12:30 p.m., the town will begin a program welcoming the president.

The afternoon will include theatrical performances and pieces from the Hazard High School marching band.

"It's a lot of hard work getting this all together," said band instructor Steve Miniard. "But it's definitely worth it. This is a great thing for this town."

That sentiment was expressed by many other residents when asked yesterday about Clinton. Most gleefully pointed out that he's the first sitting president to visit their town.

“I just want to get out there and shake his hand,” said Arvin Bishop, 64, a retiree who spends a lot of time downtown during the week.

“This is the greatest thing that’s ever happened here.”

But not everyone is so proud.

“I’m not really impressed with it,” said Robert Terry, 52, who was watching the firefighters prepare the town for the visit.

“If it was someone else, I might be. I’m just not impressed with Bill Clinton or his morals.”

Others were simply indifferent.

Murray Walker, 34, said she would be more impressed if regular people could talk with him.

“I’m not going down there,” she said. “I’m not wasting my time.”

The visit, which kicks off a four-day tour by Clinton promoting his “new markets initiatives” program, is likely to make Hazard a fixture on Monday’s national news broadcasts.

But it won’t be the town’s first brush with fame.

About 50,000 people jammed the streets of Hazard in September 1981 to see the stars of the television show *The Dukes of Hazzard* during the Black Gold Festival.

Many also recalled a visit by Robert F. Kennedy during his bid for the presidency in 1968.

Publicity benefits aside, some are looking at the economic benefits of Clinton’s visit.

David Riley, manager of the city’s McDonald’s, said he hopes the president stops by.

“If not, I could bring him something,” Riley said. “Maybe a Big Mac.”

**PRESIDENT WILLIAM J. CLINTON**  
**TALKING POINTS FOR BUSINESS WEEK INTERVIEW ON NEW MARKETS**  
**THE WHITE HOUSE**  
**June 29, 1999**

**I. WIDENING THE CIRCLE OF PROSPERITY**

**Today, America is enjoying a time of remarkable economic expansion.** Because this expansion has been so strong and so sustained, the benefits of economic growth have flowed to millions of people once cut off from the economic mainstream. Hispanic unemployment is the lowest on record, and African American homeownership is the highest on record. Wages are rising and welfare rolls are shrinking. Child poverty has fallen faster in the past four years than in any comparable period in a generation.

**Still, there are too many communities in America where unemployment is too high and opportunity is too scarce.** Now is the time to build on six years of progress and greatly increase the flow of commerce into these communities. If we can't do it now, when in the wide world will we get around to it? That is why I am about to lead a bipartisan delegation of corporate and political leaders through communities in great need of outside capital and support.

**In our inner cities alone there is an \$85 billion consumer market that is grossly underdeveloped.** For example, next Tuesday I will be in East St. Louis, where the gap between purchasing power and retail sales is nearly 40%. In Los Angeles, the gap is 35%. In some of our rural areas, the gaps are just as large.

**II. INVESTING IN COMMUNITIES THE RIGHT WAY – THE THIRD WAY**

**We are meeting the new markets challenge with the momentum of the last six years and the lessons of the past.** In the 1960s we learned that the government did not have all the answers. In the 1980s, we saw that the market didn't either; our economy moved forward, but more and more Americans were left behind.

**On our New Markets Tour, you will see that we are approaching this challenge in a new way – a third way – in which government and business work together to inject new capital, new investment, and new opportunity into hard-pressed communities.** This is the approach that has worked – through Empowerment Zones and Enterprise Communities, CDFIs, and a stronger CRA.

**III. MOBILIZING THE PRIVATE SECTOR**

**On this tour, we will mobilize the largest and broadest array of private-sector investments in our untapped domestic markets ever announced.** I will highlight for the nation that these investments represent wise business decisions – especially at this time of rapid economic growth, when firms are eagerly searching for new workers and new markets. I will rally support for New Markets legislation, which includes tax incentives and loan guarantees for entrepreneurs to

invest in these areas – the same kind of incentives we give companies to invest in emerging economies abroad.

**I will challenge every business to take advantage of these new markets and invest in America's future.** Businesses that seize these enormous opportunities are already seeing the benefits to their bottom line. *Retail example:* Starbucks CEO Howard Schultz can't figure out why it took his company so long to discover untapped inner-city markets. His stores in inner-city Los Angeles, Harlem, and Seattle are thriving. *Finance example:* Since 1993, home-mortgage lenders have found a profitable market in underserved areas. Loans to families in these areas have increased by 45% over the past five years – compared to a national average of 33%.



# FACSIMILE COVER SHEET

DATE: July 1, 1999

TO: Lisa Green

FAX NUMBER: 456 - 2223

FROM: Jesse L White Jr

SENDER: Angelo Lyons

TOTAL NUMBER OF PAGES 2 INCLUDING COVER SHEET

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give to Patrick  
and Spuchinsky

TWO PRESIDENTIAL TRIPS INTO APPALACHIA: 1965 and 1999

It is worth thinking about the difference in federal policies toward depressed areas since President Johnson launched the War on Poverty with a trip into Appalachia some 34 years ago. At that time, there was a clear distinction between **anti-poverty programs** and **economic development programs**. Anti-poverty programs were aimed at safety net programs, such as food stamps, income maintenance, jobs programs, and the like. Economic development programs were aimed at job creation and full employment. It is interesting that the Appalachian Regional Commission was a part of the economic development program of the Great Society (in the tradition of TVA) and not a part of the War on Poverty per se. It is a wide spread misconception that the ARC was an anti-poverty agency.

In the past decade, these distinctions have blurred in the public policy community and a new conceptualization has emerged which integrates economic development and poverty alleviation. It is now believed that the best way to alleviate poverty is through economic development, investment, job creation, training, and wealth creation. *And, this is where President Clinton's visit represents something very different from the visit of LBJ.* The thrust of New Markets is to move beyond *just* governmental programs to those that engage the private sector in investment and job creation. It is to create a sensible set of incentives to bring investments on a national scale into under served markets.

LBJ brought hope to Appalachia in a different era in which the model was the New Deal and programs like the Tennessee Valley Authority. And, these investments have paid huge dividends. The poverty rate has been reduced to only two percentage points above the national average. The number of distressed counties has been cut in half (from 219 in 1960 to 108 today). Unemployment is less than a half percent above the national average. High school graduation rates are now at the national average....and so on.

But, today the remaining, hard core pockets of unemployment, underemployment, and poverty call for this **new model of partnership** between the public and private sectors that focuses on investment, business creation, job creation, and, ultimately, wealth creation. It embraces the new thinking about poverty alleviation that has at its center economic development. It is exemplified in the New Markets Initiative.

That is the essential difference between the two Presidential visits to Appalachia.

Jesse L. White, Jr.  
Federal Co-Chairman  
Appalachian Regional Commission  
7/1/99



Joshua S. Gottheimer  
07/02/99 05:48:41 PM



Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: new markets website

1) see the following web address for a rough viewing of our new markets site:  
[http://s001.eop.gov/WH/New/New\\_Markets/](http://s001.eop.gov/WH/New/New_Markets/)

2) the site will go up on Monday morning

3) the web folks are awaiting our materials for the web site.

*paper expected:* 1 pagers w/ econ stats on each site; 1 pager on new markets legislation (if available), etc.

4) the web team will be in at 2pm on sunday to download material. pls e-mail me copies of all docs, plus any other info you want up on the web by that point. thanks.

