

THE WHITE HOUSE  
WASHINGTON

May 19, 1993

MR. PRESIDENT:

I've copied the Vice  
President, Mack and Bob  
Rubin.

  
John Podesta

*Handwritten note:*  
OK send to  
Mack and Bob Rubin  
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EXECUTIVE OFFICE OF THE PRESIDENT  
 COUNCIL OF ECONOMIC ADVISERS  
 WASHINGTON, D.C. 20500

THE CHAIRMAN

93 MAY 19 P5:52

May 19, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: LAURA TYSON AND ALAN BLINDER

SUBJECT: The Economy AB

There is reason for concern (but certainly not for panic) over the state of the economy.

- \* The surprisingly large merchandise trade deficit announced Wednesday morning means that the 1.8% growth rate for 1993:1 will very likely be revised down when the Commerce Department publishes its first revision next Friday morning. (We will have those data next Thursday night.)
- \* Furthermore, the large inventory buildup in 1993:1 does not bode well for GDP growth in 1993:2. Even if final sales grow in the 4% range, GDP may come in in the 2% range because the rate of inventory accumulation will almost certainly decrease. Thus, growth in the first two quarters of 1993 may well average below 2%.
- \* Such news will further erode confidence, which is already slipping away. While we do expect the second half of 1993 to be better than the first, our official forecast of 3.1% growth for the year as a whole is starting to look rather optimistic. As you will recall that forecast was based on the assumption that our stimulus was passed. Without it, our forecast was for growth in the 2.8% range.
- \* Our stimulus package is gone, and it now appears quite unlikely that the starting date of the tax increases will be delayed to January 1994. (As you will recall, the CEA always strongly favored such a delay.) This means that fiscal policy is contractionary right now and will become strongly contractionary in 1994.
- \* So the burden of carrying the economy forward rests squarely on interest rates, that is, on the bond market and the Federal Reserve.
- \* Here the recent bad (and puzzling) inflation news complicates matters in a most unfortunate way.

- The adverse inflation reports have spooked the bond market. Long term rates have jumped about 25 basis points in the last week or so. We think (and certainly hope) that the recent data are aberrant, and that the market will snap back on better inflation news in the next month or two. But no one can be sure.
- The high inflation numbers are putting pressure on the Fed to tighten. While the Fed always has a strong "tight money" constituency, it has been held at bay up to now by the pro-growth constituency. However, if inflation stays on the north side of 4%, it will be very hard for the Fed to hold short-term interest rates at 3%. Already, they are hearing a chorus of complaints from Wall Streeters about holding short-term interest rate below the inflation rate.
- \* In sum, there is at least a possibility that the economy will go into the second half of 1993 and first half of 1994 carrying little forward momentum, while both fiscal policy and monetary policy tighten. That would not be a good mix.



EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON, D.C. 20500

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THE CHAIRMAN

February 2, 1993

MEMORANDUM FOR THE PRESIDENT

ATTENTION: ROBERT RUBIN, NEC

FROM: LAURA TYSON, CHAIR-DESIGNATE <sup>LD</sup>  
ALAN BLINDER, CHIEF ECONOMIST <sup>AB</sup>

SUBJECT: Why Deficit Reduction Matters?

This memo outlines the main economic issues that should be considered in devising a deficit-reduction plan. The memo was prepared by Laura Tyson and Alan Blinder and was reviewed and approved by OMB and Treasury. It concludes with individual statements sketching the positions of the three agencies (CEA, OMB, and Treasury) on the appropriate amount of deficit reduction.

1. The Relationship Between the Deficit and Future Living Standards

Deficit reduction is not an end in itself, nor is it a "jobs" program. It is a means to the end of higher productivity, real wages, and national living standards. In short, it is about securing a better economic future for ourselves and even more importantly for our children.

Most economists believe that a sustained and substantial reduction in the deficit will increase the national saving and investment rates--which are now quite low. Over the long run, a permanently higher investment rate will increase the economy's productive capacity and raise the nation's living standards. This is the primary economic justification for reducing the deficit.

However, the process whereby deficit reduction improves living standards is a slow one. According to our simulation results, for example, even under the most optimistic scenario, cutting approximately \$132 billion off the 1997 projected deficit would add at most 0.7% to the economy's productive capacity in that year. Over the longer run, the increase in investment made possible by deficit reduction of this magnitude might add as much as 4.0% to the nation's productive capacity by the year 2013. That is twice the size of a typical recession, and would translate into significant extra consumption (private and public) for the average family in the next generation.

## 2. Deficit Reduction and Public Investment

Well chosen and carefully designed increases in public investment, e.g. investments in education, training, infrastructure, and technology, are another way to increase the economy's investment rate and future living standards. Although there is a debate among economists about whether public investment programs have higher or lower rates of return than private investment, most economists agree that such programs, if well-designed and executed, contribute to the economy's long-run productive potential. Consequently, deficit reduction at the expense of public investment is self-defeating. Some economists go even further and argue that government deficits that finance public investment do not reduce the economy's overall investment rate and are therefore not a policy concern. But, of course, our current deficit exceeds public investment.

The main difficulty with relying on government investment rather than deficit reduction to boost future incomes is that, unlike private investment which is guided by market forces, political factors can easily dominate the choice of public investment projects. On the other hand, the overbuilding of commercial real estate in the 1980s indicates that private investment decisions themselves can sometimes yield undesirable outcomes, especially if skewed by inappropriate tax incentives.

In our view, a prudent course to increase the nation's overall investment rate includes a gradual multi-year deficit reduction program, tax incentives to promote private investment, and a shift in government spending toward public investment programs. This is the course the economic team is working to design.

## 3. The Interest Burden of Large Deficits

Almost 14% of the Federal budget (about \$200 billion) now goes to interest payments. Even if we reduce the deficit to \$225 billion by FY 1997, interest costs will rise to \$260 billion--the extra \$60 billion is as large as the entire investment portion of our budget. Most talk about the enormous "burden" of this interest is fallacious since it ignores the fact that one group of Americans (taxpayers) simply pays the money to another group (bondholders). But foreigners own about 18% of the debt. More important, taxes must be levied to pay all this interest; and such taxes both distort economic incentives and impose political costs.

#### 4. Nonquantifiable Benefits of Deficit Reduction

##### A. Reducing the Risks of Instability in Financial Markets

A credible deficit-reduction package will reduce the risk of a financial crisis occasioned by anxieties about the growing burden of government borrowing on national and international capital markets. Without credible and substantial deficit reduction, the prospects for long-run stable growth continue to be held hostage to this risk. Indeed, many economists believe that concerns about growing future deficits are a major factor behind the persistence of high long-term interest rates despite a weak economy. And some believe that, if we fail to introduce a serious deficit-reduction package, there is a serious possibility of a financial market crisis either in the form of an upward spike in interest rates, a collapse in the dollar's value or a combination of the two.

If avoiding a financial crisis is the major motivation for deficit reduction, then both its size and its composition should be evaluated in terms of their credibility as it is likely to be judged by financial markets. Reducing the deficit enough to stabilize the debt/GDP ratio would seem to be the minimum required to allay the anxieties of financial markets. The reason is simple: an ever-increasing debt/GDP ratio is intrinsically unsustainable. Our choice is between stopping it now or stopping it later, and much more harshly. In this regard, it is worth remembering that very long-run projections show a rising debt/GDP ratio.

##### B. Improving Our Ability to Coordinate Macroeconomic Policies with the G7

Our efforts to coordinate macroeconomic policies with our G7 partners have been unsuccessful in recent years, in part because we have brought little credibility to the negotiating table. Our G7 partners have repeatedly expressed anxiety about our Federal budget deficits and their drain on global capital markets and interest rates. By promulgating a credible multi-year deficit-reduction package, we take a step toward harmonizing macroeconomic policies in ways that will boost global growth. For example, if Japan and Germany react to our deficit-reduction program by stimulating their economies, the contractionary effects would be partially offset by more rapid growth in our exports.

##### C. Enhancing the Ability of the Federal Government to Respond to Unforeseen Security and Economic Challenges

Large deficits restrict the government's ability to respond to unforeseen economic and/or national security crises that require unanticipated increases in government spending. For

example, the deficit precluded the Bush Administration from using expansionary fiscal policy to offset the recession of 1990-91. The deficit is also likely to continue to hamper our ability to fashion effective policies to promote economic stability and democracy in the former Soviet Union.

#### D. Deficit Reduction and Relations with Congress

If the Administration does not come forward with a deficit-reduction plan that is credible to members of Congress, it is likely that we will lose control of the budgetary process to them. In particular, passage of a balanced budget amendment--which is a terrible idea for the economy as well as for the effectiveness of the government--becomes a real possibility, as does the enactment of a new and stronger budget process bill of the Gramm-Rudman variety.

