

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

Collection/Record Group: Clinton Presidential Records

Subgroup/Office of Origin: Public Liaison

Series/Staff Member: Alexis Herman

Subseries:

OA/ID Number: 2648

FolderID:

Folder Title:

Draft Summary of the President's Economic Growth Plan, July 14, 1993 [binder]

Stack:

S

Row:

29

Section:

4

Shelf:

6

Position:

1

DRAFT

**SUMMARY OF
THE PRESIDENT'S
ECONOMIC GROWTH
PLAN**

July 14, 1993

THE FIRST LADY

DRAFT

**SUMMARY OF
THE PRESIDENT'S
ECONOMIC GROWTH
PLAN**

July 14, 1993

THE FIRST LADY

TABLE OF CONTENTS FOR THE SUMMARY OF THE PRESIDENT'S ECONOMIC GROWTH PLAN

Part I

- Tab 1 Summary of The President's Economic Growth Plan**
 Summary of the Clinton-Gore Economic Growth Plan
 Bring Down the Deficit to Strengthen our Free Enterprise System
- Tab 2 Tax Fairness**
 Fair Taxation That Rewards Work & Promotes Investment
- Tab 3 Spending Cuts**
 Real Spending Cuts
 Summary of Spending Cuts
 Spending Cuts in the President's Plan
 \$100 Million Spending Cuts -- Over 100 Examples
- Tab 4 The Plan is Already Working**
 The President's Deficit Reduction Plan has Already Produced
 Economic Benefits
 The Drop in Interest Rates is a Direct Result of a Favorable
 Bond Market
 Reaction to the Clinton Plan
- Tab 5 Jobs and the Economy**
- Tab 6 Investments**
 Highlights of Investments in the President's Economic Plan
 Investment Incentives within the President's Reconciliation Package
 A: Pro Small Business
 B: Pro Growth
 C: Pro Worker Training and Education
 D: Pro Low-Income Working Americans
 E: Pro Children
 Investments in People and Technology in Entire Clinton Plan

Part II

Tab 7 The Plan: The Facts

- Small Businesses will Benefit from the Clinton Plan
- Facts on Clinton Budget Spending/Tax Ratios
- Comparison of Clinton Plan to Republican Senate Alternative
- Comparison of Clinton Plan to Perot Plan
- Comparison of Clinton Plan to Boren-Danforth
- Comparison of Clinton Plan to Kasich Plan
- Answers to Common Misperceptions

Part III

Tab 8 Support for the President's Plan

- Positive Statements on the President's Courage for Taking on the Deficit
- Quotes on the Fairness of the President's Plan on Taxation and Entitlements
- Support from the Business Community for the President's Economic Plan
- Quotes from Top Business Leaders Who Have Endorsed the President's Economic Plan
- Labor, Environmental, Consumer and Community Organizations that Support the Clinton Plan
- Statements by Individual Community, Labor and Environmental Leaders

**PART I: SUMMARY OF THE PRESIDENT'S ECONOMIC
GROWTH PLAN**

SUMMARY OF THE CLINTON-GORE ECONOMIC GROWTH PLAN

A PLAN THAT WILL WORK TO BRING ABOUT ECONOMIC CHANGE:

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.

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 the 94% of other taxpayers.

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.

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. 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.

DEFICIT TRUST FUND TO ENSURE SAVINGS GO TO DEFICIT REDUCTION:

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.

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 gain 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.

STRONGER ECONOMY:

The presentation of the Clinton plan has lowered long-term interest rates significantly and already has 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% that much in just five months. **Inflation:** Inflation was virtually flat last month and has been a modest 2.5 annual rate so far in the Administration, showing that 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 has been strong. In June, 7.136 million were sold, up 489 thousand units since January 1993.

CAN WE AFFORD NOT TO CHANGE?

If we are serious about the economic health of this country we have to ask whether we can afford not to change? If this bill fails, it will be a victory for gridlock, higher interest rates and ever growing deficits. But 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. BRING DOWN THE DEFICIT TO STRENGTHEN OUR FREE ENTERPRISE SYSTEM:

During the last 12 years, the annual deficit practically quadrupled from \$74 billion to nearly \$300 billion. The debt quadrupled from \$1 trillion to \$4 trillion. If we do not change our ways, the deficit will continue to grow, reaching \$387 billion in 1998. This will make it harder for businesses to invest, harder for average families to afford homes, and harder for us to show international leadership on economic matters vital to national and international economic security.

The goal of the Clinton-Gore plan is to bring down the deficit dramatically and to spur private sector investment, while still finding enough spending cuts to let government make targeted, smart investments in the things we need for economic growth: investments in worker training, in children and schools, in safe streets and more police in our neighborhoods, and in new technology and defense conversion.

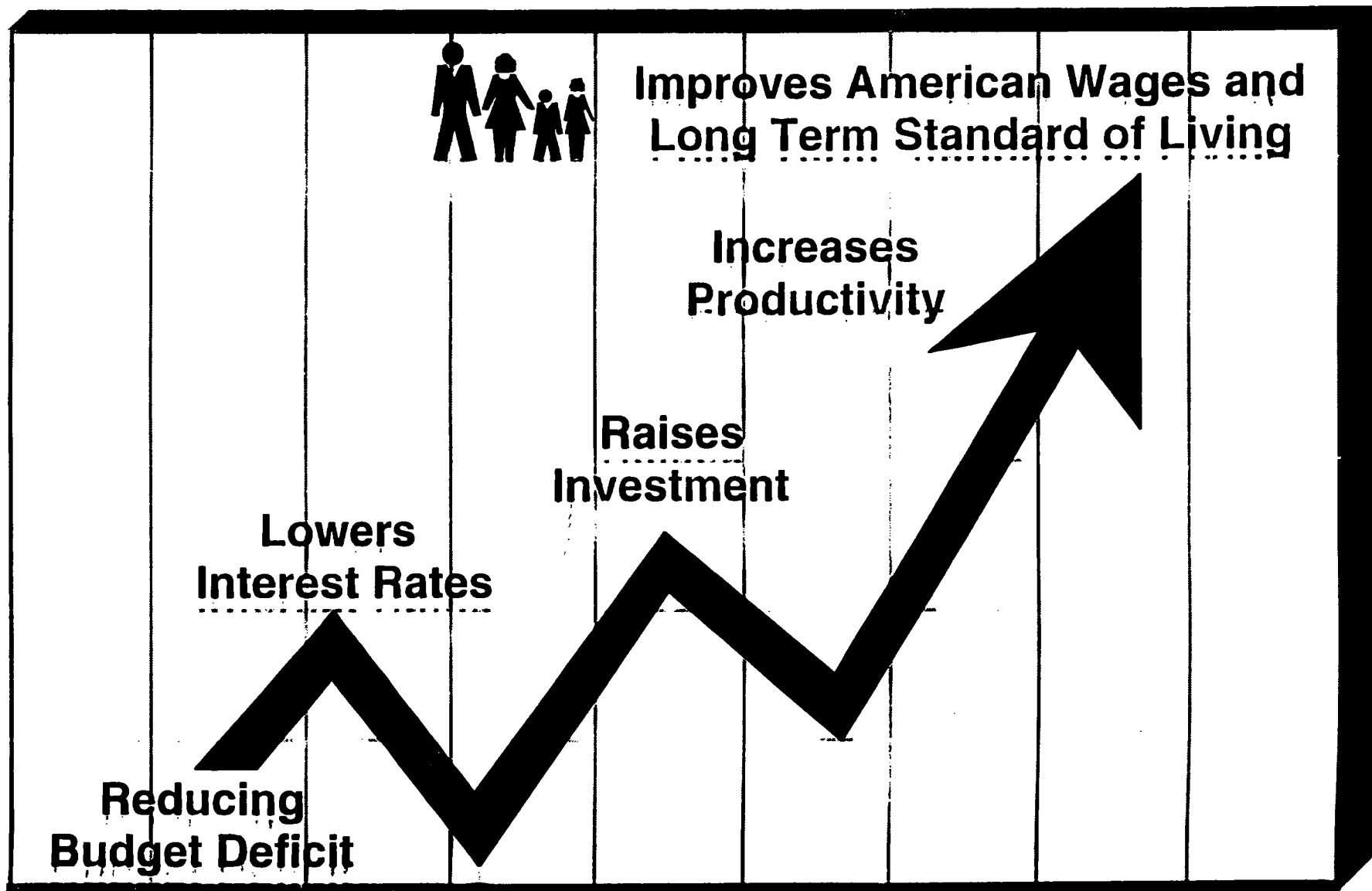
The Clinton plan successfully finds savings to make room for such new investments while providing for the following:

- o \$500 billion in deficit reduction -- the largest deficit reduction in history.
- o \$250 billion in spending cuts, including over 200 cuts in specific programs.
- o \$3 in spending cuts for every \$1 in new investments.
- o 70% of the taxes fall on those making over \$200,000, while there is no income tax rate increase at all for the 99% of families who earn under \$180,000.
- o A cut in discretionary spending in real terms every year for five years through a "hard freeze" that allows no increase for inflation for five years.
- o All \$500 billion of net savings would go into a Deficit Reduction Trust fund to ensure savings go to deficit reduction. The Deficit Reduction Trust Fund locks in \$500 billion in deficit reduction and throws away the key. It gives the American people a legal guarantee that all of the funds will go to deficit reduction. It is a needed enforcement provision because, currently, the budget law the President inherited does not have a way of locking in the deficit savings that come from taxes and entitlement cuts.

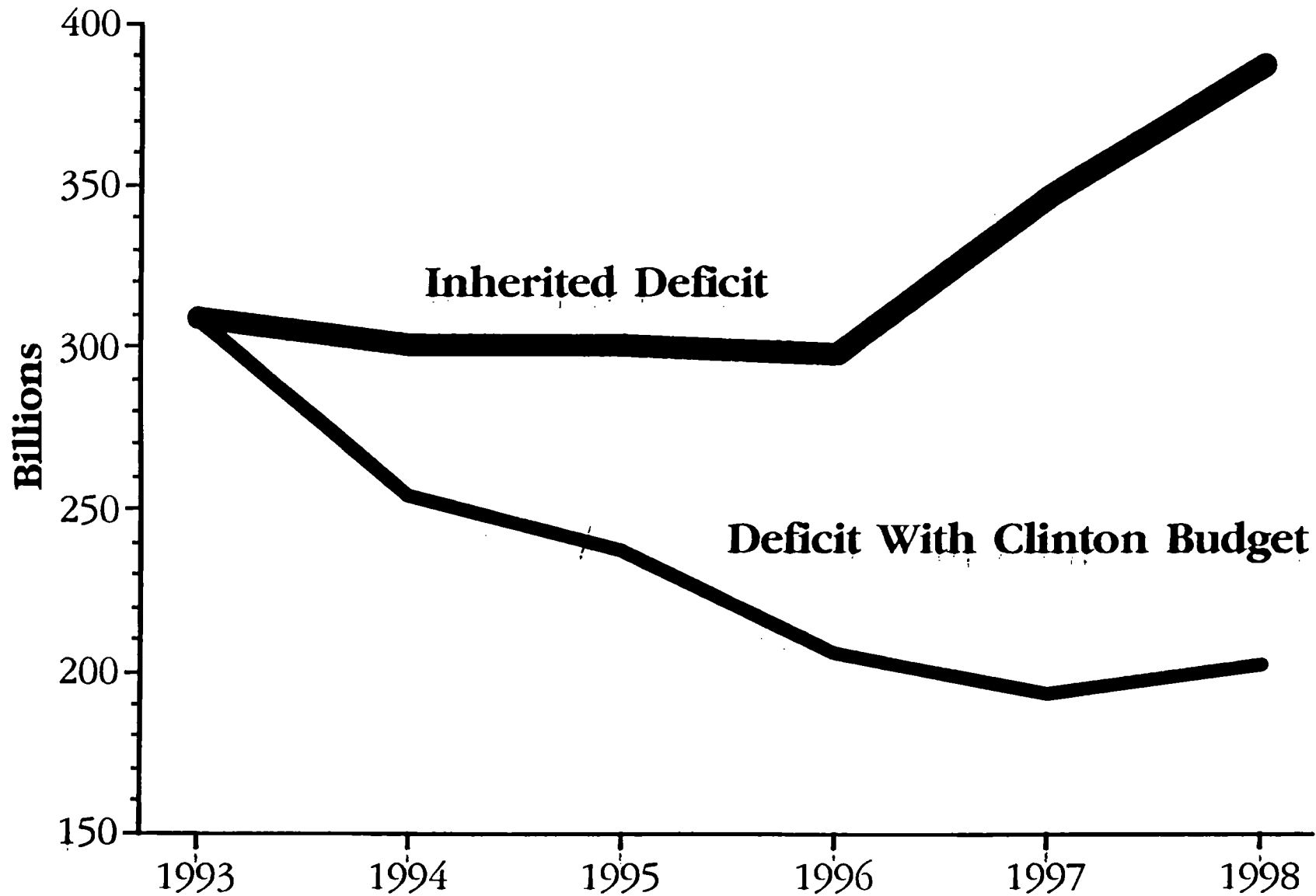
Lower deficits mean a higher standard of living:

America has the world's most productive workers, yet over the past decade our productivity growth has lagged and real wages have actually declined. Cutting the deficit will help tackle this problem by lowering interest rates and encouraging the kinds of new investments that increase productivity. Higher productivity leads to higher wages and a higher standard of living for working Americans. Deficit reduction matters most to average Americans who didn't benefit from the excesses of the 1980's and need new investments in training and equipment.

RESTORING ECONOMIC GROWTH



Reducing the Deficit



Sources: CBO

II. FAIR TAXATION THAT REWARDS WORK AND PROMOTES INVESTMENT

The President's plan turns around trickle-down economics by putting forth a deficit reduction plan that is as fair as it is real in bringing down the deficit.

TAXES FALL ON THOSE MOST ABLE TO PAY: The overwhelming majority of these taxes fall on the most well-off Americans. Most of the taxes are ones that affect only the top 1% of individual taxpayers and the largest 1% of corporate taxpayers. Such revenue-raisers include increasing tax rates on the top 1% making over \$180,000, a surtax on individual income above \$250,000, while reducing loopholes and unnecessarily generous deductions and subsidies by cutting the deduction for country club fees, three-martini lunches, lucrative pensions, lobbying expenses, and including provision to reduce wasteful taxpayer subsidy of CEO pay over \$1 million

Only the top 1.2% of families -- those with incomes over \$180,000 -- will pay higher income taxes. For the other 98.8% of Americans, their income tax rate stays the same. Indeed, Congressional Budget Office analysis shows that 70% of the taxes we raise fall on those making over \$200,000.

