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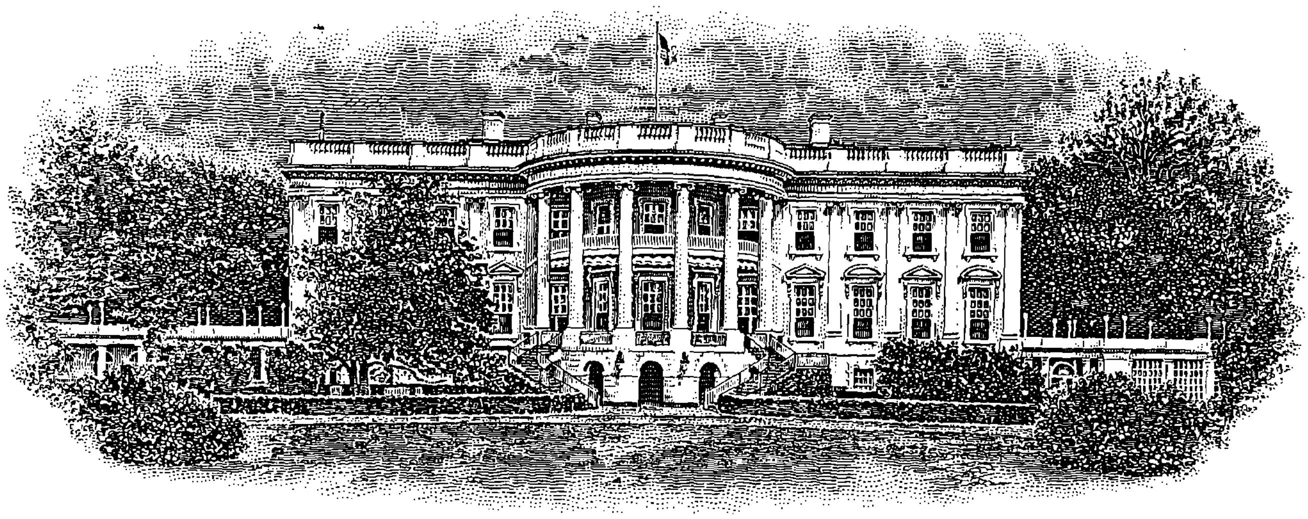
The White House



THE WHITE HOUSE

WASHINGTON

July 20, 1993

Clinton Deficit Reduction Plan:
Briefing for Business Reporters.

3:15pm Indian Treaty Room, OEOB

Agenda:

1. Roger Altman, Deputy Secretary of the Treasury
   Welcome.

2. Laura Tyson, Chair, Council of Economic Advisors
   Current Economic Conditions.

3. Robert Rubin, Chair, National Economic Council
   President's Economic Package, Broader Strategy for Growth and Job Creation.

4. Roger Altman
   President's Economic Plan and Reconciliation.

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THE ECONOMIC MESSAGE

The President's Plan Is Good For Our Country

The President's plan is good for the country, good for the economy, and good for the middle-class working families who have suffered for too long.

I. This plan puts us back in control of our economic destiny. After years of government policies that failed us, **there are no quick fixes -- just long-term solutions. We didn't get into this mess overnight, and we won't get out of it overnight.** The Clinton economic plan steps up to the plate and takes responsibility for the economic strength of this country. This plan is good news for the economy:

- It has the largest deficit reduction in history;
- It has over 200 specific spending cuts totalling $250 billion;
- It puts America's economic house in order;
- It makes it possible for America to grow again, for our economy to expand again, by finally paying down the deficit that has been choking off jobs and growth, and by shifting the federal budget away from wasteful spending and toward sound investment.

II. With this plan, we will create permanent, productive, private-sector jobs. Over the next four years, with this plan in place, we will add 8 million jobs to our economy. This plan is a job generator because:

- It makes it easier for business to grow. If we keep interest rates at their present low level for the rest of this year, we will have pumped **$50-100 billion of new private spending** into the economy.

- It has targeted new incentives to encourage business -- especially small business -- to create new jobs.

- It includes targeted public investment in education, training and infrastructure.

III. This plan will **improve the standard of living for the American people,** lower interest rates resulting from this deficit reduction will **make it easier for Americans to own their own home, buy a new car, finance a college education, and pay down consumer debt.**

- This is real money in the pockets of real people. For example, **if you make about $40,000 a year and refinance a $100,000 mortgage down from 10% to 7.5%, you will save $175 a month -- more than ten times what you'll be paying in new taxes.**

- Lower deficits mean lower interest rates and higher private investment. President Clinton believes the private sector is the vital engine of economic growth. Lower interest rates and higher private investment will lead to higher productivity, more jobs and a higher standard of living for all Americans.

The President's Plan Represents Real Change

The President's plan represents a fundamental break from the old, failed trickle-down policies of the past. It is **change that is historic in its scope**: the largest deficit reduction in history. This is truly fundamental change.

- The old ways left deficits out of control. Now **we're putting our economic house in order;**

- Where trickle down sheltered the powerful and privileged, and tried to balance the budget on the backs of the middle class, this economic plan is fair, shared and balanced.

- **The well-off are finally paying their fair share.** At least 70% of the taxes come from those making over $200,000.

- **The working poor actually get a break.** If you make $30,000 a year or less and have children in the home, this plan gives you a tax break, to help you raise your children above the poverty line.

- **The middle class wins in this plan.** After twelve years in which the Republicans taxed working people and helped wealthy people, this is a plan in which the middle class wins. The total tax burden on the middle class ranges from about $5 a month in the Senate version to a maximum of $17 a month in the House version. But the benefits far outweigh the burdens: lower interest rates on everything from your home to your car loan to your credit card payments (see p.1 for a good example of this good deal); historic deficit reduction; real spending cuts in 200 specific programs; incentives for business to create jobs here in America; and the kind of sustained, long-term growth that America needs.

- **This plan makes real cuts in specific programs -- more than 200 specific cuts in programs that cut more than $250 billion from the budget.** The old ways included using phony numbers, gimmicks and tricks to avoid making real spending cuts.

- Under business as usual, deficit reduction disappeared as time passed. But this plan locks the savings once and for all in a deficit reduction trust fund.

- ***For every $10 we put in that $500 billion trust fund, $5 comes from spending cuts, $4 comes from taxes on the wealthiest 6%, and only $1 comes from the middle class.***

- The trust fund will be proof that we really are paying down the deficit -- unlike the policies of the past, when the Republicans used gimmicks like "budget caps" that were lifted or ignored.

- In the old, failed way of doing things, the most vulnerable were the most victimized. The President's plan achieves more deficit reduction than the Republican proposals, with **vastly smaller cuts in Medicare, veterans benefits, and health care.**

- The old way of doing things allowed politicians to look no further than the next election. This plan looks to the next generation. From historic deficit reduction to lower interest rates to investing in our children, this plan sets the stage for long-term growth.

- Under the old policies, Presidents weakened America by ignoring economic crises here at home. Now the world has greater respect for the leadership America is showing. President Clinton's success at the G-7 Summit in Tokyo was due to the fact that America is finally taking responsibility for paying down the deficit, creating jobs and expanding growth.

