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efficient home who introduced the President; Bob Vila, host of the television program "The Renovation Guide"; Jeffrey Lee, president, and Jay Stark, director of development, Lee Group; and actor Ed Begley, Jr.

Interview With Al Hunt for CNBC and the Wall Street Journal
May 4, 1998

National Economy

Mr. Hunt. Mr. President, thank you for being with us. Let's talk about the American economy for a moment, which is really the envy of the world today. Federal Reserve Chairman Alan Greenspan says that it's the best economy in modern memory. But in your view, are there one or two developments that could jeopardize these good times?

The President. Well, I think the thing that I'm most concerned about today is the necessity of having growth in every major region of the world to sustain our own. I mean, we're now in a position where about a third of our growth is due to exports, where a significant percentage of them go to Asia. And our own analyses are that the Asian financial crisis, within its present parameters, won't have a terribly destructive impact on the American economy now. But if we had slow growth everywhere at once, it would—which is why I think it's rather important that we support the IMF and have a really disciplined effort to try to help move the Asian countries through this financial period and get them back to growth again.

And I feel the same way about what I'm trying to do in Africa as well. I just think that we have to understand that our welfare is more inextricably tied with others than ever before. So that's one of the things that I'm quite concerned about.

Japanese Economy

Mr. Hunt. In that context, the greatest threat in Asia, most experts think, is Japan. You and Secretary Rubin have encouraged, have cajoled, have pressured the Japanese to try to stimulate their economy, where it always seems to be too little, too late. What are the consequences if that persists, both in Asia and for the United States?

The President. Well, let me say, this last stimulus package, if it's real—that is, if it's real money and it's implemented rapidly and vigorously, I think it will be a plus——

Mr. Hunt. You think it's sufficient——

The President. Well, I think—let me finish, if I might. I think that it might be enough on its own terms if, in addition to that, they have other reforms in the economy, you know, to open the economy to subject it to more genuine competition and open markets. Then I think, between the two of those things, you would really get growth going again. I think at least there is a chance that it is.

One of the problems that the Japanese have in their political system is that, because the pressures against doing these kinds of things are so enormous, very often they can be proposed and then their impact can be watered down or delayed in ways that make it difficult to implement. But if they actually do what the Prime Minister has proposed, and they do it quickly, and they follow it up with other reforms with banking and competitive market reforms, then I think that there is a chance we can see some real movement in Japan. And, of course, that would lead the whole region out.

And Prime Minister Hashimoto has got an enormously difficult challenge now, but he's a very able man; he's a strong man; and he's trying to, I think, really come to grips with this. And I'm hoping that he'll be able to.

Mr. Hunt. You're going to China for almost a week this summer. Is there any chance you'd stop over in Tokyo to talk to the Japanese about this economic situation?

The President. Well, I hope to see Prime Minister Hashimoto for an extended period in Birmingham, in England, at the G–8 meeting before I go to China. I would not like to wait that long. I'd like to have the chance to really sit down and visit with him and see what, if anything else, we can do to help before then. So I'm looking forward to blocking out some

good time on my schedule when we're together for the G–8 meeting.

Mr. Hunt. And no reason then to go to Tokyo on your trip to China?

The President. Well, my instinct is to treat this as I would another—any other state visit, just to go and come. But I have been to Japan a couple of times, and I expect to go back again before I leave office. But I think what we need to do is to deal with this financial challenge they face as old friends and allies, in a very straightforward way. I don't think that the symbolism of a visit is nearly as important as the reality of a partnership, and I'm going to do my best to be a good partner to them.

G–8 Summit in Birmingham, England

Mr. Hunt. You mentioned the meeting coming up in Birmingham, England. What do you expect to come out of that other than a call for more financial disclosure from other nations and the IMF? Is there any more substantive——

The President. Well, I hope so, because I think that we really—I hope we'll do a G–8 version of what we were doing at the Summit of the Americas in Santiago. I thought what we—I hope we'll be talking about how globalization can work to the benefit of all the peoples in our countries, and then how it can only work if we're benefiting other nations as well.

