

But I hope all Americans will look to Manchester, and we'll look to other communities where the crime rate is going down. And I hope they will say, number one, we don't have to put up with this anymore. We don't have to put up with streets where our kids can't walk safely. We don't have to put up with neighborhoods where good, decent people don't want to live anymore. We don't have to move away to feel safe in our own homes. There is another way and a better way. But, secondly, that better way requires both more police officers in my community and my neighborhood walking my streets, and my personal involvement and my trust, and our sense of partnership and community.

If we have that, we can not only take our streets back and make our country safe, we can deal with any other challenge the American people face. If you look at our whole history, there has never been a single, solitary time when America failed when America worked together. And that's what we have to do today.

Thank you, and God bless you all.

NOTE: The President spoke at 12:20 p.m. In his remarks, he referred to Sgt. Red Robidas, community policing commander; Nancy Tessier, principal, Beach Street School; and Peter Favreau, Manchester police chief.

### Remarks in a Roundtable Discussion on Small Business in Merrimack, New Hampshire

February 3, 1996

[Tony Halvatzes, president, New Hampshire Hydraulics welcomed the President and briefly described how the Small Business Administration had helped him expand his business.]

**The President.** Tony, I'd say you've seeded this crowd pretty well. That's what all of us politicians try to do, we try to go to crowds where the people are going to cheer for us. You did a good job.

Mr. McGowan, do you want to say anything?

[Patrick McGowan, Regional Administrator, Small Business Administration, welcomed the President, discussed making the SBA pro-

gram more user friendly, and introduced the first participant.]

**The President.** Tell all the people here about your business, first.

[The participant described her business and how the Government shutdown had affected her SBA application. Another participant indicated that small businesses are often financially unable to provide all they would like for their employees and said a national health care bill would help small business. A third participant said that he had to turn some business away because of the limited size of SBA loan guarantees for small businesses.]

**The President.** So, it would help you if the SBA could guarantee a larger size loan?

[The participant responded that the current SBA limit is \$750,000 which is aimed at a very small business but that when a small business begins to grow, the owner is left wondering whether they will receive help.]

**The President.** And what would be the size loan that you think that we ought to look at? Let me back and say—you know how the SBA program works, the SBA loan guarantee program works, and one of the things that I'm proudest of about our administration and all this work we've done to try to give the American people a Government that costs less and does more is that we have reduced the budget of SBA by about 40 percent and we've doubled the loan volume.

But one of the things that we were compelled to do, given the budgetary situation we were in, is to go from a maximum loan of—I think it used to be \$1 million down to three-quarters of a million. But what I gather you're saying is that you need a bigger one even than that. You think there should be some sort of a program for non-bankable loans for a modest-size business that goes up to, what, \$2 million?

[The participant said that \$2 million would serve to get small businesses over the hurdle to the point where they would be bankable without an SBA guarantee. Mr. McGowan indicated that SBA limitations were partially a result of success, because SBA had gone from 26,000 loans to 56,000.]

**The President.** But I think, you know—again, this is the sort of thing that I hope will come out of this budget debate. That is, it seems to me that you can conclusively demonstrate that the SBA has done what the taxpayers wanted. We've cut the cost of operating the program. We have now more than doubled the loan volume, you just heard him say that. And the only reason we had to change the ceiling is because we wanted to accommodate as many people as possible. So, it may be possible now to go back and say we ought to have a bigger loan volume ceiling because our administrative costs are very, very low. And we have—the form used to be an inch thick and it used to take 5 or 6 weeks to approve. And now with the Lowdoc program it's just one page, either side, and we try to give just a couple days' turnaround, and it's been very well received.

*[The participant noted that, though the SBA fees had increased, the higher fees are not a problem as long as the program continues.]*

**The President.** By increasing the fees, what that's enabled us to do is to run the program and continue to maintain a high volume of loans while we're reducing the deficit. And by charging—getting a little more of the fees we can still fill that gap between the banks, you know, where you can't get the bank loans, and still the borrowers come out ahead in it, financially.