The President's Plan Is The Only Alternative

The President's plan is the only plan with: credible deficit reduction; courage to make the well-off pay their fair share; specific spending cuts; reduction in interest rates to expand the economy; targeted investments to create jobs; targeted investments to spur growth; and security for older Americans. On each of these points, where the President's plan is strong, the Republican schemes are weak.

- **The Republicans have no plan.** They offer nothing but more of the same. They looked the deficit squarely in the eye...and blinked.

- **America cannot afford more of the same.** The Republicans did offer a couple of last-minute excuses for an economic plan. Here's what they propose: a continuation of the status quo, more uncontrolled deficits, more tax breaks for the most well-off, more cuts in Social Security, Medicare, veterans' benefits and health care for the most vulnerable.

A Plan For Economic Change And Growth

After 12 years of inaction and talk on the deficit, Bill Clinton stepped up to the plate and proposed the largest deficit reduction package ever proposed by a President. This is a specific and detailed plan to reduce the deficit and increase investment in our people, and spur long-term economic growth. If this plan fails, it will be a victory for gridlock, higher interest rates and ever growing deficits. When it succeeds, it will help us build an economy that will be strong, invest in the businesses that create jobs, and prepare our people for lives of prosperity and opportunity in the future.

I. Strong And Fair Deficit Reduction To Get Our Economic House In Order

The President's plan calls for $500 billion in deficit reduction, evenly divided between $250 billion in net spending cuts and $250 billion in tax increases. For every $10 in deficit reduction, $5 comes from spending cuts, $4 comes from taxing those over $100,000 and only $1 comes from everyone else.

II. Fair And Progressive Taxation

The overwhelming majority of these taxes fall on the most well-off Americans. There is no income tax increase for 98.8% of American taxpayers. Only those families making over $180,000 would see their income tax rates increase. Indeed, **the Congressional Budget Office analyses of both the House and Senate version of the Clinton plan show that approximately 70% of the taxes raised fall on those making over $200,000.**

III. Spending Cuts

The Clinton plan calls for $250 billion in net spending cuts — $1 in cuts for every $1 raised in revenues. Every dollar of new investments is paid for with over $3 in spending cuts. There are over 100 domestic program cuts that exceed $100 million each. The Clinton plan cuts overall spending in real terms, through a "hard freeze" — there is no inflation adjustment to increase overall discretionary spending for five years.

IV. Deficit Trust Fund

Under the President's plan every dollar that is targeted for deficit reduction will be locked away in a deficit reduction trust fund so that savings promised for deficit reduction can never be used for pet spending projects by anyone.

V. New Investments -- Borrowing Less While Investing More

The President's plan borrows less and spends less, while still investing more in the things that are fundamental for long-term economic growth -- like education, technology, children, worker training, new cops on the street and technology and defense conversion. Quite simply, it seeks to invest more in -- not borrow more from -- our future. The plan does this by cutting enough spending to invest $100 billion more in our people, while still finding $250 billion in net spending cuts to contribute to a $500 billion deficit reduction package.

- **Rewarding Work Tax Credit:** The Clinton plan will fund the Earned Income Tax Credit so that no parent who works full-time and has a child at home will live in poverty.

- **Small Business, Pro Jobs Tax Incentives:** The plan includes a new venture capital gains tax cut for investments held for over 5 years in small-medium sized companies. Furthermore, the plan more than doubles the amount of expensing small businesses are allowed to take immediately.

- **Investing in People:** The plan has a bold commitment to lifelong learning: It fully-funds Head Start and WIC; calls for a new school-to-work initiative, National Service and EXCEL College Opportunity Accounts and Dislocated Worker Initiatives -- investments with high returns for our future.

- **Making America Stronger, Safer, and Smarter:** President Clinton has announced a major defense conversion package for the next five years, a new technology initiative that includes "information superhighways," a national network of manufacturing extension centers; and a permanent R&D tax credit to spur private sector investment in cutting-edge technologies. The plan also includes a new and innovative empowerment zones proposal and a Community Development Bank initiative.

VI. Stronger Economy

The Clinton plan has already lowered long-term interest rates significantly and had a positive effect in turning this economy around.

- **Jobs:** We have created 813,000 jobs in the first five months of this administration. Over 90% (740,000) of these jobs are in the private sector, while under half the job growth in the Bush Administration was in the private sector. Thus, while the Bush Administration created just 1 million private sector jobs in four years, we have created 70% of that total in just five months.

- **Inflation:** Inflation was virtually flat last month and has shown a modest 2.5 annual rate so far in the Administration. We are creating jobs and getting growth back without sparking inflation.

- **Housing and Construction:** Lower interest rates have led to over 112,000 construction jobs created in the last five months, after losing over 700,000 in the last four years.

- **Autos:** Sales of domestically-built autos have been strong. In June, 7.136 million were sold, up 489,000 units since January 1993.

Highlights Of Investments In The President's Economic Plan

I. The Investment Deficit

In the 1980's, while tax burdens increased on the middle class and federal deficits soared, public investment in America and the American people plummeted dramatically. As stated in Putting People First, "in the emerging global economy, everything is mobile: capital, factories, even entire industries. The only resource that's really rooted in a nation -- the ultimate source of all its wealth -- is its people. The only way America can compete and win in the 21st Century is to have the best educated, best trained workforce in the world, linked together by transportation and communication networks second to none."

The Clinton plan seeks to accomplish the challenging goal of increasing investments in education, technology, defense conversion, and crime prevention, at the same time that we are decreasing the deficit. This requires cutting spending that is not needed or can no longer be justified, to make room for investments in our future. Just as many American families have had to cut back on luxuries in order to invest in their children, government must do the same. Thus, the Clinton plan pays for every dollar of new investments by cutting spending somewhere else. **In fact, there are $3 in spending cuts for every $1 of new investments.** Simply put: The Clinton plan includes enough spending cuts to pay for all of its new investments and still have $250 billion left over for deficit reduction.

II. Investment Incentives Within The President's Reconciliation Package

The President's economic plan seeks to spur private-sector investment by reducing the deficit and providing targeted tax incentives. That is why the reconciliation includes both targeted growth incentives and the largest deficit reduction plan in our history.

A. The President's Economic Package Is Pro-Small Business:

- **More Than Double Small Business Expensing Incentives:** Following the President's lead, both the House and Senate have called for legislation to allow small businesses to expense immediately more than twice the $10,000 of business investment that is currently permitted. Under the House bill the threshold is increased to $25,000. Under the Senate bill the level is increased to $20,500. This will free up cash flow for small businesses and allow them to make new investments in training and equipment and to create new jobs.

- **New Small Business Capital Gains Exclusion:** The plan gives investors generous tax incentives to provide equity capital to productive small businesses, thus encouraging risk-taking and innovation. Half the long-term capital gains from investment in small businesses would generally be excluded from income and would not be subject to the alternative minimum tax.

- **Reducing The Cost Of Health Insurance Premiums For The Self-Employed.** The package extends the 25% deduction for health insurance premiums paid by the self-employed. The extension will last through the end of the year in anticipation of broad health care reform measures to be introduced by the Clinton Administration.

- **Tax-Exempt Financing For Small Business.** By extending qualified small-issue bonds and creating a new category of enterprise zone facility bonds, the plan provides certain small businesses with greater access to tax-exempt financing.