Message Sent To:

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**Peter A. Weissman**

07/02/99 12:25:06 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: fyi- Interview of the President By USA Today

----- Forwarded by Peter A. Weissman/OPD/EOP on 07/02/99 12:23 PM -----



Jason H. Schechter  
07/02/99 10:33:41 AM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: Interview of the President By USA Today

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

July 2, 1999

INTERVIEW OF THE PRESIDENT  
BY USA TODAY

Aboard Air Force One

June 30, 1999

11:55 P.M. EDT

Q We want to talk to you first about Medicare and then about new markets. You've got your long-awaited plan out on Medicare. What do you think the prospects are, especially looking at the early initial reaction that you got yesterday? What do you make of that?

THE PRESIDENT: Well, first, I think it's a good sign that we have the Republican leadership with the door open.

That's what having Senator Roth and having Congressman Thomas and the other two Republican congressmen there -- McCrery from Louisiana in particular is a guy I know and have a regard for. He believes in getting things done. McCrery would like to make an agreement on Medicare and Social Security -- very serious man. So these guys came, even though there were only three House members and Bill Roth, they were the right people.

I think, also, the breadth of the presence of the Democrats indicates that the most liberal Democrats have acknowledged that we need to make serious structural reform. And our moderate to conservative Democrats believe that this is enough structural reform to unify and coalesce around. So I think we've got something to go forward on.

And what I intend to do is to call the leaders -- Senator Lott and the Speaker and Senator Daschle and Mr. Gephardt -- and ask them to come and meet with me the day we get back from 4th of July recess, and let's try to make a plan for how we could do it this summer. Because I believe that I can do the same thing with the Social Security I've done with Medicare, I can offer them something -- we could even maybe build on it and get the -- done, because we can't know that we're really going to pay the debt off which, as you know, I believe is profoundly important, unless we understand where we are on both. But I think the first thing to do is to get the Medicare because there's a real interest in it.

Q When you have this meeting with the congressional leadership, are you going to give them a deadline for action? What will you do, specifically, at the meeting? What do you want to come out of it?

THE PRESIDENT: Well, what I want to come out of it more than anything else is a common commitment to the goal. In other words, if the leaders will all say we want to do this and we think we can, it doesn't mean we will, but it will get us a lot closer. That will send a signal to the rank and file in both caucuses that this is something we're really going to try to do.

And it would be a phenomenal gift to the country to do it. And we have the money to do it, and the only reason not to do it, frankly, is if somebody makes a real decision that the money should be diverted to something else. There is no reason not to do it. We're close enough now -- we're much closer now, frankly, on Medicare, than we were before we did the omnibus balanced budget in '97.

Q This meeting, or really, the release of the plan is the start of a process. Some people think the end of the process could be a deal that enables Republicans to get some of the tax cuts they want and you to get the Medicare plan you want. Do you think that's what will happen? Is that a possible end of this?

THE PRESIDENT: Well, I think it depends first on whether we can get close enough so that -- on the particulars of the structure of the Medicare -- that is, can we get everybody, or more or less everybody for the kind of structural modernization that I think is imperative, where we have some genuine competition, but we do it in a way that doesn't sacrifice quality -- that's why I want to set up this extra fund, because most people believe that in the '97 Balanced Budget Act we had excessive savings in some areas of Medicare from the point of view of providers, so we set aside a fund for the Congress to deal with that -- and then whether we can get a general agreement on the structure of the drug benefit.

A lot of our people -- and I'm very sympathetic -- and maybe some of theirs -- would like to accommodate both the people that have huge drug bills, and the biotech industry which wants to be able to sell these drugs if they keep investing and pushing the envelope on the big things. But I thought it important not to have a drug benefit that would be subject to the same criticism that we leveled at one of their tax programs back in '97 -- that, okay, it looks good for five years -- so now we've avoided that.

But I think that if we can get agreement on the fundamentals of this, and then if we can get agreement on real commitment to paying down the debt and taking the interest savings and plowing it into Social Security. Then I think there is enough funding left over, not committed to either of those pots, given this new budget, that we can probably make it a kind of omnibus agreement covering other things.

But I think we --

Q Including tax cuts?

THE PRESIDENT: Yes, but I think that what we have to focus on is first things first. I think that for the Democrats and for me, the important thing will be having the right kind of Medicare reform, having the prescription drug benefit, and getting the details right here. And so that's why I think we have to really -- we've got to focus on that.

I think the other stuff, assuming, as I said -- it's a big assumption -- assuming you get the financing right on the Social Security piece. I'd also like to have an omnibus agreement. I'm going to try to get them to agree on Social Security, too. And a lot of people -- most people don't think we can do that. I disagree. I think there's a lot more commonality than most people think. I spent a lot of time just quietly thinking about it, on our trip to Europe and other things, trying to write out different scenarios -- but I think there is much more energy right now behind the Medicare issue and a much greater sense of urgency, and frankly, you've got one that goes

broke in 2015 and the other one, if they just hang with the money I've got, will stay all right until 2053 or 2055.

So I think Medicare first, see if they want to do it, see if they'll commit to try to do it by the summer. And then I think they can raise their other concerns once we get into the framework of the substance. But we've got to stay -- this is a big, big -- changes in Medicare, and we need to focus on that first.

Q Are you concerned at all, though, that there may be a good number of Democrats who are afraid there will be a deal that they won't like? And I know you've said you want to --

THE PRESIDENT: But none of them think that so far. In other words, I have worked very, very hard to keep our caucus together. I took a good deal of time to come out with the specifics of this plan, and we did a lot of serious work -- all of us -- and I include the White House in that, too -- really trying to take the politics out of this in terms of what specifics we recommended. That is I really tried to figure out what I thought had to be done structurally for this program to work, what kinds of savings we had to achieve, whether the economics really would support getting rid of all the co-pays on the preventive screening if you put in the co-pays on the lab tests that tend to be -- most people believe are over-used. That kind of stuff.

So I think that -- all I can tell you is that the negotiating process that I would support would be designed to produce an agreement that would be supported by the overwhelming majority of our caucus, and I would hope the overwhelming majority of theirs.

If you look at the balanced budget agreement, we did a pretty good job. They had a slightly higher percentage of Republicans voting for it in the House than the Democrats, and in the Senate, we had a slightly higher percentage of Democrats voting for it than Republicans. But in both Houses there were big, big majorities in both parties. I think to get an agreement we're going to have to do that.

Q Given how important it is to you to try to win the Congress back, or as much as you could, for your party, do you ever feel personally torn about a deal versus trying to give Al Gore and the Democrats an issue ?

THE PRESIDENT: No, because I don't believe -- it might help some individual Republicans get reelected to Congress if they voted for such an agreement, but I believe that for Democrats what is good policy is almost always the best politics. The "do right" rule is almost always best for us because we get hired to do things.

The American people, when they vote for Democrats they hire them. They give you this job and you get a contract, and your contract is two years, six years, or four years if you're President. And they hire us to go to work every day and to do things. And I don't believe -- for example, it didn't hurt the Democrats in 1998 that we had a big budget at the end where there was a compromise that a lot of Republicans voted for and we got the big down payment on 100,000 teachers and a lot of other educational priorities, it didn't hurt them at all.

The only -- this is not going to turn into a status quo country, and there are too many issues on which we are too deeply divided. If we can reach agreement on -- and I'm not saying this could happen -- if we could reach agreement on Medicare, Social Security, taxes, investments in education, and there would still be differences in 2000 on next steps in education, on guns, on patients' rights -- even if we pass a patients' bill of rights there are going to be differences, unresolved differences -- on choice, on a lot of issues.

