

March 25, 1996

MEMORANDUM TO THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: Economic Scorecard: A Comparison of Your Economic Record With Your Two Predecessors

Many Republicans often point to the Reagan Administration as an era of remarkable economic performance. But they make their case by pointing to economic statistics during select time periods. If one looks over the course of the Reagan Administration (January 1981 to January 1989) and compares that period to your economic record (since January 1993), an analysis of 40 key economic indicators shows that the Republican's contention about the Reagan era is flat wrong. Your record is better than President Reagan's on 83 percent of the key economic indicators (33 out of 40).

Your record looks even better in comparison to President Bush. You win on 93 percent of the indicators (37 out of 40) -- that's a better winning percentage than the Chicago Bulls this year. Even if we compare your record to either President Bush or President Reagan, you win 80 percent of the time (32 out of 40 key economic indicators). Finally, when we compare your record to the 12 years before you took office, you win on 88 percent of the indicators (35 out of 40).

**SECTION 1      Response to 8 Indicators That Either President Bush or Reagan Beat Us On**

**SECTION 2      Four "Economic Scorecards":**

- You vs. Reagan
- You vs. Bush
- You vs. Reagan and Bush
- You vs. Reagan or Bush

*I heart  
finished  
fourthly  
text  
two*

**SECTION 1: Response to 8 Indicators That Either President Bush or Reagan Beat Us On**

Here are our responses to the eight indicators that either President Bush or Reagan have a better record than you on:

- (1) **Existing Home Sales.** The growth in existing home sales during the Reagan Administration was artificial, spurred on by distortionary tax provisions such as depreciation allowances far larger than true economic depreciation.
  - As Joe Stiglitz said in his testimony to the Joint Economic Committee last Friday: "This artificial expansion could not -- and did not -- last. The collapse contributed in no small measure to the S & L debacle which, in turn, was a driving force in the economic recession of 1991, and which cost the American taxpayers over \$150 billion to resolve."
  - We can also point to the fact that homeownership fell during the previous two Administrations and is up since you took office, reaching its highest level in 15 years. Furthermore, new home building permits have increased 5.6 percent per year since you took office after increasing only 2.3 percent per year under President Reagan and falling during President Bush.
- (2) **Real GDP Growth.** The reason that real GDP grew more rapidly during the Reagan Administration is because Reagan was so fiscally irresponsible. If we take the government sector out of the calculation and look at the private sector of the economy, we find that private sector GDP has grown at a faster annual rate since you took office than during the Reagan Administration.
- (3) **Real Median Family Income Growth.** In the four years before you took office, real median family income fell 4 percent. This kind of trend will not be turned around overnight. But we are seeing signs of progress. In 1994 -- the first year following your economic plan -- real median family income actually increased 2.3 percent, which is far faster than either the average annual rate during the entire Reagan Administration or the average annual rate of growth during the "Reagan recovery".
- (4) **Real Compensation Per Hour Growth.** One of the main reasons why compensation has grown more slowly during your Administration than during the previous 12 years has been because health insurance costs have increased much more slowly over the last several years. If we look at what worker's take home, the story is quite different. Average hourly wages have increased slightly since you took office, after declining during the previous two Administrations.
- (5) **Housing Starts.** Same as response to Existing Home Sales.

- (6) **Leading Economic Indicators.** I DON'T HAVE A GOOD STORY FOR THIS ONE....
- (7) **Productivity.** Productivity growth continues at essentially the same pace under your Administration as in the 1970s and 1980s. This Administration has had a consistent and coordinated strategy to help raise productivity and American living standards. We are reducing the deficit which will help lower interest rates, raise private-sector investment and productivity. We are investing in education and training, and research and technology to make workers more productive. And we are getting rid of outdated and wasteful regulations that impede economic growth.
- (8) **Trade Deficit.** The increased trade deficits since you took office are largely the result of the fact that the United States economy has grown faster than any of our major trading partners in the last three years. When this happens, we demand more of their goods than they demand of ours and our trade deficit increases. The improvement in the trade deficit during the Bush Administration, however, was primarily a result of the weak economic growth during his term in office.
- The increase in the trade deficit during the Reagan era was the result of different factors than the rise in the trade deficit in the last three years. The trade deficit that resulted during the Reagan Administration was primarily due to the explosion of the United States budget deficit during the 1980s. An increase in the budget deficit raises interest rates which tends to attract foreign capital to America. In turn, this raises the exchange rate -- as foreigners demand more dollars -- driving down the cost of foreign goods to Americans and driving up the cost of American goods to foreigners. In this case, a larger trade deficit results.

# ECONOMIC SCORECARD

## Clinton vs. Reagan

Clinton

Reagan

### CLINTON WINS ON:

<b>Job Growth</b> (Average Annual Growth)	<b>2.4%</b>	2.1%
<b>Private-Sector Job Growth</b> (Average Annual Growth)	<b>2.7%</b>	2.3%
<b>Percent of the New Jobs in Private Sector</b> (Average Rate)	<b>92.8%</b>	91.3%
<b>Manufacturing Job Growth</b> (Average Annual Growth)	<b>0.3%</b>	-0.5%
<b>Construction Job Growth</b> (Average Annual Growth)	<b>6.2%</b>	2.5%
<b>Auto Job Growth</b> (Average Annual Growth)	<b>3.0%</b>	1.4%
<b>Federal Budget Deficit</b> (Percent Growth)	<b>-43.4%</b>	109.5%
<b>Real Private-Sector GDP Growth</b> (Average Annual Growth)	<b>3.2%</b>	3.0%
<b>Business Investment</b> (Average Annual Growth)	<b>11.0%</b>	4.1%
<b>Combined Rate of Unemployment &amp; Inflation</b> (Average Rate)	<b>8.9</b>	12.2
<b>Combined Rate of Unemployment, Inflation, and Mortgage Rates</b> (Average Rate)	<b>16.5</b>	24.1

<b>Consumer Sentiment</b> (Average Rate)	<b>89.3</b>	<b>87.1</b>
<b>Consumer Confidence</b> (Average Annual Growth)	<b>7.9%</b>	<b>5.7%</b>
<b>Help-Wanted Index</b> (Average Annual Growth)	<b>9.4%</b>	<b>3.3%</b>
<b>Stock Market</b> (Average Annual Growth)	<b>15.3%</b>	<b>6.6%</b>
<b>30-Year Treasury Bond</b> (Average Rate)	<b>6.9%</b>	<b>10.7%</b>
<b>10-Year Treasury Bond</b> (Average Rate)	<b>6.5%</b>	<b>10.7%</b>
<b>Average Fixed Mortgage Rate</b> (Average Rate)	<b>7.8%</b>	<b>12.9%</b>
<b>Inflation (CPI-U)</b> (Average Annual Growth)	<b>2.7%</b>	<b>4.2%</b>
<b>Inflation (PPI)</b> (Average Annual Growth)	<b>1.3%</b>	<b>2.3%</b>
<b>Core Inflation (CPI-U)</b> (Average Annual Growth)	<b>2.9%</b>	<b>5.1%</b>
<b>Exports (Total)</b> (Average Annual Growth)	<b>9.3%</b>	<b>6.3%</b>
<b>Exports (Goods)</b> (Average Annual Growth)	<b>10.9%</b>	<b>2.9%</b>
<b>Trade Deficit</b> (Percent Growth)	<b>-70.5%</b>	<b>-100.0%</b>
<b>Industrial Production</b> (Average Annual Growth)	<b>3.8%</b>	<b>2.8%</b>
<b>Capacity Utilization</b> (Average Rate)	<b>83.0</b>	<b>79.8</b>
<b>Real Average Hourly Earnings</b> (Percent Growth)	<b>0.6%</b>	<b>-2.4%</b>
<b>Real Average Weekly Earnings</b> (Percent Growth)	<b>-0.2%</b>	<b>-2.5%</b>

<b>New Business Incorporations</b> (Average Annual Growth)	<b>5.1%</b>	<b>3.2%</b>
<b>Business Failures</b> (Average Annual Growth)	<b>-9.7%</b>	<b>21.9%</b>
<b>Total Bankruptcy Filings</b> (Average Annual Growth)	<b>-2.0%</b>	<b>8.0%</b>
<b>Homeownership Rate</b> (Percent Growth)	<b>2.2%</b>	<b>-2.6%</b>
<b>Home Building Permits</b> (Average Annual Growth)	<b>5.6%</b>	<b>2.3%</b>

## REAGAN WINS ON:

<b>Home Sales</b> (Average Annual Growth)	<b>2.9%</b>	<b>5.9%</b>
<b>Real GDP Growth</b> (Average Annual Growth)	<b>2.6%</b>	<b>3.0%</b>
<b>Real Compensation Per Hour</b> (Average Annual Growth)	<b>0.3%</b>	<b>0.6%</b>
<b>Housing Starts</b> (Average Annual Rate)	<b>1.37 Million</b>	<b>1.54 Million</b>
<b>Leading Economic Indicators</b> (Average Annual Growth)	<b>0.4%</b>	<b>1.5%</b>
<b>Productivity</b> (Average Annual Growth)	<b>0.7%</b>	<b>1.1%</b>
<b>Real Median Family Income Growth</b> (Average Annual Growth)	<b>0.2%</b>	<b>0.8%</b>