- **Small Issue Manufacturing And Farmers Bonds:** The plan extends the provision in current law that allows local jurisdictions to issue tax-exempt qualified small-issue bonds to finance manufacturing facilities or agricultural land and property purchases for first-time farmers.

- **"Super-Expensing" In Empowerment Zones.** The plan also increases from $10,000 to $75,000 the amount that small businesses located in ten "empowerment zones" may expense, and provides other incentives for small businesses located in our Nation's most distressed communities.

B. **The President's Economic Plan Includes Pro-Growth Incentives For Large and Small Companies:**

- **Modify AMT Depreciation Schedule:** This is an incentive for new capital investment. It provides relief on the tax treatment of depreciation deductions for corporations paying the corporate minimum tax, and is of enormous value to capital-intensive companies. By allowing such depreciation deductions to be accelerated considerably, the provision promotes capital investment.

- **Extend The R&E Tax Credit:** The plan fosters economic growth, technological development, and international competitiveness permanently by extending the research and experimentation credit. It extends the provision that provides a 20% credit for qualified research expenditures. It includes a new rule relating to start-up companies that will make it easier for new enterprises to qualify for the credit by simplifying and rationalizing the rules for computing research eligible for the credit.

- **Mortgage Revenue Bonds:** The plan extends the current law provision that permits local jurisdictions to issue tax-exempt qualified mortgage bonds to finance the purchase, rehabilitation, or improvement of, single-family, owner-occupied residences located within the jurisdiction of the issuer. This is an important financing tool for many first-time home buyers and an important stimulus for the housing industry.

- **Passive Loss Liberalization.** The plan provides relief to real estate professionals by allowing qualifying taxpayers to deduct from income certain losses from real estate activities in which they materially participate.

C. **The Reconciliation Bill Encourages Worker Training and Education:**

- **New Excel Accounts for College Access/Direct Student Loans:** The Clinton plan calls for a new program that will allow every young person who wants to go to college to receive an EXCEL Account that will allow him or her to take out money needed for college, and then pay it back as a small percentage of future income. This will allow young people to go into public service or try to start a new business without facing a crushing debt burden from college loans. In addition, the Clinton Administration has introduced legislation to overhaul the student loan system. By cutting out the middle-man, eliminating costly subsidies to private lenders, and lending directly to students, the Government will lower interest rates for students and save billions for the taxpayer. The program will be phased in over four years, and save taxpayers billions over the next five years.

- **School-To-Work Tax Credit:** This tax credit will provide important incentives to businesses to join in the President's effort to create new pathways to high-skill, high paying jobs for young Americans who choose not to go to college but still seek further training for a chosen trade or profession.

- **Employer-Provided Educational Assistance:** The plan extends the current law provision that excludes from gross income amounts paid by employers for workers' educational assistance.

- **Targeted Jobs Tax Credit:** The plan extends the current law provision that allows employers to claim a targeted jobs tax credit equal to 40% of up to $6,000 of first-year wages paid to members of certain targeted groups.

D. **The Reconciliation Bill Provides Work Incentives And Tax Relief For Low-Income Americans**

- **Rewarding Work By Increasing The Earned Income Tax Credit To Help Make Work Pay For The Working Poor.** By expanding and simplifying the earned income tax credit (EITC) significantly, the plan ensures that no American family with a full-time worker will be below the poverty line. America's poor will have greater incentive to work, and low-income taxpayers will receive larger direct payments to help them with basic living expenses. Extending the EITC to working poor taxpayers without children expands work incentives to additional Americans and increases equity.

- **Extend Low-Income Housing Credit Permanently:** By permanently extending the housing tax credit for new or substantially rehabilitated low-income rental housing, and providing more generous rules for projects developed in the 110 empowerment zones and enterprise communities that will be designated, the plan increases opportunities for affordable housing development by the private sector.

- **Empowerment Zones:** The President's Empowerment Zone proposal represents a new approach to the problems of distressed urban and rural communities. It gives local communities the incentives and regulatory flexibility they need to work with the private sector to develop comprehensive economic strategies to attract businesses, create jobs, make their streets safe, and empower people to get ahead. A total of 110 zones will be chosen through a competitive challenge grant process that will reward those communities that submit innovative comprehensive strategic plans that involves a partnership between government, private businesses and local residents of the targeted distressed areas. The 110 zones will receive an enterprise grant and a package of tax incentives designed to attract new business activity. Each zone will also receive special priority for participation in many innovative federal programs, including Community Development Banks, Community Policing and the Education Department's "enterprise schools" initiative.

E. The Reconciliation Package is Pro-Children:

In addition to the strong agenda for children in the President's overall package, the President's reconciliation proposal includes important investments in the health and well-being of all of our children.

- **Earned Income Tax Credit:** The President's expansion of the EITC ensures that no child whose parents work full-time will be raised in poverty.

- **Childhood Immunizations:** All American children should be assured of a healthy start through appropriate immunizations. The President's Budget calls for a 96% increase in the funding received by the Centers for Disease Control (CDC) for such activities. A recent CDC survey indicated that only about 60 percent of the Nation's children had received the recommended immunizations by age two. The President's FY 1994 request for CDC will focus resources on this group of children. The President's budget also increases funds for State immunization infrastructure support so that States can hire more clinic personnel and keep clinics open longer, allowing more children to receive immunizations on schedule. In addition, the Administration is working with Congress on legislation that will allow it to provide free vaccines to needy children.

- **Family Support And Preservation:** The House has approved major new child welfare services legislation proposed by the Administration. The proposed capped entitlement program would help prevent child abuse and help parents learn the skills and tools they need to help raise their children, such as parenting classes and assistance to families with at-risk children. The program would place special emphasis on preventing family dissolution and on reunifying families through supportive community-based interventions.

- **Child Hunger Prevention:** The Food Stamp Program is the Nation's first-line of defense against hunger. The Administration has proposed improving the Food Stamp Program by enacting the Mickey Leland Hunger Prevention Act. The initiative will reduce hunger among poor children, simplify and improve program administration, help prevent abuse of the Food Stamp Program, and help offset the effect of the proposed energy tax on low-income households. Most of the benefits would go to low-income families with children.

SMALL BUSINESSES WILL BENEFIT FROM THE CLINTON PLAN

The Clinton Economic Plan is fair and beneficial to small businesses. The vast majority of small businesses will come out ahead under the tax proposals in the Clinton plan.

THE CLINTON PLAN IS PRO-SMALL BUSINESS. Those who plow money back into their businesses for economic growth and expansion will be able to take advantage of tax incentives like the expensing provisions and the capital gains exclusion for investments in small business. Benefits include:

- **Lower borrowing costs.** Markets have responded to the President's deficit reduction plan. Long-term interest rates are at a 16-year low, and mortgage rates are at a 20-year low.

- **Increased expensing.** The President proposed more than doubling from $10,000 the investment that small business will be able to expense immediately.

- **Special capital gains tax cut for investments in small and medium-sized businesses.** The President has strongly supported a new provision to cut capital gains taxes for new investment in businesses.

