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SOUTHERN REGIONAL ECONOMIC CONFERENCE
SESSION ONE: REVIEW OF THE REGIONAL ECONOMY

Emory University
Atlanta, Georgia

8:45 A.M. EST

THE PRESIDENT: Thank you very much. Thank you, Secretary Brown, for that introduction, and thank you for the magnificent job you have done as Secretary of Commerce, promoting the interest of American businesses and American workers throughout the United States and all across the world. As far as I know, there is no precedent for the efforts that you have made, or the results you have achieved.

President Chace, thank you for your remarks this mornings, and thank you for hosting us. Governor Miller, as always, thank you for bringing us back to Atlanta and to Georgia. Thank you for giving me such a nice place to sleep last night.

You heard Secretary Brown talk about this economic conference in the context of the one we did two years ago in Little Rock. Let me say that conference, I believe, was very successful and did play a major role in helping us to finalize the economic strategy that we have pursued for the last two years.

We wanted to come back now to the country and do some regional economic conferences for some reasons I will explain in a moment. We thought we should begin in the South, and we should begin here in Atlanta. This city and this university are remarkable examples of where we ought to be going as a people. This is a place of opportunity and responsibility where people are working together. And I can say, I think, for all Americans we can hardly wait for another 479 days to pass so the Olympics will begin here.

As the Industrial Age gives way to the Information Age, and all of our economies are linked as never before, the South has really done a remarkable job of tapping in to all the opportunities that are presented. Atlanta has become a magnet for worldwide corporate headquarters. Miami has become a financial center for all of the Caribbean and Latin America. South Carolina and Tennessee have become new homes for manufacturing operations from all around the world.

Charlotte has become a new national home for banking. And, obviously, three letters -- CNN -- prove that this part of our country is the center of a global information network.

This conference, as I said, is designed to be the first of several regional conferences to follow up on what has happened in the last two years. The remarkable group of people that came to Little Rock in 1992, some of whom are here today and are participating in this second round of conferences, really gave us a lot of ideas to take to Washington that were consistent with the things I had advocated in my campaign, but in some ways went beyond them.

The strategy that we brought to Washington was fairly straightforward. We wanted to reverse the trickle-down economics and reverse the idea that the government had no affirmative responsibility to be a partner in growing the economy, increasing the number of entrepreneurs, expanding the middle class and shrinking the underclass.

We did that with a strategy that was designed to reduce the deficit, expand trade, increase our investment in the education and training of our people in the technologies of the future, to help the areas that were left behind, or that were subject to sweeping changes because of defense downsizing, for example, and to reform the government, to make it cost less and do better.

The results, I think, are clear: We've had $600 billion in deficit reduction. We have already cut or eliminated 300 programs with 400 more on the way for our new budget. The federal government is at its smallest size in a long time. We have already reduced it by 100,000. And for the budget already adopted, over a six-year period it will go down by 272,000, which will make it the smallest it's been since President Kennedy was in office.

Our economic plan changed the tax structure in ways that made it, I think, more fair and more conducive for economic growth, while income taxes were raised on corporations with incomes of over $10 million in 1.5 percent of our people. Working families with modest incomes received a significant tax cut. This year, the average family of four with an income of $25,000 a year or less will pay about $1,000 less in income taxes. That's 6 million families in the southern states alone.

Ninety percent of the small businesses, the engine of economic, growth, were made eligible for tax cuts by increasing the expensing provisions by 70 percent. We created empowerment zones and enterprise communities to give incentives for people to invest in areas that had been left behind. Four of the nine major empowerment zones, which got big tax incentives for private enterprise to invest in them, are located in the southern region, including Atlanta, the Kentucky Highlands, the Mississippi Delta and the Rio Grande Valley of Texas.

Last year, there were twice as many loans to small businesses in the SBA under the then-leadership of Erskine Bowles from North Carolina, and now under the leadership of Phil Lader from South Carolina, there were twice as many loans in the South from the SBA than in any succeeding year ever -- including the year before I took office. That includes over 11,000 businesses in loans worth over $2 billion.

So that strategy was our economic strategy. It went with our strategy to expand trade -- NAFTA, GATT, the Asian Pacific region, the Summit of the Americas in Miami, the National Export Strategy that Secretary Brown has worked so hard on to sell more of our products and services around the world.

We increased investment in education from Head Start to making more college loans available to people. And we certainly began not only to shrink the size of government, but to change the nature of government -- to let states have more say over welfare reform and health care reform; to move toward what we have now done in this year, reducing the unfunded mandates on state and local governments; and to change the nature of regulation under the Vice President's reinventing government effort.