On a more positive note, solving the deficit problem would help alleviate the myopia of Congressional decision-makers whose unending concern with the deficit leads them to adopt costly short-term budgetary fixes that overlook or shortchange the nation's long-term investment needs.

#### 5. The Short-Run Dangers of Deficit Reduction

The long-term benefits of deficit reduction involve potentially large short-run costs. Cutting the deficit requires some combination of increased taxes and reductions in valued government programs. Cutbacks in programs hurt those who benefit both directly and indirectly from these government activities, while tax increases reduce disposable incomes and distort incentives. In short, both spending cuts and tax increases not only cause political pain but also reduce demand and economic growth. That is why it is best to reduce the deficit when the economy is strong. During periods of recession or anemic economic growth, deficit reduction will further weaken an already weak economy. This is the rationale for stimulating the economy in the near term and introducing a gradual multi-year deficit-reduction package that hits when the economy is closer to capacity.

As we have repeatedly emphasized in our briefings, it is possible that stimulative monetary policy by the Federal Reserve and/or a sustained bond market rally triggered by credible deficit reduction could offset the short-run demand and output losses caused by cuts in government spending or increases in taxation. But it is impossible to predict with any degree of certainty what course Federal Reserve policy will follow or how the bond market will respond to a given amount and timing of deficit reduction. Indeed, there is even uncertainty about whether the Federal Reserve would be able to offset completely the fiscal restraint implicit in deficit reduction even if it

wanted to. There is a long lag between a monetary policy decision and its effects on demand. Therefore, it is difficult to time monetary policy actions so that their effects coincide with periods of economic weakness, let alone with fiscal policy actions.

#### 6. How Much Deficit Reduction is Enough?: Shades of Difference

Although there is widespread agreement that the deficit is currently too large, there is considerable disagreement about how fast we should move to reduce it. Those who argue for a fast pace stress the need to act credibly to convince the bond market, the Federal Reserve, the Congress, Ross Perot, and the American people that we are serious about realizing our goal. Unfortunately, each of these groups may well have a different standard against which they will assess whether we are acting fast enough. The bond traders and Ross Perot, for example, are probably looking for much tougher action than the American public.

Those who argue for a somewhat slower pace of deficit reduction stress the potential dangers of strenuous deficit-reduction measures in an economy which is likely to be characterized by excess capacity and modest growth during the next few years. In an ideal world, the safest strategy might be to devise a deficit-reduction plan that would trigger in only after the economy reached capacity output. But such an approach would be technically difficult to legislate and would probably not be credible, since observers would conclude that the triggering date would never materialize.

#### CEA Position

As we have suggested before, an economically defensible deficit-reduction package--and one which we believe will be strenuous enough to be credible to most observers--would contain enough deficit reduction to stabilize the debt/GDP ratio by 1997. Such a package would require an additional \$118 billion in spending cuts and revenue increases in FY 1997, over and above the \$27 billion in defense spending cuts proposed by the Bush Administration. This implies a total deficit reduction package of \$145 billion which is the amount of deficit reduction you have mentioned in recent interviews. Such a package would reduce the projected uncapped CBO baseline deficit of \$384 billion for FY 1997 by 38%. We believe that as long as this package embodies real spending cuts and revenue increases as opposed to "smoke and mirrors," it would be a credible signal to the financial markets, to the voters, and to the world that you are honoring your commitment to serious deficit reduction.

Such a package could be seen as the first step in a 8-10 year deficit-reduction strategy. We do not believe that more massive deficit-reduction measures between now and 1996 are required on economic grounds. The long-term economic benefits resulting from an additional \$25-30 billion in deficit reduction during that time frame are very small, while the short-term economic and political risks are quite large.

As the recent CBO report indicates, the amount of time taken to close the deficit--5 or 10 years--will actually have little impact on the long-term benefits of eliminating the deficit, provided that our deficit-reduction package is credible and is carried through. This is because much of the rise in the deficit expected over the next decade occurs after 1998 and is due to exploding health care costs. Thus any plan to bring down the deficit by large amounts--and hold it there--in the late 1990s and into the next century will require changes in our health care system.

#### Treasury Position

The CEA's proposal to stabilize the ratio of debt to GDP by 1997 implies a reduction of \$117 billion in 1997. The Treasury believes that this is an inadequate amount and will undermine confidence in the your commitment to deficit reduction. You have already stated publicly that the Administration was aiming to reduce the original 1992 deficit of \$290 billion by one half, or \$145 billion. Because of revisions in the out years, the \$145 billion reduction no longer cuts the 1997 deficit by one half as promised in the campaign. Backing away from the \$145 billion figure will appear to be renegeing for the second time on the commitment to deficit reduction.

Stabilizing the debt to GDP ratio is too arcane a concept for the public. However, even if stabilization were a reasonable goal, a credible effort would require more than \$117 billion for at least two reasons. First, a stabilization program must recognize the period after 1997; even with \$145 billion of deficit reduction the ratio of debt to GDP continues to rise after 1997. Second, aiming for the minimal target fails to account for the fact that, based on experience over the period 1980 to 1992, CBO has systematically underestimated future deficits over a 5-year period by roughly \$60 billion. There is a substantial risk that the "deficit problem" will recur and that further painful action will have to be taken if a modest \$117 billion program were legislated this year.

In short, the commitment to stabilizing the debt to GDP ratio will neither be understandable to the public nor seen as tough enough by the financial community.

## OMB Position

While OMB concurs with the basic analysis in the CEA memo, we believe that a more vigorous deficit reduction plan is necessary. We believe that a deficit reduction package of at least \$145 billion from a baseline of \$357 billion in FY 1997 is necessary to send a strong signal that the Administration is serious about deficit reduction and intends to pursue the dual strategy of increasing public investment and reducing public dissaving in order to increase future living standards.

In addition, we share Treasury's concern that the debt/GDP ratio is not an appropriate criterion for selecting a deficit target. Stabilizing the debt/GDP ratio is only a statement that we don't want the deficit problem to get worse. We believe that the debt/GDP ratio must be reduced over time, which requires particularly strong action today given the rising deficits projected for later in this decade. We believe the deficit should be eliminated as quickly as possible consistent with maintaining a growing economy.

OMB also shares Treasury's concern that failure to act boldly enough now risks leaving the deficit a political issue in 1996--which would put the Administration in the unhappy situation of paying a political price for some unpopular actions now, and yet still being vulnerable on the deficit later.

Finally, OMB would emphasize more heavily than the CEA our belief that the Fed and the bond markets will respond very favorably if we are aggressive enough in our deficit reduction plan. We also believe that the Administration should err on the side of a stronger deficit reduction position because the risks of slippage (e.g., though unforeseen expenditures) tend to all be on the upside.

cc: Lloyd Bentsen, Secretary of Treasury  
Ronald Brown, Secretary of Commerce  
Robert Reich, Secretary of Labor  
Leon Panetta, Director of OMB  
Roger Altman, Deputy Secretary of Treasury  
Alice Rivlin, Deputy Director of OMB  
Bo Cutter, Deputy Assistant to the President, NEC  
Alicia Munnell, Assistant Secretary-Designate, Treasury  
Joe Minarik, Associate Director, OMB

MARCH 26, 1995

MEMORANDUM FOR THE VICE PRESIDENT

FROM: JIM KOHLENBERGER

SUBJECT: SOUTHERN REGIONAL ECONOMIC CONFERENCE

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This is to bring you up to date on plans for Wednesday's economic conference in Atlanta, your role in the conference and to provide you some initial background briefing material. Much of the attached background is still in draft form. I felt it was more important that you had background for the day now, even if its in draft form, rather than waiting for final drafts that could still be days away.

### OVERVIEW

This is the first of four regional economic conferences focusing on the theme: making the economy work better for working families.

The purpose of this conferences is to:

- 1) allow you and the President to move the current economic debate out of Washington and to the country
- 2) to assess first hand how our economic policies are impacting the lives of people in the South
- 3) to restate the Clinton/Gore view of the economy -- both in terms of how we can raise incomes and increase security for ordinary middle class Americans, and sustain job growth.

### YOUR ROLE

#### Your role on each panel

You should think of this as a hearing instead of a conference. Just like the Little Rock economic conference, you will have a role to play on each and every panel in keeping the message focussed, directing questions and highlighting some of the stories you have seen first hand over the last two years.