Now, let me just give you an example. Great Britain now has a low unemployment rate, and the Dutch unemployment rate is down, but a number of the other European unemployment rates are still high, even though they're enjoying growth. The Canadians have had strong growth for the last couple of years. Their unemployment rate is only now beginning to yield to it. So there is a lot of interest among the G–8 about how they can generate more jobs without increasing inequality and without undermining growth.

So I expect we'll be talking about things like the earned-income tax credit in the United States as a device for reducing inequality but still increasing employment. I know we'll spend a lot of time on the training of the work force and wealthy countries' significant obligation to upgrade the skills of their own people because of the change in the globalization of the economy. So I think we'll have a lot of things that really affect people on the street in America and in these other countries.

European Economic and Monetary Union

Mr. Hunt. Let me ask you a question about the European Monetary Union with, I guess, 11 countries coming together. There has been a lot of celebration of that; your administration has been very supportive. And yet, isn't there a concern that when you have countries with such incredibly diverse cultural and social and economic and political systems, that rather than lead to more unity, it could produce more unrest, more disunity?

The President. It could if people feel that it's been sort of imposed on them. But I believe that the general tendency toward political and economic union in Europe is a positive one. The United States has supported it; I have personally supported it strongly. So I think that's positive. I think the efforts made by many European countries to get their fiscal house in order, get their deficits down so they can qualify for membership, has been truly impressive.

And the European States themselves will have to decide how they want to unify politically and economically, but if they choose to do this European Monetary Union, I want to be supportive. But I think that in order to make it work, they'll have to do other things as well. They'll have to find a way, first of all, within their countries to preserve a sense of sovereignty and integrity in these other countries while they're unifying the currency. And then, in dealing with the United States and others, they will have to find a way to continue to make sure that they're sending us the right signal that they're opening their economy—they're unifying, but they're not closing others out, they're opening. And we are in negotiations and discussions with them now about how we might do that. So, on balance, I'm positive about this.

National Economy

Mr. Hunt. Let's return to the domestic economy for a second. We've now had six quarters where the economy has grown more rapidly than even your most optimistic of advisers, the latest just being in the last few day. But given the inevitable business cycle, do you think it's time to at least start to consider tapping on the brakes so you don't have to slam them on later?

The President. Well, I think the only reason to tap on the brakes with high growth and low inflation is if you think it will actually prolong the period of growth. And there is a lot of debate out there in the world today about the nature of our growth and what would stop it and what would keep it going. So I think that the judgment ought to be what are the mix of policies we can adopt that are most likely to keep this period of economic growth going for the longest period of time.

I don't believe we've repealed the business cycle, but I think perhaps we've fundamentally altered it. That is, if you look at the impact of the technological revolution working through the economy, which is, I think, giving us higher productivity levels than we can measure accurately; I think if you look at the globalization of commerce and America having still a relatively open economy, which keeps inflation down by having everything subject to more competition; if you look at the benefits we're reaping now from the painful adjustments that were made in the 1980's by the business community—all these things happening now—I think there is a chance that we now know it's more possible than it used to be for a government to have a prolonged period of growth if it's properly managed.

Do I think that there is no business cycle and that the laws of supply and demand in the global context never come back to shorten the leash on a country? No. I think it's still out there. But I think we can continue to prolong this if we do the right things.

Mr. Hunt. Just to follow up for a moment, your predecessors were always—several were quite critical of Chairman Greenspan whenever he put brakes on. Your administration, particularly Secretary Rubin, have had very good ties with Chairman Greenspan. Do I take it from that answer that, whereas you're not encouraging him to tap on the brakes, that you wouldn't be critical if he did?

The President. Well, we've tried to work together while respecting our independence. And I have believed always that if I provided America with a responsible budget that was moving toward balance so that in the short term we were behaving in a responsible way and that had the long-term investments necessary to triumph in the kind of economy we live in, that that would permit him to do his job with the lowest possible interest rates. That is, I thought he would be able to leave interest rates than he otherwise would feel he could. I think on balance that's what's happened.

