ECONOMIC TALKING POINTS

June 29, 1994

GENERAL ECONOMIC TALKING POINTS

1. DRIFT IN THE FACE OF ECONOMIC CHANGE WEAKENED OUR ECONOMIC PROSPECTS:

- For over a decade, the past two Administrations chose drift and avoidance in an era of economic change and challenge. To ensure that America's middle class was strengthened during this period, the American people needed leadership that confronted its challenges, a solid foundation for private sector growth, and investment in giving its people the tools they needed to prosper in a new world economy.

- During the 1980s, our Administrations borrowed too much from our people and invested too little in our future. While taxes for the most well-off Americans were lowered, the deficit skyrocketed and at the same time we invested too little in the things that increase the productivity of our nation and the well-being of our people. As a result, too many middle class families found themselves running harder just to stay in place, and there was too little opportunity for others to work their way into a growing middle class.

2. ECONOMIC RENEWAL REQUIRES US TO PUT OUR HOUSE IN ORDER AND GIVE OUR PEOPLE THE TOOLS TO EMBRACE CHANGE AND MAINTAIN GOOD JOBS AND STRONG FAMILIES:

A: PUTTING OUR HOUSE IN ORDER: After skyrocketing deficits for 12 years, this President and the Democrats in Congress had the courage to make the tough choices necessary to bring the deficit down, start fixing the things broken in government, while investing more in our people. Together we took the following steps:

- **Historic Spending Cuts and Deficit Reduction**: As part of the largest deficit reduction package in history, the President and Democrats in Congress cut $255 billion in spending -- one of the largest spending cut packages in history.

- **Cut 272,000 Positions:** Cut 272,000 positions from the federal bureaucracy over the next five years so that the size of the federal bureaucracy will go to its lowest level since the Kennedy Administration.

- **Improved Tax Fairness Achieved:** While the deficit reduction plan relied on $255 billion in spending cuts, when taxes were raised, we asked only those in the top 1% to face higher income tax rates -- with every penny going to deficit reduction. At the same time we made over 90% of small businesses eligible for tax cuts and rewarded work by giving 15 million working families a tax cut.

B. POSITIVE RESULTS: Opponents of the 5-year economic plan passed by the President and Democrats in Congress predicted doom and gloom if Congress acted responsibly and passed the President's economic plan. The facts speak for themselves:

- **The Deficit Reduction Plan is Working**: As a result of the passage of the economic plan, the deficit is coming down for three consecutive years for the first time since Harry Truman was in the White House. Because of the passage of the economic plan, our deficit will now be the lowest as a percentage of national income of any of the major industrial countries in the world.

- **Stronger Economy:** After one of the slowest four year periods of job growth since the Great Depression, the economy, under the Clinton Administration, is now enjoying a solid growth with strong private sector jobs creation and low inflation.

- **Jobs:** In the first 16 months of this new Administration, the economy has created over 3 million private sector jobs -- nearly two and a half times more than were created in the economy during the entire Bush Administration.

- **Sound Economic Elements:** Core inflation is the lowest in 21 years; consumer confidence is at a four year high, business investment in equipment is the highest its been since WWII as a percentage of GDP, and more businesses were incorporated in 1993 since they started keeping records in 1946.

C: EQUIP OUR PEOPLE TO EMBRACE CHANGE, MAINTAIN STRONG JOBS AND STRONG FAMILIES: More needs to be done. While over half the new jobs being created are good, high wage jobs, too many are still temporary, low-paying jobs and too many families feel they are struggling to make ends meet. The only answer is to invest in our people throughout their lives to give them the tools they need to prosper.

- **Education**: That is why we passed a GOALS 2000 legislation to spur education reform, a new school-to-work legislation to provide more avenues for young people who don't get four year college degrees, and a new college loan legislation that will make loans cheaper for millions of young people, while giving students more choice including the option to borrow to invest in your education and then pay pack as a small percentage of your income.

- **Change and Jobs:** We must be committed to creating more jobs in this changing economy and ensuring that our people are equipped to prosper. We must pass the new world trade agreement that will create hundreds of thousands of jobs, while also passing a new re-employment and job training program that will help people get the training and the skills they need to gain employment, change jobs, and get ahead in the new economy.

• **Rewarding Work:** Re-employment is only one significant piece of the President and the Democratic Congress' plan to pass a strong pro-work agenda that rewards and honors work. The President has introduced a bold health care reform plan that will guarantee that people have health insurance they can depend on -- that they can never lose, whether they get sick or change jobs. And that is why he insists on welfare reform that ends welfare as we know it, and rewards work instead of idleness.

ONE PAGE SUMMARY ON ECONOMY/BUDGET

SPENDING CUTS:

- The economic plan included $255 billion in spending cuts, one of the largest spending cut packages in history.

- The economic plan reduces the federal workforce and bureaucracy by 272,000 -- bringing it down to its lowest level since the Kennedy Administration.

DEFICIT REDUCTION:

- The deficit is projected to decline for three years in a row for the first time since Harry Truman was in office.

- The deficit is projected to be cut nearly in half from where it was projected to be by the end of the economic plan.

TAXES:

- H&R Block and CBO confirm that the income tax rate increases will fall on only the top 1.2%, (families with $180,000 adjusted gross income and over) while 98.8% of American taxpayers paid the same or less taxes.

- Over 15 million families who work and make less than $27,000 received a tax cut to reward work. The plan made over 90% of small businesses eligible for tax cuts.

INVESTMENTS IN PEOPLE:

- Even with deficit reduction, significant investments were made in the American people. In 1993, funds for training displaced workers were doubled. Head Start was increased by over $500 million. WIC was put on a full-funding path. GOALS 2000 school reform legislation and a new school-to-work legislation passed. A new college Loan legislation was passed that will make loans cheaper, while giving students more choice including the option to borrow to invest in their education and then pay pack as a small percentage of their income.
The Earned Income Tax Credit is up $21 billion, benefiting 15 million working families. To give people real security for change, however, we must pass health care and re-employment.

JOBS AND EMPLOYMENT:

- In the first third of the Clinton Administration's first term, over 3 million privates sector jobs created -- nearly two and half times more than were created in the entire Bush Administration. When President Clinton came into office, the unemployment rate was 7.7%. Now it has gone down to 6.0%.

STRONG ECONOMIC ELEMENTS:

- Core inflation over the last 12 months is 2.8%, the lowest in 21 years. Consumer confidence is at its highest in four years, business investment in equipment is at its highest level since WWII, and businesses were incorporated in 1993 at a record level.

NEW DEVELOPMENTS

Below are recent or relevant facts or studies that have not appeared in the previous talking points and may be of some interest.

1. GROWTH THROUGH THE EXPANDING THE PRIVATE SECTOR NOT EXPANDING THE PUBLIC SECTOR:

- **Private Sector Growth and Decreases in Government Purchases**: Growth is being generated by the private sector, while there is a decrease in government purchases. While the recent revision of the first quarter GDP numbers for 1994 showed growth increasing by 3.4%, it also showed government spending down by 3.5%. Commenting on this trend a month earlier, the New York Times stated:

  > "For the first time since the late 1940s, the economy is growing strongly despite a sustained drop in purchasing by Federal, state and local governments. The private sector is the only engine of growth in this recovery, unlike every other recovery in the last four decades, in which government spending accounted for at least part of the expansion."(New York Times, May 17, 1994 p.D1)

- **Private Sector Job Growth**: This same trend holds true for the job growth as well. While 46% of jobs during the Bush Administration were created in the private sector, over 93% of the jobs created in the economy during the Clinton Administration have been in the private sector.

- **Cutting Federal Government Positions**: Those who voted for the 1993 economic plan, voted for cutting over 272,000 federal positions, which will bring the federal workforce to the lowest level since the Kennedy Administration.

2. SUMMARY OF BUSINESS WEEK/HARRIS EXECUTIVE POLL, 7/4/94:

The most recent Business Week/Harris Executive Poll demonstrates broad-based, growing optimism about the future of the economy among business executives around the country.

- 90% of the executives surveyed were optimistic about the outlook of the U.S. economy in the next year, up from 83% in December 1993.

- 44% of the business leaders believe that the rate of growth of the gross domestic product will increase more in the next 12 months than it did in the last 12 months. In comparison, six months ago only 25% of the executives expected higher growth in the next 12 months.

• Only half of the executives polled expect long-term interest rates to increase over the next 12 months, compared with two-thirds of the respondents six months ago.

• 87% of the executives believe that unemployment will either stay the same or fall over the next year. Nearly half the executives plan to increase the number of full-time employees in their company over the next year.

• Dramatically, over 90% of the business leaders expect sales in the next year to be higher than sales in the past year and 69% plan to increase investment in plants and equipment.

• 94% reported making a profit in 1993 and over 80% of those say they expect increased profits in 1994.

3. QUALITY JOBS:

• In 1992 about 50% of all the new jobs created were with temporary help agencies. In contrast, during President Clinton's first year temp jobs accounted for only 13.1% of all the new jobs created. (Business Week, June 20, 1994 p.32))

4. JOB PROSPECTS:

• According to Manpower Inc.'s third-quarter survey of 15,000 companies, 29% of U.S. businesses plan to hire workers this summer, the most bullish forecast since 1989.

• In a recent Business Week poll, nearly half of the senior business executives surveyed reported that they plan to increase the number of full-time employees in the next 12 months, while only 27% foresee a decrease in the number of full-time workers they employ.

5. STATE TAX REVENUES UP THROUGH GROWTH -- NOT NEW TAXES: A new study by the Center of the Study of the States found strong revenue growth for states in 1993 and 1994 due almost entirely to economic growth and not new taxes. This additional revenue takes pressure off local governments to raise taxes. In 1992, by contrast, almost all of the increase in revenues came from legislated tax increases.

	Total	Due to Tax Legislation
1992	7.8	6.8
1993	5.8	0.1
1994	6.7	0.4

Source: Center for the Study of the States

QUICK SUMMARY OF ECONOMIC ACCOMPLISHMENTS

When President Clinton came into office, the deficit had been going up for 12 years, trade agreements were stalled, job growth was at historic lows, consumer confidence was shaky. Since President Clinton came into office, the deficit is down, inflation is down, trade barriers are down, while private sector jobs are up 3 million, growth is strong and steady, consumer confidence is at 4 year highs, and new businesses are being incorporated at record highs.

DEFICIT REDUCTION:

- The deficit is projected to decline for three years in a row for the first time since Harry Truman was in office.

- The deficit is projected to be cut nearly in half from where it was projected to be by the end of the economic plan.

- As a percentage of national income, the United States's deficit is now projected to be the lowest of any major industrial economy.

- By 1998, the deficit will be $200 billion lower than where it would have been without Clinton deficit reduction plan.

- Because the economic plan relied on conservative numbers instead of rosy scenarios, the Congressional Budget Office has projected the deficit to be even lower than projected by Clinton Administration.

SPENDING CUTS:

- Economic plan included $255 billion in spending cuts, one of the largest spending cut packages in history.

- The economic plan reduces the federal workforce and bureaucracy by 272,000 positions -- bringing it down to its lowest level since the Kennedy Administration.

- Cut 300 different programs, two years in a row, including every major entitlement program.

- Called for eliminating over 100 domestic programs.

TAXES:

- H&R Block and CBO confirm that the income tax rate increases will fall on only the top 1.2% (families making over $180,000 in adjusted gross income), while 98.8% of American taxpayers paid the same or less taxes.

- Over 80% of the new taxes were on families making over $200,000

- Over 15 million families who work and make less than $27,000 received a tax cut to reward work.

- The plan made over 90% of small businesses eligible for tax cuts.

ECONOMIC GROWTH:

Jobs:

- In the first third of the Clinton Administration's first term, over 3 million private sector jobs were created -- nearly two and half times more than were created in the entire Bush Administration.

- When the Clinton Administration came into office, the economy has created seven more private sector jobs per month than under the Bush Administration.

- One third into President Clinton's term, the economy has created over 3 million jobs, well ahead of the 8 million jobs he promised

- In 1993, over two million jobs were created -- over 60% of them were good, managerial, professional or technical jobs paying 46% (or $675 per week) above the average job.

Unemployment Rate:

When President Clinton came into office, the unemployment rate was 7.7%. Now it has gone down to 6.0%.

Inflation:

- Core inflation over the last 12 months is 2.8%, the lowest in 21 years. The overall CPI over the last 12 months is 2.3%, the second lowest rate since 1965.

Business Incorporations:

- In 1993, there were more new business corporations than any time since Dunn & Bradstreet started keeping records, nearly 50 years ago at the end of World War II.

Strongest in 20 Years:

• Federal Chairman Alan Greenspan said that the economy was in the strongest shape in two decades, and that the deficit reduction passed in 1993 had contributed to this stronger economy.

Consumer Confidence:

• Consumer confidence went up to 92.0, the largest increase in four years. It is up approximately 50% since the Congress passed the Clinton economic plan.

Investment:

• Business investment in productive equipment is the highest percentage of our national income as since World War II.

• After going down -3.5%, in 1991, and up 6.9% in 1992, business investment in productive equipment was up 16.3% in 1993 and up 16.8% in the first quarter of 1994.

INVESTMENT IN PEOPLE:

• Despite severe deficit reduction constraints, important new economic legislation was passed and significant increases were made in key investments in people.