#### Your role on the panel you chair

You will also chair the fourth and final panel focussing on investing in sustained growth and job creation. The basic theme of this panel is that -- working in

partnership -- people and their government can create new jobs by opening markets, investing in new technologies, and transforming government. These are the basic tenets of the Clinton/Gore long term economic strategy and the right framework for long term growth and worker prosperity. This panel allows you to highlight some of your basic themes (Community Empowerment, NPR, technology and exports). Issues would include empowerment zones, export promotion, small business development and a reinvented government. Jonathan Sallet, who has coordinated work on this panel, has prepared a draft script for this panel (attached.)

### **Briefings**

Before you leave on Tuesday, we will provide you with a briefing book that, in addition to issue papers, charts and lists of participants, will include Rego, technology and community empowerment stories from the south. Additionally, we hope to have a separate set of draft questions for each presenter and some economic success stories from Tennessee.

### **FORMAT**

The day consists of introductory presentations and four separate 90 minute roundtables. Each roundtable includes about 20 participants and several presenters. Biographical information on each participant is attached. The format for the day is as follows:

#### **Introductory Presentations:**

POTUS

National Economic Overview (Rubin)

Regional Economic Overview (Ratajezak)

#### **Roundtable One:           **Issues in the Regional Economy****

This session will focus on the successes of the past two years; the real results that have been produced by the Clinton economic plan in the South. Near the end of the session, the discussion will move toward the continuing problems faced by working people in the region. Administration participants include Rubin, Tyson, McLarty, and Rivlin.

#### **Roundtable Two:           **Strains on Working Families in the New Economy****

This session will feature working people as well as business leaders and others who can speak to these issues. The discussion will focus on wage stagnation and the difficulty many families are having in making ends meet (minimum wage); child care and family leave; moving from welfare to work (ETC); getting kids to school ready to learn (head start; nutrition; health care); and other work and family issues. Administration participants include Rasco, Shalala, and Cisneros.

### **Roundtable Three:      **Innovations in Education and Training****

This roundtable will feature working people, educators, and business leaders who can speak to education and training. Issues would include school to work; accessibility and quality of higher education; job training; middle class bill of rights. Administration participants include Reich and Reilly.

### **Roundtable Four:      **[VP Chairs] Investing in Sustained Growth and High Wage Jobs****

This session that you are chairing can help to emphasize how the Clinton long-term strategy of opening markets, investing in new technologies and transforming government is the right framework for long term growth and worker prosperity. Administration participants include Brown, Kantor, Lader, and Spero.

## **THE ECONOMIC STORY IN THE SOUTH**

In very general terms, there are several very interesting things going on the South economically that will probably be highlighted at the conference.

- **Low per capita income** -- The south still lags behind the nation as a whole in per capita income.
- **High poverty rates** -- seven of the states in this region have poverty rates over 20 percent above the national average.
- **Literacy and education problems persist** -- the South continues to lag the US in the percentage of high school graduates and illiteracy rates are staggering in some communities. Although, University enrollment is up in the South and the quality of universities has improved.
- **Leading the nation in job growth** -- over half of America's new jobs created in 1993 were in the South.
- **The South benefitted disproportionately from low interest rates** -- when housing construction increases from low interest rates, the South benefits disproportionately because of the high concentration of industries that produce building materials and consumer durables. However, housing starts are no longer leading the growth in the South.
- **People are in-migrating to the South** -- there are shortages of skilled workers in the South. This is encouraging companies to increase training and is attracting skilled workers from other parts of the country.
- **Manufacturing is doing well** -- manufacturing is surprisingly strong in the South with a slightly larger share of employment in this sector than for the country as a whole. The emergence of the Southeast as the center of new auto

production has been one of the primary driving forces.

- **High-tech South** -- There are many successful high tech centers in the south and many traditional industries, like textiles and furniture, that have become high-tech.

## **Attachments Table of Contents**

**Panel I      Issues in the Regional Economy**

- Participants list
- Goals for the panel
- Script

**Panel II     Strains on Working Families**

- Participants list
- Presentations
- Discussion
- Notes/Questions

**Panel III    Innovations in Education and Training**

- Still being drafted

**Panel IV    Investing in sustained growth and job creation**

- Agenda/participants for panel
- Goals
- Rationale
- Topic by Topic discussion points/questions

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## II. PARTICIPANTS LIST FOR PANEL I - ISSUES IN THE REGIONAL ECONOMY

**Charles Brown** is chief executive office of Technology Park Atlanta, developer of a technology park north of Atlanta that has attracted a number of technology-intensive firms including Scientific Atlanta.

**Junior Davis** is a product specialist and 20-year veteran of the Ford Atlanta assembly plant, which now produces the Ford Taurus. Davis has worked under both the 'old' and 'new' systems at Ford.

**Elizabeth Coleman** is Chairman of the Board of Directors of Maidenform, Inc., the largest privately-held intimate apparel manufacturer in the United States, and one of the largest in the world. Coleman also serves as Vice-Chair of the President's Export Council. She is a member of the law firm of Stroup & Coleman, where she has specialized in consumer and commercial law.

**Larry Farmer** is president of Diversified Rural Services, Inc of Greenville, Mississippi, a for-profit subchapter S corporation established to increase/advise rural community development corporations.

**Dr. Katherine Hammer** is CEO of Evolutionary Technologies, Inc. (ETI), a Texas-based leading provider of software tools that reduce the time and cost of building and managing data warehouses. Hammer received her PhD from the University of Iowa. Following a university career, she was employed by the Microelectronics and Computer Technology Corp. in Austin from 1984 -1990 before becoming CEO of ETI in 1991.

**Jesse Hill, Jr.** is Chairman of the Board of Directors of Atlanta Life Insurance Company. From 1973 to 1992 Hill served in the additional capacities of President, and Chief Executive Officer as well. Hill has been in the leadership vanguard for four decades in Civil Rights, Business and Economic Development and the general civic progress of Atlanta and the nation. Hill is a member of the Board of Directors of the Congressional Black Caucus Foundation, and a founding director of the Metropolitan Atlanta Rapid Transit Authority (MARTA).

**Hugh McColl, Jr.** is chairman of NationsBank. Based in Charlotte, NationsBank is the nation's third largest banking company. He has worked for NationsBank or its predecessor, NCNB, for his entire career. Under McColl's leadership, NationsBank has grown through a strategy of interstate acquisitions. He has doubled the size of his bank twice -- first in 1988, when NCNB bought Texas' biggest bank, First RepublicBank in Dallas, and again in 1991, when it bought Atlanta's C&S/Sovran Corp. to create NationsBank.

The Honorable **Zell Miller** is Governor of Georgia and 1993-1994 chairman of the Southern

Growth Policies Board.

Gary Newby is an Alabama farmer.

W.R. "Pat" Phillips is chairman and chief executive officer of Newport News Shipbuilding. He graduated from Virginia Polytechnic Institute in 1960 with a B.S. in mechanical engineering. He is president of the Society of Naval Architects and Marine Engineers, and board member of the American Shipbuilding Association. Newport News Shipbuilding (NNS) is the largest shipyard in the United States and is Virginia's largest private employer. 1993 sales were approximately \$2 billion. NNS's corporate parent is Tenneco, Inc., one of the top 50 U.S. companies with annual sales approaching \$13 billion.

Frederick Smith is Chairman, President, and Chief Executive Officer of Federal Express Corporation, the world's largest express transportation company. Smith founded Federal Express in 1971. Federal Express delivers more than 2 million documents, packages, and freight shipments each work day to 192 countries, and had fiscal 1994 revenues of \$8.5 billion. In 1990 Federal Express became the first company to win the Malcolm Baldrige National Quality Award in the service category.

Maria Elena Torano is the chairman and chief executive officer of META, which was founded in 1980. She previously served under President Carter as associate director for public affairs for the U.S. Community Services Administration. META is a full service consulting firm headquartered in Miami with major practices in environmental engineering and services, information technology, and management support systems.

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### III. GOALS FOR PANEL I - ISSUES IN THE REGIONAL ECONOMY

**Event:**

A panel discussion illustrating that growth in the South validates the Clinton economic strategy, but also illustrates the need to ensure that some regions and some people are not left behind.

