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[Supply Side/Growth Conference/Small Business/Welfare/Medicare/Deficit Reduction/Minimum Wage/Putting People First/School Construction/Hope Scholarships/Flex Time/Pension Proposal] [Binder] [1]

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Divider Title: **Supply Side**

SUPPLY-SIDE QUOTE PACKET

July 26, 1996

QUOTES BY LEADING REPUBLICANS ON THE IMPORTANCE OF USING CONSERVATIVE ECONOMIC ASSUMPTIONS

- **Sen. Bob Dole, 10/1/93:** "We have to talk as honestly as we can to the American people -- no rosy scenarios, no smoke and mirrors, no juggling the books." [*Des Moines Register*, October 1, 1993]

- **Sen. Bob Dole, 10/28/93:** "We also owe them the truth, which means no smoke and mirrors, no juggling of the books, no rosy scenarios, and we must explain honestly and clearly who gains and who loses and what it will cost."[*NPR*'s "Morning Edition", October 28, 1993]

- **Sen. Bob Dole, 6/6/95:** "[The President's] numbers are way off base....They don't add up. They've got rosy economic assumptions." [*CBS* Face the Nation, June 18, 1995]

- **Sen. Bob Dole, 10/10/95:** "[The President's budget] is all the old smoke and mirrors you get from whoever might be around." [Dole, Gingrich Press Conference, October 10, 1995]

- **Rep. Newt Gingrich, 11/20/95:** "What will not happen under any circumstance is a political deal where we make up a phony number for Washington political purposes to buy off the pressure so we can claim victory." [*St. Louis Post-Dispatch*, November 20, 1995]

- **Rep. Newt Gingrich, 11/15/95:** "We're not open in any way to fudging the figures or getting to a phony number." [*Washington Post*, 11/15/95]

- **Rep. John Kasich, 6/18/95:** "[W]e're not going to use rosy scenarios. We're not going to cook the books, and we're not going to get there on a hope and a prayer." [*NBC* Meet the Press, June 18, 1995]

- **Rep. Dick Armey, 11/23/95:** "We have no need for smoke and mirrors, we have no use for econo-magicians, and we don't date Rosy Scenario." [*Dallas Morning News*, November 23, 1995]

- **Rep. Pete Domenici,** "They just want to opt for rosy economics and cooking the books." [*San Francisco Chronicle*, December 16, 1995]

- **Sen. Spencer Abraham, 12/21/95:** "Too often in the past, we relied on rosy economic projections to make it appear as if we were taking action, whether it was in deficit reduction or in any other area of Federal Government activity, only to see those rosy scenarios unrealized. For that reason, it is in our interest to have a budget office that scores our legislation on a conservative basis." [Congressional Record, December 21, 1995, p. S19030]

- **Rep. Bill Archer, 11/19/95:** "We are making the toughest choices, based on the toughest forecast. That's what the American people want. They don't want a rosy scenario and then wake up seven years from now and we don't have a balanced budget." [*The Sunday Gazette Mail*, November 19, 1995]

- **Rep. Newt Gingrich, 10/10/95:** "We're not going to go to any smoke and mirrors, we're not going to go to any games. This is about having an honest, serious balanced budget. ...This is exactly what's sick about this city. Let's find another smoke and mirrors. It's only been, after all, 60 years of deficits. Let's find one more excuse to lie to the American people. Let's gimmick it up." [Dole, Gingrich Press Conference, October 10, 1995]

- **Rep. John Kasich, 12/5/95:** "All that Senator Domenici and I have been asking for over this year is that we use accurate numbers. That we use correct information. That we don't use smoke and mirrors and gimmicks and some economist ideas down the street. We want the non-partisan, non-attached Congressional Budget Office to add up the math, just like the President asked." [Domenici, Kasich Press Conference, December 5, 1995, Federal Document Clearing House, FDCH Political Transcript]

- **Rep. Bill Archer, 6/3/96:** "We're not going back to dynamic scoring. We Republicans are committed to budget analysis by the Congressional Budget Office." [Sacramento Bee, June 3, 1996]

- **Sen. Spencer Abraham, 12/21/95:** "I should point out that the Congressional Budget Office is taking the same kind of conservative approach that the average American family takes when it projects how it is going to handle its finances. I know in my family, and in families across the country, nobody sits down and says, 'I think I am going to get a big raise in 2 years or 4 years,' and base all their spending decisions on that assumption. Instead, they try to be, if anything, conservative in their expectations so that they do not end up in debt. I applaud the Congressional Budget Office for its efforts to finally bring a conservative, practical approach to the way it does its business." [Congressional Record, December 21, 1995, p. S19030]

- **Sen. Phil Gramm, 11/29/95:** "...many Members of Congress and the White House believe if they could just assume away part of the deficit problem, that they could jointly achieve their objectives.... Let me set down this fourth principle. Any changes that we make in what are called economic assumptions or technical assumptions...that every penny resulting from those changes and assumptions ought to go to deficit reduction. By applying it to deficit reduction, we can guarantee that it will be there if, in fact, things do not turn out to be as rosy as we would like them to be." [Congressional Record, November 29, 1995, p. S17733]

- **Rep. John Kasich, 12/21/95:** "Our balanced budget is an honest and fair plan that uses real numbers, conservative economic assumptions." [Congressional Press Release, December 21, 1995]

- **Rep. John Kasich, 12/6/95:** "it had better be scored and the math added up by the Congressional Budget Office." [Rep. Kasich, *extel examiner*, december 6, 1995.]

QUOTES BY LEADING REPUBLICANS INSISTING ON BALANCING THE BUDGET WITH REAL NUMBERS

- **Senator Bob Dole, 1/6/96:** "We're insisting, Speaker Gingrich and Bob Dole and all these governors and the entire delegation from Iowa, that we want to balance the budget in seven years using real numbers, using congressional numbers, and if we can't get that done, we're not going to make a deal with President Clinton."[CNN News, January 6, 1996]

- **Senator Bob Dole, 1/13/96:** "[I am]somebody who believes in...balancing the budget in seven years with real numbers."[Iowa Republican Presidential Debate, January 13, 1996]

- **Rep. Bill Archer, 6/3/96:** "We Republicans are committed to a balanced budget by 2002. It is difficult to see how we could enact a massive tax cut that's being talked about for the Dole campaign." [Sacramento Bee, June 3, 1996]

- **Sen. Trent Lott, 11/16/95:** "We are perfectly willing to talk to the President about the chapter-and-verse details of how exactly do we get a balanced budget in seven years. What we are not willing to talk to the President about is whether or not we will do that." [San Francisco Chronicle, November 16, 1995]

- **Sen. Pete Domenici, 12/15/95:** "You will find, Mr. President, you will find that we have only one goal in mind. Everything else is on the table, Mr. President, but not the one thing that is sacred to our commitment, and that's a balanced budget in seven years...using the new Congressional budget office as our economic source." [Gingrich, Kasich, Dole, Domenici press conference, Federal News Service, December 15, 1995]

- **Sen. Pete Domenici, 11/14/95**: "[A]ll we ask is that the president commit to a seven-year balanced budget using real economics." [Kasich & Domenici press conference, *Federal News Service*, November 14, 1995.]

- **Rep. Gingrich 12/13/95:** "They owe the country a CBO-scored, seven year balanced budget." [Rep. Gingrich, *Los Angeles Times*, December 13, 1995]

- **Rep. Brian Bilbay (R-CA), a Leader of the Freshman Republicans, 12/23/95:** "We differ on some things. But we all agree on a seven-year balanced budget using Congressional Budget Office economic assumptions." [*San Diego Union-Tribune*, 12/23/95]

- **Rep. John Kasich, 11/14/95:** "Frankly, we don't ask for a lot. We ask for nothing more than a commitment to do this in a seven-year period. The priorities within that seven-year plan are negotiable. But what is not negotiable is negotiating away the principle of the need to exercise fiscal discipline and balance the budget over a seven-year period of time." [Kasich & Domenici Press Conference, *Federal News Service*, November 14, 1995.]

QUOTES BY LEADING REPUBLICANS AND ECONOMISTS ON USING CONSERVATIVE ECONOMIC ASSUMPTIONS AND NOT DYNAMIC SCORING

- **Rep. Bill Archer, 6/3/96:** "We're not going back to dynamic scoring. We Republicans are committed to budget analysis by the Congressional Budget Office." [Sacramento Bee, June 3, 1996]

- **Rep. John Kasich, 10/19/95:** "We didn't use dynamic scoring, we didn't use smoke and mirrors." [National Press Club Debate with Alice Rivlin, October 10, 1996]

- ***Business Week* Editorial Board, 12/12/94:** "It [dynamic scoring] may be the most dangerous thing to hit Washington since politicians discovered how to print money." [Business Week, December 12, 1994, p. 126]

- **Senator Pete Domenici, 11/16/94:** "The static model is not without shortcomings. But the dynamic model has many of the same problems, if not more." [*Washington Post*, 11/16/94]

- **Senator Pete Domenici, 11/16/94:** "...we never tried the dynamic system, but we understand there are very major flaws in it." [MacNeil/Lehrer NewsHour, 11/16/94]

- **Paul Volcker, former Federal Reserve Chairman. 1/10/95:** "If Congress switches to dynamic scoring, I won't believe any of the numbers anymore" [Oral testimony before a joint hearing of the House and Senate Budget Committees, January 10, 1995, p. TK]

- **Paul Volcker, 1/10/95:** "Quantification of the effects of tax changes and the medium-term growth of the economy have no solid or theoretical base. ... To make such assumptions in revenue estimating is simply an invitation to wishful thinking...." [Oral testimony before a joint hearing of the House and Senate Budget Committees, January 10, 1995, p. 78]

- **Paul Volcker, 1/10/95:** "There can be no doubt, however, of the skeptical judgment that the market as a whole will make about dynamic revenue estimates resting on weak and highly controversial assumptions about the effects of tax reduction on productivity growth or the level of economic activity a few years ahead." [Oral testimony before a joint hearing of the House and Senate Budget Committees, January 10, 1995, p. 78]

- **Alan Greenspan, Federal Reserve Chairman, 1/10/95:** "Expectations of deficits in financial markets resulting from a perception that tax and outlay choices were being driven by optimistic scoring would only exacerbate this trend [of high real long-term interest rates] with negative consequences for financial stability and economic growth." [Oral testimony before a joint hearing of the House and Senate Budget Committees, January 10, 1995]

- **Alan Greenspan, Federal Reserve Chairman, 1/10/95:** "Should financial markets lose confidence in the integrity of our budget scoring procedures, the rise in inflation premiums and interest rates could more than offset any statistical difference between so-called static and more dynamic scoring. ... [T]he current relatively straightforward scoring system has served us well in many regards." [Oral testimony before a joint hearing of the House and Senate Budget Committees, January 10, 1995]

- **Alan Greenspan, Federal Reserve Chairman, 1/10/95:** "Clearly our political process has a bias towards deficit spending. Accordingly, we should be especially cautious about adopting technical scoring procedures that might be susceptible to overly optimistic assessments of the budgetary consequences of fiscal actions." [Oral testimony before a joint hearing of the House and Senate Budget Committees, January 10, 1995, p. TK]

- **CBO Director June O'Neil, 11/13/95:** "Erring on the side of caution increases the likelihood that a balanced budget will actually be achieved in the time desired." [Investor's Business Daily, November 13, 1995]

- **Kenneth Kies, Staff Director, Joint Committee on Taxation, 1/10/95:** "There are difficult practical and theoretical hurdles to overcome prior to including macroeconomic effects in Joint Committee staff revenue estimates." [Prepared testimony before a joint hearing of the House and Senate Budget Committees, January 10, 1995, p. 55]

- **Kenneth Kies, 1/10/95:** "Revenue estimates prepared by the Joint Committee [on Taxation] staff are not static, as has been frequently suggested. The Joint Committee staff's estimates are dynamic to the extent they take account of the direct behavioral responses that can be expected from proposed changes in the tax laws." [Prepared testimony before a joint hearing of the House and Senate Budget Committees, January 10, 1995]

- **Rudolph Penner, Director of Economic Studies, KPMG Peat Marwick, 1/10/95:** "[T]he considerable cost -- and I mean time and money cost -- of changing estimating conventions related to economic growth and aggregate demand are not worth it." [Oral testimony before a joint hearing of the House and Senate Budget Committees, January 10, 1995, p. 92]

- **Paul Volcker, 1/10/95:** "To the extent that such new estimating techniques damage both he expectations and the reality of working toward a balanced budget -- and I believe that to be the case -- then the result will be higher interest rates than otherwise, reduced prospects of savings and investment and poorer investment in productivity over time, not better." [Oral testimony before a joint hearing of the House and Senate Budget Committees, January 10, 1995, p. 78]

- **Uwe Reinhardt, Princeton University Economist, 1/9/95:** "Dynamic scoring, in theory, sounds reasonable.... But, in fact, you can get any number of economists to give you just about any estimate you want. ... [Y]ou can always find somebody who will spin the yarn you want spun for a fee; and that is why you will, essentially, abandon scoring, period, when you score totally dynamically." ["Moneyline," CNN, January 9, 1995]

- **Henry Aaron, Director of Economic Studies, the Bookings Institution, 1/10/95:** "[R]evenue estimating techniques should not depend on predicted responses... about which analysts strongly disagree and on which the record of prediction is so poor." [Oral testimony before a joint hearing of the House and Senate Budget Committees, January 10, 1995, p. 151]

- **Henry Aaron, 1/10/95:** "[A] Professional consensus does not exist on the size and, in many cases, the direction of the effects [of changes in tax provisions]. The assertion of supply side offsets to tax changes when unsupported by analytical consensus will, I believe, bring swift punishment from financial markets." [Oral testimony before a joint hearing of the House and Senate Budget Committees, January 10, 1995, p. 150]

Dole on Supply-Side Economics

Senator Dole: *"It's easy to cut taxes but what do you do with that. You have to add it to the deficit unless there is an offset. Now, if they can offset the tax cut with a spending freeze or a spending reduction...that would make good economic sense. But a tax cut by itself, as some of the supply-siders might advocate, would be bad medicine."* [Los Angeles Times, 8/17/92; NBC's "Meet The Press," 8/16/92]

Dole on *Larry King Live*, November 4, 1992:

Caller:	[H]ave you changed your views on supply-side economics?
Sen. Dole:	I never was in that camp, if you go back and look at the record. I used to tell the story that somebody told me -- a good-news-bad-news joke. The good news is that a busload of supply-siders went over the cliff. The bad news was that there were three empty seats. So, you know...
King: [laughs]	You were never a supply-sider.
Sen. Dole:	I'm a traditional Republican who believes that you ought to restrain spending if you're going to cut taxes. I don't think you can just cut taxes alone and get gain without pain....
King:	And you have long argued....
Sen. Dole:	That's been my...you know, my firmly-held belief.

Senator Dole: *"Just our view, just makes good sense if you're going to cut taxes, you have to pay for tax cuts with spending cuts."* [CNN's "Moneyline," 1/6/95]

Senator Dole: Supply-side economics was *"something I've never understood," and "it's had a fair chance to work," and it failed. Dole concluded, "My view is that there isn't an easy way."* [Washington Post, 11/9/87]

Senator Dole: *"I don't have any quarrel with supply-siders; I just haven't seen it work yet. there aren't any painless ways to (reduce the debt). You've got to do it the hard way."* [Columbus Dispatch, 4/16/93]

Dole on Forbes-Kemp Flat Tax

Senator Dole In Iowa: *"We've got somebody out there talking about how a flat tax will cure everything -- headaches, bunions, any problems you've ever had."* [Los Angeles Times, 1/28/96]

Senator Dole: *"We're either going to add to the deficit or not everybody's going to get a tax cut. you can't have it both ways."* [New York Times, 2/19/96]

Senator Dole: Called a Forbes-Kemp style flat tax *"snake oil."* [AP Online, 2/16/96]

Dole Campaign Commercial: *"The Forbes plan increases the deficit by $186 billion a year, raising taxes on working families....Raising taxes 25 percent on working families."* [AP, 2/5/96]

ECONOMISTS ON SUPPLY-SIDE

- **Paul Krugman, Professor of Economics at Stanford University:** "The conservative claim to have found the secret of growth is entirely false -- there was no sign of an acceleration of long-term growth rates at any point during the twelve years of conservative rule, except, ironically, at the very end. The insistence of supply-siders on claiming glorious success was at first an infuriating piece of intellectual dishonesty, although in the aftermath of Bush's defeat it seems less infuriating than pitiful." (Peddling Prosperity, 1994, p. 108)

- **Paul Krugman:** "When Ronald Reagan was elected, the supply-siders got a chance to try out their ideas. Unfortunately, they failed." (The Age of Diminished Expectations: U.S. Economic Policy in the 1990's, 1992, p. 16)

- **Jeffrey Sachs, Professor of Economics at Harvard University and Felipe B. Larrain, Professor of Economics at Pontificia Universidad Catolica de Chile:** "The arguments of the supply-siders were at least partially responsible for the sharp cut in U.S. income tax rates in the early 1980's. The increase in income resulting from better work incentives, they said, would more than pay for the revenues lost from a lower tax rate. But things did not turn out that way: total tax revenues declined, and the U.S. budget widened substantially." (Macroeconomics in the Global Economy, 1993, p. 213)

- **John Kenneth Gailbraith, Professor of Economics Emeritus at Harvard University:** "[The Stock Market Crash of 1987]...marks the last chapter of Reaganomics. It is the product of supply-side economics -- the irresponsible tax cut, the high interest rates that bid up the dollar and subsidized imports. . . .This is the end product of Arthur Laffer's supply-side economics and Milton Friedman's experiment with monetarism." (National Review, March 15, 1993, p. 32)

- **Benjamin Friedman, Professor of Economics at Harvard University:** "[Ronald Reagan's]...economic program called for actions on a variety of fronts, intended to restore America's productivity growth to prior levels. . . .What is different now is that we are nearly a decade down the road of sustained low growth in our productive capacities and owe to foreigners a large and growing slice of even what our diminished capacities can produce." (Day of Reckoning: The Consequences of American Economic Policy, 1989, p. 49)

- **Martin Feldstein, Professor of Economics at Harvard University and former Chai of the Council of Economic Advisors under Ronald Reagan**: "Moreover, some of the [Reagan] Administration spokesmen who actually believed the extreme supply-side theory predicted that the new policy would cause an immediate surge in economic growth and productivity and a rapid decline in the rate of inflation. It is abundantly clear that the economy's performance is not living up to these naive and euphoric forecasts." (Supply-Side Economics in the 1980's: Conference Proceedings, 1982, p. 147-148)

- **Martin Feldstein:** "The experience since 1981 has not been kind to the claims of the new supply-side extremists that an across-the-board reduction in tax rates would spur unprecedented growth, reduce inflation painlessly, increase tax revenue, and stimulate a spectacular rise in personal saving. Each of those predictions has proven to be wrong." (American Economic Review, May 1986, p. 29)

- **Lawrence Chimerine, Managing Director and Chief Economist at the Economic Strategy Institute:** "An accurate reading of the evidence, however, reveals that the tax cuts of the early 1980s failed to deliver the benefits promised by the supply-siders, and the expansion of the 1980s was anything but a supply-side miracle. In actuality, superficial prosperity masked a steady worsening of the underlying economic fundamentals." (Challenge May/June 1996 p. 29)

- **Herbert Stein, American Enterprise Institute and former Chair of the Council of Economic Advisers under Richard Nixon:** "We had one Ronald Reagan; I'm not sure the country can afford another one. . . .[Supply-side economics] is just a fringe movement. All the evidence is against them. . . . It appeals partly because people want to believe it and partly because they don't care if it isn't true. They don't care about deficits." (The Washington Post, March 12, 1996)

- **Herbert Stein:** "In 1980 the Reagan campaign team was saying, or implying, that a large tax cut would raise the revenue, that inflation could be sharply reduced without a recession, and that tens of billions of dollars of expenditures could be cut out of the budget without injury to anyone except a few bureaucrats. None of these things turned out to be true or should have been expected to be true." (Reagan and the Economy: The Successes, Failures & Unfinished Agenda, 1987, p.XV)

- **Charles Schultze, Bookings Institution:** "There are, of course, the supply side romantics who promise that large tax cuts would so energize firms and workers that capacity growth itself would speed up sharply. But those promises are grossly exaggerated, and in any event, supply-side measures only take effect very gradually." (The Nightly Business Report, February 22, 1996)

- **Charles Schultze:** "The supply-siders, who became prominent in the early 1980's vastly exaggerated the efficacy of supply-side policies, and what lower taxes and deregulation could accomplish. . . .The federal government ought to be deeply concerned with the effects of its various fiscal, tax, and regulatory policies on the level and the growth of potential GNP. . . .There is a common thread running through this and the subsequent memos dealing with the supply-side." (Memos to the President: A Guide Through Macroeconomics for the Busy Policymaker, 1992, p. 220)

- **Henry Aaron, Bookings Institution:** "One of the greatest intellectual mysteries of the 1980's is how people who have been so consistently wrong in emphasizing the fiscal benefits of tax cuts have the temerity to argue that the growth of the economy over the long run is going to be harmed by...[Clinton's] proposals." (St. Louis Dispatch, Feb. 21, 1993, pg. 1E.)

- **Alan Blinder, Professor of Economics at Princeton University:** "I'd like to call your attention to the right-most bar, which shows that real wages during the supply side period grew at about a quarter of a percent a year over an 11-year period. That's a national tragedy." (Federal News Service, December 14, 1992)

- **Alan Blinder, Professor of Economics at Princeton University and former Vice-Chair of the Federal Reserve:** "Now, America's first response to the productivity slowdown problem actually worsened the inequality program, and I refer, of course, to supply side economics, or trickle-down economics, whatever you'd like to call it." (Federal News Services, December 14, 1992)

- **Robert J. Frank, Professor of Economics at Cornell University; Philip J. Cook, Professor of Public Policy at Duke University:** "Indeed, Reagan administration officials went so far as to embrace the "Laffer Curve," a relationship claiming to show that reductions in tax rates would so stimulate the economy that total tax revenues would actually rise. Events of the past decade have cast doubt on the empirical validity of the notion that tax rate reductions cause economic growth." (The Winner-Take-All Society, 1995, p.123

- **James Tobin, Professor of Economics at Yale University:** "The promise of the Reagan era turned out to be empty, indeed worse than empty. They failed at the supply-side bottom line, which is accelerating productivity."(;The Washington Post, January 21, 1990, p. B1)

- **James Tobin:** "During the Reagan years poverty and inequality have increased in the United States. The President's promise that supply-side incentives would create a 'rising tide' that 'lifts all boats' has not been fulfilled." (Policies For Prosperity, 1987, p.81)

- **Walter Heller, Professor of Economics at the University of Minnesota and former Chair of the Council of Economic Advisers:** "[Supply-side] has not delivered anything it promised to deliver. That is not to say that tax cuts won't stimulate more investment. It is just the notion that cutting the gizzards out of income taxes will produce torrents of work effort and savings that is what is just nonsensical." (New York Times, June 30, 1982, p.1)

- **Paul Volcker, former Chairman of the Federal Reserve Board:** "My conclusion is very simple. Quantification of the effects of tax changes on the medium term growth of the economy has no solid theoretical or empirical base. To make such necessary speculative assumptions in revenue estimating is simply an invitation to wishful thinking." (Financial Times, Jan. 11, 1995, p.5)

- **William Baumol, Professor of Economics at Princeton University and former President of the American Economic Association**: "The opportunity [the supply-siders]...have had has not been perfect, but it never is. [The supply-siders]...have had as clear a shot at what they wanted to do as ever they could have had, and the results have been predictable - even worse than could have been expected." (New York Times, June 30, 1982, p.1)

- **Lawrence Klein, Nobel Laureate in Economics, Professor of Economics at University of Pennsylvania:** "Supply-side economics was oversold from the beginning. There was always a kernel of truth. But the numerical response is really too small and too slow to do what supply-side economists claimed." (New York Times, June 30, 1982, p.1)

- **Hobart Rowan, Economics Columnist for The Washington Post:** "The tax giveaways of the first Reagan term also contributed to the S&L Disaster. As William Greider wrote in 1992, the 1981 tax legislation provided breaks for commercial real estate so generous 'that it launched the nation's gaudy boom in new office buildings--the boom that collapsed in bankruptcies at the end of the decade. When the real estate lending regulations were loosened for commercial banks in the 1982 financial legislation, the stage was fully prepared for the great financial collapse that engulfed both builders and their bankers later--and led to another taxpayer bailout.'" (Self Inflicted Wounds: From LBJ's Guns and Butter To Reagan's Voodoo Economics, 1994, p.222-3)

- **David Stockman, former Director of the Office of Management and Budget under Ronald Reagan:** "[T]he naive supply-siders just missed this whole dimension. You don't stop inflation without some kind of dislocation. . . .Supply-side was the wrong atmospherics--not wrong theory or wrong economics but wrong atmospherics. . . .The supply-siders have gone too far. They created this nonpolitical view of the economy. . .and their happy vision of this world of growth and no inflation with no pain." (The Political Economy of Reaganomics: A Critique, 1982, p. 103)

- **Gene Epstein, Barrons:** "[T]he Reagan years not only witnessed a decline in the personal savings rate, but growth rates in GDP and personal income that lagged behind those in the two prior periods of sustained economic growth." (Barrons, July 27, 1992, p. 5)

- **Robert Kuttner, Economics Correspondent for the New Republic:** "Supply-side economics was a fraud in 1980, and it's still a fraud in 1988. The only difference is that the economy is a trillion dollars in debt." (Business Week, Oct. 31., 1988, p. 16)

- **Russell B. Long, former Chairman of the Senate Finance Committee:** "[A]fter ten years under Presidents Reagan and Bush, the debt, as a percentage of the GNP, is now back to where it was toward the end of the Eisenhower administration. In terms of fiscal and monetary prudence, America has lost the ground it gained under Kennedy, Johnson, and Nixon." (American Economic Policy in the 1980's (Symposium), 1994, p.224)

- **David Warsh, Economics Journalist:** "[T]he supply-siders lost their credibility when they chose not to deal intellectually or politically with the most important consequence of the tax act of 1981, meaning the enormous federal deficits that ensued. . . .Today there is little evidence that the supply-siders were right, and much evidence that they were wrong. (The Consequences of Economic Rhetoric, 1988, p. 258)

- **Samuel Bowles, Professor of Economics at the University of Massachusetts, David M. Gordon, Professor of Economics at the New School for Social Research and Thomas E. Weisskopf, Professor of Economics at the University of Michigan:** "The Reagan team won most of the legislative battles in the 1980's. The contradictions of their economic program carried such a heavy cost that the victory left little to celebrate, even for the winners." (Challenge Jan./Feb. 1991)

- **Charles B. Garrison, Professor of Economics at the University of Tennessee:** "Supply-side advocates are left with no empirical support for their positions. The increase in the personal saving rate after the 1964 tax cut at least permitted supply-siders to speculate that a reduction in the marginal tax rate, by increasing personal saving, released resources for a burst of business fixed investment. But the experience of the 1980's has robbed them of even that argument." (Journal of Economic Issues, Dec. 1990)

- **Wallace C. Peterson, Professor of Economics Emeritus at the University of Nebraska:** "But the numbers--and theory--of supply-side arguments just don't add up. Now it's as clear as ever: Snake oil remedies are still snake oil, and voodoo economics is still voodoo economics." (Washington Monthly, April 1996)

- **Thomas D. Boston, Professor of Economics at the Georgia Institute of Technology:** "Whenever someone promises that all Americans can pay lower taxes and the government will get more revenue, they are saying that we can have our cake and eat it too. Some professional economists call this supply-side economics. Others call it what it is, voodoo economics." (Black Enterprise, May 1996, p. 28)

- **Sidney Weintraub, Professor of Economics at the University of Pennsylvania and Marvin Goodstein:** "Supply-side economics, in mid-1982, is in a state of shambles, with recession growing and deficits ballooning." (Reaganomics in the Stagflation Economy, 1983, p.31)

- **Steven Fazzari and Benjamin Herzon, Professors of Economics at Washington University in St. Louis:** "The benefits of a capital gains tax cut will accrue disproportionately to the wealthy, and there is little evidence that the economy will experience much of a gain in output, employment, or living standards that might justify such a regressive tax policy." (Public Policy Brief: Capital Gains Taxes and Economic Growth, 1996, p. 30)

- **Allen Sinai, Chief Economist at Lehman Brothers:** "You cannot through tax cuts create enough growth to give enough revenue to pay for the tax cuts. For every $1 of tax cuts, you only get back about 30 to 40 cents of additional revenue." (New York Times, Sept. 18, 1984, p.1)

- **Donald W. Kiefer, Congressional Research Service:** "If you look at the 1981 and 1982 data, you cannot sort out any actual supply-side effects. There may be a supply-side effect there, but the presumption is the supply-side effect probably would be small." (New York Times, Sept. 18, 1984, p. 1)

- **Paul W. McCracken:** "The [supply-side] miracly didn't occur. There was never any reason for it to do so." (Christian Science Monitor, March, 9, 1982, p.10)

- **Isabel Sawhill, Urban Institute:** "The 1981 tax cut was the most significant thing that led to this deficit problem." (Los Angeles Times, Oct. 26, 1990)

- **Murray L. Weidenbaum, former Chairman of the Council of Economic Advisors:** "[W]e must label as wishful thinking the notion that the way to cut government spending is to cut taxes." Unless spending is also cut directly. [Big taxes translate] into larger budget deficits." (Business Week, Jan. 17, 1983, p.14)

- **Hans J. Mast, Chief Economist of Credit Suisse Bank in Zurich:** "The supply-side economists are obviously right when they say that a big tax cut can balance the budget, because a big tax cut will generate so much inflation that tax revenues would rise to extraordinarily high levels. But that kind of a tax cut does no one any good." (Business Week, Dec. 1, 1980, p.104)

- **Lester Thurow, Professor of Economics and Management at the Massachusetts Institute of Technology:** "The key to avoiding dramatic cuts in consumption is to boost investment progressively, so that the rich proportionally cut back on consumption more than the poor. 'Supply-side" policies which hoped to boost investment by giving tax breaks to the wealthy have failed. All Americans will have to pitch in to finance our future, and the wealthy must pay their share." (Chicago Tribune, Dec. 10, 1988, p. 15)