# ECONOMIC SCORECARD

## Clinton vs. Reagan and Bush

Clinton Reagan/Bush

### CLINTON WINS ON:

<b>Job Growth</b> (Average Annual Growth)	<b>2.4%</b>	1.6%
<b>Private-Sector Job Growth</b> (Average Annual Growth)	<b>2.7%</b>	1.6%
<b>Percent of the New Jobs in Private Sector</b> (Average Rate)	<b>92.8%</b>	86.3%
<b>Manufacturing Job Growth</b> (Average Annual Growth)	<b>0.3%</b>	-0.9%
<b>Construction Job Growth</b> (Average Annual Growth)	<b>6.2%</b>	0.5%
<b>Auto Job Growth</b> (Average Annual Growth)	<b>3.0%</b>	0.4%
<b>Federal Budget Deficit</b> (Percent Growth)	<b>-43.4%</b>	291.9%
<b>Real GDP Growth</b> (Average Annual Growth)	<b>2.6%</b>	2.4%
<b>Real Private-Sector GDP Growth</b> (Average Annual Growth)	<b>3.2%</b>	2.4%
<b>Business Investment</b> (Average Annual Growth)	<b>11.0%</b>	3.4%
<b>Combined Rate of Unemployment &amp; Inflation</b> (Average Rate)	<b>8.9</b>	11.7

<b>Combined Rate of Unemployment, Inflation, and Mortgage Rates</b> (Average Rate)	<b>16.5</b>	<b>22.7</b>
<b>Consumer Sentiment</b> (Average Rate)	<b>89.3</b>	<b>85.5</b>
<b>Consumer Confidence</b> (Average Annual Growth)	<b>7.9%</b>	<b>0.3%</b>
<b>Help-Wanted Index</b> (Average Annual Growth)	<b>9.4%</b>	<b>-1.6%</b>
<b>Stock Market</b> (Average Annual Growth)	<b>15.3%</b>	<b>6.3%</b>
<b>30-Year Treasury Bond</b> (Average Rate)	<b>6.9%</b>	<b>9.9%</b>
<b>10-Year Treasury Bond</b> (Average Rate)	<b>6.5%</b>	<b>9.8%</b>
<b>Average Fixed Mortgage Rate</b> (Average Rate)	<b>7.8%</b>	<b>11.8%</b>
<b>Inflation (CPI-U)</b> (Average Annual Growth)	<b>2.7%</b>	<b>4.2%</b>
<b>Inflation (PPI)</b> (Average Annual Growth)	<b>1.3%</b>	<b>2.5%</b>
<b>Core Inflation (CPI-U)</b> (Average Annual Growth)	<b>2.9%</b>	<b>4.8%</b>
<b>Exports (Total)</b> (Average Annual Growth)	<b>9.3%</b>	<b>6.6%</b>
<b>Exports (Goods)</b> (Average Annual Growth)	<b>10.9%</b>	<b>5.3%</b>
<b>Trade Deficit</b> (Percent Growth)	<b>-70.5%</b>	<b>-100.0%</b>
<b>Industrial Production</b> (Average Annual Growth)	<b>3.8%</b>	<b>2.2%</b>
<b>Capacity Utilization</b> (Average Rate)	<b>83.0</b>	<b>80.2</b>

<b>Real Average Hourly Earnings</b> (Percent Growth)	<b>0.6%</b>	<b>-6.4%</b>
<b>Real Average Weekly Earnings</b> (Percent Growth)	<b>-0.2%</b>	<b>-7.3%</b>
<b>Real Median Family Income Growth</b> (Average Annual Growth)	<b>0.19%</b>	<b>0.17%</b>
<b>New Business Incorporations</b> (Average Annual Growth)	<b>5.1%</b>	<b>1.9%</b>
<b>Business Failures</b> (Average Annual Growth)	<b>-9.7%</b>	<b>19.2%</b>
<b>Total Bankruptcy Filings</b> (Average Annual Growth)	<b>-2.0%</b>	<b>9.4%</b>
<b>Homeownership Rate</b> (Percent Growth)	<b>2.2%</b>	<b>-2.9%</b>
<b>Home Building Permits</b> (Average Annual Growth)	<b>5.6%</b>	<b>-0.3%</b>

## REAGAN/BUSH WINS ON:

<b>Home Sales</b> (Average Annual Growth)	<b>2.9%</b>	<b>3.8%</b>
<b>Real Compensation Per Hour</b> (Average Annual Growth)	<b>0.3%</b>	<b>0.5%</b>
<b>Housing Starts</b> (Average Annual Rate)	<b>1.37 Million</b>	<b>1.43 Million</b>
<b>Leading Economic Indicators</b> (Average Annual Growth)	<b>0.4%</b>	<b>0.8%</b>
<b>Productivity</b> (Average Annual Growth)	<b>0.7%</b>	<b>1.1%</b>

# ECONOMIC SCORECARD

## Clinton vs. Reagan

Clinton

Reagan

### CLINTON WINS ON:

<b>Job Growth</b> (Average Annual Growth)	<b>2.4%</b>	2.1%
<b>Private-Sector Job Growth</b> (Average Annual Growth)	<b>2.7%</b>	2.3%
<b>Percent of the New Jobs in Private Sector</b> (Average Rate)	<b>92.8%</b>	91.3%
<b>Manufacturing Job Growth</b> (Average Annual Growth)	<b>0.3%</b>	-0.5%
<b>Construction Job Growth</b> (Average Annual Growth)	<b>6.2%</b>	2.5%
<b>Auto Job Growth</b> (Average Annual Growth)	<b>3.0%</b>	1.4%
<b>Federal Budget Deficit</b> (Percent Growth)	<b>-43.4%</b>	109.5%
<b>Real Private-Sector GDP Growth</b> (Average Annual Growth)	<b>3.2%</b>	3.0%
<b>Business Investment</b> (Average Annual Growth)	<b>11.0%</b>	4.1%
<b>Combined Rate of Unemployment &amp; Inflation</b> (Average Rate)	<b>8.9</b>	12.2
<b>Combined Rate of Unemployment, Inflation, and Mortgage Rates</b> (Average Rate)	<b>16.5</b>	24.1

<b>Consumer Sentiment</b> (Average Rate)	<b>89.3</b>	<b>87.1</b>
<b>Consumer Confidence</b> (Average Annual Growth)	<b>7.9%</b>	<b>5.7%</b>
<b>Help-Wanted Index</b> (Average Annual Growth)	<b>9.4%</b>	<b>3.3%</b>
<b>Stock Market</b> (Average Annual Growth)	<b>15.3%</b>	<b>6.6%</b>
<b>30-Year Treasury Bond</b> (Average Rate)	<b>6.9%</b>	<b>10.7%</b>
<b>10-Year Treasury Bond</b> (Average Rate)	<b>6.5%</b>	<b>10.7%</b>
<b>Average Fixed Mortgage Rate</b> (Average Rate)	<b>7.8%</b>	<b>12.9%</b>
<b>Inflation (CPI-U)</b> (Average Annual Growth)	<b>2.7%</b>	<b>4.2%</b>
<b>Inflation (PPI)</b> (Average Annual Growth)	<b>1.3%</b>	<b>2.3%</b>
<b>Core Inflation (CPI-U)</b> (Average Annual Growth)	<b>2.9%</b>	<b>5.1%</b>
<b>Exports (Total)</b> (Average Annual Growth)	<b>9.3%</b>	<b>6.3%</b>
<b>Exports (Goods)</b> (Average Annual Growth)	<b>10.9%</b>	<b>2.9%</b>
<b>Trade Balance</b> (Percent Growth)	<b>-70.5%</b>	<b>-100.0%</b>
<b>Industrial Production</b> (Average Annual Growth)	<b>3.8%</b>	<b>2.8%</b>
<b>Capacity Utilization</b> (Average Rate)	<b>83.0</b>	<b>79.8</b>
<b>Real Average Hourly Earnings</b> (Percent Growth)	<b>0.6%</b>	<b>-2.4%</b>
<b>Real Average Weekly Earnings</b> (Percent Growth)	<b>-0.2%</b>	<b>-2.5%</b>

**New Business Incorporations**

(Average Annual Growth)

**5.1%****3.2%****Business Failures**

(Average Annual Growth)

**-9.7%****21.9%****Total Bankruptcy Filings**

(Average Annual Growth)

**-2.0%****8.0%****Homeownership Rate**

(Percent Growth)

**2.2%****-2.6%****Home Building Permits**

(Average Annual Growth)

**5.6%****2.3%****REAGAN WINS ON:****Home Sales**

(Average Annual Growth)

**2.9%****5.9%****Real GDP Growth**

(Average Annual Growth)