Panel One includes panelists highlighting the vision underlying Southern economic diversity, successes, and challenges, interspersed with discussions lead by POTUS that brings forth the specific issues:

o *Vision: Working Together for Growth* -- The Honorable Zeli Miller, Governor of Georgia.  
o *Additional Comments* by Jesse Hill, Atlanta Life Insurance

o *Vision: The International Economy* -- Maria Elena Torano, President of META, an environmental consulting and services provider with substantial Latin American business.

o *Discussion, including:*

- *Helping Workers Adapt to the New Economy* -- W.R. 'Pat' Phillips, CEO of Newport News Shipbuilding, a major defense contractor.
- *Being Competitive in Manufacturing* -- Junior Davis, a 20-year employee in Ford's Atlanta auto plant.
- *Additional comments* by Elizabeth Coleman, Vice-Chair, President's Export Council.

o *Vision: Success in Business* -- Hugh McColl, Jr., chairman of NationsBank.

o *Discussion, including:*

- *Innovation and Technology* -- Katherine Hammer, CEO, Evolutionary Technologies Inc
- *Additional comments* by Fred Smith, Federal Express.
- *Additional comments* by Charles Brown, Technology Park Atlanta.

o *Vision: Regional and Rural Challenges in the South* -- Larry Farmer, Diversified Rural Development Services.

o *Discussion, including:*

- *Agriculture and the Issues Farmers Face*: Gary Newby, Alabama farmer.

**RATIONALE:**

Economic growth in the South validates the elements to the Administration's economic equation - investment, innovation, people, and open markets -- but also illustrates the need to ensure that some regions and people are not left behind. Zell Miller begins by reviewing the accomplishments of his state, the vision of the Southern Growth Policies Board and illustrates the roots of the President's own experience and vision on policies for economic growth. Following speakers highlight both accomplishments and challenges.

**IV. SCRIPT FOR PANEL I - ISSUES IN THE REGIONAL ECONOMY**

**THIS PANEL WILL:**

- o Demonstrate how applying the elements of the Administration's economic policies -- innovation, investment, people, and open markets -- has brought prosperity and economic opportunity to the South.
- o Show how communities, workers, and businesses working together in partnership have accomplished results.
- o Illustrate the continued need to ensure that some regions and some people are not left behind -- and that regions now enjoying economic growth continue to remain globally competitive.

**VISION:**

**Working Together for Growth** -- Through efforts like the Southern Growth Policies Board, the South has exemplified people, communities, business and government coming together to promote economic opportunity.

**A.**

**WHO:** The Honorable Zell Miller is Governor of Georgia and 1993-1994 chairman of the Southern Growth Policies Board.

**DISCUSSION POINTS/QUESTIONS:** Completed under your chairmanship, the 1992 Commissions final report points to the need for 'a new approach to leadership.' How do you think that all of us in government -- whether at the state or local or Federal level -- can make ourselves more responsive to the needs of the people -- so that we are serving their needs, and not telling them what we want?

**B.**

**ADDITIONAL COMMENTS**

**WHO:** Jesse Hill is chairman of the Board of Directors of Atlanta Life Insurance Company, and a leader in civil rights and economic development for Atlanta and the South.

**DISCUSSION POINTS/QUESTIONS:** How best can we work together to develop and

instill the vision of a better tomorrow for all Americans -- and use that to motivate real action? What has worked best in your experience?

#### **VISION:**

**The International Opportunity:** Exports and links to foreign markets are important to Southern economic growth in many ways -- Florida benefits from trade with Latin America, foreign direct investment generates high wage jobs in South Carolina, and Atlanta is a hub of international transportation distribution, to name just a few.

#### **A.**

**WHO:** Maria Elena Torano is the chairman and chief executive officer of META, which was founded in 1980. She previously served under President Carter as associate director for public affairs for the U.S. Community Services Administration.

META is a full service consulting firm headquartered in Miami with major practices in environmental engineering and services, information technology, and management support systems. META has performed several major contracts in Central and South America, primarily for US AID. With approximately 250 employees, META has achieved exceptional growth during the last 5 years, with 1993 sales of almost \$20mm.

**DISCUSSION POINTS/QUESTIONS FOR MARIA ELENA TORANO:** As a small business -- and an exporter -- you have referred to some of the problems that you have faced in competing abroad. Tell us about the most useful and helpful support that you have gotten -- from any source. I'm particularly interested in businesses and other groups -- like universities -- banding together to provide support in ways that doesn't involve new government spending.

#### **B.**

##### **ADDITIONAL DISCUSSION POINTS/QUESTIONS:**

**Helping Workers Adapt to the New Economy --**Creating economic opportunity requires adapting to new circumstances. This discussion focuses on the challenges of defense conversion and how a major employer is moving -- in partnership with its workers, the community, and the government -- to diversify its business.

**WHO:** W.R. "Pat" Phillips is chairman and chief executive officer of Newport News Shipbuilding. He graduated from Virginia Polytechnic Institute in 1960 with a B.S. in mechanical engineering. He is president of the Society of Naval Architects and Marine Engineers, and board member of the American Shipbuilding Association.

Newport News Shipbuilding (NNS) is the largest shipyard in the United States and is Virginia's largest private employer. 1993 sales were approximately \$2 billion. NNS's corporate parent is Tenneco, Inc., one of the top 50 U.S. companies with annual sales approaching \$13 billion.

NNS is aggressively seeking to diversify its business away from U.S. Navy contracts -- its major customer. NNS is currently marketing a state-of-the-art frigate to several countries in the Middle East, and has been selected by the U.A.E. government to develop and manage a ship construction and repair business in Abu Dhabi. It is also one of five Western firms competing for a multi-billion dollar deal for the supply of between two and eight frigates to the UAE.

**DISCUSSION POINTS/ QUESTIONS FOR PAT PHILLIPS:** Last October you won an order to build up to four tankers from a foreign buyer, which I understand was the first ship order received by a U.S. shipyard from a foreign buyer since 1957. As you know, I believe that promoting U.S. exports to the rest of the world is the foundation for our economic prosperity. What other ways can we work together to get more deals like this done?

Note: Pat Phillips also has participated on a Presidential Business Development Mission to the Middle East with Secretary Brown.

**C.**

**ADDITIONAL DISCUSSION POINTS/QUESTIONS**

**How to be Competitive in Manufacturing:** Manufacturing is of particular importance to much of the Southern economy, for example North Carolina has the highest concentration of manufacturing employment in the country. The lesson is that manufacturing can provide good jobs with good wages; the challenge for the future is to use innovation and open markets to further manufacturing's role in economic opportunity.

**WIO:** Junior Davis is a product specialist and 20-year veteran of the Ford Atlanta assembly plant, which now produces the Ford Taurus. Davis has worked under both the 'old' and 'new' systems at Ford.

**DISCUSSION POINTS/QUESTIONS FOR JUNIOR DAVIS:** Are there ways of taking the sorts of changes and improvements that you have talked about in the Ford plant, and transferring them to other plants -- for example, by having other employees train at your plant? Are there other ways that your experience can be used to help other workers improve their security and opportunities for the future?

**D.**

**ADDITIONAL COMMENTS**

**WIO:** Elizabeth Coleman is Chairman of the Board of Directors of Maidenform, Inc., and Vice-chair of the President's Export Council.

**DISCUSSION POINTS/QUESTIONS:** What are some of the other ways that businesses, government, and communities can work together to expand exports and promote U.S. goods and services in international markets?

**VISION:**

Success in Business --Economic growth in the South is mirrored in the innovation and success of growing companies. 99 of the Fortune 500 are headquartered now in the South, versus 27 twenty-five years ago. The rise of Southern financial services exemplifies this trend, furthered by the re-invention of government (regional banking reciprocity passed in 1984; inter-state branching legislation passed in 1994), investment in new technologies, and training of employees.

**A.**

**WHO:** Hugh McColl, Jr. is chairman of NationsBank. Based in Charlotte, NationsBank is the nation's third largest banking company. He has worked for NationsBank or its predecessor, NCNB, for his entire career.

Under McColl's leadership, NationsBank has grown through a strategy of acquisitions that in ten years has fashioned a \$158 billion asset colossus with branches from Washington D.C. to Dallas. He has doubled the size of his bank twice -- first in 1988, when NCNB bought Texas' biggest bank, First RepublicBank in Dallas, and again in 1991, when it bought Atlanta's C&S/Sovran Corp. to create NationsBank.

**DISCUSSION POINTS/QUESTIONS FOR HUGH MCCOLL:** The success of NationsBank and the growth of Charlotte as a financial center illustrates to me how the South provides a model of economic growth for the nation, combining aggressive management and innovation with cooperation between the public and private sectors. I am interested particularly in two factors you mentioned that those of us in Washington and in the state houses have some role in -- reinventing government to open up markets for growth and competition; as in the reform of banking laws, and in encouraging businesses to invest in technology. Both of these played a role in your story. What more can we do in these regards?

**B.**

**ADDITIONAL DISCUSSION POINTS/QUESTIONS:**

**Innovation and Technology as a Key to Successful Growth:** The emergence of high-tech businesses and research centers in areas around Atlanta, Dallas, Nashville, parts of Florida and in the Raleigh/Durham area show the impressive returns of long-term investment in education, access to universities, and re-inventing government.