- **Barry Bosworth, Bookings Institution:** "Tax reductions motivated in part by a desire to increase private saving and investment have, in combination with higher government spending, increased government dissaving. The final result may be reverse in that national saving and domestic capital formation will be reduced rather than increased. . ."(The Washington Post, Aug. 12, 1984, F4)

- **Gregory B. Mankiw, Professor of Economics at Harvard University:** "I don't see any economic movement like supply-side economics out there ready to burst on the scene. And that may not necessarily be a bad thing." (The Washington Post, Oct, 2, 1994, p.H1)

- **Michael Evans, President of Chase Econometrics:** "I would expect that a further cut in rates would be proportional to what happened the first time we did this in 1981. And there is no evidence that the personal saving rate went up or participation in the labor force changed as a result of the 1981 tax rate cuts." (The New York Times, Nov. 30, 1985, p.29)

- **Wayne Nordberg, Economist at Prescott Ball & Turben:** "The figures now confirm that what we were told was an economy driven by supply-side tax and spending reform was nothing more than an extreme example of Keynesian stimulation. . . .This is an ominous sign of accelerating financial deterioration and a banking system that is less safe today than when President Reagan took office." (1985 Penton/IPC, Industry Week, May 13, 1985, p.19)

- **John Cassidy:** "Ronald Reagan's tax cuts put the economy on the path to fiscal chaos: budget deficits lead to higher interest rates and lower business investment, and lower investment, in turn, restricts productivity growth and technical progress, which are the keys to future prosperity." (New Yorker, June 10, 1996, p.38)

- **Michael Boskin, Professor of Economics at Stanford University and former Chairman of the Council of Economic Advisors under Ronald Reagan:** "[T]he complexity of the effects of taxes, inflation, and other government policies on the factors of supply had been underestimated. Although supply-side incentive effects are large enough to be of major concern, they are neither so large nor so immediate that broad across-the-board tax rate cuts could increase supply enough to be self-financing. . . .Despite these limits, some advocates dramatically overstated the case for supply-side economics.They claimed that tax cuts would unleash such a frenzy of economic activity that they would be self-financing, eliminating the need to worry about first controlling government spending. The argument was often supported by the 'Laffer Curve', which claimed to show that above a certain tax rate, further rate hikes would cause tax revenues to fall. While this is true in specific cases where savings or investment or work effort can be altered in the short-run, there was no evidence to suggest that it was true in general." (Reagan And The Economy: The Successes, Failures Unfinished Agenda, 1987, p. 43)

- **Robert E. Hall and John B. Taylor, Professors of Economics at Stanford University:** "[O]ne might expect that a cut in income taxes would stimulate work by improving incentives. A prime selling point of the supply-side policies put into place in 1981 was precisely this incentive argument. But a cut in income taxes also makes people better off, which depressed labor supply. The net effect of a simple tax cut could therefore be quite small. . . .A prediction of large stimulus to employment and output from tax cuts would be contrary to the evidence." (Macroeconomics: Theory, Performance, and Policy, Second Edition, 1988, p.373)

- **William A. Niskanen, Chairman of the Cato Institute and former member of the Council of Economic Adviser under Ronald Reagan:** "Supply-siders...should consider why the reduction in tax rates has not (yet) increased economic growth. . . .What is left of supply-side economics?. . .the experience since the tax law of 1981. . . .refuted the irresponsible conjectures of some supply-side polemicists that a general reduction in tax rates would substantially increase economic growth and might increase tax revenues. (Reaganomics: An Insider's Account of the Policies and the People, 1988, p.318, 326)

- **Anandi P. Sahu and Ronald L Tracy, Professors of Economics at Oakland University:** "With respect to reduction in the budget deficits and restraints on federal spending, the Reagan administration seems definitely to have failed. In fact, the failure to implement spending restraints contributed to the failure of the Reagan tax cuts to promote economic growth. Similarly, various tax initiatives and reforms resulted in inconsistent tax changes, and thus failed to deliver on the administration's promise of improved economic efficiency. . . .Overall, the supply-side policies do not seem to have spurred the robust economic growth that was expected. . . .Several economic problems, such as the budget and trade deficits and the consequences of lenient regulatory enforcement, remain." (The Economic Legacy of the Reagan Years: Euphoria or Chaos?, 1991, p. 16-17)

- **W. Michael Blumenthal, former Secretary of the Treasury:** "The theory that you can lick inflation by running a loose fiscal policy, cutting taxes heavily for individual taxpayers rather than skewing the reductions to stimulate investment, had a lot of political appeal, but it was always too good to be true. There never were any data to support the supply-side ideas . . . and the notion that somehow monetary policy can take up the slack without interest rates rising -- and staying unacceptably high -- was always no more than a dream. (Land of Opportunity: The Entrepreneurial Spirit in America, 1986, p.10)

- **Charles W. Bischoff and Edward C. Kokkelenberg, Professors of Economics at the State University of New York and Ralph A. Terregrossa, Professor of Economics and Finance at St. John's University:** "As for the direct effects of the Reagan tax policies on equipment investment, the net effects are calculated to be small because the policies cancelled each other out." (The Economic Legacy of the Reagan Years: Euphoria or Chaos?, 1991, p.37-38)

- **Gary Burtless, Bookings Institution:** "One of the early hopes of the Reagan administration was that dramatic changes in U.S. tax and transfer policy could spur equally dramatic improvements in national savings, investment, work effort, and entrepreneurship. . . .They have not brought the nation a supply-side miracle." (The Economic Legacy of the Reagan Years: Euphoria or Chaos?, 1991, p. 43, 62)

- **Augustin Kwasi Fosu, Professor of Economics at Oakland University:** "The Burtless chapter examines the extent to which the Reagan administration policies of the 1980's may have augmented labor supply in the U.S. economy. . . .The empirical analysis shows little or no evidence in favor of positive impacts of Reagan-era policies on labor force participation rates of men or women overall. Indeed, the effect is negative for women as a group." (The Economic Legacy of the Reagan Years: Euphoria or Chaos?, 1991, p.64)

- **Robert Lekachman, Professor of Economics at the City University of New York:** "[Reagan's] administration has been engaged in a massive redistribution of wealth and power for which the closest precedent is Franklin Roosevelt's New Deal, with the trifling difference that FDR sought to alleviate poverty and Ronald Reagan enthusiastically enriches further the already obscenely rich. Most of the benefits of 1981's tax legislation will flow to large corporations and their affluent stockholders, other prosperous individuals, commodity traders, military contractors, and truly greedy dabblers in oil, gas, and coal properties." (Greed is not Enough, 1982, p.3)

- **Thomas D. Willett, Professor of Economics at Claremont Mckenna College:** "[P]resident [Reagan] appeared to embrace yet a third view--that with a proper mix of policies, inflation could be subdued and growth could be stimulated simultaneously and painlessly. This new brew of economic medicine combined the magic of supply-side tax cuts with elements of 'rational expectations' economics and monetarism. Few mainstream economists were surprised when the president's rosy scenario failed to come to pass. Even at the time, many economists criticized the administration's optimistic initial projections, which were based on suppositions inconsistent with historical experience." (Reaganomics: A Midterm Report, 1983, p.12)

- **Stephen Rousseas, Professor of Economics at Vassar College:** "With what was added on top of a fraudulent Laffer Curve, the budget was left spinning our of conrol. It could not be balanced. Large deficits were clearly in the works. The [Reagan] administration's model had not only been based on a "theory" that even [David] Stockman knew could not work; it had been sabotaged by the greed of special interests and by a compliant Congress which knew a God-sent opportunity when it saw one." (The Political Economy of Reaganomics: A Critique, 1982, p. 103)

- **Norman Ture, Institute for Research on the Economics of Taxation:** "It would be a mistake, I believe, to represent the fine performance of the U.S. economy during the last several years as validation of supply-side economics and policies. . . .One would be hard put...to demonstrate that any of the favorable economic developments of the past several years were uniquely the result of public policy initiatives properly identified as supply-side policies during that period." (Supply-Side Agenda for Germany, 1989, p.131)

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ARTICLE

Supply Side Economics Scorecard, Part 1: Saving

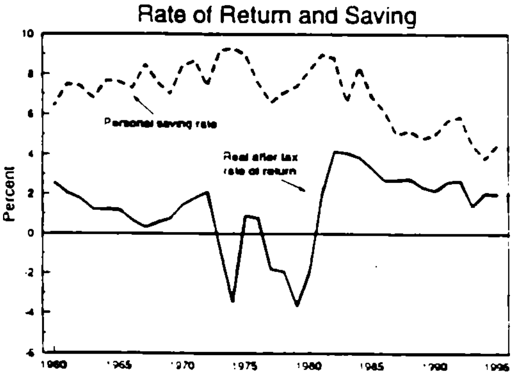
Across-the-board cuts in income tax rates may become an issue as the campaign progresses. They will likely be justified by supply-side arguments asserting, first, that people's economic behavior is highly responsive to changes in the after-tax return to work, saving and investment and, second, that such tax cuts will "pay for" themselves through increased economic activity. This article on saving and a subsequent article on labor supply will examine whether the supply-siders' claims are grounded in economic analysis and evidence.

The theory. Theory suggests that a tax cut raising the after-tax rate of return on saving has two effects that work in opposite directions. On the one hand, it increases the reward to saving. On the other, it reduces the need to save. The first effect encourages saving because each dollar saved now generates more future income and hence permits more future consumption. The attractiveness of future consumption rises relative to current consumption. The second effect discourages saving because a higher after-tax return allows people to spend more on current consumption and more on future consumption with less current saving. Economic theory cannot say which effect will be larger.

A review of the statistical evidence. Since World War II, many economists have tried to estimate the responsiveness of overall saving to changes in interest rates. The results have been inconclusive: some studies have found that saving is completely unresponsive to changes in interest rates, while others have found moderate or even large saving responses (the larger estimates claim that saving increases by 4-6 percent when after-tax interest rates increase by 10 percent). Data limitations and reasonable differences over appropriate methodology preclude a definitive sorting out of this evidence. Statistically, it is difficult to disentangle the effects of economic shocks like recessions and oil shocks that can affect both saving and interest rates simultaneously. Also, different studies make different adjustments for inflation, taxes, business cycle effects, and income growth.

The CEA, after reviewing the evidence, concludes that the expected response of saving to changes in after-tax interest rates is quite small, though not zero. A plausible estimate is that a 10 percent increase in the after-tax interest rate (say, from 5 percent to 5.5 percent) would yield about a 1 percent increase in saving (from about $240 billion to $242 billion).

Rate of Return and Saving



The historical record. The chart shows movements in the U.S. saving rate and real after-tax interest rates for the period

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1960-95. It is noteworthy that when the real after-tax rate of return fell and became negative during the late 1970s, the personal saving rate stayed relatively high; and when the after-tax rate of return climbed substantially during the early 1980s, the saving rate fell. To be sure, there were other changes occurring in the economy that might have accounted for these movements, but this simple evidence makes it hard to discern a strong relationship between after-tax returns and aggregate saving.

Tax cuts, deficits, and growth. The essential supply-side justification for tax cuts is that they will raise the economy's long-term growth rate. With respect to saving, these incentives must increase the share of GDP devoted to national saving (private saving plus public saving) and ultimately, investment. The box presents illustrative calculations indicating that such an outcome is unlikely. For reasonable estimates of saving responsiveness, the revenue loss from the tax cut produces a decline in public saving (an increase in the federal budget deficit) that will be larger than the increase in private saving. The net effect is to lower national saving and investment, not raise them.

The responses of aggregate saving to tax incentives are even less likely to be large enough to spawn enough extra economic activity to "pay for" themselves. And the evidence of the United States during the supply-side experiment of the 1980s should stand as warning against these claims.

Will a Tax Cut Pay for Itself?

Consider a tax cut proposal (e.g., a tax credit) intended to raise after tax rates of return on all savings (both new and existing) by 10 percent. Given that about $400 billion of capital income was reported by individuals on 1994 tax returns, this tax credit would lose around $30 billion a year of revenue, based on an average tax rate on capital income of 25 percent (the tax credit in this example would offset about 30 percent of the income tax due on capital income for the average taxpayer). For savings to increase from $240 to $270 billion in response to the tax cut, the saving response would have to be more than 10 times bigger than what the CEA considers reasonable. It would have to be more than twice the upper bound of plausible empirical estimates. And a response this large would just keep total national saving from falling. A much larger response would be needed to generate enough additional saving, investment, and income to offset the revenue loss and keep the Federal budget deficit from growing.

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Supply-Side Economics Scorecard, Part 2: Work

Supply-side arguments in support of tax cuts assert that people's economic behavior is highly responsive to changes in the after-tax return to work, saving, and investment. Evidence on saving provides little support for this assertion (see Weekly Economic Briefing, June 28, 1996). This article looks at evidence on labor supply.

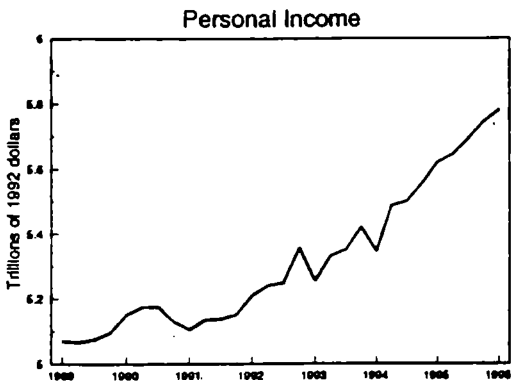
The theory. Economic theory suggests that a tax cut raising the after-tax pay rate has two effects that move in opposite directions. On the one hand, it increases the reward to entering the paid labor force or working more hours. At a higher after-tax wage, workers have a greater incentive to substitute paid labor for leisure or other non-market activities. On the other hand, such a tax cut reduces the need to work as much. A higher after-tax hourly wage allows people to work fewer hours yet earn more income. As with saving, economic theory cannot say which effect will be larger, so empirical analysis is required.

A review of the evidence. Economists note that different types of people have different responses to changes in their after-tax wage rates, depending in large part on their attachment to the labor force.

- Prime-age men have very strong attachment to the paid labor force, and researchers have found virtually no response in their labor supply to changes in after-tax wages.
- For women, research suggests that a 10 percent increase in after-tax wages can be expected to raise the labor supply by about 2 percent, both through increased labor force participation and more hours worked by those already in the labor force.
- Other groups accounting for a smaller fraction of the labor force might have larger responses. For example, a recent study finds a substantial effect among wives of men with very high earnings, suggesting that family income differences matter for secondary earners.

Other kinds of responses. Workers with some control over their compensation package may respond to a tax cut by taking more of their compensation in cash wages and less in tax-favored fringe benefits (such as health insurance, pension benefits, employer-provided life insurance, and employer-provided education benefits). This would increase the income tax base, leading to higher revenues, even without any change in participation or hours worked. Some critics of the 1993 tax changes have asserted that the rise in tax rates for the highest-income portion of the population led many high-income taxpayers to shift compensation away from wages, lowering the revenue received from these taxpayers.

Similarly, workers with some control over when they receive compensation might be able to shift taxable wages into years when they face relatively low marginal tax rates. For instance, many high-income individuals (like investment bankers, law partners, and professional athletes) appear to have anticipated the 1993 marginal tax rate increases and moved as much as $20 billion of wage and bonus payments into 1992. Personal income jumped above trend in the fourth quarter of 1992 and fell back again in the first quarter of 1993 (see chart). A similar phenomenon appears to have occurred at the end of 1993 in anticipation of the removal of the cap on the Medicare component of the payroll tax.



Conclusion. Tax cuts that raise the after-tax return to working can produce a modest increase in aggregate labor supply, but not one large enough to "pay for itself." The evidence suggests that a 15-percent across-the-board income tax cut would increase aggregate labor supply by 1 percent or less. The annual income and payroll taxes collected on a 1 percent increase in labor income would amount to roughly $10 billion, hardly enough to offset the $90 billion or so lost by the 15 percent tax cut. Although the labor supply effect would be small, larger responses might be observed in the timing and composition of labor income for workers with some control over their compensation packages.

Dole on Supply-Side Economics

Senator Dole: *"It's easy to cut taxes but what do you do with that. You have to add it to the deficit unless there is an offset. Now, if they can offset the tax cut with a spending freeze or a spending reduction...that would make good economic sense. But a tax cut by itself, as some of the supply-siders might advocate, would be bad medicine."* [Los Angeles Times, 8/17/92; NBC's "Meet The Press," 8/16/92]

Dole on *Larry King Live*, November 4, 1992:

Caller:	[H]ave you changed your views on supply-side economics?
Sen. Dole:	I never was in that camp, if you go back and look at the record. I used to tell the story that somebody told me -- a good-news-bad-news joke. The good news is that a busload of supply-siders went over the cliff. The bad news was that there were three empty seats. So, you know...
King: [laughs]	You were never a supply-sider.
Sen. Dole:	I'm a traditional Republican who believes that you ought to restrain spending if you're going to cut taxes. I don't think you can just cut taxes alone and get gain without pain....
King:	And you have long argued....
Sen. Dole:	That's been my...you know, my firmly-held belief.

Senator Dole: *"Just our view, just makes good sense if you're going to cut taxes, you have to pay for tax cuts with spending cuts."* [CNN's "Moneyline," 1/6/95]

Senator Dole: Supply-side economics was *"something I've never understood,"* and *"it's had a fair chance to work," and it failed. Dole concluded, "My view is that there isn't an easy way."* [Washington Post, 11/9/87]

Senator Dole: *"I don't have any quarrel with supply-siders; I just haven't seen it work yet. there aren't any painless ways to (reduce the debt). You've got to do it the hard way."* [Columbus Dispatch, 4/16/93]

Dole on Forbes-Kemp Flat Tax

Senator Dole In Iowa: *"We've got somebody out there talking about how a flat tax will cure everything -- headaches, bunions, any problems you've ever had."* [Los Angeles Times, 1/28/96]

Senator Dole: *"We're either going to add to the deficit or not everybody's going to get a tax cut. you can't have it both ways."* [New York Times, 2/19/96]

Senator Dole: Called a Forbes-Kemp style flat tax *"snake oil."* [AP Online, 2/16/96]

Dole Campaign Commercial: *"The Forbes plan increases the deficit by $186 billion a year, raising taxes on working families....Raising taxes 25 percent on working families."* [AP, 2/5/96]

As Republican Supply-Siders Meet, Remember What They Said About Bob Dole On Taxes

GOP House Speaker Newt Gingrich: Called Dole "The Tax Collector For The Welfare State: In 1984, Gingrich called Dole, "the tax collector for the welfare state." Gingrich called the Dole-engineered 1982 tax increase, "the largest tax increase in a recession since Herbert Hoover in 1931 and 1932." Gingrich also said it was "a terrible thing to do," and "fundamentally not conservative." In 1991, Gingrich called Dole a "pre-Reagan Republican," meaning that he was more interested in cutting spending than cutting taxes. [*Washington Post*, 11/19/84; *MacNeil/ Lehrer* Newshour," 8/10/82]

House GOP Majority Leader Dick Armey Led Opposition To Dole-Supported 1990 Tax Increase: In spring 1990, Armey (R-TX) led the House GOP in passing a resolution "opposing new taxes and all tax-rate increases as a means of reducing the federal budget deficit." Armey said of the bill, "There are more tax increases than you can shake a stick at." When the bill, which Dole voted for, passed, Armey noted that it would generate over $1 trillion in taxes over the next five years, and said, "I don't consider that a good deal..." Armey said, "I'm voting against this because it's not necessary to raise taxes on anybody, let alone everybody." [*New York Times*, 10/28/90; *Associated Press*, 10/26/90; *USA Today*, 9/12/90]

GOP Senate Majority Leader Trent Lott (R-MS) Criticized Dole's Penchant For Tax Increases: In September 1984, The New York Times reported that, "Confrontation versus compromise is one of the fault lines of the Republican Party." The Times reported that the "confrontationists" like Lott "have contempt for moderates like Senator Mathias or traditionalists like Senator Dole." Lott said, "If Dole or anyone else advocates tax increases after the election, yes, dang it, there's going to be some confrontations... We're not going that way anymore. The traditional appeal of the Republican Party has not made us the majority. If you keep thinking like a minority, you're going to be a minority." [*New York Times*, 9/9/84]

Jack Kemp Said "Bob Dole Never Met A Tax He Didn't Hike:" During the 1988 presidential race, Jack Kemp (R-NY) attacked Dole on taxes, saying,... "Bob Dole never met a tax he didn't hike when Bob Dole talks about leadership for the future, he's the man who led the fight for five major tax increases in the past five years." Kemp called Dole's 1982 tax increase, "the largest tax increase ever passed in American history -- about $1600 for every man, woman, and child." *In February 1994, Jack Kemp's "Empower America" called Dole's 1982 tax bill "the largest tax increase in recent years."* [*St. Petersburg Times*, 2/11/88; Empower America Reality Check, 2/24/94]

Former Rep. Vin Weber (R-MN) Criticized Dole On Taxes In The Past: When President Bush was considering a tax cut at the 1992 GOP convention, Dole said that such legislation was "not going to be enacted this year." Dole said, "a tax cut by itself, as some of the supply-siders might advocate, would be bad medicine." At the time, Weber said that Dole's comments, "just make me all the happier that he's the Senate leader and President Bush is in the White House." In 1992, Weber said that Dole and Kemp disagreed on economics because, Dole, "wants to stamp out supply-side economics more than Bush did." [*L.A. Times*, 8/17/92; *NBC's* "Meet The Press," 8/16/92; *The New Republic*, 12/14/92]

Senator Connie Mack (R-FL) Opposed The 1990 Tax Increase Which Dole Supported: In May 1990, Mack was among 18 GOP Senators who sent a letter to Bush urging him not to raise taxes. The letter read, "We strongly urge you to maintain your pledge of 'no new taxes.' Nothing has been so important to the vitality of the economy over the past 8 years than our joint efforts to reduce taxes." [*UPI*, 5/10/90]

Steve Forbes Criticized Dole For Flip-Flopping On Taxes: In 1996, Forbes said, "In 1988 Senator Dole said he saw no need to raise taxes, yet two years later he was leading the biggest tax increase, one of the biggest tax increases in American history." [*CNN*, 2/15/96]

Bob Dole Never Embraced Reagan's Supply-Side Tax Cuts

On May 9, 1996, The Los Angeles Times reported that Dole's campaign "was seriously debating whether to propose an across-the-board reduction in income tax rates modeled on Ronald Reagan's supply-side tax cuts of 1981." This would represent a stunning reversal for Bob Dole Throughout the 1980's, Dole's standard joke about supply-siders was, "The good news is that a bus loaded with supply siders went over a cliff. The bad news is that there were three empty seats." (Washington Post, 3/5/82) In 1981, Dole successfully watered down the first year of Reagan's three-year 30% tax cut. In 1982, Dole tried to cut the size of the 1983 10% tax cut. Dole also called George Bush's 1992 election-year tax cut idea "bad medicine." (NBC's "Meet The Press," 8/16/92)

1996: DOLE ADVISERS WORRY ABOUT FLIP-FLOPPING ON SUPPLY-SIDE:

May 1996: Dole Advisers Worried About Flip-Flopping On Supply-Side Economics And Deficit. On May 10, 1996 The Wall Street Journal reported that some in the Dole campaign were considering a 15% across-the board tax cut but that "other [Dole] advisers caution against flip-flopping toward supply-side views Dole once disparaged; top Senate aides worry about ballooning the deficit." [Wall Street Journal, 5/10/96]

1980: DOLE SAID "SUPPLY-SIDE" ECONOMICS WAS "INFLATIONARY":

December 1980: Dole Said Tax Cut Would Be Inflationary Without Spending Cuts. When Dole was asked in December 1980 if he thought Reagan's proposed 30% tax cut over three years would be inflationary, he said, "It will be inflationary, unless it's coupled with a restraint on Federal spending. Governor Reagan, president-elect Reagan has always done that in the past in his campaign speeches. It's difficult to restrain Federal spending and my concern is that we may go ahead with a tax cut on a three year basis -- a so-called Roth-Kemp proposal which to me is a good proposal -- but we also at the same time must commit ourselves to restraints in Federal spending. We can't have one without the other or we're going to heat up inflation." [The American Banker, 12/17/80]

1981: DOLE TOOK CREDIT FOR WATERING DOWN REAGAN'S TAX CUT:

January 1981: Dole Said No Philosophical Differences Now That He Was Senate Finance Chair. When Dole was asked in January 1981 what would change with him as Chairman of the Senate Finance Committee instead of Russell Long (D-LA), Dole said, "I don't know... It's going to take a while. I don't see any big difference initially. There may be some difference in personalities, but there will be a close working relationship with Senator Long. If you want any big confrontation or philosophical difference, there just isn't going to be any." [Washington Post, 1/20/81]

May 1981: Dole Said More Cuts Were Needed To Finance Reagan Tax Cut. In May 1981, Dole said, "We're not going to be able to finance a tax program of the magnitude the President suggests, without more cuts." [CBS's "Face The Nation," 5/17/81]

May 1981: Dole Said Reagan's 30% Across-The-Board Tax Cut Was In Trouble. In 1980 Reagan campaigned on a promise of 30% cut in individual tax rates phased in over three years (10% per year or "10-10-10") starting January 1, 1981. In May 1981, Dole said he had warned Treasury Secretary Donald Regan that the "10-10-10" plan was in trouble: "I told him there were two other tens... they are ten for and ten against in the [Finance] Committee. And that would be a good day... I am very willing to support my President, but I am also the Chairman of the Committee, and I've got to have enough flexibility to convince Democrats and Republicans on my Committee and on the Senate floor that this is a bill we can pass." [CBS's "Face The Nation,", 5/17/81; 1981 CQ Almanac, p. 91-92]

November 1981: Dole Took Credit For Watering Down Reagan's Tax Cut. Dole and others eventually watered down this tax cut to 25% over three years (5-10-10) and delayed the effective date of the tax cut to October 1, 1981. The Fiscal 1982 tax cut was also reduced from $53.9 billion to $37.4 billion. In November 1981, Dole said of Reagan's supply-side tax cuts, "I think there were some reservations expressed by a few of us, even early on, and we tried to alter the tax cut in some ways to reduce the total cost of the cut, particularly in the Fiscal Year '82 and '83. We were successful in that." [NBC's "Meet The Press," 11/1/81; 1981 CQ Almanac, p. 91-92]

In March 1993, Brit Hume wrote that Dole's standard line on the three-year supply-side (Kemp-Roth) tax cut was, "We might do one year of Kemp-Roth." [National Review, 3/29/93]

November 1981: Dole Criticized Reagan White House For Increasing Size Of The Deficit. In late 1981, Dole criticized the Reagan White House for an unwillingness to support tax increases in 1983 and 1984 to deal with the deficit, saying, "They are saying that we can live with deficits." [UPI, 11/2/81]

1982: DOLE "NEVER REALLY UNDERSTOOD ALL THAT SUPPLY-SIDE BUSINESS":

January 1982: Dole Said "It Is Hard To Conceive A Worse Economic Or Political Path To Follow." In January 1982, Dole said of supply-side economics, "I do not subscribe to the fantasy that, if we do nothing, deficits will disappear. Some of those in Congress who are most vocally leading the fight against any tax increases propose nothing to bring spending under control... It is hard to conceive a worse economic or political path to follow." [Washington Post, 1/23/82]

March 1982: Dole First Told Joke About Supply-Siders Going Over A Cliff In A Bus. During a 1982 speech to the Chamber of Commerce, Dole first told his joke about supply-siders, saying, "The good news is that a bus loaded with supply siders went over a cliff. The bad news is that there were three empty seats." Dole claimed not to know who the three who escaped tragedy were, but said, "the bad news is they are huddling with the president. That's an inside joke." [Washington Post, 3/5/82]

May 1982: Dole Criticized Reagan Economic Plan. In early 1982, Dole said, "We're just going to limp along here the rest of the year with high interest rates and big deficits... It's going to put a lot of people out of work, put a lot of farmers and business people in more trouble than they're in. And It's also going to be a political disaster." [AP, 5/17/82 (quoting an earlier Dole interview on how Dole tried to "prod the Reagan administration into accepting what he believes is a more realistic economic program")]

June 1982: Dole Attempted to Further Water Down Reagan Tax Cut. In early 1982, Dole proposed making the 1983 tax cut -- which was scheduled to be 10% -- equal to the rise in the cost of living, which was less than 10%. This would have reduced the budget deficit and won Democratic backing for the budget package. [National Journal, 6/19/82]

August 1982: Dole Said He "Never Really Understood All That Supply-Side Business." During a 1982 appearance on NBC's "Meet The Press", Dole was asked, "Are you saying you never were a very consistent supply-sider?" Dole responded, "I never really understood all that supply-side business." [NBC's "Meet The Press," 8/15/82]

August 1982: Dole Said He "Never Fully Understood Supply-Side Economics." Dole said of his record 1982 tax increase, "We are adjusting our course to avoid going off the road... I never fully understood supply-side economics, but I understand when someone is out of work." [Reuters, 8/30/82]

August 1982: Dole Said Reagan's 1981 Tax Cuts Were "Too Generous." When Dole was trying to pass his 1982 Tax Equity & Fiscal Responsibility ACT (TEFRA) which raised taxes by $298 billion in 1993 constant dollars, he said of his bill, "We did correct some of the too-generous provisions in last year's tax bill." When Dole was asked if some of the provisions of Reagan's 1981 tax bill that he was correcting were "too generous," he responded, "I think so, and I think most observers think so. Certainly some who were impacted don't believe that's the case, but I think so." [NBC's "Meet The Press," 8/15/82; Wall Street Journal, 10/26/94]

August 1982: Dole Said His Tax Increase Was To Keep U.S. From "Going Over A Cliff": When Dole was asked about Rep. Jack Kemp's (R-NY) criticism that Dole's 1982 tax increase was a dramatic U-turn from 1981's tax cuts, Dole said, "...we're not trying to make a U-turn, we're just trying to avoid going over the cliff." [NBC's "Meet The Press," 8/15/82]