**2.6%****3.0%****Real Compensation Per Hour**

(Average Annual Growth)

**0.3%****0.6%****Housing Starts**

(Average Annual Rate)

**1.37 Million****1.54 Million****Leading Economic Indicators**

(Average Annual Growth)

**0.4%****1.5%****Productivity**

(Average Annual Growth)

**0.7%****1.1%****Real Median Family Income Growth**

(Average Annual Growth)

**0.2%****0.8%**

# ECONOMIC SCORECARD

## Clinton vs. Bush

Clinton

Bush

### CLINTON WINS ON:

<b>Job Growth</b> (Average Annual Growth)	<b>2.4%</b>	0.6%
<b>Private-Sector Job Growth</b> (Average Annual Growth)	<b>2.7%</b>	0.4%
<b>Percent of the New Jobs in Private Sector</b> (Average Rate)	<b>92.8%</b>	53.0%
<b>Manufacturing Job Growth</b> (Average Annual Growth)	<b>0.3%</b>	-1.8%
<b>Construction Job Growth</b> (Average Annual Growth)	<b>6.2%</b>	3.4%
<b>Auto Job Growth</b> (Average Annual Growth)	<b>3.0%</b>	1.4%
<b>Federal Budget Deficit</b> (Percent Growth)	<b>-43.4%</b>	87.1%
<b>Real GDP Growth</b> (Average Annual Growth)	<b>2.6%</b>	1.3%
<b>Real Private-Sector GDP Growth</b> (Average Annual Growth)	<b>3.2%</b>	1.3%
<b>Business Investment</b> (Average Annual Growth)	<b>11.0%</b>	2.0%
<b>Combined Rate of Unemployment &amp; Inflation</b> (Average Rate)	<b>8.9</b>	10.6

<b>Combined Rate of Unemployment, Inflation, and Mortgage Rates</b> (Average Rate)	<b>16.5</b>	<b>20.0</b>
<b>Consumer Sentiment</b> (Average Rate)	<b>89.3</b>	<b>82.4</b>
<b>Consumer Confidence</b> (Average Annual Growth)	<b>7.9%</b>	<b>-9.8%</b>
<b>Help-Wanted Index</b> (Average Annual Growth)	<b>9.4%</b>	<b>-10.7%</b>
<b>Stock Market</b> (Average Annual Growth)	<b>15.3%</b>	<b>5.7%</b>
<b>30-Year Treasury Bond</b> (Average Rate)	<b>6.9%</b>	<b>8.2%</b>
<b>10-Year Treasury Bond</b> (Average Rate)	<b>6.5%</b>	<b>8.0%</b>
<b>Average Fixed Mortgage Rate</b> (Average Rate)	<b>7.8%</b>	<b>9.5%</b>
<b>Inflation (CPI-U)</b> (Average Annual Growth)	<b>2.7%</b>	<b>4.2%</b>
<b>Inflation (PPI)</b> (Average Annual Growth)	<b>1.3%</b>	<b>2.9%</b>
<b>Core Inflation (CPI-U)</b> (Average Annual Growth)	<b>2.9%</b>	<b>4.4%</b>
<b>Exports (Total)</b> (Average Annual Growth)	<b>9.3%</b>	<b>7.2%</b>
<b>Exports (Goods)</b> (Average Annual Growth)	<b>10.9%</b>	<b>5.9%</b>
<b>Industrial Production</b> (Average Annual Growth)	<b>3.8%</b>	<b>0.9%</b>
<b>Capacity Utilization</b> (Average Rate)	<b>83.0</b>	<b>81.3</b>
<b>Real Average Hourly Earnings</b> (Percent Growth)	<b>0.6%</b>	<b>-4.1%</b>

<b>Real Average Weekly Earnings</b> (Percent Growth)	<b>-0.2%</b>	<b>-4.9%</b>
<b>Real Median Family Income Growth</b> (Average Annual Growth)	<b>0.19%</b>	<b>0.17%</b>
<b>New Business Incorporations</b> (Average Annual Growth)	<b>5.1%</b>	<b>-0.5%</b>
<b>Business Failures</b> (Average Annual Growth)	<b>-9.7%</b>	<b>14.2%</b>
<b>Total Bankruptcy Filings</b> (Average Annual Growth)	<b>-2.0%</b>	<b>12.1%</b>
<b>Homeownership Rate</b> (Percent Growth)	<b>2.2%</b>	<b>-0.3%</b>
<b>Home Building Permits</b> (Average Annual Growth)	<b>5.6%</b>	<b>-5.3%</b>
<b>Housing Starts</b> (Average Annual Rate)	<b>1.37 Million</b>	<b>1.20 Million</b>
<b>Home Sales</b> (Average Annual Growth)	<b>2.9%</b>	<b>0.2%</b>
<b>Leading Economic Indicators</b> (Average Annual Growth)	<b>0.4%</b>	<b>-0.5%</b>

## **BUSH WINS ON:**

<b>Real Compensation Per Hour</b> (Average Annual Growth)	<b>0.3%</b>	<b>0.4%</b>
<b>Productivity</b> (Average Annual Growth)	<b>0.7%</b>	<b>1.2%</b>
<b>Trade Balance</b> (Percent Growth)	<b>70.5%</b>	<b>-37.8%</b>

# ECONOMIC SCORECARD

## Clinton vs. Reagan and Bush

Clinton      Reagan/Bush

### CLINTON WINS ON:

<b>Job Growth</b> (Average Annual Growth)	<b>2.4%</b>	1.6%
<b>Private-Sector Job Growth</b> (Average Annual Growth)	<b>2.7%</b>	1.6%
<b>Percent of the New Jobs in Private Sector</b> (Average Rate)	<b>92.8%</b>	86.3%
<b>Manufacturing Job Growth</b> (Average Annual Growth)	<b>0.3%</b>	-0.9%
<b>Construction Job Growth</b> (Average Annual Growth)	<b>6.2%</b>	0.5%
<b>Auto Job Growth</b> (Average Annual Growth)	<b>3.0%</b>	0.4%
<b>Federal Budget Deficit</b> (Percent Growth)	<b>-43.4%</b>	291.9%
<b>Real GDP Growth</b> (Average Annual Growth)	<b>2.6%</b>	2.4%
<b>Real Private-Sector GDP Growth</b> (Average Annual Growth)	<b>3.2%</b>	2.4%
<b>Business Investment</b> (Average Annual Growth)	<b>11.0%</b>	3.4%
<b>Combined Rate of Unemployment &amp; Inflation</b> (Average Rate)	<b>8.9</b>	11.7

<b>Combined Rate of Unemployment, Inflation, and Mortgage Rates</b> (Average Rate)	<b>16.5</b>	<b>22.7</b>
<b>Consumer Sentiment</b> (Average Rate)	<b>89.3</b>	<b>85.5</b>
<b>Consumer Confidence</b> (Average Annual Growth)	<b>7.9%</b>	<b>0.3%</b>
<b>Help-Wanted Index</b> (Average Annual Growth)	<b>9.4%</b>	<b>-1.6%</b>
<b>Stock Market</b> (Average Annual Growth)	<b>15.3%</b>	<b>6.3%</b>
<b>30-Year Treasury Bond</b> (Average Rate)	<b>6.9%</b>	<b>9.9%</b>
<b>10-Year Treasury Bond</b> (Average Rate)	<b>6.5%</b>	<b>9.8%</b>
<b>Average Fixed Mortgage Rate</b> (Average Rate)	<b>7.8%</b>	<b>11.8%</b>
<b>Inflation (CPI-U)</b> (Average Annual Growth)	<b>2.7%</b>	<b>4.2%</b>
<b>Inflation (PPI)</b> (Average Annual Growth)	<b>1.3%</b>	<b>2.5%</b>
<b>Core Inflation (CPI-U)</b> (Average Annual Growth)	<b>2.9%</b>	<b>4.8%</b>
<b>Exports (Total)</b> (Average Annual Growth)	<b>9.3%</b>	<b>6.6%</b>
<b>Exports (Goods)</b> (Average Annual Growth)	<b>10.9%</b>	<b>5.3%</b>
<b>Trade Balance</b> (Percent Growth)	<b>-70.5%</b>	<b>-100.0%</b>
<b>Industrial Production</b> (Average Annual Growth)	<b>3.8%</b>	<b>2.2%</b>
<b>Capacity Utilization</b> (Average Rate)	<b>83.0</b>	<b>80.2</b>

<b>Real Average Hourly Earnings</b> (Percent Growth)	<b>0.6%</b>	<b>-6.4%</b>
<b>Real Average Weekly Earnings</b> (Percent Growth)	<b>-0.2%</b>	<b>-7.3%</b>
<b>Real Median Family Income Growth</b> (Average Annual Growth)	<b>0.19%</b>	<b>0.17%</b>
<b>New Business Incorporations</b> (Average Annual Growth)	<b>5.1%</b>	<b>1.9%</b>
<b>Business Failures</b> (Average Annual Growth)	<b>-9.7%</b>	<b>19.2%</b>
<b>Total Bankruptcy Filings</b> (Average Annual Growth)	<b>-2.0%</b>	<b>9.4%</b>
<b>Homeownership Rate</b> (Percent Growth)	<b>2.2%</b>	<b>-2.9%</b>
<b>Home Building Permits</b> (Average Annual Growth)	<b>5.6%</b>	<b>-0.3%</b>