• In 1993, funds for training displaced workers is doubled, going to over $1 billion for the first time.

• Head Start was increased by over $500 million;

• WIC was put on a full-funding path, and increased funding by $350 million.

• Earned Income Tax Credit is up $21 billion for 15 million families.

• GOALS 2000 legislation passed to spur education reform, while a new school-to-work legislation passed to provide more avenues for young people who don't get four year college degrees.

• New college Loan legislation was passed that will make loans cheaper, while giving students more choice including the option to borrow to invest in your education and then pay pack as a small percentage of ones income.

THE FACTS ON TAXES

The President's economic plan shifted federal priorities while bringing the deficit down in a fair and balanced manner. The plan included over $250 billion in spending cuts and nearly as much deficit reduction from revenue increases. The plan called for tough choices, including a 4.3 cents per gallon gas tax, requiring the top 12.5% of Social Security recipients to include more of their benefits as taxable income, and a 1% rate increase on less than 1% of major corporations.

Yet, the Administration stated that the tax rates were only raised on the top 1.2% of working households -- while 98.8% saw no tax rate increase, and indeed 15 million households were eligible for an expanded Earned Income Tax credit. While much misinformation was put forth last year, it is important to assess the facts. Attached are some key facts, with some of the source materials attached.

THE PRESIDENT'S PLAN REDUCED THE DEFICIT IN THE MOST FAIR WAY POSSIBLE: BY RAISING RATES ON ONLY THE TOP 1.2% -- HOUSEHOLDS MAKING OVER $180,000.

- As the Washington Post reported, the Congressional Budget Office has found "only a sliver of tax filers -- 1.2% will a face higher income tax bill on April 15 because of the Clinton Administration's economic program, according to the Congressional Budget Office." The "income tax applies only to taxable income in excess of...gross income of roughly $185,000." ("GOP Tax Issue May Fade Away: Only 1.2% of Filers will face Increase, CBO study Finds," Washington Post 1/13/94 p.A8)

- As Newsweek Columnist Jane Bryant Quinn writes: "What with all that hooting and hollering over President Clinton's income tax law, you might believe that your tax has probably gone up. Relax. The tax increase on 1993 returns hit only 1.2 percent of taxpayers, all of them in the highest brackets. They're influential, so when they holler they get heard. But they can afford the higher rate and their payments will help to slow the rise in the mammoth federal deficit. For everyone else, so little is new that preparing your own taxes should be a breeze." (March 15, 1994)

GAS PRICES ARE LOWER TODAY THAN WHEN THE BUDGET WAS BEING CONSIDERED: The American Automobile Association reported that even after the 4.3 cents a gallon tax increase, gas prices will be down on Memorial Day by 2.7 cents from the year before.

MIDDLE CLASS WORKING FAMILIES ARE HELD HARMLESS: NO INCOME TAX RATE INCREASES: 98.8% OF ALL AMERICANS WILL NOT SEE THEIR TAX RATES INCREASE.

- H&R Block have confirmed that:

  * income tax rates are raised only on the "top 1.2% of all taxpayers"

  * there is *"no income tax increase for <u>middle-income taxpayers</u>...income tax rates are unchanged on middle incomes -- 82.2% of all tax payers"*

  * there is a *tax cut for the other "16.6% of all taxpayers* [who] benefit from Earned Income Tax Credit Expansion"

  "H&R Block Analysis of the Income Tax Consequences of the Revenue Reconciliation Bill of 1993" pp. 21-24.

- Deloitte & Touche's analysis showed the change for working families in 1993 based on changes in tax rates. The analysis found the following changes:

Income AGI	Taxable Income	Change
$50,000	$30,100	$0
$100,000	$73,600	$0
$150,000	$116,346	$0
$200,000	$166,166	$1,308
$500,000	$441,746	$21,990
$1,000,000	$886,746	$60,260

"Deloitte & Touche Income Tax Rate Analysis, Present and Proposed Law Tax Rate Scenarios, Typical Taxpayers -- New Top 1993 Rates."

15 MILLION FAMILIES -- OVER 15% OF ALL TAXPAYERS WHO WORK -- WILL RECEIVE A TAX CREDIT TO REWARD WORK:

- The President's plan expanded the Earned Income Tax Credit so that 15 million more families and households will get a tax cut to ensure the President's commitment that if you work full-time and have a child at home, you should not have to raise that child in poverty. According to H&R Block, 16% of all taxpayers will get a tax cut due to the Earned Income Tax Credit.

- This expansion helps working families with low-incomes get ahead, and is a first building block in the President's plan to reward work over welfare.

OVER 90% OF SMALL BUSINESSES ARE ELIGIBLE FOR TAX CUTS:

Only about 4% of owners of small businesses make over $180,000 in adjusted gross income and therefore are affected by the increase in the highest tax rates, while over 90% of small businesses will be eligible for tax reductions through increases in expensing and a new capital gains tax cut targeted to small business. As the Wall Street Journal writes: "only 4% of those taxpayers who report some business income on their tax returns -- and that includes partners in law firms and investment bankers as well as owners of small manufacturing companies -- make sufficient money to be hit by the higher tax rates." "Foes of Clinton's Tax Boost Proposals Mislead Public and Firms on the Small Business Aspects," Wall Street Journal, July 20, 1993

- Small businesses are now allowed to expense 75% more due to the President's economic plan -- going from $10,000 to $17,500.

- There is a new capital gains tax cut targeted to expansion and creation of small businesses. Investors who invest for more than 5 years in small businesses can get a 50% cut in their capital gains rate.

- The plan also continued the 25% deduction for health premiums for the self-employed. The President is now proposing a 100% deduction in his health care plan.

TAXES ON THE TOP 1.2% HAVE NOT HAD A NEGATIVE EFFECT ON THE ECONOMY: While all agree that the deficit reduction package has helped strengthen our long-term economic prospects, some had warned that the modest increase on taxes on those in the top 1% of individual and corporate filers could have a negative impact on the economy. Most analysts now reject this view.

- **According to the Wall Street Journal**: "Just how much will the Clinton tax increase on the most well-off Americans hurt the economic recovery? Although the tax rise will take some zest out of consumer spending, mainstream economists say it poses no serious threat to the economy." ("Higher Taxes Unlikely to Hurt Recovery: Economists See Minor Impact on Consumer Spending," Wall Street Journal, December 22, 1993)

- **According to Business Week**: Back in August, when President Clinton's five year, $240 billion tax increase passed, the Senate critics predicted the worst...Well, a funny thing happened on the way to Armageddon. The economy which was growing at an anemic 1.3% annual rate before the tax hike became law, expanded at more than twice that rate during the second half of 1993. What's more, economists figure growth reached 4% or more in the fourth quarter. And in the six months since Clinton signed the measure nearly a million new jobs have been created, while personal consumption has come close to 4%....it suggests that fears about the increase of a modest tax increase were overblown." ("The Tax Hike Won't Derail the Recovery," by Howard Gleckman, Business Week, January 31, 1994)

KEY ECONOMIC STATISTICS
June 29, 1994

1. UNEMPLOYMENT:

• *UNEMPLOYMENT RATE IS DOWN:* The unemployment rate declined from 6.4% in April to 6.0% in May. *It has now declined from 7.7% in January 1993 to 6.0% for May, 1994.*

2. JOB CREATION:

• *THE ECONOMY HAS CREATED ALMOST TWO AND HALF TIMES MORE PRIVATE SECTOR JOBS IN 16 MONTHS THAN WERE CREATED UNDER ALL FOUR YEARS OF THE PREVIOUS ADMINISTRATION*: Under the four year period of the previous Administration only 1.311 million private sector jobs were created (1/89–1/93). In the first 15 months of the Clinton Administration, 3.115 million private sector jobs were created.

- *While 93% of the jobs created during the Clinton Administration's tenure have been in the private sector, only 54% of the jobs created during the previous four years were in the private sector.*

- *MORE THAN SEVEN TIMES MORE PRIVATE SECTOR JOBS PER MONTH:* The economy has created 195,000 private sector jobs per month in the first 15 months of the Clinton Administration -- more than seven times the 27,000 private sector jobs per month created in the previous four years.

• *MORE JOBS OVERALL IN 16 MONTHS (3.357 MILLION) THAN IN THE PREVIOUS FOUR YEARS COMBINED (2.444 MILLION):*

• *MORE THAN A MILLION JOBS IN THE FIRST FIVE MONTHS OF 1994: AHEAD OF SCHEDULE FOR 8 MILLION JOBS IN FOUR YEARS:* The economy has now created more than 1,237,000 million total jobs in the first five months of the year, 96% (1,186,000) in the private sector. More than two million jobs were created in 1993. The current pace --247,000 jobs a month -- puts the economy well ahead of schedule to create "2 million more in '94" and ahead of schedule to create 8 million jobs by the end of 1996.

• *MANUFACTURING JOBS ROSE SIX TIMES IN THE PAST EIGHT MONTHS*: After serious declines for several years, manufacturing jobs were up in six of the past eight months. They are now up 56,000 over the last eight months.

• *CONSTRUCTION EMPLOYMENT HAS INCREASED FOR ELEVEN STRAIGHT MONTHS:* Construction employment has increased for eleven straight months. After declining by 664,000 jobs during the Bush Administration, construction jobs are up 386,000 jobs since January 1993.

• *AUTO JOBS ARE UP*: Auto employment has increased 46,000 over the last 12 months from 820,000 to 866,000.

3: HIGH QUALITY JOBS ARE BEING CREATED

• In 1993, over half of the new jobs created were professional, managerial or technical jobs paying 46% above the average wage.

• In 1992 about 50% of all the new jobs created were with temporary help agencies. In contrast, during President Clinton's first year temp jobs accounted for only 13.1% of all the new jobs created.

4. BUSINESS PEOPLE ARE OPTIMISTIC ABOUT FUTURE JOB CREATION:

• In a recent Business Week poll, nearly half of the senior business executives surveyed reported that they plan to increase the number of full-time employees in the next 12 months, while only 27% foresee a decrease in the number of full-time workers they employ. 86% believe that unemployment will either stay the same or decline.

• In addition, the Manpower Inc.'s third-quarter survey of 15,000 companies shows that 29% of U.S. businesses plan to hire workers this summer, the most bullish forecast since 1989.

5. MORE BUSINESSES BEING CREATED & FEWER ARE FAILING: Dunn and Bradstreet stated that "In 1993, the United States posted the greatest number of yearly business incorporations since Dunn & Bradstreet began reporting this data in 1946." In addition, business failures also declined by 11.4% in 1993.

6. INFLATION REMAINS LOW:

- While we are vigilant in watching for inflation, the signs so far remain positive.

- Core CPI (excluding food and energy prices), over the past 12 months rose 2.8% - the lowest annual increase in over 21 years. The overall CPI has been 2.3% over the last 12 months, the second lowest since the 1966.

- Top private forecasters still see moderate/low inflation, and have even decreased their inflation forecasts. The June Blue Chip Forecast projects inflation to be down from 3.0 percent in 1993 to 2.7 percent in 1994 and at 3.3 percent in 1995.

- The American Automobile Association reported that even after the 4.3 cents a gallon tax increase, gas prices will be down on Memorial Day by 2.7 cents from the year before.

- The Producer Price Index was negative (-0.4%) over the last 12 months and the core PPI was just 0.4% -- close to the smallest increase since the government started measuring this series in 1974, when price controls were in place.

- Average prices of finished goods leaving America's factory gates are lower, in absolute terms, than a year ago.

5. BUSINESS CONFIDENCE IN THE ECONOMY:

- Fortune Magazine, finds CEOs of both large and small companies are more optimistic about the future than they have been in nearly a decade. More than 80% of small business and major CEOs report that their own sales are up, and 40% say they plan to hire new employees.

- The most recent Business Week/Harris Executive Poll published in the July 4, 1994 demonstrates broad-based, growing optimism about the future of the economy among business executives around the country. The poll showed that:

- 90% of the executives surveyed were optimistic about the outlook of the U.S. economy in the next year, up from 83% in December 1993.

- 44% of the business leaders believe that the rate of growth of the gross domestic product will increase more in the next 12 months than it did in the last 12 months. In comparison, six months ago only 25% of the executives expected higher growth in future 12 months.

• Nearly half the executives plan to increase the number of full-time employees in their company over the next year. In addition, 87% of the executives believe that unemployment will either stay the same or fall over the next year.

• Dramatically, over 90% of the business leaders expect sales in the next year to be higher than sales in the past year and 69% plan to increase investment in plants and equipment.

• 94% reported making a profit in 1993 and over 80% of those say they expect increased profits in 1994.

6. CONSUMER CONFIDENCE:

• Consumer confidence is up to 92.0 on the Conference Board Index for June, the highest in four years. Indeed, consumer confidence is up over 50% since the passage of the economic growth plan in August, 1993.

• People are starting to become more upbeat about job prospects. According to the consumer confidence survey from the University of Michigan, the number of people believing that jobs were hard to get has declined from 41.6% to 29.1%.

• A USA/CNN/Gallup Poll released May 25, 1994 found that more people now believe they are better off economically than at any time since September 1990.

7. BUSINESS INVESTMENT:

• Investment spending for equipment in 1994 is now at the highest level relative to GDP in the postwar period.

• In the first quarter of 1994, investment in equipment was also up a strong 16.1% at an annual rate. Business investment in equipment from the end of 1992 to the end of 1993 was the highest in 20 years.