We have, for example, just announced that small businesses will be allowed when they're first fined, not to pay the fine, but instead to put the fine into correcting whatever the problem is with a government agency; that government agencies will be given the authority not even to impose a fine in the first instance, to waive it, on small businesses. The Environmental Protection Agency is reducing the paperwork burden by 25 percent. It will save 20 million hours of work for American citizens in the private sector this year.

So these are the things that we have worked so hard to do. What have been the results? Well, you heard them already, but I'd like to say again. We've had over 6 million new jobs in this economy. And 1993 was the best year in American history for small businesses and start-ups. The combined rate of unemployment and inflation is at a 25-year low. We have the African American unemployment rate in the United States below 10 percent for the first time in 20 years. Unemployment in the South has dropped even more than in the country as a whole. The South has 30 percent of the population, but has generated 40 percent of the new jobs that have come into this economy in the last two years.

Now, that is the good news. Why are we having this economic conference? Because the news is not all good, and because we are under a great responsibility to try to keep this economic recovery going of high growth and low inflation.

Let me talk first about the news that's not all good. You may wonder with these numbers, which are better than we've had in decades, why poll and after poll after poll says that people think the country is not going in the right direction. One reason is that over half the American people, in spite of this recovery, are working longer work weeks for the same or lower wages than they were making 15 years ago. This is a new phenomenon in the global economy -- that wages are stagnant.

The other thing is that nearly everybody knows someone who's been part of a restructuring, a downsizing, some market change in a larger economic unit, which means that even when times are good, people think things are changing so fast that their level of security, their sense of stability, of rootedness, of reward for work is more fragile than it has been in the past.

It’s funny, you know, this economic strategy that I’ve tried to pursue basically grew out of my experience as a southern governor, when the real southern strategy of the ‘70s and ‘80s in the south was better education, more jobs, and a closer partnership between the public and private sectors, and between people of all races and backgrounds. That’s the strategy, the real southern strategy that lifted the South from the ‘60s forward. And it’s ironic that in the country now with this problem of wage stagnation and the splitting apart of the middle class, the challenge we have, in a funny way, is a lot like the challenge that I faced when I first became a governor.

You know, most of us who were born in the South remember when nearly everybody was poor. Zell Miller gave that magnificent speech at the Democratic Convention about living in the house his mother built herself. When I was born in Arkansas, the per capita income of my state was 56 percent of the national average. And most of us who are natives to this region thought that a major part of our life’s mission would be getting the American Dream to all the people who lived in our region, without regard to their race or condition of birth.

Now, the challenge for America is whether or not, even in the midst of all of our economic triumphs, and when we are the world’s only military superpower, we can preserve the American Dream for all of our people. Can we avoid this wage stagnation? Can we avoid this increasing inequality in the United States that is gripping every advanced economy in the world as we become more globalized, as we become more dependent on technologies, as things change faster and education determines income more than ever before? That is the great challenge.

And that’s why we are working now in Washington to continue what we’ve been doing for the last two years, but also to focus on things like the Middle Class Bill of Rights, the education tax deduction, more training for workers who are unemployed or underemployed, raising the minimum wage, working on welfare reform -- things we think will raise incomes and bring people together again.

So let me close with this. I hope that all of you think that this will be a day well spent. From my point of view, I think we should be focused intensely on three questions. One is: Even though all 50 states are growing now -- it’s the first time in a long time that’s happened -- what are the differences in the economies of the various states in this region, in this region, and the rest of the country? Are there specific things that ought to be done in the southern region or within the southern states that are different from what we might be doing as a whole? -- Question one. Question two: What is the proper role of the national government in working with you to build this economy and to make it better?

That’s the great debate in Washington we’re having today. It used to be the prevailing theory was there was a big-government solution for every big problem. Now, the prevailing theory is the government would mess up a one-car parade and if it didn’t exist, America wouldn’t have any problems. Both theories are wrong, and are contradicted by all experience everywhere in the world. Not Japan, not Germany, or any country ever became a great industrial power without trying to develop the capacities of the people and having a coordinated economic strategy, and having a framework within which markets could succeed.

So, what should we be doing? What should we be doing? What have we done that's right? What have we done that's wrong? What should we stop doing? What should we start doing? That's the second question.

The third great question is the one that I mentioned earlier, and it's the national question. And it is at the core of what we will have to be concerned about, I predict to you, for decades: How do you preserve the American idea that if you work hard and play by the rules, you can do better; that we will always be able to grow the middle class and shrink the underclass and spark an unprecedented number of entrepreneurs? How do you preserve that American idea in the global economy? That is the great challenge of this era.