So we went out and sampled, sort of, the small business community and asked them, how about this, because this way we can keep volume up even as we're bringing the budget deficit down. And I'm glad you said that, because you're the first person I've had a chance to ask since we did it. I didn't know if I'd be dodging hydraulic equipment or not. *[Laughter]* Thank you.

*[A participant said that she wished that the SBA could assist small businesses when they were just starting up and when capital is hard to find.]*

**The President.** If I could just interject here. The general title of what she's talking about, getting very small loans to start businesses is microenterprise loans. For many years our Government—which believe it or not only spends one percent of your tax dol-

lars on foreign aid, contrary to popular belief, we have the smallest foreign aid program as a percentage of our budget of any advanced Government in the world, but we have gotten a lot out of it—because, among other things, there's a country in Central America where, a few years ago, in cooperation with some American religious groups that were operating development programs, we put \$1 million into a small loan program. The average loan program was \$300.

Now, in that country, in terms of the per capita income it would probably be about, say, a \$2,000 loan here, that would be about the equivalent. But anyway, over the next few years that \$1 million generated enough business loans to create 43,000 jobs, which is one percent of the total employment in that country. Everybody paid the loans back with interest. There's now \$4 million in that account that started off at \$1 million. My premise is, if we can do that in another country, we ought to do that in our country, and that in the inner cities, in these very isolated rural areas where the per capita income is low and the unemployment rate is high, I believe we should be making those kinds of loans.

So we have—another part of our economic outreach to small business was a fund called the Community Development Financial Institutions Fund, CDFI. And if it survives this budget round, what we're going to try to do is to get banks to establish themselves with branches in areas where there's very high unemployment, low per capita income, and make these kinds of loans to try to set up businesses. They can also make conventional small business loans as well.

But I think for a little bit of money, you can do a huge amount. We established a bank like that in a rural part of my State when I was Governor, and my wife went on the board of the bank, and we modeled it after the only American project I know of, which was a bank in Chicago which helped to redevelop the south side of Chicago by making small loans to individual carpenters, individual electricians, individual builders, and then they went in and took all this decrepit housing, rebuilt it, and got middle class people and poor people to live together, and totally turned around a neighborhood. So I'm glad

to hear you say that, because there's not enough Government money to rescue the inner cities and the isolated rural areas, but free enterprise could do it if we did it in this way.

You're the first citizen that had never had a direct contact with this program overseas that ever suggested it, but it looks to me like if we're financing small businesses in another country like—we ought to do it here in our country. We ought to give the Americans the same break that other people have.

Thank you.

[A participant voiced her concern that the States and local businesses cannot afford to support the arts and asked if the Federal Government could help.]

**The President.** Well, you making that argument to me, you're preaching to the choir, because I agree with you. But I would like to put it—just briefly, I'd like to put this in proper context. Let's just take this as an example of the budget debate we're having in Washington everywhere. You should know, first of all, that the deficit has been cut in half in the last 3 years. What makes the deficit go down in a hurry is if you have a combination of real discipline on the money you spend and a growing economy, because if you have a growing economy, then unemployment's less, the Government has to make fewer payouts. For example, in the last 3 years the welfare rolls are down; the food stamp rolls are down; the poverty rolls are down. We're not paying out as much money because the economy is in better shape, more people are working. And we have pretty tight controls on the spending.

We have reduced the size of the Government by 200,000 since I've been in office. Your Federal Government is now the same size it was in 1965. We have cut 16,000 of the 86,000 pages of Federal regulations, including half the Federal regulations in the SBA—50 percent have been slashed. So we're trying to get rid of all of the inessential things and all of the waste.

Now, there's a big debate now of what should the National Government do. And you can make an argument, once you get beyond national defense—defending the country, you can argue that nothing else should

be done, or you can argue that it should be done. How do you decide? I believe we have to ask ourselves: What should be the role of the Federal Government? My view is, when you move beyond national defense, our role ought to be to focus on problems that are national in scope, but if they have to be dealt with at the local level we should focus on helping individuals and families make the most of their own lives or enabling communities to address these challenges.

