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THE WHITE HOUSE

Office of the Press Secretary

Internal Transcript February 3, 2000

INTERVIEW OF THE PRESIDENT
BY RON INSANA OF THE TODAY SHOW

Roosevelt Room

4:35 P.M. EST

Q Mr. President, good to see you again. Thanks for being with us this morning. Are you surprised by the length and breadth of this economic boom that you've seen now for 107 months, virtually nine years?

THE PRESIDENT: Well, I'm not surprised anymore. When we started, we had seen the economy kind of go up and then fall back, go up and fall back. I think some of the business writers were characterizing it as a triple-dip economy when I took office. And I didn't know how long that would go on. But I did have a feeling that the conventional economic theories, even those that were espoused by some of my economists when I got elected, were wrong, that there was something about the nature of the technological revolution and the nature of the global economy that might make our economy competitive enough to avoid inflation and productive enough to sustain growth longer, if we could get rid of the deficits and this huge overhang of high interest rates which accompanied these massive deficits and debt run-up we had in the 12 years before I took office.

Q Now, the last couple of days, for the first time in a while, actually, you've voiced some concerns about areas of the economy that could prove troublesome over time -- first, the trade deficit and second, the fact that people are borrowing money rather aggressively. Why are you worried now?

THE PRESIDENT: Worried may be too strong a word. I was asked specifically what could bring this long boom to an end and can we keep it going. And let me say, I think the good news ~~is that~~ while I do not believe the laws of supply and demand have been repealed, I do think that the inherent and dramatic capacity of the high-tech portion of our economy, not only to grow itself, but to continue to bring growth and productivity to other sections of our economy, I don't think that's come anywhere near playing out.

So the way previous growth periods have ended is often inflation which then had to be braked, and the cost of braking inflation was to brake the recovery. I don't think we're facing that. We've absorbed quite a big increase in oil prices without appreciable impact in overall inflation. But I think that we have to continue to worry about the aggregate savings rate, and I think the fact that we have such a big trade deficit means that more and more of our debt will be held in overseas hands, and that means it's a little more subject to fluctuations in global and domestic economic conditions.

FURTHER STEPS

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So I think we need to, first, keep on paying down the government debt, because that makes the government contribution to savings much greater, frees up more capital for private investment here in the United States. The second thing I think we need to do is to continue to push to open markets, which is why I think it's so important to get China into the WTO. Our market is open to China, we have a $60-billion trade deficit, their economy is growing, and we need to have access to it.

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The third thing I think we need to do is to continue to look for ways to help more people save. Otherwise, we need to stay with what brought us to the dance here and not stray from our fiscal discipline.

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Q I want to come back to China in just a minute, but you mentioned braking the economy. The Fed, for the fourth time

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on Wednesday, tapped on the brakes, raised interest rates again. I know you have an explicit policy of not commenting on the Fed, but could the Fed's anti-inflation action actually help to extend the boom that we're in right now?

THE PRESIDENT: Of course, it could, if it contributes to increasing confidence and tends to moderate trends so that no element of it gets out of hand. And, of course, that's the judgment call they have to make.

It's worth pointing out that the first three of their rate increases basically reinstated the rate structure that exists for the severe crisis in the Asian economy in 1997. So I think that as I have said many times, Chairman Greenspan has been willing to put aside conventional theories of what the Fed should do if the evidence dictates a different course. And if they keep looking at the evidence and they see that we are proceeding a pace with our strategy to keep paying this debt down, to keep the interest rate structure overall lower and the availability of capital for private investment higher, I think we're going to be okay. We'll just work along and see how it goes.

Q Mr. Greenspan last week expressed some concern that individuals are borrowing money rather aggressively to speculate in the stock market, something we haven't seen for quite a long time. Are you worried about that, and is there anything anybody can do about it if, indeed, it's a problem?

THE PRESIDENT: I don't think so. I don't think there is much we can do about it, and again, we'll just have to see. I think he does a lot when he raises questions and comments in certain ways, and a very significant portion of this debt is for productive investment. And while you might argue that some of it, maybe, is at the margin of predictable return on investment, a lot of it is just good, solid, continuing business investment.

Indeed, one of the central elements of my strategy to keep this thing going is the so-called New Markets strategy where I want to give more tax incentives for people to put more of their investment in underdeveloped areas in the United States. Because I think if you go into these inner-city or rural or Indian reservation areas that have not been part of this prosperity, you're going to create businesses and consumers, employers, employees, taxpayers. You're going to create, in effect, a rounded addition to the economy that won't be contributing to inflation.

So I think we just have to watch it and try to keep these elements in balance. But if we get the big things right, various trends will ebb and flow. We've had the stock market go way up and we've had a significant little drop, and then it would go up again. But the trend line is in the right direction, and I think that in an economy that's overwhelmingly a private economy

-- this is, I think, the highest percentage of private sector jobs we've ever had in a recovery.

What we have to do is to try to get the conditions right, keep the tools out there for the American people to make the most of their circumstances, and then let events take their course. So far, it's working pretty well.

Q You seem to like talking about the markets and finance economics. Do you watch the markets every day? Do you have time to do that?

THE PRESIDENT: What I do is I see where they start and where they finish, but I don't follow it closely, because I think that it is a mistake. Even the bond market; I don't follow it closely. What I try to do, what I've always believed is that my job was to create the conditions and give people the tools to do well, and I always thought the American people would do quite well.