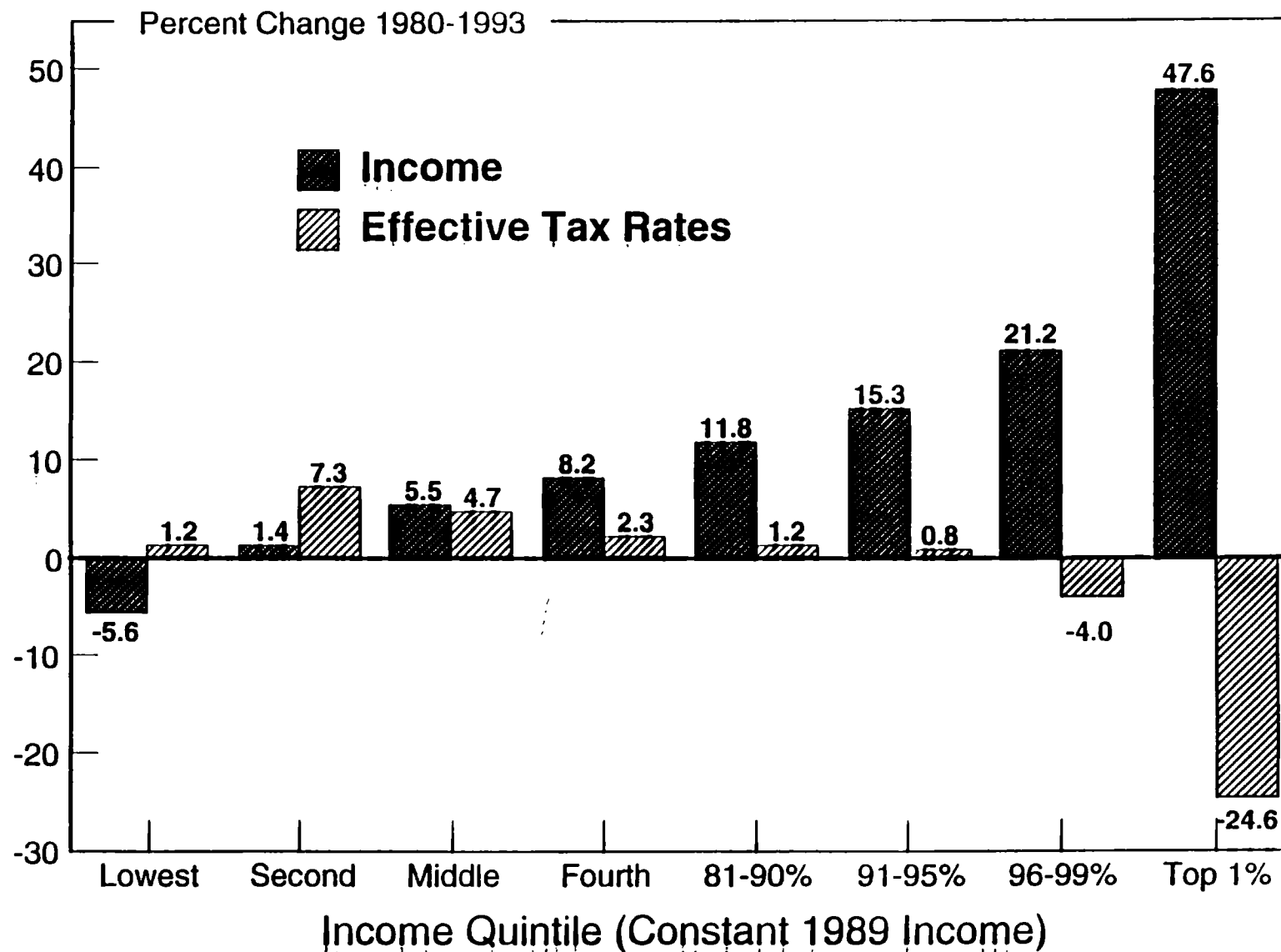
A GOOD DEAL FOR MIDDLE CLASS FAMILIES: The only tax that affects middle class families is the energy tax. Under the House version, this would cost a family making \$40,000 only \$1 a month in 1994, \$7 a month more in 1995, and \$17 a month more when phased in by 1997. The Senate version would cost no more than \$4 a month each year for the same family. Yet, many of these families are already benefiting far more from lower interest rates than they will ever pay in additional energy taxes. For example, if that same family refinanced their \$100,000 mortgage down from 10% to 7.5% thanks to lower interest rates caused by the President's deficit reduction plan, that same family will gain \$175 a month -- not to mention the benefits from lower interest payments on car loans, home improvement loans, student loans and credit card borrowing.

THE PLAN INCLUDES A MAJOR TAX CREDIT FOR THE WORKING POOR AND OTHER OFFSETS TO ENSURE THAT FAMILIES UNDER \$30,000 ARE GENERALLY HELD HARMLESS: The plan increases such things as energy assistance and the Earned Income Tax Credit so that families with incomes under \$30,000 are on the whole held harmless. According to a study by Arthur Anderson, a family of three making \$25,000 would actually see their taxes fall by several hundred dollars.

PRO-BUSINESS INVESTMENT INCENTIVES: The Clinton plan also includes targeted pro-business investment incentives.

- o More than doubling the **SMALL BUSINESS** expensing of new investment:
- o Targeted Capital Gains Cut for New investments in small business
- o Empowerment Zones: Investments for Business in Depressed Communities
- o Modify AMT depreciation schedule to promote capital investment:
- o Extend the Research and Experimentation tax credit

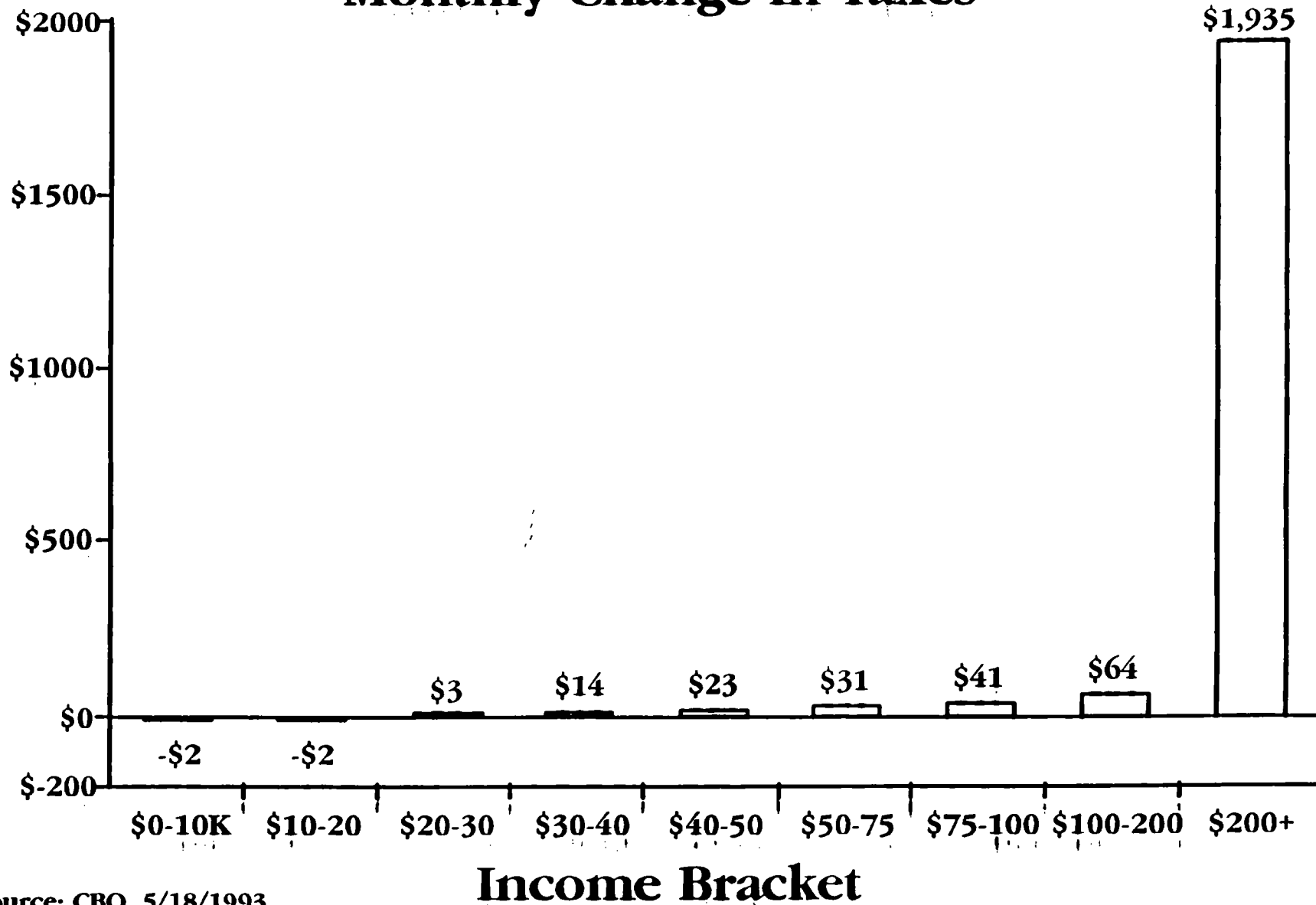
Affluent Have Not Been Paying Their Fair Share



Source: 1992 Green Book.

Tax Fairness In 1998

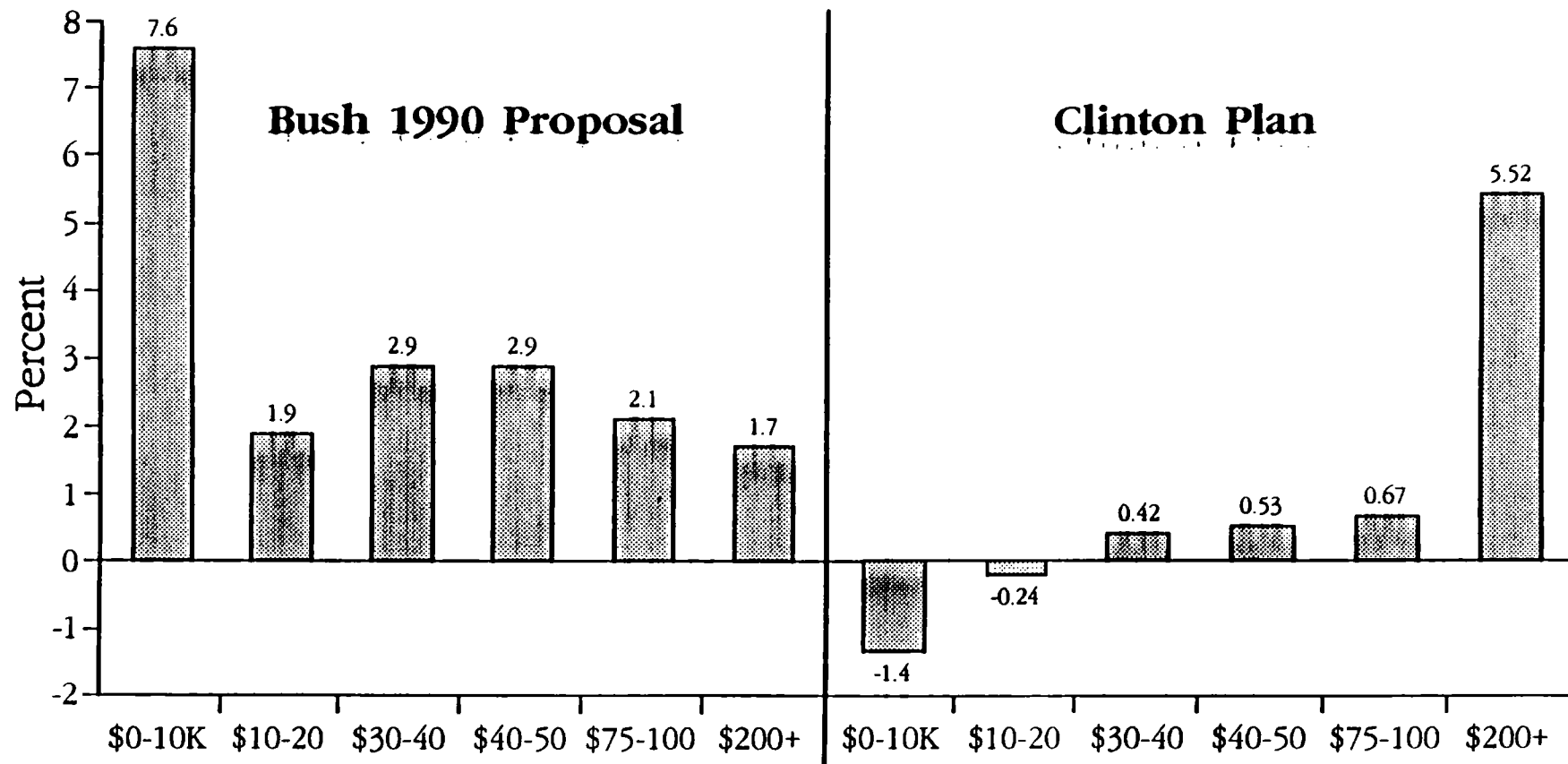
Monthly Change In Taxes



Source: CBO, 5/18/1993

1993 Clinton Plan versus Original 1990 Bush Proposal

Who Pays – Percent Change in Taxes



Source: Joint Committee on Taxation

III.

REAL SPENDING CUTS

Half -- or \$250 billion -- of the President's \$500 billion deficit reduction package results from over 200 specific spending cuts cutting interest payments on the national debt and f. While there has been a great deal of distortion as to the degree of our spending cuts, the facts are as follows:

\$250 BILLION NET DEFICIT REDUCTION FROM SPENDING CUTS: Half of the President's \$500 billion deficit reduction plan, comes from spending cuts. The \$250 billion for deficit reduction can be divided roughly as \$100 billion in discretionary spending cuts, \$100 billion in entitlement cuts and \$50 billion in cuts on interest paid on the national debt.

\$350 BILLION IN GROSS SPENDING CUTS: The President's plan actually cuts \$350 billion in gross spending cuts. He uses \$250 billion for deficit reduction and \$100 billion for new investments in education, training, technology, crime prevention and defense conversion.

100 CUTS OF DOMESTIC PROGRAMS BY OVER \$100 MILLION: The Clinton plan calls for well over 100 domestic programs to be cut by over \$100 million.

A 13.5% CUT IN DISCRETIONARY SPENDING OVER FIVE YEARS: The Clinton plan cuts total discretionary spending by 13.5% over five years in real terms through a "hard freeze" -- meaning no adjustment for inflation for five years. Even if you exclude a all defense cuts, domestic discretionary spending is still lower in 1998 in real terms than it is in 1994.

SPENDING -- AS A PERCENTAGE OF GDP -- IS LESS UNDER THE CLINTON PLAN THAN IT WAS UNDER EITHER BUSH OR REAGAN: Overall spending Clinton spending will average 22.7% of GDP (under conservative CBO growth/GDP assumptions) vs. 23.3% for Bush and Reagan years combined. (Bush spending averaged 23.5% of GDP while Reagan spending averaged 23.2% of GDP) The bottom line? Republican low spending is a myth. Under the Clinton plan, the average would be between 7.6-7.8%, while under Bush it was 9.2% and under Reagan it was 10.2%.

IMMEDIATE LEGISLATION TO CUT SPENDING: Every spending cut will be passed into law immediately and the savings will be locked in through budget enforcement procedures. Despite Republican distortions, it is completely untrue that the President is in anyway delaying spending cuts. The President has said repeatedly that he will not pass a budget to increase taxes unless the same budget locks in by law all of his spending cuts.

SUMMARY OF SPENDING CUTS:

Entitlement Cuts:

- The plan identifies over 30 specific cuts in Medicare and Medicaid that reduce the deficit by \$58 billion.
- Agriculture entitlements are cut by \$3 billion
- Federal worker entitlements are cut by \$12 billion.
- Through FCC spectrum auctions we save \$7 billion.