Now, the reason I have favored continued Federal funding of the arts is that once you get out of the really big cities where there is a massive amount of wealth and a huge population base to attract the orchestra, the art gallery, the you name it, once you get out of that where they don't have a big population base, isn't it still a good thing nationally for people in small rural towns in North Arkansas or Northern New Hampshire to have a traveling artist or to hear musicians directly or to be exposed to these things. I think it is. It's a tiny part of our national budget; so what I have proposed is sort of a split in your position and theirs.

I said, we can't increase this right now until we get the deficit under control. So let's just flat fund it, but let's keep it flat for several years so at least we can tell the local arts council in Merrimack, okay, this is what New Hampshire will get next year, the year after, and the year after, and you can plan accordingly. And that's what I hope we will do, and I think there's a fair chance that's what will happen.

**Q.** I understand, Mr. President, that only 68 cents per family, per year, is spent on the arts by the Federal Government?

**The President.** That's right. Most of your money—let me just say where most of the money goes. Most of the money goes to Social Security, national defense, Medicare, interest on the debt, you know, from accumulated debt. In the past, we quadrupled the debt in the 12 years before I became President—we didn't have to make interest payments on the debt that was run up in the 12 years before I took office, the Federal budget would be in surplus today, not balanced, in surplus. So we've got to get the deficit down. You've got to get the debt down, because otherwise the interest pay-

ments eat you alive, just like your home mortgage payments or anything else.

Those things are the lion's share of the budget. Everything else you think about being in the Federal budget—I mean, the National Parks, the highway system, you name it, everything else, the Labor Department, Small Business—is only about a third of the budget, actually, slightly less. So, you're right, the arts funding, it's quite small.

[A participant thanked the SBA for helping her business become a success.]

**The President.** Tell them a little about your company. This illustrates another point I've been out here on the stump making in New Hampshire and around the country.

There is still a huge debate in Washington that I believe we should have resolved by now about whether you can grow the economy without hurting the environment. There are a lot of people who still assert that you have to have a certain amount of environmental degradation to have an acceptable amount of job creation.

I think you can argue that—I think you can argue that your business is good for the environment, right? Because what you're doing here is you're recycling, you're repairing, you're minimizing the use of raw resources. I think that—my own view is that in the United States and every other advanced country in the world, we have to find ways to try to grow the economy while we nourish the environment. That's what her business is about. So, just give them a couple of minutes about that. I think that's important.

[The participant described her company which produces tote bags, made of natural materials to replace plastic bags which would otherwise go to landfills. She then asked if welfare could be reformed in a way to provide the kind of semi- and unskilled workers she needs for her business.]

**The President.** I agree with that. Let me give you one—first of all, now that the New Hampshire unemployment rate is down to about 3.2 percent, all the economists say that at any given time in a country like ours 3 percent of the people will be walking around somewhere. That will be—you know, they'll

be moving home with their parents; they'll be moving to another State, something will be happening.

So, when you get an economy down to 3 percent or a little below—there are two or three States that have unemployment rates below 3 percent, but it's very difficult to get below 3 percent, so the labor markets get very tight. So, then the question is, how do you move people from welfare into the work force? I think the rules have to be changed to put time limits on welfare for anybody that can go to work that has access to a job. I think they are entitled to some support. I think that the problem is, if you take a job and you have very low wages and there is nobody giving you any child care help, you may actually lose ground. Or, if your child loses Medicaid health insurance coverage because you go to work, that's tough.

But one of the things that—this started in Oregon—we have given 50 experiments—freedom from Federal rules and regulations in 35 States to try to move people from welfare to work. One of the things that I think all of the low unemployment States should consider doing is what Oregon has done. We gave them permission to do this. They have the right to take the cash value of the monthly welfare check and the food stamps and give it to the employer for 6 to 9 months as an income supplement to hire people off welfare. So, people have to work for the money. They're going to get the money anyway but now they have to go to work for it, and it's recycled through the employer.

You have to give them, I think, a little more than that. But you would have to anyway, just to meet the minimum wage requirements. But still, it's a subsidy that you get for 6 to 9 months, than you can decide whether to keep the employee or not. But then by that time, the employee's acquired work experience, the confidence of going to work every day, something you can put on a résumé. And I think it is probably the quickest, easiest way to move people from welfare to work in areas that have low unemployment.