August 1982: Dole Said "Maybe We Went Too Far" With Kemp's 1981 Tax Cut Ideas. When Dole was asked if Kemp should be "supporting the President if the President was doing something Mr. Kemp does not believe in (raising taxes)," Dole said, "I've supported the President, and *I supported Mr. Kemp last year in some of the things I didn't believe in. Maybe we went too far last year with some of Mr. Kemp's ideas...*" [NBC's "Meet The Press," 8/15/82, *emphasis added*]

November 1982: Dole Said If Supply-Side Theory Were Correct, "Why Have Any Taxes?" In 1982, Dole was asked if Reagan ever really adopted the supply-side view held by Jack Kemp, Arthur Laffer, and Jude Wanniski, Dole said, "I never said they were totally wrong. I just said that I don't believe it will work the way they have indicated. That's why I differentiate the president's view. He has always insisted that we have to reduce federal spending. I can't find many Laffer statements that indicate you have to put pressure on the spending side. He (Laffer) just wants to keep cutting taxes. Well, that's great, but if it's so good, why have any taxes at all if we adopt this theory?" [UPI, 11/1/82]

1982: Dole Said If Did Not Have Votes In Finance Committee, Then Nothing Mattered. In 1982 Dole said, "I might be able to memorize George Gilder's book, ["Wealth and Poverty," considered by many the bible of supply-side economic theory], but if I didn't have 11 votes in the [Finance] Committee it wouldn't make any difference." [National Journal, 6/19/82]

1984: DOLE COMPARED SUPPLY-SIDERS TO LIBERAL KEYNES:

April 1984: Dole Ridiculed Reagan Supply-Siders In New York Budget Speech. In April 1984, Dole said, "Those of us who are concerned about the impact of deficits sometimes are characterized as 'nervous nellies'. *And indeed, John Maynard Keynes might wonder what all the fuss is about.* All the economic news is good. Real GNP is growing rapidly, business investment is beginning to surge, unemployment is plummeting, and inflation is subdued. In several respects we are experiencing the strongest recovery since World War II. 1984 seems to have brought the best of all worlds. So why have the financial markets behaved so erratically of late?... There is real cause for concern. Investors and financial planners must be forward looking, and their view of the economic future has been clouded by budget deficits." [Dole remarks to the New York Economic Club, 4/3/84]

April 1984: Dole Said Economic Growth Will Not Balance The Budget. Dole continued, "The Congressional Budget Office projects that without further action, the deficit will rise to $326 billion in FY 1989... Like Scrooge, we hope that these are things 'that may be, not must be.' However, unlike some who believe we can sit on the sidelines and allow economic growth to balance the federal budget, I believe that Congress and the administration must earn its redemption." [Dole remarks to the New York Economic Club, 4/3/84]

1985: DOLE CRITICIZED KEMP & SUPPLY-SIDERS:

July 1985: Dole Criticized Supply-Siders Upon Stockman Quitting. When OMB Director and supply-side opponent David Stockman decided to leave his post in July 1985, Dole said, "Some of those who believe you can leave it all up to growth and supply-side economics probably will break out the champagne tonight. But one bottle ought to be enough for that crowd." [UPI, 7/10/85]

July 1985: Dole Said Differences With Kemp Over "Supply-Side" Theory Could Be Key 1988 Issue. During a July 21, 1985 appearance on NBC's "Meet The Press," Garrick Utley said that if Dole and Kemp both ran for President in 1988, "you're going to have this profound economic and philosophical debate between the supply side school and your school and your position, which is more orthodox. Isn't that going to be a key issue?" Dole responded, "It could be a very key issue, and of course if the economy should go into a nosedive, some of those who think deficits don't matter wouldn't be around in '88"

August 1985: Dole "Took A Shot" At Kemp As Supply-Sider On Reagan's Tax Reform Plan. The Washington Times reported that Dole "took a shot at Rep. Jack Kemp (R-NY) another likely presidential contender and the prime advocate of 'supply-side economics,' the theory that economic growth will increase revenues so that the budget can be cut without raising taxes." According to the Times, Dole remarked "We don't see any evidence that growth is going to take over." [Washington Times, 8/12/85]

August 1985: Dole Criticized Reagan's Tax Reform Proposal For "Surrendering To The Deficit." In August 1985 then-Senate Majority Leader Dole, criticized President Reagan's tax reform plan saying that there was a "perception" that the White House had "surrendered to the deficit." Dole said he would vote against Reagan's 1985 economic plan as written. Dole said, "It's a revenue loser by about $25 billion... If the tax bill is not revenue neutral but adds $25 to $50 billion to the deficit, it will not pass." [Washington Times, 8/12/85]

August 1985: Stockman Gave Dole "Supply-Side Birthday Cake" Which Was Hollow Under Icing. In August 1985, Reagan OMB Director David Stockman gave Dole a "supply-side birthday cake." Dole "chortled in glee" to find that under the icing the cake was hollow. [U.S. News & World Report, 8/26/85]

1987: DOLE SAID IT WOULD BE "TOUGH TO SELL" SUPPLY-SIDE:

July 1987: Dole Explains His Problem With Supply-Siders. A 1987 Atlantic Monthly profile of Dole noted that "Dole has never been able to resist taking a jab at supply-siders." Dole explained, saying "I could never read anywhere that they wanted to reduce spending... All I could see was they wanted to cut taxes... It has to be a double track... You have got to say, 'Let's stimulate the economy, let's reduce taxes, but let's also reduce some of this federal spending out there.' That is where I criticize those who run around and talk about supply-side economics." [Atlantic Monthly, 7/87]

November 1987: Dole Called Supply-Siders "Small Crew Of Economists." Dole called supply-siders a "small crew of economists who believe that the economy can grow its way out of its deficit bind." [Financial World, 11/17/87]

November 1987: Dole Said It Would Be "Tough To Sell" Supply Side Economics. In 1987, Dole said of supply-side economics, "It's going to be tough to sell that stuff now – that we're going to grow out of the deficit, don't worry about it, that we don't worship at the altar of the balanced budget." [The New Republic, 11/16/87]

November 1987: Dole Said Supply-Side Economics Was "Something I Never Understood." In November 1987, Dole said supply-side economics was "something I've never understood," and that "it's had a fair chance to work," and that it failed. Dole concluded, "My view is that there isn't an easy way." [Washington Post, 11/9/87]

1988: DOLE RIDICULED SUPPLY-SIDE THEORY AS MAGIC FORMULA:

March 1988: Dole Ridicules Supply-Side Theory As A "Magic Formula." In 1988, National Review wrote, "[Dole] rejects supply-side economics, which he contemptuously characterizes as a 'magic formula that would give us lower taxes, all the benefits voters clamor for, and every weapons system on the military's wish list.'" [National Review, 3/18/88 (book review of The Doles: Unlimited Partners)]

1990: DOLE AGAIN TELLS SUPPLY-SIDE JOKE:

1990: Dole Tells Supply-Side Joke At 1990 Budget Summit. At the 1990 budget summit, Dole was again quoted as joking that "The good news is a busload of supply-side economists just rode off a cliff... The bad news is, three seats were empty." [Chicago Tribune, 10/25/90]

1992: DOLE OPPOSED BUSH'S ELECTION-YEAR TAX CUT:

August 1992: Dole Said Bush's Proposed Tax Cut Would Be "Bad Medicine" For Troubled Economy. When it was reported that President Bush was considering a tax cut at the 1992 GOP convention, Dole declared that such legislation was "not going to be enacted this year." Dole said, "It's easy to cut taxes but what do you do with that. You have to add it to the deficit unless there is an offset. Now, if they can offset the tax cut with a spending freeze or a spending reduction... that would make good economic sense. But a tax cut by itself, as some of the supply-siders might advocate, would be bad medicine." Supply-sider Vin Weber said that Dole's comments "just make me all the happier that he's the Senate leader and President Bush is in the White House." [Los Angeles Times, 8/17/92; NBC's "Meet The Press," 8/16/92]

November 1992: Dole Said Of Supply Side Economics, "I Never Was In That Camp." Dole was [illegible]ked about supply side economics during a November 4, 1992 "Larry King Live" appearance:

> **Question:** Ross Perot spent $60 million educating us about the failures of supply-side economics. You now tell us that you want to represent the Ross Perot voters. Do you find that a little bit contradictory, or have you changed your views on supply-side economics?
>
> **Dole:** I never was in that camp, if you go back and look at the record. I used to tell the story that somebody told me -- a good-news-bad-news joke. The good news was a busload of supply-siders went over the cliff. The bad news was there were three empty seats. So, you know--
>
> **King:** [laughs] You were never a supply-sider.
>
> **Dole:** I'm a traditional Republican who believes you ought to restrain spending if you're going to cut taxes. I don't think you can just cut taxes alone and get gain without pain.
>
> **King:** And you have long argued that-
>
> **Dole:** That's been my-
>
> **King:** --with your contemporaries, right?
>
> **Dole:** That's been my -- you know, my firmly-held belief.

N[illegible]ber 1992: Dole Opposed Supply-Side Ideology. In November 1992, Dole said, "I'd like to get back to just traditional Republican philosophy where you deal with the deficit, and couple that with the tax cuts; you don't just have tax cuts with no deficit reduction." [Federal News Service, 11/4/92]

1993: DOLE SAID "I JUST DON'T TOTALLY UNDERSTAND" SUPPLY-SIDE:

March 1993: Dole Dismissed Supply-Side Economics. In March 1993, Dole said in response to a question about tax cuts, "Well, that's been one theory that's been tried. It's called 'supply-side economics.' But we didn't cut the government with it. We cut taxes, but we didn't cut enough spending, again, and we didn't cut the size of government, even though President Reagan tried valiantly to do that. But we did also increase the deficit during the Reagan years. And the President would say that's the fault of Congress; Congress would blame it on President Reagan. I think there's probably some on each side." [CNN's "Larry King Live," 3/15/93]

April 1993: Dole Said, "I Just Haven't Seen (Supply-Side Economics) Work Yet." Dole said, "I don't have any quarrel with supply-siders; I just haven't seen it work yet. There aren't any painless ways to (reduce the debt). You've got to do it the hard way." [Columbus Dispatch, 4/16/93]

[illegible] 1993: Dole Said "I Just Don't Totally Understand" Supply Side Economics. When George [illegible]sked Dole in 1993, "Rethinking your positions and looking back at the record of the 1980's, are [illegible] hostile to the supply siders?" Dole said, "I'm the traditional Republican conservative who believes you can't live with this deficit. Some of my colleagues, supply siders, I'm not hostile to them, I just don't totally understand it because with the deficit going up..." [ABC's "This Week With

DOLE & SUPPLY-SIDE ECONOMICS

Former Rep. Vin Weber (R-MN): "The supply-side thing is important to Dole... He wants to stamp out supply-side economics more than Bush did." [Sacramento Bee, 12/6/92]

National Journal: "In the 1980s, after all, Dole wasn't a devotee of supply-side economics, whose disciples believed that the best way to balance the federal budget was to cut taxes, which would stimulate economic growth and, in turn, bring in more revenues to the Treasury." [National Journal, 12/23/95]

Time Magazine: "In the GOP of the mid-1990s, supply-side economics has returned to the wilderness... Republican presidential front runner Bob Dole is not an ally: supply-siders remember the fight they had with him over a tax increase he pushed 13 years ago..." [Time, 9/25/95]

The Boston Globe: "Jack Kemp's endorsement last week of Steve Forbes culminates years of disputes between the Republican supply-side movement, which sees tax cuts as the key to economic health, and Bob Dole, who has clung to his belief in the primacy of a balanced budget. The 11th-hour move by Kemp, leader of the supply siders, shocked mainstream Republicans as an act of betrayal at the moment when the party seemed ready to settle on a presidential nominee. But it attested to the depth of the supply-siders' distrust of Dole, economists said... With the Reagan administration's approval, Dole helped steer through Congress a series of tax increases that struck many supply-siders as violating Reagan's anti-tax message." [Boston Globe, 3/7/96]

The Washington Post: "Dole shepherded President Ronald Reagan's supply-side tax-cut proposals through Congress in 1981, and then, as an act of contrition, spent years trying to reverse the steady rise of red ink fueled by a recession, Reagan's peacetime defense buildup and the impact of the tax cuts." [Washington Post, 8/6/95]

St. Louis Post-Dispatch: "Senator Dole was no early supporter of tax cuts, which he now promises, or of supply-side economics in general (in his first presidential race in 1980 he differed with Ronald Reagan on the issue). The senator has also consistently voted for food for the poor in general, and the school lunch program in particular." [St. Louis Post-Dispatch, 4/13/95]

David Broder: "Then came Ronald Reagan, who not only cemented the South and its Bible Belt views, but brought in supply-side economics, a tax-cutting, budget-busting doctrine that Dole treated with naked contempt, and which he tried his best to combat from his position of influence in the Senate." [Washington Post, 4/16/95]

Pittsburgh Post-Gazette: "Dole is also trying to overcome distrust in his party's conservative economic wing. Yet he has considerable contempt for supply-side economics, which emphasizes tax cuts ahead of reducing federal spending. He believes that Reagan administration supply-side economists caused the U.S. budget deficit to explode." [Pittsburgh Post-Gazette, 2/11/96

Christian Science Monitor: "On the stump, Dole says the flat-tax plans put forward by GOP rivals Forbes and Texas Sen. Phil Gramm are 'risky ideas.' In previous presidential runs, Dole might have hit harder. But either way, the characterization is bedrock Dole. The flat tax is based on supply-side theory, and Dole never trusted those who argued that tax cuts could spur enough economic growth to eliminate the budget deficit." [Christian Science Monitor, 2/9/96]

Los Angeles Times: "Dole's preference for experience over theory provoked his repeated confrontations with Jack Kemp and the supply-side economists who inspired the 1981 Reagan tax cuts – and then resisted Dole's efforts to reduce the deficits that ensued." [Los Angeles Times, 1/29/96]

U.S. News & World Report (Steve Roberts): "But Bob Dole will always be what he is: a pragmatist, not an ideologue, an old-fashioned Midwestern Republican more concerned with economics than with morality. He has never bought the supply-side gospel that cutting taxes actually increases government revenues. And he rejects the idea, popular among many GOP newcomers to Congress, that compromise equals betrayal." [U.S. News & World Report, 4/10/95]

Newsweek: "Dole is foremost a fiscal conservative who never liked President Reagan's supply-side economics, which helped cause the deficit to balloon." Dole is "wary of supply-side economics, more interested in balancing the budget than in radically cutting government per se." [Newsweek, 11/21/94]

Chicago Tribune: "Senate Minority Leader Bob Dole of Kansas, for one, never has had much time for Kemp's fervid supply-side beliefs... [Chicago Tribune, 3/7/93]

Sacramento Bee: "The Dole-Kemp fault line has been building for years. It helps that Dole and Kemp don't like each other, but the biggest disagreement is on economics. Dole is a deficit hawk, Kemp a supply-side advocate of tax cuts. Dole was skeptical of Reagan's economic policy. Kemp supported it. Dole backed the 1990 budget deal, which included a large tax hike. Kemp bitterly opposed it. Dole liked Bushonomics. Kemp didn't." [Sacramento Bee, 12/6/92]

Washington Post: "His emphasis on the dangers of the deficit reflects the thinking of a traditional, midwestern conservative Republican who has never accepted the supply-side economic theories adopted by President Reagan." [Washington Post, 3/6/88]

Chicago Tribune: "But Dole, reflecting his Midwestern roots, always has been skeptical of 'supply side' economics and more devoted to fiscal prudence than to reducing taxes." [Chicago Tribune, 11/10/87]

Daily Report For Executives: "Dole said the theory of supply-side economics, which held that tax cuts enacted in 1981 would spur growth, which in turn would reduce the deficit, hasn't worked. 'The deficit has gotten bigger. Congress and the Administration have failed to come to grips with the nation's biggest problem.'" [Daily Report For Executives, 4/8/87]

Jude Wanniski: "Dole always reverts to austerity... He was born to austerity. He came of age in the dustbowl of Kansas where his father warned him never to go into debt. It's always 'Don't take any chances' for Dole. It's a narrow and constricted view." [Boston Globe, 3/7/96]

BOB DOLE USED TREASURY STATISTICS TO ATTACK STEVE FORBES' FLAT TAX PLAN

DOLE CRITICIZED FORBES' PLAN FOR ADDING BILLIONS TO THE DEFICIT

- Regarding the economic effects of Forbes' flat tax, Dole said *"We're either going to add to the deficit or not everybody's going to get a tax cut. You can't have it both ways."* [New York Times, 2/19/96]

DOLE SAYS FORBES PLAN WOULD HIKE MIDDLE-CLASS TAXES

- Dole warned that Forbes' proposal of a 17 percent flat tax threatened to hike the deficit and shift the tax burden from *"the superrich to the middle class."* [Richmond Times Dispatch, 2/9/96]

- *"One thing that will not happen in a Dole administration, we will not pass the burden from the super-rich to middle-class America and if we're going to increase the deficit through some kind of a tax scheme, then I think the American people will have been tricked."* [Union Leader, 2/9/96]

- Dole said the idea was an attempt to "trick" voters. Dole maintained the flat tax will add $2,000 to the average family's income tax bill -- a figure vigorously disputed by Forbes. [UPI, 2/8/96]

DOLE NEGATIVE AD: Experience
(ran in SC -- transcribed from ad)

Announcer: "Who has the experience to be president? Bob Dole: facing down Bill Clinton to balance the budget with tax cuts for working families. ***Steve Forbes: his economic plan would add $186 billion a year to the deficit.*** Bob Dole: require the able bodied to get work or lose their welfare benefits. *Steve Forbes: supports giving welfare benefits to illegal immigrants.* ***Steve Forbes: untested leadership and risky ideas.*** Bob Dole: the character and courage to lead America."

DOLE NEGATIVE AD: Dole Supporter Steve Merrill Attacks Forbes' Flat Tax Plan

Text:

(NH Gov Steve Merrill): *"New Hampshire primaries are always exciting.* ***What's not exciting is a plan that will raise our taxes. And the Steve Forbes' income tax plan increases the deficit and raises our taxes.***

"The typical New Hampshire household will pay $2,000 more in taxes. And we lose our property tax deduction and our mortgage interest deduction.

"That's bad for New Hampshire taxpayers and bad for our economy. **Bob Dole has been fighting Bill Clinton for a balanced budget that cuts taxes and cuts spending. That's the strong conservative leadership we need."**

"Steve Forbes. Untested. Not truthful."

<u>DOLE NEGATIVE AD:</u> **Tested**
(AP 1/13/96)

Time: 30 seconds.
Title: "Tested."
Producer: Stuart Stevens Group.

Text:
Announcer: *"Have you heard Steve Forbes' risky ideas? Forbes supports taxpayer-funded welfare benefits for illegal aliens. Forbes opposes mandatory life sentences for criminals convicted of three violent felonies.* ***Forbes' economic plan will add $186 billion a year to the deficit. No wonder Forbes opposes the constitutional amendment to balance the budget. The more you learn about Steve Forbes, the more questions you have. Steve Forbes: Untested leadership, risky ideas."***

Key Images:
Graphics posing questions about Forbes.

<u>DOLE NEGATIVE AD</u>: **Dole Attacks Forbes Balanced Budget Plan**
(AP 2/5/96)

Time: 30 seconds.
Producer: Stuart Stevens Group.
Where Airing: Iowa and New Hampshire.

<u>Text</u>:
(Announcer): *''For 17 years, Steve Forbes opposed a balanced budget amendment, calling a balanced budget ' bogus' and writing, 'We don't really need a balanced budget amendment.'*

''As a political candidate he shifted his position. No wonder. ***The Forbes plan increases the deficit $186 billion a year, raising taxes on working families.***

''Bob Dole's fighting Bill Clinton for a balanced budget that cuts taxes and spending. The choice? Untested leadership. Risky ideas. Or proven leadership.''

<u>Key Images</u>:
Pictures of Forbes and the words, ''Raises taxes 25 percent on working families.''

<u>DOLE NEGATIVE AD</u>: **Forbes Economic Plan -- 10 Second Ad**

"Steve Forbes: His economic plan will increase the deficit by $186 billion a year. Steve Forbes: Untested leadership, risky ideas."

11TH STORY of Level 1 printed in FULL format.

The New York Times

February 7, 1996, Wednesday, Late Edition - Final

SECTION: Section A; Page 16; Column 2; National Desk

LENGTH: 651 words

HEADLINE: POLITICS: THE AD CAMPAIGN;
Truth and Shades of It as Dole and Forbes Fight On

BYLINE: By DAVID E. ROSENBAUM

DATELINE: MANCHESTER, N.H., Feb. 6

BODY:

The Presidential candidates have mostly withdrawn from New Hampshire this week to concentrate on the battle for Iowa. But on television here, the warring commercials of Senator Bob Dole and Steve Forbes are more pervasive than ever.

Late last week, the Dole campaign began broadcasting a commercial in which Gov. Stephen Merrill of New Hampshire, standing outdoors, dressed casually and looking straight at the camera declares: "Steve Forbes's income tax plan increases the deficit and raises our taxes. The typical New Hampshire household will pay $2,000 more in taxes. And we lose our property tax deduction and mortgage interest deduction."

The commercial had two main purposes: to call attention to the endorsement of Mr. Dole by the Governor, probably the most popular politician in New Hampshire, and to raise doubts about Mr. Forbes's flat-tax proposal, the issue that has unexpectedly propelled the publishing executive out of the pack and into a close race with Mr. Dole.

Mr. Forbes responded this week with two advertisements in which an off-screen male voice essentially calls Mr. Dole a liar. One begins, "Bob Dole is misleading homeowners about Steve Forbes's flat tax and the mortgage deduction." The other begins, "The Concord Monitor reports Bob Dole is running a negative ad, with Steve Merrill in it, that is not accurate."

The Forbes commercials offer numbers on screen illustrating how the "average" home-owning family would see its Federal income tax cut under Mr. Forbes's plan for a flat tax of 17 percent, no deductions and personal exemptions of $13,000 for adults and $5,000 for children.

Campaigning in Iowa, Mr. Forbes challenged Mr. Dole to a debate on the flat tax. Mr. Dole declined but said Governor Merrill would be happy to debate Mr. Forbes. Mr. Forbes declined.

Then the Dole campaign released a new television spot. It labels as false and misleading a Forbes commercial that accuses the Senator of voting to "tax our Social Security benefits." The Dole commercial then goes on to reproach Mr.

Forbes as planning to end Social Security and supporting forced retirement at 65.

The truth, according to Internal Revenue Service figures from tax returns in 1993, is that the Forbes flat-tax plan would probably lower the income taxes of homeowners with modest incomes. Those figures are for the last year for which complete data are available.

A rough calculation shows that a home-owning family of two adults and two children with an income, all in wages, of $45,000 and taking the average deductions such families claimed nationwide in 1993 for mortgage interest, property taxes and charitable contributions (the only deductions that most New Hampshire families that own homes can claim) would owe about $3,900 in income taxes under the existing law and about $1,500 under the Forbes plan.

But Mr. Dole is on solid ground when he maintains that the Forbes plan would increase the Federal budget deficit. The Treasury Department has estimated that a flat tax would result in a loss of revenue that would raise the deficit by $200 billion a year. Private forecasters using conventional computer models of the economy mostly agree with that estimate. Most economists believe that it would take a flat tax of 25 percent to increase the Treasury's revenue. And even at that rate, the four-person family earning $45,000 would owe only $2,250 in income taxes.

The Forbes commercial accusing Mr. Dole of voting to increase taxes on Social Security benefits is only partly true. The Senator did vote for legislation that, among many other provisions, would have raised taxes on Social Security benefits of upper-income retirees.

The Forbes campaign acknowledges that Mr. Forbes settled out of court an age-discrimination suit filed by a former secretary. But it denies that Mr. Forbes wants to end Social Security or favors forced retirement at age 65.

GRAPHIC: Photo: An advertisement from the Dole campaign tried to raise doubts about Steve Forbes's flat-tax proposal, but Mr. Forbes responded with an attack of his own.

LANGUAGE: ENGLISH

LOAD-DATE: February 7, 1996

12TH STORY of Level 1 printed in FULL format.

The Des Moines Register

February 4,1996, Sunday

SECTION: Metro Iowa Pg.4

LENGTH: 467 words

HEADLINE: Dole takes aim at Clinton, Forbes' proposal for flat tax

BYLINE: Ken Fuson

SOURCE: Register Staff Writer

BODY:
By KEN FUSON
Register Staff Writer

Indianola, Ia. - In Indianola Saturday, Sen. Bob Dole hammered away at President Clinton while keeping Republican candidate Steve Forbes within his sights.

Talking to about 150 people at Borts Custom Cabinets Inc., Dole never mentioned Forbes or any other Republican candidate, saving his verbal firepower for Clinton.

"I think President Clinton thinks he can talk right and govern left," Dole said.

Later, he added, "I'm willing to offer a reward to anyone who can find Clinton's farm plan for America."

But when Dole, from Kansas, invited questions, Forbes, a publisher, and his flat-tax proposal were broached quickly.

Dole said the U.S. Treasury Department and an independent tax group have estimated that the Forbes plan would add at least $ 175 billion to the deficit.

"Before you buy a pig in a poke, you ought to know what's in it," he said.

Specifically, he told Iowans that Forbes would eliminate the tax deduction for charitable giving, for the interest paid on home mortgages, and for operating interest on crop loans.

"A lot of people out in this state, farmers and otherwise, borrow money from one crop to the next," he said.

Dole said Forbes would help the "super-rich" and hurt the middle class.

"You are already paying enough taxes. We don't need to let the rich off a little easier."

Dole received loud applause when he referred to the barrage of political commercials that Iowans have witnessed.

"I think the people of Iowa have had about all the negative advertising they can take," he said. "If I believed all those, I wouldn't vote for myself. "

Dole
Blasts Clinton

LANGUAGE: English

LOAD-DATE: February 6, 1996

ECONOMISTS ON SUPPLY-SIDE

Paul Krugman, Professor of Economics at Stanford University: "The conservative claim to have found the secret of growth is entirely false -- there was no sign of an acceleration of long-term growth rates at any point during the twelve years of conservative rule, except, ironically, at the very end. The insistence of supply-siders on claiming glorious success was at first an infuriating piece of intellectual dishonesty, although in the aftermath of Bush's defeat it seems less infuriating than pitiful." (Peddling Prosperity, 1994, p. 108)

Paul Krugman: "When Ronald Reagan was elected, the supply-siders got a chance to try out their ideas. Unfortunately, they failed." (The Age of Diminished Expectations: U.S. Economic Policy in the 1990's, 1992, p. 16)

Jeffrey Sachs, Professor of Economics at Harvard University and Felipe B. Larrain, Professor of Economics at Pontificia Universidad Catolica de Chile: "The arguments of the supply-siders were at least partially responsible for the sharp cut in U.S. income tax rates in the early 1980's. The increase in income resulting from better work incentives, they said, would more than pay for the revenues lost from a lower tax rate. But things did not turn out that way: total tax revenues declined, and the U.S. budget widened substantially." (Macroeconomics in the Global Economy, 1993, p. 213)

John Kenneth Gailbraith, Professor of Economics Emeritus at Harvard University: "[The Stock Market Crash of 1987]...marks the last chapter of Reaganomics. It is the product of supply-side economics -- the irresponsible tax cut, the high interest rates that bid up the dollar and subsidized imports. . . .This is the end product of Arthur Laffer's supply-side economics and Milton Friedman's experiment with monetarism." (National Review, March 15, 1993, p. 32)

Benjamin Friedman, Professor of Economics at Harvard University: "[Ronald Reagan's]...economic program called for actions on a variety of fronts, intended to restore America's productivity growth to prior levels. . . .What is different now is that we are nearly a decade down the road of sustained low growth in our productive capacities and owe to foreigners a large and growing slice of even what our diminished capacities can produce." (Day of Reckoning: The Consequences of American Economic Policy, 1989, p. 49)

Martin Feldstein, Professor of Economics at Harvard University and former Chai of the Council of Economic Advisors under Ronald Reagan: "Moreover, some of the [Reagan] Administration spokesmen who actually believed the extreme supply-side theory predicted that the new policy would cause an immediate surge in economic growth and productivity and a rapid decline in the rate of inflation. It is abundantly clear that the economy's performance is not living up to these naive and euphoric forecasts." (Supply-Side Economics in the 1980's: Conference Proceedings, 1982, p. 147-148)

Martin Feldstein: "The experience since 1981 has not been kind to the claims of the new supply-side extremists that an across-the-board reduction in tax rates would spur unprecedented growth, reduce inflation painlessly, increase tax revenue, and stimulate a spectacular rise in personal saving. Each of those predictions has proven to be wrong." (American Economic Review, May 1986, p. 29)

Lawrence Chimerine, Managing Director and Chief Economist at the Economic Strategy Institute: "An accurate reading of the evidence, however, reveals that the tax cuts of the early 1980s failed to deliver the benefits promised by the supply-siders, and the expansion of the 1980s was anything but a supply-side miracle. In actuality, superficial prosperity masked a steady worsening of the underlying economic fundamentals." (Challenge May/June 1996 p. 29)

Herbert Stein, American Enterprise Institute and former Chair of the Council of Economic Advisers under Richard Nixon: "We had one Ronald Reagan; I'm not sure the country can afford another one. . . .[Supply-side economics] is just a fringe movement. All the evidence is against them. . . . It appeals partly because people want to believe it and partly because they don't care if it isn't true. They don't care about deficits." (The Washington Post, March 12, 1996)

Herbert Stein: "In 1980 the Reagan campaign team was saying, or implying, that a large tax cut would raise the revenue, tht inflation could be sharply reduced without a recession, and that tens of billions of dollars of expenditures could be cut out of the budget without injury to anyone except a few bureaucrats. None of these things turned out to be true or should have been expected to be true." (Reagan and the Economy: The Successes, Failures & Unfinished Agenda, 1987, p.XV)

Charles Schultze, Brookings Institution: "There are, of course, the supply side roma ntics who promise that large tax cuts would so energize firms and workers that capacity growth itself would speed up sharply. But those promises are grossly exaggerated, and in any event, supply-side measures only take effect very gradually." (The Nightly Business Report, February 22, 1996)

Charles Schultze: "The supply-siders, who became prominent in the early 1980's vastly exaggerated the efficacy of supply-side policies, and what lower taxes and dereulation could accomplish. . . .The federal government ought to be deeply concerned with the effects of its various fiscal, tax, and regulatory policies on the level and the growth of potential GNP. . . .There is a common thread running through this and the subsequent memos dealing with the supply-side." (Memos to the President: A Guide Through Macroeconomics for the Busy Policymaker, 1992, p. 220)

Henry Aaron, Brookings Institution: "One of the greatest intellectual mysteries of the 1980's is how people who have been so consistently wrong in emphasizing the fiscal benefits of tax cuts have the temerity to argue that the growth of the economy over the long run is going to be harmed by...[Clinton's] proposals." (St. Louis Dispatch, Feb. 21, 1993, pg. 1E.)