## REAGAN/BUSH WINS ON:

<b>Home Sales</b> (Average Annual Growth)	<b>2.9%</b>	<b>3.8%</b>
<b>Real Compensation Per Hour</b> (Average Annual Growth)	<b>0.3%</b>	<b>0.5%</b>
<b>Housing Starts</b> (Average Annual Rate)	<b>1.37 Million</b>	<b>1.43 Million</b>
<b>Leading Economic Indicators</b> (Average Annual Growth)	<b>0.4%</b>	<b>0.8%</b>
<b>Productivity</b> (Average Annual Growth)	<b>0.7%</b>	<b>1.1%</b>

<b>Business Failures</b> (Average Annual Growth)	<b>-9.7%</b>	21.9%	14.2%
<b>Total Bankruptcy Filings</b> (Average Annual Growth)	<b>-2.0%</b>	8.0%	12.1%
<b>Homeownership Rate</b> (Percent Growth)	<b>2.2%</b>	-2.6%	-0.3%
<b>Home Building Permits</b> (Average Annual Growth)	<b>5.6%</b>	2.3%	-5.3%

## REAGAN WINS ON:

<b>Real GDP Growth</b> (Average Annual Growth)	2.6%	<b>3.0%</b>	1.3%
<b>Real Median Family Income Growth</b> (Average Annual Growth)	0.2%	<b>0.8%</b>	0.2%
<b>Real Compensation Per Hour</b> (Average Annual Growth)	0.3%	<b>0.6%</b>	0.4%
<b>Housing Starts</b> (Average Annual Rate)	1.37 Million	<b>1.54 Million</b>	1.20 Million
<b>Leading Economic Indicators</b> (Average Annual Growth)	0.4%	<b>1.5%</b>	-0.5%
<b>Home Sales</b> (Average Annual Growth)	2.9%	<b>5.9%</b>	0.2%

## BUSH WINS ON:

<b>Productivity</b> (Average Annual Growth)	0.7%	1.1%	<b>1.2%</b>
<b>Trade Balance</b> (Percent Growth)	-70.5%	-100.0%	<b>37.8%</b>

THE WHITE HOUSE  
WASHINGTON

March 27, 1996

MEMORANDUM FOR THE PRESIDENT

THROUGH: LAURA TYSON  
FROM: GENE SPERLING  
SUBJECT: The Senate's Role in Creating the Republican Balanced Budget

Doug Sosnik informed me that you were interested in knowing more about the Senate's role in creating the Republican balanced budget. While there is a perception that the Senate Leadership was always more moderate and was dragged to more extreme positions by the House, this was certainly not the case in several major areas. A preliminary examination of the House and Senate budget resolutions and reconciliation bills revealed several important areas where the Senate had more extreme provisions that were moderated by House Republicans in conference.

This memo summarizes some of the key areas where the Senate had more extreme or equally extreme provisions as the House on the 5 major issues of the Budget debate: Medicare, Medicaid, Education, the Environment, and Taxes. In preparing this summary, we also produced a more detailed side-by-side analysis of the Senate vs. the House on these five issues. Please let us know if you would like us to send you more details.

**SECTION I** Areas where the Senate was more extreme than the House.

**SECTION II** Areas where the Senate provisions were just as extreme as the House provisions.

**SECTION I:**  
**AREAS WHERE THE SENATE WAS MORE EXTREME THAN THE HOUSE**

**MEDICARE OUT-OF-POCKET COSTS:** *The Senate was far more extreme than the House of Representatives on the critical issue of Medicare beneficiary costs. The Senate-passed reconciliation bill not only called for \$270 billion in Medicare savings, but also sought to achieve a far greater degree of the savings from Medicare beneficiaries.*

- **Medicare Deductibles.** The Senate reconciliation bill *doubled* deductibles from \$100 a year in 1995 to \$210 a year in 2002. Medicare beneficiaries already spend 21% of their income on health care, and doubling their deductibles would have increased beneficiary costs by more than \$10 billion over 7 years. The House bill and the vetoed conference agreement did not increase deductibles.
- **Medicare Eligibility Age.** The Senate Finance Committee reconciliation bill gradually increased the Medicare eligibility age from 65 to 67 beginning in 2003, matching the increase in the Social Security retirement age. Under the Senate proposal, people would have had to work longer and pay more taxes to get fewer years of Medicare. And while retirees can receive Social Security benefits before reaching the official retirement age, they could not receive Medicare, and many people ages 65 to 67 would be unable to continue working or to purchase individual health insurance. *This provision was included in the Finance Committee bill but eliminated on the Senate floor without a recorded vote for violating the Byrd Rule.* The House bill and vetoed conference agreement did not increase the Medicare eligibility age.
- **More Severe Means Testing.** The Senate reconciliation bill began charging higher premiums at lower income levels than the House bill. The premium increase would be taken directly out Social Security checks. The Senate-passed reconciliation bill imposed higher Medicare premiums on individuals with incomes over \$50,000 and couples with incomes over \$75,000. (The House began means testing at higher levels: individuals with incomes over \$75,000 and couples with incomes over \$125,000)  
  
Under the Senate plan, Individuals with incomes over \$100,000 and couples with incomes over \$150,000 would have had to pay premiums equal to 100% of Part B program costs. (In the House, individuals with incomes over \$100,000 and couples with incomes over \$175,000 would pay premiums equal to 100% of Part B program costs.) All Republicans on the Senate Finance Committee except for Senator Roth voted for the committee amendment that lowered the income thresholds in the Chairman's Mark to these levels.
- **Medicare Coverage of State & Local Government Employees.** The Senate reconciliation bill extended Medicare coverage to all state and local government employees. It would have subjected nearly 2 million additional state and local employees, teachers, police officers, and fire fighters and their state and local government employers to the Medicare payroll tax. Many states, including Illinois, California, Ohio, and Texas, have a large number of employees who are not currently covered by Medicare. *The House did not include this provision.*

**MEDICAID:** *The Senate Medicaid proposals were extreme, but generally less so than the House. The most notable exception was the Senate reconciliation bill's total elimination of Medicaid financial protections for adult children of nursing home residents.*

- **Adult Children.** The Senate reconciliation bill went further than the House bill or vetoed conference bill in repealing current protections for adult children of nursing home residents. The Senate bill would have allowed states to force adult children to contribute toward their parents' nursing home care, regardless of the income of the children. *The House bill protected adult children of moderate means and the vetoed conference bill protected adult children with incomes below the state median.*
  
- **Backdoor Medicaid Deals.** In last-minute deals, the Senate changed its formula for distributing Medicaid funding among the states: *Overall, states with two Democratic senators lost an additional \$4 billion and states with two Republican senators gained \$11 billion. According to the Washington Post, one Republican aide described the last-minute dealings as "Let's make a deal, with Bob Dole as your host."* Under these changes:
  - California lost an additional \$4.2 billion in federal funding. The resulting cut would have forced California to eliminate Medicaid coverage for as many as 1 million people in 2002, including nearly half a million children.
  - Texas gained an additional \$5 billion.
  - Kansas gained \$616 million, reducing its cut from 12% to 1% cut over the 7 years.
  - Delaware gained \$107 million, reducing its cut from 7% to 0% over 7 years.
  - The average percentage cut in 2002 was 29%, but the cuts to states ranged from 4% to 52%.

**TAXES:** *The Senate consistently supported much larger cuts in the EITC than the House. The Senate budget resolution assumed a \$21 billion cut in the EITC, compared to a \$3 billion cut in the House budget resolution. The Senate reconciliation bill went further, and cut the EITC by \$43 billion, compared to a \$32 billion cut in the House reconciliation bill, and a \$31 billion cut in the vetoed conference reconciliation bill.*

- **EITC.** The Senate reconciliation bill cut the EITC by \$43 billion, increasing taxes on 17 million working Americans. It would have cut these peoples' EITC by an average of \$302 in 1996, and would have cut the EITC of working families with two or more children by \$410 in 1996. The vetoed reconciliation bill cut the EITC by \$31 billion, cutting the EITC for 12.6 million working families with 14.5 million children by an average of \$332 in 1996. After accounting for the proposed child tax credit and increase in the standard deduction, the vetoed bill increased net taxes on 7.7 million EITC recipients by an average of \$318, and increased net taxes on 3.3 million families with 6.8 million children by an average of \$508.
- **Distribution of Tax Cuts.** Mainly because of the Senate's larger EITC cuts, the overall distribution of the Senate tax cut package was worse than the House or vetoed conference bill. Last year, we often pointed out that the conference bill raised taxes on the group of families with incomes less than \$30,000 using Joint Committee on Taxation estimates. This was true because the group of families with incomes less than \$10,000 faced a larger tax increase than the tax cut received by the group of families with incomes between \$20,000 and \$30,000.