In areas with high unemployment, it won't work, and people would be upset because they'd be, you know, you'd be picking around employees over another. But once the unem-

ployment rate gets pretty low in a given area, I think it's one thing that would really make a huge difference. And I think we've got four or five States that are trying it now, and I'm trying to urge everybody to do it. When I spoke in Vermont last year, I spoke to the Governors, and I said, there are five things that if you will do with your welfare proposal, these five things will give you immediate approval. And that's one of the things that I'd like to see done. And that would give small-business people like you the opportunity to deal one-on-one with people who are moving from welfare to work, you'd be able to teach them things about the work force, you'd be able to—you know, even if at the end of the period you decided you couldn't keep them, it could make a big difference in their lives. So that's one of the things.

And if the version—if what I'm asking the Congress to do or some variation thereof passes in welfare reform legislation, then the States would automatically be able to do this. They wouldn't even have to ask us for permission. I wish they didn't today, but under the present law they have to.

*[A participant explained that one of her employees, who is an unwed teenage mother, was told that she had to go on welfare in order to receive health care insurance for her baby. She asked if the programs could be split.]*

**The President.** Yes. As a matter of fact, this is—ironically, again, these are just glitches in the law, that's why I'm trying to pass a law, because otherwise you have to do it State-by-State. If that same woman had gone on welfare for 30 days and then come to work for you, she could have kept her Medicaid for, depending on what the State does here, but for a minimum of 9 months, a transitional period—because we never want to discourage anybody.

You can't ask anybody to hurt their children. In the perverse world we live in, a lot of small businesspeople can't afford health insurance. So if you're on welfare, your kid has Medicaid. And then if you go to work, you lose the health insurance for your kids and if you make \$4.25 an hour—which is what the minimum wage is, I think it should be higher, but there it is—and your child gets

sick and you don't have health insurance, then all of a sudden your income is much lower than it was if you were idle.

So under the law now, that young woman, had she drawn one welfare check, could have then come to work for you and in every State gotten to keep that Medicaid coverage for her children for some time, for her child for some time. And in some States over a year.

So what we're trying to do is—let me just give you—one of the things that we could give a State permission to do is to let someone immediately go to—you're the first person who has ever told me about this incident; I've never heard this example before—but we could give, easily give the State permission to just tell people like you, you can hire them before they ever have to go on welfare, but if they would have been on welfare otherwise, maybe their income level, we'll deem their income level to be what it would have been and for a few months they can be covered.

If our welfare reform legislation passes, then the Federal Government would be out of that and the State could just make a decision to do it, which is what I would like to see happen.

The real problem in all this welfare business is—besides developing sort of the self-esteem and sense of responsibility of people on welfare—most people on welfare would like to work. And most people on welfare are not better off financially not working. The problem is that welfare, real welfare payments in almost every State in America are lower in terms of what they'll buy than they were 20 years ago. Welfare, per se, is not a good deal. What helps you is the Medicaid for your kids and the fact that if you're home you don't have to hire anybody to do child care.

Those are the big barriers to moving people from welfare to work. And if we can overcome them, if we could have very tough requirements requiring people to work if they want to get any help. I think that's what we ought to do, but I see all your employees have got their kids here today, what we want for America is for everybody to be successful as a parent and successful in the workplace. And we don't want people to have to choose one over the other. We want people to suc-

ceed at home—that's the most important job any of us have—and to succeed in the workplace.

[A participant stated the need for a program that would allow minimum wage employees to work and have child care.]

**The President.** Let me just make a suggestion, all of you in this. This is something that you might—you don't have to have a specific answer, but if you feel this way and if the small business community in New Hampshire feels this way, one thing you could do is just write your Senators and your Members of Congress and tell them that. Because we're having two debates over tax cuts in Washington. One is: how big a tax cut can you afford if your first job is to balance the budget? But the second is: let's assume we agreed on how much we could afford, what kind of tax cut is best?

My belief is that the best kind of tax cut is the kind that helps people raise their children or educate them, or that helps businesses deal with the family-based problems or the education problems they have with their own employees. So I would—for example, I'd be more than happy to have a really significant increase in the financial incentives we give to small businesses to help their employees with child care. And I think most families with children would be better off having a tax deduction for the cost of sending their kids to college than having what would be a much smaller across-the-board tax cut.