So for me, that's been overwhelmingly get rid of the deficit and pay down the debt, keep the markets open and continue to expand trade, and increase our investment in education, training, science and technology -- just very straightforward strategy -- and just stay with it, year-in and year-out, and always look for new opportunities to go into areas that have been left behind, to help people that have been left behind.

Then, there will be variations. You know, there will be good days, bad days, good weeks, bad weeks, but the trend line is the important thing, the direction of the country is the important thing.

Q Last Friday, I asked Vice President Gore what he would do if on his watch, there was a financial market crisis in the United States rather than overseas. He demurred, and he said he didn't want to take the hypothetical. What would you do if, in the remaining months of your term, it took place?

THE PRESIDENT: First of all, the Vice President made a good decision. (Laughter.) But I think -- and that ought to be -- that's evidence that he would make good decisions as President -- see, that was good decision.

First, I think we have to redefine what a crisis would be. We had -- I remember even several years ago when the market was much lower and it fell 500 points in a day, I remember on that day Sam Walton sitting with me, and he was still living then, and he lost more than anybody in the market on that day, and he was totally unperturbed, because he said the underlying health of his operation was strong. And the next morning, he got up and started visiting his stores again.

This year, or last year when we had a substantial drop on a couple of occasions, it caused not a ripple; the market righted itself, judgments were made about individual stocks and the trend lines and we resumed. So I think our definition of crisis is perhaps somewhat different than it used to be, and all I can tell you is I think what we should be focused on is how to keep the fundamentals right, how to avoid having the wheel run off the tracks and to keep it going.

I think that's what the Fed and Chairman Greenspan are trying to do.

Q You mentioned the importance of the trade deal with China. And just two days ago or so, the House of Representatives passed a bill that would strengthen military relations with Taiwan, which some say could jeopardize the trade deal with China. Has Beijing called and complained about that?

THE PRESIDENT: Well, they don't like it but I don't support that bill, either, and I don't think it's in Taiwan's best interest. I'm not sure, actually, that it reduces the chances of our passing the normal trade relations with China, because it may be that some members of Congress will think, well, now I've done this for Taiwan and now I can afford this China vote.

I think that the fact is that a lot of members are disturbed as I am by a lot of the restraints and the repressions on political and perhaps religious liberty in China over the last year, and they're worried about that. And they're worried about the tensions that have been manifest and some of the sabre-rattling that's been done between China and Taiwan over the last year.

My view is that we should stick with the policy that predates my administration, that my predecessors in both parties have followed, going back to President Carter from President Reagan to President Bush, which is that we have a one China policy, but we believe that the resolution of the dispute between Taiwan and China ought to be done by peaceful means and through dialogue, and that our defense assistance to Taiwan would be governed by the Taiwan Relations Act.

The Chinese -- obviously, anytime we sell the Taiwanese anything, they just as soon we wouldn't do it. But to keep it within that framework, it seems to me, allows the Chinese to manage it. And I think passing a big, new sweeping bill like this is not well-advised, and it will complicate our long-term task, and may well have the boomerang effect of putting Taiwan under greater pressure.

My impression is, with regard to the WTO, that the Taiwanese want China to get into the WTO and believe that will facilitate their getting in. And so they would hope that their friends in the United States Congress, and there are many, would actually support that. So it's going to be interesting to see how this debate plays out.

Q Final question on the bond market. You seem to be unusually disturbed today by the Treasury's plan to, one, reduce the issuance of 30-year bonds and, two, pay down rather aggressively outstanding debt. There was some very volatile swings in the market today as a consequence, and there was some discussion that a few players may have been hurt by the unexpected changes and the drop in interest rates, the rise in prices.

If there is too much disturbance in the bond market because of these plans, will you have to go back to the Treasury and say, maybe we need to implement this whole process in a slightly different way?

THE PRESIDENT: We have announced, we made it clear for months now that we wanted to pay the debt down, and that we even have paid down some of it early, as you know. And it's very interesting -- we're beginning to see a debate in the financial circles about whether it would be a good thing for American government to be out of debt. And so I think that you're seeing the sort of echoes of that debate in the bond market, and I think these developments -- and I never comment on the specific ones, but I think they are a genuine reflection of this debate that's going on -- investors trying to figure out what the deal is, what it's going to be like, certainly in more than the shortest term securities investments.

But, again, let's look at the big picture. If America has a small amount of private savings, which I think is actually bigger than we give them credit for, because two-thirds of our people own their own home, and in their minds, they're saving even in the early years of that mortgage when most of the mortgage payment is going to interest; to them, it's a savings, it's a commitment to the future. But nonetheless, it's small, compared to a lot of other countries.

Then, in a globalized economy with very sophisticated global capital markets, it is imperative that the government have the smallest feasible amount of debt, and I would argue having the role of getting rid of the publicly-held debt is a good thing. But, certainly, the trend line is good. It will tend to stabilize the overall economy, investors will make adjustments to these trends, and they will see that we are basically making the American economy stronger by lowering the interest rate structure and making more investment capital available.

Sure, there will be some bumps and twists along the way, but I think again, if the long-term policy is going in the right direction, investors will recognize that and adjust to it and invest accordingly so that the overall health of the economy, I think, will be quite strengthened by this.

Q Mr. President, thank you. Good to see you again. Appreciate your time.

THE PRESIDENT: Thank you. Enjoyed it.

END 4:45 P.M. EST

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