Alan Blinder, Professor of Economics at Princeton University: "I'd like to call your attention to the right-most bar, which shows that real wages during the supply side period grew at about a quarter of a percent a year over an 11-year period. That's a national tragedy." (Federal News Service, December 14, 1992)

Alan Blinder, Professor of Economics at Princeton University and former Vice-Chair of the Federal Reserve: "Now, America's first response to the productivity slowdown problem actually worsoned the inequality program, and I refer, of course, to supply side economics, or trickle-down economics, whatever you'd like to call it." (Federal News Services, December 14, 1992)

Robert J. Frank, Professor of Economics at Cornell University; Philip J. Cook, Professor of Public Policy at Duke University: "Indeed, Reagan administration officials went so far as to embrace the "Laffer Curve," a relationship claiming to show that reductions in tax rates would so stimulate the economy that total tax revenues would actually rise. Events of the past decade have cast doubt on the empirical validity of the notion that tax rate reducttions cause economic growth." (The Winner-Take-All Society, 1995, p.123

Nobel Prize

James Tobin, Professor of Economics at Yale University: "The promise of the Reagan era turned out to be empty, indeed worse than empty. They failed at the supply-side bottom line, which is accelerating productivity."(:The Washington Post, January 21, 1990, p. B1)

James Tobin: "During the Reagan years poverty and inequality have increased in the United States. The President's promise that supply-side incentives would create a 'rising tide' that 'lifts all boats' has not been fulfilled." (Policies For Prosperity, 1987, p.81)

Walter Heller, Professor of Economics at the University of Minnesota: "[Supply-side] has not delivered anything it promised to deliver. That is not to say that tax cuts won't stimulate more investment. It is just the notion that cutting the gizzards out of income taxes will produce torrents of work effort and savings that is what is just nonsensical." (New York Times, June 30, 1982, p.1)

William Baumol, Past President of the American Economic Association, Professor of Economics at Princeton University: "The opportunity [the supply-siders]...have had has not been perfect, but it never is. [The supply-siders]...have had as clear a shot at what they wanted to do as ever they could have had, and the results have been predictable - even worse than could have been expected." (New York Times, June 30, 1982, p.1)

Lawrence Klein, Nobel Laureate in Economics, Professor of Economics at Univesity of Pennsylvania: "Supply-side economics was oversold from the beginning. There was always a kernel of truth. But the numerical response is really too small and too slow to do what supply-side economists claimed." (New York Times, June 30, 1982, p.1)

David Warsh, Economics Journalist: "[T]he supply-siders lost their credibility when they chose not to deal intellectually or politically with the most important consequence of the tax act of 1981, meaning the enormous federal deficits that ensued. . . .Today there is little evidence that the supply-siders were right, and much evidence that they were wrong. (The Consequences of Economic Rhetoric, 1988, p. 258)

Gene Epstein, Barrons: "[T]he Reagan years not only witnessed a decline in the personal savings rate, but growth rates in GDP and personal income that lagged behind those in the two prior periods of sustained economic growth." (Barrons, July 27, 1992, p. 5)

Samuel Bowles, Professor of Economics at the University of Massachusetts, David M. Gordon, Professor of Economics at the New School for Social Research and Thomas E. Weisskopf, Professor of Economics at the University of Michigan: "The Reagan team won most of the legislative battles in the 1980's. The contradictions of their economic program carried such a heavy cost that the victory left little to celebrate, even for the winners." (Challenge Jan./Feb. 1991)

Charles B. Garrison, Professor of Economics at the University of Tennessee: "Supply-side advocates are left with no empirical support for their positions. The increase in the personal saving rate after the 1964 tax cut at least permitted supply-siders to speculate that a reduction in the marginal tax rate, by increasing personal saving, released resources for a burst of business fixed investment. But the experience of the 1980's has robbed them of even that argument." (Journal of Economic Issues, Dec. 1990)

Robert Kuttner, Economics Correspondent for the New Republic: "Supply-side economics was a fraud in 1980, and it's still a fraud in 1988. The only difference is that the economy is a trillion dollars in debt." (Businessweek, Oct. 31., 1988, p. 16)

Wallace C. Peterson, Professor of Economics Emeritus at the University of Nebraska: "But the numbers--and theory--of supply-side arguments just don't add up. Now it's as clear as ever: Snake oil remedies are still snake oil, and voodoo economics is still voodoo economics." (Washington Monthly, April 1996)

Thomas D. Boston, Professor of Economics at the Georgia Institute of Technology: "Whenever someone promises that all Americans can pay lower taxes and the government will get more revenue, they are saying that we can have our cake and eat it too. Some professional economists call this supply-side economics. Others call it what it is, voodoo economics." (Black Enterprise, May 1996, p. 28)

Sidney Weintraub, Professor of Economics at the University of Pennsylvania and Marvin Goodstein: "Supply-side economics, in mid-1982, is in a state of shambles, with recession growing and deficits ballooning." (Reaganomics in the Stagflation Economy, 1983, p.31)

Steven Fazzari and Benjamin Herzon, Professors of Economics at Washington University in St. Louis: "The benefits of a capital gains tax cut will accrue disproportionately to the wealthy, and there is little evidence that the economy will experience much of a gain in output, employment, or living standards that might justify such a regressive tax policy." (Public Policy Brief: Capital Gains Taxes and Economic Growth, 1996, p. 30)

Russell B. Long, former Chairman of the Senate Finance Committee: "[A]fter ten years under Presidents Reagan and Bush, the debt, as a percentage of the GNP, is now back to where it was toward the end of the Eisonhower administration. In terms of fiscal and monetary prudence, America has lost the ground it gained under Kennedy, Johnson, and Nixon." (American Economic Policy in the 1980's (Symposium), 1994, p.224)

Allen Sinai, Chief Economist at Shearson Lehman/American Express: "You cannot through tax cuts create enough growth to give enough revenue to pay for the tax cuts. For every $1 of tax cuts, you only get back about 30 to 40 cents of additional revenue." (New York Times, Sept. 18, 1984, p.1)

Donald W. Kiefer, Congressional Research Service: "If you look at the 1981 and 1982 data, you cannot sort out any actual supply-side effects. There may be a supply-side effect there, but the presumption is the supply-side effect probably would be small." (New York Times, Sept, 18, 1984, p. 1)

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Paul W. McCracken: "The [supply-side] miracly didn't occur. There was never any reason for it to do so." (Christian Science Monitor, March, 9, 1982, p.10)

Paul Volcker, former Chairman of the Federal Reserve Board: "My conclusion is very simple. Quantification of the effects of tax changes on the medium term growth of the economy has no solid theoretical or empirical base. To make such necessary speculative assumptions in revenue estimating is simply an invitation to wishful thinking." (Financial Times, Jan. 11, 1995, p.5)

on dynamic scoring!!

Isabel Sawhill, Urban Institute: "The 1981 tax cut was the most significant thing that led to this deficit problem." (Los Angeles Times, Oct. 26, 1990)

Murray L. Weidenbaum, former Chairman of the Council of Economic Advisors: "[W]e must label as wishful thinking the notion that the way to cut government spending is to cut taxes." Unless spending is also cut directly. [Big taxes translate] into larger budget deficits." (Businessweek, Jan. 17, 1983, p.14)

Hans J. Mast, Chief Economist of Credit Suisse Bank in Zurich: "The supply-side economists are obviously right when they say that a big tax cut can balance the budget, because a big tax cut will generate so much inflation that tax revenues would rise to extraordinarily high levels. But that kind of a tax cut does no one any good." (Businessweek, Dec. 1, 1980, p.104)

Lester Thurow, Professor of Economics and Management at the Massachusetts Institute of Technology: "The key to avoiding dramatic cuts in consumption is to boost investment progressively, so that the rich proportionally cut back on consumption more than the poor. 'Supply-side" policies which hoped to boost investment by giving tax breaks to the wealthy have failed. All Americans will have to pitch in to finance our future, and the wealthy must pay their share." (Chicago Tribune, Dec. 10, 1988, p. 15)

Barry Bosworth, Brookings Institution: "Tax reductions motivated in part by a desire to increase private saving and investment have, in combination with higher government spending, increased government dissaving. The final result may be reverse in that national saving and domestic capital formation will be reduced rather than increased. . ."(The Washington Post, Aug. 12, 1984, F4)

Gregory B. Mankiw, Professor of Economics at Harvard University: "I don't see any economic movement like supply-side economics out there ready to burst on the scene. And that may not necessarily be a bad thing." (The Washington Post, Oct. 2, 1994, p.H1)

Michael Evans, President of Chase Econometrics: "I would expect that a further cut in rates would be proportional to what happened the first time we did this in 1981. And there is no evidence that the personal saving rate went up or participation in the labor force changed as a result of the 1981 tax rate cuts." (The New York Times, Nov. 30, 1985, p.29)

Wayne Nordberg, Economist at Prescott Ball & Turben: "The figures now confirm that what we were told was an economy driven by supply-side tax and spending reform was nothing more than an extreme example of Keynesian sitmulation. . . .This is an ominous sign of accelerating financial deterioration and a banking system that is less safe today than when President Reagan took office." (1985 Penton/IPC, Industry Week, May 13, 1985, p.19)

John Cassidy: "Ronald Reagan's tax cuts put the economy on the path to fiscal chaos: budget deficits lead to higher interest rates and lower business investment, and lower investment, in turn, restricts productivity growth and technical progress, which are the keys to future prosperity." (New Yorker, June 10, 1996, p.38)

Michael Boskin, Professor of Economics at Stanford University and former Chairman of the Council of Economic Advisors under Ronald Reagan: "[T]he complexity of the effects of taxes, inflation, and other government policies on the factors of supply had been underestimated. Although supply-side incentive effects are large enough to be of major concern, they are neither so large nor so immediate that broad acress-the-board tax rate cuts could increase supply enough to be self-financing. . . .Despite these limits, some advocates dramatically overstated the case for supply-side economics.They claimed that tax cuts would unleash such a frenzy of economic activity that they would be self-financing, eliminating the need to worry about first controlling government spending. The argument was often supported by the 'Laffer Curve', which claimed to show that above a certain tax rate, further rate hikes would cause tax revenues to fall. While this is true in specific cases where savings or investment or work effort can be altered in the short-run, there was no evidence to suggest that it was true in general." (Reagan And The Economy: The Successes, Failures Unfinished Agenda, 1987, p. 43)

Robert E. Hall and John B. Taylor, Professors of Economics at Stanford University: "[O]ne might expect that a cut in income taxes would stimulate work by improving incentives. A prime selling point of the supply-side policies put into place in 1981 was precisely this incentive argument. But a cut in income taxes also makes people better off, which depressed labor supply. The net effect of a simple tax cut could therefore be quite small. . . .A prediction of large stimulus to employment and output from tax cuts would be contrary to the evidence." (Macroeconomics: Theory, Performance, and Policy, Second Edition, 1988, p.373)

William A. Niskanen, Chairman of the Cato Institute and former member of the Council of Economic Adviser under Ronald Reagan: "Supply-siders...should consider why the reduction in tax rates has not (yet) increased economic growth. . . .What is left of supply-side economics?. . .the experience since the tax law of 1981. . . .refuted the irresponsible conjectures of some supply-side polemicists that a general reduction in tax rates would substantially increase economic growth and might increase tax revenues. (Reaganomics: An Insider's Account of the Policies and the People, 1988, p.318, 326)

Anandi P. Sahu and Ronald L Tracy, Professors of Economics at Oakland University: "With respect to reduction in the budget deficits and restraints on federal spending, the Reagan administration seems definitely to have failed. In fact, the failure to implement spending restraints contributed to the failure of the Reagan tax cuts to promote economic growth. Similarly, various tax initiatives and reforms resulted in inconsistent tax changes, and thus failed to deliver on the administration's promise of improved economic efficiency. . . .Overall, the supply-side policies do not seem to have spurred the robust economic growth that was expected. . . .Several economic problems, such as the budget and trade deficits and the consequences of lenient regulatory enforcement, remain." (The Economic Legacy of the Reagan Years: Euphoria or Chaos?, 1991, p. 16-17)

W. Michael Blumenthal, former Secretary of the Treasury: "The theory that you can lick inflation by running a loose fiscal policy, cutting taxes heavily for individual taxpayers rather than skewing the reductions to stimulate investment, had a lot of political appeal, but it was always too good to be true. There never were any data to support the supply-side ideas . . . and the notion that somehow monetary policy can take up the slack without interest rates rising -- and staying unacceptably high -- was always no more than a dream. (Land of Opportunity: The Entreprenurial Spirit in America, 1986, p.10)

Charles W. Bischoff and Edward C. Kokkelenberg, Professors of Economics at the State University of New York and Ralph A. Terregrossa, Professor of Economics and Finance at St. John's University: "As for the direct effects of the Reagan tax policies on equimpment investment, the net effects are calculated to be small because the policies cancelled each other out." (The Economic Legacy of the Reagan Years: Euphoria or Chaos?, 1991, p.37-38)

Gary Burtless, Brookings Institution: "One of the early hopes of the Reagan administration was that dramatic changes in U.S. tax and transfer policy could spur equally dramatic improvements in national savings, investment, work effort, and entrepreneurship. . . .They have not brought the nation a supply-side miracle." (The Economic Legacy of the Reagan Years: Euphoria or Chaos?, 1991, p. 43, 62)

Augustin Kwasi Fosu, Professor of Economics at Oakland University: "The Burtless chapter examines the extent to which the Reagan administration policies of the 1980's may have augmented labor supply in the U.S. economy. . . .The empirical analysis shows little or no evidence in favor of positive impacts of Reagan-era policies on labor force participation rates of men or women overall. Indeed, the effect is negative for women as a group." (The Economic Legacy of the Reagan Years: Euphoria or Chaos?, 1991, p.64)

Hobart Rowan, Economics Columnist for The Washington Post: "The tax giveaways of the first Reagan term also contributed to the S&L Disaster. As William Greider wrote in 1992, the 1981 tax legislation provided breaks for commercial real estate so generous 'that it launched the nation's gaudy boom in new office buildings--the boom that collapsed in bankruptcies at the end of the decade. When the real estate lending regulations were loosened for commercial banks in the 1982 financial legislation, the stage was fully prepared for the great financial collapse that engulfed both builders and their bankers later--and led to another taxpayer bailout.'" (Self Inflicted Wounds: From LBJ's Guns and Butter To Reagan's Voodoo Economics, 1994, p.222-3)

Robert Lekachman, Professor of Economics at the City University of New York: "[Reagan's] administration has been engaged in a massive redistribution of wealth and power for which the closest precedent is Franklin Roosevelt's New Deal, with the trifling difference that FDR sought to alleviate poverty and Ronald Reagan enthusiastically enriches further the already obscenely rich. Most of the benefits of 1981's tax legislation will flow to large corporations and their affluent stockholders, other prosperous individuals, commodity traders, military contractors, and truly greedy dabblers in oil, gas, and coal properties." (Greed is not Enough, 1982, p.3)

Thomas D. Willett, Professor of Economics at Claremont Mckenna College: "[P]resident [Reagan] appeared to embrace yet a third view--that with a proper mix of policies, inflation could be subdued and growth could be stimulated simultaneously and painlessly. This new brew of economic medicine combined the magic of supply-side tax cuts with elements of 'rational expectations' economics and monetarism. Few mainstream economists were surprised when the president's rosy scenario failed to come to pass. Even at the time, many economists criticized the administration's optimistic initial projections, which were based on suppositions inconsistent with historical experience." (Reagonomics: A Midterm Report, 1983, p.12)

Stephen Rousseas, Professor of Economics at Vassar College: "With what was added on top of a fraudulent Laffer Curve, the budget was left spinning our of conrol. It could not be balanced. Large deficits were clearly in the works. The [Reagan] administration's model had not only been based on a "theory" that even [David] Stockman knew could not work; it had been sabotaged by the greed of special interests and by a compliant Congress which knew a God-sent opportunity when it saw one." (The Political Economy of Reagonomics: A Critique, 1982, p. 103)

David Stockman, former Director of the Office of Management and Budget under Ronald Reagan: "[T]he naive supply-siders just missed this whole dimension. You don't stop inflation without some kind of dislocation. . . .Supply-side was the wrong atmospherics--not wrong theory or wrong economics but wrong atmospherics. . . .The supply-siders have gone too far. They created this nonpolitical view of the economy. . .and their happy vision of this world of growth and no inflation with no pain." (The Political Economy of Reagonomics: A Critique, 1982, p. 103)

Norman Ture, Institute for Research on the Economics of Taxation: "It would be a mistake, I believe, to represent the fine performance of the U.S. economy during the last several years as validation of supply-side economics and policies. . . .One would be hard put...to demonstrate that any of the favorable economic developments of the past several years were uniquely the result of public policy initiatives properly identified as supply-side policies during that period." (Supply-Side Agenda for Germany, 1989, p.131)

Minarik
Office of Management and Budget
May 22, 1996

Republican Supply-Side Claims

1. Real Federal revenue grew more in the Reagan supply-side years than it did since.

2. The economy performed better in the Reagan supply-side years than it did since.

3. President Clinton is a big taxer.

These claims are incorrect.

Republican Supply-Side Claim #1:
Real Federal revenue grew more in the Reagan supply-side years than it did since.

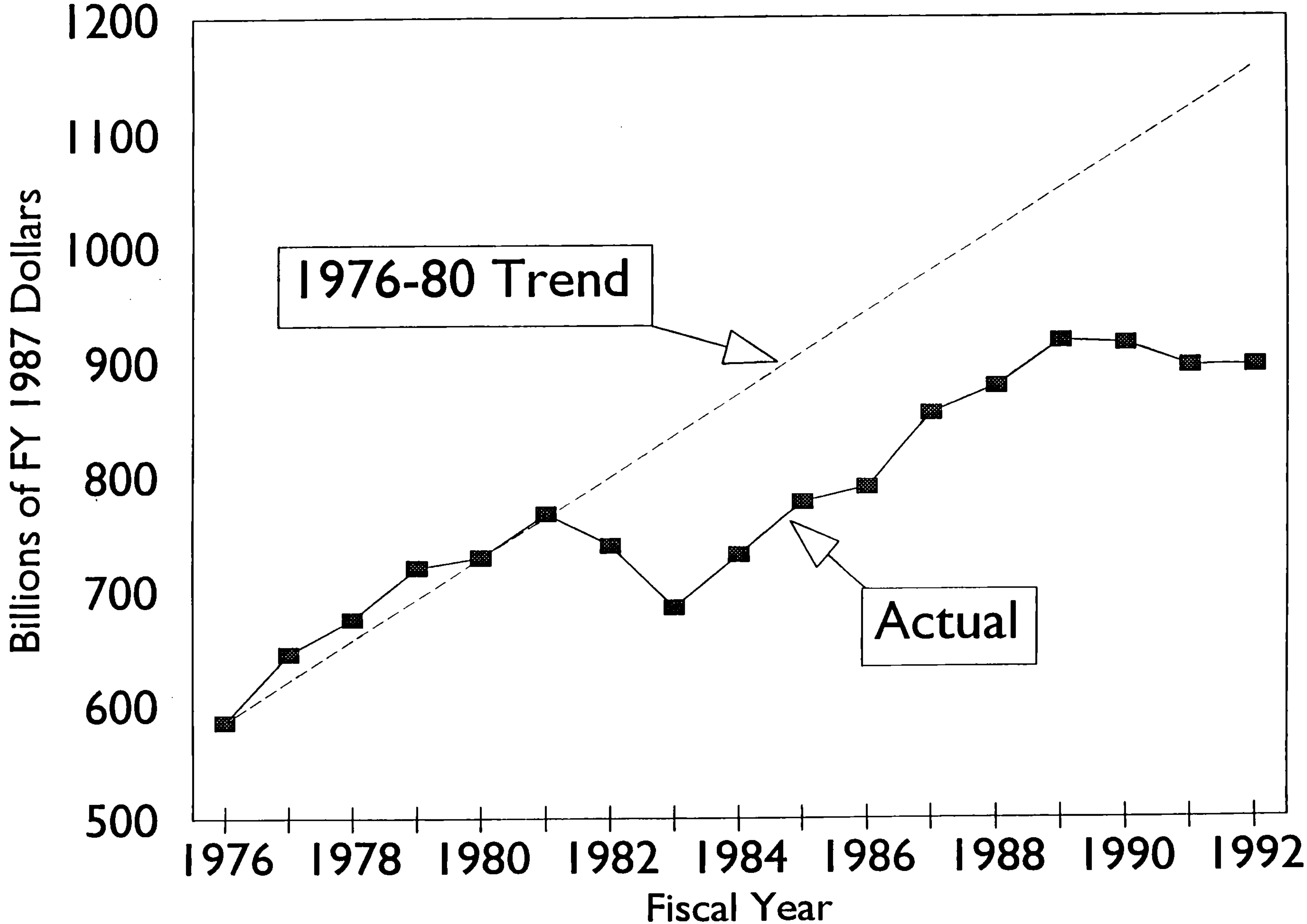
Fact: Real Tax Revenue Lagged Under Reagan-Bush

After the 1981 Reagan-Bush tax cuts, inflation-corrected Federal tax revenues fell below the trend that they had followed from 1976 through 1980.

They never regained that trend.

This permanent reduction in revenue was the major cause of the exploding Federal budget deficit (from $74 billion in fiscal year 1980 to $290 billion in fiscal year 1992) and the ballooning Federal debt (from $710 billion [using debt held by the public] at the end of 1980 to $2,999 billion at the end of 1992).

Real Tax Revenues Lagged Under Reagan-Bush



Republican Supply-Side Claim #1:
Real Federal revenue grew more in the Reagan supply-side years than it did since.

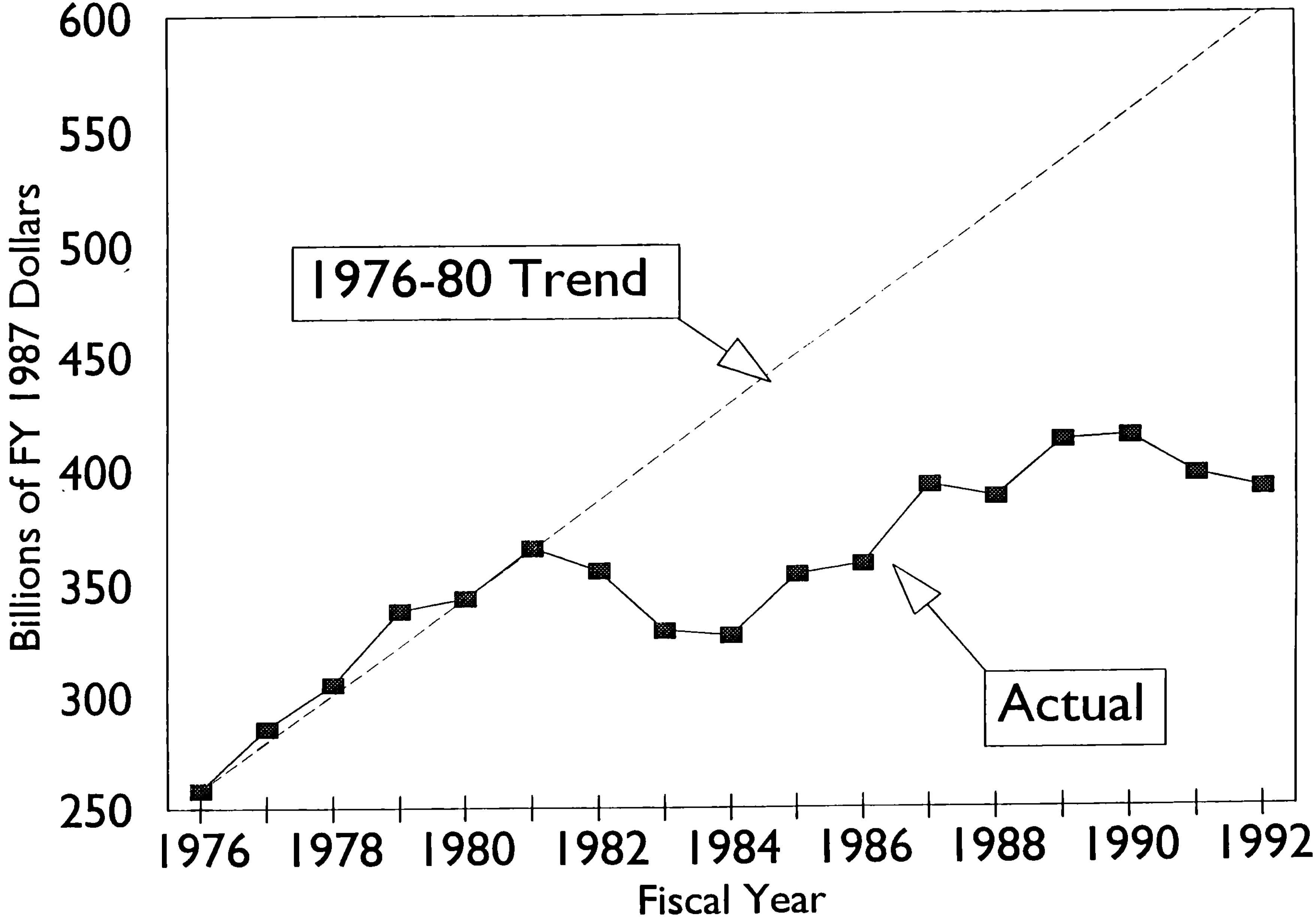
Fact: Real Personal Income Tax Revenue Fell Under Reagan-Bush

After passage of the 1981 supply-side tax cuts, inflation-corrected personal income tax revenue fell for three consecutive years.

Even when personal income tax revenue eventually began to grow again, it never regained the trend of 1976-1980.

This shortfall of individual income tax revenue was a major contributor to the growing Federal budget deficits and debt of the Reagan-Bush years.

Real Individual Income Tax Revenues Fell Under Reagan-Bush



Republican Supply-Side Claim #1:
Real Federal revenue grew more in the Reagan supply-side years than it did since.

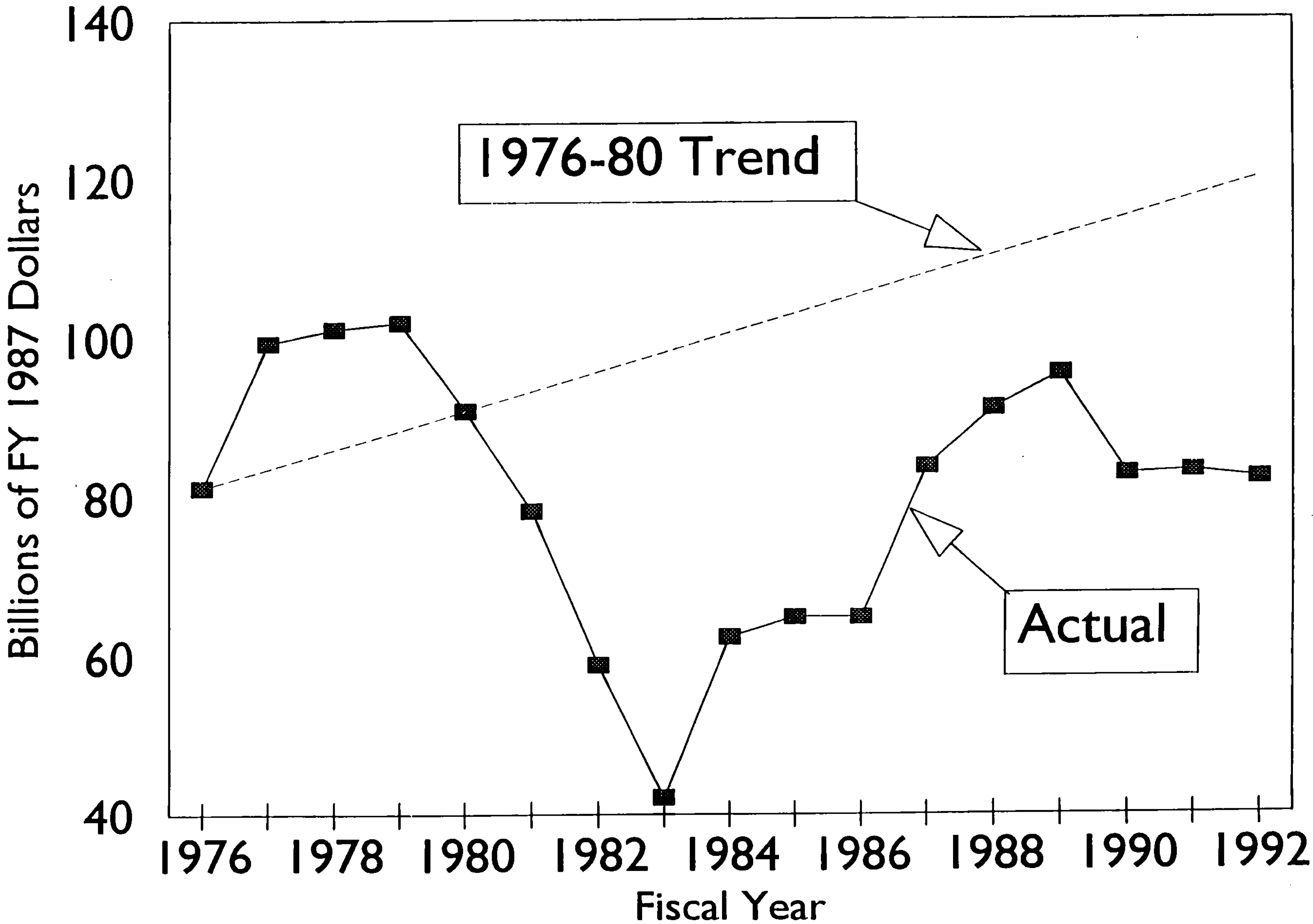
Fact: Real Corporate Income Tax Revenue Fell Under Reagan-Bush

As with personal income tax revenue, inflation-corrected corporate income tax revenue fell for three consecutive years after passage of the 1981 supply-side tax cuts.