• Since the beginning of 1993, real business spending on equipment is up 17.8%. Total capital spending reached $592 billion in 1993 (in inflation-adjusted dollars), a near record 12% of the gross domestic product.

• Capital spending will remain strong in the future. The most recent Business Week/Harris poll of business leaders reports that nearly 70% of the executives plan to increase the amount of investment in plant and equipment over the next year.

- Factory capacity growth so far in 1994 is the fastest since 1985. According to economists at Dean Witter Reynolds Inc., U.S. companies have announced plans for more than 60 new plants and 70 plant expansions already this year.

- A Commerce Department report on June 9, 1994 revealed that US businesses plan to lift real investment on new plant and equipment by 8.9% in 1994.

- Federal Reserve Data reveals that "businesses are increasing their borrowing from banks to help finance expansion plans, adding fuel to the economy" and that business loans at the nation's banks rose $20 billion between September and March 23, according to the Federal Reserve. ("Firms Increase Bank Financing for Expansion," Wall Street Journal, April 8, 1994)

8. BLUE CHIP FORECAST:

- The Blue Chip Forecast for June showed solid growth with low inflation for the next two years.

- The Blue Chip forecast for June predicts growth of 3.7% in 1994 and 2.8% in 1995.

- The Blue Chip inflation forecast is lower. While inflation was 3.0 in 1993, it is projected to be down to 2.7% in 1994, and up to only 3.3% in 1995.

9. INTEREST RATES:

- Deficit reduction plan helped lower interest rates and which fueled the interest-sensitive parts of the economy and helped jump-start and solidify economic recovery.

- Over 5 million families were able to refinance their homes at average savings of over $1000 a year, and most are still reaping those savings even as interest rates have moved up, because they refinanced at fixed rates.

- Longterm interest rates today are still far below the 9.9% average of the Bush-Reagan Administrations, while mortgage rates are well below the 11.06% average of the Reagan-Bush era.

10. HOUSING STARTS:

- Housing starts are up 29.0% since January, 1993 after declining -38.5% during the Bush Administration. Housing permits are up 22% over the last year.

11. AUTO SALES:

● **Auto sales up almost 17% in the first quarter:** Sales of new cars and light trucks are "booming" -- up almost 17% for the first quarter of 1994 over the first quarter of 1993, and sales hit a seasonal adjusted rate of 15.9 million units in March. Sales have dropped back in April and May, but are still above year-earlier levels. Earlier in 1994, Chrysler reported its highest monthly vehicle sales in its 69-year history and Ford and General Motors had their highest light truck sales ever.

● Auto jobs have increased by 46,000 over the last 12 months.

12. PRODUCTIVITY:

● Productivity growth in the Clinton recovery has been strong a strong 2.6%, far higher than the 1.6% annual average under the Bush-Reagan Administrations.

COMMENTARY ON ECONOMIC PLAN

Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, 1/31/94:

"The actions taken last year to reduce the federal budget deficit have been instrumental in creating the basis for declining inflation expectations and easing pressures on long-term interest rates. Although we may not all agree on the specifics of the deficit reduction measures, the financial markets are apparently inferring that, *on balance, the federal government will be competing less vigorously for private saving in the years ahead. Partly because of these structural adjustments, the foundations of the economic expansion are looking increasingly well-entrenched.*"

"The outlook, as a result of subdued inflation and still low long-term interest rates, is the best we've seen in decades." 2/22/94

"The outlook for the U.S. economy is as bright as it has been in decades. Economic activity has strengthened, unemployment is down, and price trends are subdued. In addition, unlike some earlier periods, business spending on new plant and equipment has been an important contributor to growth. This strength in investment will enhance economic efficiency and lay the foundation for the production gains that will bolster the economic welfare of our nation." (Testimony to the House Budget Committee, 6/22/94)

Robert D. Reischauer, Director, Congressional Budget Office, 1/27/94:

"The deficit picture is significantly brighter than it appeared one year ago when the Congressional Budget Office projected that the deficit would soar above $350 billion by fiscal year 1998. CBO now projects that the federal budget deficit will fall from $223 billion in the current fiscal year to below $170 billion in 1996, then creep up to $200 billion in 1999. *The dramatic improvement since last January is largely the result of the enactment in August of a major package of tax increases and spending-cuts--the Omnibus Budget Reconciliation Act of 1993.*"

Lehman Brothers, 1/10/94:

"To President Clinton's credit, early last year he rejected an either/or construction for U.S. growth versus deficit reduction. Clinton's blueprint for economic revival had as its centerpiece a multi-year program of deficit reduction, but it promised higher growth in the short run. A move to restrain deficit spending, he wagered, would both lower U.S. long-term interest rates and energize U.S. interest sensitive sectors. Lower deficits, lower long-term rates and higher real growth was the overall promise. With the data now rolling in for December 1993, it seems clear that President Clinton delivered on all three counts over the second half of the year."

Stehphen Roach, Senior Economist at Morgan Stanley (Wall Street Journal, 6/6/94):

"The forces of moderation are now intact. We could grow at 2.5% to 3.0% for two or three years or longer without a major glitch."

Business Week, 2/7/94:

"Both Clinton and the economy head into 1994 on the momentum from a strong showing at the end of 1993. *Lower long-term interest rates, for which the White House can take partial credit*, helped to rev up spending for cars, homes, and durable goods generally, boosting factory orders and production, while better growth in jobs and incomes kept people happy. The good news for the first quarter is that the fundamentals that lifted the economy at the end of last year remain in place, ready to support job growth this quarter."

Business Week, 7/4/94:

"Indeed a new Business Week/Harris poll shows that top managers are far from fearful of the economic future. Fully 90% of the 401 senior executives surveyed were optimistic about the outlook for the U.S. economy in the next year, up from 83% in a similar query last December. Likewise only half of the executives polled expect long-term interest rates to increase over the next 12 months compares with two-thirds of the respondents six months ago."

U.S. News & World Report, 2/14/94:

"The danger is that Washington's ideological clamor will drown out a quiet economic truth: *Last year's budget package changed fiscal policy significantly, and the economy is already responding*. The yield on a 10-year Treasury note averaged just 5.9 percent in 1993, compared with the 6.7 percent forecast by CBO one year ago and consumer spending moderated to 2.7 percent down from 3 percent that CBO had predicted. Clinton's budget for fiscal 1995 will project a deficit of roughly $178 billion - a dramatic improvement over the $230 billion shortfall that economists predicted just one year ago. Clinton will propose freezing or cutting budgets at 10 of 14 cabinet agencies and eliminating perhaps 115 separate federal programs."

David Stockman as Reported by David Broder, 2/8/94:

"The most upbeat analysis of what lies ahead for America, under his (President Clinton's) policies, comes from none other than David Stockman, the architect of the Reagan administration budgets that the Democrats loved to hate. Stockman, now a New York investment banker, showed up in Washington last week with an economic forecast that he acknowledged is brighter and shinier even than those he produced as Reagan's budget director in the early '80s, which Democrats derided as "Rosy Scenario." At a conference here, Stockman drew a picture of: Steady economic growth through the end of the decade, with little or no threat of inflation. A budget deficit sinking to a "comfortable" and infinitesimal fraction of the nation's annual economic output. Health care costs under control, especially if Congress passes a stripped-down version of the Clinton plan."

Allen Sinai of Lehman Brothers as Reported by the Washington Post, 3/2/94

"This is the healthiest the American economy has been in 30 years."

Washington Post, 2/14/94

"Slowly, but successfully, the American economy seems at last to have worked through the past two decades' accumulated policy errors and resulting disasters. For the first time in years, official Washington's midwinter forecasts speak of strong performance ahead. One reason for it is the decline in the federal deficit, an achievement being loudly celebrated by the Clinton administration....But there more, and the optimism goes well beyond the White House. The most cautious of observers, Federal Reserve Board Chairman Alan Greenspan, concedes that the foundations of economic growth "are looking increasingly well-entrenched. Robert Reischauer of the Congressional Budget Office, whom one senator described as "somewhat of a dark messenger in the pasts, sees years of steady growth ahead. Mr. Greenspan points out that core inflation rate is now lower than at any time since the early 1970s .... Next year the CBO calculates, the budget deficit will be smaller in proportion to the size of the economy than in any year since 1979. As a result of those two things, interest rates are low, and business investment is rising powerfully."

The Economy Under President Clinton:

The First Twenty Months

October 7, 1994

THE WHITE HOUSE

WASHINGTON

October 7, 1994

Over the past twenty months, the Clinton Administration has had a serious, comprehensive economic strategy. We have sought to get our fiscal house in order, lay a foundation for a strong recovery, bring down trade barriers and empower America's youth, families and communities to prosper in today's economy.

Presented here are the facts on the performance of the economy during the first twenty months of this Administration, as well our fiscal and legislative accomplishments.

This document has been prepared with the cooperation of economists and policy analysts at the National Economic Council, the Council of Economic Advisers, the Office of Management and Budget, the Department of the Treasury, the Department of Commerce, the Department of Labor, the U.S. Trade Representative's Office and the Small Business Administration. If you have any questions, please contact Gene Sperling, Deputy Assistant to the President for Economic Policy, who has coordinated this project.

Sincerely,

Robert E. Rubin
Assistant to the President for
Economic Policy

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DEFICIT REDUCTION:

• The deficit is down two years in a row for the first time in two decades and is projected to decline for three years in a row for the first time since Harry Truman was in office.

• The deficit will now be $691.7 billion less over five years because of the Clinton deficit plan.

• The economic plan reduces the federal workforce and bureaucracy by 272,000 (bringing it down to the lowest level since the Kennedy Administration) and includes $255 billion in spending cuts, one of the largest spending cut packages in history.

• Because of the deficit reduction plan, the 1994 deficit as a percentage of GDP is now projected to be tied for lowest among the G-7 countries. (Source: IMF)

UNEMPLOYMENT:

• UNEMPLOYMENT RATE IS DOWN: The unemployment rate declined from 7.7% in January 1993 (based on the new, current, methodology) to 5.9% for September, 1994.

JOBS:

• MORE NEW JOBS OVERALL IN 20 MONTHS (4.619 MILLION) THAN IN THE PREVIOUS FOUR YEARS COMBINED (2.444 MILLION)

• OVER THREE TIMES MORE PRIVATE SECTOR JOBS CREATED IN 20 MONTHS THAN WERE CREATED UNDER ALL FOUR YEARS OF THE PREVIOUS ADMINISTRATION: (4.225 million vs. 1.311 million)

• NEARLY EIGHT TIMES MORE PRIVATE SECTOR JOBS PER MONTH THAN DURING THE PREVIOUS ADMINISTRATION (211,000 VS. 27,000)

• 2.5 MILLION JOBS IN THE FIRST 9 MONTHS OF 1994 -- MORE THAN IN THE ENTIRE PREVIOUS ADMINISTRATION: This year, we've had the best first half of the year in job growth in the past decade. (Forbes, August 1, 1994, p. 34)

JOB QUALITY:

• Thus far in 1994, over 70% of the net new jobs created have been in managerial and professional occupations -- a category where the median wage is 45% higher than the median wage paid to all full-time workers. (Source: BLS)

• Since December 1992, more than 1.5 million net jobs have been created in high-wage industries (i.e., industries with average wages above the median wage). And many other jobs are in high-paying occupations within low-wage industries. In the four years before the Clinton Administration, employment in high-wage industries *dropped* by 170,000 jobs.

- In the first three quarters of 1994, 816,000 new jobs have been created in high–wage industries -- that's more than were created in these industries during the five previous years combined.

- Manufacturing employment is up 139,000 jobs in 1994. Construction employment is up 441,000 jobs since January 1993 -- after declining by 664,000 jobs in the prior four years. Auto employment is up by 65,000 jobs over the 13 months since the passage of the President's economic passage. (Source: BLS)

TAXES:

- H&R Block and CBO confirm that the income tax rate increases will fall on only the top 1.2%, while 98.8% of American taxpayers paid the same or less taxes.

- Over 15 million families who work and make less than $27,000 received a tax cut to reward work.

- The plan made over 90% of small businesses eligible for a tax cut by increasing the equipment expensing provision and establishing the targeted capital gains tax preference.

PERSONAL INCOME:

- Real disposable income has increased by an annual 3.2% rate from the first quarter of 1993 to the second quarter of 1994. That's over 75% faster than the 1.8% annual rate of growth during the four years prior to President Clinton taking office.

INFLATION:

- INFLATION IS DOWN: Core CPI (excluding food and energy prices), over the past 12 months rose just 2.9% -- this means that core inflation under President Clinton's watch is still the lowest in over 21 years.

- The overall CPI has risen 2.9% over the last 12 months, meaning that, next to the oil collapse of 1986, inflation under the Clinton Administration is the lowest since 1965.

BUSINESS INCORPORATIONS:

- In 1993, there were more new business incorporations than any time since Dun & Bradstreet started keeping records, nearly 50 years ago at the end of World War II. (Dun & Bradstreet, May 5, 1994)

PROJECTED NATIONWIDE GROWTH:

- According to Fortune, for the first time since 1984, all 50 states are expected to expand next year. (Fortune, August 8, 1994).