Discretionary Spending Cuts: And that is not counting the spending cuts on the discretionary budget side, which include:

- Limiting pay increases for Federal employees by \$11.3 billion
- Administrative cuts of \$11 billion
- Cutting 100,000 federal workers to save \$10.2 billion
- Nuclear reactors R&D cuts to save \$1 billion
- Consolidating overseas broadcasting to save \$760 million
- Streamlining education programs to save \$2.6 billion

Eliminating Programs: The plan call for eliminating several programs:

- Highway Demonstration projects saving over \$1 billion
- Special Purpose HUD grants
- National Oceanic and Atmospheric Administration Demonstration projects
- The current and outdated student loan program
- Earmarked SBA grants
- Agriculture special grant programs
- Unnecessary federal commissions

SPENDING CUTS IN THE PRESIDENT'S PLAN

The President's plan provides for spending cuts that will make government less wasteful and more productive. The cuts are in the following categories:

A. Programs That Don't Work or Are No Longer Needed. Making government work for the next century means ending programs that don't work and updating policies and programs that were designed to meet the needs of an earlier era. Savings include:

- Consolidating overseas broadcasting programs
- Reforming federal crop insurance
- Terminating obsolete commissions

B. Eliminating Subsidies and Wasteful Programs, Charging Fees for Government Services. The nation can no longer afford subsidies and giveaways to those who don't need them, and we must assure that the taxpayer is fairly compensated to reduce the cost of providing services or resources. Savings include:

- Auctioning spectrum for new communications services
- Reducing export promotion support for large companies
- Reducing unproductive crop subsidies

C. Managing Government for Cost-Effectiveness and Results. Making our government more effective and efficient means abandoning structures and practices that impede flexibility, waste resources, and frustrate service delivery. Savings include:

- White House and government-wide administrative and staff reductions
- Streamlining field offices
- Strengthening child support enforcement mechanisms

D. Controlling Health Care Costs. Systemwide reform is a top priority, but some additional short-term savings proposals which do not harm beneficiaries are necessary as a down-payment on controlling health care costs. Savings include:

- Setting laboratory and durable medical equipment rates at market levels
- Capping excessive physician and hospital reimbursement

E. Shared Contribution. For deficit reduction to succeed, all groups must contribute. Only if there is a sharing of the load can the entire country be sure that everyone is participating. Savings include:

- Pay freeze for all federal employees
- Reduce cost-of-living adjustments for federal retirees
- Savings in veterans' programs

SPENDING CUTS OF \$100 MILLION IN CLINTON PLAN--OVER 100 EXAMPLES

Savings in Millions
1994 - 1998

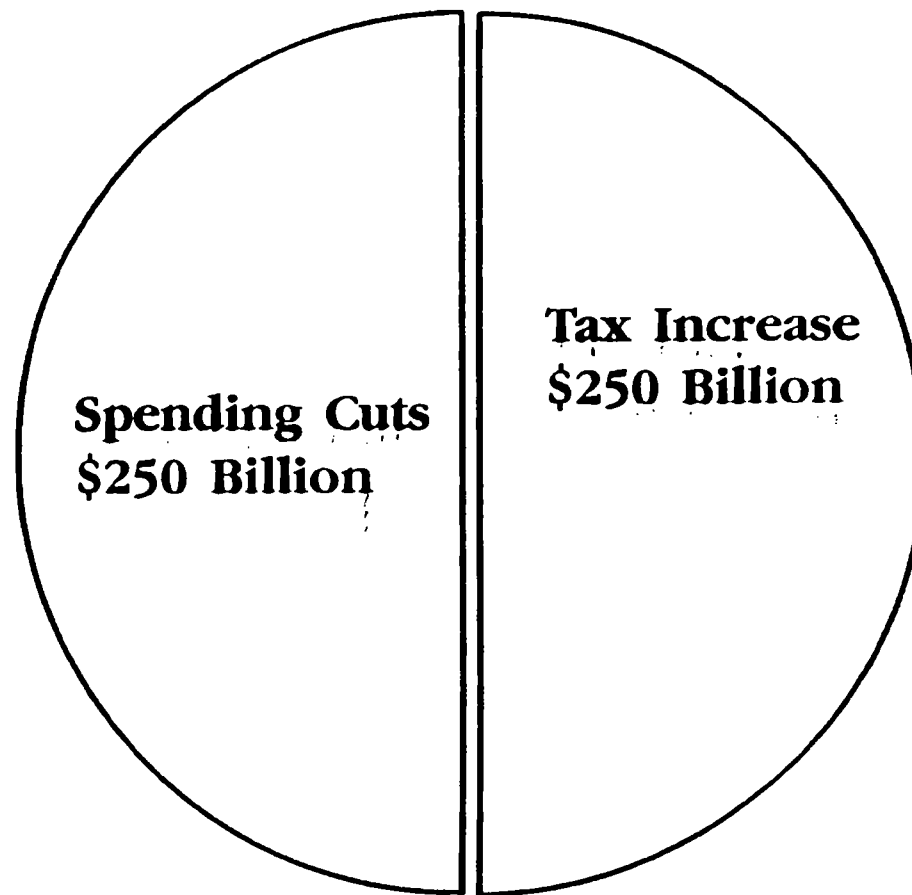
1.	Unpaid Flexible Acres	-1960
2.	Conservative Reserve (CRP) & Wetlands Reserve (WRP)	-469
3.	Dairy Program	-259
4.	Market Promotion Program (MPP)	-235
5.	Peanut Marketing Assessments	-112
6.	Retirement COLAs	-2339
7.	Armed service pay changes	-20,263
8.	Depositor Priority for FDIC & RTC	-750
9.	Reduce FHA Premium Rebates	-416
10.	GNMA REMIC Guarantees	-730
11.	HUD/IRS Income Verification	-1022
12.	Direct Student Loan Program	-4270
13.	States Share FFEL Default Costs	-300
14.	Third Party Medicare/caid Liability	-1247
15.	Medicare - Physician payments	-8045
16.	Prohibition on Physician Referral	-350
17.	Laboratory Services	-3220
18.	Hospital Outpatient and Ambulatory Surgical Svcs	-2058
19.	Medicare Secondary Payor Provisions	-5522
20.	Durable Medical Equipment (DME)	-908
21.	Medicare Hospital-Based Home Health Agencies	-1150
22.	Medicare: Purchase Erthropoietin (EPO)	-243
23.	Medicaid: Remove prohibition on state use of drug formularies	-220
24.	Transfer of Assets/Estate Recovery	-950
25.	Disproportionate Share Hospitals (DSH)	-2250
26.	Medicaid Offsets to Immunization Program	-905
27.	Northern Marinas Islands	-118
28.	Extend 50% Net Receipt Sharing for on-shore minerals	-201
29.	Civil Service Retirement	-779
30.	Lump-Sum Retirement Option	-8810
31.	Payments by the United States Postal Service	-1041
32.	Additional Personnel Reductions	-1266
33.	Cash Bonus Awards	-3250
34.	Death and Indemnity Compensation (DIC)	-133
35.	Pensions--reduce pensions for veterans who are patients in Medicaid--paid nursing homes	-531
36.	Pensions--extends IRS income verification for pensions eligibility	-136
37.	VA: Permanently extend medical care cost recovery	-606
38.	VA: Collect from health insurers for services connected care	-368
39.	DVA Housing Programs	-665
40.	Charge fee for State SSI administration and other SSI	-703
41.	Equate matching rates for welfare programs (AFDC)	-204
42.	Strengthen Child Support Enforcement(AFDC & Medicaid)	-290
43.	Fund priority health professions curriculum assistance grants	-116
44.	HHS personnel reductions	-1034

45.	HHS administrative savings	-2360
46.	Completion of wastewater treatment grants authorization (except NAFTA)	-6311
47.	EPA personnel reductions	-149
48.	EPA administrative savings	-132
49.	Reforms in light of new crime initiative	-1704
50.	Eliminate unnecessary nuclear reactor R&D	-1099
51.	Reduce Rural Electrification Administration 5% loan subsidies	-545
52.	Eliminate Cooperative State Research Service (CSRS) earmarked research grants	144
53.	Eliminate CSRS earmarked facilities construction	-146
54.	Agriculture administrative savings	-1092
55.	Termination of NOAA demonstration projects	-293
56.	Commerce personnel reductions	-925
57.	Commerce administrative savings	-308
58.	Reduce construction funding for lower priority water projects	-250
59.	Corp of Engineers administrative savings	-209
60.	Eliminate special purpose grants	-853
61.	HUD personnel reductions	-104
62.	HUD administrative savings	-102
63.	Reduce construction funding for lower priority water projects	-186
64.	Interior personnel reduction	-762
65.	Interior administrative savings	-659
66.	Labor personnel reductions	-210
67.	Labor administrative savings	-171
68.	Low priority Transportation programs and projects	-1749
69.	Transportation personnel reductions	-579
70.	Transportation administrative savings	-482
71.	Eliminate SBA earmarked grants	-431
72.	Treasury administrative savings	-935
73.	Reduce Enterprise for the Americas debt forgiveness (P.L. 480)	-117
74.	Reduce development-oriented foreign food aid	-336
75.	Phase out below-cost timber sales (Forest Service)	-360
76.	Implement one new Farm Service Organization	-1133
77.	Reform crop insurance through area-yield	-647
78.	Reduce Economic Research and Foreign Service Program	-124
79.	Reform campus-based aid	-1044
80.	Phase out impact aid "b"	-553
81.	Education personnel reductions	-143
82.	Uranium enrichment initiative	-1615
83.	Energy administrative savings	-2262
84.	Eliminate public housing new construction amendments	-101
85.	Reforming low - income housing preservation	-195
86.	Consolidate several HUD housing programs into HOME	-652
87.	Reduce prison construction	-580
88.	Justice administrative savings	-562
89.	Federal Aviation Administration (operations)	-303
90.	Coast Guard: pay adjustment	-336
91.	Improving management of VA construction	-434
92.	Improve management of VA hospitals	-1500
93.	Veterans administrative savings	-229
94.	Increase private sector Superfund financing	-426
95.	Reduce 7(a) business loan subsidies	-476
96.	Consolidate overseas broadcasting	-894

97.	Cut WH and Office of Nat'l Drug Control Policy staff, abolish Council on Environmental quality	-99
98.	Re-orient AID programs and reduce spending	-841
99.	Phase out defense acquisition fund	-472
100.	Reduce International Security Assistance	-2526
101.	Reduce Enterprise for the Americans debt forgiveness (AID)	-161
102.	Reduce Export Import Bank credits	-327
103.	Freeze other foreign assistance programs	-301
104.	Maintain current program level for programs in small agencies	-266
105.	Freeze Federal Pay in FY94; COLA at ECI minus 1 FY95-97; and revise locality pay beginning FY95	-13,244
106.	Reduce overhead rate on university R&D	-1560

Taxes and Spending Cuts

\$500 Billion in Deficit Reduction



Deficit Reduction Strengthens the Economy

Deficit reduction brings lower interest rates.

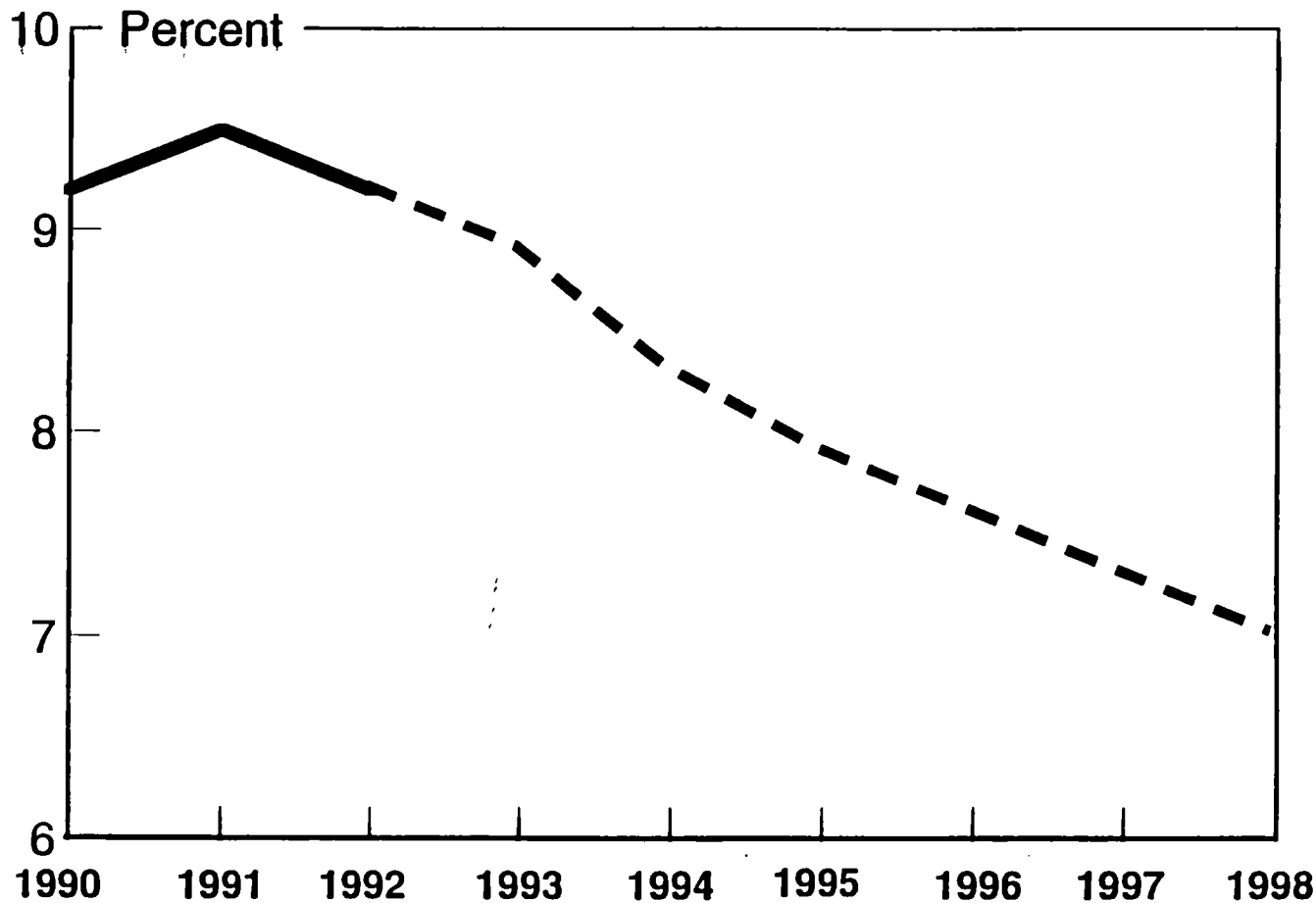
The announcement of the Clinton-Gore budget has helped bring the lowest long-term interest rates in 20 years.

This has already helped the economy:

- Mortgage rates are at a 20-year low.
 - If a family had a \$100,000 mortgage at 10% and refinanced at 7.5%, they would save \$2100 a year.
- Large and small businesses are better able to finance new investments.
- 813,000 new jobs have been added to the economy in the first 5 months of the Clinton Administration—90% have been in the private sector.
- Construction jobs are up 112,000 in the first five months of this Administration.