Corporate income tax revenue began to grow more rapidly after passage of the 1986 tax reform. However, it never regained the trend of 1976-1980.

This shortfall of corporate income tax revenue added to the growth of Federal budget deficits and debt during the Reagan-Bush years.

Real Corporate Income Tax Revenues Fell Under Reagan-Bush



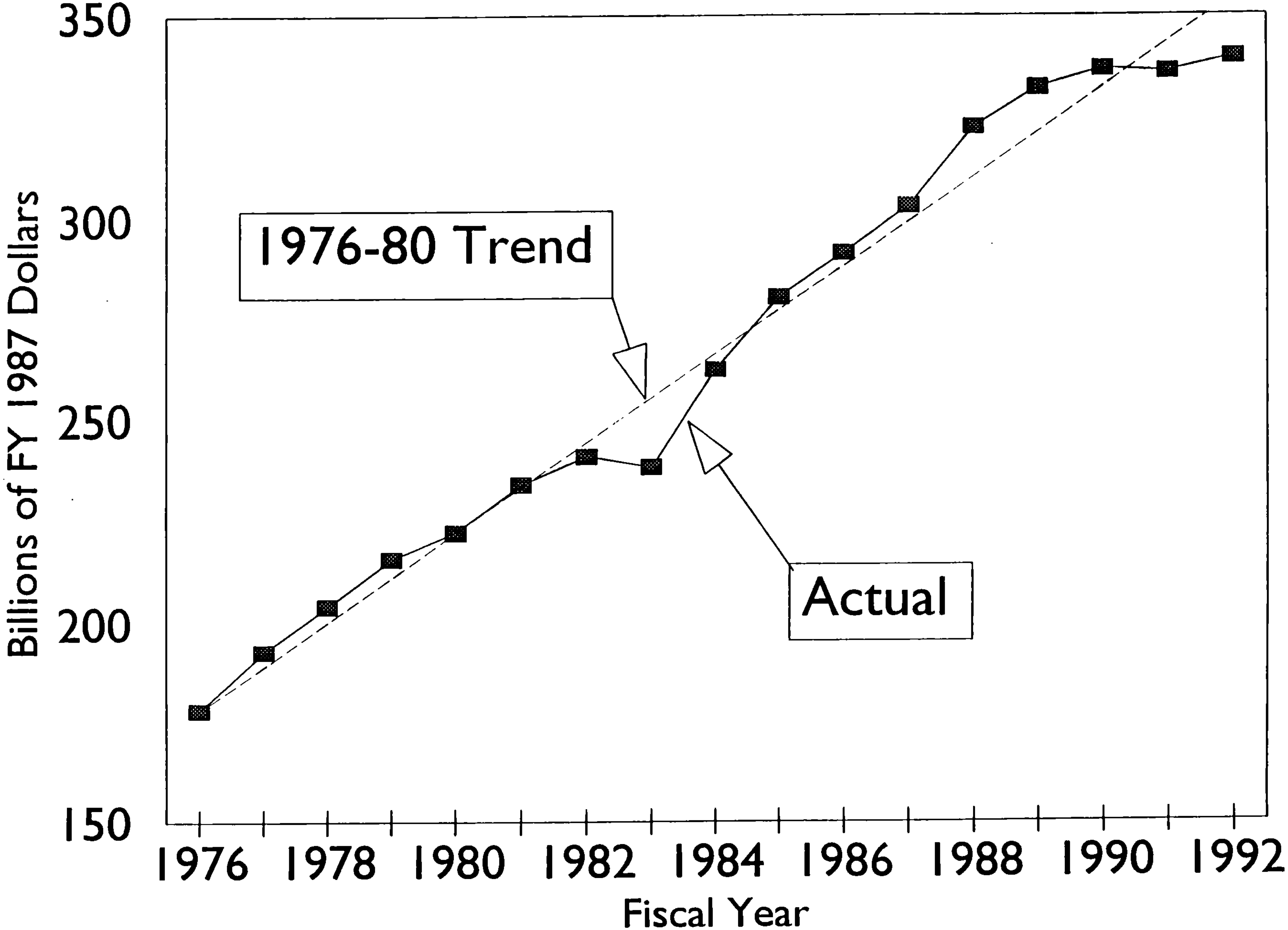
Republican Supply-Side Claim #1:
Real Federal revenue grew more in the Reagan supply-side years than it did since.

Fact: Only Real Payroll Tax Revenue Rose Under Reagan-Bush

Unlike the income taxes, the social insurance taxes -- primarily the Social Security payroll tax -- did grow at their past trend in the 1980s.

Ironically, the payroll tax rate was raised steadily over the period. Thus, contrary to supply-side doctrine, tax cuts drove personal and corporate income tax revenues down, and payroll tax rate increases to guarantee the solvency of the Social Security and Medicare trust funds did not keep payroll tax revenue down. Instead, payroll tax revenue rose.

Only Real Payroll Tax Revenues Rose Under Reagan-Bush



Republican Supply-Side Claim #2:
The economy performed better in the Reagan supply-side years than it did since.

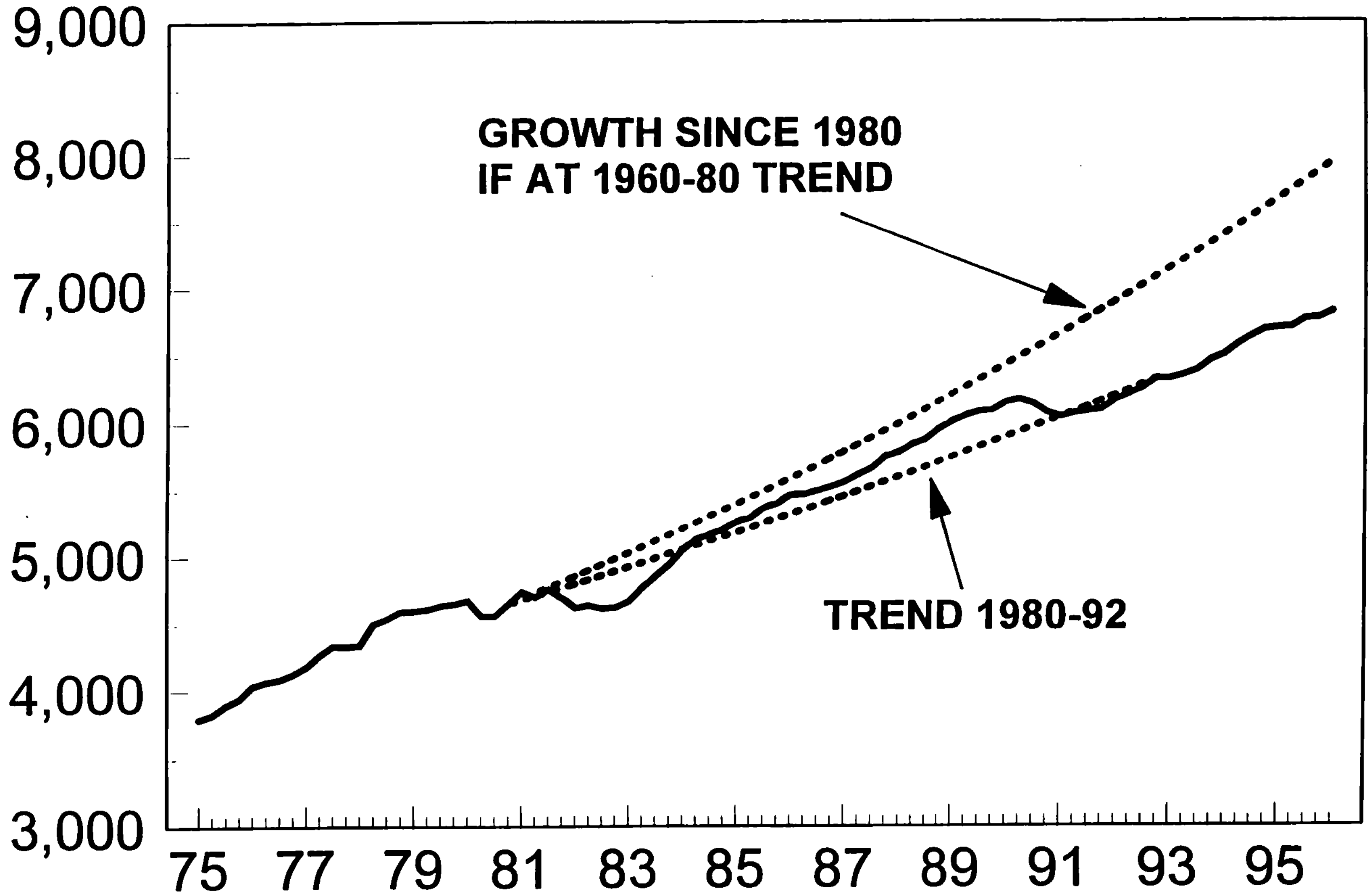
Fact: Real GDP Growth Slowed in the 1980s.

Like Federal tax revenue, real GDP fell off the 1960-80 trend in the supply-side years, and never recovered.

The years in the middle 1980s were better than those in the early and later parts of the decade, but that was mostly because the economy had fallen so far in the "Great Recession" of 1981-82 that it simply had so much room to recover. These years also do not indicate a fundamentally strong economy -- as the charts that follow will show...

REAL GDP GROWTH SLOWED IN THE 1980s

($ billions, chain-weight basis)



Republican Supply-Side Claim #2:
The economy performed better in the Reagan supply-side years than it did since.

Fact: Business Fixed Investment Growth Slowed in the 1980s

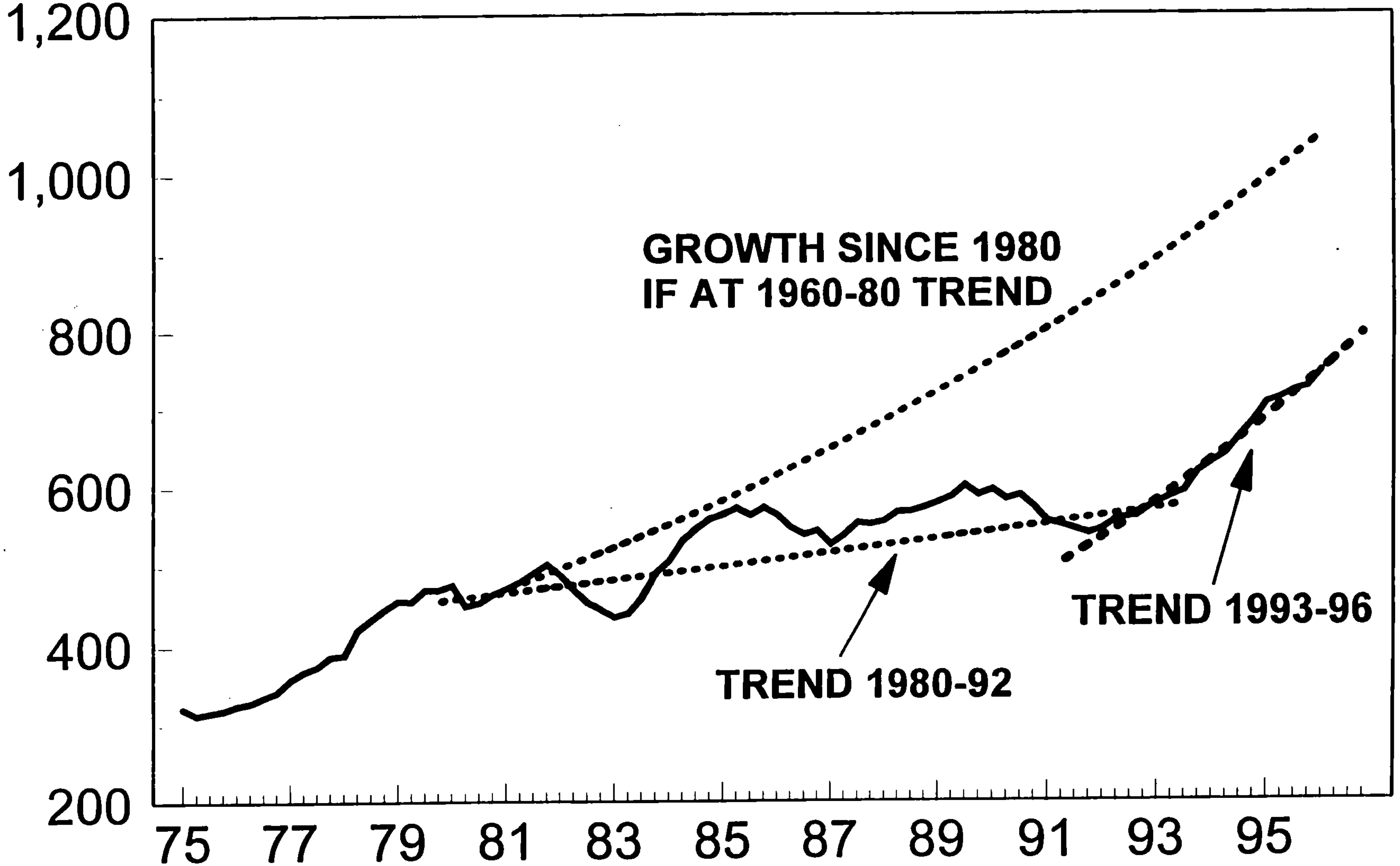
When investment grows, the economy becomes more productive and increases its capacity to produce in the future. Economic growth based on business investment is therefore more lasting and sustainable.

Investment in the 1980s was weaker, not stronger, than the surrounding years. Supply-side economics did not result in an increase in investment.

Since President Clinton took office, however, business investment has accelerated to a rate even faster than before the supply-side experiment.

BUSINESS FIXED INVESTMENT GROWTH SLOWED IN THE 1980s

(Fixed Private Nonresidential, $ billions, chain-weight basis)



Republican Supply-Side Claim #2:
The economy performed better in the Reagan supply-side years than it did since.

Fact: Business Equipment Investment Growth Slowed in the 1980s

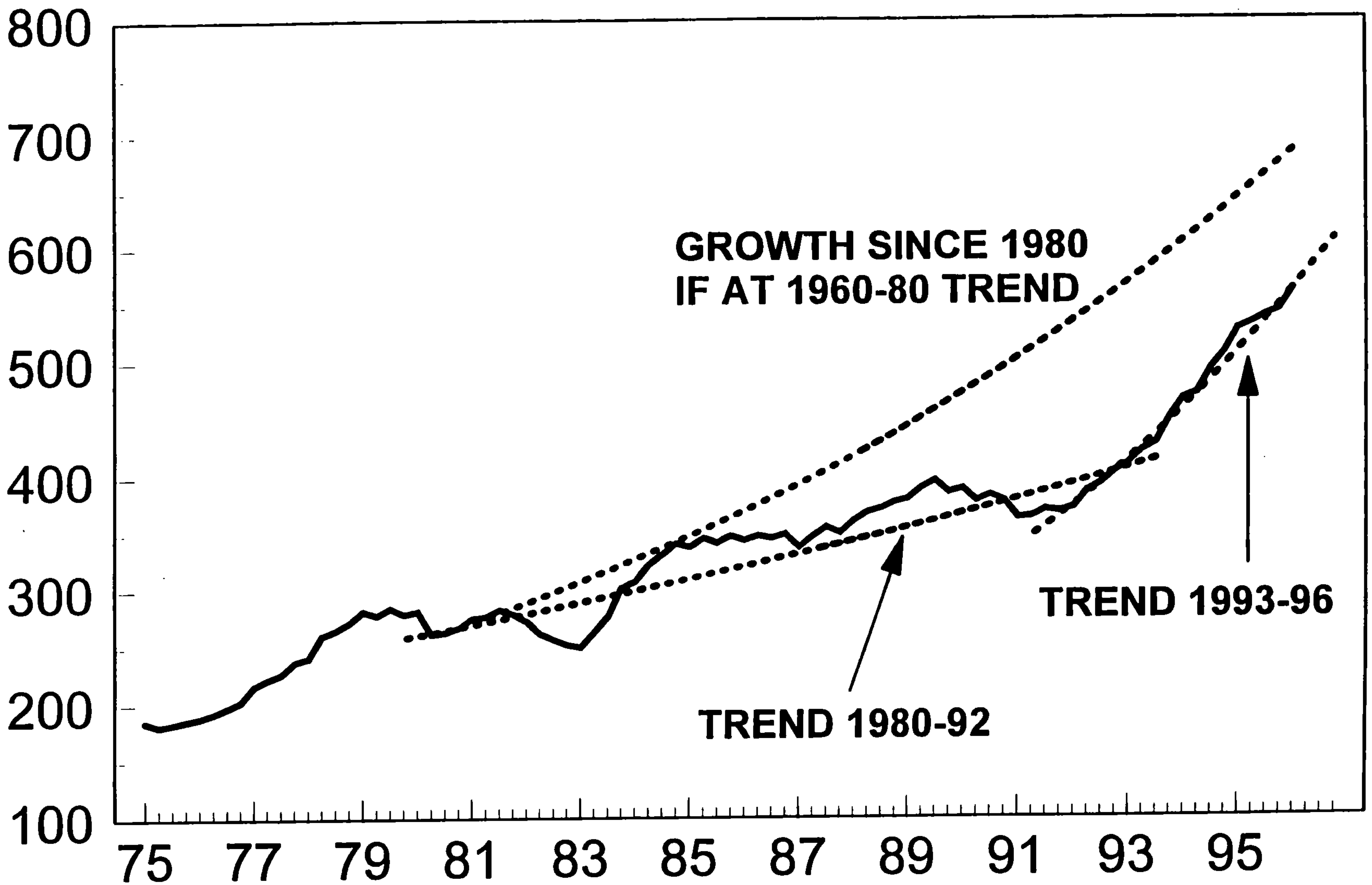
Business investment in equipment is thought by some economists to be the most important category of investment -- because equipment may be most likely to embody the new technology that increases productivity.

Like business investment broadly, business investment in equipment slowed in the 1980s. Thus, the supply-side tax cuts clearly did not increase the economy's capacity to grow.

Since President Clinton took office, business investment in equipment has been the fastest-growing part of the economy -- significantly faster than the 1980s, or even the period before the Reagan-Bush tax cuts.

BUSINESS EQUIPMENT INVESTMENT SLOWED IN THE 1980s

(Nonresidential Producers' Durable Equipment, $ billions, chain-weight basis)



Republican Supply-Side Claim #2:
The economy performed better in the Reagan supply-side years than it did since.

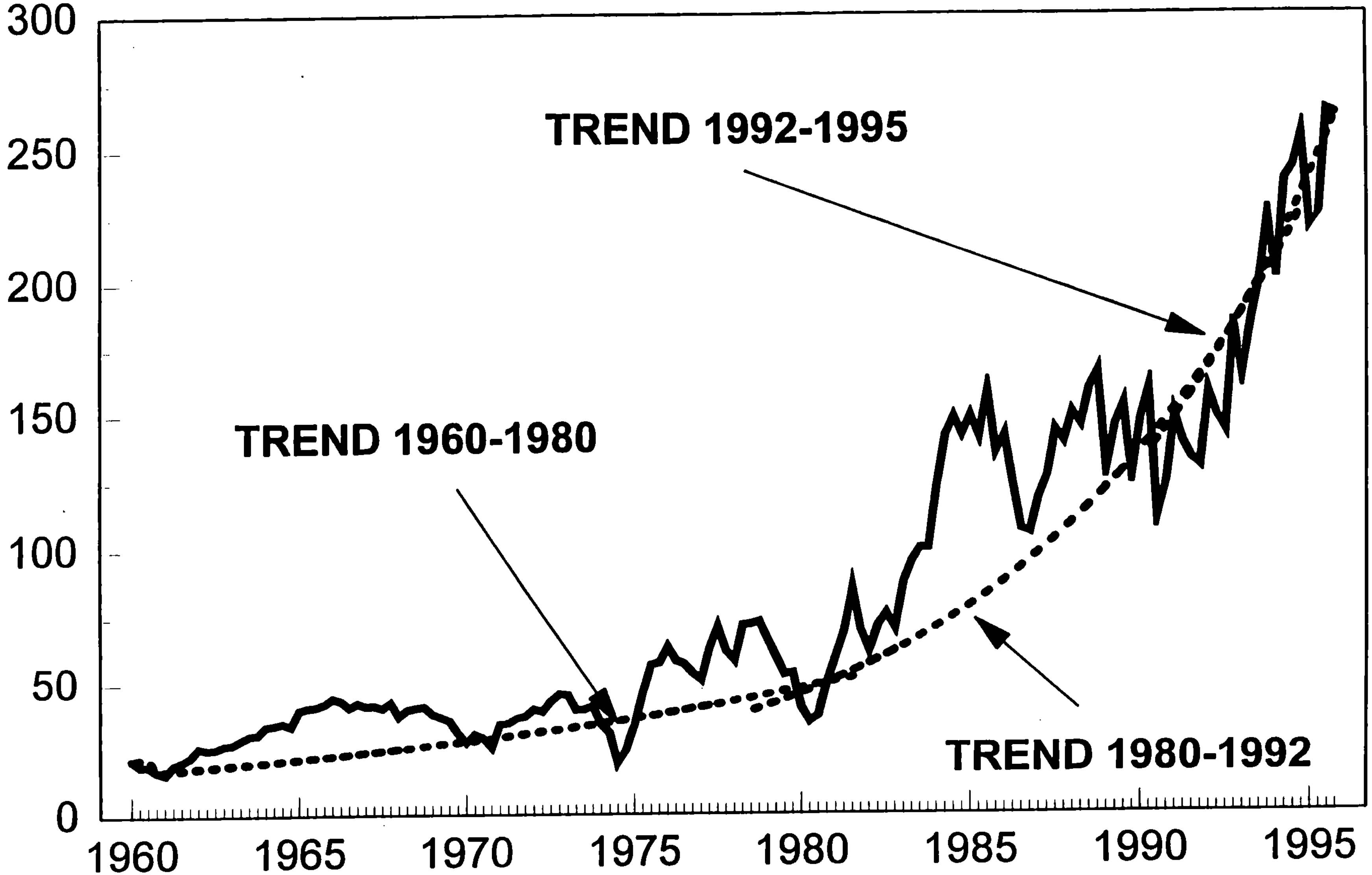
Fact: Real After-Tax Profits Have Grown Since the 1980s

Although business investment lagged in the 1980s, corporate profits did not. Corporate taxes grew slowly, and so after-tax profits increased rapidly.

In the Clinton Administration, corporate profits taxes have grown sharply. But the economy has performed so well that after-tax corporate profits have still increased healthily. This profit growth has helped to finance the investment boom which promises to increase productivity and incomes in the years to come.

REAL AFTER-TAX PROFITS OF NONFINANCIAL CORPORATIONS

(billions of chained 1992 dollars)



Republican Supply-Side Claim #2:
The economy performed better in the Reagan supply-side years than it did since.

Fact: Real Government Spending Fueled the Growth of the 1980s

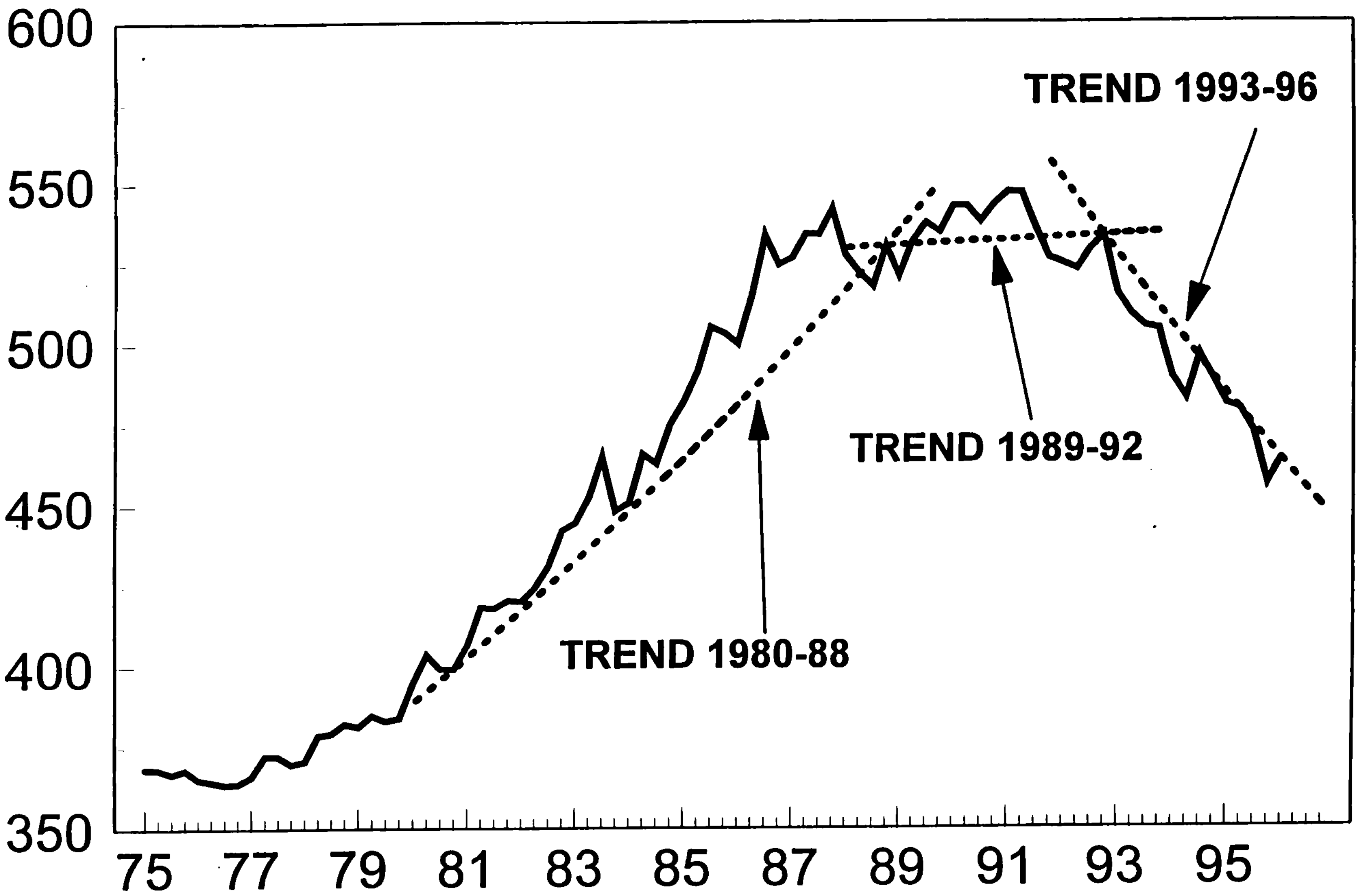
Economic growth in the 1980s was mediocre; but investment performance was even weaker. So what supported growth during the supply-side tax cuts?

Ironically, the sector of the economy that grew faster than its preceding trend was Federal government spending. Driven by the defense buildup, the public sector contributed heavily to the economic growth that some ascribe to tax cuts.

Since the beginning of the Clinton Administration, real Federal spending in GDP has actually declined. The economy has grown at a pace that is equal to the Reagan years, but driven by private-sector investment -- not public-sector spending. Thus, the economic growth of the Clinton years is more durable and sustainable than that of the 1980s -- which witnessed the financial-market crash of 1987, and ended with the recession of 1990-91.

REAL GOVERNMENT SPENDING DROVE GROWTH IN THE 1980s

(Government Consumption and Gross Investment, $ billions, chain-weight basis)



Republican Supply-Side Claim #3:
President Clinton is a big taxer.

Specifically, under President Carter, Federal receipts equaled 19.725 percent of GDP; under President Reagan, only 19.65 percent; under President Bush, only 19.525 percent; but under President Clinton ("first three years"), back up to 19.933 percent. (Bruce Bartlett, *Washington Times*, May 20, 1996; "Source: Author's calculations.")