• The U.S. economy is growing faster than any other G-7 economy. More than 75% of the total growth in the G-7 in 1993 and 1994 is accounted for by the United States, even though we are only 45 percent of its total size. (Sources: Undersecretary of the Treasury, Larry Summers, testimony to Senate Banking, Housing and Urban Affairs Committee, July 21, 1994 and Department of Treasury).

• ***GROWTH IS BEING GENERATED SOLELY BY THE PRIVATE SECTOR.*** Real GDP was up an annual rate of 3.3% for the 1st Quarter and 4.1% for the 2nd Quarter, even though government spending was down. In fact, federal government purchases were down 10.3% and 7.9%, respectively, for the two quarters. Overall government purchases were also down both quarters. In a previous comment on this trend, the New York Times stated:

> "The private sector is the only engine of growth in this recovery, unlike every other recovery in the last four decades, in which government spending accounted for at least part of the expansion."(New York Times, May 17, 1994)

CAR MANUFACTURING:

• **U.S. TO RETAKE WORLD LEAD AS TOP AUTO-MAKER FOR FIRST TIME IN OVER A DECADE:** The United States is projected to overtake Japan as the world's number one auto producer this year for the first time since before Ronald Reagan was President. The U.S. total is projected to top 11 million vehicles, while the Japanese total is expected to be about 10.3 million vehicles. (source: Nihon Keizai Shimbun, Japan's main financial daily as reported by Associated Press)

HOUSING STARTS AND SALES:

• **Existing home sales in 1994 are projected to be at second highest level ever and the highest level since 1978.** The National Association of Realtors projects that existing home sales will be 3.95 million units in 1994, just slightly below the record high of 3.98 million sales in 1978.

• Housing starts are up 16% in the 13 months since the Clinton Economic plan was passed and up 23% since President Clinton took office. During the four years of the previous administration; housing starts declined by about 28%.

CONSUMER CONFIDENCE:

• Consumer confidence on the Conference Board Index is up almost 50% since the passage of the economic growth plan in August, 1993. The levels of the past few months are the highest in four years. (source: The Conference Board)

BUSINESS CONFIDENCE:

• Fortune magazine's most recent quarterly survey finds that:

–Nearly 70% of business executives are confident about business conditions over the next few years. This level is about 10 percentage points higher than the 20–year average.

-90% of business executives are not going to change either capital spending or hiring plans because of interest rates. (Fortune, Sept. 5, 1994)

BUSINESS INVESTMENT:

• Investment in equipment -- shown to be closely associated with productivity gains -- has soared at an 18.2% annual rate since the Administration took office. Over the last four quarters, this investment has expanded by 16.9% and hit a postwar high relative to GDP. By comparison, business investment growth averaged only 2.1% over the four years prior to the Administration.

• Over the last six quarters, business investment in productive equipment has risen at the fastest pace (as a percentage of GDP) since 1950, and has registered the largest real increase in history.

• BIGGEST JUMP IN BUSINESS CAPITAL INVESTMENT SINCE 1989 PREDICTED: The Commerce Department's latest quarterly survey of planned business investment projects that business investment in new plants and equipment will increase by 8.8% this year. This would be the biggest jump in overall capital investment since 1989. Manufacturing industries plan to increase capital spending by 7.3% -- also the largest jump since 1989.

• Small business investment has increased. A Coopers & Lybrand study shows that 60% of all fast-growing small businesses plan to make major investments over the next year.

MISERY INDEX NEAR LOWEST LEVEL IN OVER 20 YEARS:

• The average level of the Misery Index thus far in the Clinton Administration is lower than the average during any Presidency since Lyndon B. Johnson. (The Misery Index is the sum of unemployment and inflation -- lower numbers indicate better performing economies.)

• In 1994 alone, the Misery Index is the lowest since 1973, with the exception of 1986, when the index was temporarily lowered due to a collapse in oil prices.

INVESTMENT IN PEOPLE:

• **WIC TO BE FULLY FUNDED:** WIC was put on a full-funding path and funding is projected to increase by $610 million from 1993 to 1995 -- a 21% gain. The new funding will enable the WIC program to increase the number of women, infants and children assisted from 5.9 million in 1993 to a projected 7.0 million in 1995.

• **HEAD START FUNDING WILL INCREASE 28%:** Head Start funding is projected to go up 28% from $2.77 billion in FY1993 to $3.54 billion in FY1995.

• **$21 BILLION TAX CREDIT FOR LOW INCOME FAMILIES:** The Earned Income Tax Credit was increased by $21 billion, benefitting 15 million working families, so that parents who work full-time and have a child at home would not be in poverty.

• **NATIONAL SERVICE PROGRAM CREATED:** This year, 20,000 AmeriCorps members (more than served during the largest year of the Peace Corps) will tutor students, immunize children, reclaim parks and patrol streets -- and in return receive education awards that make college or job training more affordable. AmeriCorps is scheduled to increase to 33,000 members in FY1995, with a total over the first three years of 100,000 Americans serving our country.

• **GOALS 2000 LEGISLATION PASSED** to spur education reform, while new school-to-work legislation passed to provide more avenues for young people who don't get four-year college degrees.

• **COLLEGE MADE MORE AFFORDABLE:** Borrowers will be able to take advantage of the new direct student loan program by consolidating their guaranteed loans into direct loans. Approximately 20 million borrowers will benefit in the next two years -- 14 million current borrowers and 3 million new ones each year. Some of these borrowers will benefit from lower interest rates and all will benefit from a greater range of repayment options, including income contingent repayment. Plus, changes in the student loan programs will save taxpayers $4.3 billion over five years.

• **FUNDING FOR DISPLACED WORKERS MORE THAN DOUBLED TO $1.3 BILLION -- OVER TWICE AS MANY WORKERS WILL BENEFIT:** Funding for training displaced workers (the Economic Dislocation and Worker Adjustment Assistance Act - EDWAA) is expected to be doubled, from $602 million in FY1993 to $1.296 billion in FY1995. The Administration's investment means that 750,000 workers can receive reemployment services during 1995, more than twice the 350,000 in 1993. Most dislocated workers rely on this program for reemployment services to help them find new jobs. The increased funding also will enable the Administration to provide more services to all dislocated workers in such areas as basic readjustment services, labor market information, and occupational skills training.

• ***JOBS -- MORE THAN 4.6 MILLION JOBS ADDED***

- GROWING 4-1/2 TIMES FASTER THAN DURING PREVIOUS ADMINISTRATION

- The economy has created 89% more jobs in 20 months under President Clinton (4.619 million) than were created in the previous four years combined (2.444 million).

• ***PRIVATE SECTOR JOBS -- MORE THAN 4.2 MILLION JOBS ADDED***

- GROWING 7 TIMES FASTER THAN DURING PREVIOUS ADMINISTRATION
The economy has created 211,000 private sector jobs per month in the first 20 months of the Clinton Administration -- more than 7 times the 27,000 private sector jobs per month created in the previous four years. While 91% of the jobs created during the Clinton Administration's tenure have been in the private sector, only 54% of the jobs created during the previous four years were in the private sector.

- 3 TIMES MORE PRIVATE SECTOR JOBS THAN PREVIOUS 4 YEARS COMBINED
There are over 3 times more new private sector jobs than were created under all four years of the previous administration. Under the four-year period of the previous Administration only 1.311 million private sector jobs were created (1/89-1/93). In the first 20 months of the Clinton Administration, 4.225 million private sector jobs were created.

• ***JOB QUALITY -- OVER 1.5 MILLION JOBS ADDED IN HIGH-WAGE INDUSTRIES***

- Since December 1992, more than 1.5 million net jobs have been created in high-wage industries (i.e., industries with average wages above the median wage). And many other jobs are in high-paying occupations within low-wage industries. In the four years before the Clinton Administration, employment in high-wage industries *dropped* by 170,000 jobs.

- In the first three quarters of 1994, 816,000 new jobs have been created in high-wage industries -- that's more than were created in these industries during the five previous years combined.

• ***UNEMPLOYMENT RATE -- DOWN 23% SINCE JANUARY 1993***
The unemployment rate (based on the new, current methodology) declined from 7.7% in January 1993, to 5.9% for September 1994.

• ***DEFICIT -- CUT DRAMATICALLY AFTER DOUBLING DURING PREVIOUS 4 YEARS***
The deficit nearly doubled during the four years before President Clinton took office, rising from $152.5 billion to $290.4 billion. Under the Clinton Administration, the deficit is on a downward path -- *cut in half as a percent of GDP and half of what it was projected to be by 1998 had the President's economic plan not been passed.*

• *PRODUCTIVITY GROWTH -- TWICE AS HIGH AS PREVIOUS FOUR YEARS*

Annual productivity growth has been 2.3% over the last four quarters, more than twice as high as the 1.1% annual average from 1989 to 1992.

• *PERSONAL INCOME GROWTH -- 75% HIGHER THAN DURING PREVIOUS FOUR YEARS*

Real disposable income has increased by an annual 3.2% rate from the first quarter of 1993 to the second quarter of 1994. That's over 75% faster than the 1.8% annual rate of growth during the four years prior to President Clinton taking office. (Source: Bureau of Economic Analysis, Commerce Department)

• *INFLATION -- DOWN 31% FROM AVERAGE OF PREVIOUS ADMINISTRATION*

In 1994, the overall CPI has increased at an annual rate of only 2.9%. This is lower than 1993's 3.0% increase and much lower than the annual 4.2% CPI inflation during 1989–1992.

• *INTEREST RATES -- DOWN FROM AVERAGE OF PREVIOUS ADMINISTRATION*

Even though growth has been stronger under the Clinton Administration, long-term interest rates today are still well below the 8.22% average from 1989 to 1992, while mortgage rates are also below the 9.44% average of the same period.

• *HOUSING STARTS -- UP 23% SINCE PRESIDENT CLINTON TOOK OFFICE*

Housing starts are up 16% in the 13 months since the Clinton Economic Plan was passed and up 23% since President Clinton took office. During the previous administration, housing starts *had declined* by about 28%.

• *BUSINESS INVESTMENT -- GROWTH RATE OVER 7 TIMES FASTER THAN THAT UNDER PREVIOUS ADMINISTRATION*

Investment in equipment -- shown to be most closely associated with productivity gains -- has soared at an 18.2% annual rate since the Administration came to office. Over the last four quarters, this investment has expanded by 16.9% and hit a postwar high relative to GDP. Equipment investment under this Administration has grown over 7 times faster than the 2.1% growth rate during the four years prior to the beginning of the Clinton Administration.

Many of the benefits of the Clinton budget plan occurred due to the presentation of the President's initial budget in February 1993. Yet, even if one judges the path of the economy only since the passage of the budget, that path has been strong, contrary to the dire predictions of the budget's critics during the debate on passage.

BUDGET WAS PASSED ON AUGUST 6, 1993. SINCE THAT TIME:

- ***EMPLOYMENT HAS INCREASED BY NEARLY 3.4 MILLION JOBS.***
  The robust economy has meant more jobs for U.S. workers. Employment on nonfarm payrolls has increased by 3.395 million since last August and 3.096 million of those jobs -- 91% -- were in the private sector.

- ***MANUFACTURING JOBS HAVE INCREASED BY OVER 100,000.***
  After experiencing over 4 years of declines, manufacturing jobs have increased by 135,000 since the budget plan was passed. For the first time in over a decade, manufacturing employment has increased for eight consecutive months.

- ***UNEMPLOYMENT RATE HAS DECLINED BY 21%.***
  The unemployment rate (based on the new, current, methodology) has dropped from 7.5% in August 1993 to 5.9% in September 1994.

- ***REAL OUTPUT HAS INCREASED BY 4.1%.***
  Real GDP increased by 4.1% between the second quarter of 1993 and the second quarter of 1994, even as federal purchases declined by 6.5%.

- ***BUSINESS INVESTMENT HAS EXPANDED AT NEAR RECORD PACE.***
  Over the same time span, business investment in equipment (the component of investment most closely tied to productivity growth) expanded by 17.0% and hit a postwar high relative to GDP.

- ***HOUSING STARTS HAVE ADVANCED 16%.***
  Housing starts are up 16% in the 13 months since the Clinton Economic Plan was passed.

- ***CONSUMER CONFIDENCE INDEX HAS IMPROVED BY OVER 50%.***
  According to the Conference Board survey, consumer confidence surged by over 29 points, from 59.3 in August 1993 to 88.4 in September 1994, including a four-year high in June.

- ***INFLATION HAS DECLINED TO 2.9%.***
  Inflation over the 12 months ending in August 1994 was 2.9%, meaning that, next to the oil collapse of 1986, inflation under the Clinton Administration is the lowest since 1965.

- ***BECAUSE OF PRESIDENT CLINTON'S PLAN, ECONOMISTS SEE BRIGHTER FUTURE.***

  - ***CONTROLLED GROWTH WITH LOW INFLATION EXPECTED.***
    The Blue Chip Forecast for September 1994 predicts growth of 3.6% in 1994 and 2.7% in 1995. It also projects low inflation (2.7% in 1994 and 3.3% in 1995).

  - ***IMPROVEMENTS IN BLUE CHIP FORECAST SINCE PLAN ENACTED.***
    The current projections represent improvements over projections before the economic plan was enacted. In August 1993, growth for 1994 was projected to be 2.8% (as opposed to the current 3.6% projection) and inflation was projected at 3.3% for 1994 (as opposed to the current 2.7% projection).