The Senate bill -- unlike the House or conference bill -- actually had a tax increase on each of the family income subgroups below \$30,000. In other words, the Senate bill had a tax increase on the group of families with incomes less than \$10,000, between \$10,000 and \$20,000, and between \$20,000 and \$30,000. In fact, the Senate bill had a bigger tax increase on the group of families with incomes between \$20,000 and \$30,000 than on poorer families.

-The Senate tax bill would have benefited those families with incomes over \$100,000 more than the conference bill, but the proportion of the benefits going to the wealthy in the Senate bill was less than in the House. Specifically, Treasury estimates that 48 percent of the tax changes in the Senate bill would have benefited taxpayers with incomes over \$100,000 -- this group represents just 12 percent of all taxpayers. Over half (52 percent) of the benefits from the House tax bill would have gone to families with incomes over \$100,000 and 47 percent of the benefits of the conference tax cuts would have gone to families with incomes over \$100,000.

- **Excessive Estate Tax Cuts for Top 1%.** The Senate reconciliation bill provided large estate tax breaks that would disproportionately benefit the very wealthy -- even more generous than the House proposal. The final reconciliation bill also provided a gigantic estate tax cut for the wealthy -- \$90,000 a year for the top 1% of estates. Some estates could save as much as \$1.1 million.
- **Reduction in Estate Tax for Family Businesses.** Under Current Law, for closely held businesses and farms, estate tax can be paid over 14 years, with only interest due for the first five years (special 4% rate on first \$1 million in value of business). The Senate reconciliation Bill excluded the estate tax first \$1.5 million and 50% of value between \$1.5 and \$5 million of "qualified family-owned business interests." The House bill contained no such provision. The Conference Bill followed the Senate changes, but lowered caps to exclude first \$1.0 million and 50% between \$1.0 million and \$2.5 million. *Under this provision, an estate of \$3.25 million that includes a \$2.5 million qualified family-owned business would see its estate tax bill cut by 75% (\$928,000) under the Conference Bill.*
- **Estate Tax Reduction for Conservation Easements.** Under Current Law, a deduction is allowed for actual value of easement. The Senate Bill allowed exclusions of 50% of value of certain land subject to permanent conservation easement (up to \$5 million, together with family business provision). The House Bill contained no such provision. The Conference Bill followed the Senate, but reduced the exclusion to 40%. *Under this provision, taxpayers who place a conservation easement on their property would receive a double tax benefit. A descendent who owned a \$10 million ranch could reduce estate taxes by over \$1.5 million by using a combination of the family business provision and the conservation easement provision.*

**The Minority Leader fought against these provisions. According to the Washington Post and USA Today, the Majority Leader was one of the leading proponents of the Estate Tax proposals.**

*Senate and conference also included a tax proposal that would have increased the cost of establishing an ESOP and expanding employee ownership by repealing the preferential tax treatment of ESOP loans. The Administration did not support this proposal. A Senate floor amendment to delay the repeal was tabled, with the Majority Leader voting to table and the Minority Leader voting not to table the amendment.*

## WORKER TRAINING:

- **Budget Resolution.** The Senate budget resolution assumed deeper 7 year cuts in training programs than the House or conference budget resolutions. The Senate assumed training programs would be block granted and cut 25 percent (saving \$14.6 billion over seven years), whereas the House and conference budget resolutions assumed a 20 percent cut in such programs (saving \$8.2 billion).

**Appropriations.** The Senate Appropriations Committee's FY96 Labor-HHS appropriations bill provided more funding overall than its House counterpart, but the Senate bill provided less funding than the House for some employment and training programs, including One Stop Career Centers and Disadvantaged Adult Training Grants. However, the committee bill never went to the Senate floor.

**NOTE:** While the Budget Resolution is the only official recognition of their 7 year plans for worker training, it is the case that for FY 1996 the Senate is now moving close to our compromise addback number -- while the House is still substantially below this addback number for training.

## CHILD SUPPORT:

- **Child Support Enforcement Fees.** The Senate Finance Committee reconciliation bill required States to charge parents *not* receiving AFDC a fee equal to 10% of the amount of child support collected. No fees could be charged to custodial parents below certain income limits. These child support enforcement fees would have imposed a \$4 billion cost on single-parent families. A Bradley amendment to strike the fees was defeated in committee on a party line vote. But in response to criticism, this provision was deleted on the Senate floor by a Nickels-Dole amendment. The House and conference bills did not contain this proposal.

## ENVIRONMENT:

- **Total Funding for the Environment.** While the Senate is often perceived as less extreme than the House on the environment, *the Senate budget resolution assumed deeper overall cuts in the environment than the House budget resolution.* The Senate budget resolution assumed a \$10.7 billion larger cut in environmental protection (Budget Function 300) over seven years than the House resolution. The House budget resolution may have been perceived as more extreme because it contained more detail, yet the extra \$10.7 billion in savings that the Senate called for would have required more severe cuts over seven years.
- **Lifting Moratorium On New Mining Patents.** The Senate FY96 Interior appropriations bill lifted the moratorium on new mining patents, allowing the continued giveaway of public treasures under a law signed by Ulysses S. Grant. For example, just a couple of months ago, the Interior Department was forced to turn over almost \$3 billion worth of minerals to a foreign mining company for less than \$2,000. *Neither the House bill nor the vetoed conference bill included this provision.*
- **Clearcutting In The Tongass National Forest.** The Senate FY96 Interior appropriations bill included a rider that would have waived environmental laws and expanded clearcutting in Alaska's Tongass National Forest -- the world's largest temperate rainforest. *The House did not include this provision, but the vetoed conference bill did.*
- **Gutting Clean Water Programs.** *The Senate FY96 VA-HUD appropriations bill cut clean water programs more than the House or the vetoed conference bill.* The Senate bill cut clean water programs in FY96 by \$587 million or 37 percent from your request. These funds go to states for waste water treatment, helping them comply with the Clean Water Act. The money is used to construct and upgrade waste water treatment facilities that keep raw sewage from flowing into our rivers, lakes, and streams. By comparison, the House bill cut clean water programs by \$362 million or 23 percent, and the vetoed conference bill cut them by \$462 million or 29 percent from your request.

## SECTION II: EXTREME PROVISIONS IN BOTH THE HOUSE AND SENATE BILLS

### MEDICARE.

- **Premiums.** The Senate, House, and conference reconciliation bills and the vetoed second CR all increased premiums to 31.5%, raising premiums for an elderly couple by \$264 in 1996 alone. Rather than maintaining the traditional 25% premium, their reconciliation bills raised premiums for an elderly couple by at least \$1,700 over 7 years compared to your proposal.

MEDICAID. Although the Senate Medicaid proposals were generally less extreme than the House, many provisions were just as extreme.

- **Coverage Loss.** Both the House and Senate reconciliation proposals could have forced states to deny coverage to more than 8 million people in 2002:

These nearly 8 million people include:

- 3.8 million children
- 1.3 million people with disabilities
- 850,000 elderly
- 330,000 nursing home residents -- 75% of them likely to be women
- 150,000 veterans

Neither the House, Senate, nor the reconciliation proposal provided a minimum benefits package.

- **Assistance with Medicare Premiums, Copayments and Deductibles for 5 Million Low-Income Medicare Recipients.** The Senate, House, and conference reconciliation bills eliminated the guarantee of assistance to low-income Medicare beneficiaries to cover deductibles and copays, and set aside less than half of what is needed to cover premiums for 5 million low-income Medicare beneficiaries.
- **Quality Standards for ICFMRs.** The Senate, House, and conference bills repealed entirely federal quality standards for institutions caring for people with mental illnesses or mental retardation (ICFMRs).
- **Nursing Home Fees.** The Senate, House, and conference bills would have allowed nursing homes to charge up-front payments as the price of admission.

- **Protections for Homes and Family Farms.** The Senate, House, and conference bills repealed all federal laws protecting a minimum level of income and assets in determining Medicaid eligibility. This would have allowed states to count the value on one's home, family farm, and car in determining Medicaid eligibility, which could force the sick to sell these assets to qualify for Medicaid.
  - People whom States define as no longer "poor enough" to qualify for medical assistance would be faced with paying all their medical costs themselves, or seeking help from relatives or charity.
  - In the worst cases, families would have to mortgage or sell their homes to be able to pay for care, or elderly people needing long-term care would have no choice but to turn to their children for help.
  - Nursing facilities could require additional payments from residents or their families in order to be admitted, or in order to continue living in the facility.
  - The Republican Medicaid plan would remove all restrictions on how large a share of the costs of medical care States can require from eligible individuals, other than children and pregnant women.
  - Cuts in the scope of the nursing home benefits could mean that families of poor patients will have to pay for services such as personal hygiene, laundry, or various therapies, that States now pay.
  