Economic Plan Cuts Discretionary Spending by More Than 20%

Total Discretionary Spending as a Percent of GDP



Source: Congressional Budget Office

THE PRESIDENT'S DEFICIT REDUCTION PLAN HAS ALREADY PRODUCED ECONOMIC BENEFITS

LOWERED INTEREST RATES TIED TO CLINTON: The strong bond market rally began right after the November election. Investors showed confidence in Bill Clinton's commitment to deficit reduction and the substantial drop in long-term interest rates continued after the President introduced his economic plan -- the largest deficit reduction package ever championed by a U.S. President. The evidence is in the numbers!

Treasury issues	11/06/92	2/19/93	7/9/93
3 mo. bill	3.06%	2.93%	3.27%
10 yr. note	6.97	6.35	5.74
30 yr. bond	7.76	7.13	6.55
Conventional mortgage rates 30 yr. fixed (FHLMC series)	8.29	7.65	7.19

IMPACT OF LOWERED RATES ON AVERAGE AMERICANS:

Big Savings On Buying or Refinancing a Home:

If a family with a \$100,000 mortgage at a 10 percent rate refinanced at a 7-1/2 percent rate, monthly savings would total \$175, or \$2,100 a year. [Treasury Dept.] About 375,000 Americans refinanced their homes during the first quarter. [Mortgage Bankers Association Weekly Survey and Treasury Dept. Interpretations]

Existing Home Sales:

Wall Street Journal reported recently that "Sales of previously owned homes jumped a robust 4.6% in May as the housing recovery continued to regain steam amid continued low interest rates and strengthening job growth. ... The sales increase was the biggest since December, and marked the second consecutive month of gains." [Wall Street Journal, 6/28/93]

Construction Jobs:

With the lower interest rates and increased building, construction jobs have increased. The construction sector, which lost 721,000 jobs during President Bush's term of office, has gained over 112,000 jobs so far during the first five months of President Clinton's term.

THE DROP IN INTEREST RATES IS A DIRECT RESULT OF A FAVORABLE BOND MARKET REACTION TO THE CLINTON PLAN

December, 1992. "The sharp rally in the bond market ... seems to show a surprising comfort among market players with President-elect Bill Clinton, a Democrat who will govern with a Democratic-controlled Congress."

New York Times, December 7, 1992

"The shift in mood in the last six to eight weeks is phenomenal...they [the market] thought the economy was going down the drain and he was evil incarnate. Now they think the economy is growing at a 4 percent rate [actual 4.7 percent] and that Clinton is smart, practical and will do the right thing."

New York Times, December 7, 1992

January, 1993. "U.S. Treasury prices roared ahead at the long end of the market yesterday on growing hopes that the Clinton administration will take a tough line on tackling the budget deficit. ... The market opened markedly higher as investors and dealers got their first chance to react to Sunday's comments by Mr. Lloyd Bentsen, the new Treasury secretary, which suggested the White House views cutting the deficit as a top priority."

Financial Times (London), January 26, 1993

February, 1993. "The spectacular bond market rally accelerated yesterday, with long-term Treasury bond yields plunging to another record low as investors rushed to embrace President Clinton's economic package."

Wall Street Journal, February 24, 1993, "Bond Rally Roars Ahead on Clinton Proposals"

May, 1993. "The [Administration's] bill.... will help assure that interest rates will continue to decline. Vacillation at this juncture can reawaken uncertainties about the direction of the economy, uncertainties that would be reflected in the marketplace on a variety of fronts. The effects on housing, investment, consumer confidence and overall business planning would almost certainly be negative, with delay more damaging than the burdens imposed by the package."

-- editorial, Boston Globe, May 29, 1993

June, 1993 "When President Clinton proposed his deficit-containment plan in February, interest rates tumbled as Washington finally looked like it was facing up to the deficit mess."

-- editorial, USA Today, June 9, 1993

JOBS AND THE ECONOMY

The Clinton Administration is deeply committed to the creating a high wage, high-skilled, high job growth economy. Only a strong and durable economic expansion with sound investment in our people can return the economy to high employment and provide the good, high-paying jobs our people deserve.

RETURN TO PRIVATE SECTOR JOB GROWTH: The last four years saw the worst private sector job growth of any Administration since Herbert Hoover. The last two years were in fact thought of a "jobless recovery." Only 1 million private sector jobs were created in four years -- only 20,000 a month. **In the first five months of the Clinton Administration, there have been 740,000 private sector jobs created -- nearly 150,000 jobs per month -- and private sector job growth at over seven times the rate of the Bush Administration.** President Clinton still feels the economy is not putting enough to put people to work, but this is a start in the right direction.

8 MILLION JOBS: President Clinton pledged during his campaign to set a goal of 8 million additional jobs during his first four years in office. This was an ambitious but achievable goal. The policies are now being put in place to make that goal a reality. Several independent analysts (DRI, L.H. Meyer, Wharton Econometrics, CBO) found that the economy will create between 7.2 and 9.0 million jobs over the next four years under the Clinton plan.

WE NEED CHANGE NOT MORE OF THE SAME POLICIES THAT LED TO PATHETIC PRIVATE SECTOR JOB GROWTH: Ironically some of the same architects of the policies that led to the worst private sector job growth since the Great Depression now want to return to the policies of the past under the argument that raising taxes on the top 1.2% of individuals will hurt the economy and keep small businesses from creating jobs. We fully recognize that small- and medium-sized businesses are the engine of job creation. That is why the President has proposed a major expansion of expensing for small business -- what the NFIB called in 1992 the most important investment incentive -- and a small business capital gains tax cut that the NFIB called "admirable" if "you wanted to focus on the creation of small businesses and creation of jobs." (Testimony of NFIB, Senate Finance Committee 2/13/92)

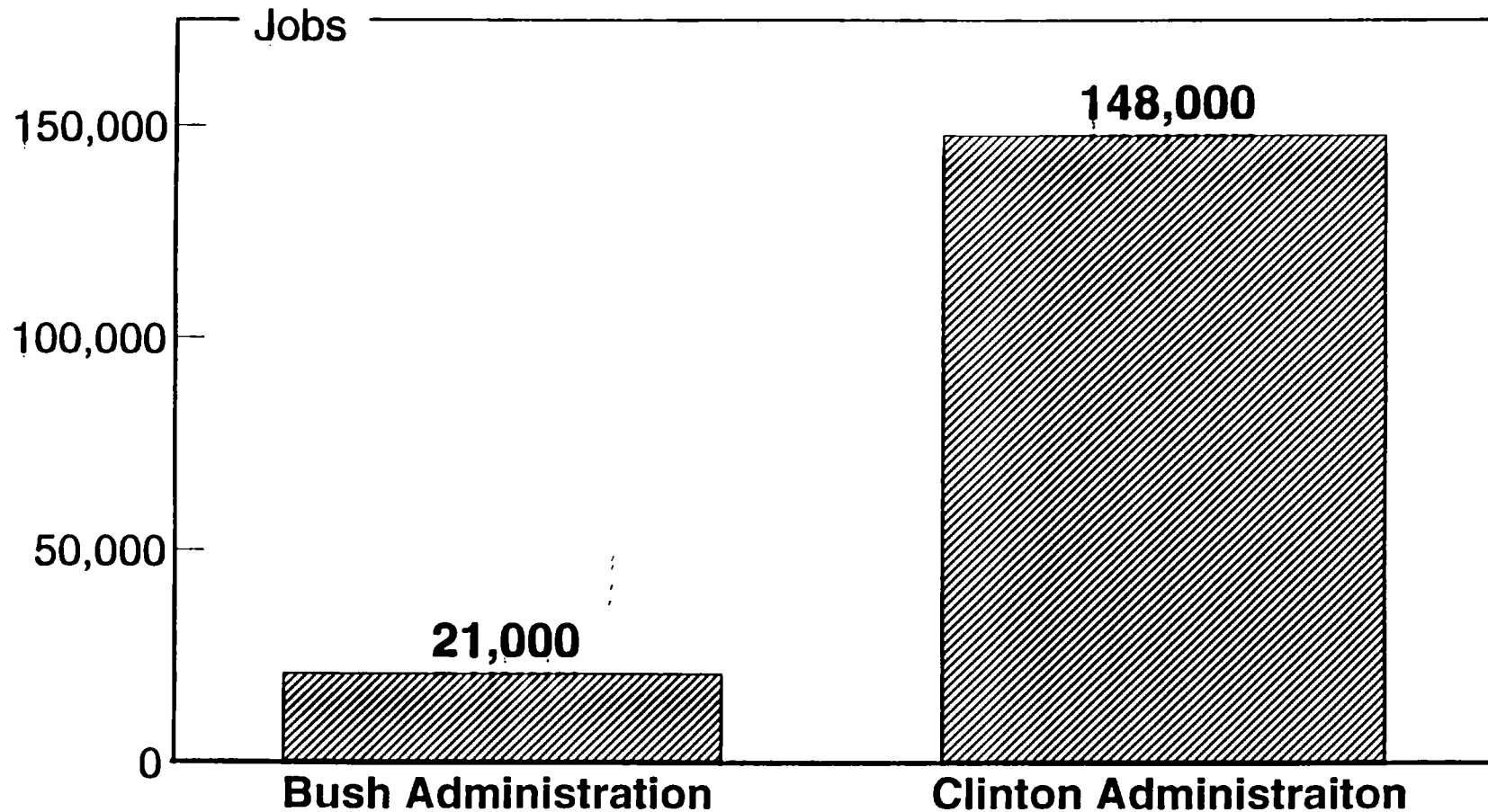
THE ARGUMENT THAT CLINTON'S PLAN WOULD HURT SMALL BUSINESSES HAS BEEN CALLED "SPECIOUS" BY THE WALL STREET JOURNAL AND OTHERS: Newspapers who have analyzed the Republicans' claims have found them lacking. The Wall Street Journal wrote: "But many of the Republican arguments are specious. Despite GOP claims that most of the burden of the higher rates would fall on small business owners, Joint Tax Committee data show otherwise. . . ." [Wall Street Journal, 6/25/93]

THE CLINTON ADMINISTRATION IS COMMITTED TO JOB CREATION: The President has a multitude of policies that are all aimed at a simple and profound goal: more jobs and better jobs. From efforts to create a high skilled, high opportunity workforce through GOALS 2000, a National School-to-Work Initiative, a new dislocated worker training

system, opening markets for American products, and investing in defense conversion, the President is deeply committed to ensuring that the economy works to put America to work.

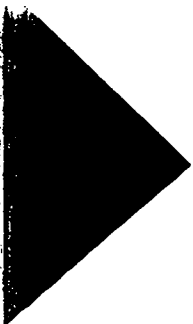
Clinton Private Job Creation Dwarfs Bush's

Average Job Growth per Month



Source: Survey of Non-Farm Establishment Payrolls

The Plan Will Create 8 Million Jobs, 1993 - 96

<u>Forecast</u>	<u>Millions of Jobs</u> <u>1993 - 1996</u>	
Administration (June)	8.3	
Data Resources (May)	9.0	
L.H. Meyer (June)	7.0	
Wharton Econometrics (June)	9.0	
Congressional Budget Office (January)	8.8	
		 Average 8.4 Million

Source: Treasury Department

HIGHLIGHTS OF INVESTMENTS IN THE PRESIDENT'S ECONOMIC PLAN

I. THE INVESTMENT DEFICIT

In the 1980s, 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 and defense conversion, and crime prevention at the same time that we are decreasing the deficit. This requires cutting spending on those areas of consumption that are not needed or can no longer be justified, in order 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 both reducing the deficit and providing targeted tax incentives to promote private sector investment. That is why the reconciliation includes targeted growth incentives, together with the largest deficit reduction plan in our history.

A. THE PRESIDENT'S ECONOMIC PACKAGE IS PRO-SMALL BUSINESS:

MORE THAN DOUBLE SMALL BUSINESS INVESTMENT 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 provide them with flexibility to use these funds in the way they deem most productive to grow and create new jobs.

NEW SMALL BUSINESS CAPITAL GAINS EXCLUSION: The plan gives investors generous tax benefits to induce them 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 permanently 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 or property 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. The provision allows such depreciation deductions to be accelerated considerably, thereby promoting capital investment.

EXTEND THE R&E TAX CREDIT: The plan fosters economic growth, technological development, and international competitiveness 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.

EXTEND LOW-INCOME HOUSING CREDIT PERMANENTLY: By permanently extending the housing tax credit for new or substantially rehabilitated low-income rental housing and expanding its availability in the 110 empowerment zones and enterprise communities that will be designated, the plan increases opportunities for affordable housing development by the private sector.

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, or qualifying 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.

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. Real estate activities include any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental operation, management, leasing, or brokerage trade or business.

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 their 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 and lending directly to students, the Government will lower interest rates for students and save billions for the taxpayer by eliminating costly subsidies to private lenders. The program will be phased in over four years and save taxpayers \$4.3 billion over the next five years.

APPRENTICESHIP 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 WORKING 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. American'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.

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, deregulation and flexibility they need to work with the private sector to develop comprehensive economic strategies to attract business, 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 involve the private sector and 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 to targeted areas. And each zone will 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 package 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 prevent child abuse and empower parents with 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, which results in foster care placements, and on reunifying families through supportive community-based interventions.

CHILD HUNGER PREVENTION: The Food Stamp Program is the Nation's first-line 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 assure the integrity 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.

III: INVESTMENTS IN PEOPLE AND TECHNOLOGY IN ENTIRE CLINTON PLAN

The following are eight key investment areas in the Clinton plan in **BOTH** reconciliation and in the appropriations process.

A. JOB TRAINING

DISLOCATED WORKERS PROGRAM: Today the average American worker will change 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 job through no fault of their own will be given training to find a new job. 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 trek through 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 a new job. 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 package over the next five years 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 any piece of 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&D tax credit to spur private sector investment in cutting-edge technologies; and
- development of "green" technologies to reduce pollution and conserve our natural resources.

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, deregulation and flexibility they need to work with the private sector to develop comprehensive economic strategies to attract business, 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 which submit innovative comprehensive strategic plans that involve the private sector and 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 to targeted areas. And each zone will receive special priority for participation in many innovative federal programs, including Community Development Banks, Community Policing and the Education Department's "enterprise schools" initiative.

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 will soon introduce 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 SCHOOL-TO-WORK INITIATIVE: Currently, 75% of our children do not go to college and spend many of their early productive years in dead-end, low-waged jobs. This Nation has never had a national plan to help young people who don't go to college find an alternative path to a high-wage, high-skilled job. The federal government will provide the goals and the seed money, leaving states and local communities to experiment with what works for their kids. The Departments of Labor and Education will work in partnership with industry and local governments to promote "work-based learning" that ties vocational education with work experiences and ensures that high school students receive quality learning in a real job.

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 the best ideas this Nation ever had: 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.

NEW EXCEL ACCOUNTS FOR COLLEGE ACCESS/DIRECT STUDENT LOANS: The Clinton plan also 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 their future education. 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 and lending directly to students, the Government will lower interest rates for students and save billions for the taxpayer by eliminating costly subsidies to private lenders. The program will be phased in over four years and save taxpayers \$4.3 billion over the next five years.

D. CHILDREN AND FAMILIES

HEAD START: The President aims to provide full funding for a program that 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.

CHILDHOOD IMMUNIZATIONS: All American children should be assured of a healthy start through appropriate immunizations. In FY 1994, 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 additional clinic personnel and keep clinics open longer, allowing more children to receive immunizations on schedule.