Paul Volcker, Chairman, Board of Governors of the Federal Reserve System (1979–1987): *"The deficit has come down, and I give the Clinton Administration and President Clinton himself a lot of credit for that. ... (W)hat's important is that he acknowledged that it was a big problem and did something about it, fast. And I think we're seeing some benefits." (quoted in Audacity, Fall 1994)*

Robert D. Reischauer, Director, Congressional Budget Office: ***"The deficit picture is significantly brighter than it appeared one year ago when the Congressional Budget Office projected that the deficit would soar above $350 billion by fiscal year 1998. The dramatic improvement since last January is largely the result of the enactment in August of a major package of tax increases and spending-cuts--the Omnibus Budget Reconciliation Act of 1993." (1/27/94)***

I. HISTORIC DEFICIT REDUCTION

- ***THREE CONSECUTIVE YEARS FOR THE FIRST TIME SINCE TRUMAN:*** This year will mark the first time in two decades that the deficit has declined two years in a row. If we stay on course, 1995 will be the first time there have been three consecutive declines since Harry Truman was in the White House.

- ***NEARLY $700 BILLION REDUCTION TO THE PROJECTED NATIONAL DEBT:*** The President's five-year, deficit reduction plan is largely responsible for trimming a projected $691.7 billion from the deficit from 1994 to 1998. While the policy changes in the deficit reduction plan accounted for approximately $500 billion in deficit reduction, the strength of the economy and technical improvements have helped increase the overall deficit reduction to nearly $700 billion.

- ***FUTURE DEFICITS PROJECTED TO BE SIGNIFICANTLY LOWER:*** Compared to the projected deficits prior to the passage of the economic plan, the deficit is projected to be $85 billion less in 1994, $135 billion less in 1995 and nearly **$200 billion less** by 1998.

- ***CUT THE DEFICIT IN HALF AS A PERCENTAGE OF NATIONAL INCOME:*** Deficits as a percentage of GDP, a key measure of the real economic impact of those deficits, are being cut by more than one-half, from 4.9% in 1992 to 2.4% in 1995. This percentage is lower than at any time since 1979. Also, in absolute terms, in 1998, the deficit is projected to be cut in half from where it was projected in the absence of passage of the economic plan.

- ***DEFICIT NOW TIED FOR LOWEST AMONG G-7 NATIONS:*** According to the IMF, the 1994 deficit as a percentage of GDP is now projected to be tied for lowest among the G-7 countries.

II. SPENDING CUTS

• ***FEDERAL SPENDING RELATIVE TO ECONOMY AT LOWEST AMOUNT IN 15 YEARS***

Total Federal spending as a share of the economy will drop from 23.3% in FY1992 to 21.6% in FY1995. This will be the lowest percentage since 1979.

• ***FEDERAL SPENDING IS GROWING LESS RAPIDLY THAN UNDER PREVIOUS TWO ADMINISTRATIONS:***

Federal spending under the Clinton Economic plan will grow at a 1.3% pace, slower than spending growth under the Bush Administration and about one-half the 2.5% growth during the Reagan Administration. Federal spending is also on the decline as a percentage of GDP and is projected to be lower as a percentage of GDP during the Clinton Administration than during either the Bush or Reagan Administrations.

• ***SMALLEST FEDERAL WORKFORCE SINCE KENNEDY:***

As part of the spending reductions, the Administration has reduced the size of government substantially. By the second full year of the Clinton economic plan, the size of the federal government will reach its lowest level since the 1960s and by the end of the five-year Clinton plan, the federal civilian workforce will have been reduced by at least 272,000 employees, bringing the number below 2 million for the first time since 1965 and to its lowest size since the Kennedy Administration.

• ***$255 BILLION IN SPENDING CUTS:***

The deficit reduction program had $255 billion in spending cuts, including nearly $100 billion from entitlement reductions. Over 300 different programs were cut.

• ***UNDER CLINTON DOMESTIC SPENDING WILL BE LOWEST PROPORTION IN OVER 30 YEARS:***

The Clinton economic plan funds key investments, while still keeping overall domestic spending low. The Clinton economic plan brings domestic discretionary spending as a percentage of GDP down to 3.255% by 1998 -- the lowest level since the Kennedy Administration.

SPENDING LESS IN THE PUBLIC SECTOR -- GROWING MORE IN THE PRIVATE SECTOR

I. THE CLINTON ADMINISTRATION HAS MADE HISTORIC CUTS IN THE SIZE OF THE FEDERAL GOVERNMENT:

- **272,000 Positions To Be Cut From the Federal Government:** President Clinton's budget plan cuts 272,000 positions from the federal bureaucracy over the next five years. These reductions stem from recommendations in the National Performance Review's plan to streamline the federal government and improve its services while reducing the size of the workforce.

- **Smaller Bureaucracy than Under Reagan and Lowest Since Kennedy:** By the second full year of the Clinton economic plan, the size of the federal government will reach its lowest level since the 1960s and by the end of the five-year Clinton plan, the federal workforce will be at its lowest size since the Kennedy Administration. By 1995, Clinton will have reduced the civilian federal bureaucracy to 2.04 million -- lower than any year under Ronald Reagan! By 1997, the workforce will be less than 2 million for the first time since 1965.

II. BRINGING SPENDING DOWN

- **Spending Growth Less Under President Clinton than Under Ronald Reagan and George Bush:** Under President Clinton's economic plan, spending is projected to increase by 1.3% in real terms, less than under George Bush, and at nearly half the pace of spending growth — 2.5% -- as under Ronald Reagan. In nominal terms, overall spending growth is still lower under Clinton than under either Bush or Reagan.

- **Domestic Spending as Percentage of GDP Will Be Lowest in 30 Years under Clinton:** The Clinton economic plan funds key investments, while still keep overall domestic spending low. The Clinton economic plan brings domestic discretionary spending as a percentage of GDP down to 3.255% -- the lowest since Kennedy and lower than any year of the Reagan Administration. Indeed, domestic discretionary spending as a percentage of GDP averaged 3.75% during the Reagan Administration, while it averages only 3.5% under the Clinton economic plan.

- **Clinton Cuts $255 billion In Spending:** The Clinton budget plan reduces the federal government's spending by $255 billion over the next five years--one of the largest spending cut packages in history. During the Clinton presidency, over 300 different programs have had their budgets cut, including every major entitlement program. In addition, the President called for the elimination of over 100 domestic programs.

- **Clinton Economic Plan Slashes Deficit to Lowest Since Before Reagan:** This year will mark the first time in two decades that the deficit has been reduced two years in a row, and 1995 will be the first time there have been three consecutive declines since Harry Truman was in the White House. In addition, the deficit as a percentage of GDP, will be cut by more than one-half, from 4.9 percent in 1992 to 2.4 percent in 1995. Notably, this level is lower than at any time since 1979, just before Ronald Reagan gained control of the White House.

• **National Performance Review ("NPR") Will Save Billions:** The Administration's promise to create a government that "works better and costs less" is being fulfilled. Approximately $47 billion of the NPR's $108 billion in proposed savings are already enacted. Some examples: $695 million is being saved by ending federal subsidies for wool and mohair; a new Dept. of Defense travel process will save $1 billion over 5 years; and Government's use of a Visa card for small purchases is saving $50 million this year.

III. GROWTH AND JOBS ARE BEING GENERATED OVERWHELMINGLY FROM THE PRIVATE SECTOR, NOT THE PUBLIC SECTOR:

• ***GROWTH IS BEING GENERATED SOLELY BY THE PRIVATE SECTOR.*** Real GDP was up an annual rate of 3.3% for the 1st Quarter and 4.1% for the 2nd Quarter, even though government spending was down. In fact, federal government purchases were down 10.3% and 7.9%, respectively, for the two quarters. Overall government purchases were also down both quarters. In a previous comment on this trend, the New York Times stated:

> "The private sector is the only engine of growth in this recovery, unlike every other recovery in the last four decades, in which government spending accounted for at least part of the expansion."(New York Times, May 17, 1994)

• **Job Creation in the Private Sector:** During the four years preceding President Clinton's election, only 46% of the jobs created were in the private sector. In contrast, in the first 20 months of the Clinton Administration, 91% of the 4.619 million new jobs created under President Clinton's watch have been in the private sector.

• **Three Times More Private Sector Jobs in Less than Half the Time:** The economy has created 4.23 million private sector jobs under President Clinton in only 20 months -- over three times more than the 1.311 million jobs created under the past Administration in its entire term.

The President's economic plan shifted federal priorities while bringing the deficit down in a fair and balanced manner. By including over $250 billion in spending cuts and nearly as much deficit reduction from revenue increases, the plan required tough choices.

THE PRESIDENT'S PLAN REDUCED THE DEFICIT IN THE MOST FAIR WAY POSSIBLE: BY RAISING RATES ON ONLY THE TOP 1.2% -- HOUSEHOLDS MAKING OVER $180,000:

- The Congressional Budget Office has found "only a sliver of tax filers -- 1.2% will a face higher income tax bill on April 15 because of the Clinton Administration's economic program" The "income tax applies only to taxable income in excess of...gross income of roughly $185,000." ("GOP Tax Issue May Fade Away: Only 1.2% of Filers will face Increase, CBO study Finds," Washington Post 1/13/94 p.A8)

MIDDLE CLASS WORKING FAMILIES ARE UNTOUCHED -- 98.8% OF ALL AMERICANS WILL NOT SEE THEIR TAX RATES INCREASE:

H&R BLOCK SAYS:

- Income tax rates are raised only on the "top 1.2% of all taxpayers"

- There is "no income tax increase for middle-income taxpayers...income tax rates are unchanged on middle incomes -- 82.2% of all tax payers"

- There is a tax cut for the other "16.6% of all taxpayers [who] benefit from Earned Income Tax Credit Expansion"

"H&R Block Analysis of the Income Tax Consequences of the Revenue Reconciliation Bill of 1993" pp. 21-24.

15 MILLION FAMILIES -- OVER 15% OF ALL TAXPAYERS WHO WORK -- WILL RECEIVE A TAX CREDIT TO REWARD WORK:

- The President's plan expanded the Earned Income Tax Credit so that 15 million more families and households will get a tax cut to ensure the President's commitment that if you work full-time and have a child at home, you should not have to raise that child in poverty.

- This expansion helps working families with low-incomes get ahead, and is a first building block in the President's plan to reward work over welfare.

OVER 90% OF SMALL BUSINESSES ARE ELIGIBLE FOR TAX CUTS:

- Only about 4% of small business owners make over $180,000 in adjusted gross income and therefore are affected by the increase in the highest tax rates, while over 90% of small businesses will be eligible for tax reductions through increases in expensing and a new capital gains tax cut targeted to small business. As the Wall Street Journal writes: "only 4% of those taxpayers who report some business income on their tax returns -- and that includes partners in law firms and investment bankers as well as owners of small manufacturing companies -- make sufficient money to be hit by the higher tax rates." "Foes of Clinton's Tax Boost Proposals Mislead Public and Firms on the Small Business Aspects," Wall Street Journal, July 20, 1993

- Small businesses are now allowed to expense 75% more due to the President's economic plan -- going from $10,000 to $17,500.

- There is a new capital gains tax cut targeted to expansion and creation of small businesses. Investors who invest for more than 5 years in small businesses can get a 50% cut in their capital gains rate.

- The plan also continued the 25% deduction for health premiums for the self-employed.

TAXES ON THE TOP 1.2% HAVE NOT HAD A NEGATIVE EFFECT ON THE ECONOMY:

- While all agree that the deficit reduction package has helped strengthen our long-term economic prospects, some had warned that the modest increase on taxes on those in the top 1% of individual and corporate filers could have a negative impact on the economy. Yet, growth has been 4.1% since the plan and the second quarter of 1994 also produced 4.1% growth and nearly 1 million jobs. The Blue Chip Forecast for growth also improved between passage of the economic plan and the current forecast: In August 1993, growth for 1994 was projected to be 2.8%; this projection has climbed to 3.6% in the most recent forecast.

Analysts have recognized this:

- "mainstream economists say it [the tax rise] poses no serious threat to the economy." ("Higher Taxes Unlikely to Hurt Recovery: Economists See Minor Impact on Consumer Spending," Wall Street Journal, December 22, 1993)

- "fears about the increase of a modest tax increase were overblown." ("The Tax Hike Won't Derail the Recovery," by Howard Gleckman, Business Week, January 31, 1994)

• ***THE ECONOMY HAS CREATED OVER THREE TIMES MORE PRIVATE SECTOR JOBS IN 20 MONTHS THAN WERE CREATED UNDER ALL FOUR YEARS OF THE PREVIOUS ADMINISTRATION***

- Under the four-year period of the previous Administration only 1.311 million private sector jobs were created (1/89-1/93). In the first 20 months of the Clinton Administration, 4.225 million private sector jobs were created.

- While 91% of the jobs created during the Clinton Administration's tenure have been in the private sector, only 54% of the jobs created during the previous four years were in the private sector.

• ***UNDER CLINTON, RECOVERY YIELDS HIGHEST PROPORTION OF PRIVATE SECTOR JOB GROWTH EVER:***

The percentage of job growth in the private sector under President Clinton -- 91% -- is the highest concentration of private sector job growth ever recorded during this portion of a recovery. It's just another indicator that this recovery is being generated by the private sector and not by an increase in government spending. (source: Department of Labor)

• ***NEARLY EIGHT TIMES MORE PRIVATE SECTOR JOBS PER MONTH***

The economy has created 211,000 private sector jobs per month in the first 20 months of the Clinton Administration -- nearly 8 times the 27,000 private sector jobs per month created in the previous four years.