In other words, there will be a vibrant election-year environment in 2000 for issues still to be decided by America that will be clear in the presidential race and clear in the congressional races. Even if both parties -- even if the Republicans join us -- if you look at George Bush's message -- it's assumed he will be nominated on this compassionate conservatism thing -- and that both parties are competing for the dynamic center of America, I happen to think that's a healthy thing. If you just look at the real substantive differences -- all just the issues I've mentioned, and others -- we'll have plenty to fight about, argue about in the election.

So I think that actually both parties will be better off in dealing with the agenda of the 21st century, if we dealt with the baby boom problems right now; if we dealt with Social Security and Medicare and committed to pay the debt down. If we did all that, the Republicans would still say we need more for tax cuts than maybe we get, or here's our next round of tax cuts or whatever. There will be plenty to debate.

Q One last question on Medicare, before we turn to new markets. Senator Breaux was critical, saying your plan didn't go far enough by addressing structural reforms. And you, yourself, since "Putting People First" have supported things like means testing. Are you frustrated that politically it wasn't possible to go farther than you went in this Medicare plan?

THE PRESIDENT: No, I think -- well, first of all, I think the structural reforms in the health care -- there are two issues there. One is the means testing, which was not in his report, either, because some of the Republicans didn't go for it. I don't think that's as big a problem as some people do, and I'll come back to that.

The second is an area on which we have an honest disagreement -- Breaux and Thomas and me -- and it's an honest disagreement. I want there to be -- I want the managed care Medicare people to be given the maximum opportunity to make their program attractive to people in the traditional fee for service program, if they can do so. In that regard, I go just as far as they do.

Now, what I don't do, and I really don't think I should do, especially given the level of anxiety Americans have about managed care -- even though I have imposed a patients' bill of rights for federally-funded programs, so our guys, our Medicare people get the patients' bill of rights -- what I don't do that they do is I don't permit a level of what they call competition in the fee for service program in a way that would permit the cost of the traditional program to the beneficiaries to rise so rapidly that it would force people into managed care, whether they wanted to be there or not. That's the only difference. And we just have an honest, philosophical difference about that.

Now, on the upper-income premium issue -- I ran on that in '92. I've never made any secret to the American people that I think that's the right thing to do. But it is not as compelling as it once was -- and a lot of people have forgotten this -- for one simple reason: We took the income limit off of the Medicare tax in the '93 Balanced Budget Act. So every wealthy person in America today is paying much more in Medicare taxes than they will use anyway. In other words, if you're making a quarter of a million dollars a year, you don't have that \$67,000 -- I think it was \$80,000 cap, something like that -- you don't have that cap anymore.

So since '93, you've been paying a great deal into the Medicare program. So you don't have the equity argument you used to have. One of the reasons that Medicare program was extended in its life, apart from the cost savings we effected and waste, fraud and abuse stuff, which we really did better about than most of us thought we could -- is that we took the earnings limitation off the Medicare tax. And I think that a lot of times people who say upper-income people should pay more have forgotten that and forgotten just what a significant amount of money that is to a lot of people.

Q We better turn to new markets, because we want to talk a little about that, too. So you're going next week from Appalachia to Watts. Tell us why you're doing the tour.

THE PRESIDENT: Well, I'm doing it first to shine the light on these areas in America, because I believe that we have both an obligation to give the communities and the neighborhoods that haven't been touched by the economic recovery the chance to be a part of it, to go into the new century with us. And, secondly, because I think it is very good economic strategy.

All the discussion leading up to what the Federal Reserve was going to do today on interest rates was all premised on the fact that we're having a great national debate now, because no one thought five years ago, six years ago, that we could possibly have average growth well in excess of 3 percent and unemployment under 4.5 percent without having inflation. So we don't have any signs of inflation, but shouldn't they be worried about it, since nobody really thought we could have it.

Everyone knows that the technology explosion, especially in telecommunications and information technology, has dramatically increased productivity in ways that traditional economic models don't measure. But no one really believes the whole business cycle and all traditional economics has been repealed. So if you're sitting in my chair and you're asking yourself not only what would you like to do to make sure all these people who aren't participating get a chance to participate, you ask yourself a bigger question: Is there any way we could keep this economic recovery going, creating even more jobs, raising incomes even more, and not have inflation.

And the answer is, yes, if you can either find more customers for American goods and services, or more workers to come in and produce more so they're not just being added on for the same level of production.

Now, what are the possibilities for that? Expanded trade, which is why I've worked very hard to build a consensus in my own party for trade, plus labor and environmental standards -- why I went to Geneva and made those speeches, why I went to the University of Chicago and all that -- for trade.

Two, getting more discreet populations into the work force. The most obvious ones in America are more people from welfare to work. Tonight I had Eli Segal at the fundraiser, if you listened in on that. He's now got 12,000 companies in this deal where we're trying to hire even hard to place welfare recipients and train them. Why? Because that's adding to the productive capacity. You get people who are both workers and consumers.

The other big discreet population are the disabled, which is why this thing that apparently we're going to have an overwhelming bipartisan majority of Congress do, which is to let disabled people keep their Medicaid in the work force, it's potentially a very big, positive contribution to long-term growth, because, again, you're creating more workers and more consumers.

Now, the third big opportunity is to find what areas have not been fully reached with investment and jobs in growth. And that's what this is about. I want to emphasize -- so that's the idea. Now, I want to talk about three things when we go

there. One is I want to emphasize the tools that are already out there, to make sure people are making the most of them: The empowerment zones; the community development banks, including the microenterprise zones and the enterprise communities; the tax credits employers get now for hiring people in those areas; and the Community Reinvestment Act -- which, as you know, had been on the books for over 20 years, but over 95 percent of all the lending under the Community Reinvestment Act has been done during our administration. We really pushed it. So we'll do a little of that, hear things that are working now.

The second thing I want to do is to point out that one of the reasons there hasn't been more investment in these areas is that there is imperfect knowledge on the part of the American business and investment community. They don't know what a good deal it is. The head of Aetna Insurance Company, when we went to Atlanta, when we did our pre-trip -- on the way back he was ragging me. He said, you know, I'm the only guy here who's not happy we did this, because, he said, I'd already figured all this out by myself and now all my competitors are going to know. He said this is a big deal.

I'll just give you one example. On average, there is a gap between purchasing power and retail sales in the inner cities of 25 percent. In Los Angeles it's 35 percent. In East St. Louis, where we're going, it's 40 percent. That's just retail sales. No small-scale manufacturing, no professional services, none of that other stuff, all the other things you could do.

So I think there's really a lot I can do just with the bully pulpit and taking these business leaders around and getting them -- you know, we're going to have bipartisan political folks there; we've got Jesse Jackson and Al From; we're going to have Republican and Democratic congressmen and governors and all. But I think that just getting the business community to focus on the fact -- because they're all interested in this question. What I want to say to them is, look, you don't just have to debate what Alan Greenspan is going to do -- you can change the underlying reality on the ground if you change the economics.

And the third thing that I want to do is to push the specific new markets legislation. Why? Because all these other things we've done -- even though the CRA, the Community Investment Act, is a nationwide law, it depends still in part on the vigors of the bankers in specific places. And all the other things have discreet impacts. In other words, we don't have a community development bank everywhere; we don't have an enterprise zone or empowerment community everywhere -- I mean, an empowerment zone or an enterprise community everywhere.