FAMILY SUPPORT AND PRESERVATION: The House has approved major new child welfare services legislation proposed by the Administration. The proposed capped entitlement program would prevent child abuse and empower parents with 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, which results in foster care placements, and on reunifying families through supportive community-based interventions.

FOOD STAMP INITIATIVE: The Food Stamp Program is the Nation's first-line 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 assure the integrity of the Food Stamp Program, and help offset the effect to the proposed energy tax on low-income households. Most of the benefits would go to low-income families with children.

E. SAFE NEIGHBORHOODS, SAFE STREETS, SAFE SCHOOLS

In order 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 increasing 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 dramatically community policing. 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 amounts 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, 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 REVOLVING 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 crumbling transit infrastructure. These funds 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 fund 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 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 carries 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

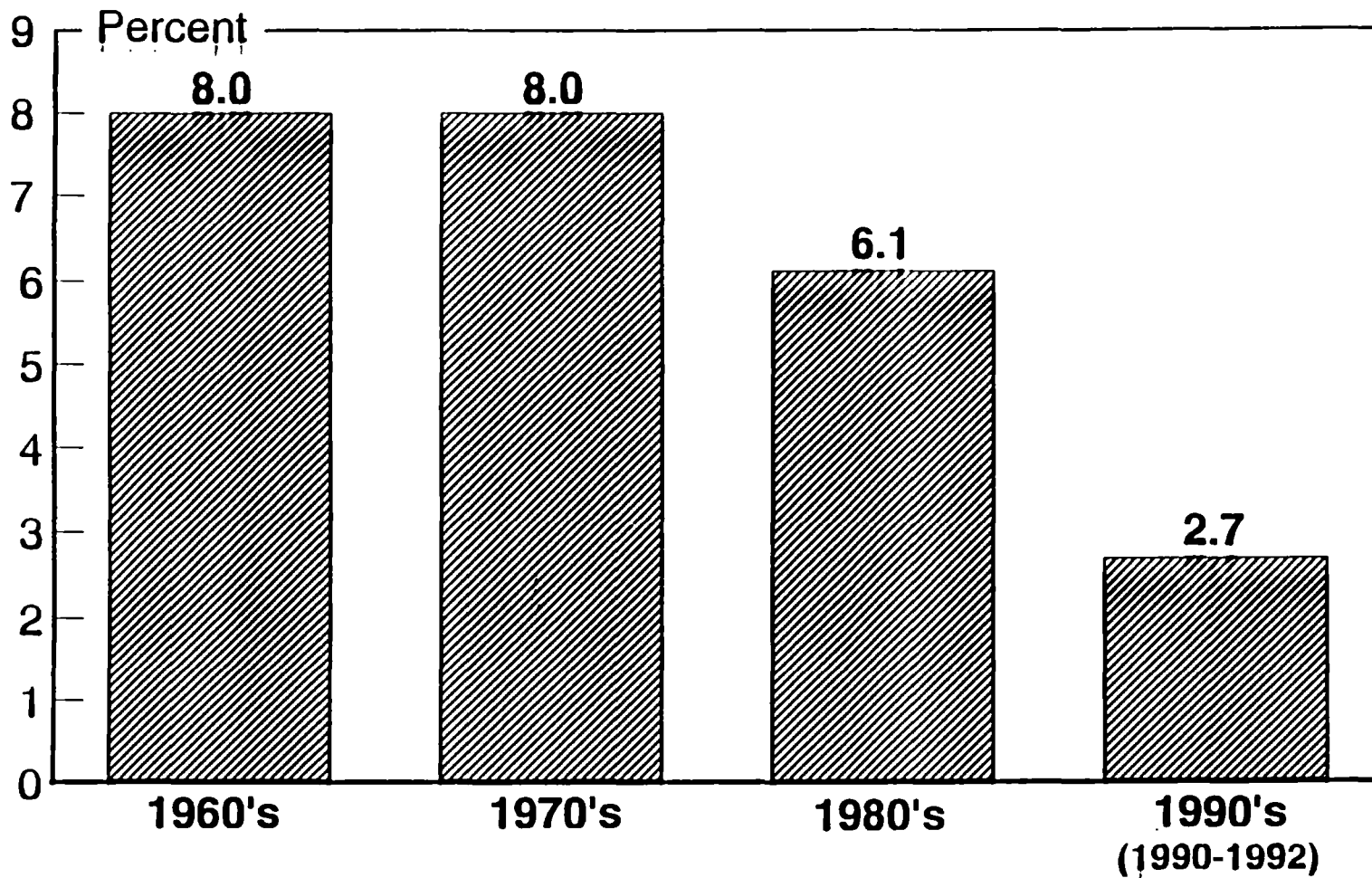
investment in productive capital, such as new and used equipment and machinery, special structures, motor vehicles, and farm and land improvement, to reap the benefits of improvements in knowledge and technology. The increased expensing reduces the cost of investment and frees up cash flow for use elsewhere on the farm.

EXTENDING SMALL ISSUE AGRICULTURE BONDS: In most locations 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 permanently 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

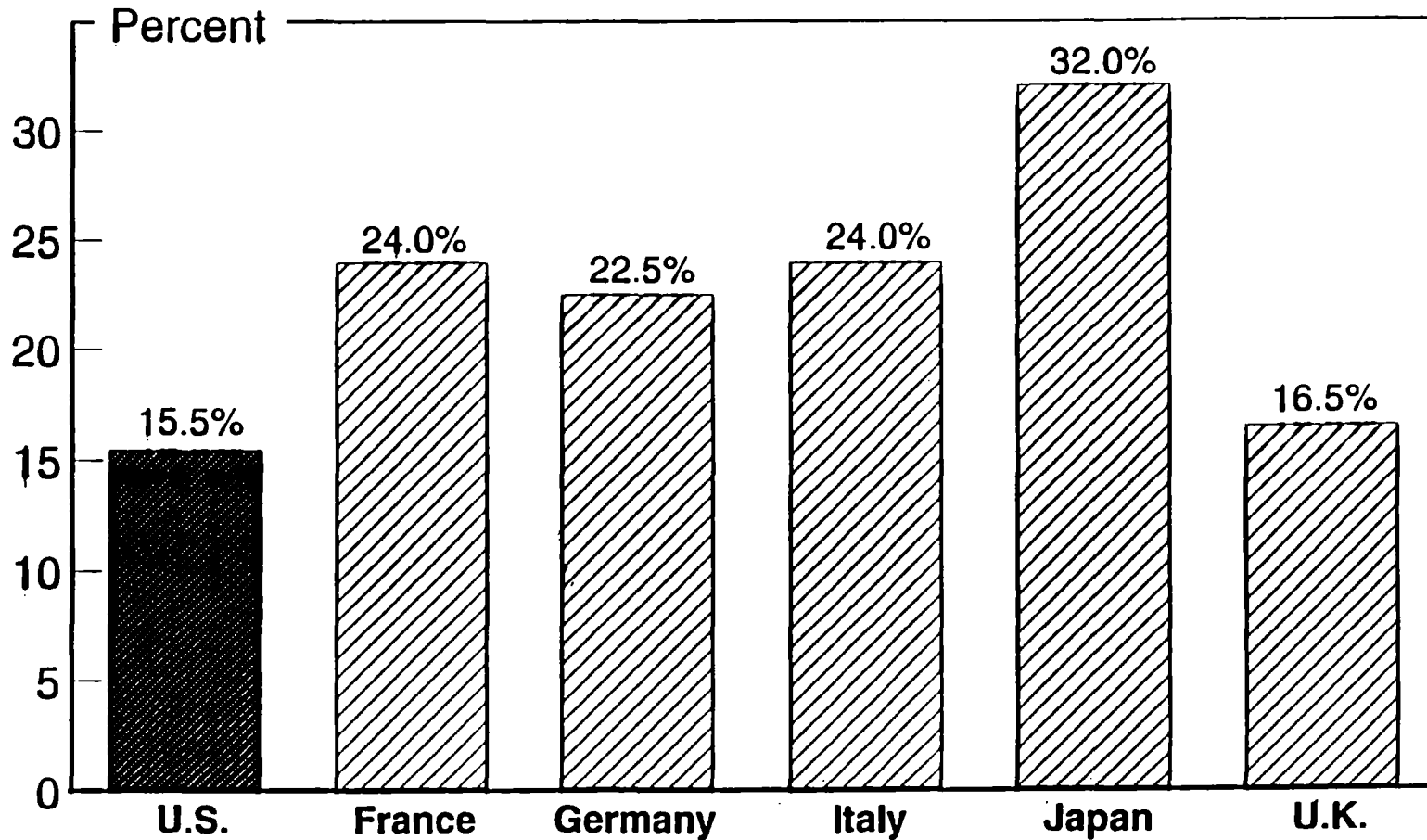
Total Private Investment as a Percent of NDP



Source: Bureau of Economic Analysis

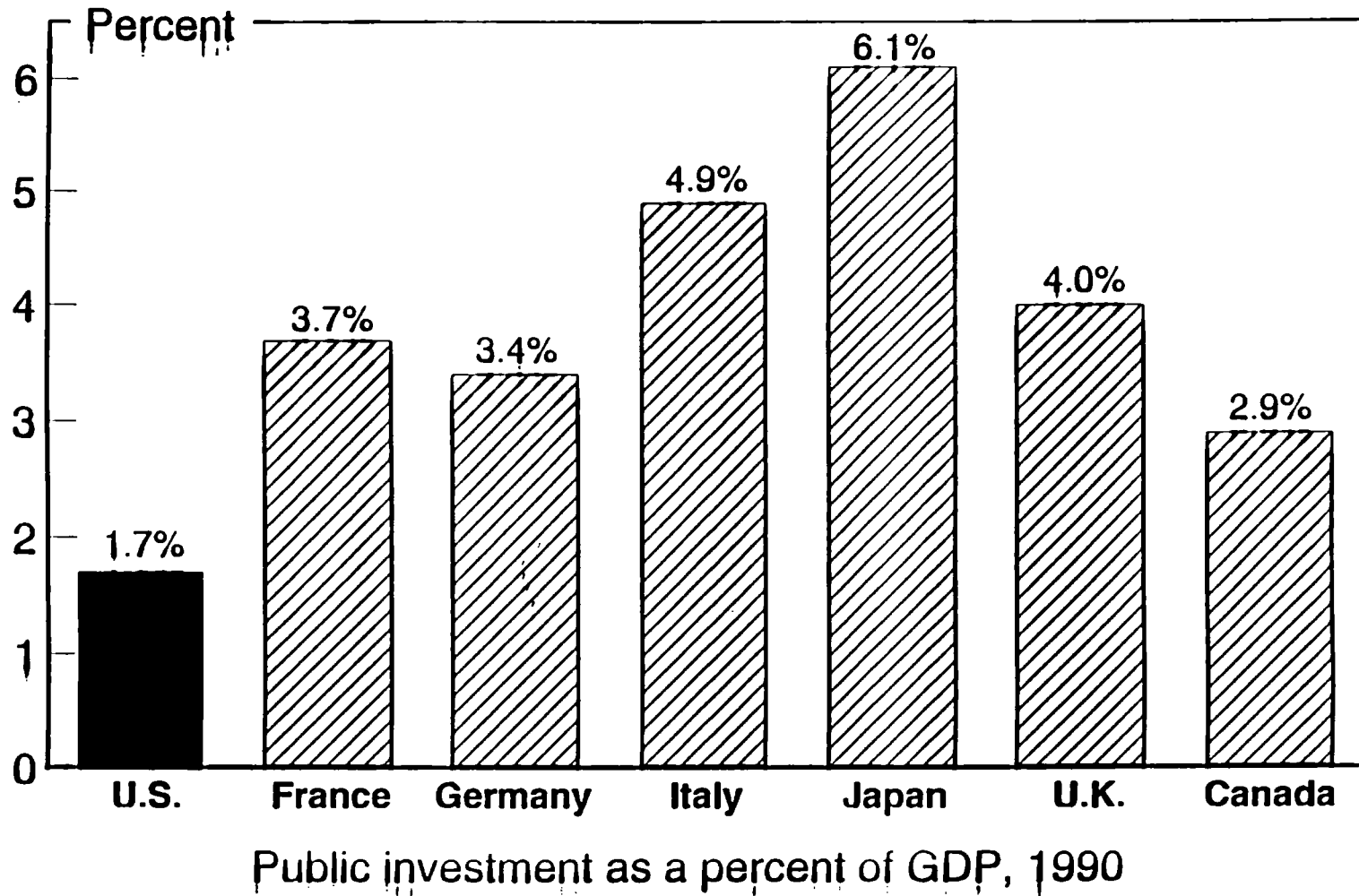
U. S. Invests Less Than Its Competitors

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

COMPARISON OF CLINTON PLAN TO PEROT PLAN

I. PEROT RELIES ON MORE TAXES THAN DOES CLINTON.

Perot has \$302 billion of self-admitted tax increases in his plan, while Bill Clinton has \$250 billion.

Perot's claim that Clinton has far more taxes than spending cuts because of accounting disputes is erroneous. If you apply the classifications that Clinton does to the Perot plan, Perot's overall tax amount actually goes up from \$302 to \$319! Why? Because Perot counts the increase on repealing the \$28.9 billion in Medicare cap as an entitlement cut, while the Clinton plan is honest enough to count this as a tax increase, and Perot also lists \$12 billion in user fees as tax increases. Thus, Perot's tax plan is \$319 to Clinton's \$250 using exactly the same classifications.

II. PEROT'S PLAN IS HARD ON THE POOR AND MIDDLE CLASS.

Perot's tax plan is far more regressive than the plan put forth by the President -- either in the House or Senate version. Clinton's plan has \$70 billion in an energy tax.

Perot has a \$157.8 billion gas tax, over twice as high as any version of the President's energy tax proposal.

III. CLINTON TAKES STEPS TO OFFSET THE BURDEN TO THE WORKING POOR AND MIDDLE CLASS, WHILE PEROT DOES NOT.

Even though the Clinton plan includes an energy tax less than one half the size of Perot's, the President takes several steps to make his plan as progressive as possible through a major expansion of the Earned Income Tax Credit and Food Stamps.

Perot has no offsets to prevent the working poor and middle class from being hit hard. He has no Earned Income Tax Credit and no Food Stamp increase.

IV. CLINTON ENSURES THAT THOSE MOST WELL-OFF PAY THEIR FAIR SHARE. PEROT'S PLAN PREFERS TO MAKE THE MIDDLE CLASS PAY INSTEAD OF THE WEALTHY.

The President's plan ensures that 70% of the tax increases fall on those making over \$200,000 through increasing the marginal rates on the top 1% of individuals and raising additional funds from less than 1% of the largest corporations. Perot would raise only \$33 billion by increasing the top rate on well-off individuals and corporations. He would saddle the poorest Americans with over twice the burden the President's plan does, skip offsets to help the poor and working poor, but then ask only one fourth as much from the wealthiest Americans as the President's plan does.

V. **CLINTON'S PLAN HAS MORE DISCRETIONARY CUTS.**

The Clinton plan has \$100 billion of net discretionary spending cuts that will go to deficit reduction.

Perot has no deficit reduction out of discretionary spending. Even if you counted half of his unspecified cuts as real -- something CBO would never be so generous to do -- Perot would have \$55 billion in increased discretionary spending. Even if you counted all of Perot's unspecified spending cuts as real, he would still have a \$1.5 billion increase in discretionary spending.