When this day is over, if we honestly address those three questions -- are there still differences in the South or within the South that we need to be sensitive to; what's the role of the federal government; what can we do to raise incomes and increase stability for people who are working hard and playing by the rules -- then I think you will believe your day was well spent.

In 1986, I was the Chairman of the Southern Growth Policies Board, and I asked the former Governor of Mississippi, Bill Winter, to be the chairman of our project on the future of the South. Every six years, there's a report on the future of the South. The Secretary of Education Dick Riley issued one in 1980. We've been at this a long time.

We called our report in 1986 "Halfway Home And A Long Way To Go," which captured the fact that the South was moving rapidly to the rest of the country, but wasn't there yet. Now, we're in one of the two southern states that has a per capita income above the national average. We know the South is growing more rapidly than the rest of the country and moving quickly. But there are still differences, and there are profound challenges facing the United States.

So I would say to you, we're more than halfway home. The southern strategy has found its finest expression, perhaps, here in Georgia and with the administration of this governor. I noticed -- one thing I have to brag on him for -- these HOPE Scholarships so that any young person in Georgia who has a certain grade-point average gets a full tuition scholarship for four years to any institution in the state, public institution in the state -- anybody. That's the kind of strategy and the kind of programs that we ought to be supporting everywhere in the United States.

So we've done very well, but these three great questions still have to be asked and answered. We're going to ask these questions all across the country, but I think we did the right thing to start here.

Let me close with this. In two weeks, on April 12th, we will honor the 50th anniversary of President Roosevelt's death in Warm Springs, Georgia, about 60 miles from here. On the day he died, Roosevelt was drafting a speech for Thomas Jefferson's birthday, a speech he obviously never got to deliver. The last words written in his own hands were these: "The only limit to our realization of tomorrow will be our doubts of today. Let us move forward with strong and active purpose."

One final Problem we have are the doubts the American people have about today. If you look at what has been achieved in this state, in this region in the last 10 years, there is a lot more room for hope than for doubt.

Thank you very much. (Applause.)

Now, to provide an economic overview, I would like to call on the Secretary of the Treasury Bob Rubin. As most of you know, he was, until he became the Secretary of the Treasury, succeeding Lloyd Bentsen, he was the President's National Economic Adviser and the head of the National Economic Council, a position now occupied by Laura Tyson, who was the Chairman of the Council of Economic Advisors.

One of the important things we did in our economic strategy, which has received virtually no attention, but which I predict historians will credit for a long time to come, was to establish a National Economic Council like the National Security Council -- that met on a regular basis, included all the various actors in the federal government, and forced us to coordinate our economic policy in ways that had never been done before. It is obvious that a big part of our national security in a global economy depends upon our national economic strength.

I am convinced that that institution now will endure through future presidencies of both parties and unforeseen developments. And I think one of the reasons it will endure is because Bob Rubin is the first person to head the Economic Council, did such a good job in bringing people together and making it work. So I'd like to call on Secretary Rubin for a brief overview of the economy as we see it today.

Mr. Secretary.

SECRETARY RUBIN: Thank you, Mr. President.

I was asked to frame this conference, but I should have known that was a superfluous assignment. I think the President framed it as well as anybody possibly could have. So let me do this. I will add a little bit to comments that he made and try to fill out a little bit where it seems like filling out would be useful.

The absolutely key when thinking about this President and this administration with respect to economic policy is that from the very beginning, this President and this administration have had a consistent economic policy that the President just referred to as a coordinated economic strategy, grounded in his years of thinking about these issues. And that strategy continues to guide us as we go forward.

The objectives have been to create and then sustain the current economic recovery; to prepare our economy for the long term, as the President said, for the new global economy with all of its problems and issues; and to increase the incomes of working Americans.

That means deficit reduction, public investment in education, training, the other areas so critical to future productivity -- technology, opening markets, environmental reform, reforming government regulations, health care and welfare reform -- and, finally, dealing with the complicated problems posed by the global economy.

During the 26 years I spent on Wall Street, I saw a lot of economic programs come and go, almost all based on unrealistic assumptions and unrealistic numbers. From the very beginning, this President has insisted on real, solid, conservative numbers. And I well remember his saying at the first meeting the economic team had at the Governor's Mansion in Little Rock that he was happy to debate policy all day long, but he never wanted everybody to question his numbers. And so it has been.

At this point, I think it is worth pausing a moment to look what's happened to the economy since President Clinton took office. I think we sometimes forget how stark the difference is between the last two years and the four years preceding. Growth has averaged roughly 3.5 percent per year for the last two years, versus 1.4 percent for the prior four years. Inflation has averaged slightly under 3 percent, which is something over 4 percent for the prior four years.

