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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 benefited 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 6½ 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 statistic. 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 nonretail, small business services you could have. It's amazing.

### *Status of New Markets Legislation*

***Mr. Dunham.*** 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.

***Mr. Durham.*** 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.

### *National Economy*

***Mr. Dunham.*** 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, were you could have growth more than 2 percent, where it could be 3.5 percent, or more, per year?

***The President.*** Without inflation?

***Mr. Dunham.*** Without inflation.

***The President.*** Oh sure, well, that's what we've had for the last 6 years.

***Mr. Dunham.*** 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.

***Mr. Dunham.*** Right.

***The President.*** But I do think that the world is in a different place now. I think we 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.

### *Federal Budget Surplus*

***Mr. Dunham.*** 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 on 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.

***Mr. Dunham.*** 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 6 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.

### *Federal Reserve Board Chairman*

***Mr. Dunham.*** 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.

***Mr. Dunham.*** Do you think he might for 5 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.

***Mr. Dunham.*** Well, thank you very much.

***The President.*** Thank you.

NOTE: The interview began at 4:25 p.m. in the Oval Office at the White House on June 29 but was embargoed for release until 10 p.m. on July 1. In his remarks, the President referred to Sanford I. Weill, chairman and chief executive officer, The Travelers Group, Inc.; Hugh L. McColl, Jr., chairman and chief executive officer, Bank of America; Richard L. Huber, chairman and chief executive officer, Aetna, Inc.; civil rights leader Jesse Jackson; Al From, president, Democratic Leadership Council; Richard Grasso, chairman and chief executive officer, New York Stock Exchange; former Gov. Charles (Buddy) Roemer of Louisiana; and former Gov. Ray Mabus of Mississippi. A tape was not available for verification of the content of this interview.

## Interview With Susan Page of USA Today Aboard Air Force One

*June 30, 1999*

### *President's Medicare Modernization Plan*

***Ms. Page.*** 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 Fourth 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.

***Ms. Page.*** 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.

***Ms. Page.*** 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 5 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——

***Ms. Page.*** 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.

***Ms. Page.*** 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 overused. 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.

### *President's Agenda and 2000 Election*

***Ms. Page.*** 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 2 years, 6 years, or 4 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 downpayment 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.

### *President's Medicare Modernization Plan*

***Ms. Page.*** 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.

### *New Markets Initiative*

***Ms. Page.*** 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 5 years ago, 6 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 discrete 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 discrete 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 1980's, we found out for sure that free enterprise alone would not develop these areas into the 1990's. In the 1960's, 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