- **Retroactive extension of the 25% deduction for health insurance premiums of the self-employed.**

- **Retroactive extension of the ability of State and local governments to issue tax-exempt bonds for small businesses.**

THE CLINTON PLAN WILL SPUR JOB GROWTH: During the last four years, only one million private sector jobs were created — just 20,000 a month. In the first five months of the Clinton Administration, 740,000 private sector jobs have been created ---over 140,000 jobs per month -- seven times the rate of the last Administration. Several independent analysts have projected that growth in the economy under the Clinton plan will create over 8 million jobs in the next four years. Furthermore, studies by the Joint Economic Committee and the National Venture Capital Association show that the President's capital gains cut for small businesses and his expensing provision will create at least an additional 200,000 jobs in small businesses.

ONLY 4.2% OF SMALL BUSINESS OWNERS THAT FILE INDIVIDUAL RETURNS WILL PAY MORE WHILE OVER 90% WILL RECEIVE OR BE ELIGIBLE FOR A TAX CUT. Some small business owners who are among the top 1% of taxpayers will have to pay more. But only 4.2% of the business owners who file individual returns -- proprietorships, partnerships or subchapter S corporations — will be affected by the increases in individual tax rates, because only 4.2% of these returns show income over $180,000 a year. Over 90% of small businesses and subchapter S corporation owners will either receive or be eligible for a tax cut through increased expensing, a targeted capital gains tax cut or the extension of the 24% health insurance deduction for the self-employed.

ONLY THE TOP 1.2% WILL PAY INCREASED INCOME TAXES. The Clinton plan raises income taxes only on households who earn over $180,000 a year or individual filers who take in over $140,000 a year (adjusted gross income). No matter what your occupation, you will only pay more income tax if you have a yearly income of $180,000. And no family that makes less than approximately $180,000 will pay any higher income tax.

ONLY THOSE BUSINESS OWNERS WHO MAKE THE MOST WILL PAY MORE: Those 4.2% of business owners who will pay higher income taxes are quite well-off. The average business owner who will pay more makes $560,000 a year and nearly half (43%) of all income of these taxpayers goes to people who make over $1 million. Often these business owners are highly paid doctors, lawyers or investment bankers rather than owners of small businesses such as the corner store.

AGGRESSIVE ASSAULT ON THE CREDIT CRUNCH: The President has implemented more than 10 regulatory initiatives designed to increase lending to small and medium-sized businesses. These initiatives have cut unnecessary paperwork and regulations, increased bankers' ability to make "character" loans, and created an ombudsman so that regulatory mistakes get corrected. The bottom line is more business loans at lower interest rates.

MAJOR NEWSPAPERS SUCH AS THE WALL STREET JOURNAL AND THE NEW YORK TIMES HAVE EXAMINED REPUBLICAN CLAIMS THAT THE CLINTON PLAN IS BAD FOR SMALL BUSINESS AND FOUND THEM TO BE "SPECIOUS."

News reports confirm what we already know — that Republicans have been distorting the truth, claiming that the Clinton plan hurts small business, when, in fact, the income tax increases fall on only 4% of small business owners, while Republican plans eliminate tax cuts that could benefit over 90% of small business owners.

WALL STREET JOURNAL:

> "Having been battered in last year's presidential campaign as defenders of the wealthy, Republicans hardly want to oppose the president's proposed income tax increases head on and bemoan the burden on the nation's richest 1.2% of the population. So they're playing up the plight of small business. . . .
>
> **"But many of the Republican arguments are specious. Despite GOP claims that most of the burden of the higher rates would fall on small business owners, Joint Tax Committee data show otherwise. . . .**
>
> "[T]he higher income tax rates wouldn't affect the vast majority of small businesses, the Treasury Department says. About 300,000, or 4.2%, of the seven million taxpayers who are actively involved in S corporations, partnerships or sole proprietorships would be subject to the higher taxes. And many of those are upper-income investment bankers, doctors and lawyers –

hardly the image of small business owners evoked by some of the Republicans.

. . .

"A [Treasury] department analysis shows that the 300,000 active business owners who would be affected by the higher individual rates have income before itemized deductions averaging $560,000." [Wall Street Journal, 6/25/93]

THE NEW YORK TIMES:

"The Republicans maintain that a large portion of the higher tax rates the Democratic plan would impose on taxpayers with taxable income above $140,000 would fall on small businesses and would inhibit the owners from pouring money back into the business so they could expand and hire new workers. ...

"One problem with the argument is that many of these businesses are actually doctors, lawyers and other professionals – not the sort of entrepreneurs normally associated with job creation.

"Another problem is that these businesses pay taxes only on their profits, after deductions are taken for expenses like paying wages to employees or making new investments to expand.

"The Republicans never quite explained why surgeons, or even the owners of hardware stores or canneries, should be taxed less on their income than someone who draws a salary from, say, the United States Treasury." [New York Times, 6/24/93]

WASHINGTON POST:

"The affected businesses include such affluent professionals as doctors, lawyers and accountants. If they were exempt from the personal rate increase, they would have a lower tax rate than corporate executives and other professionals who receive income in the form of salary." [Washington Post, 6/24/93]

THE NFIB (NATIONAL FEDERATION OF INDEPENDENT BUSINESS) HAS PREVIOUSLY GIVEN TESTIMONY STRESSING THE IMPORTANCE OF KEY PROVISIONS OF THE PRESIDENT'S PLAN: EXPENSING, TARGETED SMALL BUSINESS CAPITAL GAINS CUT, AND LOWER INTEREST RATES FROM DEFICIT REDUCTION

NFIB'S position on these provisions from that testimony is as follows:

- **DEFICIT REDUCTION:** *"Our members feel that there is very little the government can do right now to bring us out of the recession in the short-term and would focus on the deficit rather than cutting taxes."*

  The Clinton Plan is the largest deficit reduction plan in history -- $500 billion in deficit reduction over five years.

- **EXPENSING:** *"In the area of investment incentives, let me simply say that we're consistent. Simplicity is the key for the small business community. We prefer above all other things an increase in direct expensing." (emphasis added)*

  The President's plan would more than double from $10,000 the investment that small businesses will be able to expense immediately.

- **CAPITAL GAINS:** *"If you wanted to focus, though, on creation of small businesses and creation of jobs, I think that Senator Bumpers' proposal does an admirable job in that area."*

  The President's plan adopts the key provisions of that proposal.

  Source: Testimony of NFIB Vice President John Motley at Hearing of the Senate Finance Committee on "Economic Growth and the President's Proposals: Focusing on How the Proposals Will Affect the Economy, 2/13/92.

FACTS ON CLINTON BUDGET SPENDING/TAX RATIOS:

BOTH HOUSE AND SENATE SCORING CONFIRM A ONE-TO-ONE RATIO:

There are now two versions of the plan -- the House and the Senate plan.

The House Budget Committee has done an analysis of the House plan and found that their bill had $250 billion in cuts and $250 billion in taxes — exactly $1 to $1.

The Senate Budget Committee found that the package used more than a $1 to $1 ratio -- with $1 in spending cuts for every 92 cents in revenue increases.

Both versions of the Clinton plan result in approximately $500 billion in deficit reduction. There are $250 billion in spending cuts — roughly $100 billion in entitlement cuts; $100 billion in other spending cuts; and $50 billion in savings from interest we pay on the national debt.

There are over 100 cuts of $100 million or more in domestic programs in the Clinton budget.