I know that he couldn't possibly agree with every decision I've made in the last 5½ years, and he put the brakes on pretty tight in 1994, trying to keep this thing going. And we had a big—we had a pretty good slowdown, but then we were able to keep it going, keep the expansion going. And so it's continued right the way through until here we are, almost to the middle of '98. And I believe that he'll do what he thinks is right for the long-term interests of the American economy.

Mr. Hunt. You were asked the other day at your news conference about the stock market continuing to go up, and you were an optimist. If you were private citizen Clinton today, would you invest in the market?

The President. Yes, but I would also recognize that it goes down and it goes up and it goes down and it goes up. And what the American people need to know is that if you can hold your investments long enough, over any given 15- or 20-year period, the stock market has always outperformed private—I mean Government bonds in earnings.

The insecurity is if you enter, particularly if you enter at a fairly high point now, and you happen to get one of those downward bumps and you have to liquidate your investment; then you could lose. But if you look at the stock market—the stock market has always tracked the fundamentals in the end. And I just feel that if I can work with the American people and keep the fundamentals good, keep productivity up and investment for the long run up, keep the unemployment rate down, keep the inflation rate down—if we keep the fundamentals in good shape, then the stock market, over time, will track that.

And I know that there are a lot of people who are worried because it's gone quite high lately, but the market—they correct themselves; they always do, one way or the other. I just think over the long run, what—if you're President, you can't be thinking about next month in the market; you have to be thinking about what's the long-run economic scenario. And then you just have to trust the market to follow the market realities in the American economy over time. I think that's hat will happen.

Mr. Hunt. In this booming economy, some critics have worried that it's been too uneven.

I'll give you one example: The pay of CEO's of the largest companies last year rose 35 percent, rose 54 percent the year before. That's 13 times greater than the pay of average workers. And I think the figure now is that the average boss earns 326 times what the average worker earns. Is that, A, acceptable; and, B, should Government do anything about it?

The President. Well, I think that in and of itself, it's probably a phenomenon of companies bidding for management talent at a time when management talent is important in how these companies do in the market. So in that sense, it may not be any different than asking whether it's acceptable that professional athletes earn as much money as they do.

I think the real question is, are working people earning a fair share of their company's prosperity and their country's prosperity? And are we, in the aggregate, decreasing the level of income inequality that developed over the last 20 years—because we had a very, as you know, very sharp increase in inequality among various classes of working people, with folks on the bottom getting the short end of the stick. Government policies I think had something to do with it, but I think the larger thing was that we were changing the dominant economic factors of this age. And now the dominant economic factors relate to people's level of education and skills, so that there became—there's a huge education premium now in the work force, and people that don't have it, particularly younger workers, tend to get punished very harshly by the low incomes they earn.

So to me, what I've tried to do is to reduce income inequality, not necessarily by reducing upper income people's incomes, except to ask them to pay their fair—what I believe is a fair share of the country's tax burden, but instead by lowering the incomes of the lower 40 percent of the people and trying to create more high-wage jobs by tying more of them to trade, because we know trade-related jobs and technology-related jobs pay 17 to 20 percent more than average wages. And the evidence is that in the last couple of years, we have slowly, finally, begun to reduce income inequality, particularly when you take into account the impacts of the earned-income tax credit, which is worth about $1,000 a year to a working family of four with an income under $30,000.

Projected Federal Budget Surplus

Mr. Hunt. Another of the benefits of the booming economy, of course, has been we have something that people thought unimaginable a few years ago, a budget surplus. The latest CBO estimate I think, was——

The President. Well, we hope we do. We think we will.

Mr. Hunt. But with April receipts coming in, I gather, much stronger than anybody anticipated, I've now heard some people suggest you could have a budget surplus of as much as $50 billion this year. Is that right? Is that reasonable?

The President. Could be.