This New Markets Initiative basically is designed to put in place for the whole nation, all distressed areas, the same incentives that we give America to invest in developing economies overseas. I think they ought to have those incentives,

developing economies, at home.

So, for example, the way this would work is let's suppose someone wanted to build \$150 million shopping center in East St. Louis and open 20 stores -- I'm just making this up -- and they started with \$50 million of investments, they've got a \$50 million investment fund. On that \$50 million they could get tax credits of 25 percent for their investment. They would also be able to go to the bank and borrow \$100 million and have that \$100 million subject to the government guarantee, which would dramatically lower the interest rate that they would be charged to borrow the money, because if they defaulted on the loan the government would guarantee it. And those are the kinds of mechanisms we have in place now for people who invest in developing markets overseas.

The reason that's important is, number one, unlike the empowerment zones, it would be nationwide. And, number two, even if you had perfect knowledge on the part of investors, that you don't have now, there would be in many of these places somewhat greater risk to the investment than in a traditional investment. So by providing these two big incentives you lower the relative risk of this investment compared to others and make it even more attractive to do.

But if you think about it, this is sort of my classic Third Way kind of approach. In the 1980s we found out for sure that free enterprise alone would not develop these areas into the 1990s. In the 1960s, with the whole Great Society approach, it isn't true that it didn't accomplish anything -- it accomplished a great deal. It fed people, it educated people, it started Head Start, it provided health care in rural areas, it provided some government funding jobs. But there was no internal structural change that would allow a lot of these places to become more self-sufficient on a long-term basis.

If we could do this and really make a big difference over the next few years, then when the next recession comes along in America it won't hit these areas as hard, because they will have, just like other places, some underlying economic supports, some self-sufficiency. And that means fewer people on the streets. It means the crime rate won't go up as much. It means you won't lose as many kids. It means a lot of things when times are tough.

But it seems to me that there is an enormous interest in this now, in the business community. You can see it in the Wall Street project that Jesse Jackson and Dick Grasso and others have done for the last few years. And you can see it in the massive commitment that -- and NationsBank made to setting up community banks and microenterprise lending over the next 10 years. They made a huge commitment on their own.

So there is a lot of this stuff just sort of

germinating out there. A lot of great things have happened in our empowerment zones. A lot of these development banks are beginning to really show some results. But there is no either nationwide awareness or nationwide framework which could be applied to every place. And that's what the New Markets Initiative is all about.

It's about just increasing the awareness and the attractiveness of these areas to the investment community and then putting in place a framework that would make it even more attractive to invest now. And if we could get a lot of this done while the economy is growing, I think the benefits to America could be permanent. I think, in that sense, it's the perfect public-private partnership example that I've been trying to develop all along. I'm really excited about it. I'm just -- it's a real dream of mine to prove this can be done.

Q You'll apparently be the first sitting President to ever go to an Indian reservation.

THE PRESIDENT: Is that right?

Q I think so.

THE PRESIDENT: It's high time. I'm sorry it has taken me so long, because I spent a lot of time with Native American leaders -- I went to reservations back in '92 and I spent enormous time with the leaders of the tribes over the last six and a half years. So I'm very excited about going.

Q Some people would say you've done a lot -- you've focused on empowerment zones, you've focused on some of these problems of poverty, people who haven't participated in the economic good times -- but that we haven't heard so much about it lately, '95, '96. Why now? Why is now the time to put this kind of spotlight on the places that remind people that the economic prosperity hasn't been good for everybody?

THE PRESIDENT: Two reasons. One is, I think that there is a feeling that the prosperity of the country is broadly shared, and that's right. We've got the lowest minority unemployment rates we've recorded. In the last couple of years we've finally started to close the inequality gap. We've had substantial increases in wages for people in the lower 40 percent of our earnings. And there's a level of security about the direction of our economy that I think frees people in a way to think about those things that are still not done. Because I think most Americans genuinely want to see everybody who is willing to work have a chance to participate in this.

Secondly, I believe that it's an essential component of my effort to keep this economy growing without inflation, as I said. In other words, I think moving people from welfare to work is a moral imperative; but I also think it's very good for the

economy. I think giving disabled people a chance to take their Medicaid and get in the work force is morally right -- I also think it's very good for the economy. And I think this could be even better for the economy, and it's certainly morally right.

We tried to do this in the past and we've gotten kind of sporadic publicity for it. But we worked consistently at it. It's one of the many things that I asked the Vice President to lead. But he has done a superb job of this and he's been systematic and disciplined and just slowly, slowly, slowly over the last six years I think we have completely satisfied that a lot of these communities, if they can get enough investment, can really take off and do well.

So I think that the timing is really right now for America to think about this as sort of the next economic agenda.

Q I know we have to leave, but speaking of economic good times, George Bush has raised \$36 million so far in the first half of this year. What do you think about that? Do you think this has gotten out of -- spiraled out of control? Or is this not -- what do you think, it just seems like a stunning number today.

THE PRESIDENT: It's a big number, but you've got to remember, Republicans have more money than Democrats and they always promise upper-income people bigger tax cuts. And he's the governor of Texas, his brother is the governor of Florida, and they've been out for eight years and they want in. So all those reasons mean big numbers.

But what did he raise in Texas? Eleven million?

Q I don't know.

THE PRESIDENT: When I ran in '92 -- eight years ago -- in a state of 2.5 million people, with a lower per capita income and not nearly as many millionaires, we raised \$4 million. That would be the equivalent of \$20 million or more in Texas.

So he's got a lot going for him. He's a governor of a state, his brother is a governor of a state, his father was President, they want to win, they've got more money than we do anyway. So I think that it's a credit to -- he's got good people raising that money, obviously, but I'm not at all surprised they've raised that kind of money.

Q It's early, though, it's very early -- which also raises the point that conventional wisdom probably told us the Democratic nomination would be sewed up at this point, but the Republican wouldn't, and it's actually the opposite -- it appears to be actually perhaps the opposite of that. What do you --

THE PRESIDENT: I don't know, it just depends, you

know. It depends -- the voters in Iowa and New Hampshire will not be as influenced by the money, probably, just because there's only so many of them, there's only so much you can -- but I think the real problem for all these guys, and one reason they can compellingly go out and raise this money -- I mean, arguably, if you're talking about the money Bradley raised, he was a national figure for longer than any of the other people running in the Republican primary, except for Elizabeth Dole -- maybe she was. But she was in the Cabinet, but Bradley was a nationally known figure for 18 years in the Senate, from the day he got there, and traveled the country extensively all that time building a network, for all 18 years. So I'm not particularly surprised that he's raised a good deal of money.

But I think that -- to go back to the main point -- one of the reasons all these people can compellingly argue that they need to get out and raise this money early is that, unfortunately, it not only gets more and more expensive to advertise with every election cycle, the states at the back end get more and more anxiety-ridden, so they keep moving their dates up. So this whole thing gets more and more and more front-loaded.

And one of the interesting things to me would be -- I do not know the answer to this, I'll start by saying I do not know the answer to this. But when you write the history of this election in the primary process, it will be interesting to see whether or not, even though the small states have retained their early status, which I happen to think is quite a good thing -- having been through it, I think it's a good thing, because I think it's terrible that when you get all these primaries -- people running for president from tarmac to tarmac, they will run about the states, they don't really listen to the people's voices, their concerns, and when it's all said and done, they haven't learned as much about the country as they should.