- **Medicaid Premiums/Cost-sharing.** The Senate, House, and conference bills removed most financial protections, letting states impose premiums and cost-sharing on most Medicaid recipients.

- **Nursing Home Quality Standards.** The Senate Finance Committee voted as the House had to repeal completely federal nursing home standards, but Republicans later voted on the Senate floor to restore them with a provision allowing waivers for states with "equivalent or stricter" standards. However, the Senate Bill did still eliminate enforcement of nursing home standards.

***Under The Conference Bill You Vetoed, Federal Enforcement and Key Protections Would Have Still Been Repealed:*** The Conference Bill:

- Repealed federal enforcement of nursing home standards. States could turn over their survey and enforcement responsibilities to private accreditation organizations with no Federal review, thereby reducing accountability and increasing variations in quality and enforcement.
- Nursing homes would no longer be required to optimize each resident's health and well-being. The bill repeals the current requirement that nursing homes provide services to "attain or maintain the highest practicable physical, mental, and psychosocial well being of each resident." Thus, residents could be denied skilled nursing and rehabilitative services necessary to improve their ability to function.
- Residents would no longer be guaranteed the same comprehensive assessment of their health and functional status now required nationally.
- Uniform data collection would not be required, making monitoring more difficult.
- Federal training requirements for hands-on caregivers would be eliminated; each State could determine who would be trained and how.

## TAXES.

- **Pension Reversion.** While appearing somewhat more moderate than the House proposal, the Senate Finance Committee reconciliation bill still gave corporations the green light to raid their employees' pensions. However, the Senate voted 94-5 to strike the provisions from the bill, with only Helms, Roth, Brown, Grams, and Nickles voting to keep it. The vetoed reconciliation bill's proposal was somewhat less egregious than the Senate or House proposals, but still would have let corporations reduce pension fund assets by about \$15 billion, affecting an estimated 3.7 million workers in 5,000 companies.
- **Special Interest Tax Breaks.** The Senate and vetoed conference reconciliation bills were riddled with special interest tax breaks, including breaks for certain convenience stores, coal companies, newspaper companies, insurance companies and many others. The vetoed reconciliation bill contained over \$3 billion in special interest tax breaks. While the Senate and conference bills did not completely repeal the corporate Alternative Minimum Tax as the House had, the Senate and conference bills still modified the AMT in a way that would allow large profitable corporations to pay no income tax.
- **Other Tax Issues.** All 3 bills repealed the CDC tax credit and taxed incomes from certain damage awards.

**EDUCATION VOTES.** *The Senate budget resolution assumed a smaller cut than the House resolution in total funding for education and training programs, but the Senate Majority has repeatedly voted against increasing or restoring funding for education programs.*

- During consideration of the Senate budget resolution, the Senate *passed* a Snowe amendment to reduce the cut in student loans by \$9.4 billion over seven years by eliminating tax breaks. The Majority Leader voted against the amendment and the Minority Leader voted for the amendment.
- During consideration of the Senate budget resolution, the Senate *defeated* four amendments affecting education programs on mostly party-line votes:
  - Harkin/Hollings amendment 5/22/95 to restore \$40 billion to education programs by reducing tax cuts. [Defeated on mostly party-line vote 47-51, R 2-51, D 45-0. Majority Leader voted to defeat the amendment; Minority Leader voted for the amendment.]
  - Simon amendment 5/22/95 to strike language regarding scoring of Direct Student Loans. [Defeated on a mostly party-line vote 56-43; R 53-1, D 3-42. Majority Leader voted to defeat the amendment; Minority Leader voted for the amendment.]
  - Kennedy amendment 5/25/95 to restore \$28 billion to education programs over 7 years. [Defeated on a mostly party-line vote 54-45; R 52-2, D 2-43. Majority Leader voted to defeat the amendment; Minority Leader voted for the amendment.]
  - Kennedy amendment 5/23/95 to increase spending on Pell Grants by \$8.8 billion over seven years. [Defeated on a mostly party-line vote 54-45; R 53-1, D 1-44. Majority Leader voted to defeat the amendment; Minority Leader voted for the amendment.]
- During consideration of the 9th CR in January, the Senate defeated an amendment to restore funding for education programs.
  - The Kennedy-Simon-Snowe-Jeffords Amendment 1/26/96 would have restored \$3.1 billion to education programs for FY 1996. [Defeated on a mostly party-line vote 51-40; R 6-40, D 45-0. Majority Leader voted to defeat the amendment; Minority Leader voted for the amendment.]
- **Note:** On March 12, 1996, in consideration of the current series of continuing resolutions and the Omnibus Appropriations Bill for 1996, the Senate passed a Harkin-Specter Amendment to addback \$2.6 billion to Education spending for FY1996. The House has yet to consider this addback.

**EDUCATION CUTS.** *Several Senate Education provisions were equally as extreme as the House.*

- **Elimination of AmeriCorps.** Both the House and Senate Budget Resolutions eliminated funding for National Service. The House and Senate VA/HUD Appropriations Bills and the Conference Bill you vetoed also eliminated funding for AmeriCorps.
- **Elimination of Summer Jobs.** Both the House and Senate Budget Resolutions eliminated funding for Summer Jobs. This would deny 3.5 to 4 million summer job opportunities over the seven year period. Both the House-passed and Senate-stalled Labor/HHS Appropriations Bills also eliminated funding for the program. [The full Senate never voted on the Appropriations Bill]

**ENVIRONMENT:** *In general, the House appropriations bills cut funding for the environment more than the Senate. The Senate would have cut EPA's budget by \$1.7 billion or 23 percent from your request for FY96, while the House would have cut it by \$2.5 billion or 33 percent. Still, there are important areas where the Senate was just as extreme as the House.*

- **Sham Hardrock Mining Reform.** The Senate reconciliation bill included a sham mining reform proposal. It would have allowed the sale of federal mineral rights at their "market value" -- defined as the value of the surface land, not the minerals. Moreover, the net royalty provision was so riddled with loopholes that CBO estimated it would raise just \$12 million over seven years for the Treasury from all federal hardrock mines in America. The House proposal was similar to the Senate but imposed a higher net royalty.
- **Cut Spending on Superfund.** Both the Senate and House FY96 appropriations bills cut Superfund funding by \$560 million, or 36 percent from your request. This would have slowed or halted efforts to help the 1 in 4 Americans who live near a toxic waste dump. The vetoed conference bill included a \$382 million cut in the Superfund program -- a 24 percent cut from your request.
- **Opens Arctic National Wildlife Refuge.** Both the Senate and House reconciliation bills opened to oil and gas drilling the 19 million acre Arctic National Wildlife Refuge (ANWR), home to hundreds of animal species and millions of migratory birds. The Senate reconciliation bill included a few more environmental protections than the House. A Baucus amendment to strike from the Senate bill the provision authorizing oil and gas development in ANWR was tabled on a mostly party-line vote, with the Majority Leader voting to table the amendment and the Minority Leader voting against tabling the amendment.

THE WHITE HOUSE

WASHINGTON

March 29, 1996

MEMORANDUM TO THE PRESIDENT

THROUGH: LAURA TYSON

FROM: GENE SPERLING  
JON ORSZAG

SUBJECT: A Comparison of Your Economic Record With Your Two Predecessors

There has recently been several articles and analyses by the Joint Economic Committee that have compared how the economy has performed under our Administration as compared to the previous two Administrations.

Several of these analyses are flawed, however, by the selective use of statistics from select time periods. The main example is that many of these analyses compare the Clinton record (or only a year of it) with a portion of the Reagan Administration -- starting in late 1982, at the end of one of the worst recessions since the depression. In other words, they measure the Reagan record by simply ignoring the worst two years. It is like a student who got a "C" in a course, claiming they should have gotten an "A" because their two worst exams should have been thrown out. Certainly, any Administration's record would look better -- including ours -- if the worst 25% can be ignored. Other times, people do analyses that cover the period only from the end of the recession in 1982 to the beginning of the last recession in 1990.

To cut through these selective studies, we have provided an objective analysis that does not seek to use selective time periods. Instead, we compare how the economy has performed under the entire period of the Clinton Administration, the Bush Administration, the Reagan Administration, and the Bush-Reagan Administrations combined. This analysis shows quite clearly how strong the economy has performed under our Administration as opposed to how the economy has performed under the prior two Administrations either separately or combined. What may be surprising to some, is how well the economy has done under our Administration as compared to the entire Reagan Administration.

Of 40 economic indicators, the economy performed better under your Administration than under the Reagan Administration in 34 indicators (85% of the indicators), better under your Administration than under the Bush Administration in 37 indicators (92.5%), and better under your Administration than under the combined Reagan/Bush Administrations in 36 indicators (90%). (Note: the Chicago Bulls winning record this year is only 88.2%)

## SUMMARY AND CONTENTS OF ANALYSIS

### TABLE 1: COMBINED TABLE: ECONOMY UNDER CLINTON COMPARED TO PRESIDENT REAGAN, PRESIDENT BUSH, AND THE COMBINED REAGAN-BUSH ADMINISTRATIONS.