DOLE & PACKWOOD INCORRECTLY DISPUTE THE $1 to $1 RATIO AND SAY THAT THE REAL TAX/SPENDING RATIO WAS 3:1 OR WORSE AND THAT THE DEFICIT REDUCTION WAS AS LITTLE AS $347 BILLION:

Senator Dole has tried to block change and President Clinton's leadership by distracting the American public from what is really at stake: the largest deficit reduction package ever proposed by a President. The Republicans should join the President in showing leadership on deficit reduction.

Senator Dole's calculation is inaccurate because: 1) it does not count discretionary spending cuts as spending cuts at all; 2) it does not count interest savings as spending cuts; and 3) it does not count first time user fees as spending cuts. Senator Dole includes only taxes and some entitlement cuts in calculating the 3:1 ratio.

Discretionary Spending Cuts: Senator Dole denies all of the plan's $100 billion in spending cuts that come from the caps and sequesters — even though the plan presents line-by-line cuts. He ignores 125 domestic discretionary cuts. **He states that there is no enforcement, ignoring the extension of the strict current enforcement procedures in the budget resolutions and the House Bill.**

- When Senator Dole spoke about the 1990 deficit reduction plan, he counted discretionary spending savings created by the same cap and sequester that is being extended in the Clinton plan. (See quotes on following page.)

Cuts in Paying Interest on the National Debt: Republicans say that cutting the interest government spends on the national debt is not a spending cut, and that we are wrong to count interest savings as a spending cut.

- Interest savings were used to calculate the total deficit reduction in 1990, and they were always considered spending cuts.

- The Kasich plan uses $50 billion in net interest in its "all spending cut/no taxes" House Republican alternative.

Fees: Some Republicans argue that user fees should not be seen as spending cuts. For years, every Administration -- Republican and Democrat -- has counted them as cuts.

- In 1985, Senator Dole was the point person on a deficit plan, in which they specifically counted fees as spending cuts.

- The 1990 bi-partisan plan had user fees, and they were clearly scored by the Republican Administration's OMB as spending cuts.

- The Kasich plan has fees and specifically lists them as spending cuts -- the plan boasts that it has no new taxes.

THERE IS NO REPUBLICAN LEADERSHIP -- WHILE THEY CRITICIZE THE RATIOS, THEY OFFER NO NEW SPENDING CUTS:

The Republicans offered nearly a dozen amendments to the Senate Finance bill and not one had any net spending cuts. The rest all increased spending.

The Republican response by Senator Packwood is that "we are not going to do [additional spending cuts] alone" because they do not want to take the hits of showing leadership. (Washington Post, June 19, 1993) Yet, President Clinton -- alone -- put out an entire deficit reduction plan of nearly $500 billion, with every cut and revenue raiser line-by-line, and year-by-year.

Investments In People And Technology In Entire Clinton Plan

The following are other key investments in the Clinton plan:

A. JOB TRAINING

- **Dislocated Workers Program:** Today the average American worker changes jobs eight times in a lifetime. The President wants to transform our current unemployment system to a reemployment system. The Clinton program calls for a new worker training initiative that will guarantee for the first time that workers who lose their jobs through no fault of their own will be given training to find new jobs. This new national initiative will replace a current system that is fragmented and has poor quality control with a new system designed to provide rapid access to basic assistance and training for anyone who has suffered permanent job loss.

- **One Stop Shopping:** If you want to learn and earn, why should you have to go to 14 federal agencies plus state and local organizations? One-Stop Shopping will create a network of convenient outlets that provide unified, simplified and sensible access to self-help job assistance as well as a clearinghouse for additional government and private assistance. Using bold experimentation at the state and local level, the program will provide Americans with an information highway to careers, training programs and financial aid.

- **Profiling Unemployed Workers:** Some people have a harder time than others finding new jobs. Unemployment insurance profiling identifies those who need extra help quickly, before their benefits run out. The plan will provide grants to states for automating identification and referrals by the fifth week of unemployment.

B. Economic Growth And Job Creation

- **Defense Reinvestment And Conversion:** President Clinton has announced a comprehensive five-year package to ensure that those people and communities that helped win the cold war are not left out in the cold. This effort includes a joint program of the Defense Department and the National Economic Council to provide economic development assistance to hard-hit communities, worker training to dislocated defense workers, and a new emphasis on dual-use technologies to ensure that the technological and scientific know-how that once went into winning the cold war is targeted toward creating civilian jobs and ensuring our economic security.

- **Technology Initiative:** The Administration's Technology Initiative, unveiled on February 22nd, will create high-wage jobs in the industries of the 21st century and increase U.S. economic growth and productivity. This initiative includes:

-- "information superhighways," which will enable Americans to access information in any form at any time, creating a $300 billion market for new products and services;

-- a national network of manufacturing extension centers to help America's 360,000 small- and medium-sized manufacturing firms adopt modern manufacturing techniques;

-- an extension of the R&E tax credit to spur private sector investment in cutting-edge technologies; and

-- development of "green" technologies to reduce pollution and conserve our natural resources.

- **Community Development Banks:** Across the country, many communities are deprived of credit and basic banking services. In these communities, credit-worthy small business and other lending needs go unmet. The President has introduced an initiative to create a national network of community development financial institutions that will begin to meet this need. The proposal, which will invest $382 million over five years, will provide start-up capital on a matching basis to community development financial institutions that have a primary mission of developing and serving a targeted, underserved area.

C. Education And Youth Training

- **Education Reform:** All American children need greater access to better education -- not just to make the American Dream more available, but to make the American economy more productive. The President's plan includes $3.2 billion over five years to support the legislative proposal known as GOALS 2000: Educate America Act. It is a downpayment on a national program of support for fundamental change in America's elementary and secondary schools. Most of the funds would help States and localities involve public officials, teachers, parents, students, and business leaders in designing systematic education reforms. The President's plan also includes substantial new funding for a SAFE schools initiative.

- **National Service:** The Clinton Administration has called for a new national service program that will allow tens of thousands of young people to pay for higher education by serving their community and their Nation as police officers, teachers, hospital workers, or drug and homeless prevention workers. This program combines two of this Nation's best ideas: the GI Bill and the Peace Corps. Beginning in 1994, those who participate in meeting community and national needs through the National Service program will be eligible to receive a $5,000 educational award for each year of service (up to a maximum of $10,000) payable toward educational expenses.

D. Children And Families

- **Head Start:** The President aims to provide full funding for the Head Start program which has proven results and is cost-effective. Studies have shown that preschoolers who participate in Head Start do better in school and become more productive adults. The program provides educational, social, medical and nutritional services to at-risk preschoolers so they can become problem solvers instead of problems. The President aims to make Head Start available to all children who need it.

- **WIC:** If our Nation is going to prosper, children will have to grow up healthy, not hungry. This special supplemental food program for Women, Infants, and Children (WIC) helps make sure that they do. By the end of FY 1996, all eligible children ages 1 to 4, including some 2 million who were not served last year, will be assisted.