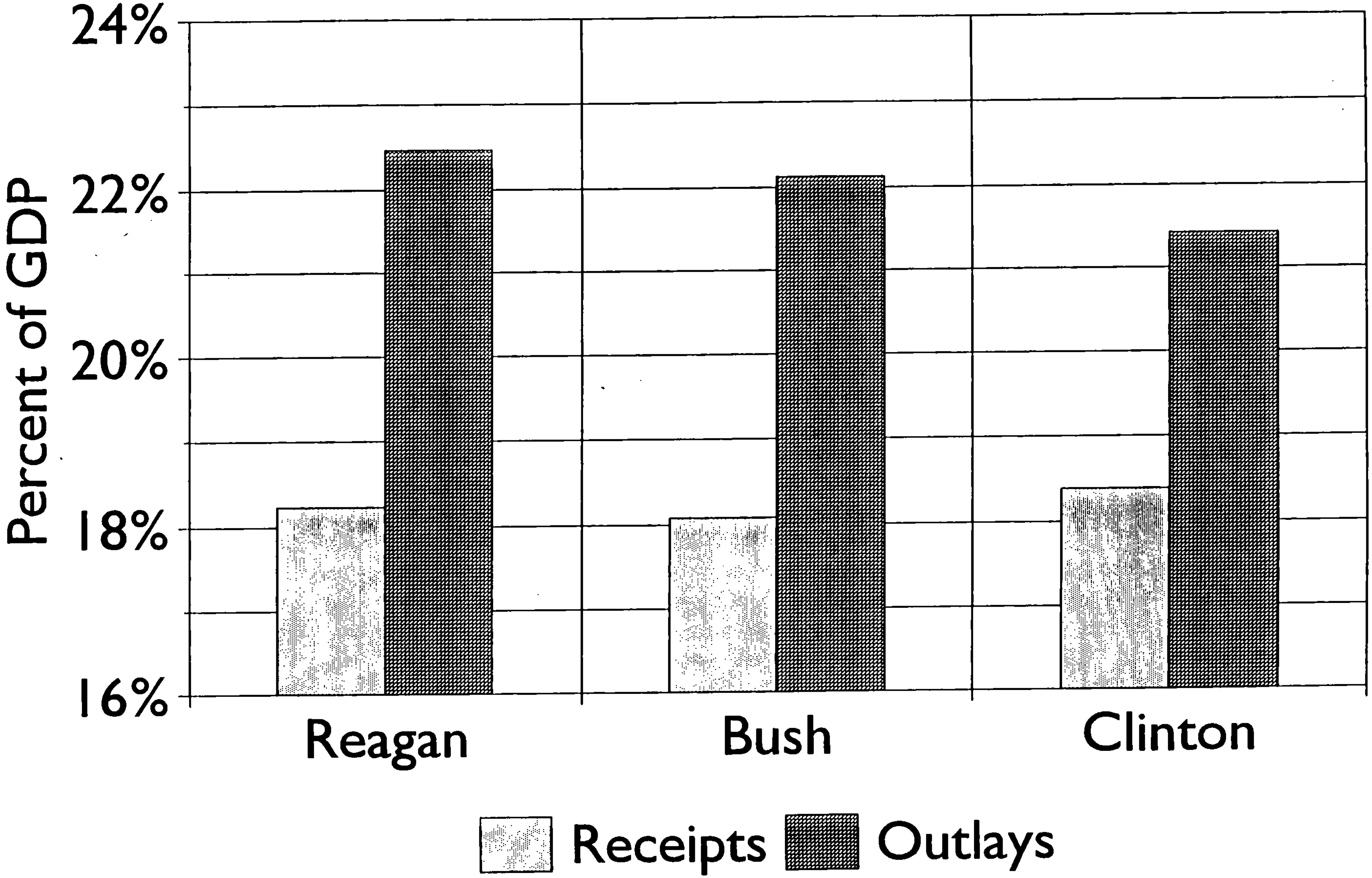
Here are the flaws in this analysis:

1. The numbers are wrong. The correct figures for the four Administrations are virtually identical: President Carter, 18.5 percent; President Reagan, 18.2 percent; President Bush, 18.1 percent; and President Clinton, 18.4 percent. (*The Budget of the United States Government, Fiscal Year 1997: Historical Tables*, table 1.2, using latest GDP data; see attached chart.)

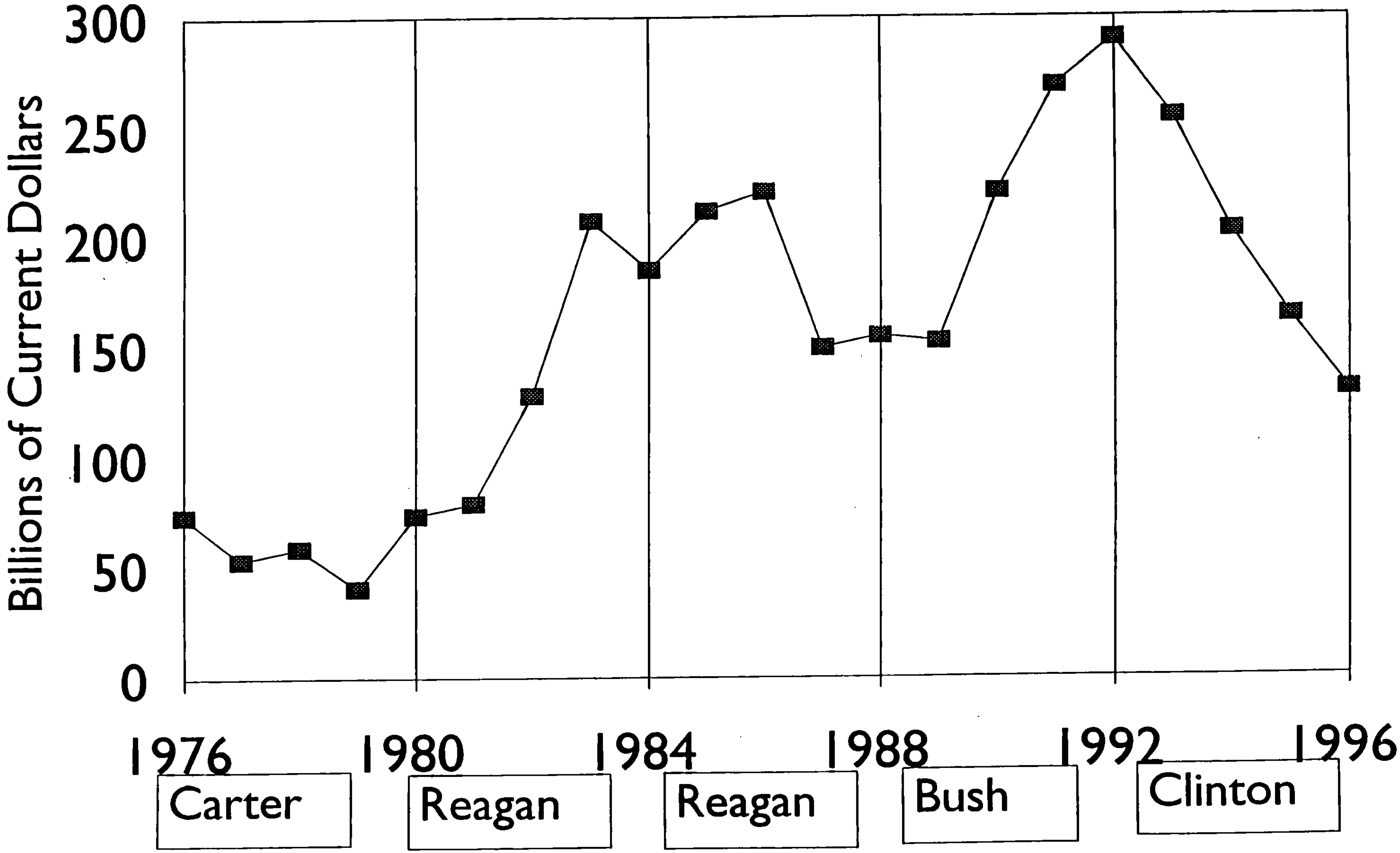
2. What are very different, however, are the levels of Federal spending under the four Administrations. Under President Carter, outlays were 20.9 percent of GDP; under President Reagan, 22.5 percent; under President Bush, 22.1 percent; and under President Clinton, 21.4 percent. Thus, President Clinton reduced the deficit in small part by revenue increases targeted closely to those most able to pay, but in greater part by far by holding spending down.

3. Finally, there is an element of schizophrenia in the criticism of President Clinton. On the one hand, adversaries complain that revenues have grown too slowly; on the other, that revenues have grown too fast. And always, data are presented using selective and misleading time periods and concepts. The bottom line is that, under President Clinton, the economy has been strong and the deficit has been cut by more than half.

Clinton Taxes Little Different Than Reagan-Bush, But Spending Is Lower



Deficit History



"WHY JFK CUT TAXES"

Summary of op-ed in the May 30 *Wall Street Journal*
by Herbert Stein

Herbert Stein was Chairman of the Counsel of Economic Advisors under Richard Nixon and is currently an American Enterprise Institute fellow. In the article, he argues why JFK's tax cut is not a good model for today:

The Factors That Motivated JFK's Tax Cut Are Not Applicable Today

- **The economy was operating well below potential.** When JFK entered office, the unemployment rate was 6.7%, at a time when economists thought full employment was 4%. Today it is 5.4%, which many economists believe *is* full employment.

- **The economy faced budget surpluses -- not deficits.** Even though there was a slight deficit when JFK took office (0.6% of GDP vs over 2% today) , the Administration felt that existing tax rates and expenditure programs would cause large budget surpluses, measured on a full employment basis.

- **The goal was demand-side stimulus, not supply side response.** Note that JFK's tax cut was implemented *not* for the supply-side benefits, but rather to create the surplus-reducing demand-side effect.

- **Very high marginal tax rates.** The top individual rate then was 91% compared with 39.6% today. The top corporate rate was 52% versus today's 35%.

It Is Debatable Whether JFK's Tax Cut Was Even Successful

- **The expansion began well before the tax cut was passed.** The expansion began in early 1961, but the tax cut was not even enacted until February 1964.

- **Other factors could have been more directly responsible**, such as the expansionary monetary policy pursued throughout the decade. The 1960's expansion was prolonged at the end by expenditures for the Vietnam War.

- **Target growth rate wasn't achieved.** Kennedy economists were trying to avoid full-employment surpluses that would lower demand and drag down growth. Instead, they got large and persistent deficits caused by the tax cut, depressing growth by preventing savings needed for investment. From 1963 to 1995, the economy grew at an average of 3 percent per year, well below the 4 percent goal of the Kennedy economists.

THE WALL STREET JOURNAL THURSDAY, MAY 30, 1996

A14

Why JFK Cut Taxes

By HERBERT STEIN

To many Republicans the name of Nelson Rockefeller is anathema, while the name of John F. Kennedy is revered. That may seem peculiar at first glance, but it really is not. President Kennedy cut taxes. For many Republicans that is sufficient to make him a model. He now ranks up there with Andrew Mellon in the pantheon of tax-cutters; he is to taxes what G. Washington was to cherry trees.

Signed by Johnson

Of course, to say that President Kennedy cut taxes is something of a stretch. He formally proposed the tax cut in December 1962, he was assassinated in November 1963, and Congress passed the tax cut, to be signed by President Johnson, in February 1964.

But let us call it Kennedy's tax cut. Before we wrap ourselves too tightly in his mantle, we should recall a few facts:

1. When Kennedy came into office in 1961, the top marginal rate of individual income tax was 91%, compared with 39.6% today. The top corporate rate was 52%; today it is 35%, with much ampler depreciation allowances.

2. When Kennedy came into office, the unemployment rate was 6.7%. The Kennedy economists thought "full employment" was 4%. That is, they thought they were far below full employment. They thought that the economy was operating at about 9% below its potential total output, meaning the output the economy was capable of at full employment, with the existing tax rates and other structural conditions. They thought that the economy was operating below its potential because total demand was too low. Today we seem to be close to full employment, and close to today's potential output, if not there.

John F. Kennedy

3. In fiscal 1961, when Kennedy came into office, the federal deficit was about 0.6% of gross national product. But the administration believed that the budget would be in surplus, given the existing tax rates and expenditure programs, if the economy were at full employment. It believed that even with lower taxes or higher expenditures the budget would be in balance if the economy were at high employment.

4. The administration believed that there was a long-term problem of fiscal drag. It thought that in the long run the potential growth of total output was 4% a year, without counting on increased growth from tax reduction or other structural reforms. But this potential growth rate would not be achieved with the existing tax and expenditure policies, because they would yield excessive surpluses, which would depress demand. So the long-run growth problem was to get rid of these troublesome budget surpluses.

5. With some exceptions, the administration did not care much about balancing the budget, except as a useful political slogan. Walter Heller, Kennedy's chief economist, referred to balancing the budget as "the Puritan ethic," at a time when that epithet was considered dismissive.

6. Cutting taxes was not Kennedy's first choice for getting rid of those troublesome surpluses. He had plans for many expenditure increases—for defense, education, urban renewal, regional economic development, worker training and medical care for the aged. Congress did not approve any of that, except for an increase in defense spending after the Soviets put up the Berlin Wall.

7. The Kennedy administration would have liked to "get the economy moving again" by easing monetary policy. But the administration did not control monetary policy, which in any case was inhibited by the balance-of-payments deficit combined with the commitment to support the dollar exchange rate.

8. In the summer of 1962, the stock market fell sharply. That was commonly attributed to anxieties in the financial and business communities caused by the administration's heavy-handed pressure on the steel companies to roll back a price increase. The administration feared that the economy was entering another recession, which would be *its* recession. It felt the need to stimulate the economy but was blocked by Congress on the expenditure-increasing front. Moreover, it felt the need to restore confidence in the business community. So it came to the proposal of a big tax cut.

Board of Contributors

No doubt a determined econometrician can 'prove' the tax cut was a success. That would not make it model for us.

9. The administration did not propose to couple the tax cut with a spending cut. It wanted to stimulate demand and reduce the troublesome full-employment surplus. It was the congressional leadership, notably Sen. Harry Byrd of Virginia and Rep. Wilbur Mills of Arkansas, who insisted on expenditure restraint along with the tax cut. This led to President Johnson's classic fiscal policy pronouncement to Walter Heller: "If you don't get this budget down around $100 billion, you won't pee one drop."

10. The administration recognized that tax reduction would have some beneficial incentive effects, which we would now call supply-side effects, but it insisted that the main objective was the surplus-reducing, demand-side effect.

So we got the tax cut, signed in February 1964. And we got a prolonged economic expansion. But the connection between these facts is unclear. By current measurements, the expansion began in February 1961 and continued until December 1969. That is, it began well before the tax cut and was prolonged at the end by expenditures for the Vietnam War. There were "lulls," but no recessions, in 1962 and 1966. In the middle of 1963, when the tax

cont

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TAXES

cut was being debated, the economic recovery became so obvious that some questioned whether the cut was really needed. That was an embarrassment to the administration. It wanted the tax cut to relieve the long-run fiscal drag, not just the immediate economic lull. Anyway, having offered the baby the candy it could not take it away. Heller rationalized the policy by saying that the improving economic prospects "offer a solid launching pad" for the tax cut. (We were big on space-age metaphors in those days.) A change in monetary policy probably had a good deal to do with the expansion. From the end of 1959 to the end of 1962, the money supply (M1, which seemed the significant measure at the time) increased at an annual rate of 1.8%. From 1962 to 1969 the annual rate of increase was 4.7%.

Erroneous Estimates

The Kennedy administration's estimates of the nation's long-run economic and fiscal position turned out to be seriously in error. The economy did not grow by 4% per annum. It grew from 1963 to 1995 by an average of 3% per annum—which is an error of 25%, not 1%. We did not face the problem of mounting full-employment surpluses that would be a drag upon the economy because they would depress demand. Instead we faced the problem of large, persistent deficits that depressed the economy by depriving it of savings for investment.

No doubt a determined econometrician can "prove" that the Kennedy-Johnson tax cut was a great success. He will have to be pretty determined. But even so, that would not make the Kennedy-Johnson tax cut a model for us. We start with much lower tax rates. We are much closer to full employment than we were, or thought we were, when Kennedy proposed the cut. We have a bigger deficit, relative to actual or potential national income. And, most important, we face frighteningly large deficits in the next generation, whereas Kennedy and Johnson thought they faced frighteningly large surpluses.

Mr. Stein told the story of the Kennedy-Johnson tax cut in his 1969 book, "The Fiscal Revolution in America," reissued earlier this year.

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Clinton Presidential Records
Digital Records Marker

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

This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

Divider Title: **Growth Conference**

4 KEY FACTS REPUBLICAN SUPPLY-S DERS CONVENIENTLY DID NOT TELL YOU AT TODAY'S "GROWTH" CONFERENCE

July 23, 1996

I. <u>Private-Sector</u> **Economic Growth is Stronger Under Clinton than Reagan or Bush.** Reagan only beats Clinton on overall growth because government grew under Reagan while it was cut under Clinton.

Average Annual Rate of Private Sector Growth:	
Reagan	3.0%
Reagan-Bush	2.4%
Bush	1.3%
Clinton	3.1%

Source: Based on data from the Department of Commerce, Bureau of Economic Analysis.

II. **Job Growth Under Clinton Is Stronger Than Reagan** -- and stronger than any Republican Administration since the 1920s.

Average Annual Rate of Job Growth	
Clinton (1/93-6/96)	2.592%
Nixon (1/69-8/74)	2.260%
Reagan (1/81-1/89)	2.044%
Ford (8/74-1/77)	1.067%
Eisenhower (1/53-1/61)	0.846%
Bush (1/89-1/93)	0.587%

Source: Based on data from the Bureau of Labor Statistics, Current Employment survey.

III. **President Clinton:** **10 million New Jobs in 41 months**
President Reagan: **10 million New Jobs in 74 months**
[Based on data from the Bureau of Labor Statistics, Current Employment survey.]

IV. **The Experts Agree that the Economy Under Clinton Is The Most Solid It's Been In Years.** Bob Dole himself said just a few months ago: "It is also true, as some have said, that our economy is the strongest it's been in 30 years."

[See Attached Quotes]

BOB DOLE ON THE ECONOMY:

"It is also true, as some have said, that our economy is the strongest it's been in 30 years."

-- Senator Bob Dole, Remarks to the New Hampshire State Legislature, February 12, 1996
[Transcript Released by Dole For President Campaign, February 20, 1996]

THE EXPERTS AGREE: THE ECONOMY UNDER CLINTON IS STRONG

THE MOST SOLID ECONOMY IN YEARS UNDER CLINTON

- ***Money*, August, 1996:** "The majority of Americans are better off on most pocketbook issues after 3 ½ years under Clinton, who's presided over the kind of economic progress any Republican President would be proud to post."

- ***Barron's*, 3/18/96:** "In short, Clinton's economic record is remarkable. ...Clinton also rightfully boasted that, 'our economy is the healthiest that it has been in thirty years.'"

- **Bob Dole, 2/20/96:** "It is also true, as some have said, that our economy is the strongest it's been in 30 years." [Remarks to the New Hampshire State Legislature, released by the Dole for President Campaign, 2/20/96]

- ***Business Week*, 6/10/96:**: "[I]nflation is low, growth is good, and the dollar is strengthening. America is in its best economic shape in 20 years."

- ***Washington Post*, 5/4/96:** "Wages are rising at their fastest pace in five years, consumer confidence is soaring, and business and consumer spending has fueled an unexpectedly strong burst of economic growth."

- **David Wyss, *DRI/McGraw-Hill*, 6/10/96:** "If you look at the economy during the Clinton Administration, you have to say it's been a success. We have low inflation, full employment, and steady growth. This is really just about the best of all macroeconomic worlds."

- **Allen Sinai, *Lehman Brothers*, 7/5/96:** "The economy is in great shape. It's very prosperous. ...The labor market is much better. There are more jobs, more good jobs and more higher pay for people who are working and more choice." [*NPR's* All Things Considered, 7/5/96]

CLINTON CUT THE DEFICIT, LOWERING INTEREST RATES, & GROWING THE ECONOMY

- ***Fortune*, 10/3/94**: "[President Clinton's] economic plan helped bring interest rates down, spurring the recovery."

- **Alan Greenspan, 2/20/96:** "The deficit reduction in President Clinton's 1993 Economic Plan was "an unquestioned factor in contributing to the improvement in economic activity that occurred thereafter."

- **Paul Volcker, Federal Reserve Board Chairman (1979-1987), Fall 1994:** "The deficit has come down, and I give the Clinton Administration and President Clinton himself a lot of credit for that....and I think we're seeing some benefits." [*Audacity*]

- ***Congressional Budget Office*, 1/94:** "The dramatic improvement [in the deficit] since last January is largely the result of the enactment in August of...the Omnibus Budget Reconciliation Act of 1993." [*Economic and Budget Outlook*, January 1994, p. xiii]

- ***Reuters*, 6/30/96:** "Clinton has run up an enviable record in the past four years, cutting the budget deficit each year and making good on a campaign promise to cut the deficit in half."

- ***U.S. News & World Report*, 6/17/96:** "[President Clinton's 1993 Economic Plan] did lead to lower interest rates, which begat greater investment growth (by double digits since 1993, the highest rate since the Kennedy administration), which begat three-plus years of solid economic growth averaging 2.6 percent annually, 50 percent higher than during the Bush presidency."

- ***Chicago Sun-Times*, 10/18/95:** "And Clinton does deserve credit. His 1993 federal budget plan started the process of reducing the deficit. ...That budget was well received by the bond markets and helped start the decline in interest rates that has held through most of Clinton's first term."

MATERIALS FOR GOP GROWTH CONFERENCE

July 22, 1996

Key Facts On The Economy Under President Clinton

July 22, 1996

A STRONG ECONOMIC RECORD TO BUILD ON

PROMISES KEPT: Cut the deficit in half, create 8 million new jobs, grow the economy.

- **Strong Job Growth.** 10 million new jobs -- a faster annual rate of job growth than any Republican Administration since the 1920s. *10 million jobs created in 41 months under Clinton vs. 10 million jobs in 74 months under Reagan.*
- **Deficit Cut In Half.** $290 billion in 1992 vs $117 billion this year [OMB]; $115-$130 billion [CBO.] First President to cut deficit 4 years in a row since 1840s.
- **Lowest Combined Rates of Unemployment, Inflation, and Mortgage Rates Since 1960s.** Inflation has averaged just 2.8% per year -- lowest average rate of inflation since Kennedy.
- **Unemployment Rate is now 5.3 percent -- its lowest level in six years** and the 22nd consecutive month below 6 percent. Four years ago, the unemployment rate was 7.8%.
- **Stronger Private Sector Growth.** The Private Sector of the economy has grown 3.1% annually -- stronger than either of the previous two Administrations.
- **Average Hourly Earnings are up,** after dropping 79 cent in the previous 2 Administrations.
- **Highest Homeownership Rate in 15 Years.**
- **#1 In The World Once Again.** After trailing Japan, Germany, Denmark and Switzerland in 1992, the U.S. has been named "most competitive economy in the world" for 3 years in a row.
  - **Deficit.** After trailing our major competitors in 1992, now the lowest as % of GDP of any major economy.
  - **Jobs.** After the 6 major economies created 2.5 times more jobs than the U.S. under Bush, the economy under Clinton has now created more new jobs than these 6 countries combined.
  - **Auto Production.** After trailing Japan for 13 years, U.S. out-produced Japan in 1994 and 1995.
  - **Semiconductors.** After trailing Japan since 1985, U.S. now leads the world once again.

THE ECONOMY UNDER PRESIDENT CLINTON: THE BEST SINCE...

- **Highest Share Of Jobs In Private Sector Since Harding.** 93% of all new jobs created by the private sector -- highest average of any Administration since the 1920s.
- **Strongest Business Investment Growth For An Administration Since Kennedy.** Business investment has grown 11.0% annually -- faster rate of than any Administration since Kennedy.
- **Lowest Mortgage Rates In 30 Years.** Mortgage rates have averaged just 7.8 percent -- that's lower than any other Administration since Lyndon Johnson was President in the 1960s.
- **Strongest Stock Market Growth Since World War II.** Stock market has increased 14.2% per year, in real terms -- faster rate than during any other Administration since World War II.
- **Strongest Construction Job Growth Since Truman.** In just over 3 years, the economy has added 890,000 new construction jobs -- the fastest annual rate since Truman was President.
- **Smallest Deficit As A Share Of The Economy In Over 20 years.** OMB projects the deficit to be 1.6 percent of the economy this year -- smaller than any year since 1974.

WHAT A DIFFERENCE 4 YEARS MAKES

	BEFORE CLINTON	CLINTON
DEFICIT	• **In 1992.** The deficit was $290 billion -- the highest dollar level in history.	• **Today.** Both CBO and OMB agree that the deficit this year will be lower than $130 billion -- cut more than half.
SIZE OF GOVERNMENT	• **In 1992.** Under Bush, spending increased from 22.1% of GDP to 23.3%. The size of the federal bureaucracy also increased from when Reagan took office to when Bush left office.	• **Today.** Under Clinton, spending has declined from 23.3% of GDP to 21.7% -- lower than at any time during Reagan or Bush. Clinton also cut the federal workforce by 230,000 workers to the smallest level in 3 decades.
UNEMPLOYMENT	• **In 1992.** Unemployment rate was above 7% during every month -- over 7.5% during 5 months.	• **Today**. In June 1996, the unemployment rate is 5.3 percent -- and has been below 6 percent for 22 consecutive months.
JOB GROWTH	• **In 1992.** Worst job growth record of Administration since the Great Depression.	• **Today.** 10 million new jobs under Clinton -- faster rate than any Republican Administration since 1920s.
HIGH-WAGE JOBS	• **In 1992.** 6% of the new jobs were in high-wage industries. Economy *lost* 200,000 jobs in high-wage industries during the Bush Administration.	• **Today.** This year, more than 50% of all new jobs have been in high-wage industries. Nearly 4 million jobs in high-wage industries since Clinton took office.
AUTOMOBILE PRODUCTION	• **1992: Trailed Japan for 13th Year In A Row.** In 1992 Japan produced 28% more automobiles than America.	• **Today: #1 in Auto Production.** In 1994 the U.S. surpassed Japan as world auto production leader -- the last time U.S. was #1 was in 1979. In 1995, U.S. retained its status as the world's #1 car producer.

A STRONGER ECONOMY: CLINTON BEATS REAGAN
[Comparison of all Reagan years vs. all Clinton years]

Clinton	***Reagan***	***Major Economic Indicator***
✓		**JOB GROWTH:** Since President Clinton took office, 10 million new jobs have been created -- that's a 2.6% annual rate of job growth vs. a 2.0% annual rate during the Reagan Administration. *It took 41 months for 10 million jobs to be created under Clinton vs. 74 months under Reagan.*
✓		**PRIVATE-SECTOR ECONOMIC GROWTH:** Under Clinton, The private sector of the economy has expanded 3.1% per year compared to 3.0% during the Reagan Administration.
✓		**BUDGET DEFICIT:** During the Reagan Administration, the deficit doubled, exploding from $74 billion to $155 billion. Today, CBO ($115-$130 billion) and OMB ($117 billion) agree that the deficit will be cut more than in half in 4 years.
✓		**MORTGAGE RATES:** Since President Clinton took office, fixed mortgage rates have averaged 7.8% -- compared to an average rate of 12.8% during the Reagan Administration.
✓		**HOMEOWNERSHIP:** Under Clinton, the homeownership rate has increased to a 15-year high. During the Reagan Administration, the homeownership rate *fell* from 65.6% to 63.9%.
✓		**WAGE GROWTH:** Since President Clinton took office, real average hourly wages have increased slightly. During the Reagan Administration, they *fell* 2% -- or 28 cents.

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Dole on Supply-Side Economics

Senator Dole: *"It's easy to cut taxes but what do you do with that. You have to add it to the deficit unless there is an offset. Now, if they can offset the tax cut with a spending freeze or a spending reduction...that would make good economic sense. But a tax cut by itself, as some of the supply-siders might advocate, would be bad medicine."* [Los Angeles Times, 8/17/92; NBC's "Meet The Press," 8/16/92]

Dole on *Larry King Live*, November 4, 1992:

Caller:	[H]ave you changed your views on supply-side economics?
Sen. Dole:	I never was in that camp, if you go back and look at the record. I used to tell the story that somebody told me -- a good-news-bad-news joke. The good news is that a busload of supply-siders went over the cliff. The bad news was that there were three empty seats. So, you know...
King: [laughs]	You were never a supply-sider.
Sen. Dole:	I'm a traditional Republican who believes that you ought to restrain spending if you're going to cut taxes. I don't think you can just cut taxes alone and get gain without pain....
King:	And you have long argued....
Sen. Dole:	That's been my...you know, my firmly-held belief.