As the President said, 6 million new jobs have been created, almost entirely in the private sector, and two years, versus 4.2 million jobs created in the prior four years, mostly in the public sector. Unemployment has fallen from 7.1 percent to 5.4 percent. The deficit, as a share of the total economy, has fallen from 4.9 percent, as projected based on the last numbers issued by the last administration, to 2.7 percent in 1995, and under the President's budget, projected to be 2.1 percent in the year 2000 and 1.6 percent of GDP in the year 2005. There's a chart there someplace -- there it is.

If you look at the aggregate deficit of all levels of government -- and I think this is an exceedingly interesting number -- at the aggregate deficit of all levels of government, state, local and federal, our deficit is at 2 percent of the total economy of GDP, tied with Japan for the lowest amongst the major industrialized nations.

Another way to look at this is that without the interest the federal government pays on the national debt -- and that national debt, as you know, was incurred primarily during the 1980s and early 1990s -- the federal budget would now be running small surplus. Private investment is at an historic high as a percentage of the total economy. And, as the President said, government is being reduced under the program the Vice President is managing -- the Reinventing Government Program -- to bring the number of civilian employees down to the lowest level since the days that John F. Kennedy was President.

This is truly a remarkable change in economic conditions, compared to when this President took office just a little over two years ago. But while a great deal has been accomplished, a great deal remains to be done. An area of special concern is our country's increased income inequality, affecting middle and lower income Americans.

We have two charts, and I think they show that point quite graphically. In the 1950s, the 1960s and most of the '70s, every segment of our society, from the poor to the rich, saw their incomes rise in roughly the same proportions as the economy grew.

But for the past 14 years, the exact opposite has occurred. Over that time, the bottom 60 percent of families have seen their inflation adjusted incomes fall, not rise. The only Americans seeing their incomes rise have been the top 40 percent.

In our view, this is critically important for three reasons. First, our society is based on the fundamental view that the economy should work for all of the people, not just a small, or relatively small upper tier.

Second, ever-increasing income inequality is a real threat to our social fabric. And, third, public support for the times of forward-looking economic strategies that the President talked about to deal with the changing global economy, require broad-based participation in the benefits of those policies.

The President's 1996 Budget continues the powerful deficit reduction program begun with the 1993 plan, by providing $81 billion of additional deficit reduction. But that powerful deficit reduction program is combined with middle class tax cuts and public investment designed to better enable lower- and middle-income Americans to benefit fully from the growth of our economy.

More specifically, the President's 1996 budget proposes a Middle Class Bill of Rights with four elements, including three middle class tax cuts that improve middle-income standards of living by reducing taxes and, very importantly, by providing the incentive for people to invest in themselves, and so to improve their own and the nation's future productivity.

These three tax cuts are a child tax credit to enable families to invest in their young children, a post- secondary school education deduction to better enable Americans to invest in education and training, and increased flexibility and availability of individual and retirement accounts to increase incentives for saving and increase the nation's saving rate.

The fourth element is a consolidation of 70 training programs into a skills voucher program as part of the President's public investment program.

Let me add one comment on public investment, if I may. I think it is exceedingly important when you look at public investment, Head Start, summer jobs, the new skills program, education, that while these in one sense are social programs, if you put social considerations aside -- and this is the way I look at them -- from a purely hardheaded business point of view, these are economic programs that are investments in areas that are absolutely critical to the future productivity and competitiveness of our economy in the global economy. That is why the efforts to reduce these programs are so shortsighted, from a purely economic, hardheaded business-like point of view.

It should be obvious from this brief discussion that in our complex economy there are no simple bumper-sticker answers, but instead, complicated judgments as to tradeoffs amongst competing policies. The President and this administration have spent an enormous amount of time thinking through and making these difficult judgments -- all in the context of thinking about the new and difficult issues presented by the global economy.

This conference, as the President said, gives us all, all of us in the administration, the opportunity to see how you react to the same issues and the same tradeoffs that we have pondered at such length.

The President firmly believes that good policy requires discussing ideas, testing your thoughts, and good listening. That was the underlying rationale for the economic conference in Little Rock in December 1992, and that is the reason he and we are here today. The best source of information about the problems and opportunities of our economy are the people who are involved in the nation's day-to-day economic activity. This conference also provides, as the President said, the opportunity to consider regional differences, and the impact that those differences should have on national economic policy.

So, for the vast preponderance of the time today, we will be hearing from you. Before our discussion begins, however, I would like to introduce Donald Ratajczak of Georgia State University, an economist who is widely respected not just in the South, but in the rest of the country, to comment on the southern regional economy.

Thank you. (Applause.)