E. Safe Neighborhoods, Safe Streets, Safe Schools

To combat increasing crime and associated violence, the President is requesting $390 million for 1994 for the Justice Department to implement a comprehensive crime initiative to hire police and promote public safety throughout America. At the core of this initiative is a new Federal/State Partnership program to assist States and localities in their fight against crime. The program supports community and neighborhood-oriented policing programs; a Police Corps program; and upgrading criminal records at the Federal and State levels. In addition, resources are requested to meet other Federal law enforcement needs such as the Bureau of Prisons' projected increase in the Federal prison population. The total 5-year investment to combat crime and associated violence is $4.4 Billion.

Police On Our Streets

Overall, the President's budget requests for the Justice Department include a five-year investment of $2.174 billion to increase police presence and to expand community policing dramatically. To meet the 100,000 new police pledge, this investment will be leveraged with $150 million in policing grants already approved by Congress, $500 million requested as part of the President's Empowerment Zones legislation and policing investments requested for other agencies — including HUD's proposed Community Partnerships Against Crime (COMPAC), the Department of Education's Safe Schools legislation, and the public safety component of the President's National Service proposal. Together, these proposals will offer state and local governments a full menu of options — and maximum flexibility —in putting more police on our streets.

F. Public Health And Health Research

- **AIDS, Women's Health, And Other Public Health Initiatives** These initiatives increase funding for HIV/AIDS research and treatment, as well as for programs addressing women's health issues, teenage pregnancy, and other efforts focusing on the leading causes of morbidity and mortality. These investment initiatives would provide substantial new funding for these programs over several years, including:

-- additional funds for the fight against HIV/AIDS, through the Ryan White program, for CDC HIV/AIDS prevention, and for NIH HIV/AIDS research.

-- additional funds to address women's health issues, including breast cancer research, breast cancer screening, family planning efforts, and research on women's health issues at NIH.

-- additional funds to reduce our Nation's voracious appetite for illegal drugs, for increased treatment availability and for drug prevention programs.

- **Rural Health Initiative:** The President's rural health initiative is designed to address the unique, and acute, problems faced by rural hospitals. It extends authority for demonstration projects for limited-service rural hospitals, special payments for small, rural Medicare-dependent hospitals, and classification of hospitals as Regional Referral Centers.

G. Environmental And Energy Technologies

- **Drinking Water State Revolving Funds:** The Safe Drinking Water Act sets rigorous health-based standards for drinking water systems. In recent years, these requirements have imposed a large financial burden on drinking water systems. The President has requested new funds to provide capitalization grants to States so that they in turn can provide low-interest and no-interest loans to municipalities that must improve their drinking water systems.

- **Clean Water State Recolving Funds:** The Administration has requested funds to capitalize Clean Water State Revolving Funds. These Funds would make low-interest loans to municipalities for construction of projects to address water quality problems and help municipalities comply with new legal requirements for controlling stormwater run-off and wastewater pollution.

- **Environmental Technology:** The President's Environmental Technology Investment Initiative would increase funding for environmental engineering and technology development. The focus of this initiative will be long-term research and pollution prevention by EPA, other Federal agencies, and the private sector. The goal is to develop more advanced environmental systems and treatment techniques that can yield environmental benefits and increase exports of "green" technologies.

- **Alternative-Fuel Vehicles:** This initiative provides $18 million in 1994, and $30 million per year from 1995 through 1998 for Federal purchase of alternatively-fueled vehicles or conversion of the Federal fleet.

H. Transportation And Infrastructure

- **Mass Transit Formula Capital Grants:** After twelve years of neglect, America suffers from a crumbling transit infrastructure. These grants, together with State and local investment, will be used to upgrade rail facilities and equipment, and replace rail rolling stock, thus beginning to eliminate the rail investment backlog. These funds will also support bus and van replacement and bus facility rehabilitation. The new vehicles, which are needed to replace the aging U.S. transit fleet, will be more reliable and more accessible to disabled persons.

- **Federal-Aid Highways/Intelligent Vehicle Highway Systems:** The President proposes to increase highway spending to improve conditions and performance on the Nation's most important roads, the National Highway System, which carry over 40 percent of all highway traffic. The proposal would also increase funding for the Intelligent Vehicle/Highway Systems (IVHS) program. This "smart cars/smart highways" program will improve traffic control systems, warn drivers of dangerous situations, and make more efficient use of the existing highway infrastructure. It will combine state-of-the-art communications, warning systems, electronic displays, and computer technology.

- **High-Speed Rail Transportation:** High-speed rail systems can meet the transportation needs of several of the Nation's high-density corridors. These systems could relieve congestion, improve air quality, reduce oil consumption and improve safety. The funds could be used to start upgrading High-Speed Rail Service in selected rail corridors outside the Northeast Corridor. Train speeds would be increased by over 30 percent. In addition, funds would be provided for prototype design of magnetic levitation (MagLev) transportation and research on new turbine engines. MagLev speeds could exceed 250 miles per hour.

I. Agriculture

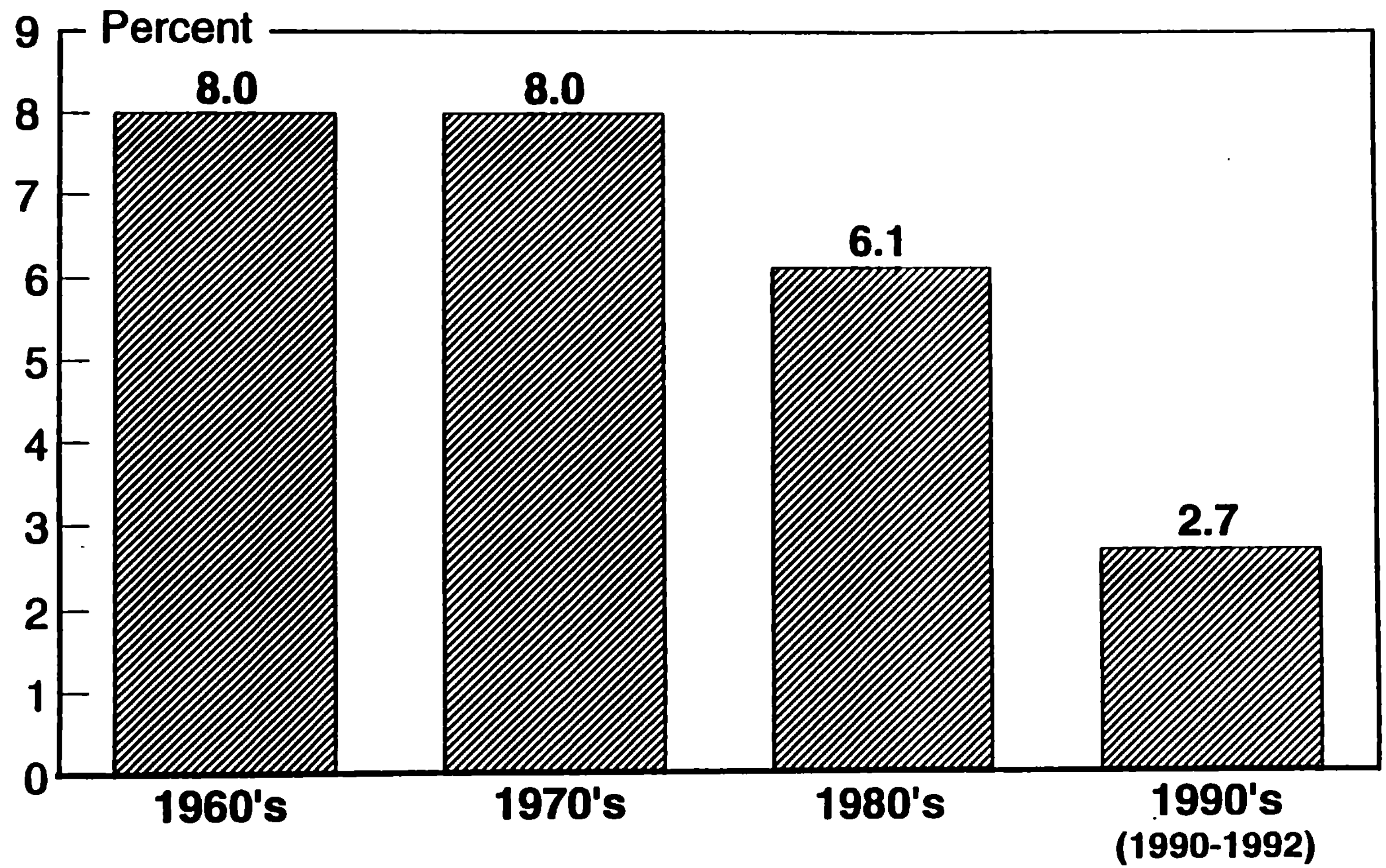
- **Equipment Expensing:** Under the President's plan to encourage small businesses to invest, farmers will be able to expense an increased amount of their capital investment. Agriculture is capital-intensive and good farming requires regular investments in productive capital, such as new and used equipment and machinery, special structures, motor vehicles, and farm and land improvement. The increased expensing reduces the cost of investment and frees up cash flow for use elsewhere on the farm.