#### 40 Measures of the Economy

<u>Stronger Under Clinton</u>	<u>Stronger under Reagan</u>	<u>Stronger under Bush</u>
82.5% (33 indicators)	12.5% (5 indicators)	5% (2 indicators)

NOTE: ATTACHMENT I: Discussion of Seven Areas Where Economic Indicators were Stronger Under Reagan or Bush (5 Pages)

### TABLE 2: ECONOMY UNDER CLINTON COMPARED TO ECONOMY UNDER REAGAN

#### 40 Measures of the Economy under Clinton and Reagan

<u>Stronger Under Clinton</u>	<u>Stronger under Reagan</u>
85% (34 indicators)	15% (6 indicators)

### TABLE 3: ECONOMY UNDER CLINTON COMPARED TO ECONOMY UNDER REAGAN/BUSH

#### 40 Measures of the Economy under Clinton and Reagan/Bush

<u>Stronger Under Clinton</u>	<u>Stronger under Reagan/Bush</u>
90% (36 indicators)	10% (4 indicators)

### TABLE 4: ECONOMY UNDER CLINTON COMPARED TO ECONOMY UNDER BUSH

#### 40 Measures of the Economy under Clinton and Bush

<u>Stronger Under Clinton</u>	<u>Stronger under Bush</u>
92.5% (37 indicators)	7.5% (3 indicators)

TABLE 1

# ECONOMIC PERFORMANCE

A Comparison Of Your Record vs. Previous Administrations

	Clinton	Reagan	Bush	Reagan/Bush
<b>Economic Indicators Stronger Under President Clinton:</b>				
<b>Job Growth</b> (Average Annual Growth)	2.4%	2.1%	0.6%	1.6%
<b>Private-Sector Job Growth</b> (Average Annual Growth)	2.7%	2.3%	0.4%	1.6%
<b>Percent of the New Jobs in Private Sector</b> (Average Rate)	92.8%	91.3%	53.0%	86.3%
<b>Manufacturing Job Growth</b> (Average Annual Growth)	0.3%	-0.5%	-1.8%	-0.9%
<b>Construction Job Growth</b> (Average Annual Growth)	6.2%	2.5%	3.4%	0.5%
<b>Auto Job Growth</b> (Average Annual Growth)	3.0%	1.4%	1.4%	0.4%
<b>Federal Budget Deficit</b> (Percent Growth)	-43.4%	109.5%	87.1%	291.9%
<b>Real Private-Sector GDP Growth</b> (Average Annual Growth)	3.2%	3.0%	1.3%	2.4%
<b>Business Investment</b> (Average Annual Growth)	11.0%	4.1%	2.0%	3.4%
<b>Combined Rate of Unemployment &amp; Inflation</b> (Average Rate)	8.9	12.2	10.6	11.7
<b>Combined Rate of Unemployment, Inflation, and Mortgage Rates</b> (Average Rate)	16.5	24.1	20.0	22.7
<b>Consumer Sentiment</b> (Average Rate)	89.3	87.1	82.4	85.5
<b>Consumer Confidence</b> (Average Rate)	88.2	86.8	84.6	86.1
<b>Help-Wanted Index</b> (Average Annual Growth)	9.4%	3.3%	-10.7%	-1.6%

<b>Stock Market</b> (Average Annual Growth)	15.3%	6.6%	5.7%	6.3%
<b>30-Year Treasury Bond</b> (Average Rate)	6.9%	10.7%	8.2%	9.9%
<b>10-Year Treasury Bond</b> (Average Rate)	6.5%	10.7%	8.0%	9.8%
<b>Average Fixed Mortgage Rate</b> (Average Rate)	7.8%	12.9%	9.5%	11.8%
<b>Inflation (CPI-U)</b> (Average Annual Growth)	2.7%	4.2%	4.2%	4.2%
<b>Inflation (PPI)</b> (Average Annual Growth)	1.3%	2.3%	2.9%	2.5%
<b>Core Inflation (CPI-U)</b> (Average Annual Growth)	2.9%	5.1%	4.4%	4.8%
<b>Exports (Total)</b> (Average Annual Growth)	9.3%	6.3%	7.2%	6.6%
<b>Exports (Goods)</b> (Average Annual Growth)	10.9%	2.9%	5.9%	5.3%
<b>Industrial Production</b> (Average Annual Growth)	3.8%	2.8%	0.9%	2.2%
<b>Capacity Utilization</b> (Average Rate)	83.0	79.8	81.3	80.2
<b>Real Average Hourly Earnings</b> (Percent Growth)	0.6%	-2.4%	-4.1%	-6.4%
<b>Real Average Weekly Earnings</b> (Percent Growth)	-0.2%	-2.5%	-4.9%	-7.3%
<b>New Business Incorporations</b> (Average Annual Growth)	5.1%	3.2%	-0.5%	1.9%
<b>Business Failures</b> (Average Annual Growth)	-9.7%	21.9%	14.2%	19.2%
<b>Total Bankruptcy Filings</b> (Average Annual Growth)	-2.0%	8.0%	12.1%	9.4%
<b>Homeownership Rate</b> (Change in Percentage Points)	1.4	-1.7	-0.2	-1.9
<b>Poverty Rate</b> (Change in Percentage Points)	-0.3	0.0	1.8	1.8
<b>Home Building Permits</b> (Average Annual Growth)	5.6%	2.3%	-5.3%	-0.3%

**Economic Indicators Stronger  
Under President Reagan:**

<b>Real GDP Growth</b> (Average Annual Growth)	2.6%	3.0%	1.3%	2.4%
<b>Real-Median Family Income Growth</b> (Average Annual Growth)	0.2%	0.8%	-1.1%	0.2%
<b>Real Compensation Per Hour</b> (Average Annual Growth)	0.3%	0.6%	0.4%	0.5%
<b>Housing Starts</b> (Average Annual Rate)	1.37 Million	1.54 Million	1.20 Million	1.43 Million
<b>Housing Completions</b> (Average Annual Rate)	1.29 Million	1.50 Million	1.25 Million	1.42 Million

**Economic Indicators Stronger  
Under President Bush:**

<b>Productivity</b> (Average Annual Growth)	0.7%	1.1%	1.2%	1.1%
<b>Trade Balance (as a % of GDP)</b> (Change in Percentage Points)	-0.6	-3.3	0.6	-2.7

**DISCUSSION OF SEVEN AREAS WHERE ECONOMIC INDICATORS WERE STRONGER UNDER REAGAN OR BUSH.**

1. **Indicator: Real GDP Growth.** Since you took office, real GDP has increased at a 2.6 percent annual rate. In comparison, real GDP grew at a 3.0 percent annual rate during the Reagan Administration, 1.3 percent annual rate during the Bush Administration, and a 2.4 percent annual clip during the 12 Reagan-Bush years.

• **Points Worth Noting.**

1. **GDP Has Grown Faster Than The 12 Reagan-Bush Years.** The economy has grown faster under us than it did during the previous two Administrations combined. (2.6 percent per year vs. 2.4 percent per year).
2. **GDP Has Grown Twice As Fast As Under President Bush.** Since you took office, the economy has grown twice as fast as it did during the previous Administration. (2.6 percent per year vs. 1.3 percent per year).
3. **Private-Sector GDP Has Grown Faster Under Us.** The only reason GDP grew faster under Reagan was because he was so fiscally irresponsible. If we take the government sector out of the calculation and look at the private sector of the economy, we find that private-sector GDP has grown at a faster annually under us than during the Reagan Administration (3.2 percent per year vs. 3.0 percent per year).

## II. Housing Market.

*Indicator: Housing Starts and Home Completions.* Since you took office, there have been 1.37 million housing starts annually. This compares to 1.54 million during the Reagan Administration, 1.20 million during the Bush Administration, and 1.43 million during the prior 12 years. Home completions have averaged 1.29 million at an annual rate since you took office. During the Reagan Administration, home completions averaged 1.50 million annually and under President Bush, home completions averaged 1.42 million per year. During the combined Reagan-Bush years, home completions increased at an average rate of 1.42 million annually.

- *Points Worth Noting.*

1. **Housing Market Stronger Today Than During Previous Administration.** Both housing starts and home completions have increased more rapidly in the last three years than during the Bush Administration. During the previous four years, housing starts averaged 1.20 million per year: since you took office, the annual average has increased to 1.37 million.
2. **Housing Boom Under President Reagan Was Artificial.** The growth in the housing market during the Reagan Administration was artificial, spurred on by distortionary tax provisions such as depreciation allowances far larger than true economic depreciation. And the housing bust that followed this artificial bubble contributed to the S&L debacle and 1990-91 recession.
  - **Artificial Housing Expansion Contributed To S&L Debacle and 1990-91 Recession.** As Joe Stiglitz said in his testimony to the Joint Economic Committee last Friday: "This artificial expansion could not -- and did not -- last. The collapse contributed in no small measure to the S&L debacle which, in turn, was a driving force in the economic recession of 1991, and which cost the American taxpayers over \$150 billion to resolve."
3. **Homeownership Is Up, After Falling During Previous Two Administrations.** After homeownership fell during both the Reagan and Bush Administrations, it is up since you took office, reaching its highest level in 15 years. And in 1995, the homeownership rate increased 0.9 percentage points -- that's the largest annual increase in 30 years.
4. **New Building Permits Are Up At A Faster Rate Than Under Reagan.** New home building permits have increased 5.6 percent per year since you took office, after increasing only 2.3 percent per year under President Reagan and falling during President Bush.