If you have to run in Iowa and New Hampshire, you've got to know things. You've got to take time. You've got to listen and so forth. So I believe in that. But, anyway, it will be interesting to see when the history is written whether you and other observers conclude that their relative influence has declined anyway, simply because as soon as you turn around, everybody else is voting.

When is this whole thing over now? March? April? Mid-April. Keep in mind, on June 2nd in 1992, June 2nd, you had California, New Jersey and Ohio. When are they all voting now? March?

Q Yes.

THE PRESIDENT: So I just don't know. I'm not particularly surprised about the amount of money anybody has raised.

Q Are you concerned that it's bad news for Gore?

THE PRESIDENT: Oh, no. I don't think that at all. I don't think that at all. I mean, I think the Republicans are going to raise more money than us. They out-spent \$100 million last year. They take care of their interest groups. The NRA's going to give them a ton of money. Look what they've done on the patients' bill of rights. Everybody in the world with an opinion is for the patients' bill of rights, except one, who is health insurance. But the health insurance might wind up giving more money in the election cycle than all the 200 groups that are for us. And so, that's the dynamic of modern politics. And their whole strategy is to rake in that dough and to dominate the communications.

It does not matter in our politics if your opponent out-raises you if you raise enough. The only issue in modern politics is whether you have enough. And keep in mind, in the primary process -- unless Governor Bush is going to slow the campaign finance law and not take any matching funds -- in the primary process, the only thing that really matters is whether you can raise all the money you need before the first primary starts so you can rationally plan how to spend it during the remainder of the primary season. Because there's a ceiling on how much you can raise in order to get the matching funds in all of the campaign finance system.

So he shouldn't -- nobody else should be worried about that. The only people who should be worried are people who aren't going to have enough to get their message out, and the fact that early money normally means you've got big political support. What you're seeing in the Republicans now is a little bit what you saw in '92 -- we'd been out a long time and we wanted to get in. And governors can raise more money than senators -- especially governors of big states.

I'm not too surprised he's got all that money. But it's not bad news for the Vice President, because he's doing very well and he's got all he needs and he's going to get his money by the time he needs it. I think you will -- my gut feeling is that you will not see that have an appreciable impact on the outcome of the election.

Q Before he actually grabs our arm and drags us out here, I guess we've got to go.

THE PRESIDENT: I'm glad you're covering these things, though. This is really important. This new markets thing is big and the Medicare thing is big. It gives us a chance to really do something important. Thanks.

Q Thanks a lot.

THE PRESIDENT: Get some sleep. I'm really sorry I kept you waiting.

Q Oh, it's fine. So, can we get a firm and final no from you that you're not going to run for Senate? I know it sounds crazy, but that's not exactly a firm and final, absolute no.

THE PRESIDENT: Yes. I have to go out and make a living for my family, and that is -- and I'm going to spend the first two years organizing my life, doing my memoirs and finishing my library. That's what I'm going to be doing. I'm not running for the Senate. I was --

MR. LOCKHART: Sounds firm to me.

THE PRESIDENT: I don't even know where that story came from. I think the story -- the guy that reported the story first said someone said they mentioned it to me and I didn't say no. I don't even remember anybody mentioning it to me. But it's not -- I had a lot of people in Arkansas ask me if I'd come home and run for governor, every time I go home. And I tell them that we've got to get a young crop up there and put them in there. I'm not in -- I'm not going to do that.

Q All right. Thanks a lot.

END

12:40 A.M. EDT

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Subject: Sperling, Echaveste briefing on New Markets Initiative trip

THE WHITE HOUSE

Office of the Press Secretary

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For Immediate Release

July 2, 1999

PRESS BRIEFING BY  
NATIONAL ECONOMIC ADVISOR GENE SPERLING  
AND DEPUTY CHIEF OF STAFF MARIA ECHAVESTE

The Briefing Room

12:50 P.M. EDT

MR. SIEWERT: We'll begin with a quick briefing on the trip next week. Documentary filmmaker and National Economic Advisor, Mr. Sperling will give you an overview of the trip. And Maria Echaveste, Deputy Chief of Staff, who -- did you play a role in the film? -- will also run through the trip and what the President hopes to accomplish next week.

MR. SPERLING: The President, from his campaign in 1992, had an agenda for urban and rural distressed parts of America which he felt was a new, third way approach, which sought to reject both the kind of laissez-faire approach of some to distressed and rural places, but also recognized that many of the government programs on the social side had failed in setting the correct incentives, and that he called for a very activist agenda to bring capital and economic opportunity into the most distressed places of America.

In 1992, the key of the agenda was to create for the first time ever a federal empowerment zone initiative, the first time ever a federal community development bank initiative, and to do a dramatic reform of the Community Reinvestment Act.

During '93 and '94, the President was successful in all of those areas, and the Community Reinvestment Act has actually made more -- led to more commitments since '92 -- 95 percent of all of the commitments have been made since the President took office. The empowerment zone and enterprise communities -- there are 135 across the country. And community development banks, we will see several of them and the effect that they've had on communities during the trip.

The President in an effort to build on that also did much in the welfare-to-work job area and had a new brownsfield tax incentive initiative.

As we looked in 1998 for what were the best ways to build on that agenda, bringing capital and opportunity into economically distressed and under-served parts of America, we consulted broadly -- we consulted with people who run venture capital companies; we consulted with distressed people who are community leaders in distressed communities; we consulted with Jesse Jackson and Sandy Weil and their Wall Street Project, and in fact, worked very closely with Reverend Jackson and Sandy Weil and others. And what we found was that one of the real problems was that there was a lack of focus on, one, the potential -- still a lack of focus on the potential of under-served areas in our own backyard for profit making, as a place for new markets, a place where people could do good and do well for themselves at the same time; and that there was still a lack of equity capital going into distressed communities.

Over and over again, people will say that getting the initial equity capital is essential to starting, and we found that for a number of reasons there is still a failure to go to the places and people who need it most. Some of that is because venture capital often is in search of very, very high potential returns -- the next Internet stock that can make 40 or 50 percent a year -- and sometimes bypasses many people who have solid job-creating opportunities for their community. But often it's simply a lack of relationships, people simply

do not have relationships with the people in under-served communities that they may in other parts of the country and of the world.

And finally, we found that there is often a need for more technical assistance, more help in some of the distressed communities, and that a lot of opportunity, a lot of potential was being bypassed because of this.

So we worked and put together a new addition on the President's economic opportunity agenda, New Markets Initiative. And essentially, what we did was we tried to build off the model that is in the small business investment companies. The small business investment companies, or SBIC, is a program that America On Line, Federal Express, many others have used, the basic core of which is that it gives you an incentive to raise capital, because if you can raise \$20 billion or \$20 billion, the government will match twice that much in government guaranteed loans. And so, in other words, it empowered people to get equity capital, because to the degree that they could raise a certain amount, they could get twice that much in cheaper financing through guaranteed loans.

Now, the reason this program has worked well and hasn't cost the government a lot of money is, unlike the S&L type of issues where the incentives were misaligned, here, the investors have to lose all of their money before the government loses any of its money. So people are able to raise money, but they don't -- they're basically investing their own money and so therefore, they show great care. Therefore, we've been able to do enormous amounts for this program at very low government costs. But we've found there were some holes in that. One was it was not working -- it was not being addressed enough to low-income areas; two, it did not do enough for some of the smaller entrepreneurial companies that need technical assistance and, three, it did not allow some of the larger investments that we often are allowed to make overseas, and we often heard from investment companies who would say, how come I could do a project this large in South Africa or overseas, but I can't get a project -- help for financing in Harlem or Chicago or Appalachia here in the United States. We thought those were all legitimate points.