**WHO:** Dr. Katherine Hammer is CEO of Evolutionary Technologies, Inc. (ETI), a Texas based leading provider of software tools that reduce the time and cost of building and managing data warehouses. Hammer received her PhD from the University of Iowa. Following a university career, she was employed by the Microelectronics and Computer Technology Corp. in Austin from 1984 -1990 before becoming CEO of ETI in 1991.

ETI products are used by leading Fortune 500 companies from every major industry worldwide, as well as by public utilities and government agencies. The first product was based on a research prototype developed at MCC. ETI was spun off from the MCC research consortium as a separate company on January 1, 1991. Financing was provided

primarily by venture capitalists and individuals.

**DISCUSSION POINTS/QUESTIONS FOR KATHERINE HAMMER:** Clearly, the path from a good idea to a growing business like ETI is both complex and filled with potholes -- not only in terms of technical development, but also financing, the business plan, and so forth. In what sorts of ways do you think that we can work together to make it easier for new technologies and good ideas to be transformed into growing and successful businesses like yours?

C.

**ADDITIONAL COMMENTS:**

**WHO:** Fred Smith is Chairman, President, and Chief Executive Officer of Federal Express, which he founded in 1971.

Charles Brown is Chief Executive Officer of Technology Park Atlanta, a technology park in the Atlanta suburbs.

**DISCUSSION POINTS/QUESTIONS:** What other ways can we work together to promote innovation?

**VISION:**

**Regional and Rural Challenges in the South:**

While much of the South has enjoyed economic prosperity, other parts are having a harder time meeting the challenges of the global economy. Seven of the states in this region have poverty rates over 20 percent above the national average -- with pockets frequently clustered in rural and inner-city areas.

A.

**WHO:** Larry Farmer is president of Diversified Rural Services, Inc of Greenville, Mississippi, a for-profit subchapter S corporation established to increase/advise non-profit rural community development corporations.

**DISCUSSION POINTS/QUESTIONS FOR LARRY FARMER:** Are there ways of reorganizing the way that we support and encourage economic development in economically depressed areas? For example, can we form partnerships with business to provide both training and the prospect of long-term jobs?

B.

**ADDITIONAL DISCUSSION POINTS/QUESTIONS**

**Agriculture and the Issues Farmers Face:** Agriculture continues to be an important part of the regional economy, and an important source of exports. Farmers face a special set of issues, including new international market opportunities, a special stewardship of the soil, and the hazards of natural disasters and fluctuating markets.

**WHO:** Gary Newby, Alabama farmer.

**DISCUSSION POINTS/QUESTIONS FOR GARY NEWBY:** (to come).

## **PANEL II**

### **Strains on Working Families in the New Economy**

#### **PARTICIPANTS LIST FOR PANEL II--STRAINS ON WORKING FAMILIES**

**Steve Allen** is a professor of economics at North Carolina University, specializing in macroeconomics and labor economics.

**Kimberly (Kim) Augustine** is owner and founder of Nanny's Child Care in Ormond Beach, Florida. She decided to open a day care program after she failed to find quality day care for her own children. With help from a \$27,000 SBA-backed loan and a counselor from SBA's Service Corps of Retired Engineers, Augustine opened her center two years ago. She is from a family of 10 children, and a mother and wife herself. Her husband works with her.

**Glenda Bean** is Executive Director of the Arkansas Early Childhood Commission. She has worked on a wide array of child care issues, including the Head Start program, with a special focus on developing public/private collaboratives to meet the child care needs of working families. Prior to the establishment of the Commission, Bean worked in then-Governor Clinton's office and for Arkansas Advocates for Children and Families.

**Elaine Buckner** is a receptionist with Volunteers of America and a JTPA Alumna of the Year. Several years ago, as a recently divorced mother of twins, Buckner lost her assembly-line job of 20 years as a sauterer when her plant moved out of town. Without other marketable skills, she enrolled in a JTPA clerical program for dislocated workers. Today, she appreciates the more regular hours of her current job. She is also a published poet.

**Sonja Felton** is a program monitor, recruitment specialist, and counselor for JTPA programs in Cobb County, Georgia. She now works primarily with adult workers with few skills, but in the past she has worked with dislocated workers and summer jobs participants. Both of Felton's parents died when she was a teenager, and she nearly dropped out of high school. An inspiring counselor from the "Stay in School" program kept her in high school and helped her apply for scholarships. After winning an essay contest, she attended the Tuskegee Institute with a full scholarship, earning a degree in Social Work. She is married and has a year-old daughter.

**Irma Flores** is owner with her husband of Rite-Way services, a residential and business cleaning service in San Antonio. (Rite-Way has some government contracts and has been affected by Defense downsizing.) While her business does not have a day care center of its own, Right-Way allows parents with children who are sick or on vacation to bring them to work. Mrs. Flores has been a businesswoman for 25-years and is a mother of five. Her husband is co-owner.

**Wayne Glenn....**

**Robert Greenstein** is executive director of the Center for Budget and Policy Priorities, a Washington-based think tank focusing on policy issues affecting low- and middle-income Americans. Greenstein is former director of USDA's Food and Consumer Service, and one of the nation's leading experts on the Earned Income Tax Credit.

**Elena Hanggi** (home 501-375-7063) is Director of the Institute for Social Justice in Little Rock and a board member for the Federal Home Loan Bank of Dallas. Formerly the national President of ACORN, she works primarily in the areas of low-and-moderate income housing and community reinvestment. She has special interests in the minimum wage and welfare-to-work.

**Ron Pollack** is founder and executive director of Families USA, a national consumer organization dedicated to quality, affordable health care for all Americans. He is an expert on the rising costs of health care, the problems of the uninsured and underinsured, Medicare, Medicaid, and long-term care. He is also former dean of Antioch Law School and founder of the Food Research and Action Center.

**Jim Powers** is a foreman on the docks at the Port Authority in Gulfport, Mississippi. He regularly works over-time and does taxes for H&R Block to supplement his income. His wife works in the film processing section of the local supermarket. Mr. and Mrs. Powers have two children and would like to see them attend college--Mr. Powers never finished--but he is unable to save due to the deluge of bills: mortgage payments, car payments, utilities, and health care bills. (Both parents have had health problems, but they have insurance.)

**Efren Puente** is a marketing executive for Shieffelin and Somerset in WHERE Florida. He was a mechanic for Pan Am for 10-years before the company went bankrupt and his manager abruptly told him, "Don't come in." After some thought, Efrain joined a JTPA retraining program for dislocated workers, and then attended Miami-Dade Community College before earning a bachelors' degree in Business Administration with honors from Florida International University. He is single.

**Bruce Raynor** is executive Vice President of Amalgamated Clothing and Textile Workers Union and director of the union's southern region. The union mainly represents low-income workers, more than half of whom are women and people of color. Raynor has been involved in cooperative programs with employers that include Levi-Strauss, Hoechst Celanese and Shlegal.

**Sarah Shuptrine** runs Sarah Shuptrine and Associates in Columbia, South Carolina. She worked with Secretary Riley throughout her years as governor, and is a leading expert on children and poverty.

**Cheryl Gibson Smith** has been director of the Downtown Child Development Center in Atlanta for 10 years. The center is a public-private consortium designed of the federal

government, the *Atlanta Journal and Constitution*, Wachovia Bank of Georgia, and the Federal Reserve Bank of Atlanta. Because of government-subsidized rent, the center is able to offer high quality care at below market prices for 120 children of consortium members. Ms. Smith spends at least half her time at the center counseling parents. She has been an educator for 25 years and is a single parent with two children.

**Ed Smith...** ELGIE

**Linda Tarr-Whelan** is President and Chief Executive Officer of the Center for Policy Alternatives. She is an advocate for progressive policies in the areas of women and the economy, issues, health care, employment, economic development, and education. The Center recently completed a study of women and the economy, with data distributed by region and state.

**Julia Vindasius** is founder and executive director of the Good Faith Fund, a microenterprise fund making small loans to entrepreneurs in southeast Arkansas. She worked for the Shorebank Corporation and the Ford Foundation previously. Good Faith helps welfare recipients learn to save money, develop assets, and employ themselves.

**Hugh Westbrook** is Chairman and CEO of the Miami-based Vitas Healthcare Corporation, which provides hospice care to the terminally ill in 28 locations around America. Mr. Westbrook has helped to create standards for hospice care in Florida and nationwide. He is an ordained Methodist minister and Chairman of the journal, *The American Prospect*.