But these are the decisions that we have to kind of grapple with. And let me give you another example. The White House Conference on Small Business said we ought to do something to make it cheaper and easier for smaller businesses to take out pension plans for themselves and their employees. So we've got a bill in Congress now that would make it possible for businesses with five, ten, six, fifteen employees less expensive and more reliable to take out pension plans, for the owners and the employees.

These are the kinds of things we're going to have to do if more and more jobs are going to be created by you and more and more jobs are going to be abolished by big companies.

Because big companies could do this on their own, they could have good health care, they could have a good pension, they could have continued education benefits. But people will still need them if they go to smaller companies. So if the big companies aren't going to be there to aggregate the money, then the government has to come in and help give some incentive or support to small business to do the same thing.

[A participant suggested a low cost loan fund to help textile businesses adversely affected by NAFTA.]

**The President.** You know, first of all, I'll look and see what the possibility of that is. That's a good idea.

NAFTA was the first trade agreement ever that actually required any country to meet certain labor standards or environmental standards. And one of the—we have slowed down some of the compliance with NAFTA, like on truck safety and all, because we think it's so important to see that these standards are met. And in fairness, they are very difficult to impose and enforce, as you know. I honestly believe that it's a good idea. I don't think we should be subsidizing people to live substandard lives there. What we want them to do is to raise—lift our standard of living.

[A participant asked that the American workers get a fair share under NAFTA.]

**The President.** Thanks. Give him a hand. [Applause]

**Q.** We are big supporters of you, Mr. President.

**The President.** Thank you.

**Q.** So you are not going to lose our vote over this but we think it's a critical issue.

**The President.** Thank you. I appreciate that.

[A participant discussed the problems that small businesses incur in paying taxes on projected profits from long-term manufacturing contracts.]

**The President.** Let me ask you something. Could you write that up for me, or have you written it up for me? I would be glad to look into that. [Laughter] You know exactly what happened. What happened was they had all these big companies with mul-

tiple, multi-year contracts so they were always rolling their costs over to look like they were complying with this contract and that one and the other one, and never paying the taxes on the profits they were earning.

**Q.** I understand, and that door should have been slammed shut, and I'm glad to see that it was.

**The President.** But what we ought to be able to do is to say that, at least in the years when you realize no net gain, in the early years of a contract, you shouldn't be subject to taxation.

*[The participant stated that when his business incurs 50 percent of their costs, they have to pay 50 percent of the tax on 50 percent of the profit that is years away.]*

**The President.** That's why people want to change the tax system. That's good. Thank you.

Let me ask you a general question, if I might, and get you to comment on it. When I was here in 1992, the biggest problem small businesses were having was that all the banks were shutting down, so nobody was making any loans. And you didn't have any bank failures last year, and that's good.

One of the reasons we really tried to turn up the capacity of the SBA to make loans is, we were afraid as the banks worked their way out of the last recession, with the particular impact it had on the banking industry, and more in New England than almost any other place in the country, if we could find a way to give more SBA loans and—even while doing our part to cut the costs of Government, that would make a real difference.

We also were asked to do two other things, one was to increase the expensing provision. I'd be interested to know if it has benefited any of you. You know, we—the expensing provision when I took office gave you the right to expense \$10,000, now it's up to \$17,500. The NFIB asked for \$25,000, and I tried to get that in '93, and I think that may well come out of this present tax law. Would that make a difference to you? Is that important part of the Tax Code as for as you're concerned?

Is the bank loan situation, now measurably better than it was in 1992, and if not, what

else can we do about it? I'd like to ask those two questions.

*[A participant stated that the bank loan situation has improved, and agreed that expensing would make a big difference.]*

**The President.** But it has—when we write—

**Q.** It hasn't yet—

**The President.** —17, you haven't felt it?

**Q.** No, not just filing taxes—I mean—

**The President.** So you wouldn't—under the old system?

**Q.** Right.

**The President.** But for you, it's not enough money to make any difference; is it?

**Q.** For me, no. It's not.

**The President.** It's too small to make any difference one way or the other, isn't it?

**Q.** What I found definitely the banking industry is changed—and I'd just like to say one thing that I think we can forget is, SBA isn't a handout. We're paying back our loans.