Mr. Hunt. Could be that high? Now, you have said that you're going to veto—that Social Security comes first with any budget surplus—if they try and enact a big tax cut before they do that, that you would veto it. But there's also a big-spending, highway pork bill coming down the pike right now. As things stand now, would you also veto that?

The President. If it got into the surplus. I met with Senator Lott and Senator Daschle yesterday, and we discussed this. And it's very interesting—historically, always, highways have been the one thing that Congress, whether Republican or Democrat, they always want to spend more on than the President. And part of it is the President's desire to maintain some control over the budget; at least, for me that's been the case.

Now, I like the—I believe we need to invest money in infrastructure, in highways and mass transit and bridge repair. I think it's good for the economy in terms of the jobs it creates, but it's even better for the economy in terms of giving people safer roads to travel on and less wear and tear on their cars, less accidents—fewer accidents—the whole thing. I'm all for this. And we need more mass transit because, among other things, it's an important part of the welfare reform component. If we're requiring people who are poor and on welfare to go take jobs and they have to travel, they've got to have some way to get there. So I'm for a hefty increase in investment in infrastructure.

But I think that these bills that have been passed—the thing that bothers me is, I can't

see, based on what I understand to be the options, how either one of these bills can be funded without either getting into the surplus or cutting our investment in education, medical research, the environment, and other critical areas. So we're just going to have to try to find a way to fit all these things in, in a manner that doesn't spend the surplus.

Social Security

Mr. Hunt. Let me ask you just a couple more quick questions. On Social Security, you've said very clearly you don't want to have a specific proposal now. But some of your Democratic colleagues—Senator Moynihan and Kerrey, are talking about private accounts alongside traditional Social Security. No matter the specific details, is that a good idea to consider?

The President. Absolutely, it should be considered. But what I want to say—I'd like to make two points—first is, the reason that I think it would be a bad thing for me to have a specific proposal now is I think it would shut down debate rather than increase it. And then everything would be, are you for or against this proposal? Right now, we've still—the American people, I think, on this issue—the good news is that everybody knows something fairly substantial is going to have to be done to make this system survive into the 21st century when all the baby boomers retire. That's good.

Secondly, I think the younger people are, the more likely they are to be open to all kinds of new ideas, and that's good. But I think that what has not been accomplished yet in the public education process that we're now undertaking this year is for people to understand the tradeoffs involved in making a set of choices.

That is, I could call you on the telephone and I could say, "I am a reporter for the Clinton polling agency, and I'm going to ask you these 10 questions, and do you like these ideas?" And you might like them all. But if I said, "You can only have four of them," and then you have to rank them in rank order of priority, that's a much more sophisticated judgment. That's what I'm trying to get done now.

On the individual accounts, I think it's absolutely an idea that deserves a lot of consideration. There is some debate, as you know, in Congress about trying to dedicate the surplus to individual accounts now just starting. The problem I have with that proposal is that it doesn't deal with the underlying Social Security program. What are you going to do—I think we still need some baseline Social Security in the 21st century that's a baseline protection for people that may not have a lot of money in the market or may lose some in the market or don't have a chance to accumulate a lot of wealth, and we've got to know how we're going to fix that. And then, the people—admittedly, that's what Senators Moynihan and Kerrey tried to do. They tried to guarantee a baseline Social Security benefit and, over and above that, have an individual account. And that's one of the things that I think ought to be fully explored here.

Corporate Mergers

Mr. Hunt. We only have a few more minutes, but as long as we're talking about whether things are good or bad, there have been a rash of big mergers lately, particularly in the financial service banks. Do you think, generally, without commenting on any one, but as a general proposition, is that good or bad for consumers and the economy?

The President. I don't know yet. I think, to some extent, they were inevitable because of both the nationalization of finance, bank finance, across our whole country and the globalization of commerce which puts a premium on bigness, partly so you can afford to get into new market areas, partly so you can afford to handle bad years; you have more money.