• ***89% MORE JOBS OVERALL IN 20 MONTHS (4.619 MILLION) THAN IN THE PREVIOUS FOUR YEARS COMBINED (2.444 MILLION)***

• ***MORE JOBS IN THE FIRST NINE MONTHS OF 1994 THAN DURING THE ENTIRE PREVIOUS ADMINISTRATION (2.5 MILLION vs. 2.4 MILLION)***

This year, we've had the best first six months of job growth in the past decade. (Forbes, August 1, 1994, p. 34)

• ***AHEAD OF SCHEDULE TO CREATE 8 MILLION JOBS IN FOUR YEARS***

• ***HIGH QUALITY JOBS ARE BEING CREATED***

- Thus far in 1994, over 70% of the net new jobs created have been in managerial and professional occupations -- a category where the median wage is 45% higher than the median wage paid to all full-time workers. (Source: BLS)

- Since December 1992, more than 1.5 million net jobs have been created in high-wage industries (i.e., industries with average wages above the median wage). And many other jobs are in high-paying occupations within low-wage industries. In the four years before the Clinton Administration, employment in high-wage industries *dropped* by 170,000 jobs.

- In the first three quarters of 1994, 816,000 new jobs have been created in high-wage industries -- that's more than were created in these industries during the five previous years combined.

- ***MANUFACTURING JOBS HAVE RISEN 139,000 JOBS SO FAR IN 1994***

  After serious declines for several years, manufacturing jobs were up 139,000 jobs in the first nine months of 1994.

- ***CONSTRUCTION EMPLOYMENT UP MORE THAN 440,000 JOBS DURING CLINTON ADMINISTRATION***

  After declining by 664,000 jobs during the Bush Administration, construction jobs are up 441,000 since January 1993. Construction employment has risen in 14 out of the last 15 months.

- ***AUTO JOBS ARE UP BY 65,000***

  Auto employment has increased by 65,000 jobs over the 13 months since the passage of the President's budget plan.

- ***UNEMPLOYMENT RATE HAS DECLINED 23%***

  The unemployment rate (based on the new, current, methodology) declined from 7.7% in January 1993 to 5.9% for September 1994.

- ***HELP-WANTED ADS AT HIGHEST LEVEL SINCE 1990 -- A SIGN THAT EMPLOYERS ARE SEEKING MORE WORKERS***

  The rate of help-wanted advertising has climbed 14% in 1994 and is 23% higher than it was in 1992. The last time year in which help-wanted advertising exceeded the current rate was 1990. (source: The Conference Board, reported in Business Week, August 29, 1994)

FAMILY AND MEDICAL LEAVE ACT ENACTED:

- 42 MILLION WORKERS PROTECTED BY FAMILY AND MEDICAL LEAVE ACT: The Family and Medical Leave Act allows workers to take up to 12 weeks of unpaid leave for the birth of a child, to care for a sick family member, or if they become too sick at work. This law covers approximately 42 million American workers and protects the jobs of over 2.5 million workers who are likely to use unpaid leave this year alone.

COLLEGE OPPORTUNITIES:

- COLLEGE MADE MORE AFFORDABLE: Borrowers will be able to take advantage of the new direct student loan program by consolidating their guaranteed loans into direct loans. Approximately 20 million borrowers will benefit in the next two years -- 14 million current borrowers and 3 million new ones each year. Some of these borrowers will benefit from lower interest rates, and all will benefit from a greater range of repayment options, including income contingent repayment. Plus, the new student loan program will save taxpayers $4.3 billion over five years.

TAXES DECREASED FOR 15 MILLION FAMILIES WHO WORK AND MAKE UP TO $27,000

- The President's economic plan expanded the Earned Income Tax Credit so that 15 million more families and households will get a tax cut to ensure the President's commitment that if you work full-time and have a child at home, you should not have to raise that child in poverty.

MIDDLE CLASS UNTOUCHED BY INCOME TAX RISE -- NO INCOME TAX RATE INCREASES: 98.8% OF ALL AMERICANS WILL NOT SEE THEIR TAX RATES INCREASE.

AS H&R BLOCK STATED IN ITS REVIEW OF THE PRESIDENT'S ECONOMIC PLAN:

- Income tax rates are raised only on the "top 1.2% of all taxpayers"

- There is "no income tax increase for Middle-income taxpayers...income tax rates are unchanged on middle incomes -- 82.2% of all tax payers"

- There is a tax cut for the other "16.6% of all taxpayers [who] benefit from Earned Income Tax Credit Expansion"

"H&R Block Analysis of the Income Tax Consequences of the Revenue Reconciliation Bill of 1993" pp. 21-24.

FAMILIES ARE SAVING ON MORTGAGES:

- Over 5.75 million families were able to refinance their homes at average savings of over $1000 a year, and 75% of them are still reaping those savings even as interest rates have moved up, because they refinanced at fixed rates.

FUNDING PROVIDED FOR DISLOCATED WORKERS

- SERVICES FOR THE UNEMPLOYED EXPANDED: The Economic Dislocation and Worker Adjustment Assistance Act (EDWAA) is the program most dislocated workers rely on for reemployment services to help them find new jobs. Our FY 1994 budget increased funding for this program so that 500,000 workers could receive reemployment services during 1994, up from 350,000 the previous year. Additionally, we will be able to provide more services to all these workers in such areas as basic readjustment services, labor market information, and occupational skills training.

SCHOOL-TO-WORK LEGISLATION ENACTED

- SCHOOL-TO-WORK PROGRAM WILL HELP STUDENTS GET JOBS: President Clinton signed into law the School-to-Work Opportunities Act, a crucial element of the Administration's lifelong learning agenda. With this landmark legislation, the federal government will provide venture capital to spark a nationwide system for moving America's young people smoothly from the classroom to a job with a future. This year, all states, plus the District of Columbia and Puerto Rico, have received funds for planning their school-to-work programs and eight states and 15 localities will receive grants to implement their programs.

HISTORIC NATIONAL SERVICE PROGRAM CREATED

- This year, 20,000 AmeriCorps members (more than served during the largest year of the Peace Corps) will tutor students, immunize children, reclaim parks and patrol streets -- and in return receive education awards that make college or job training more affordable. AmeriCorps is scheduled to increase to 33,000 members in FY1995, with a total over the first three years of 100,000 Americans serving our country.

OPENING MARKETS:

The United States has experienced the best year and a half in international trade in two decades. Working with Congress, the Administration is positioning American workers to reap the economic benefits of open trade.

NAFTA: The Administration forged a bipartisan coalition to pass the NAFTA, after concluding tough negotiations on side agreements covering workers' rights, the environment and import surges.

- Exports to Mexico are up 19% so far this year, and are growing over three times as fast as U.S. exports to the rest of the world.

- Autos: Big Three auto and light truck exports to Mexico are up 500% in the first six months of this year (to 23,275 during the first six months of this year from 3,791 during the first six months of last year). The Big Three estimate that by the end of 1994 they will have exported at least 55,000 of these vehicles to Mexico, compared to just 10,000 in the whole of 1993.

- Agriculture: The Washington State Apple Commission reported that Washington apple exports to Mexico this year reached 4.1 million boxes, as of the end of April, compared to 2.7 million boxes for all of 1993.

- Services: Union Pacific Railroad has added 550 jobs in Laredo, Texas to accommodate post-NAFTA traffic between the U.S. and Mexico.

Uruguay Round (UR): After seven years of negotiations, this Administration's leadership brought the negotiations to a successful conclusion, with enactment expected this year.

- Biggest tax cut in history: The agreement is the biggest tax cut in history -- a world-wide $744 billion cut in tariffs over ten years.

- It will cut foreign tariffs on manufactured products by over one-third overall and eliminate tariffs in major markets in a number of sectors in which the U.S. is particularly competitive.

- When fully implemented in 2004, the Uruguay Round agreement will add $100 to $200 billion per year to the U.S. GDP and create hundreds of thousands of well-paying U.S. jobs.

Japan: An aggressive strategy toward opening Japan's markets.

- Under the Framework Agreement, the Administration reached five important market opening agreements with Japan -- in government procurement of telecommunications, NTT procurement, medical technology procurement, insurance, and an agreement in principal on flat glass.

- These agreements will open up Japan's markets to industries that employ 2.7 million American workers.

- Additional recent openings for U.S. exports: we have reached important agreements on cellular telephones, construction services, apples (pending final inspections) and, through the UR, on rice, copper and chemicals. The Administration is committed to progress on other issues as well.

- Progress on export growth: U.S. exports to Japan are up 7.5% so far this year, compared to virtually no growth in 1993. Excluding industrial supplies, a category particularly hard hit by Japan's recession, U.S. exports are up 14%, including a 34% increase in U.S. automotive products.

- The Administration hosted the first APEC leaders meeting in Seattle where leaders defined a vision for economic growth, trade commitments, finance and investment initiatives with the fastest growing economies of the world.

PROMOTING EXPORTS:

The Administration has actively sought to promote U.S. exports to these newly opened markets in order to create and support hundreds of thousands of U.S. domestic jobs. Thus far, the Administration has lent its support to at least 70 successful projects, totaling over $17 billion in exports.

- **Conducting High-level Trade Missions:** Since January 1993, Commerce Secretary Ron Brown has completed trade missions to South Africa, the Middle East, Russia and the NIS, China and Hong Kong and South America. In addition, he has trade missions planned for India, Indonesia and Korea. With the conclusion of the China mission, over 100 CEOs have participated in these visits, which include meetings with top business and government leaders from the host nations, as well as advocacy work for US products in general.

- **Establishing Trade Advocacy Unit:** The Trade Promotion Coordinating Committee, chaired by Secretary Brown, established an advocacy center in September 1993, to assist U.S. businesses competing for major projects and contracts worldwide. Over 30 contracts with an estimated value of $21 billion have been awarded to U.S. businesses using the Advocacy Center's resources.

- **Creating Ex-Im Bank One-Stop Shops:** The Department of Commerce, the Ex-Im Bank and the Small Business Administration have opened the first four Export Assistance Centers in Baltimore, Miami, Chicago and Long Beach -- with eleven additional centers planned as part of a nationwide network of export assistance offices -- to provide the streamlined and focused support that smaller businesses need to compete effectively in export markets.

- **Liberalizing Export Controls:** The Administration has liberalized export controls on $37 billion in exports within the computer and telecommunications industries. It has eliminated controls on virtually all telecommunications exports to Russia, China, Eastern Europe and former Communist countries.

China:

- The Clinton Administration negotiated a new textile agreement, backed by tough penalties, to end fraudulent trans-shipments of textile products to the U.S. and initiated a "Special 301" investigation of China's failure to enforce protection of U.S. intellectual property rights.

Shipbuilding:

- In July we entered into an agreement with countries accounting for 80% of world shipyard production to eliminate subsidies and other unfair trade practices.

Other Achievements:

- The Clinton Administration has put in place **40 bilateral textile and apparel** agreements, over 30 of which it negotiated in the last 18 months (almost 2 a month). These agreements assure stability in our textile and apparel markets, while easing the transition to freer and fairer trade.

- The Administration reached agreement with Canada on **Canadian wheat imports,** including limitation of imports for one year, a one-year "peace clause" and a joint U.S./Canada commission on grains to examine all aspects of marketing and support systems.

Fortune, October 3, 1994: "[President Clinton's] economic plan helped bring interest rates down, spurring the recovery."

Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, 1/31/94: "The actions taken last year to reduce the federal budget deficit have been instrumental in creating the basis for declining inflation expectations and easing pressures on long-term interest rates. Although we may not all agree on the specifics of the deficit reduction measures, the financial markets are apparently inferring that, on balance, the federal government will be competing less vigorously for private saving in the years ahead. Partly because of these structural adjustments, the foundations of the economic expansion are looking increasingly well-entrenched."

THE DEFICIT REDUCTION PLAN HELPED LOWER INTEREST RATES AND SPARK AND SOLIDIFY THE RECOVERY. The introduction of the strong deficit reduction plan by the President and his economic team had a positive effect on lowering long-term interest rates. Following outlines of the plan by Secretary Bentsen as well as the formal announcement of the plan, long-term interest rates fell and continued to fall in the immediate aftermath of the passage of the deficit reduction program. The introduction and passage of a serious deficit reduction plan has clearly helped eliminate a "deficit premium" borrowers were requesting due to projected rising deficits. As hoped for, the deficit reduction plan's effect on lowering interest rates helped jump start and solidify what had been a weak recovery, by helping to fuel the interest-sensitive sectors of the economy.

INTEREST RATES HAVE RISEN AS A RESULT OF A GROWING ECONOMY -- NOT AN EXPECTED DEFICIT INCREASE: As the economy picked up and there was more demand for capital, interest rates rose moderately. Yet, the key is that they rose not because of a projected rising public deficit, but because of a strengthening private economy. Indeed, long-term interest rates are about where they were when the President was elected, even though unemployment has dropped from 7.7% to 6.1%, there has been 4.1% growth over the last four quarters and investment as a percentage of GDP has risen to an all-times level. The fact that interest rates are at nearly the same level they were 18 months before, despite such strong growth, indicates that the deficit reduction is still keeping long-term interest rates below where they would be in the absence of the deficit reduction plan.