And so we put forward legislation. First, we took the small business investment companies and we created a new, low- and moderate-income section. And what we did was, we allowed companies, investment companies to both defer their interest for five years so that they would be more willing to take risks because they have longer to pay back the interest and, second, allowed them more ability to control and manage new companies so that they could work more closely with start-up companies or people with good ideas for relatively inexperienced management.

One of the things that we'll announce on our trip that Maria will go through is that in Phoenix, we will see one of the very first companies coming together answering that challenge to have an SBIC directed towards lower and moderate income communities. So that, we were able to do administratively. Legislatively, we're calling for New Markets venture capital, which would focus on smaller companies, more start-up entrepreneurs. And what that does is the government, when you raise equity, not only matches with government guarantees,

but also with technical assistance so that people could get up to \$1.5 million for technical assistance so they can provide the help with initial marketing, finding financial people so that smaller entrepreneurs could get off their feet and get started. That's the New Market Venture Capital Proposal. The second legislative proposal is what we call APIC, which is obviously built off OPIC, the Overseas Private Investment Company. This would be America's Private Investment Companies.

And what this does it allows for the larger type of investments that the SBIC does not allow for. Under this, several companies could raise up to \$100 million and get \$200 million in government-backed financing, so it would allow up to \$300 million investment companies dedicated towards getting capital into lower and moderate income areas.

And then the third legislative proposal was a new markets tax credit. And that essentially would be a 25 percent equity tax break for people who are putting investments in these type of vehicles or in existing vehicles, like community development banks. And again, this allows somebody to put money into a fund that is going towards lower income communities to creating jobs and economic opportunities and get 25 percent back right off their investment; it's actually six percent a year over five years, but it equals 25 percent in present value.

In doing these types of incentives, you're trying to do a couple of things. One, you're trying to encourage people to take a little more risk in some areas where we think there is potential to be developed. We think there are profits to be made, but maybe a little more help with the return in risk could make the difference marginally in pushing more people into investing in that area.

Secondly, what it does is, it gives people in these areas something to come to the table with. When we talk to people, they say if you have a new subsidy like this, you're giving us a reason to come in the door to talk to people. People will sit down with us if there's a new tax cut like this passed. And that can make a difference in creating those initial relationships.

And third, in every community there are always business leaders who I think of as champions -- those who go out and really take on these issues. And for them, you want to empower them as much as possible to be able to raise funds. And to the degree that they can offer the people they're soliciting funds from not only the possibility of profit, but a 25-percent return up front, you're making it possible for those who want to take those leadership roles to play a more active role.

Now, in doing this, obviously you do a program like this, no matter how good your government tax incentives or subsidy is, it's only as effective as it is in mobilizing the private sector and mobilizing a national commitment. And what we thought was that we've seen for years Secretary of Commercences take CEOs and members of Congress overseas on a trade mission, a trade mission or an economic mission overseas where the idea is let's bring our CEOs and members of Congress and let's let them see these new markets and let's see if we can create some economic opportunity. And when you do that, part of it is you want to

show some economic opportunity, but you also want to set an example for everybody watching that there is profits to be made in this new country, that there are relationships to be developed in this new country.

So our thought was why not do an economic mission to the United States? Why not do an economic mission to our own country? And what the President is going to do is he is going to take a four-day trip with business leaders, with members of Congress, with community leaders, and we are going to go to various, different places in the United States, representing different types of poverty, different types of opportunity, and we're going to highlight the problems there, but we're also going to highlight some of the positive things that happen, and most of all, we're going to challenge corporate business America, community leaders, to look in these places for new potential, for new profits, for new opportunity.

And at everyplace we go there will be some examples of people putting in some additional investment. And there will be some top leaders with us traveling both to show some new commitments and some new energy, but just as important, to show an example to everyone out there that here are business leaders who have seen that it's in their own self-interest to invest in these areas. And our hope is that this will be an ongoing effort, something the President has cared deeply about and has worked on really his entire adult life and very active on as a governor in Arkansas.

But I think the degree, with us having the strongest economy -- one of the strongest economies in this century -- that at this time period for the President to put a special focus on those places that have historically been left behind and to challenge the private sector to work with us in making sure that we're bringing every community on board, that we don't have a person or a community to waste. Now is a particularly good time to send that message and this is something that we're going to focus on, not only for this four day period, but continue to focus on in an ongoing way after this.

Let me give you Maria, who will walk through the trip and give you some of the ideas, the things that are happening and then we're happy to take questions.

MS. ECHAVESTE: As Gene said, this has been a long time coming. This is something the President has been wanting to do -- frankly, he wanted to go out in April. And one of the reasons we held him off is because it was very important that we go to places that really had three elements because, as you can imagine, lots of people want us to come visit their communities. There are lots of parts of the country that have poverty.

So how did we go about choosing these places? Well, one, finding poverty; but, two, places where there were signs of hope, where there is some development, where something that, as Gene laid out for you, whether it's lending under CRA or CDFIs, where there is movement, but where the President can say we have a lot more to do, and this is where the private sector can, in fact, contribute, and that's the key element, is where could we match private sector, encourage, mobilize CEOs and companies to make investments.

So we are going to be joined throughout the trip at various stages by CEOs, starting with Dick Huber from Aetna, Duane Ackerman from Bell South. We're going to have Bill Hartman from Bank One Kentucky, Craig Lynch from Greyhound, Kathy Bassant from Bank of America. Bob Kay from Arkansas Blue Cross/Blue Shield, Frank Raines, Fannie Mae, and several others that will be coming on the trip. Not everyone will be able to join us for the entire four days.

Similarly, we're going to have members of Congress traveling with us, I think at the moment, and we're still getting confirmations, which is always the case. We'll have Representative Clyburn with us for the entire trip, and also Representative Jaworski, Ken Jaworski. I'm sure -- but we will be joined at different stages by members of Congress.

We start the trip on Monday morning. We go up to Appalachia, and what we will be doing is focusing on a couple of things -- some of the scenes of poverty, but immediately go to Mid-South Electrical Plant, which has created almost 900 jobs. Then, the President, joined by -- Reverend Jackson will also be traveling with us, as will, at least part of the time, Al From. We will be addressing a town square in Hazard, Kentucky. And what we're going to focus is investment and highlighting Kentucky highlands, a CDFI that has been doing work that has been providing financing in this very rural area.

We then go overnight and get set to go to Clarksdale, Mississippi on Tuesday morning. This is of special interest to the President, given his tenure as governor, and he has been working on delta issues for quite a long time. Again, we are going to visit a commercial area that is down and out, but that a couple of places are still thriving who will be able to talk to the President in a subsequent roundtable about what they see as the needs -- again, investment, and other CDFI that's been doing work there.

We will then go to East St. Louis, an empowerment zone that, as you know from the Vice President's work, we've done a lot of work with the empowerment zones. East St. Louis has some new store openings that we will be showcasing. And we should have a very important announcement that Gene alluded to, in terms of investment, the creation of an investment fund targeted to low and moderate income that is done even before our legislation is passed. So we're kind of excited about that.

We will then go to Pine Ridge. This one is a very difficult visit in the following way, and that is that when we worked in trying to see what are the private sector investments, what we learned, as many people know, is that you're starting in Indian country way below -- you don't have infrastructure. How can you attract business when only 40 percent of the community has telephones? How can you attract business when you still have basic water and housing issues?