So I think some of this is inevitable. I think that the test which ought to be applied—and I honestly have not had time to get a detailed analysis of it—but the test of all these mergers ought to be this: Does it allow them to become more globally competitive in ways that don't unfairly raise prices or cut the quality of service to consumers in America? Or does it superficially allow them to become more globally competitive but, in effect, undermine their competitive position because they're not attractive to their customers anymore because of what happens to prices or service?

And I think that's the test we ought to apply, that's the test Government agencies ought to apply, in terms of any lawfulness—you know they're looking at that. But I think it's too soon to say yet. On balance, I think it was inevitable; I think these things were coming. And we have to do what we can to make sure that they're good for the consumers of the country.

Tobacco Legislation

Mr. Hunt. Next to the last question, on tobacco: Would you be willing to give up some of the initiatives that you have proposed as part of the tobacco deal in order to get legislation that limits any revenue strictly to tobacco and health related areas?

The President. Well, let me say, first of all, most of the initiatives that I proposed to fund—in education, for example—were not coming out of tobacco revenues, except those that were being collected to be sent back to the States.

Now, I wanted to say that those should be spent for the benefit of children, in smaller class sizes in the earlier grades and in child care, and not children's health, for the simple reason that in the Balanced Budget Act we had the biggest increase in children's health in 35 years.

If Congress wanted to give the States some more flexibility in spending that money, we could argue about that, but that wouldn't be a deal breaker for me. We can also have a debate about that in the election, whether I was right or they were right and what we should do with the priorities in the future.

My sole concern, in terms of what bill I would sign or not, is the question of whether it will substantially reduce teenage smoking and thereby lift the health fortunes of all these children that are otherwise going to be imperiled.

Mr. Hunt. Do you think the McCain bill does that? Is that correct?

The President. I do. I do. There are a couple things that if I were writing the McCain bill I'd change, and maybe we can even get a few changes in it. And I'm sure there are people on the other side who would like to change a couple things about it. But I think that the McCain bill is—I think Senator McCain and the Democrats and Republicans who worked with him—keep in mind, 19 people voted for that bill—made an honest effort to, first of all, protect our children from the dangers of tobacco; secondly, raise enough money that we can invest it in an advertising campaign and medical research and to do the things that ought to be done from a health point of view; took decent care of the tobacco farmers, gave them an opportunity to buy their way out of what they are doing now in ways that seem to find favor among the farmers; and basically did the kinds of things that ought to be done. It's certainly a good vehicle through which we can work to try to get a bill out of the Senate and then hopefully get one out of the House.

Independent Counsel's Investigation and Consumer Confidence

Mr. Hunt. Last question. One of the reasons the economy has done so well is unsurpassed consumer confidence. Consumers really feel good about how things are going in general. If you and Independent Counsel Kenneth Starr become embroiled in a huge, high-stakes battle over impeachment charges and countercharges, could that threaten or jeopardize consumer confidence in general?

The President. Oh, I don't think so, because, for one thing, I've done my best to demonstrate to the American people that I'm letting all this business from Mr. Starr be handled by my lawyers and others speaking on my behalf, that when I have to answer questions about it, I do, but that I'm working on their business. And I'm very optimistic about it. So I don't think that anything that can conceivably happen is likely to impact on consumer confidence, unless somebody tries to do something completely irresponsible and insupportable. By the facts at hand, we're going to be fine on that.

Mr. Hunt. Or impact upon your stewardship of——

The President. No. No. I think that early on in this process I was somewhat bewildered by it, and it was distracting. And finally, I decided what I owed the American people was not to be distracted, and so I'm doing pretty well now, and I intend to keep right on doing it.

Mr. Hunt. Mr. President, thank you very much.

The President. Thank you.

NOTE: The interview began at 3:24 p.m. in the Roosevelt Room at the White House on April 30, but the transcript was embargoed for release until 6 p.m. on May 4. In his remarks, the President referred to Prime Minister Ryutaro Hashimoto of Japan and Independent Counsel Kenneth Starr. A tape was not available for verification of the content of this interview.