LOWER MORTGAGE COSTS: Last year, 5 1/2 million homeowners refinanced their mortgages and are still benefiting from the savings. According to Mortgage Bankers Association data, more than three-quarters of all mortgage loans placed last year were at low fixed ratios. A family that was able to lower its interest rate on a $100,000 conventional 30-year mortgage to the 7 1/2 percent average during the Clinton Administration from the 9 1/2 percent average during the previous four years reduced its mortgage payments by $142 a month and by $1700 annually.

INTEREST RATES STILL LOWER THAN HISTORICAL TRENDS: Current interest rates have risen moderately in response to economic growth. They are still lower than the 8.29% 30-year rate at the bottom of the recession, and far lower than the 9.9% 30-year rates and 11% mortgage rates that were the average rates during the previous 12 years.

HOUSING PERFORMING ABOVE HISTORICAL NORMS: The National Association of Realtors projects that existing home sales will be 3.95 million units in 1994 -- the second highest ever and just slightly below the record high of 3.98 million sales in 1978. Housing starts are up 23% since President Clinton took office (after declining by about 28% during the prior four years). In addition, new home sales are up 6.9% in the first eight months of 1994 compared to the level of the first eight months of 1993.

TOP FINANCIAL PAPERS AND JOURNALISTS NOTED THE IMPACT OF THE INTRODUCTION OF THE CLINTON PLAN ON LOWERING INTEREST RATES:

When the Clinton economic plan was announced several top newspapers noted that the fall in long-term interest rates was in reaction to the introduction of the President's deficit reduction plan.

Financial Times, (January 26, 1993:) "US Treasury price roared ahead at the long end of the market yesterday on the 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."

Wall Street Journal (February 24, 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."

Merrill Lynch: "The stunning bond rally that greeted the President's budget proposal will provide far more economic stimulus in 1993 than his short-term fiscal stimulus... Indeed, Clinton tests a favored hypothesis of Fed officials and Wall Streeters: that a program of fiscal restraint, can under the right circumstances actually stimulate the economic beneficial effects on interest rates. By coming up with a credible deficit reduction plan, the Clinton Administration may ultimately provide far more stimulus to the economy via lower interest rates that it could have done by proposing a more traditional tax and spend plan."

MONTHS AFTER PASSAGE OF THE ECONOMIC PLAN, EXPERTS CONFIRM THE ROLE THE DEFICIT REDUCTION PLAN HAS HAD IN LOWERING INTEREST RATES:

In 1994, many top commentators also noted that the expansion that was occurring was in many ways linked to the lower interest rates that had occurred in part because of the Clinton deficit reduction plan.

Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System: 1/31/94: Alan Greenspan: "The actions taken last year to reduce the federal budget deficit have been instrumental in creating the basis for declining inflation expectations and easing pressures on long-term interest rates. Although we may not all agree on the specifics of the deficit reduction measures, the financial markets are apparently inferring that, *on balance, the federal government will be competing less vigorously for private saving in the years ahead. Partly because of these structural adjustments, the foundations of the economic expansion are looking increasingly well-entrenched.*"

David Jones, Executive Vice President and Chief Economist at government securities firm Aubrey G. Lanston, 8/10/94:"The bottom line is we had a significant drop in long term interest rates that I would argue was a direct result of the emphasis on deficit cutting."

Business Week, 2/7/94: "Both Clinton and the economy head into 1994 on the momentum from a strong showing at the end of 1993. *Lower long-term interest rates, for which the White House can take partial credit,* helped to rev up spending for cars, homes, and durable goods generally, boosting factory orders and production, while better growth in jobs and incomes kept people happy."

Lehman Brothers, 1/10/94: *"Clinton's blueprint for economic revival had as its centerpiece a multi-year program of deficit reduction, but it promised higher growth in the short run. A move to restrain deficit spending, he wagered, would both lower U.S. long-term interest rates and energize U.S. interest sensitive sectors. Lower deficits, lower long-term rates and higher real growth was the overall promise.* ***With the data now rolling in for December 1993, it seems clear that President Clinton delivered on all three counts over the second half of the year."***

U.S. News & World Report, 2/14/94: "The danger is that Washington's ideological clamor will drown out a quiet economic truth: *Last year's budget package changed fiscal policy significantly, and the economy is already responding....*Clinton's budget for fiscal 1995 will project a deficit of roughly $178 billion – a dramatic improvement over the $230 billion shortfall that economists predicted just one year ago."

Washington Post, 2/14/94: "Next year the CBO calculates, the budget deficit will be smaller in proportion to the size of the economy than in any year since 1979. As a result of those two things, interest rates are low, and business investment is rising powerfully."

THE CLINTON ADMINISTRATION HAS:

1. Created Incentives to Grow Small Businesses

- Increased by 75% (from $10,000 to $17,500) the amount a small business can deduct as expenses for equipment purchases.

- Established tax preferences to encourage investment in small businesses: the targeted capital gains tax preference.

- The Empowerment Zone/Enterprise Community program will provide significant tax incentives (a 20% wage credit, an additional $20,000 in expensing, and tax-exempt facility bonds) for firms within the Zones.

- The Extended Research and Experimentation Tax Credit fosters economic growth through a 20% credit for qualified research expenditures.

2. Increased Access to Capital

- The Administration's credit-crunch initiative revised bank regulatory policies to encourage commercial lending, particularly to smaller firms. Commercial and industrial lending is estimated to have increased by over 8%.

- The President's budget expanded the Small Business Administration's §7(a) program by 40% over 1993 levels. In 1995, SBA will guarantee $9 billion in loans to small businesses.

- Proposed FDIC regulations will increase the appraisal threshold for commercial lending from $100,000 to $250,000.

- Under the revised SBIC program, a group of new venture capital firms will make available several billion dollars in equity financing for start-ups and growing firms.

3. Improved Regulations and the Regulatory Environment

- The SBA has reduced the documentation required for many guaranteed loans from a one-and-one-half-inch stack of forms and attachments to a single, two-sided sheet.

- The President's Executive Order on Regulatory Review has established processes to ensure more rational regulation.

- The Regulatory Reform Forum for Small Business has brought regulated businesses and regulatory agencies together to develop comprehensive proposals for reducing regulatory burdens on small businesses.

• The Administration supported a small–business exemption to the Nutrition Labeling Act, which reduces burdens on small food processors.

• The Administration's Superfund legislation provides relief for smaller firms that contributed limited amounts of hazardous wastes, freeing those businesses from lengthy and expensive litigation.

• The Administration has supported judicial review under the Regulatory Flexibility Act, which will ensure that the interests of small firms are adequately considered in the regulatory process.

4. Assisted Women and Minority Businesses

• The Administration has instituted a six–part plan to improve guaranteed lending to women– and minority–owned firms. The initiative includes: an outreach–and–marketing guide for lenders, new outreach efforts by SBA, public disclosure of lenders' §7(a) lending to women– and minority–owned firms, and a demonstration project that provides women–owned businesses with prompt pre–approval of their lending applications.

• The Administration worked with Congress to ensure that a goal for procurement contracts with women–owned business was included in the recent procurement–reform legislation.

• The bank regulatory agencies have proposed reforms to the enforcement of the Community Reinvestment Act that will focus on a bank's performance––on how much a bank lends to and invests in traditionally underserved firms and individuals.

5. The Results:

• **The number of new firms has increased.** In 1993, more than 706,000 new businesses were incorporated––the largest number ever recorded in one year. (Dun & Bradstreet)

• **Small business investment has increased.** A Coopers & Lybrand study shows that 60% of all fast–growing small businesses plan to make major investments over the next year.

INVESTMENT IN FAMILIES AND CHILDREN

• **WIC TO BE FULLY FUNDED:** WIC was put on a full-funding path and funding is projected to increase by $610 million from 1993 to 1995 -- a 21% gain. The new funding will enable the WIC program to increase the number of women, infants and children assisted from 5.9 million in 1993 to a projected 7.0 million in 1995.

• **HEAD START FUNDING WILL INCREASE 28%:** Head Start funding is projected to go up 28% from $2.77 billion in FY1993 to $3.54 billion in FY1995. The new funding will enable thousands more children to enroll in 1995, while also moving many students from part-time to full-time enrollment and improving the quality of the program.

• **$21 BILLION TAX CREDIT FOR LOW INCOME FAMILIES:** The Earned Income Tax Credit was increased by $21 billion, benefitting 15 million working families, so that parents who work full-time and have a child at home would not be in poverty.

• **RELIEF PROVIDED FOR WORKING FAMILIES:** This year, the Department of Labor began implementing the Family and Medical Leave Act, an historic effort to allow working Americans unpaid time off work to care for a sick relative or a new child. Over 42 million workers are covered by the new law and it is estimated that as many as 2.5 million workers will take advantage of it annually.

INVESTMENT IN YOUNG PEOPLE

• **COLLEGE MADE MORE AFFORDABLE:** Borrowers will be able to take advantage of the new direct student loan program by consolidating their guaranteed loans into direct loans. Approximately 20 million borrowers will benefit in the next two years -- 14 million current borrowers and 3 million new ones each year. Some of these borrowers will benefit from lower interest rates, and all will benefit from a greater range of repayment options, including income contingent repayment. Plus, the new student loan program will save taxpayers $4.3 billion over five years.

• **K-12 EDUCATION IMPROVED BY GOALS 2000:** The Goals 2000 bill codifies the National Education Goals and offers grants to states that commit themselves to specific plans for systemic reform of K-12 education. *By school year 1996-97, 20,000 schools will participate in the fundamental school reform that GOALS 2000 is promoting.* 34 states and territories have already received federal grants. Funding for Goals 2000 in FY1995 will be $403 million.

• **FUNDING FOR DISADVANTAGED STUDENTS EXPECTED TO INCREASE BY $532 MILLION FROM FY1993 TO FY1995:** Funding under Title 1 of the Elementary and Secondary Education Act is expected to increase from $6.7 billion in FY1993 to $7.232 billion for FY1995. Title 1 provides assistance to local school districts to help disadvantaged students.

• **HISTORIC NATIONAL SERVICE PROGRAM CREATED -- FUNDING UP ALMOST $500 MILLION -- A 600% INCREASE:** This year, 20,000 AmeriCorps members (more than served during the largest year of the Peace Corps) will tutor students, immunize children, reclaim parks and patrol streets -- and in return receive education awards that make college or job training more affordable. AmeriCorps is scheduled to increase to 33,000 members in FY1995, with a total over the first three years of 100,000 Americans serving our country. Funding is expected to increase to over $550 million in FY1995, from $77 million in FY1993.

• **SCHOOL-TO-WORK PROGRAM WILL HELP STUDENTS GET JOBS -- FUNDING INCREASED FROM $50 MILLION TO $250 MILLION:** President Clinton signed into law the School-to-Work Opportunities Act, a crucial element of the Administration's lifelong learning agenda. With this landmark legislation, the federal government will provide venture capital to spark a nationwide system for moving America's young people smoothly from the classroom to a job with a future. This year, all states, plus the District of Columbia and Puerto Rico, have received funds for planning their school-to-work programs and eight states and 15 localities will receive grants to implement their programs.

INVESTMENT IN WORKERS

• **FUNDING FOR DISPLACED WORKERS DOUBLES TO $1.3 BILLION -- OVER TWICE AS MANY WORKERS WILL BENEFIT:** Funding for training displaced workers (the Economic Dislocation and Worker Adjustment Assistance Act - EDWAA) is expected to be doubled, from $602 million in FY1993 to $1.296 billion in FY1995. The Administration's investment means that 750,000 workers can receive reemployment services during 1995 -- more than double the 1993 level of 350,000. Most dislocated workers rely on this program for reemployment services to help them find new jobs. The increased funding also will enable the Administration to provide more services to all dislocated workers in such areas as basic readjustment services, labor market information, and occupational skills training.

-EARLY HELP PROVIDED TO JOBLESS AMERICANS: Administration legislation enacted last year requires unemployment insurance offices to use demographic and work-history data to determine which of the newly jobless are at risk of long-term unemployment and provide them job search and other reemployment services.

-A NEW GENERATION OF ENTREPRENEURS ALLOWED TO GROW: The Clinton Administration changed the law so that states can allow laid-off workers to start their own businesses without losing their eligibility for unemployment insurance. Under this program, jobless workers can get the training and support they need to create new jobs themselves.

-SKILLS STANDARDS SET SO WORKERS CAN BETTER MARKET ABILITIES: The Goals 2000 initiative will create a national system of voluntary skills standards to certify that workers have the skills necessary for good jobs. Workers whose jobs are covered by the standards will have an objective set of credentials to demonstrate their qualifications.

-ONE-STOP CAREER CENTERS: The Clinton Administration is providing $120 million to assist states that already have one-stop career centers -- which combine job counseling, computerized job information, and sources of training in new skills -- and to help other states build systems that meets the needs of their workforces.

INVESTMENT IN BUSINESS

- **SMALL BUSINESS LOAN GUARANTEES INCREASED BY $2.1 BILLION -- A 33% JUMP:** The amount of funding for the SBA 7A loan guarantee program for small businesses is expected to increase from $6.4 billion in FY1993 to $8.5 billion in FY1995 -- a 33% increase. The additional funding will enable 36% more small businesses to get loans in 1995 than in 1993.