- **Extending Small Issue Agriculture Bonds:** By extending this program, farmers entering agriculture can receive low interest rate loans from state, county or local governments to enable them to meet the high investment costs associated with beginning a farm operation. The government units raise the lower-cost funds through small-issue agricultural bonds, and most states with these loan programs depend upon these bonds to raise the funds for their programs. The Administration proposes to extend the right of state and local governments to issue these bonds, enabling entering farmers to meet the investment needs of their farm operations.

- **Extending The Health Insurance Deduction:** Because they are self-employed, farmers need comprehensive affordable health insurance; yet many cannot afford it. The Administration proposes to extend the 25 percent deduction for health insurance costs of self-employed workers and their families through at least December 31, 1993. This means continued savings for farmers.

Net Private Investment Has Fallen

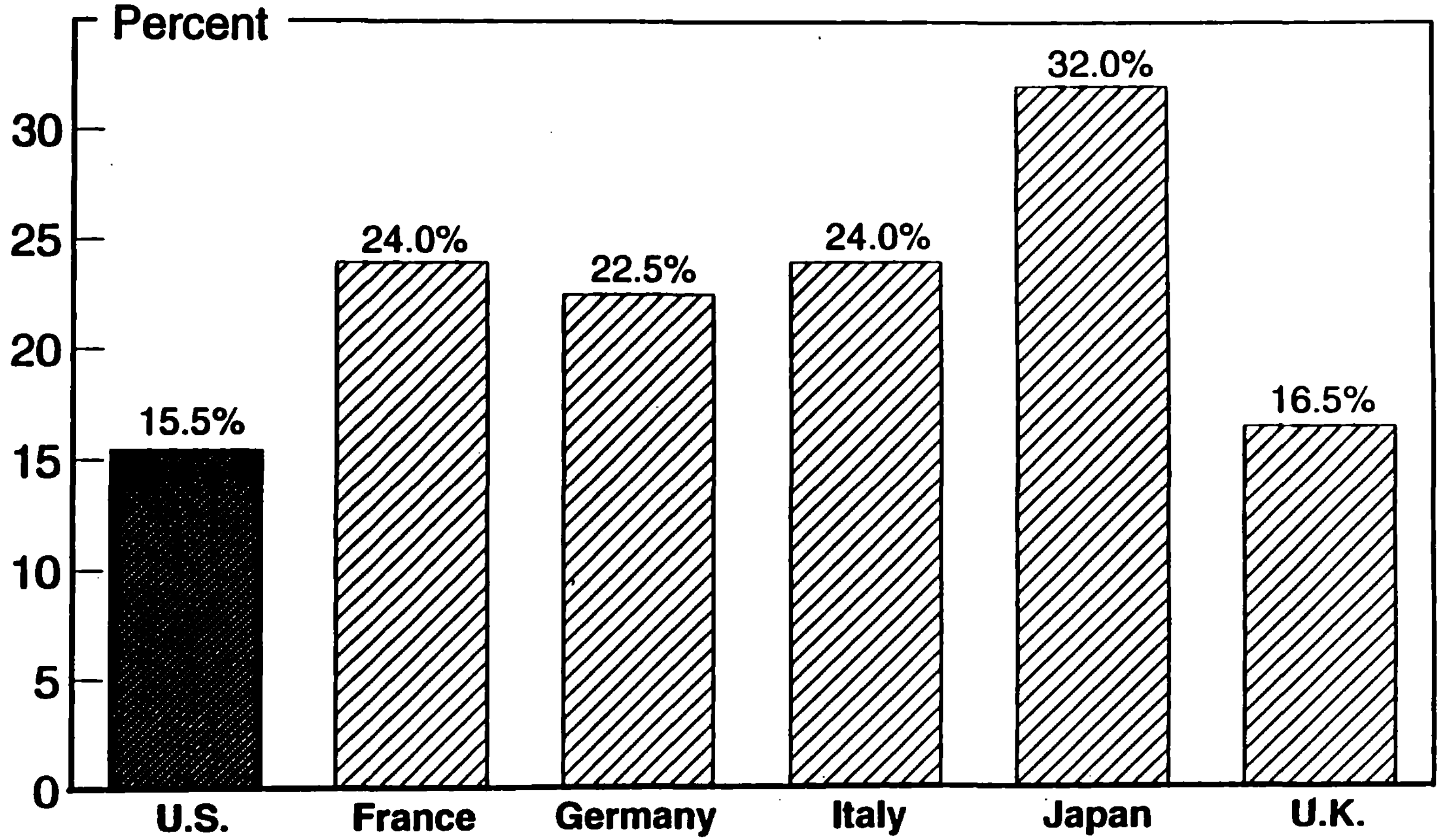
Total Private Investment as a Percent of NDP