VI. **PEROT RELIES ON AN UNDISPUTABLE \$425 BILLION MISTAKE TO SAY HE BALANCES THE BUDGET. INDEED, WITH ACCURATE BUDGET NUMBERS, THE PEROT FINAL DEFICIT IS HIGHER THAN CLINTON'S.**

Perot's own economic director as well as the Washington Post point out that Perot's claim on his budget plan is \$425 billion off!

Even though Ross Perot's book came out in 1993, he uses the CBO baseline from January 1992 -- not January 1993 -- on which to base his budget. Thus, while the current 1998 baseline is \$387 billion, Perot uses a baseline of \$254 billion -- an indisputable \$133 billion error in one year alone, and, as the Washington Post reported, \$425 billion over five years. Furthermore, his interest savings assume 10.3% interest rates! If you use the correct baseline, count 40% of his unspecified cuts, and give him the most generous possible interest savings -- he would have a deficit of approximately \$210 billion in 1998 -- higher by several billion dollars than the CBO now estimates for the Clinton plan approved in the budget resolution.

VII. **EVEN PEROT'S ENTITLEMENT CUTS NUMBERS ARE DECEPTIVE.**

Perot's plan appears to achieve strong deficit reduction through entitlement cuts. His book claims \$267.9 billion in such cuts for deficit reduction. \$141 billion are unspecified cuts in Medicare and Medicaid. Where is he going to get these savings? Furthermore, he counts an additional \$28.9 billion as entitlement cuts for lifting the \$130,000 cap on the income that the Medicare tax is applied to -- a change that should be counted as a tax.

Even if you count half of his unspecified entitlement cuts as real and all of his unspecified spending cuts as real -- a tremendously generous calculation -- the Perot plan still has less net spending and entitlement cuts together (approx. \$182 billion), than does the Clinton proposal (approx. \$200 billion).

COMPARISON OF CLINTON PLAN TO BOREN-DANFORTH

THE CLINTON/GORE PLAN:

- * The Clinton package cuts \$500 billion from the deficit, with \$250 billion in net spending cuts and \$250 billion in tax increases. Included in the spending cuts are \$100 billion in entitlement savings.
- * There are three dollars in spending cuts for every dollar in new investments.
- * 75% of tax increases fall on the top 6% of Americans according to the CBO. The plan is strong, but fair. The only tax that affected middle class America was a BTU tax. Yet, we increased the Earned Income Tax Credit to benefit 10 million working families to offset any possible impact from the BTU tax. In addition, the BTU tax does not even take affect until the summer 1994. When it does, it is phased in three years. The total cost of all our tax proposals to the average family making \$40,000 is only \$1 a month in 1994, \$7 a month in 1995, and \$17 a month in 1997. Families making under \$30,000 would, on the whole, be shielded from any increased burden.

THE BOREN-DANFORTH ALTERNATIVE:

- * They acknowledge that the Clinton plan has significant net spending cuts. They say the Clinton plan has \$174 billion in net spending cuts, while the actual number is \$250 billion.
- * They claim to cut \$122 billion in taxes, while adding \$163 billion in spending cuts.

But lets look closer:

- * They cut Social Security benefits for 27 million middle class Americans, who now find that if they get \$7,200 in benefits to live on, some people in Washington believe they should have their COLAs cut on everything over that by 2%.
- * Another \$15 billion is cut from the Earned Income Tax Credit, which benefits 14 million working families trying to stay above the poverty line.
- * They have \$114 billion in Medicare and Medicaid cuts that, if enacted, would have several very negative effects:
 - 1) It will cause hardship to millions of Americans, while leading to major cost-shifting to the private sector, thereby further driving up the cost of health care for average Americans.
 - 2) States will lose at least \$31 billion in Medicaid and AFDC matching funds. Their specific health care cuts and AFDC cuts are designed to hit the poor and elderly disproportionately hard and put tremendous burdens on states to raise taxes to make up for the federal cuts.

3) If these cuts are made without health care reform, they will amount to a direct cut on the poor and the elderly.

4) This entitlement cap could jeopardize rational attempts of health care reform to control spending. It will make it extremely hard to pay for national health reform, since they would be crudely taking away significant potential health care savings now to make up for their policy changes.

EXAMPLE OF WHAT THEY CUT AND WHAT THEY PAY FOR

If you want to know the type of choices this plan makes, consider the following three choices they make:

1. **TAX CUT:** They take away \$29 billion from the Clinton deficit reduction plan by lowering the Medicare increase on individuals making over \$130,000.

HOW THEY CUT: They have to pay for most of it by cutting the Social Security benefits of 27 million Social Security recipients who receive benefits of over only \$7,200 a year.

2. **TAX CUT:** An across-the-board capital gains tax cut, on top of the new one the President has already proposed. This will benefit the wealthiest Americans overwhelmingly without ensuring that it is targeted to job creating small businesses.

HOW THEY PAY FOR IT: They cut \$15 billion from the Earned Income Tax Credit, a program that goes to 14 million working families in danger of being below poverty line.

3. **TAX CUT:** They get rid of the energy tax. The BTU does have costs for many Americans. Yet, our energy tax does not affect families under \$30,000. It does not even start until July 1994. It phases in over three years after that, costing the average family making \$40,000 only \$1 a month in 1994, \$7 a month in 1995 and \$17 a month when fully phased in during FY1997.

HOW THEY PAY FOR IT: This is paid for with \$114 billion in unspecified entitlement cuts. Who is going to pay for this? Most of it might come from the 34 million Medicare recipients, who would get less without getting a new health care system. Or maybe they take it all from Medicaid, thereby hurting not only poor people, but putting significant pressure on cities and states to raise sales and property taxes. And these cuts would make it nearly impossible to pay for a new health care plan. The other main targets are veterans, disabled veterans, and farm programs, which we have already cut significantly.

COMPARISON OF CLINTON PLAN TO THE KASICH PLAN

The Kasich/Republican alternative claims to be good because it has no tax increases. But here's the bottom-line about this plan. In order to have less taxes on the most well-off Americans, the plan:

- * achieves about **\$95 billion less in deficit reduction** than the Clinton plan (according to the CBO).
- * requires tough Medicare cuts to 34 million elderly beneficiaries
- * calls for no new investments such as the President's proposal to fully fund Head Start for at-risk preschoolers
- * keeps nonproductive business deductions for items like country club dues and 3-martini lunches and allows corporations to continue subsidizing CEOs who make over \$1 million

Quite simply, the backers of this plan are guilty of false advertising. There is nothing strong and certainly nothing pro-middle class in doing less deficit reduction, less investment in our people and schools, and more in attacking Medicare in order to keep special interests happy and taxes low on the most well-off Americans.

I. NO INCREASED TAX FAIRNESS

The Kasich plan eliminates all of the proposals in the Clinton plan that seek a more fair tax system that asks the most of those most able to pay. Unlike the Clinton plan, the Kasich plan:

- * does not require any contribution from the top-1.2% of Americans
- * keeps the country club deduction
- * keeps the 3-martini lunch deduction unnecessarily high
- * allows corporations to continue subsidizing CEOs who make over \$1 million even when their companies are not performing

II. MUCH LESS DEFICIT REDUCTION

Americans have been telling Washington that they are sick of business as usual and they want to see real deficit reduction that will put us on the road to a healthy economic future. To save the most well-off Americans and corporations from their fair share of contributions, the Kasich plan:

- * achieves \$95 billion less in deficit reduction than the Clinton plan.

- * the Congressional Budget Office concluded that the Kasich plan would achieve only \$352 billion in deficit reduction over 5 years.
- * the same CBO has concluded that the Clinton plan would achieve \$496 billion in deficit reduction over 5 years.

III. ASKS MOST OF THOSE LEAST ABLE TO PAY

The Kasich substitute funds all of its deficit reduction through spending cuts, and asks the most of those least able to pay. Unlike the Clinton plan, the Kasich plan:

- * Demands deficit-reduction contributions from some 34 million elderly who will be affected through severe cuts on Medicare beneficiaries. Unlike the Clinton plan, which cuts \$50 billion from Medicare over 5 years by scaling back payments to health providers, Kasich cuts \$72 billion from Medicare and adds a major new beneficiary cut. Millions of elderly and disabled Americans would pay substantially more as a result of the Kasich Medicare cuts.
- * Demands Medicaid cuts that are 50 percent deeper than the substantial Medicaid cuts in the Clinton/Gore plan.
- * Demands much deeper cuts on federal retirees than the Clinton plan by ending cost-of-living adjustments for military retirees under 62 and raising the retirement age for civil service retirees.

IV. NO INVESTMENTS IN OUR ECONOMIC FUTURE

After 12 years of neglect, the Kasich substitute would drop every one of the new investments in the Clinton plan so that we will have no targeted investments in the things we need to make the economy grow.

No new investments in people. The Kasich plan would have:

- * No full funding in Head Start or WIC so that at-risk children have a fair chance to be problem solvers rather than problems
- * No new child immunization program or family preservation initiative to help troubled families stay together
- * No investments to make sure that middle class kids can go to college
- * No assistance to those who helped us win the Cold War and will now face the sober employment realities of transition from the defense drawdown
- * No expansion of the Earned Income Tax Credit to make work more attractive than public assistance for working poor families and ensures that they no longer have to raise their children in poverty.

No new investments in business, technology and infrastructure. The Kasich plan would:

- * **Eliminate increased expensing allowances to small businesses**
- * **Eliminate the new venture-capital gains exclusion for investments in small business**
- * **Eliminate the modified alternative corporate tax depreciation schedule which promotes new investment by business**
- * **Eliminate investments in the development of technologies that can help American companies compete, win and create jobs**

V. NO SPECIFIC DISCRETIONARY CUTS AND MORE OF THE SAME FAILED BUDGET GIMMICKS

The Clinton plan identifies 200 specific cuts to achieve \$250 billion in net spending savings. \$100 billion in cuts comes from discretionary spending. By contrast, the Kasich plan does not identify a single specific discretionary cut. Instead it relies on the smoke and mirrors tactics of the past decade that have not worked and that have contributed to soaring budget deficits.

- * **Rather than having the courage to identify specific discretionary cuts, the Kasich plan uses "magic" discretionary spending caps which they claim will save \$226 billion.**
- * **Spending caps have not worked in the past because real cuts are hard to make and the estimated caps usually are unrealistic, wishful thinking. Unless you have the guts to say what you will cut in the end, you have no realistic chance of actually succeeding in reducing spending.**

ANSWERS TO COMMON MISPERCEPTIONS

DIDN'T PRESIDENT CLINTON PROMISE NOT TO RAISE TAXES ON THE

MIDDLE CLASS: Candidate Clinton emphatically denied Bush's charge that he would raise tax rates on all people with incomes over \$36,000. Yet, he has called for raising taxes on middle income people. Did he mislead the public in emphatically denying the validity of the Bush campaign charge?

RESPONSE: During the campaign Bush said, "To get to 150 billion, even with his other plan governor Clinton would have to raise the tax rates on every individual with over \$36,600 a year in taxable income and that is a fact." [Campaign rally, Wixom, MI, 9/26/92].

Bush used comments and commercials to suggest that Clinton, in order to "get \$150 billion [in promised tax revenues] would have had to raise the tax rates on every individual with over \$36,600 a year in taxable income and that is a fact." Indeed, the Bush commercial suggested such families would pay far more than \$1000 more a year income taxes.

Then Candidate Clinton said that this was not true, and when President Clinton presented his proposal it was still not true. During the campaign, Candidate Clinton said that he would raise the marginal rate from 31% to 36% on families making about \$180,000 and individuals making \$140,000. President Clinton's budget raises income taxes on families making over \$180,000 and individuals making over \$140,000 -- the top 1.2% of taxpayers.

The claim that Clinton would raise tax rates on average families was clearly untrue during the campaign and it was untrue now.

What happened was that the deficit got extremely worse after the election and President Clinton decided to deal with it head on. The President therefore called for an energy tax, would cost that family making \$36,600 \$1 a month in 1994, \$7 a month in 1995 and \$14 a month in 1996 and \$17 a month when it is fully phased-in in 1997.

DIDN'T THE DEFICIT DETERIORATE DURING THE CAMPAIGN: Didn't the deficit get worse during the election -- not after it?

RESPONSE: The deficit projections got worse at two different times. Once in July/August of 1992 and again in January, 1993. Had it not been for the deterioration after the election, there would have been less need for the \$72 billion in extra deficit reduction that the BTU-energy tax raise.

THE BUSINESS WEEK QUOTE: But didn't President Clinton falsely claim that he was forced to break his "promise" and raise taxes on the middle class because the deficit was worse than he thought during the campaign; in fact, he knew how bad the deficit was all the

time. He said in a July 1992 Business Week article that the deficit would approach \$400 billion?

RESPONSE: This is one of the most false claims that has been made about the President.

The unexpected increase in the deficit was the rise in FY1997 to \$346 billion -- more than \$100 billion greater than when then-Governor Clinton first estimated in Putting People First. When Clinton spoke to Business Week he was not even talking about the deficit baseline in 1996 or 1997. What he was referring to in that July 6, 1992 interview was that the estimate for 1992 by the Bush OMB was \$399.7 billion. Thus, Clinton was simply stating a factual account of the current OMB deficit projection for that year.

[When Congress did not deal with the RTC and technical changes were made, the deficit for 1992 ended up being \$290 billion. Neither OMB nor the CBO had assumed in its projections that Congress would decide not to approve new funds for the S&L cleanup.]

PRESIDENT CLINTON SPENDS TOO MUCH AND CUTS TOO LITTLE: Republican critics charge that the Clinton budget plan calls for a "Leviathan government, increasing Federal spending by \$300 billion (or about 20 percent)" in a scant five years.

RESPONSE: This charge is disingenuous and misleading. Here are the facts.

- o Spending grows more slowly in the Clinton plan than it did under the Reagan and Bush administrations. While spending under Reagan and Bush grew at 2.6 percent and 2.7 percent respectively, Federal spending under Clinton will increase by only 1.6 percent per year. (all figures inflation-adjusted)
- o Apart from health care and interest on the Reagan-Bush debt, spending growth is less than inflation -- meaning that government is shrinking in real (inflation-adjusted) terms.

PART III: SUPPORT FOR THE PRESIDENT'S PLAN

A. POSITIVE STATEMENTS ON THE PRESIDENT'S COURAGE FOR TAKING ON THE DEFICIT:

"[The President's] budget reconciliation package is more of a down payment on the deficit than George Bush ever had the nerve to make. And the Clinton budget remains a definitive break from the reckless spending and Louis XIV social attitudes that were embodied in the budgets of his predecessors."

-- editorial, Detroit Free Press, 6/10/93

The political climate has changed in large measure because of Clinton's determination to address the deficit seriously for the first time in twelve years... The Republicans in this case have no standing for simple opposition; after all, it was on their White House watch that the deficit got out of control."

**-- editorial, Mortimer Zuckerman,
U.S. News & World Report, 5/17/93**

"This President ... has courageously done what his predecessors notoriously did not do. He has proposed a restoration of fiscal discipline."

-- editorial, The Washington Post, 5/26/93

"A newly elected president took a huge political risk and drafted an ambitious five-year program of tax increases and spending cuts to help reverse the frightening rise of the deficit.