- **SMALL BUSINESS EXPENSING PROVISION INCREASED:** The Administration increased by 75% (from $10,000 to $17,500) the amount a small business can deduct as expenses for equipment purchases. About 1.3 million small businesses are likely to benefit from the expansion of the expensing allowance this year alone *and many more will benefit over the coming years.*

INVESTMENT IN TECHNOLOGY

- **ADMINISTRATION LAUNCHED THE TECHNOLOGY REINVESTMENT PROJECT (TRP) -- FUNDING UP TO $625 MILLION IN FY1995:** The largest multiagency technology program ever conducted by the Federal Government, the TRP was launched by the Clinton Administration to promote commercial-military technology integration. Funding has increased every year and the Administration expects a $625 million investment for 1995.

- **NIST R&D FUNDING MORE THAN DOUBLED TO $855 MILLION IN 1995.** The National Institute for Standards and Technology (NIST) conducts important R&D to support manufacturers and also aids manufacturers in tapping into new sources of information and improved technology. Funding has been increased from $381 million in FY1993 to an expected $855 million in FY1995.

INVESTMENT IN COMMUNITIES

- **FUNDING FOR COMMUNITY POLICING INCREASED BY OVER $1 BILLION:** The Administration has increased funding for community policing from $150 million in FY1993 to $1.3 billion in FY1995. This increased investment is part of the President's program to put an additional 100,000 police officers on the streets over the next five years. Community policing is part of a nationwide police reform effort that increases the contact police officers on the beat have with the community they serve.

- **FUNDING FOR RYAN WHITE AIDS PROGRAM UP 82% TO $633 MILLION:** Funding for the Ryan White AIDS program is expected to increase from $348 million in FY1993 to $633 million in FY1995.

Data updated through October 7, 1994.

• **FUNDING FOR INCREMENTAL HOUSING VOUCHERS MORE THAN DOUBLED:** Funding for new housing vouchers is expected to increase from $1.3 billion in FY1993 to $2.8 billion in FY1995 -- a 115% increase. ($400 million of this increase may go for investments as part of the Secretary of HUD's initiative, pending Congressional authorization.)

• **FUNDING FOR HOMELESSNESS PROGRAMS ALMOST DOUBLES:** Funding for homelessness programs is expected to increase from $572 million in FY1993 to $1.12 billion in FY1995.

NOTE: FY1995 estimates are based on the status of Appropriations bills through September 27, 1994. Amounts may vary slightly due to Conference Committee adjustments.

MAJOR LEGISLATIVE VICTORIES:

Below is a list of some of the most important legislation the Clinton Administration has passed:

- **Family and Medical Leave Act, February 5, 1993.**
  This is an historic effort to allow working Americans unpaid time off work to care for a sick relative or a new child. Over 42 million workers are covered by the new law and it is estimated that as many as 2.5 million workers will take advantage of it annually.

- **Economic Package, August 10, 1993.**
  Evenly balanced between spending cuts and revenue increases, the President's five-year deficit reduction plan is largely responsible for reducing the deficit by $691.7 billion -- $500 billion from policy changes and the rest from strengthening the economy and technical improvements. The greater economic security has caused interest rates to drop, stimulating the economic recovery. *One of the largest deficit reduction plans ever, the Clinton deficit reduction will halve the deficit as a percentage of GDP by 1995.*

- **Student Loan Reform Act, August 10, 1993.**
  New program will enable 20 million borrowers to consolidate their guaranteed loans into direct loans. Borrowers will benefit from lower fees and the option of income contingent repayment -- taxpayers will save at least $4.3 billion over five years.

- **Empowerment Zones and Enterprise Communities, August 10, 1993.**
  After a decade of failed attempts, President Clinton championed the passage of this legislation, which uses tax incentives and flexible grants to promote economic empowerment and private-sector job creation in 104 distressed communities across America. Over 500 communities have taken up the "EZ" challenge, developing comprehensive strategies and forging unprecedented partnerships for community renewal that have made all applicants winners.

- **National Service Act, September 21, 1993.**
  This year, 20,000 AmeriCorps members (more than served during the largest year of the Peace Corps) will tutor students, immunize children, reclaim parks and patrol streets -- and in return receive education awards that make college or job training more affordable. AmeriCorps is scheduled to increase to 33,000 members in FY1995, with a total over the first three years of 100,000 Americans serving our country.

- **NAFTA, December 8, 1993.**
  The Administration forged a bipartisan coalition to pass the NAFTA, after concluding tough negotiations on side agreements covering workers' rights, the environment and import surges. Exports to Mexico have risen 19% thus far this year.

Data updated through October 7, 1994.

- **Federal Workforce Restructuring Act, March 30, 1994.**
As a component of the National Performance Review, this act is part of a process that will help streamline the federal government and improve the quality of federal government services. When the President and Vice President's plan to reinvent government is fully implemented, the federal workforce will have been reduced by over 272,000 workers and will be at its lowest level since the Kennedy Administration.

- **Goals 2000: Educate America Act, March 31, 1994.**
The Goals 2000 bill codifies the National Education Goals and offers grants to states that commit themselves to specific plans for systemic reform of K-12 education. Already 34 states and territories have received federal grants. Funding for Goals 2000 in FY1995 will be $403 million.

- **School-to-Work Act, May 4, 1994.**
A crucial element of the Administration's lifelong learning agenda, this landmark legislation will provide venture capital to spark a nationwide system for moving America's young people smoothly from the classroom to a job with a future. This year, all states, plus the District of Columbia and Puerto Rico, have received funds for planning their school-to-work programs and eight states and 15 localities will receive grants to implement their programs.

- **The Crime Bill, September 13, 1994.**
The $30 billion Crime Bill attacks crime by adding 100,000 police officers, funding comprehensive prevention programs and building more prisons. The legislation also includes strong punishment for criminals by expanding the number of offenses eligible for the death penalty and implementing "three-strikes and your out" for repeat violent offenders.

- **Assault Weapons Ban, September 13, 1994.**
President Clinton successfully challenged gun interests to ban 19 specific types of deadly assault weapons while simultaneously protecting hunters rights by exempting over 650 hunting riles.

- **Community Development Banking and Financial Institutions Act, September 23, 1994.**
The legislation creates a national network of non-traditional grassroots community lending institutions and will inject $4.8 billion of capital into economically distressed urban and rural areas.

- **Interstate Banking Act, September 29, 1994.**
This legislation, which had been languishing in Congress for more than a decade before the Clinton Administration made it a priority, will eliminate most of the remaining barriers to efficient nation-wide banking. By allowing banks to locate branches across state boundaries, it will make banking more efficient and increase the convenience of banking for private consumers.

EXPERTS AGREE THAT PRESIDENT CLINTON'S *DEFICIT REDUCTION* PLAN HAS LOWERED THE DEFICIT AND IMPROVED ECONOMIC CONDITIONS:

Paul Volcker, Chairman, Board of Governors of the Federal Reserve System (1979–1987), quoted in Audacity, Fall 1994:

"The deficit has come down, and I give the Clinton Administration and President Clinton himself a lot of credit for that. ... (W)hat's important is that he acknowledged that it was a big problem and did something about it, fast. And I think we're seeing some benefits."

Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, 1/31/94:

"The actions taken last year to reduce the federal budget deficit have been instrumental in creating the basis for declining inflation expectations and easing pressures on long-term interest rates. Although we may not all agree on the specifics of the deficit reduction measures, the financial markets are apparently inferring that, *on balance, the federal government will be competing less vigorously for private saving in the years ahead. Partly because of these structural adjustments, the foundations of the economic expansion are looking increasingly well-entrenched.*"

Robert D. Reischauer, Director, Congressional Budget Office, 1/27/94:

"The deficit picture is significantly brighter than it appeared one year ago when the Congressional Budget Office projected that the deficit would soar above $350 billion by fiscal year 1998. CBO now projects that the federal budget deficit will fall from $223 billion in the current fiscal year to below $170 billion in 1996, then creep up to $200 billion in 1999. *The dramatic improvement since last January is largely the result of the enactment in August of a major package of tax increases and spending-cuts--the Omnibus Budget Reconciliation Act of 1993.*"

Lehman Brothers, 1/10/94:

"To President Clinton's credit, early last year he rejected an either/or construction for U.S. growth versus deficit reduction. Clinton's blueprint for economic revival had as its centerpiece a multi-year program of deficit reduction, but it promised higher growth in the short run. A move to restrain deficit spending, he wagered, would both lower U.S. long-term interest rates and energize U.S. interest sensitive sectors. Lower deficits, lower long-term rates and higher real growth was the overall promise. With the data now rolling in for December 1993, it seems clear that President Clinton delivered on all three counts over the second half of the year."

EFFECT OF LOWER INTEREST RATES:

Fortune, October 3, 1994:

"[President Clinton's] economic plan helped bring interest rates down, spurring the recovery."

David Jones, Executive Vice President and Chief Economist at government securities firm Aubrey G. Lanston, 8/10/94:

"The bottom line is we had a significant drop in long term interest rates that I would argue was a direct result of the emphasis on deficit cutting."

Paul W. Boltz, Chief Economist for T. Rowe Price Associates, quoted in Business Week, August 29, 1994:

"The low interest rates of '93 have clearly given this economy powerful momentum."

Business Week, 2/7/94

"Both Clinton and the economy head into 1994 on the momentum from a strong showing at the end of 1993. *Lower long-term interest rates, for which the White House can take partial credit*, helped to rev up spending for cars, homes, and durable goods generally, boosting factory orders and production, while better growth in jobs and incomes kept people happy. The good news for the first quarter is that the fundamentals that lifted the economy at the end of last year remain in place, ready to support job growth this quarter."

U.S. News & World Report, 2/14/94:

"The danger is that Washington's ideological clamor will drown out a quiet economic truth: *Last year's budget package changed fiscal policy significantly, and the economy is already responding*. The yield on a 10-year Treasury note averaged just 5.9 percent in 1993, compared with the 6.7 percent forecast by CBO one year ago and consumer spending moderated to 2.7 percent down from 3 percent that CBO had predicted. Clinton's budget for fiscal 1995 will project a deficit of roughly \$178 billion – a dramatic improvement over the \$230 billion shortfall that economists predicted just one year ago. Clinton will propose freezing or cutting budgets at 10 of 14 cabinet agencies and eliminating perhaps 115 separate federal programs."

FUNDAMENTAL ECONOMIC CONDITIONS:

Allen Sinai of Lehman Brothers as Reported by the Washington Post, 3/2/94

"This is the healthiest the American economy has been in 30 years."

Washington Post, 2/14/94

"Slowly, but successfully, the American economy seems at last to have worked through the past two decades' accumulated policy errors and resulting disasters. For the first time in years, official Washington's midwinter forecasts speak of strong performance ahead. One reason for it is the decline in the federal deficit, an achievement being loudly celebrated by the Clinton administration....But there is more, and the optimism goes well beyond the White House. The most cautious of observers, Federal Reserve Board Chairman Alan Greenspan, concedes that the foundations of economic growth "are looking increasingly well-entrenched." Robert Reischauer of the Congressional Budget Office, whom one senator described as "somewhat of a dark messenger in the pasts, sees years of steady growth ahead. Mr. Greenspan points out that core inflation rate is now lower than at any time since the early 1970s .... Next year the CBO calculates, the budget deficit will be smaller in proportion to the size of the economy than in any year since 1979. As a result of those two things, interest rates are low, and business investment is rising powerfully."

OPTIMISM ABOUT EXPECTED ECONOMIC CONDITIONS:

Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, 2/22/94

"The outlook, as a result of subdued inflation and still low long-term interest rates, is the best we've seen in decades."

"The outlook for the U.S. economy is as bright as it has been in decades. Economic activity has strengthened, unemployment is down, and price trends are subdued. In addition, unlike some earlier periods, business spending on new plant and equipment has been an important contributor to growth. This strength in investment will enhance economic efficiency and lay the foundation for the production gains that will bolster the economic welfare of our nation." (Testimony to the House Budget Committee, 6/22/94)

Stephen Roach, Senior Economist at Morgan Stanley (Wall Street Journal, 6/6/94):

"The forces of moderation are now intact. We could grow at 2.5% to 3.0% for two or three years or longer without a major glitch."

Business Week, 7/4/94:

"Indeed a new Business Week/Harris poll shows that top managers are far from fearful of the economic future. Fully 90% of the 401 senior executives surveyed were optimistic about the outlook for the U.S. economy in the next year, up from 83% in a similar query last December. Likewise only half of the executives polled expect long-term interest rates to increase over the next 12 months compares with two-thirds of the respondents six months ago."

David Stockman as Reported by David Broder, 2/8/94:

"The most upbeat analysis of what lies ahead for America, under his (President Clinton's) policies, comes from none other than David Stockman, the architect of the Reagan administration budgets that the Democrats loved to hate. Stockman, now a New York investment banker, showed up in Washington last week with an economic forecast that he acknowledged is brighter and shinier even than those he produced as Reagan's budget director in the early '80s, which Democrats derided as "Rosy Scenario." At a conference here, Stockman drew a picture of: Steady economic growth through the end of the decade, with little or no threat of inflation. A budget deficit sinking to a "comfortable" and infinitesimal fraction of the nation's annual economic output. Health care costs under control, especially if Congress passes a stripped-down version of the Clinton plan."