Source: Bureau of Economic Analysis

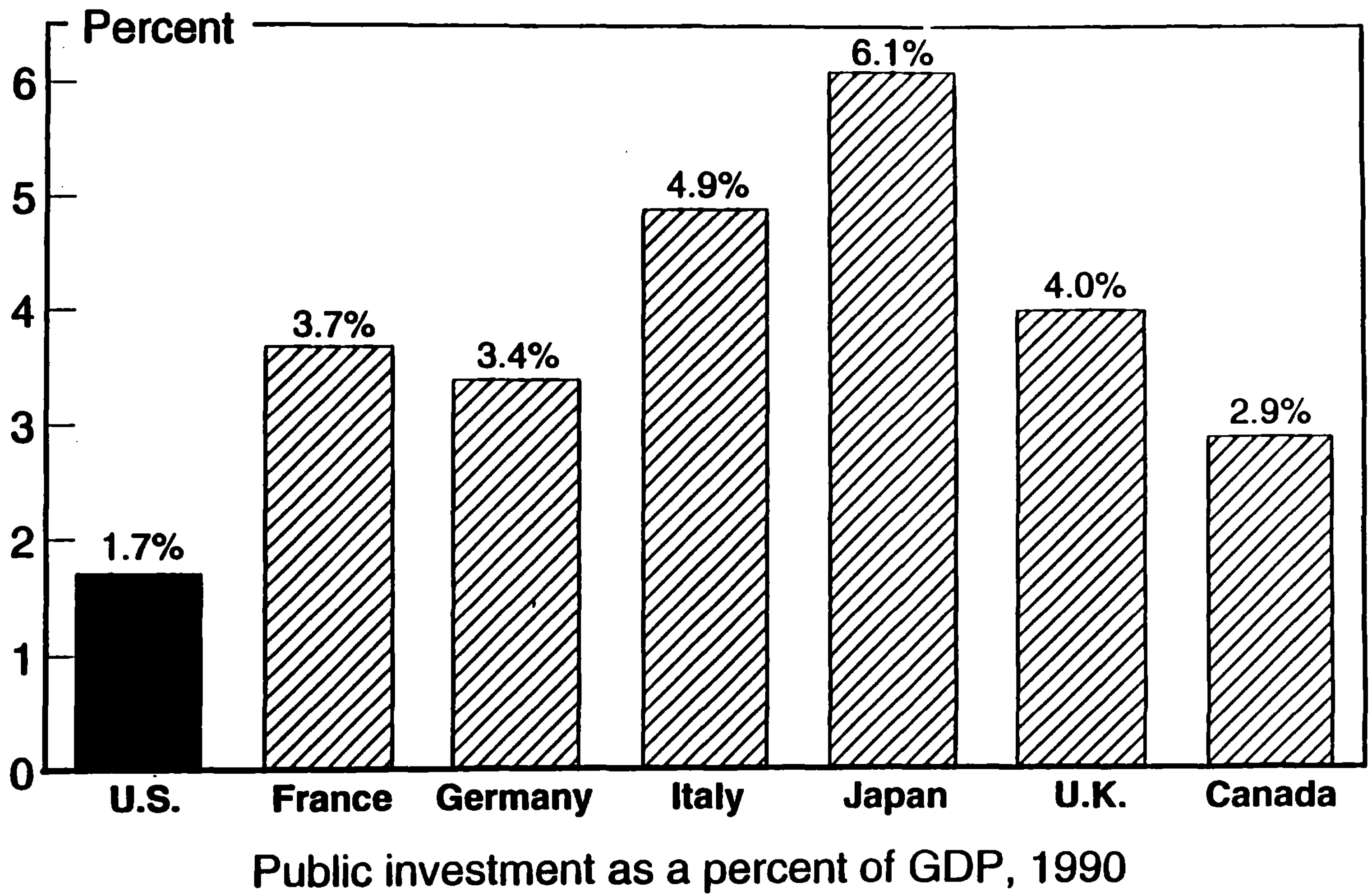
U. S. Invests Less Than Its Competitors

Gross average annual private investment as a percent of GDP 1980-92



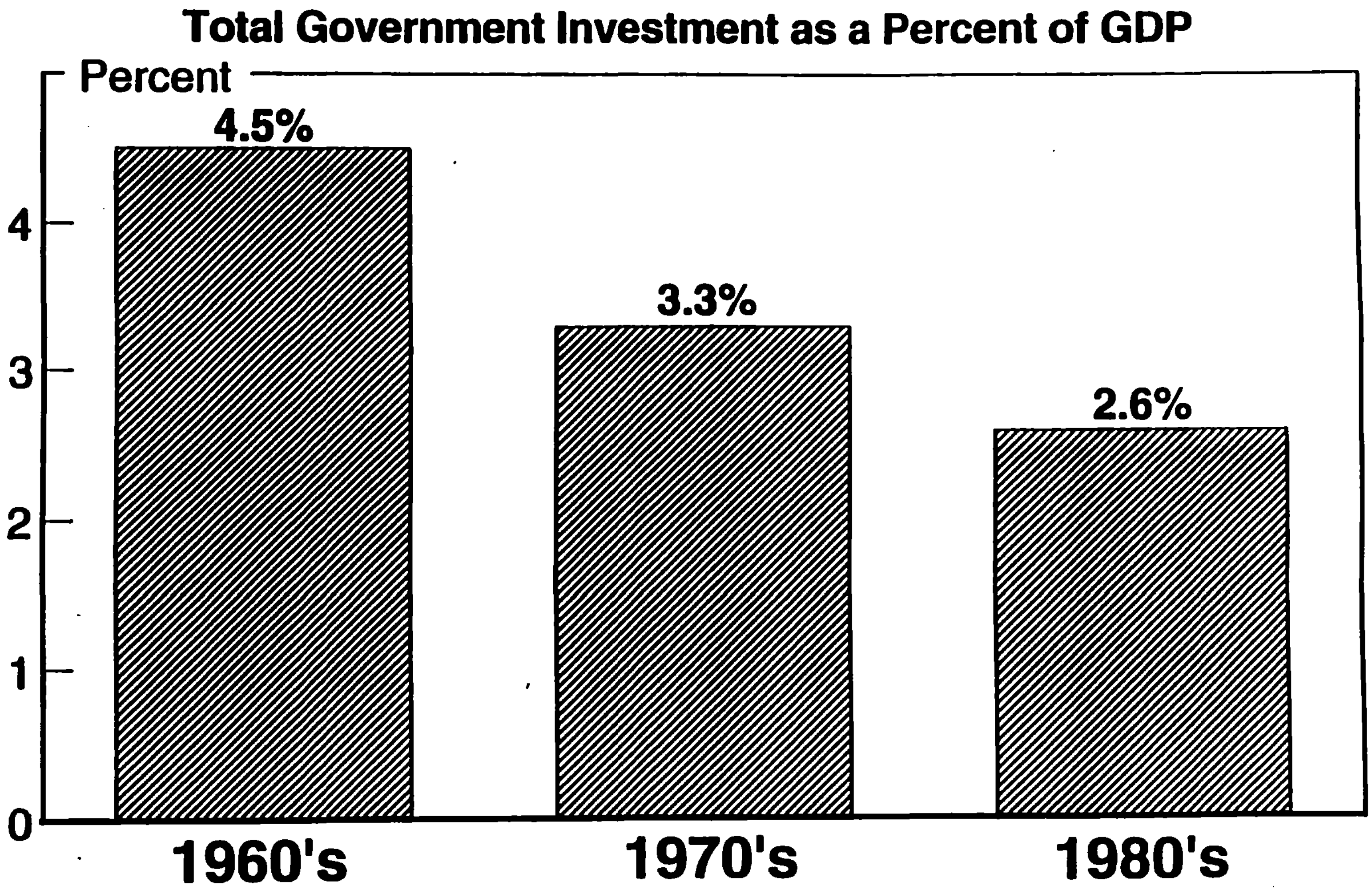
Source: OMB

U.S. Public Investment Is the Lowest of the G-7 Countries



Source: OECD

Public Investment Has Declined



Source: OMB