**Diana Lyons Wilson** is an executive assistant in the Governor's Education office from Pine Grove, Louisiana. She has been married 25 years to a self-employed plumbing contractor. Neither finished public school, but both earned GEDs. The Wilsons have three children, and they nearly lost everything ten years ago when their daughter, Julie, was diagnosed with cancer and the family had no insurance. Today, Julie is in remission and has a four year-old child, but she cannot get insurance because of her disease. Both their younger children would like to attend college--Julie didn't--but the Wilsons have been unable to save enough yet fear they do not qualify for federal aid.

**Event:**

A discussion with working parents, business and union leaders, and public policy experts about both the new opportunities and the continuing difficulties for working families in the South. The conversation will focus on four areas of concern: worker dislocation and retraining, stagnant wages in general child care, and health care.

**Rationale:**

- Highlight ways that working families have benefitted from Presidential initiatives like job training, the EITC, and the Family and Medical Leave Act.
- Illustrate continuing challenges faced by working families, such as paying for child care, health care, and higher education.

**Presentations:**

1. **Wage Stagnation and the Importance of Education**--Steve Allen, Professor of Economics at North Carolina State University.
2. **Dilemmas of Lower-Income Families**--Sarah Shruptrine, expert on children and poverty from Charleston, South Carolina.
3. **Combining Work and Family**--Cheryl Gibson Smith, director of the Downtown Child Development Center in Atlanta.

**Discussion:**

1. **Worker Dislocation and Training.** Possible Comments by:
  - **Facing the challenge of retraining.** Efren Puente, a former Pan Am mechanic who went back to college and became a marketing executive.
  - **Effects on families.** Elaine Buckner, a former sauteer whose plant shut down; she received clerical training through JTPA and is now a secretary with Volunteers of America.
  - **Advice for Dislocated Workers.** Sonjia Felton, a JTPA graduate herself who counsels dislocated and lower-skill workers. (OR under 2, to do summer jobs, unemployment?)
  - **Women and the Economy.** Linda Tarr-Whelan, CEO of the Center for Policy Alternatives.
  - **Labor/Management Collaboration.** Bruce Raynor, executive Vice President of the Amalgamated Clothing and Textile Workers Union.
2. **Making Work Pay.** Possible Comments by:
  - **EITC.** Bob Greenstein, executive director of the Center for Budget and Policy Priorities.
  - **Minimum Wage.** Elena Hanggi, director of the Institute for Social Justice and former President of ACORN.
  - **Asset Development.** Julia Vindasius, executive director of the Good Faith Fund, a microenterprise program.

3. **Child Care.** Possible Comments by:

- **Finding Quality Care.** Kim Augustine, founder and owner of Nanny's Child Care in Ormond Beach, Florida.
- **Public/Private Collaboration.** Glenda Bean, executive director of the Arkansas Early Childhood Commission.
- **Family Friendly Business.** Irma Flores, owner of Rite-Way services, a business and residential cleaner in San Antonio.

4. **Health Care.** Possible Comments by:

- **Facing Crisis.** Diana Lyons Wilson, an executive assistant whose daughter was diagnosed with cancer at a time when the family had no insurance.
- **Hospice Care/FMLA.** Hugh Westbrook, chairman and CEO of Vitas Healthcare Corporation, a hospice-care provider.
- **General Facts, etc.** Ron Pollack, executive director, Families USA.
- **Disabilities.** Ed Smith, Civil Rights Commission...

**NOTES/QUESTIONS:**

1. Need to decide which people we really want to have talk and which we don't.
2. Not Currently in any group:
  - Jim Powers (dockworker)
  - Wayne Glenn (second union guy)
3. Should we add fifth topic--paying for education--and include Jim Powers and Diana Lyons Wilson. Great chance to discuss tax deduction and IRA along with direct loans.
4. Not clear how well Linda-Tarr Whelan fits in first discussion.
5. There are no "real people" on second topic. Sonjia Felton could be moved there and talk about her experiences counseling summer jobs youths rather than adult/dislocated workers.

**DRAFT 3/24/95 -- CLOSE HOLD****PANEL IV -- Investing in Sustained Growth and Job Creation**

Opening remarks by VPOTUS

Mayor Campbell, Investing in Future Prosperity

VPOTUS calls for comments by

Harry Bowie

Larry Stein

Reggie White

Janette Golden, Small Business Success

VPOTUS calls for comments by

Donald Hayes

Jean Griswold

Bernard McPheely, Trade and Export Assistance

Janet McAllister

Ronald Allen

Tom Johnson, Innovation

VPOTUS calls for comments by

Ernest Davenport

Julia Gaston

Open Discussion

**DRAFT 3/24/95 -- CLOSE HOLD**

Panelists not called on include (but not Winter)

Al From

Raul Yzaguirre

William Payne

Richard Fisher

Roy Spence

William Winter, Lessons and Legacy of Southern Economic Development

VPOTUS Close

POTUS Close

Session Adjourns

## DRAFT 3/26/95 -- CLOSE HOLD

### III. GOALS FOR PANEL IV: INVESTING IN SUSTAINED GROWTH AND JOB CREATION

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#### EVENT:

An opportunity to listen to workers, businesses and communities talk about their economic future. This discussion would likely emphasize that working in partnership, businesses, workers and communities can create new jobs and sustained economic prosperity through efforts that include: enterprise zones, increased trade/export promotion, small business assistance, and innovation.

Panel IV includes a series of messages that highlight this theme:

Vision: Investing for future prosperity. Mayor Campbell, Atlanta, Georgia.

- Discussion, including:
  - Building long-term economic growth: Harry Bowie, President, Delta Foundation
  - The future of rural communities: Larry Stein, President, Center for Rural Studies
  - Community banking: Reggie White, Knoxville Community Investment Bank

Vision: Small business aid for job creation: Janette Golden, President, J-Net Micro Computer Services

- Discussion, including:
  - Partnerships for innovation: Donald Hayes, President and CEO, MicroFab Technologies
  - Small-business success: Jean Griswold, Metrolina Outreach Mammography

Vision: Trade, Export Assistance, and Transition: Bernard McPheely, General Manager, Harness International

- Discussion, including:
  - Transition to the new economy: Janet McAllister, Danfoss Fluid Power
  - International trade and services: Ronald Allen, Chairman and CEO, Delta Airlines

Vision: Innovation: Tom Johnson, President, Cable News Network

- Discussion, including:
  - Global Competition: Ernest Davenport, Jr., Chairman and CEO, Eastman Chemical
  - Training for tomorrow: Jullia Gaston, AT&T

The final statement from a panelist would come from

Vision: The lessons and legacy of Southern Regional Economic Strategy: Governor William Winter

## DRAFT 3/24/95 -- CLOSE HOLD

**PANEL IV:  
INVESTING IN SUSTAINED GROWTH AND JOB CREATION**

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## FORMAT

Opening Statement by VPOTUS

Mayor Campbell: Investing for Future Prosperity

Discussion including: *Harry Bowie: Building long-term growth in the rural South*  
*Larry Stein: The future of rural communities*  
*Reggie White: Community banking*

Janette Golden: Small Business Success

Discussion including: *Donald Hayes: Partnerships for innovation*  
*Jean Griswold: Small-business success*

Bernard McPheely: Trade, Export Assistance, and Transition

Discussion including: *Janet McAllister: Transition to the new economy*  
*Ronald Allen: International trade and services*

Tom Johnson: Innovation, Markets and Jobs of Tomorrow

Discussion including: *Ernest Davenport: Global competition*  
*Julia Gaston: Training for tomorrow*

Open Discussion

Governor William Winter: Legacy and lessons of Southern Regional Economic Strategy

Closing Remarks by VPOTUS

Closing Remarks by POTUS

Panel Adjourns

**DRAFT 3/26/95 -- CLOSE HOLD****RATIONALE:**

The Administration is helping to ensure that we take advantage of the opportunities that global competition provides and harnessing the power of technology to lead our nation into the future.

The Administration is working to make America a place where companies use globally competitive processes and high-skill workers to produce the goods and services that world consumers are demanding and will demand in the 21st Century -- creating new businesses, high-wage jobs and economic growth. The Administration is following a simple, strategic formula for economic growth: Investment + Workers + Open Markets + Innovation = Economic Growth ("People", especially education and training, will be discussed in Panel III). Workers and communities in the South are harvesting the results of these State and Federal economic growth strategies which implement empowerment/enterprise zones, create community banks; support small businesses, support industry-led technology partnerships, facilitate the rapid deployment and commercialization of civilian technologies, and facilitate a technology infrastructure for the 21st Century.

This strategy draws on the President's experience as Governor and as a leader of Southern economic strategy.