**-- Charles Schultze, Henry Aaron,
Brookings Institution
op-ed, The Washington Post, 5/26/93**

"Failure to pass the package essentially intact would be a great mistake. It would send a message at home and abroad that Federal fiscal policy remained out of control and that there was no concerted will to do what all sides agree must be done. The country waited a long time for a President to take the lead in deficit reduction. Finally we have one."

**-- Robert M. Solow, Nobel laureate in economics and professor at MIT,
and James Tobin, Nobel laureate in economics and professor emeritus at
Yale; op-ed, The Washington Post, 5/27/93**

"President Clinton has challenged himself, Congress, and the American people to stop talking and start doing. Amen... Clinton was elected to deal with the economy; overall his program appears both courageous and meritorious.

-- editorial, Minneapolis Star Tribune, 2/18/93

"[Clinton] has shown real courage and faced up to problems just the way voters said they wanted him to."

-- editorial, The Arizona Republic, 5/26/93

B. QUOTES ON THE FAIRNESS OF THE PRESIDENT'S PLAN ON TAXATION AND ENTITLEMENTS

"If the deficit has to be reduced, who pays -- which population groups, which sectors of the economy? Most of that's actually been settled; the progressive income tax increases in the President's plan are the main answer... The marginal burden should not be shifted to vulnerable groups in the society least able to pay."

-- editorial, The Washington Post, June 10, 1993

"Clinton's proposal sensibly recognized that there's only one realistic way to trim the deficit: by enacting a combination of tax increases and spending reductions -- including restraints on popular social programs. The tax component of this package is fair, seeking about 75% of its revenues from upper-income taxpayers while easing the tax burden on lower-income families."

-- editorial, Plain Dealer, May 28, 1993

"The President rightly observes that to cut entitlements in advance of broader health care reform is only to shift more costs to the elderly, the privately insured and state taxpayers... The plan is fair."

-- editorial, The Washington Post, May 27, 1993

"On entitlements, Mr. Clinton wisely rejects a simple cap because it would trigger across-the-board cutbacks aimed at the elderly, poor, and disabled who are the primary recipients of entitlement spending. It would also risk throwing the economy into deeper recession, because entitlement spending on welfare and unemployment insurance rises during economic downturns and helps maintain consumer purchasing power."

-- editorial, The New York Times, May 27, 1993

"The plan distributes its sacrifices fairly and intelligently. Three-quarters of the tax increases fall on households making more than \$100,000, and spending cuts spare those -- the poor, the middle-income elderly, the sick -- whose security depends on government's safety net. "

-- editorial, Sacramento Bee, May 28, 1993

"Included among [the bill's] tax increases and entitlement cuts is a major step toward welfare reform... The proposals would also reverse distributional policy, restoring some of the progressive edge that the tax code lost in the 1980's and early 1990's."

-- editorial, The Washington Post, May 16, 1993

C. SUPPORT FROM THE BUSINESS COMMUNITY FOR THE PRESIDENT'S ECONOMIC PLAN

50 of Our Nation's Top Corporations Have Recently Written the House of Representatives to Support the President's Plan as reported out of the House, stating:

"We expect better economic results and better employment prospects to follow from the reported bill." [May 25, 1993]

These business supporters include:

**AFLAC Incorporated
3M
Marriott Corporation
Philip Morris
Procter and Gamble
Sara Lee Corporation
Southwest Airlines
Time Warner
The Walt Disney Company
Westinghouse Electric Corp.
Avon Products
Colgate-Palmolive
Delta Airlines
Dow Corning
The Gap
General Electric
General Motors
Honeywell Inc.
IBM
Allied Signal Inc.
Ameritech Corp.
Anhauser-Busch Companies, Inc.
Associated Financial Corp.
Beneficial Corporation
B.P. America
Electronic Data Systems
Emerson Electric Co.
GenCorp Inc.
General Mills, Inc.
General Signal Corporation
Hallmark Cards, Inc.
Hughes Aircraft Company
Jim Walter Corporation
Kellogg Company
Levi Strauss & Company
Mars Inc.
Mercantile Stores Co. Inc.**

Owens-Corning Fiberglas Corporation
PLY GEM Industries, Inc.
Puget Power Corp.
The Quaker Oats Company
Ryder System Inc.
Service Merchandise Co. Inc.
Southern California Edison, Co.
Southern California Gas Co.
Southland Corp.
Tenneco Inc.
Valero Energy Corporation

Business groups also recently wrote the House of Representatives in support of the President's economic plan, including:

Manufactured Housing Institute
National Apartment Association
National Association of Home Builders
National Association of REALTORS
American Insurance Association
Truck Renting and Leasing Association

**D. QUOTES FROM TOP BUSINESS LEADERS WHO HAVE ENDORSED THE
PRESIDENT'S ECONOMIC PLAN:**

"We applaud President Clinton's bold approach to reduce the deficit through spending cuts and higher taxes equitably levied. The approach the President has taken does a good job of achieving two important goals. First, it will result in a reduction in the deficit, prompting a healthier economy and an improved standard of living for all Americans. Second, it is a fair approach... Equitably shared burdens to achieve a program that benefits all Americans is the proper approach...and that is what the President has offered."

-- August A. Busch III, Chairman and President
Anheuser-Busch Companies, 2/18/93

"President Clinton has shown great political leadership and courage in bringing the country together to attack the critical deficit problem that we are facing."

-- Robert E. Denham, Chairman,
Salomon, Inc., 2/24/93

"We believe that the President's economic package... has the reasonable balance to begin to address deficit reduction, and we believe that's extremely important for the economic well-being and future of this country, for industry, and for our company."

-- C. Michael Armstrong
Chairman and CEO
Hughes Aircraft Company, 5/18/93

"President Clinton has taken on a difficult but very important task in crafting his broad program to reduce the deficit and promote sustained economic growth... As this program is moved forward, the administration has shown itself willing to work night and day to mitigate some of the problems. In particular, I want to express strong support the programs to minimize the burden on low-income families... We support President Clinton's efforts to address the deficit and to promote economic growth, and we salute him for his leadership as he takes on this difficult task."

-- Ralph Bean, President
Hope Gas Co., West Virginia, 5/18/93

"I think that the President's proposal ... will act to stabilize real estate markets. As many of you know, in the past three years, about \$500 million in decline in real estate has taken place. And that has impacted communities all over the country... Already [the President's plan] has had an impact on lower interest rates, and lower interest rates and refinancing has also added to driving in more and more money into the economy...We will do our part."

-- Bill Chee, President
National Association of Realtors, 5/18/93

"President Clinton has offered the only serious program to bring these deficits down and he deserves our support... We've delayed too long."

**-- James R. Jones, President
American Stock Exchange, 2/24/93**

"We all agree that the growing federal deficit is a threat to the welfare of the nation, and especially to its future... We believe that the President has proposed an even-handed plan that promises to reduce federal spending and accomplish real deficit reduction... We believe that the President has faced up to the economic problems of our nation. He has taken a gutsy step and deserves our support. In a very positive and persuasive way, he has sent a signal to the world that America is serious about putting its economic house in order."

**-- Lodwrick M. Cook, Chairman and CEO,
ARCO, 2/25/93**

"I applaud President Clinton for focusing the attention of the American people on the need to reduce the size and growth of the federal deficit, which over the years has translated into a national debt in excess of \$4 trillion."

**-- John Clendenin, Chairman and CEO,
Bellsouth Corporation, 2/18/93**

"[The plan is] courageous and a dramatic move to reduce America's fiscal deficit."

**-- John H. Bryan, Chairman and CEO
Sara Lee Corporation, 2/24/93**

"The President's economic plan begins to confront the many long-term and long-neglected challenges this country faces, from the state of our cities to the health and education of our children."

**-- J. Bruce Llewellyn, President and CEO,
Philadelphia Coca-Cola Bottling Co., 2/18/93**

"The President has prescribed tough medicine for the country's economic troubles. The plan needs to be studied, analyzed, debated fully, modified if appropriate, and acted on promptly... this far-reaching proposal could -- as the President said -- start a process of renewal for America."

**-- Harold A. Poling, Chairman and CEO,
Ford Motor Co., 2/17/93**

"[President Clinton] has put forth a bold and comprehensive plan... At the end of the day, what is most important is that our debate does not result only in more gridlock... As the President has said, no comprehensive plan can please everyone. If this plan is

picked apart, there is something in it with the potential of angering each of us. But if it is taken as a whole, it will help us all. We must move forward."

-- Hugh L. McColl, Chairman,
NationsBank Corporation, 2/25/93

"Every indication that I've seen is that he does want to work with business. He has reached out to business leaders, he's reached out to Republican business leaders. And I think that we're going to see that he's going to be not only knowledgeable, willing to talk in depth about ideas and concepts which are quite different from what we've heard from government leaders in the past, but I think he's listening to the private sector."

-- John Sculley, Chairman and CEO,
Apple Computer Co., 2/18/93

Buckley
"Pediatricians and other child advocates urge Congress quickly to approve the President's budget reconciliation package because it includes important child health provisions. Children should not be held hostage to political infighting... The budget contains essential funding to shore up our childhood immunization program. It is past time that we as a nation accept that immunization of all of our children is a public health responsibility similar to assuring a safe water supply or sanitary sewage disposal. The reconciliation package also contains a much-needed boost for family preservation and foster care programs. These are investments that cannot wait."

-- Dr. James Hughes
American Academy of Pediatrics, 5/18/93

Burke

**E. LABOR, ENVIRONMENTAL, CONSUMER AND COMMUNITY
ORGANIZATIONS THAT SUPPORT THE CLINTON PLAN**

On May 25, 1993 ninety industry, labor, community, and education groups representing millions of Americans wrote to Members of Congress in support of the reconciliation bill. They said: "We support President Clinton's objectives of creating new jobs, encouraging growth and investment and reducing the deficit." Among the organizations were:

American Federation of State, County, and Municipal Employees
American Education Association
American Planning Association
Communications Workers of America
Consumer Federation of America
Council for Rural Housing and Development
Council on Research and Technology
Families USA
International Ladies' Garment Workers Union
National Apartment Association
National Council of La Raza
National Council of Senior Citizens
National Education Association
National Urban League
United Auto Workers
United Methodist Church, General Board of Church and Society
YWCA of the USA

Numerous environmental groups have come out in support of the Economic Plan, including the Defenders of Wildlife, Environmental Action, the Natural Resources Defense Council, Friends of the Earth, National Consumers League, the League of Conservation Voters, the National Audubon Society, and the National Wildlife Federation.

F. STATEMENTS BY INDIVIDUAL COMMUNITY, LABOR AND ENVIRONMENTAL LEADERS

"Unlike the budget exercises of the past twelve years, [President Clinton's economic plan] is constructed on hard numbers and on reasonable projections on which the majority of economists agree. It takes a hard cut at deficit reduction without going so far in that direction as to kill the economy and destroy jobs. .. This is probably the first budget in history built to support policies designed to make America a world-class competitor in a new industrial world. The emphasis on jobs, on training, on infrastructure, on the conversion of defense facilities to new uses and conversion of defense workers to new skills, is this country's first serious attempt to maintaining employment while turning the nation's industries to new tasks and new purposes.... The Clinton economic plan is sound. For us the issue is a sound economy in which there is substantial job growth and the enlarged investment in people. The Clinton plan meets those tests."

-- Tom Donahue, Secretary-Treasurer
AFL-CIO, 5/18/93

"We cannot afford the partisan debates. We need action now to stop the gridlock... We need expenditures on this nation's most valuable resource: it's people. We need childhood immunization, family preservation, economic development, reduction of hunger, assistance to the poor through the expanded earned income tax credit proposal. We need jobs for our people. And most of all, we need hope. The plan is not a perfect plan, but it takes a giant step forward in bringing this nation back to where it ought to be: out of its four trillion dollar deficit."

-- Maudine Cooper, CEO
Washington Urban League, 5/18/93

"Our members understand that President Clinton's plan is fair, balanced, and progressive, a sincere attempt to reverse those twelve long years of trickle-down economic policy that has left the economy weaker and moved higher-paying jobs overseas and increased the national debt from one trillion to four trillion dollars."

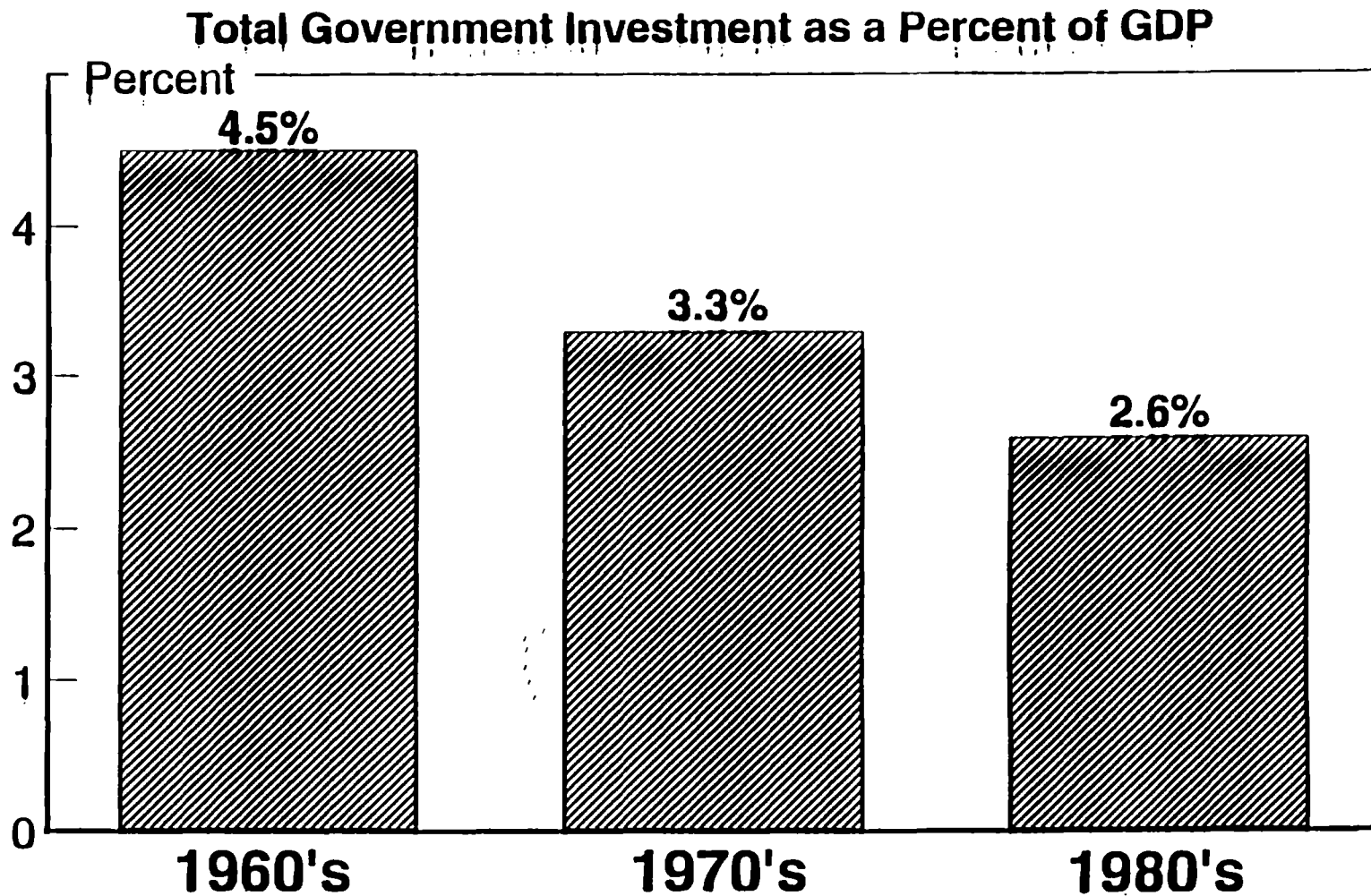
-- Bob Brandon, Vice President
Citizen Action, 5/18/93

"There are three things -- three words -- that can be said about this program: it's about time. the Clinton Administration's economic program seeks to put our economy back on track in ways that improve, not degrade, the environment. The proposed energy tax is a major step in the right direction. Wasteful energy use is bad for our country -- on environmental, balance-of-payments, national security, and economic competitiveness grounds... NRDC and other environmental groups strongly support the President's program. We share the view of the President and of Vice President Gore that our economic and environmental goals can and should support each other...The lobbyists who told us that we had to choose between dirty air and corporate layoffs,

and then gave us both, will continue to fight the President's program. A dozen years of gridlock are more than enough. Congress needs to pass this program, and pass it now."