Senator Dole: *"Just our view, just makes good sense if you're going to cut taxes, you have to pay for tax cuts with spending cuts."* [CNN's "Moneyline," 1/6/95]

Senator Dole: Supply-side economics was *"something I've never understood," and "it's had a fair chance to work," and it failed. Dole concluded, "My view is that there isn't an easy way."* [Washington Post, 11/9/87]

Senator Dole: *"I don't have any quarrel with supply-siders; I just haven't seen it work yet. there aren't any painless ways to (reduce the debt). You've got to do it the hard way."* [Columbus Dispatch, 4/16/93]

Dole on Forbes-Kemp Flat Tax

Senator Dole In Iowa: *"We've got somebody out there talking about how a flat tax will cure everything -- headaches, bunions, any problems you've ever had."* [Los Angeles Times, 1/28/96]

Senator Dole: *"We're either going to add to the deficit or not everybody's going to get a tax cut. you can't have it both ways."* [New York Times, 2/19/96]

Senator Dole: Called a Forbes-Kemp style flat tax *"snake oil."* [AP Online, 2/16/96]

Dole Campaign Commercial: *"The Forbes plan increases the deficit by $186 billion a year, raising taxes on working families....Raising taxes 25 percent on working families."* [AP, 2/5/96]

AS REPUBLICAN SUPPLY-SIDERS MEET, REMEMBER WHAT THEY SAID ABOUT BOB DOLE ON TAXES

GOP HOUSE SPEAKER NEWT GINGRICH: Called Dole "The Tax Collector For The Welfare State: In 1984, Gingrich called Dole, "the tax collector for the welfare state." Gingrich called the Dole-engineered 1982 tax increase, "the largest tax increase in a recession since Herbert Hoover in 1931 and 1932." Gingrich also said it was "a terrible thing to do," and "fundamentally not conservative." In 1991, Gingrich called Dole a "pre-Reagan Republican," meaning that he was more interested in cutting spending than cutting taxes. [*Washington Post*, 11/19/84; *MacNeil/ Lehrer* Newshour," 8/10/82]

HOUSE GOP MAJORITY LEADER DICK ARMEY Led Opposition To Dole-Supported 1990 Tax Increase: In spring 1990, Armey (R-TX) led the House GOP in passing a resolution "opposing new taxes and all tax-rate increases as a means of reducing the federal budget deficit." Armey said of the bill, "There are more tax increases than you can shake a stick at." When the bill, which Dole voted for, passed, Armey noted that it would generate over $1 trillion in taxes over the next five years, and said, "I don't consider that a good deal..." Armey said, "I'm voting against this because it's not necessary to raise taxes on anybody, let alone everybody." [*New York Times*, 10/28/90; *Associated Press*, 10/26/90; *USA Today*, 9/12/90]

GOP SENATE MAJORITY LEADER TRENT LOTT (R-MS) Criticized Dole's Penchant For Tax Increases: In September 1984, The New York Times reported that, "Confrontation versus compromise is one of the fault lines of the Republican Party." The Times reported that the "confrontationists" like Lott "have contempt for moderates like Senator Mathias or traditionalists like Senator Dole." Lott said, "If Dole or anyone else advocates tax increases after the election, yes, dang it, there's going to be some confrontations... We're not going that way anymore. The traditional appeal of the Republican Party has not made us the majority. If you keep thinking like a minority, you're going to be a minority." [*New York Times*, 9/9/84]

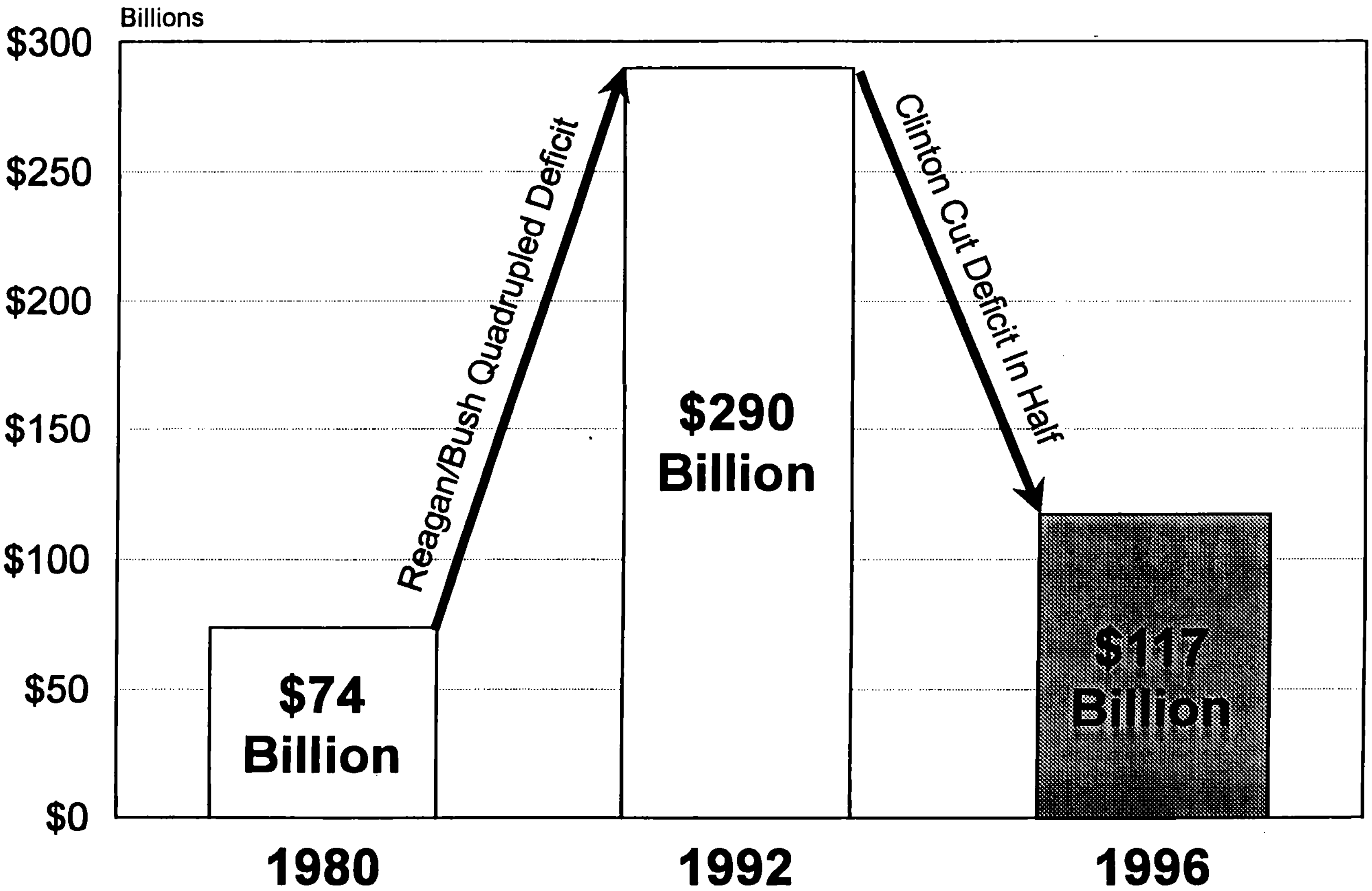
JACK KEMP Said "Bob Dole Never Met A Tax He Didn't Hike:" During the 1988 presidential race, Jack Kemp (R-NY) attacked Dole on taxes, saying,... "Bob Dole never met a tax he didn't hike when Bob Dole talks about leadership for the future, he's the man who led the fight for five major tax increases in the past five years." Kemp called Dole's 1982 tax increase, "the largest tax increase ever passed in American history -- about $1600 for every man, woman, and child." *In February 1994, Jack Kemp's "Empower America" called Dole's 1982 tax bill "the largest tax increase in recent years."* [*St. Petersburg Times*, 2/11/88; Empower America Reality Check, 2/24/94]

FORMER REP. VIN WEBER (R-MN) Criticized Dole On Taxes In The Past: When President Bush was considering a tax cut at the 1992 GOP convention, Dole said that such legislation was "not going to be enacted this year." Dole said, "a tax cut by itself, as some of the supply-siders might advocate, would be bad medicine." At the time, Weber said that Dole's comments, "just make me all the happier that he's the Senate leader and President Bush is in the White House." In 1992, Weber said that Dole and Kemp disagreed on economics because, Dole, "wants to stamp out supply-side economics more than Bush did." [*L.A. Times*, 8/17/92; *NBC's* "Meet The Press," 8/16/92; *The New Republic*, 12/14/92]

SENATOR CONNIE MACK (R-FL) Opposed The 1990 Tax Increase Which Dole Supported: In May 1990, Mack was among 18 GOP Senators who sent a letter to Bush urging him not to raise taxes. The letter read, "We strongly urge you to maintain your pledge of 'no new taxes.' Nothing has been so important to the vitality of the economy over the past 8 years than our joint efforts to reduce taxes." [*UPI*, 5/10/90]

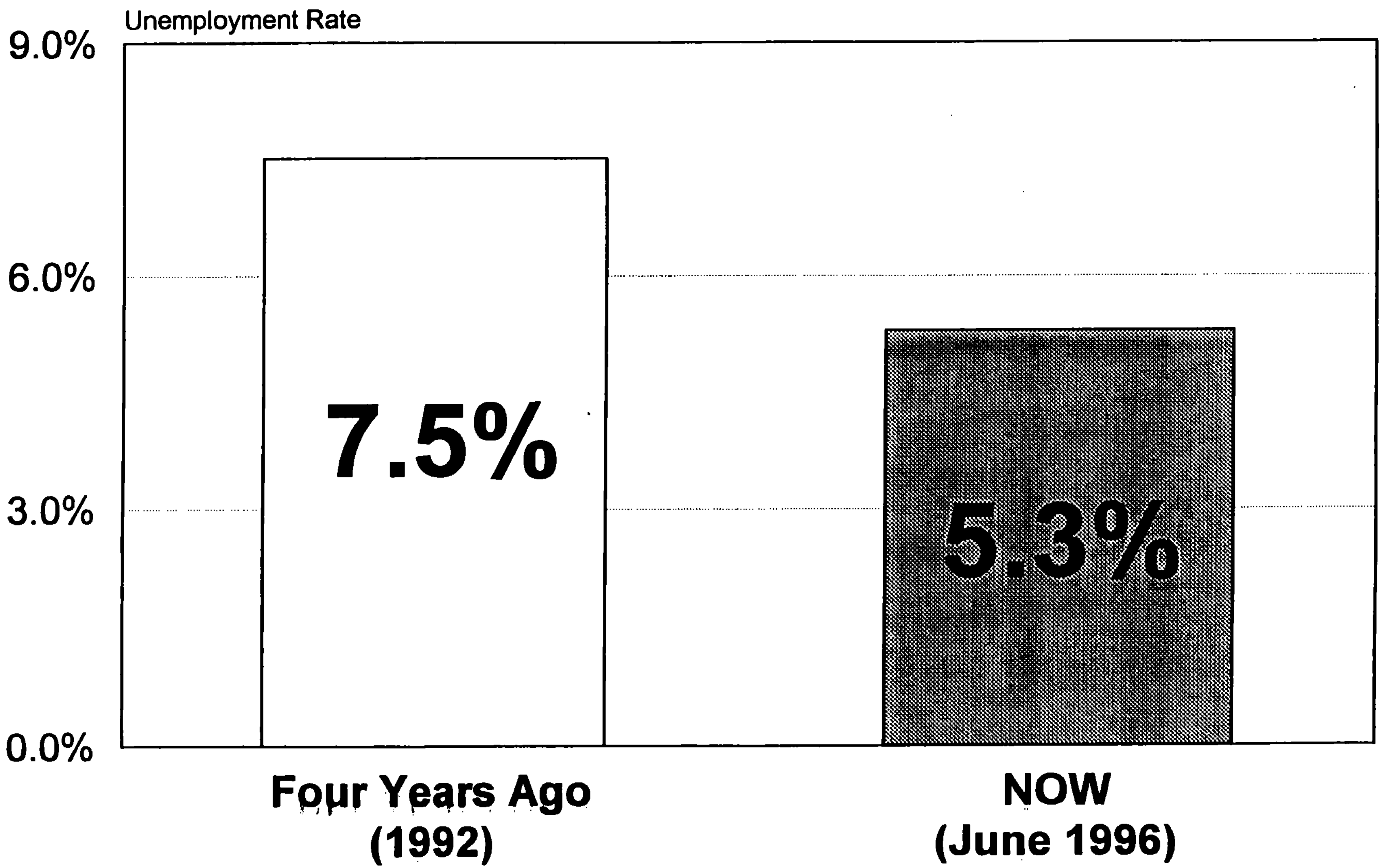
STEVE FORBES Criticized Dole For Flip-Flopping On Taxes: In 1996, Forbes said, "In 1988 Senator Dole said he saw no need to raise taxes, yet two years later he was leading the biggest tax increase, one of the biggest tax increases in American history." [*CNN*, 2/15/96]

President Clinton Cut the Deficit In Half -- Reagan/Bush Quadrupled It

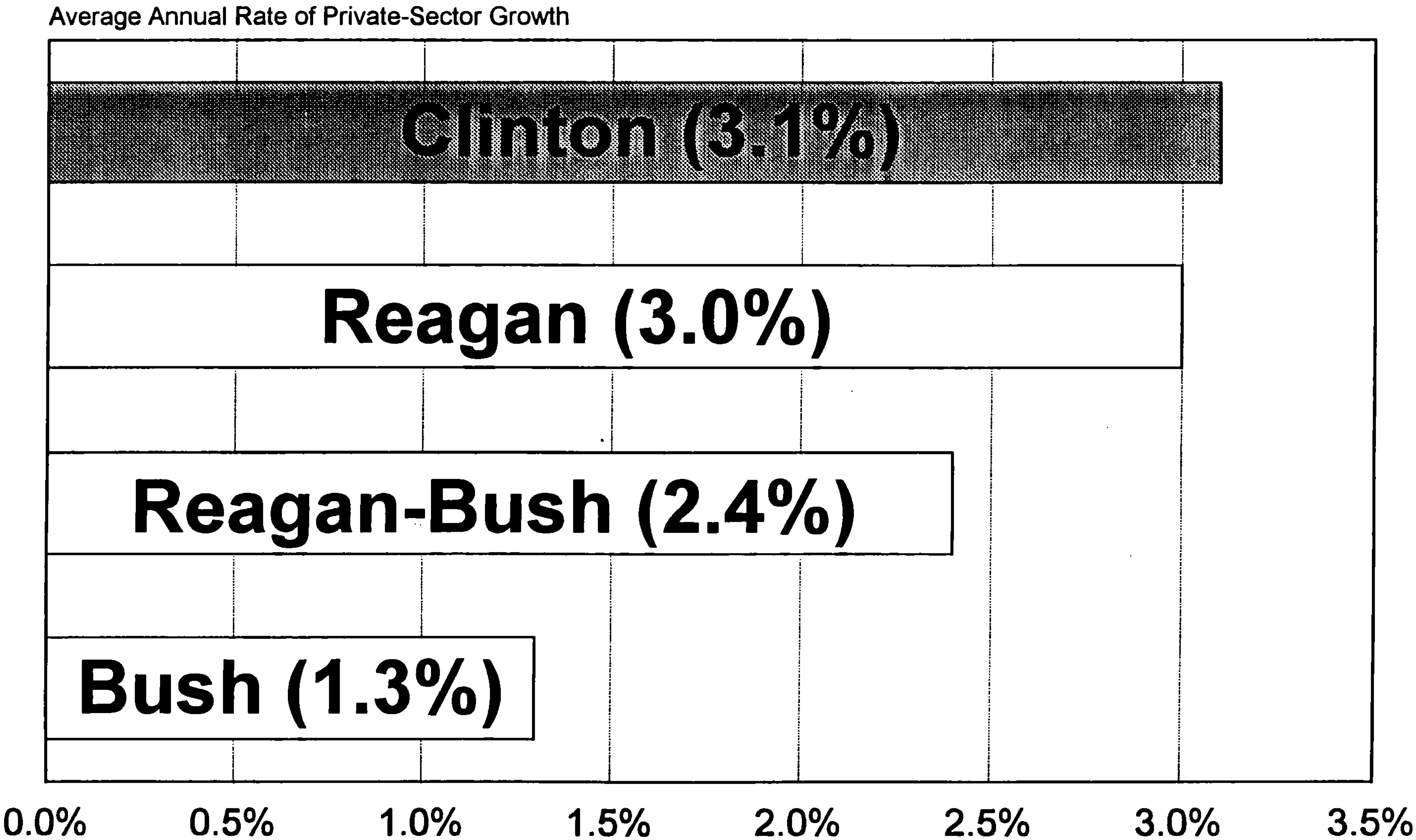


Source: Office of Management and Budget.

Unemployment Is Down Under President Clinton



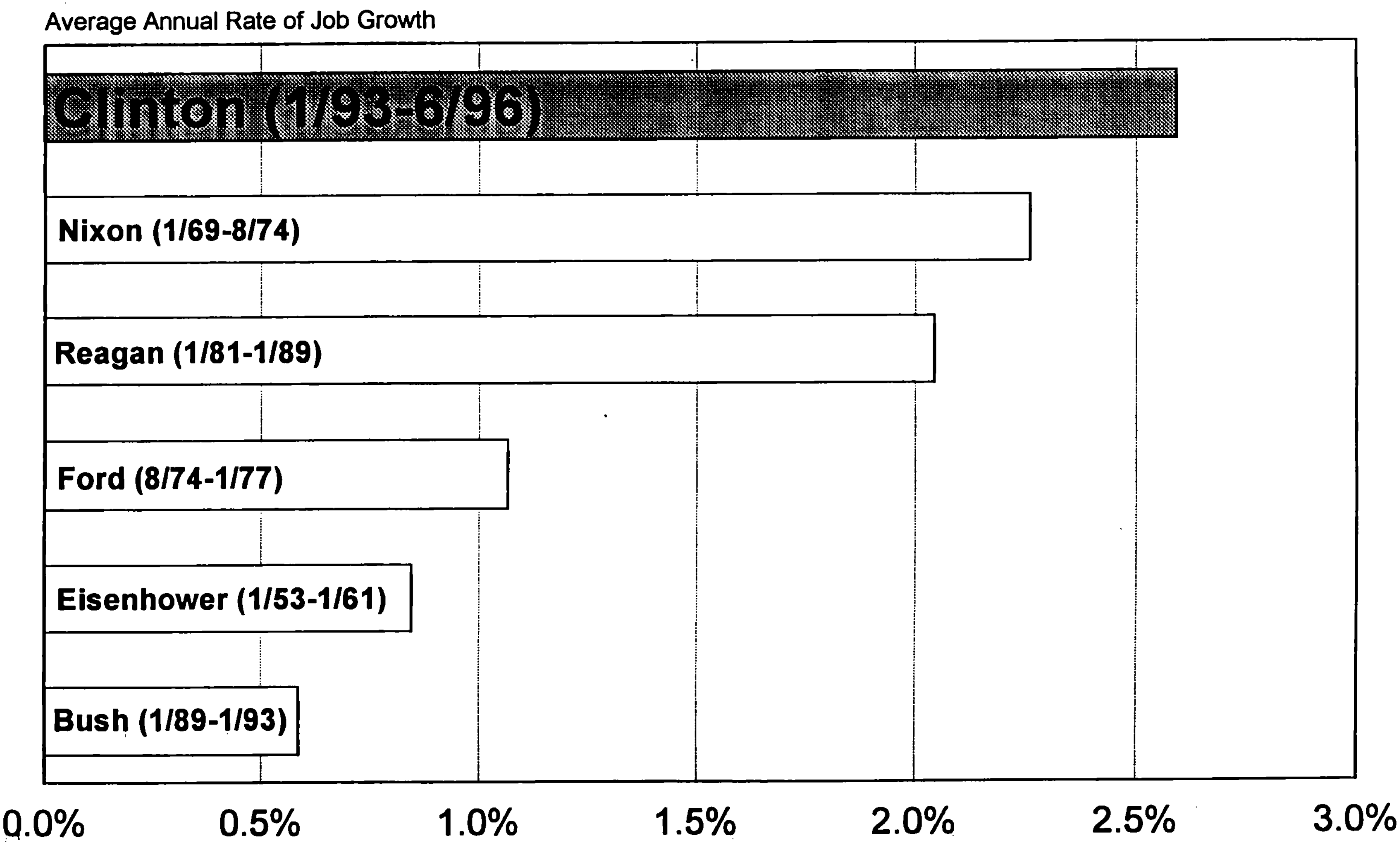
Private-Sector Growth Is Stronger Under President Clinton



Source: Based on data from the Department of Commerce, Bureau of Economic Analysis.

10 Million New Jobs Under President Clinton:

Stronger Job Growth Than Any Republican President Since The Roaring 1920s



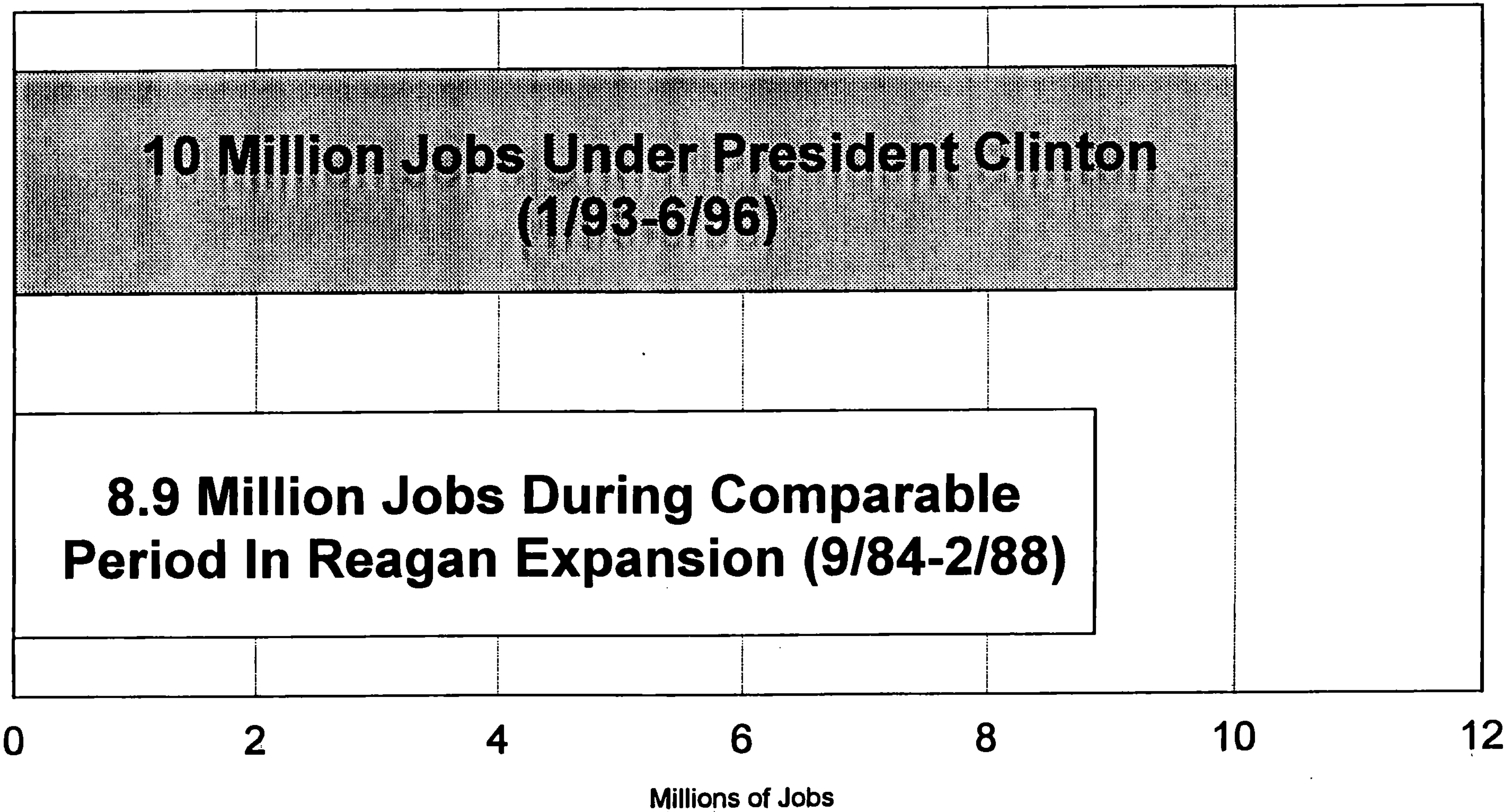
Source: Based on data from the Bureau of Labor Statistics, Current Employment Statistics survey.

President Clinton:
10 Million Jobs in 41 Months

President Reagan:
10 Million Jobs in 74 Months

Source: Bureau of Labor Statistics, Current Employment Statistics survey.

1.1 Million More Jobs Under President Clinton Than During Comparable Period In Reagan Expansion



Source: Based on data from the Bureau of Labor Statistics, Current Employment Statistics survey.

CLAIM AND RESPONSE PACKET FOR REPUBLICAN "VOODOO REVIVAL" SESSION

Responses To The Following False Claims:

I. **From 1983 to 1989, The Economy Grew 3.9 Percent Per Year -- Far Better Than Under Clinton**

II. **Clinton Says The Economy Will Grow An Anemic 2.3% -- He Thinks This Is The Best We Can Do**

III. **Cutting Taxes Raises Revenue and Raising Taxes Cuts Revenue: Look at 1981 and 1993 Tax Plans**

IV. **Current Expansion Is Weakest In History**

V. **The Economy Was Growing Strong In 1992 And Clinton Has Only Made It Worse**

VI. **Wages For America's Workers Are Down Under Clinton**

VII. **Taxes For America's Families Are Up Under Clinton**

VIII. **Inequality Was Down Under Reagan, And Is Up Under Clinton**

CLAIM ON REAGAN ECONOMY GROWING 3.9% ANNUALLY -- FAR BETTER THAN UNDER PRESIDENT CLINTON

CLAIM: *From 1983 to 1989, the Reagan economy grew 3.9 percent per year, which is far superior to Clinton's 2.5 percent growth rate.*

THE FACTS: **THIS IS A SILLY COMPARISON.** In order to make this claim, the Republicans drop the worst two years of the Reagan Administration (1981 and 1982) and the worst three years of the Bush Administration (1990-1992). If we selectively choose time periods like the Republicans, we could say that between the passage of the 1993 Economic Plan and the Republican take over of Congress, the private sector of the economy grew *4.6 percent per year*. <u>But this is silly -- the proper way to make comparisons is by comparing the full economic record:</u>

- **Stronger Private-Sector Growth Under Clinton Than During Reagan-Bush Years.** Under President Clinton, the private sector of the economy has expanded 3.1% per year compared to 2.4% during the 12 years the Republicans occupied the White House. [Based on data from the Bureau of Economic Analysis]

- **Stronger Private-Sector Growth Under Clinton Than Under Reagan.** Under President Clinton, the private sector of the economy has expanded 3.1% per year compared to 3.0% during the Reagan years. [Based on data from the Bureau of Economic Analysis]

THIS STRONGER PRIVATE-SECTOR GROWTH HAS PAID OFF IN A STRONGER RECORD OF ECONOMIC PERFORMANCE ON NEARLY EVERY MAJOR INDICATOR:

- **Stronger Job Growth Under Clinton.** Since President Clinton took office, 10 million new jobs have been created -- that's a 2.6% annual rate of job growth vs. a 2.0% annual rate during the Reagan Administration. [Based on data from the Bureau of Labor Statistics]

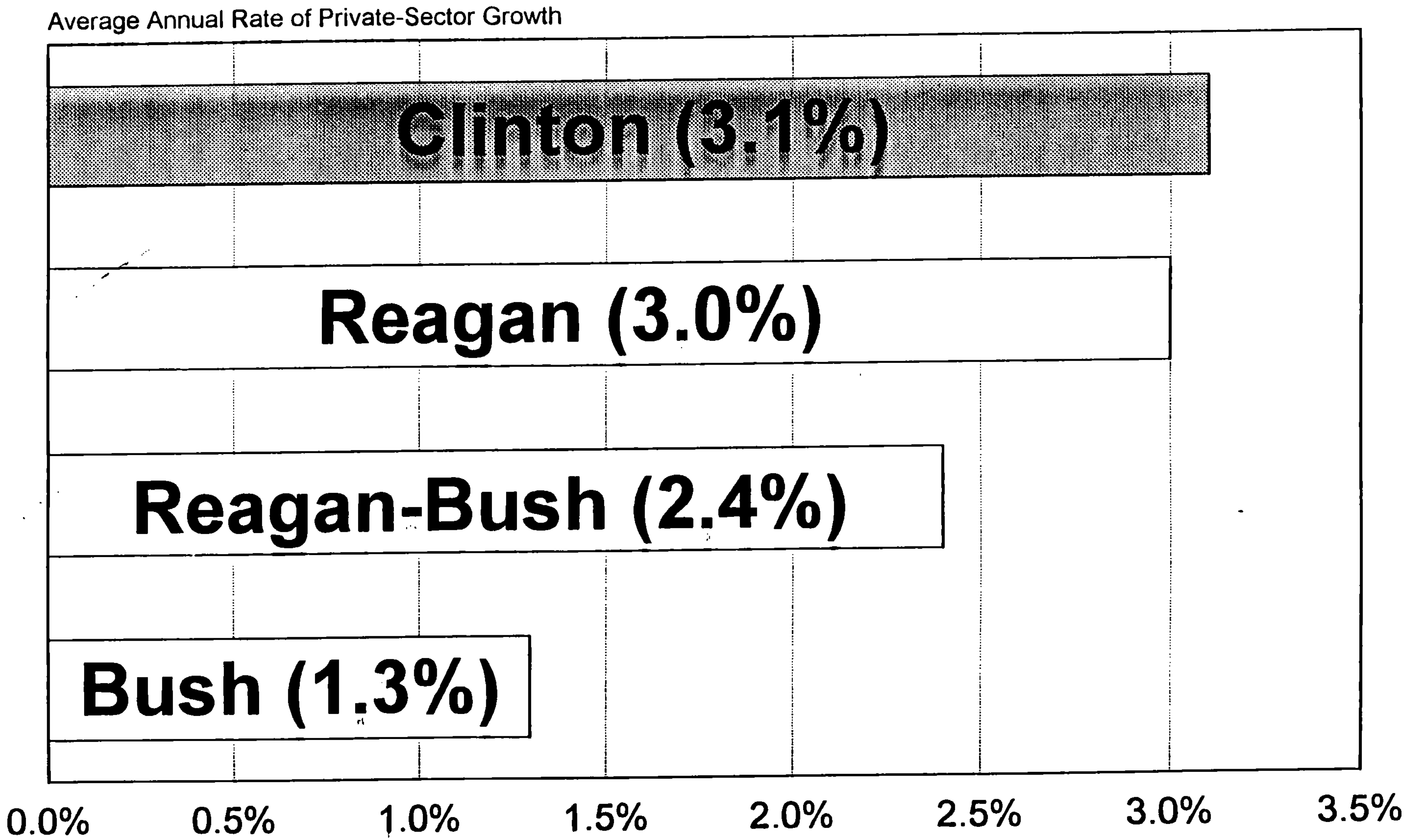
President Clinton:	**10 Million Jobs In 41 Months**
President Reagan:	**10 Million Jobs In 74 Months**

- **Clinton Cut Deficit In Half, Reagan Exploded It.** During the Reagan Administration, the deficit doubled, exploding from $74 billion to $155 billion. Today, CBO ($115-$130 billion) and OMB ($117 billion) agree that the deficit will be cut more than in half in 4 years. [Source: CBO, 7/96, and OMB, 7/96]

- **Lower Mortgage Rates Under Clinton.** Since President Clinton took office, fixed mortgage rates have averaged 7.8% -- compared to an average rate of 12.8% during the Reagan Administration. [Source: Department of Treasury, Office of Economic Policy]

- **After Falling During Reagan, Wages Are Rising Under Clinton.** Since President Clinton took office, real average hourly wages have increased slightly. During the Reagan Administration, they *fell* 2% -- or 28 cents. [Source: Bureau of Labor Statistics, (adjusted to December 1995 dollars using CPI-U).]