- **Industry's Role/Government's Roles.** For too long many among us have been caught in a stale debate on the appropriate role of government and industry. To be clear, it is private industry, workers, and our communities that drive economic growth. But, in many instances, to be effective, the private sector must partner with the public sector. Some Southern communities, like Atlanta, have learned that properly structured private/public partnerships can result in new companies, new jobs and economic growth. Others have sat idly by, hoping that status quo would be enough.

- **Sources of Competitiveness:** Competitiveness today and in the 21st century -- in our high tech labs, on our factory floors, in our innovative service companies, and in our urban and rural communities -- is based on a simple formula for sustained economic growth:

$$\text{Investment} + \text{Workforce} + \text{Open Markets} + \text{Innovation} = \text{Economic Growth}$$

This panel focuses on investment (empowerment/enterprise zones and community banks, small business assistance), open markets (export assistance) and innovation (including private-public partnerships)

- **New Government.** We are implementing industry's agenda. Our programs are industry-led and cost-shared, our policies focus on solving real world problems. And the results are obvious and tangible.

**DRAFT 3/26/95 -- CLOSE HOLD**

- **Short Term Success Doesn't Lessen the Need to Focus on the Long Term:** We should not think that strong economic growth today means that we can neglect to address long-term structural barriers to economic growth and innovation.
- **Implementing Industry's Agenda:** Businesses and communities have an agenda to face the future. They want the government to focus more resources on the civilian rather than the military economy. They want government programs to reflect the priorities of communities and companies, not government. They want industry and America's communities to lead. They want the government to stimulate more R&D and investment to create new companies and high-wage jobs.

**DRAFT 3/26/95 -- CLOSE HOLD****III. AGENDA FOR PANEL IV:  
INVESTING IN SUSTAINED GROWTH AND JOB CREATION**

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**TOPIC:**

Investing for Future Prosperity

**WHO:**

Mayor Bill Campbell. Mayor Campbell has been a leading force behind Atlanta's recent economic success. As a member of the City Council for several years and, since 1993, as Mayor of Atlanta, Mr. Campbell worked tirelessly implement a two pronged approach to sustained economic growth: looking both inward to promote urban renewal and outward to make Atlanta and its people strong and competitive players on the global scene. Last year Atlanta was named as one of the 9 cities to become an Urban Empowerment Zone, having put together a coalition of Urban organizations focused on developing urban villages that improve the quality of life, promote more efficiency and coordinate the delivery of social services to empower members of the neighborhoods to become self-reliant and self-sufficient cooperative villages.

**DISCUSSION POINTS/QUESTIONS:**

- o Atlanta has been a leader and model for economic development. It has boosted investment by attracting the 1996 Olympics, expanding the Airport, promoting international trade through trade missions led by Mayor Campbell and the opening of export assistance center, and, most importantly, focusing on Urban Renewal.
- o Atlanta is one of the seven Urban Enterprise Zone awarded last year (?). Winning the award involved close collaboration among various public and private organizations. Implementation and results will depend on continued cooperation.
- o Mayor, a lot of the growth in the South in the past few years has come in cities. What do cities need the most, from their people, from their businesses or from the federal government, to ensure that growth is sustained and sustainable?
- o What do you see as the major challenges the nation faces in ensuring that some workers and some people are not left out of the recovery?

**DRAFT 3/26/95 -- CLOSE HOLD****TOPIC:**

Building long-term economic growth

**WHO:** Harry Bowie, President of the Delta Foundation, has been one of the chief advocates and leading forces in economic development activities in the Mississippi Delta, including the establishment of the Mississippi Empowerment Zone, one of three rural Empowerment Zones. The Delta Foundation has been active in economic development activities throughout the Mississippi Delta since the early 1960's. Among its economic development ventures is Fine Vines, a wholly-owned manufacturer of denim products for the U.S. Navy and Victoria's Secret. Other ventures include revolving loan funds, a Minority Business Investment Corporation (MESBIC), and a rail spike, lumber, and stairway casing company. The Delta Foundation was a successful joint-venture applicant with the Delta Council of Mississippi in receiving a rural empowerment zone within the Mississippi Delta.

**DISCUSSION POINTS/QUESTIONS:**

- o Building long-term, successful economic futures: Economic opportunity is not evenly enjoyed by all communities, the Administration is working to ensure that those who often are left out of the economic mainstream have the infrastructure they need to build long-term, successful economic futures.
- o Bowie has been instrumental in helping the Mississippi Delta region become one of the three Rural Empowerment Zones.
- o Rural empowerment zones were created to enable local communities reverse long term, systemic problems and plant the seeds for long-term, viable rural economic growth.
- o Too often people believe that rural economics is just agriculture. But you're involved in much more, including manufacturing and investment. Industrial enterprises require infrastructure that sometimes isn't present in a rural community. What do you need to most to make the most out of your community?
- o People sometimes believe that economic development can't work and that it's in opposition to the marketplace. But your success has involved bringing market enterprises to rural areas. What do you make of the contention that economic development can't work?

**TOPIC:**

The Future of Rural Communities

**WHO:** Larry Stein, President, Center for Rural Studies (Bio to come)

**DISCUSSION POINTS/QUESTIONS:**

[INSERT TO COME]

**DRAFT 3/26/95 -- CLOSE HOLD****TOPIC:**

Community Banking

**WHO:** Reggie White, Founder, Knoxville Community Investment Bank (Bio to come)

**DISCUSSION POINTS/QUESTIONS:**

[INSERT TO COME]

**TOPIC:**

Small business assistance for job creation

**WHO:** Janette Golden is President of J-Net Micro Computer Services which provides consultation in systems integration and evaluation, desktop publishing services, on-site training and word processing services. As a minority, female-owned small business located in Atlanta Metropolitan area, J-Net addresses the needs of small and large businesses, educational and government customers. J-Net was a recent recipient of the newly developed "Lowdoc" loan from the Small Business Administration. This new loan, a 1-page front and back application for a of \$100,000 or less, has greatly benefitted minority business communities because of its size and the ease of application. For its efforts to streamline the loan process, SBA was awarded the Vice President's "Hammer" award for reinventing government.

**DISCUSSION POINTS/QUESTIONS:**

- o Partnerships are critical. At the heart of our economic plan is partnerships. Partnerships that are smart and effective and focused on solving real world problems. Partnerships that work. Our single goal: working together to do what none of us can do separately.
- o You know, the SBA used to have (--) forms that a small business would have to fill out to get a loan of \$100,000 or less. Now, as part of re-inventing government, we developed a one-page application, which you have used. The whole point of re-inventing government is to serve our customers better. So let me ask you, did this change make a difference to you and would it make a difference to other small businesses?
- o Tell me about your business; who are your customers and why are they willing to work with a small business?
- o If we're going to have more jobs and economic growth, we need small business to succeed because its people like you who create jobs, not government. How do you evaluate the prospects for small businesses?

**DRAFT 3/26/95 - CLOSE HOLD**

**TOPIC:**

Partnerships for innovation

**WHO:** Donald Hayes, President and Founder of MicroFab Technologies started his company in 1984 in Plano, Texas. MicroFab is a small research and development-oriented business which specializes in unusual applications of ink-jet technology. MicroFab will conduct approximately two million dollars worth of research this year and employs 11 full-time and 4 part-time personnel, as well as from 5 to 15 consultants. MicroFab has won two highly competitive Advanced Technology Program (ATP) awards. In 1992, as part of a joint venture among several large and small companies, the company received an ATP award to develop a revolutionary technology that can be used to make analysis of DNA samples more cost effective and less time consuming. If successful, this technology will open up whole new markets for DNA analysis in diagnostics, forensics, the design of complex drugs, and agricultural research to name a few.

**DISCUSSION POINTS/QUESTIONS:**

- o Partnerships are Critical to America's Success: In today's global economy, America has some significant and real challenges - and opportunities. While the private sector will fuel the engine that pulls the train of economic growth, America has a real need for partnerships between and among our companies, workers, and communities and the Federal Government.
- o You're a participant in our Advanced Technology Program, called ATP, which is designed to fill the gap between long-term basic research, on the one hand, and short-term commercial development on the other. How do you assess the impact of partnerships like this on the creation of long-term R&D?
- o When we talk about global competitiveness, we concentrate, as we should, on businesses and people and communities. But research & development may be less tangible. In your view, how important is innovative R&D to our country's future prospects?