**The President.** Absolutely.

**Q.** And we're keeping people employed to pay taxes and that type of thing, where without the SBA a lot of jobs could be lost and that type of thing. So I don't, you know, I just hope it's not a handout type thing.

**The President.** Yes. I think the taxpayers, including the taxpayers in this room, should know that at any given time nationwide we have under 10 percent of our loans in arrears and ultimate failures are under 1½ percent. So our record at the SBA for making loans that default is about the same as any conservative bank in America. But we take a chance on people with a new idea that can't quite get there.

Pat, what were you going to say.

*[Mr. McGowan stated that SBA has increased the number of loans to women-owned businesses in that region. A participant then praised the Boston office for increased productivity with a reduced work force.]*

**The President.** You know, when I tell people that the Federal work force is over 200,000 smaller than it used to be—just folks, you know, when I go home and tell people that, they have a hard time believing it. But the reason is—there are two reasons for that. One is, we had the money to give

humane severance programs to the people who left the Federal employment. That is, we gave them good early retirement packages or good early-out packages and time to work out a new education program or a new line of work.

The other reason is that the people that are left are doing a better job. I mean, there's a dramatic increase in productivity of these Federal workers that are left. And I know it kind of contradicts a lot of people's preconception about the Government, but I think it's interesting that you can cut the Federal work force that much and literally nobody knows it happened because there's been no undermining of the quality of service that these Federal employees have given. I think it's really—and I thank you for saying that about it.

[A participant suggested a tax incentive for something other than a fixed asset.]

**The President.** Let me just say, that's an interesting point. Small business people in America, particularly when they first start, is the only economic unit that's in the same position as most American families are—most American families now pay more tax on the payroll than they do on the income tax. And the problem with the payroll tax is you have to pay it whether you make any money or not.

Now, since it supports the Social Security system that, no matter what they tell you, is still solvent until the year 2019—we are going to have to make some changes in Social Security for when the people my age, the big baby boomer generation, retires because you'll have fewer people working and more people drawing. But we have to have some mechanism of keeping the system funded—but it really—I think that's a good point because the payroll tax is something—since you have to pay it whether you make any money or not is an extraordinary burden on both a lot of middle class families and small businesses.

Q. Mr. President, we want to thank you for coming here and sitting with this forum today. Tony has probably got another shift coming in the door here in a little bit, but we want to thank you for listening to the issues and it's been a great opportunity.

**The President.** Let me say too, I thank all of you for your support of the SBA. I thank you, Pat, and Administrator Phil Lader and his predecessor Erskine Bowles—I put two people in charge of the SBA, one of them, Erskine Bowles, spent 20 years starting small businesses. It occurred to me that for a change we ought to have somebody in there that had actually done that; and then Mr. Lader has spent most of his life running them.

And it makes a big difference if you have people that have actually lived with this and know what they're doing. I'm very proud of them and all the people that work at SBA. I thank you for your support. It looks to me like from your example that's money well spent.

Thank you. Thank you all.

NOTE: The roundtable began at 1:40 p.m. in the New Hampshire Hydraulics Co.

### **Remarks on Departure From Manchester, New Hampshire February 3, 1996**

I was deeply saddened to learn of the death of an American soldier this morning in Bosnia. This is the first fatality suffered by American service personnel in Operation Joint Endeavor. Hillary and I join all Americans in extending our deepest sympathies to his family and his friends. Our prayers are with you this afternoon and so is the pride of the Nation, for he gave his life in the noblest of causes, the search for peace.

I have been clear since before this operation began that our mission to secure peace in Bosnia would entail some risks. We have done everything we could to minimize those risks, and all Americans should know that we have provided our troops with the best training, the best equipment, to confront the challenges they face in Bosnia, and they are very well-led in a careful implementation of their mission. We will continue to take every precaution we can to protect our troops as they work to secure an enduring peace in Bosnia. And all of our troops should know that today our thoughts and our sincere gratitude are with them, especially on this difficult day.

Thank you very much.