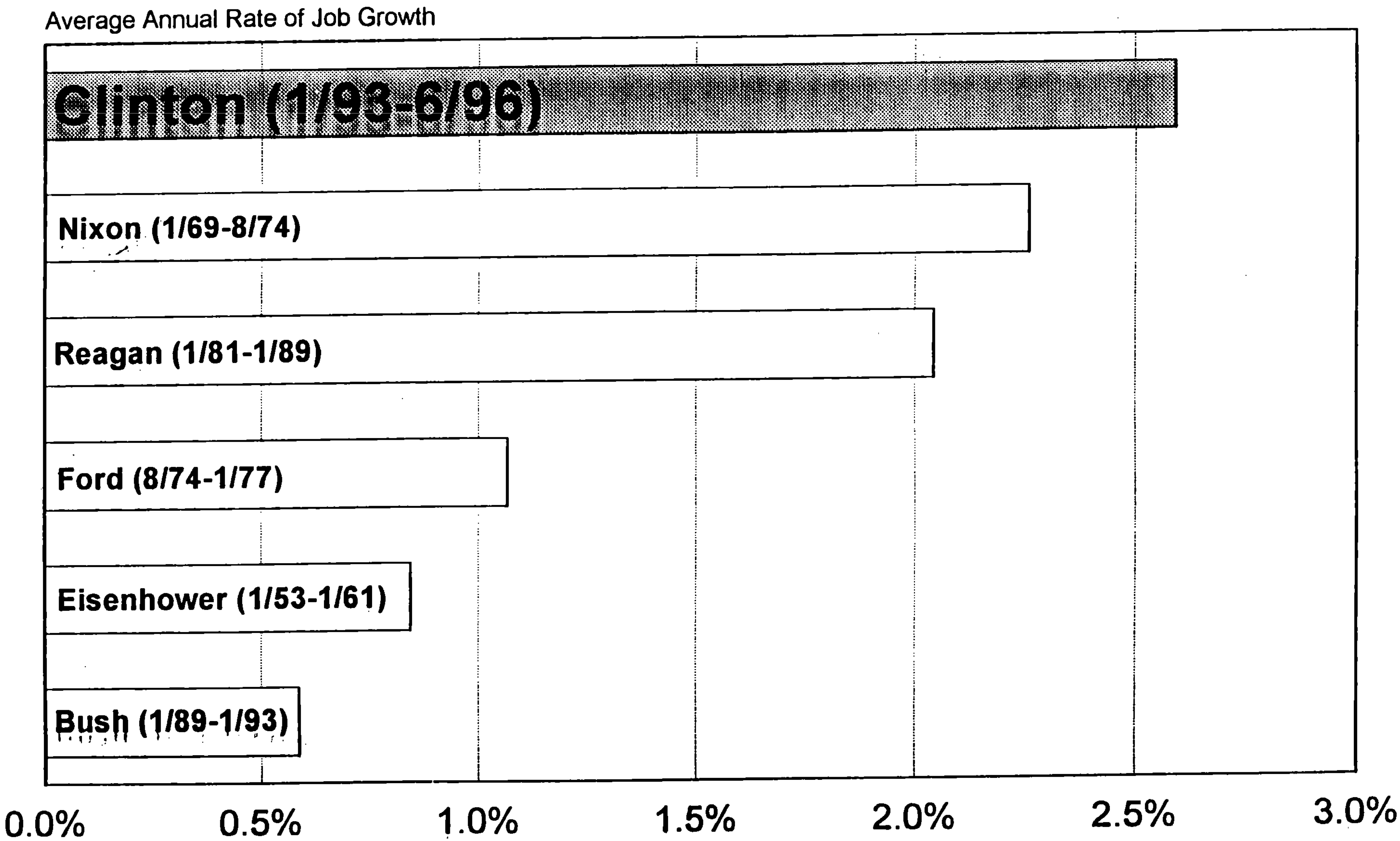
Private-Sector Growth Is Stronger Under President Clinton



Source: Based on data from the Department of Commerce, Bureau of Economic Analysis.

10 Million New Jobs Under President Clinton:

Stronger Job Growth Than Any Republican President Since The Roaring 1920s



Source: Based on data from the Bureau of Labor Statistics, Current Employment Statistics survey.

CLAIM ON CLINTON SAYING THE ECONOMY WILL GROW AN ANEMIC 2.3% -- HE THINKS THIS IS THE BEST WE CAN DO

CLAIM: *President Clinton says the economy will grow an anemic 2.3 percent per year for the next four years -- he thinks this is the best the American economy can do.*

THE FACTS: **THERE IS A VAST DIFFERENCE BETWEEN A BUDGET FORECAST AND HOW FAST WE THINK THE ECONOMY CAN GROW.**

- **The 2.3 Percent Growth Rate Is Used For Budget Estimates Because It Is Important To Be Conservative.** For budget forecasts, the Administration uses a conservative estimate that the economy will grow 2.3 percent per year.

- **Congressional Republicans Assume Even Slower Rate Of Economic Growth For Budgetary Purposes.** Congressional Republicans insisted on the use of CBO's conservative economic forecasts last year; these forecasts are more pessimistic than the Administration's. In the May 1996, *Economic and Budget Outlook*, CBO assumes that the economy will grow just 2.1 percent per year over the long-term. [Source: CBO, 5/96]

  - **Senator Pete Domenici, (R-NM):** "You will find, Mr. President, you will find that we have only one goal in mind. Everything else is on the table, Mr. President, but not the one thing that is sacred to our commitment, and that's a balanced budget in seven years...using the new Congressional Budget Office as our economic source." [Gingrich, Kasich, Dole, Dominici Press Conference, *Federal News Service*, December 15, 1995]

  - **Represenative Bill Archer, (R-TX):** "[The American people] don't want a rosy scenario and then wake up seven years from now and we don't have a balanced budget." [*The Sunday Gazette Mail*, 11/19/95]

PRESIDENT CLINTON BELIEVES THAT THERE IS NO LIMITS ON HOW FAST THE ECONOMY CAN GROW -- AS LONG AS WE FOLLOW THE RIGHT PATH. If we do the right things to make America more productive and look the long-term, the sky is the limit. The threshold question is: which vision of economic growth will deliver a more productive America?

- **Wrong Way:** The wrong way is to look for simple solutions, easy answers, and silver bullets. Across-the-board tax cuts exploded the deficit once and they are not the right way.

- **Right Way:** The right way is to lower interest rates through lower deficits; provide targeted tax cuts for education, families, and savings; create more good jobs through open trade; and more high-skilled, high-earning Americans through more and better education. In particular, we should make a commitment to high-performance standards, technological literacy, and an agenda to make 14 years of education -- two years of college -- as universal as 12 years of education is today.

CLAIM ON TAX REVENUES FOLLOWING 1981 AND 1993 TAX PLANS

CLAIM: *Tax revenues, after adjusting for inflation, increased 3.8% per year from 1981 to 1989, despite the fact that tax rates were cut, while tax revenue increased just 2.3% from 1990 to 1995, when the top tax rate increased 50%.*

THE FACTS: **BOTH THE NOTION THAT THE 1981 TAX CUT RAISED REVENUES AND THAT THE 1993 TAX PLAN DID NOT RAISE REVENUE IS 100% FACTUALLY FALSE ACCORDING TO ANY REASONABLE ANALYSIS.**

Response to Notion #1: The 1981 tax cut resulted in a *LOSS* of individual income tax revenue, helping to explode the deficit in the 1980s. The revenue increases in the 1980s came from payroll taxes which were raised 6 times.

- **1981 tax cuts cost tax revenue and helped explode the deficit.** After passage of the 1981 supply-side tax cuts, real individual income tax revenue fell for three consecutive years, and did not recover to their 1981 level until 1986. even though it was in the middle of an economic recovery. [Source: Department of the Treasury, (tax revenue adjusted to 1995 CPI dollars.]

- **Individual tax revenues grew rapidly after 1986 tax reform.** From 1981 to 1989, individual income tax revenue grew 1.7 percent annually -- not 3.8 percent -- but even this is misleading: From Reagan's 1981 tax cut to the tax reform of 1986, real individual income tax revenues grew just 0.2 percent per year. After tax reform -- from 1986-1989 -- they grew 4.1 percent per year. [Source: Department of the Treasury. (tax revenue adjusted to 1995 CPI dollars.]

- **During the 1980s, the Social Security payroll tax rate increased 6 times.** To the degree that overall tax revenues went up faster, it was due to increases in the Social Security payroll tax rate in 1981, 1982, 1984, 1985, 1986, and 1988 which increased Social Security tax revenues at a rate of 4.7 percent per year from 1981 to 1989. Therefore, revenues went up because of real payroll tax revenues increases; individual income tax revenues rose just 0.2 percent annually from 1981 to 1986 and 4.1 percent per year from 1986 to 1989. [Source: Department of the Treasury, (tax revenue adjusted to 1995 CPI dollars.]

- **1981 Tax Cuts helped explode the deficit.** This loss in tax revenue helped explode the deficit: in Ronald Reagan's first three years in office -- when the Republicans controlled both the White House and the Senate -- the deficit nearly tripled, increasing from $74 billion in FY80 to $208 billion in FY83. By FY 86, the deficit had increased $221 billion. [Source: CBO]

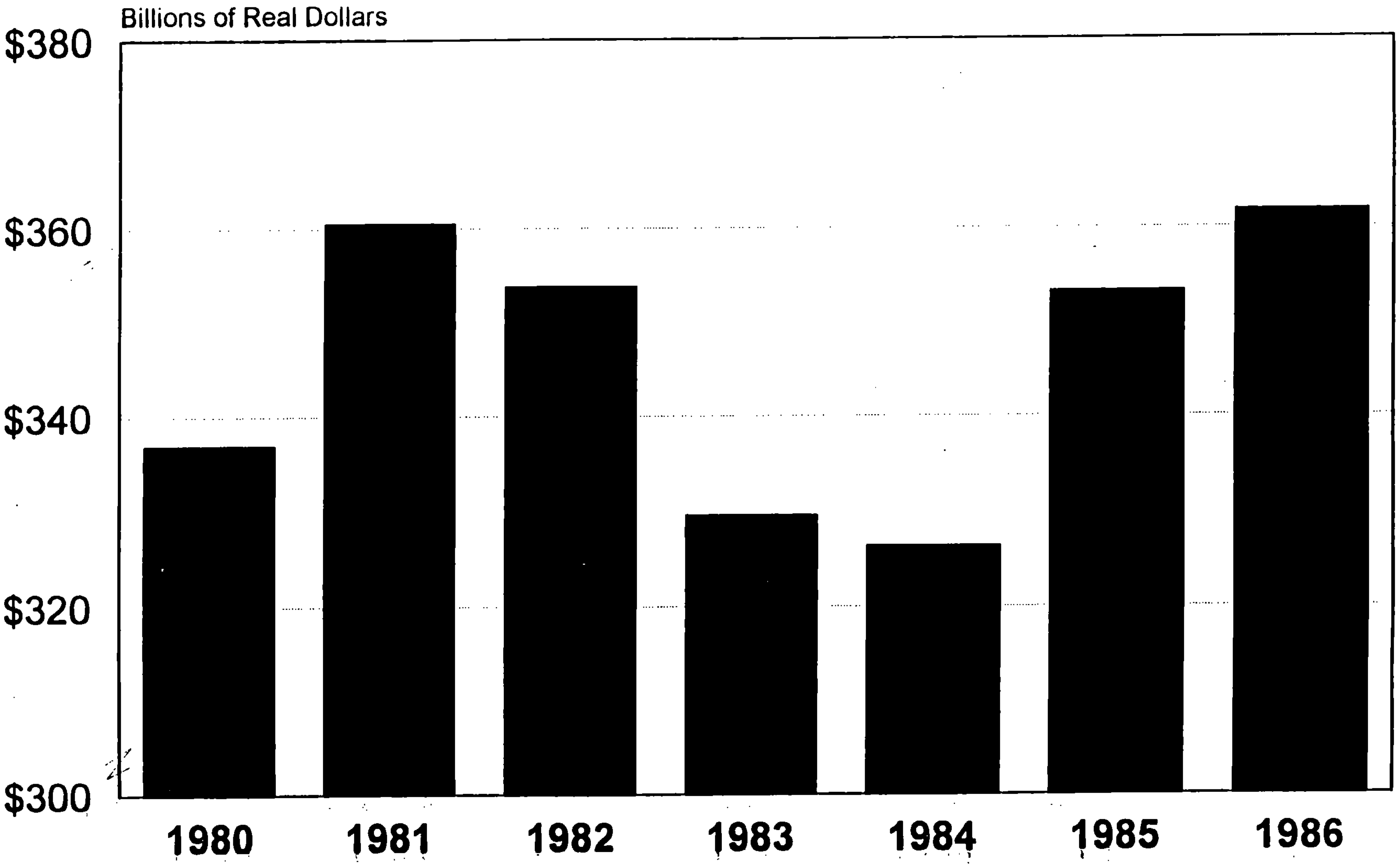
Response to Notion #2: First of all, they are looking at 1990 to 1995 data to refute the President's 1993 Economic Plan. Let's look at what's happened since the 1993 plan took effect:

- **Inflation-adjusted individual income tax revenues have increased 4.8 percent annually since the 1993 plan.** According to both the CBO and H&R Block, the 1993 Economic Plan did not raise income tax revenue from 98.8 percent of working families -- it only raised rates on the top 1.2 percent. A small amount of the increase in revenue -- about $4 billion a year -- comes from the wealthiest top 13 percent of social security beneficiaries. ["H&R Block Analysis of the Income Tax Consequences of the Revenue Reconciliation Bill of 1993," August 1993; and "GOP Tax Issue May Fade Away: Only 1.2% Of Filers Will Face Increase. CBO Study Finds," *Washington Post*, 1/13/94.]

- **President Clinton's 1993 Economic Plan has worked and has cut the deficit in half.** Since President Clinton took office, CBO projects that the deficit will be cut in half, dropping from $290 billion in FY 92 to about $115-$130 billion [CBO] or $117 billion [OMB] in FY96. [Source: CBO, 7/96 and OMB 7/96]

1981 Tax Cuts *DIDN'T* Raise Revenue

Individual Income Tax Revenues



Source: Department of the Treasury.

CLAIM ON CURRENT EXPANSION IS WEAK COMPARED TO EARLIER EXPANSIONS

CLAIM: *The current expansion has been fairly poor compared to earlier expansions.*

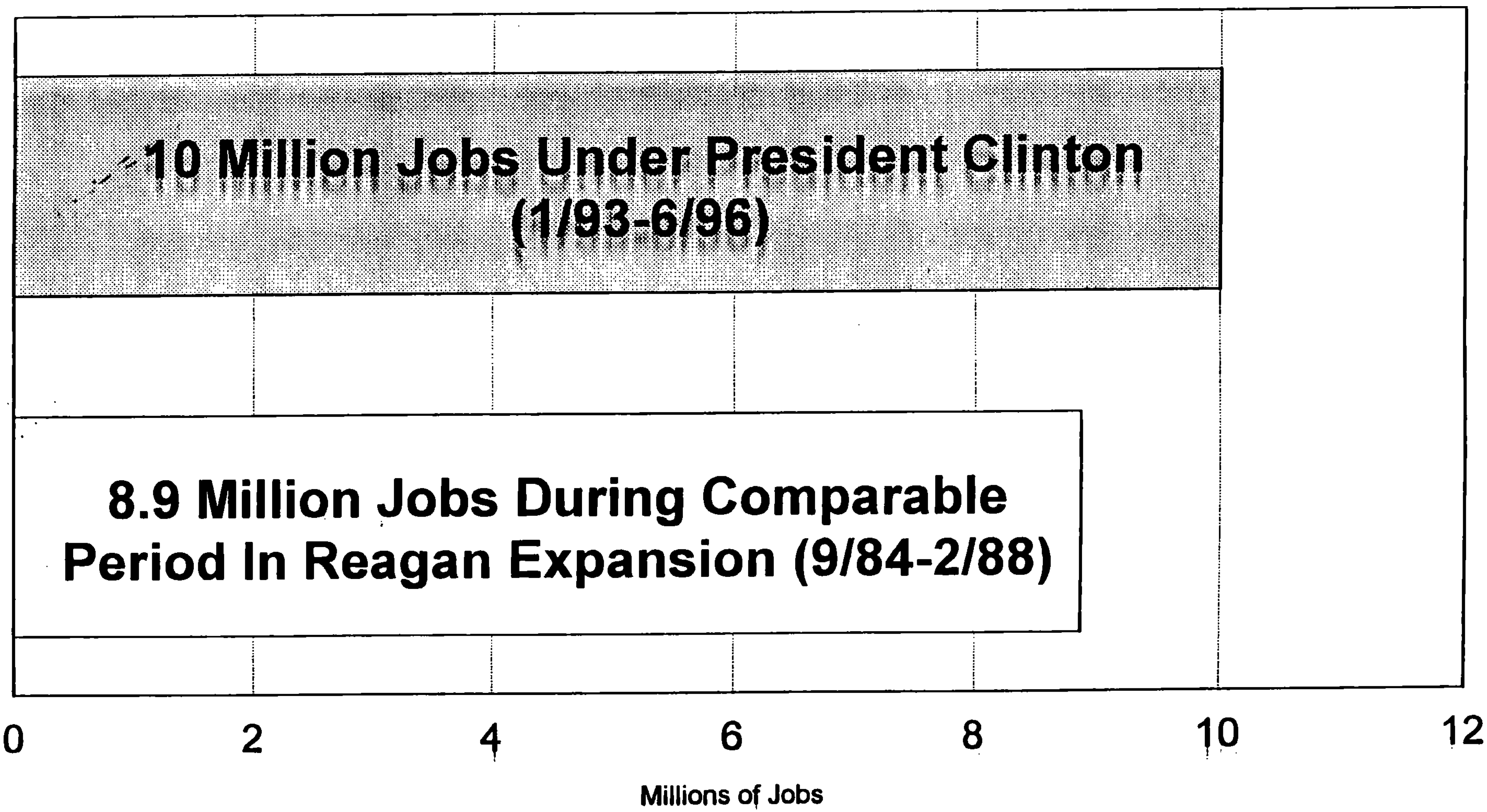
THE FACTS: **EVERY ECONOMIC EXPANSION AFTER 1973 HAS BEEN SLOWER THAN THE ECONOMIC EXPANSIONS BEFORE 1973. IN COMPARISON TO THE ANOTHER POST-1973 EXPANSION -- THE REAGAN RECOVERY IN THE 1980s -- THE CLINTON ECONOMIC EXPANSION IS STRONGER:**

- **1.1 Million More Jobs During The Clinton Economic Expansion Than During The Comparable Period In The Reagan Economic Recovery.** Since President Clinton took office, more than 10 million new jobs have been added to the economy. During the comparable period in the Reagan economic recovery (9/84-2/88), only 8.9 million new jobs were created. [Source: Based on data from the Bureau of Labor Statistics]
- **1.6 Million More Private-Sector Jobs During The Clinton Economic Expansion Than During The Comparable Period In The Reagan Economic Recovery.** Since President Clinton took office, nearly 9.3 million new private-sector jobs have been added to the economy. During the comparable period in the Reagan economic recovery (9/84-2/88), only 7.7 million new private-sector jobs were created. [Source: Based on data from the Bureau of Labor Statistics]
- **The Private Sector Of The Economy Has Expanded 3.1 Percent Annually Since President Clinton Took Office** -- that's the same rate of growth as during the comparable period during the Reagan economic recovery. [Source: Department of Commerce, Bureau of Economic Analysis, National Income and Product Accounts.]

SOME CHARACTERIZE THE CURRENT ECONOMIC EXPANSION AS SLOW BY LUMPING TOGETHER THE BUSH AND CLINTON PERIODS. However, the current economic expansion -- which began in March 1991 and continues today -- is marked by two distinct periods, the exceptionally weak economy under President Bush and the strong economy under President Clinton:

- **Rising Unemployment Under Bush, Falling Unemployment Under Clinton.** Under President Bush's watch of the expansion, the unemployment rate increased from 6.8 percent to over 7 percent -- rising over 7.5 percent for five months. Since President Clinton took office, the unemployment rate has fallen from over 7 percent to 5.3 percent -- and has been below 6 percent for 22 straight months. [Source: Bureau of Labor Statistics.]
- **Stronger job growth under President Clinton.** Since President Clinton took office, the economy has created 244,000 per month -- that's 4 ½ times more jobs per month than the 54,000 added per month from the end of the recession to the end of the previous Administration. [Source: Based on data from the Bureau of Labor Statistics]
- **Stronger private-sector economic growth under President Clinton.** The private sector of the economy has expanded far faster since President Clinton took office than it did from the bottom of the 1990-91 recession to the end of the previous Administration. [Source: Based on data from the Department of Commerce, Bureau of Economic Analysis]

1.1 Million More Jobs Under President Clinton Than During Comparable Period In Reagan Expansion



Source: Based on data from the Bureau of Labor Statistics, Current Employment Statistics survey.

CLAIM ON CLINTON INHERITED A STRONG ECONOMY AND TURNED IT INTO A WEAK ECONOMY

CLAIM: *In 1992, President Clinton said that the economy was "the worst in 50 years", but it was growing 3.7 percent -- faster than any year during the Clinton Administration.*

THE FACTS:

1. **Under George Bush, The Economy Grew Just 1.3 Percent Per Year.** During the Bush Administration, the economy grew 1.3 percent per year -- *that's the worst growth rate of any Administration on record.* [Source: Based on data from the Bureau of Economic Analysis.]

2. **In 1992, The Economy Grew 2.7 Percent -- Not 3.7 Percent -- And It Was Boosted Significantly By A Rebound In Consumer Confidence On President Clinton's Election.** Growth for 1992 was boosted significantly by a strong fourth quarter that benefited from a fall in interest rates and rise in consumer confidence brought on by the election of President Clinton.

   - ***New York Times*, 11/25/92:** "The post-election rebound in consumer spirits entirely reversed a string of monthly declines in the measure [consumer confidence] since June... analysts attributed most of the jump in consumer confidence to Governor Bill Clinton's victory in the Presidential election."

3. **Stronger Growth Under Clinton.** The economy has grown twice as fast under President Clinton as during the Bush Administration, including 3.5 percent in 1994. And under President Clinton, the private sector of the economy has expanded 3.1 percent annually -- far stronger than either of the previous two Administrations. [Source: Based on data from the Bureau of Economic Analysis.]

4. **Most Americans Would Not Want To Go Back To 1992:**

   - **Deficit Cut More Than In Half.** In 1992, the deficit was $290 billion -- highest in history. Today, CBO and OMB project the deficit to be between $115-$130 billion this year. [Source: CBO, 7/96 and OMB 7/96]
   - **Unemployment Rate Down From 7% to 5.3%.** In 1992, the unemployment rate averaged 7.5% and was above 7% during every month. Today, the unemployment rate is at 5.3 percent -- and has been below 6% for 22 consecutive months. [Source: BLS]
   - **10 Million New Jobs.** In 1992, the economy was barely even creating jobs and the Bush Administration had the worst record of job growth of any Administration since the Great Depression. Today, the economy has created 10 million new jobs. [Source: Based on data from the Bureau of Labor Statistics]

5. **Experts Give Clinton Credit For A Stronger Economy:**

   - **Alan Greenspan:** The deficit reduction in President Clinton's 1993 Economic Plan was "an unquestioned factor in contributing to the improvement in economic activity that occurred thereafter." [Source: Congressional Testimony 2/20/96]
   - ***Fortune*:** "[President Clinton's 1993] economic plan helped bring interest rates down, spurring the recovery." [10/3/94]
   - **Lehman Brothers:** "Lower deficits, lower long-term rates and higher real growth was the overall promise... [I]t seems clear that President Clinton delivered on all three counts..." [1/10/94]

CLAIM ON CLINTON CRUNCH ON WAGES

CLAIM: *Working Americans are being squeezed by the 'Clinton Crunch' of lower wages.*

THE FACTS: **THIS IS FALSE. Real wages are up slightly since President Clinton took office, after falling during both the Reagan and Bush Administrations. But, wage stagnation is a 20-year problem that will not be fixed overnight. Despite the recent progress, there is still more work to be done.**

- **Under Presidents Reagan and Bush, real average hourly earnings fell 80 cents, from $12.34 in January 1981 to $11.55 in January 1993.** [Source: Bureau of Labor Statistics (adjusted to December 1995 dollars using the CPI-U).]

- **Since President Clinton took office, real average hourly earnings have increased slightly.** Since President Clinton took office. average hourly earnings have increased slightly from $11.55 in January 1993 to $11.62 in December 1995. [Source: Bureau of Labor Statistics (adjusted to December 1995 dollars using the CPI-U).]

> ***Washington Post*, 4/26/96:** "Americans' average incomes grew 2.6 percent faster than inflation last year, the biggest rise in nearly a decade..."
>
> ***Business Week*, 3/11/96:** "Real hourly wages are rising, for the first time in 10 years."

- **Since President Clinton took office, real median family income has increased.** After falling 4 percent during the previous Administration, real median family income is up since President Clinton took office. Indeed, it increased 2.3 percent in 1994 alone. [Source: Bureau of the Census. *Income. Poverty, and Valuation of Noncash Benefits: 1994*.]

- **Over two-thirds of the new jobs are in high-wage job categories.** In the last two years, more than two-thirds (68 percent) of the new full-time jobs were in high-wage job categories. [Source: Council of Economic Advisers with the Department of Labor's Office of the Chief Economist. *Job Creation and Employment Opportunities: The United States Labor Market. 1993-1996*, April 23, 1996.]

CLAIM ON CLINTON CRUNCH ON TAXES

CLAIM: *Working Americans are being squeezed by the 'Clinton Crunch' of higher taxes.*

THE FACTS: **THIS IS FALSE.** According to Treasury Department data, the federal tax rate on typical family is lower now than when President Clinton took office. These are the same Treasury numbers collected by both Democratic and Republican Administrations alike. And these are the same numbers cited recently by Republican Senator Pete Domenici in his *Budget Bulletin* on May 20, 1996:

- **The average federal income tax rate for the typical four-person family is lower today than when President Clinton took office, and is lower than in 7 of the 8 years when Ronald Reagan was President.** The average federal personal income tax rate for the typical four-person family will be lower in 1995 (16.81%) than in 1992 (16.83%) and lower than in 7 of the 8 years under Ronald Reagan. [Treasury Department, Office of Tax Policy, 4/18/95]

- **President Clinton's Economic Plan cut taxes benefitting 40 million Americans.** Because of the President's 1993 economic plan, 40 million Americans (15 million workers and their families) benefit from the expansion of the Working Families Tax Credit, the EITC. [Treasury Department, Office of Tax Policy, 4/1/96]

- **For lower-income families, average tax rates will be at a 18-year low.** For a four-person family with an income one-half of the typical family's income, the average federal income tax rate will be lower in 1995 than when President Clinton took office. It will also be at its lowest level since 1977 -- largely because of the expansion of the EITC in President Clinton's 1993 Economic Plan. [Treasury Department, Office of Tax Policy, 4/18/95]

This month's *Money* Magazine confirms that the effective federal tax rate is down for middle-income Americans. In an analysis for *Money* Magazine, Price Waterhouse finds that the effective federal tax rate for those earning less than $100,000 dropped between 1992 and 1994, while those earning six-figures saw their effective tax rate increase.

- **Price Waterhouse Finds That The Effective Federal Income Tax Rate For A Family Earning Between $50,000 And $75,000 Fell 1.7 Percent.** The effective federal income tax rate for someone earning between $50,000 and $75,000 was 12.8 percent in 1994 -- down from 13.0 percent in 1992. [Source: *Money* Magazine, August 1996]

- **Effective Federal Tax Is Also Down For Every Other Income Group Below $100,000.** The effective tax rate has also fallen for those with incomes between $20,000 and $25,000 (down 6.1 percent); $25,000 and $50,000 (down 1.4 percent); and $75,000 and $100,000 (down 0.5 percent).

CLAIM ON INCOME INEQUALITY INCREASING UNDER PRESIDENT CLINTON AND DECLINING UNDER PRESIDENT REAGAN

CLAIM: *During the Reagan years, everyone grew richer -- even the poor. In contrast, during the Clinton years, only the rich have done well as income inequality has soared.*

THE FACTS: **THEY HAVE THEIR FACTS BACKWARDS.** Under President Clinton, every family income group -- from the most well-off 5 percent to the poorest 20 percent -- has seen their real income increase. In contrast, during the 12 years the Republicans were in the White House, the poor got poorer and the rich got richer.

- **Under President Clinton, All Family Income Groups Are Growing Again.** Between 1992 and 1994 -- the most recent year data are available -- every family group, from the most well-off to the poorest, has experienced an increase in income, adjusted for inflation. While it is true that income inequality rose between 1992 and 1994, it was a result of the incomes of the wealthy growing faster than the incomes of everyone else:

  - The poorest 20 percent of families experienced a 2.6 percent increase in real income as their average income rose from $10,126 in 1992 to $10,387 in 1994. [Source: Bureau of the Census, *Income, Poverty, and Valuation of Noncash Benefits: 1994*, Series P-60-189, Table F-1a.]

  - Partly as a result of methodological changes, the most well-off 20 percent experienced a 10.8 percent increase in their real income, as it rose from $104,365 in 1992 to $115,608 in 1994. [Source: Bureau of the Census, *Income, Poverty, and Valuation of Noncash Benefits: 1994*, Series P-60-189, Table F-1a.]

- **Under President Bush, Every Group Grew Poorer.** Between 1988 and 1992, every family income group -- the well-off and the poor alike -- experienced a real ***decline*** in their income. [Source: Bureau of the Census, *Income, Poverty, and Valuation of Noncash Benefits: 1994*, Series P-60-189, Table F-1a.]

- **Under Reagan and Bush, The Rich Grew Richer and The Poor Grew Poorer.**

  - The poorest 20 percent of families experienced a 12.3 percent decline in real income as their average income dropped from $11,544 in 1980 to $10,126 in 1992. [Source: Bureau of the Census, *Income, Poverty, and Valuation of Noncash Benefits: 1994*, Series P-60-189, Table F-1a.]

  - The second 20 percent also experienced a real decline in their income, as i fell 2.8 percent from $25,131 in 1980 to $24,423 in 1992. [Source: Bureau of the Census, *Income, Poverty, and Valuation of Noncash Benefits: 1994*, Series P-60-189, Table F-1a.]

  - The most well-off 20 percent experienced a 17.7 percent increase in their real income, as it rose from $88,682 in 1980 to $104,365 in 1992. [Source: Bureau of the Census, *Income, Poverty, and Valuation of Noncash Benefits: 1994*, Series P-60-189, Table F-1a