**TOPIC:**

Small Business Success

**WHO:** Jean Griswold, Metrolina Outreach Mammography (Bio to come)

**DISCUSSION POINTS/QUESTIONS:**

[INSERT TO COME]

**TOPIC:**

Trade Export Assistance and Transition

**WHO:** Bernard McPheely is General Manager of Hartness International, a leading manufacturer of customized packaging equipment for the food, beverage, pharmaceutical, chemical, tobacco products, and

**DRAFT 3/26/95 -- CLOSE HOLD**

other industries. Continuous motion case packers, tray formers, decasers and vertical accumulator systems make up some of the machinery produced by Hartness. In 1992, the company was presented the President's "E" Award for excellence in exporting. Presently, 35 percent of Hartness annual sales are attributable to exporting and it has placed equipment to over 80 countries. Large and small companies make up its customer base. Mr. McPheely accompanied Secretary Brown as a member of the business delegation on the Presidential Trade Mission to Russia last year. He also holds positions in several influential International trade organizations, including Chairman, Global Marketing Committee and member, Food Industries International Trade Council.

**DISCUSSION POINTS/QUESTIONS:**

- o We know that U.S. Exports = U.S. Jobs. About 35% of your annual sales are to customers outside the United States. Is it easy to export? What are the challenges that you face?
- o You participated in a Presidential Business Development Mission to Russia last year that was led by Secretary Brown. You know that we've put a lot more emphasis on advocacy for U.S. businesses than previous Administrations. Is it having an impact?

**TOPIC:**

Transition to the new economy

**WHO:** Janet McAllister, Danfoss Fluid Power (Bio to come)

**DISCUSSION POINTS/QUESTIONS:**

[INSERT TO COME]

**TOPIC:**

International Trade and Services

**WHO:** Ronald Allen, Chairman and CEO, Delta Airline (Bio to come)

**DISCUSSION POINTS/QUESTIONS:**

[INSERT TO COME]

**TOPIC:**

Markets and jobs of tomorrow

**WHO:** Tom Johnson, President, Cable News Network. In the early 1970's, Ted Turner turned local television channel WTCG into the nation's first Superstation. Then, in 1978 he launched the first 24 hour

**DRAFT 3/26/95 -- CLOSE HOLD**

cable news network. Today, Turner's three largest networks, CNN, WTBS, and TNT, reach more than 95 percent of all U.S. cable households. CNN is now distributed in 78 million households in over 200 countries outside the U.S. CNN International (CNNi), the international arm of CNN, has virtually all its weekdays news shows custom-made and not shown in the U.S.

**DISCUSSION POINTS/QUESTIONS:**

- o The private sector will lead the way to the construction of the National -- and Global-- Information Infrastructure. Government will work with the private sector, by, among other activities, opening markets around the world, by de-regulating domestic markets, and by working to connect our classrooms, libraries, hospitals and clinics.
- o We hear a lot about the global economy and we often think of it in terms of products, exports manufactured in the United States that are shipped abroad. But you've created a different aspect of the global economy by distributing CNN in over 200 countries around the world. How has the globalization of your network benefitted or changed CNN?
- o For network executives, or even for high-governmental officials, the power that comes from instantaneous access to information may be apparent. But you're talking now to a national audience, with a lot of people who probably haven't experienced multi-media technology. How would you explain to them the benefits that you believe will result from our information revolution?

**TOPIC:**

Global competition

**WHO:**

Earnest Davenport, Jr., Chairman and CEO, of Eastman Chemical, also has served as Chairman of the Board of Directors for the Chemical Manufacturers Association, and member of the Malcolm Baldrige National Quality Award Foundation Board of Trustees. Mr. Davenport also is a leader of "Responsible Care," a campaign aimed at protecting health, safety and the environment. Eastman Chemical manufactures and markets chemicals, fibers and plastics and is a spin-off from the Eastman Kodak Company. Located in Tennessee since 1920, Eastman Chemical employs over 17,000 nationwide, including extensive operations in Tennessee, Arkansas, South Carolina, and Texas. The company won the prestigious Malcolm Baldrige National Quality Award in 1993, and is working with the Southern Technology Council in their regionwide effort to identify "best practices" in how the region's K-12 schools implement educational technologies.

**DISCUSSION POINTS/QUESTIONS:**

- o Administration's programs are designed for success and are achieving success. Whether in trade, technology, small business assistance or economic development, they are industry-led, cost-shared, competitive, and merit reviewed. And the results are obvious and tangible.

**DRAFT 3/26/95 -- CLOSE HOLD**

- o Quality doesn't come from a government program, it comes from innovative and imaginative management responding to new challenges. But change is hard. How did you incorporate principles of quality management into your operations?
- o You head a chemical company. But you also are a leader of "Responsible Care", a campaign aimed at protecting health and safety and the environment. Why?
- o Your company also participates in the Southern Technology Council's effort to help K-12 schools use technology to improve children's education. What is the role of technology in educating children and training workers? What impact do you think the Council's efforts and similar initiatives throughout the country will have on your workforce, your ability to compete, and the communities in which your company operates?

**TOPIC:**

Training for tomorrow

**WHO:** Julia Gaston, AT&T (Bio to come)

**DISCUSSION POINTS/QUESTIONS:**

[INSERT TO COME]

**TOPIC:**

Legacy and lessons of Southern Regional Economic Strategy

**WHO:**

Governor William Winter. (Bio to come)

**DISCUSSION POINTS/QUESTIONS**

- o Governor, you've thought about these issues for a long time both from a state and regional perspective. You were a member of the 1986 Commission on the Future of the South. As you listen to the discussion today I wonder what you believe to be the legacy of that work; and the lessons that we can apply tomorrow?

JUNE 21, 1995

MEMORANDUM FOR THE VICE PRESIDENT

FROM: GREG SIMON  
JIM KOHLENBERGER

SUBJECT: YOUR ROLE AT THE PACIFIC RIM ECONOMIC CONFERENCE

You are meeting with the President, John Emerson and others to review the upcoming Pacific Rim Economic Conference. This memo is to bring you up to date on your role at the conference.

As with the previous economic conferences you will be moderating the third and final panel. Your panel is intended to demonstrate the success and vision of the Administration's economic strategy with particular emphasis on technology, innovation and open markets. Jonathan Sallet has taken the lead in picking the panelists and developing the script for your panel.

We believe that the Pacific Rim region's natural resource issues need special attention and profile. So in addition to several key natural resource panelists on the opening panel, we believe you should chair a separate natural resources breakout session that could focus on the broad themes that work well in the region, namely, quality of life and leadership/problem solving. The group would talk about why fish, trees, clean water, wilderness and the like are important to the region, why use of those things by people in various ways are important, and how conflict resolution regarding those topics can and should be promoted. The breakout would be closed press and you would report to the first panel on your findings. Katie has taken the lead on the breakout session and will probably also be at the table.

OCTOBER 19, 1995

MEMORANDUM FOR THE VICE PRESIDENT

FROM: JIM KOHLENBERGER  
SUBJECT: MIDWESTERN ECONOMIC CONFERENCE

In addition to making opening remarks and introducing the President, you are moderating major sections on each of the two panels. I've put paper clips in your briefing book at the two points where your part of the script begins.

**PANEL ONE**

This panel will feature businesses and workers that will help to provide an overview of the regional economy. The message for this panel is that the Midwest is no longer the "rust-belt." Restructuring and investment have transformed manufacturing into a new model of global competitiveness. Agriculture has prospered while diversification in technology and services has also benefitted the region. On the first panel, you will moderate 4 panelists in a discussion of growth and prosperity through innovation and new practices. Your panelists include:

- **Technology for Manufacturing** -- an ATP participant who has been working to develop precision automotive manufacturing techniques -- a concrete demonstration of public private partnerships that make us more competitive.
- **Agriculture Transformed** -- A farmer who has used new practices who can speak about the role of technology and expanding export opportunities in agriculture.
- **Labor and Partnerships** -- A labor leader who can tell you how new partnerships that provide skill training and technology benefit working men and women and how organize labor plays an important role in the transformation and the resurgence of the Midwest economy.
- **Skilled Workforce** -- A working mother who can speak about the positive effect of training, education and change.

**PANEL TWO**

The second panel will feature educators, students, and working people. The discussion will encompass financial strains, particularly as they relate to post-secondary education;

education and training in the new economy; and the role of technology in education. During the second panel, you will moderate a discussion on educational technology. Panelists include:

- **Governor Caperton** – Governor Caperton, who also spoke about the importance of educational technology at your Federal/State/Local Telecommunications Summit, can talk about his successful state initiative on educational technology.
- **Dick Notebart** – Dick Notebart, the Chairman and CEO of Ameritech, can tell you about the role that Ameritech and other businesses must play in bringing educational technology to the classroom.
- **High School teacher** – an Iowa high school teacher who is doing some incredible work with technology in the classroom.