-- David Hawkins,
Natural Resources Defense Council, 5/18/93

Public Investment Has Declined



Source: OMB

PART II: THE PLAN: THE FACTS

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 that 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 business.** The President has strongly supported a new provision to cut capital gains taxes for new investment in small 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 THE TOP 1.2% WILL PAY INCREASED INCOME TAXES. The Clinton plan raises income taxes only on households who take in 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 4.2% OF SMALL BUSINESS OWNERS THAT FILE INDIVIDUAL RETURNS WILL BE AFFECTED. 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 that file individual returns -- proprietorships, partnerships or subchapter S corporations -- will be affected by the increases in individual rates, because only 4.2% of these returns show income over \$180,000 a year. The other 95.8% of small businesses and subchapter S corporation owners will not be affected at all.

THOSE BUSINESS OWNERS THAT WILL PAY MORE ARE WELL-OFF AND OFTEN ARE DOCTORS, LAW PARTNERS, INVESTMENT BANKERS AND CONSULTANTS WITH LUCRATIVE PRACTICES: Those 4.2% of business owners who will pay higher income taxes are quite well-off. The average business owner that 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 vast majority of small businesses won't be affected and all income tax increases will fall only on the wealthiest 1.2% of Americans.

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]

of \$180,000. And no family that makes less than approximately \$180,000 will pay any higher income tax.

ONLY 4.2% OF SMALL BUSINESS OWNERS THAT FILE INDIVIDUAL RETURNS WILL BE AFFECTED. 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 that file individual returns -- proprietorships, partnerships or subchapter S corporations -- will be affected by the increases in individual rates, because only 4.2% of these returns show income over \$180,000 a year. The other 95.8% of small businesses and subchapter S corporation owners will not be affected at all.

THOSE BUSINESS OWNERS THAT WILL PAY MORE ARE WELL-OFF AND OFTEN ARE DOCTORS, LAW PARTNERS, INVESTMENT BANKERS AND CONSULTANTS WITH LUCRATIVE PRACTICES: Those 4.2% of business owners who will pay higher income taxes are quite well-off. The average business owner that 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 vast majority of small businesses won't be affected and all income tax increases will fall only on the wealthiest 1.2% of Americans.

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 BUSINESSES) 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 Finance 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 used the most conservative and traditional methods possible and still found that the package more than a \$1 to \$1 ratio -- with \$1 in spending cuts for every 92 cents in revenue increases.

- o The plan has a balanced package of \$500 billion in deficit reduction. There are \$250 billion in spending cuts. \$100 billion in entitlement cuts; \$100 billion in other spending cuts; and \$50 billion in savings from interest we pay on the national debt.

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

THERE IS NO REPUBLICAN LEADERSHIP -- ONLY REPUBLICAN ATTEMPTS AT GRIDLOCK AND TO PROTECT THE STATUS QUO:

- o The Republicans offered nearly a dozen amendments to the Senate Finance bill and only one had any spending cuts. The rest all increased spending.

- o 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.

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

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

- o Senator Dole's calculation is inaccurate because it does not count discretionary spending cuts as either spending cuts or even deficit reduction at all; 2) count interest savings as spending cuts, 3) count first time ever user fees as spending cuts. The only thing they calculate in making a 3:1 ratio is taxes and some entitlement cuts.

Discretionary Spending Cuts: Senator Dole denies all of our \$100 billion in spending cuts that come from the caps and sequesters -- even though we have line by line cuts.

He ignores 125 domestic discretionary cuts. He states that there is no enforcement, but strict enforcement exists. There is an extension of the current procedures in the budget resolutions and the House Bill.

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

The Republican alternative in the House -- the Kasich plan -- uses savings from interest expenses for their deficit reduction package.

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 that as a spending cut.

Interest savings are used to get to \$500 billion in the 1990 plan, and they were always considered spending cuts.

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 be seen as spending cuts. For years, every Administration -- Republican and Democrat -- has counted it as a cut.

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

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, clearly has fees and specifically lists them as spending cuts -- indeed the plan boasts that it has no new taxes.

SUMMARY OF FIVE MAIN POINTS ON HOW THE CLINTON CUTS ARE REAL AND HAVE ALWAYS BEEN COUNTED AS CUTS BY CONGRESS

1. HOUSE REPUBLICAN PLAN: The Kasich plan -- the Republican alternative -- counts both interest and fees and discretionary spending cuts as spending cut. Senator Dole questioned the President for counting interest spending reductions as a cut, but in fact the Republican alternative in the House of Representatives counts it as a spending cut.

2. 1985 PACKAGE: Senator Dole passed his package in 1985 and he listed every dollar in projected savings from the deficit reduction as a spending cut.

Senator Dole counted net interest savings as a spending cut.

Senator Dole had user fees in his package and they were specifically listed by the Reagan OMB and the Congressional plan as spending cuts

3. DOLE AND 1990 PACKAGE: Senator Dole supported the fight for a deficit reduction package, that counted discretionary spending cuts that were enforced by the cap and sequester, as well as interest savings and user fees.

Senator Dole and the Bush OMB also, quite logically, called the cut in interest savings as a deficit cut.

The Bush OMB called user fees a spending cut.

Senator Dole and the Bush OMB took credit for all of the projected savings under the caps -- the exact same process we have in our budget.

4. INTEREST PAYMENT INCREASES HAVE ALWAYS BEEN SEEN AS SPENDING: Republicans -- like all of us -- have complained that we are spending too much on interest on the national debt. When you cut that spending, it is only common sense that you are cutting spending.

5. SENATOR DOLE'S QUOTES FROM 1990 SAY IT ALL:

"I think a lot of people forget what this is all about. It is about deficit reduction. It is not about the gas tax or the cigarette tax or Medicare. In the long run, it is about deficit reduction, and our children and our grandchildren."

Bob Senator Dole, Congressional Record, October 8, 1990

"I defy anyone to put together a \$500 billion package to pass -- I can put one together -- but one together that will pass..."

Bob Senator Dole, Congressional Record, October 17, 1990

"Some...want to reduce the deficit but do not want to touch Social Security, do not raise taxes, do not touch Medicare, do not touch agriculture, but \$500 billion is not enough the same speaker will say. I have heard all those speeches and they are great. But they do not reduce the deficit.

I have said for the past several years the biggest problem we have in America is the deficit. Boy, we hear great speeches on the Senate floor. I do not question anyone's motives but sooner or later we have to make tough choices... It is not easy to save \$500 billion in a balanced package."

Bob Senator Dole, Congressional Record, October 17, 1990

FOUR ADDITIONAL NOTES:

1. DOLE'S DECLINING ATTACK: Senator Dole had been saying 6:1. Then he went to 4:1. Last week he went to 3:1. So in a few days the facts should overwhelm him and he too will say 1:1.

2. WE DO NOT RELY ON SOCIAL SECURITY AS A CUT: We have a proposal to make 85% of Social Security benefits over income of \$32,000 should be subject to taxation for the top 20% of beneficiaries -- while now only 50% was subjected to taxation.

-- Reagan stated this was a cut, and so have others. But even if we count it as a tax increase, the President's package is still \$1 to \$1. To be conservative, we have not counted it as a spending cut and we still have an even split. The same for the House and Senate bill.

3. SENATOR DOLE AND TAXES: In 1990 Senator Dole strongly defended including a gas tax increase in the package. Senator Dole in fact offered an amendment on October 17, 1990 for a 9.5 cent gas tax -- larger than the 5 cent tax eventually enacted.

In 1983, Senator Dole single-handedly promoted a deficit reduction plan that:

- raised corporate taxes
- raise a surtax on the wealthy
- **LEVIED A BROAD-BASED ENERGY TAX ON MOST DOMESTIC CRUDE OIL, NATURAL GAS, COAL, AND ELECTRICITY.**

4. NOTE on DISTORTED CBO Quote: Some Republicans have been using an incorrect and outdated CBO quote to support their notion that there is 3:1 ratio in taxes to spending cuts. This analysis is incorrect for the following reasons:

- 1) It was an early analysis that assumed that the Administration was not going to extend the budget caps at the same level, which the Administration did in the budget resolution. This made clear that their were far more spending cuts than that quote signified.
- 2) The same page of the same documents stresses that there are \$50 billion more in spending cuts in the Administration proposal that do not show up because of using different baselines.
- 3) CBO priced some of our cuts less than we did, but we responded by working with the House to find more cuts.
- 4) Even that same document stated that "by 1998 the proposed increases in taxes and reductions in spending are more evenly balanced."
- 5) The key thing is that both the House and Senate bill clearly have 1:1 ratios and these are the bills that will be worked on and voted on.

COMPARISON OF CLINTON PLAN TO REPUBLICAN SENATE ALTERNATIVE

THE DOLE-DOMENICI PLAN PUTS ALL DEFICIT REDUCTION ON THE BACK OF THE MIDDLE CLASS, LETTING THE WELL-OFF OFF THE HOOK:

The Dole Plan attempts to trade a fair and strong Clinton proposal to reduce the deficit by \$500 billion for a weaker deficit reduction package that puts the entire burden of deficit reduction on the middle class and the working poor, while protecting the privileged from bearing any burden at all.

The Dole-Domenici plan brings back the twin evils of the 1980s: a weak commitment to making the tough choices to bring down the deficit and an undying commitment to make all of the burden fall on the middle class while letting the privileged off the hook.

Eighty percent of the taxes the Dole-Domenici plan cuts from the Clinton plan go to Americans making over \$200,000. The Dole-Domenici plan accepts higher deficits and less fairness in order to lower the tax burden on the top 1%.

THE DOLE-DOMENICI ALTERNATIVE PROTECTS THE MOST WELL-OFF AMERICANS FROM PAYING THEIR FAIR SHARE. COMPARED TO THE CLINTON PLAN, THE DOLE-DOMENICI PLAN:

- Saves the top 1% from paying a penny in extra taxes on income over \$180K
- Eliminates the surtax on income over \$250,000
- Eliminates a 1% tax increase on the top 1% of the largest corporations
- Eliminates the proposal to stop deducting country club fees
- Saves the subsidy for three-martini lunches
- Eliminates the provision to reduce wasteful taxpayer subsidy of CEO pay over \$1 million

TO JUSTIFY THIS PROTECTION FOR THE RICH, THE DOLE-DOMENICI ALTERNATIVE:

- Has over \$100 billion less deficit reduction
- Makes excessive Medicare cuts that threaten the benefits of 34 million Medicare beneficiaries
- Cuts the Earned Income Tax Credit for over 12 million working families
- Cuts health care for poor children
- Cuts education funding by an average of 10%
- Cuts worker training and all new funds for apprenticeships
- Cuts college aid/National Service
- Cuts increased expensing for small businesses
- Cuts the R&E tax credit for all businesses
- Cuts proposed criminal justice, FBI agents, and INS agents
- Cuts most benefits for veterans
- Cuts funds for foster care and adoption assistance
- Cuts research for AIDS
- Cuts billions for the Head Start and Women, Infants and Children program

NO GUTS, NO CUTS, NO SPECIFICS, AND STILL LESS DEFICIT REDUCTION:

The Dole-Domenici plan is nothing more than a vague wish list. The only specific cuts in their program are the specific cuts that the President and the Democratic Congress have already proposed. They get \$50 billion more in cuts on Medicare and Medicaid over a two year period -- \$35 billion in one year alone -- yet they don't tell anyone how. They say they want \$100 billion less in discretionary spending, but they won't say that this means less police officers, less INS agents, less education funds, less AIDS research, and less worker training -- all to keep taxes low on the wealthy.

THE DOLE-DOMENICI PLAN GOES EYEBALL TO EYEBALL WITH THE DEFICIT AND BLINKS:

The Dole-Domenici plan -- even with its overwhelming reliance on vague entitlement and spending caps -- still has over \$100 billion less in deficit reduction than the President's plan by its own terms. The President set a benchmark of \$500 billion in deficit reduction, and the Republicans could not come through because they are so committed to their desire to keep taxes low on the top 1%.

SENATE REPUBLICANS CONTRADICT THEIR OWN ACTIONS:

Republicans have recently argued on the national television networks that the Clinton deficit plan is not as large as it is said to be because it counted future discretionary cuts, interest savings, and user fees. Republicans actually mocked counting user fees as spending cuts. Yet in their own plan, Dole and Domenici count discretionary spending cuts, user fees, and interest savings as spending cuts. In fact, President Clinton was only counting deficit reduction the exact same way that Republicans counted in 1985, 1990 and even in 1993!

THE REPUBLICAN CLAIM TO GET BELOW \$200 BILLION IN 1998 IS BASED ON GIMMICKS:

While the Republicans admit that their plan has \$100 billion less deficit reduction, they still claim to get to the same degree of deficit reduction in 1998. They do this by near magic. With no specifics, no cuts, no anything, they simply state that they will find an additional \$66 billion in cuts in 1998 alone. Why not say \$100 or \$120? If you don't have to give any details, why not?

THERE IS NO REPUBLICAN LEADERSHIP -- ONLY REPUBLICAN ATTEMPTS AT GRIDLOCK AND TO PROTECT THE STATUS QUO:

- o The Republicans and Dole offered an alternative plan that the Washington Post described as a "fake." "They proposed an alternative to the president's budget, which they said should reduce the deficit without increasing taxes. It turned out to be a plan ... without identifiable Republican spending cuts. More than half [of their] cuts, and the only specific ones, were lifted directly from the Clinton budget." [Washington Post, 6/25/93]

- o Newsweek put it more simply: "Bob Dole ... at eleventh hour, cynically offers GOP's totally unspecific plan. Bag it, Bob." [Newsweek, 7/5/93]
- o The Washington Post further stated that "The rest of the Republican spending cuts weren't proposals at all but abstractions. They'd be done through 'caps.' You understand the virtue of caps: They enable these Republicans whose party quadrupled two centuries of national debt in just 12 years to vote piously against spending in general without having to lay a finger on a particular program or offend a single constituent."
- o "Even so, the Republicans managed to achieve ... only about three-fourths of the deficit reduction the Democrats would. And what was the point of all this? [T]o save ... the richest people in the country from the higher top income tax rates the Democrats would rightly impose to achieve the necessary deficit reduction fairly." [Washington Post, 6/25/93]

ALL COPY
PRESERVATION