So you're going to see in Pine Ridge perhaps more government announcements because that's how government can help to at least bring the community up, that can then attract the business sector. This will be the first time a sitting President has visited an Indian

reservation since Coolidge, and the folks in Pine Ridge are very excited about it. We will be joined by Fannie Mae there, by Frank Raines, who will also be making some announcements.

We then go to Phoenix. Now, a number of people have said to me -- actually, disappointed members of Congress -- have said, why are we going to Phoenix, why are we going to Arizona, it's really a high growth area. Well, even in a place like Phoenix, there are neighborhoods where you have double-digit unemployment, where there is, in fact, lack of jobs. And so we're going to showcase investments in small businesses that are focused in that area.

We then go to Los Angeles to pick up, I think, a very important piece, which is tomorrow's work force. What we've learned from talking to the CEOs when the President met with them on May 10th was that they have to pay attention to and care about the development of the work force. They can't be competitive, they can't stay profitable if they don't have a work force that is skilled and that is trained. And so our focus in Los Angeles will be highlighting Department of Labor efforts to marry private sector contributions with job training programs. here we'll be joined by Sandy Weil, who has been a staunch supporter of this effort.

I think the upshot of this trip is really, we learned from the '60s that government alone cannot solve the problems of poverty. I think we also learned from the '80s that the free market, just leaving it to the market forces wasn't going to solve these problems of poverty. And the President's approach is that the right kind of government leverage, the right kind of government support, coupled with, fundamentally and critically, the private sector, is what can really give these communities the hope that they can join the American prosperity.

As the President has said over and over again, America cannot succeed if parts of the community are left behind, and that's what this trip is about -- making sure we don't leave them behind as we move into the next century.

Any questions?

Q Gene, is there a cap on the tax credit?

MR. SPERLING: Yes, there's a \$1 billion is allocated over five years right now.

Q I thought this was an individual tax credit individuals could take if they invest in it.

MR. SPERLING: Is there a cap per individual?

MS. ECHAVESTE: It's designed for companies to make new investments directly.

Q So it's not for individual investors.

Q Sam's out to take the whole \$1 billion. (Laughter.)

MR. ECHAVESTE: If he's willing to make that investment, I'm sure we can accommodate him.

Q No, but the way you presented it, it could be a tactic for individuals to invest in companies that are dealing in those poverty areas. I wondered if that was the objective.

MR. SPERLING: I don't think there is a cap. There's a competitive application. Essentially, people would apply for projects, and if their project is approved, is meeting the condition, then they would be able to go out and raise those funds. So no, we hope those would be attractive to individuals. I think that the notion is of people raising funds for an investment fund that would make these investments, so there is not an individual cap then.

Q The payback is over five years, 25 percent --

MR. SPERLING: You get six percent each year for five years. That's 30 percent. Yes. But because we're so conscientious and conservative in presenting our numbers, that if you did the present value of that, it would be 25 percent.

Q Who decides --

Q Oh, good. (Laughter.)

MR. SPERLING: I just knocked off somebody writing -- 30 percent, there would have been an article two weeks from now saying, no, if you actually did the right calculations, 25 percent, so there you have it.

Q Who decides whether an investment is worthy of a tax credit?

MR. SPERLING: The Treasury Department would have criteria that would have to show that this fit into -- that either 25 percent poverty or less than 80 percent of the medium income in that community.

The reason why you try to keep the criteria a little broader here is the following. When you have money going out in kind of like a revenue sharing notion, the broader the income is the more it gets spread out. And so then you want to narrow it as much as possible. Here you're looking for great projects, you're looking for great programs that will work, where people are going to do great things. And so you don't want to overly limit -- you don't want to put criteria that will overly limit because it's a little difficult. The criteria can be different -- and that's one of the reasons we're going different places in the country,

is because in urban parts of the country there can be very concentrated poverty levels and some of the rural places you can have poverty, but you may not have the tremendous concentration, yet you can have very poor areas.

Q How much of this still needs legislative approval?

MR. SPERLING: The new market venture capital needs legislative approval. The APICs needs legislative approval and the new market tax credit needs legislative approval. What we did on the SBICs on the administrative side, in the sense of allowing people to not have to pay back interest for the first five years, that was something that SBA could do under the current legislative authority.

Q Gene, is there any way to describe the scope of this problem? I mean, I know it's in pockets all over the country, but is there any way to get your arms around how big of a problem this is?

MS. ECHAVESTE: I think one way to do it is that, just take -- you've heard us say over and over again we've got the lowest unemployment rates for Hispanics and African Americans, yes, that's true. But when you look at the unemployment rate for African -- it's still double-digits. And it's at, I think the last time I looked it was like 11 percent, something like that; and for Hispanics it was, like, 8. And then it goes up if you look at single young males.

So that's an indicator that -- especially if you have large populations. So, clearly, with a 4.2 -- 4.3 today -- unemployment rate, there are good things happening all over. But there are pockets all across the country.

Q Maria, excuse me, I wanted to ask, I think you answered part of the question. You're not only targeting areas across the country, you're also targeting minorities, right, Hispanics, African Americans, Indian reservations and rural --

MS. ECHAVESTE: Rural, right, which is really important. We want to show the different faces of poverty and the different challenges. And they have unique challenges, whether you're in South Central Los Angeles or whether you're in East St. Louis or an Indian reservation. And I think it's important for America to understand that poverty comes in all colors.

Q -- whether you're talking to people in Pine Ridge and in East St. Louis and in Watts, there's a common theme here which they all bring up. They welcome the attention and the commitment, but they all say it's got to start with education -- education, above and beyond job training -- and I haven't heard much about that.

MS. ECHAVESTE: You know, we had a very interesting debate here about just sort of what the focus of the trip should be, and at one point we talked about, well, should we focus on poverty at large and all that means, which would include focus on education, focus on other -- drug abuse and substance -- a whole host of issues. And I think we concluded that those are all very important issues, and I think I'd defy anybody to say that we

haven't paid attention to education in this administration, but that if you do a trip that seems to be about everything, it ends up being about nothing. And the focus that the President has said has laid out, from the beginning of the administration, that there is a role for the private sector.

And when you talk -- when we met with the CEOs, one of the things that they raised with us on May 10th was the importance of education. And if you travel around the country, you'll see that a number of corporations are partnering with local school districts since they know they've got to deal with education.

Q How do you respond to critics who say that the President was not willing to tackle this issue until he had only a year and a half left on his term, that up until now, it's all been talk about how great the economy is and there's been a reticence to deal with these kinds of issues?

MS. ECHAVESTE: I'll let Gene, but it's just absolutely not true if you look at our track record, whether it's looking at EITC or whether you're looking at what we've done in different investments, increasing Head Start. What we've done is say is expand and say that we have to expand the circle of opportunity, and I think if you look at the track record, we have been focusing on issues of poverty and opportunity.

Gene.

MR. SPERLING: Let me just say in response to your question is, first, there are deep problems in poverty and it's important to address all of them. But I think as Maria said, if you -- there is a benefit on putting a specific focus on particular areas, and I think that these are related. For example, one of the biggest problems with urban education is the low tax base. That is absolutely one of the critical problems people are dealing with. So to the degree -- they both work, the degree you have stronger education, the degree you can better attract business, the degree you have more business and economic opportunity, the more you bring in revenues, and there is no better indicator of how a child will do than the economic status of their parent and whether their parent is working.

On your question, David, I think one of the reasons I mentioned -- went through some of the background is, I think it is very clear the President has focused on this. He's the first -- there was never a federal empowerment zone proposal. Kemp and Rangel and others had tried several times in the '80s; it only passed under him. The community development bank initiative, the empowerment zones -- and then we went back in 1997 and got a second round of empowerment zones, the brownsfield tax incentives, the welfare-to-work tax credit, his entire initiative on challenging companies to bring people off welfare into the work force. So I think that there has been a consistent focus.

I do think the following. I do think that there are moments where you may have a special opportunity for a particular type of message, and I think that when we came into office we did focus very much on getting some legislation, on getting some initiatives so that

we could show some hope and some opportunity. One of the things that is exciting for us about this trip is that in our seventh year we can go places and we can show how some of the world is better because of things we have done, and talk about building on them.

I do think that -- the one thing I would say, though, is that the fact that the country is doing so well right now may, indeed, provide a better atmosphere for the President to put this challenge to the private sector; that in a period of prosperity like this, that a presidential message of bringing everybody along may be more well-received and you may be able to do more good now than if you were trying to do that at a time when the country -- when everyone around the country was hurting.

And, actually, Maria was being modest on our unemployment numbers. The African American unemployment has gone from 14.1 to 7.3, so it has gone down a lot. And the Hispanic has gone down from the elevens to 6.6. But just to emphasize your point, if you looked at African American teen poverty, it is as bad as any poverty or unemployment in almost any, certainly, of the more industrialized countries in the world.

Q Gene, President Clinton said there were \$85 billion worth of untapped markets here in this nation. Realistically, where do you think that you will fall as far as once this project is off the ground?

MR. SPERLING: Where will we fall?

Q You're not going to get \$85 billion worth of untapped markets right after this. Where do you think realistically, within the next two, three, four years, you will fall as far as getting some of these untapped markets?

MR. SPERLING: You know, I really couldn't say. You're trying to shine a spotlight on economic opportunity in your own backyard. And I don't know. All I know is that there is great excitement. One thing I thought was very true, and I think we all came to think was true is that there is often great excitement about the potential for growth, particularly before the Asian financial crisis, in places around the world.

And many people, many sophisticated investors had got quite knowledgeable and built up significant relationships with people they never had any touch with before in other countries, in other markets, because they saw the potential for significant growth. And what we're trying to do is, obviously, encourage that, but also suggest that in the United States there are those places as well, and that if people will take the time to build up the relationships.

It's very interesting -- I'll just tell you a story -- Dick Huber from Aetna, came in -- the President does his message and everybody is going around the table praising the President for doing this initiative. And then Dick Huber goes, Aetna has a different view than anybody -- we're very upset that you're doing this initiative. He says, we've spent two years doing research on what we think is tremendous untapped profits to be made in urban America,

and to the degree that you're now telling everybody that, you're stealing the market we're going after.

Obviously, he was saying that tongue-in-cheek, but the fact is, is that for many people, from the work Starbucks is doing and others, people are finding that when they look in these new areas they just haven't thought about before, the first instinct may be that someone is pushing them to do something good, but when they look and they come and they build the relationships, they find tremendous opportunity for profit. And I can't try to calculate an estimate of what that could do. You're trying to build a national mobilization and we want to do as much good as we can.

Q Gene, to follow up to that real quick. You say that you don't know where anything is going to land. But does the President have any particular site during this tour that he really wants to focus in on? Maria was saying something about the Indian reservation that doesn't have an infrastructure. Is he really looking to put into one specific place more so than the rest of them on this tour?

MS. ECHAVESTE: No. I mean, there are -- we could have gone many different places. And the fact is we wanted to highlight different problems. There's a lot of work going on specifically relating to the Plains Indians that preceded this visit. There was an economic visit for the Native Americans a year ago. The President met with leaders of Plains Indians recently, within the last two months. There's going to be work after. There's just lots of different places we're working on.

Q How is this paid for? Are there funds in the President's budget that would pay for this? And are you expecting it to be part of the tax bill this year?

MR. SPERLING: This is in the President's budget, on the discretionary side. It was fit into the overall budget we put out. And this is part of the paid for taxes, cuts that we have in our proposal -- we have about \$30 billion in tax cuts that are offset by -- closing corporate loopholes and simplification measures.

So this was not part that we put in the so-called contingent part, that was contingent on Social Security and Medicare. But I do believe that if we are able to set aside enough funds and pay down the debt and deal with strengthening Medicare and Social Security, I feel that if there is a tax cut that this is the type of limited targeted measure that could draw bipartisan support. We've certainly gotten some favorable views on this from both Democrats and Republicans.

Q Gene, it's been 10 years since the President chaired that Delta Commission. Isn't it a little late in this administration to start focusing on those areas now?

MR. SPERLING: I can let Maria answer more. But when we first did this initiative, when we were first doing this, when we were all talking about this, we started with the view that no good deed goes unpunished, and that if the President would do something as

extraordinary as doing something as extraordinary, I think pretty much unprecedented in being that in the midst of one of the strongest economies of this century, that what he would do is spend an entire week going to highlight the most impoverished places in the country. These are not places where there's great political power, these are not places where there's an easy political message; this is something he wants to do as part of an ongoing effort. And I think if you look at all of the things the President's had to do, he has kept a focus on investment in distressed and urban areas and made that a priority, and this is one more thing we're doing.

And there's nothing good that we're doing this year or the times that I suppose one could say we could have done a little earlier, but I think that if you look at the record and you look at where he has gone, he has steadily built on that agenda, and Secretary Slater has, himself, been working for some time now on a variety of things for the Delta, so I don't think that because we're visiting there, it's implying that we haven't done quite a bit in this area before.

MS. ECHAVESTE: In fact, all I would add to that is Secretary Slater, who worked with the then-Governor on Delta issues has, over the last couple of years, had an interagency group, will be coming out with an administration report of where we are on the Delta specifically. So I don't think it's true that we haven't been focused on these issues.

Q Gene, is there a difference between how you approach or how you try and fix this problem in a rural area versus an urban area?

MR. SPERLING: I think that's one of the important things about doing this trip, is that I think there absolutely are, and I think that this is a chance for the President and many of us to hear some of that firsthand. As Maria said, certainly a Native American reservation, you have basic infrastructure needs that you have to -- basic infrastructure and housing needs that one has to deal with. Certainly, issues involving transportation, health care delivery, et cetera, are much different in rural areas than they are in urban areas. So, yes, that's the case.

Just the sense that we have the Secretary of HUD administering the urban empowerment zones, the Secretary of Agriculture administering the rural empowerment zones. I think there is significant difference and I think, hopefully -- we are working on paper now -- but we will do our best to try to talk about in what we give out the different nature of the poverty and some of the problems in some of the different areas. And that certainly is the point of doing the trip to different places.

Q How many are you talking about --

MR. SPERLING: I don't fully know. Some of the people are meeting us at different places. In California, we will be focusing on corporate investments in education and labor markets. So one of the focuses there will be several CEOs, companies who have committed to hiring disadvantaged youth out of the labor -- Labor's Disadvantaged Youth Program. And then there's, later initiative the day, Sandy Weil, the CEO from Lucent and

others will be talking about their efforts that they've done to build within schools within schools, academies, mentoring and internships.

I will say that I have learned that this is probably the most popular vacation week for corporate CEOs of the year. But, despite that, some of them -- and a very high percentage of the CEOs who are coming are actually interrupting their vacations. (Laughter.) We will still have good attendance.

Q Thank you.

END

1:25 P.M. EDT

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