III. **Wages.** There are a number of different measures of wages, each displaying a slightly different trend. We fare better than either of the previous two Administrations in terms of average hourly earnings or average weekly earnings. For example, after falling for a decade, average hourly earnings have increased somewhat since you took office. Only on the area of compensation growth have both Presidents Reagan and Bush had a stronger record than we do -- and it is a slim margin.

*Indicator: Real Median Family Income Growth.* Since you took office, real median family income has grown 0.19 percent per year. This compares to a 0.8 percent per year rate during the Reagan years, a 1.1 percent annual decline during the Bush Administration, and a 0.17 percent annual increase during the 12 Reagan-Bush years.

• *Points Worth Noting.*

1. **The median family's income has increased slightly faster since you took office than it did during the combined Reagan-Bush Administrations (0.19 percent per year vs. 0.17 percent per year).**
2. **After median income fell 4 percent during the previous Administration, it is up slightly since you took office.** In the four years before you took office, real median family income fell 4 percent. Real median family income is up from when you took office increasing from \$38,632 in 1992 to \$38,782 in 1994 -- the most recent year data are available.
3. **In the first year following the economic plan, real median family income grew 2.3 percent -- that's a far faster annual rate than during the Reagan Administration or the "Reagan recovery".**

*Indicator: Real Compensation Per Hour Growth.* Real compensation per hour has increased at a 0.3 percent annual rate, compared to a 0.6 percent rate during the Reagan Administration, a 0.4 percent rate during the Bush Administration, and a 0.5 percent rate during the combined Reagan-Bush years.

• *Points Worth Noting.*

1. **Compensation growth has essentially continued at the same pace during the last three years as it did during the previous two Administrations.**
2. **The main reason why compensation per hour has grown slightly slower during your Administration than during the previous 12 years is that health insurance costs have increased at a slower rate since you took office.**
  - If we look at what workers take home, the story is quite different. Average hourly wages have increased slightly since you took office, after declining 79 cents during the previous two Administrations.
3. **Compensation per hour grew faster during your first three years than during President Bush's first three years.**

IV. **Indicator: Productivity.** Since you took office, productivity has grown at an annual rate of 0.7 percent. This compares to a 1.1 percent growth rate during the Reagan Administration, a 1.2 percent rate during President Bush's term in office, and a 1.1 percent overall rate during the 12 years of Ronald Reagan and George Bush.

• **Points Worth Noting.**

1. **While productivity growth continues at essentially the same pace under your Administration as in the 1970s and 1980s, there are signs that our agenda is going to pay off:**

- **Business Investment Is Up.** Business investment -- shown to be closely associated with productivity gains -- has increased at double-digit rates for three years in a row for the first time since the 1960s.
- **National Savings Rate Has Increased.** As we have reduced the deficit, the national savings rate has risen from 2.5 percent when you took office to 4.6 percent. Increasing national savings is the most important step toward raising productivity growth.
- **Investing In Our Future.** We have put in place critical education structures such as School-to-Work, Technology Literacy Challenge, direct student loans, and national service. We have invested in our people by increasing funding for education and training. We know our people can't work harder, but they can work smarter. By investing in education and training, we can help make this a reality.
- **Eliminating Thousands Of Pages Of Regulations.** We have eliminated 16,000 pages of rules and regulations. As we get rid of wasteful and unproductive regulations, the economy should grow and worker productivity should increase.

V. **Indicator: Trade Deficit.** During the Reagan Administration, our trade balance went from surplus to deficit, increasing from an \$8 billion surplus (1.8% of GDP) to an \$88 billion deficit (-1.5% of GDP). Under the Bush Administration, the trade deficit improved closing from \$88 billion (-1.5% of GDP) to \$55 billion (-0.9% of GDP). Since you took office, the trade deficit has increased from \$55 billion in the first quarter of 1993 (-0.9% of GDP) to \$94 billion in the fourth quarter of 1995 (-1.5% of GDP) -- that's an increase in the size of the trade deficit of 0.6 percentage points of GDP.

• **Points Worth Noting.**

1. **The rise in the trade deficit since you took office is largely the result of the fact that the United States economy has grown faster than our major trading partners.** When this happens, we demand more of their goods than they demand of ours and our trade deficit increases.
  - **Since you took office, exports of American goods have grown by \$149 billion -- that's a faster annual rate of export growth than during either President Reagan or President Bush.**
  - **Increased exports have also help create hundreds of thousands of high-paying American jobs -- jobs that, on average, pay 15 percent more than other jobs.**
2. **The improvement in the trade deficit during the Bush Administration, however, was at least partly a result of the weak economic growth during his term in office. And this anemic growth lowered our demand for imports.**
3. **The increase in the trade deficit during the Reagan era was the result of different factors than the rise in the trade deficit in the last three years.** The trade deficit that resulted during the Reagan Administration was primarily due to the explosion of the United States budget deficit during the 1980s.
  - **Why a budget deficit leads to a trade deficit?** An increase in the budget deficit raises interest rates which tends to attract foreign capital to America. In turn, this raises the exchange rate -- as foreigners demand more dollars -- driving down the cost of foreign goods to Americans and driving up the cost of American goods to foreigners. In this case, a larger trade deficit results.

TABLE 2

# ECONOMIC PERFORMANCE

A Comparison Of Your Record vs. President Reagan's

	Clinton	Reagan
<b>Economic Indicators Stronger Under President Clinton:</b>		
<b>Job Growth</b> (Average Annual Growth)	<b>2.4%</b>	2.1%
<b>Private-Sector Job Growth</b> (Average Annual Growth)	<b>2.7%</b>	2.3%
<b>Percent of the New Jobs in Private Sector</b> (Average Rate)	<b>92.8%</b>	91.3%
<b>Manufacturing Job Growth</b> (Average Annual Growth)	<b>0.3%</b>	-0.5%
<b>Construction Job Growth</b> (Average Annual Growth)	<b>6.2%</b>	2.5%
<b>Auto Job Growth</b> (Average Annual Growth)	<b>3.0%</b>	1.4%
<b>Federal Budget Deficit</b> (Percent Growth)	<b>-43.4%</b>	109.5%
<b>Real Private-Sector GDP Growth</b> (Average Annual Growth)	<b>3.2%</b>	3.0%
<b>Business Investment</b> (Average Annual Growth)	<b>11.0%</b>	4.1%
<b>Combined Rate of Unemployment &amp; Inflation</b> (Average Rate)	<b>8.9</b>	12.2

<b>Combined Rate of Unemployment, Inflation, and Mortgage Rates</b> (Average Rate)	<b>16.5</b>	<b>24.1</b>
<b>Consumer Sentiment</b> (Average Rate)	<b>89.3</b>	<b>87.1</b>
<b>Consumer Confidence</b> (Average Rate)	<b>88.2</b>	<b>86.8</b>
<b>Help-Wanted Index</b> (Average Annual Growth)	<b>9.4%</b>	<b>3.3%</b>
<b>Stock Market</b> (Average Annual Growth)	<b>15.3%</b>	<b>6.6%</b>
<b>30-Year Treasury Bond</b> (Average Rate)	<b>6.9%</b>	<b>10.7%</b>
<b>10-Year Treasury Bond</b> (Average Rate)	<b>6.5%</b>	<b>10.7%</b>
<b>Average Fixed Mortgage Rate</b> (Average Rate)	<b>7.8%</b>	<b>12.9%</b>
<b>Inflation (CPI-U)</b> (Average Annual Growth)	<b>2.7%</b>	<b>4.2%</b>
<b>Inflation (PPI)</b> (Average Annual Growth)	<b>1.3%</b>	<b>2.3%</b>
<b>Core Inflation (CPI-U)</b> (Average Annual Growth)	<b>2.9%</b>	<b>5.1%</b>
<b>Exports (Total)</b> (Average Annual Growth)	<b>9.3%</b>	<b>6.3%</b>
<b>Exports (Goods)</b> (Average Annual Growth)	<b>10.9%</b>	<b>2.9%</b>
<b>Trade Balance (as a % of GDP)</b> (Change in Percentage Points)	<b>-0.6</b>	<b>-3.3</b>
<b>Industrial Production</b> (Average Annual Growth)	<b>3.8%</b>	<b>2.8%</b>
<b>Capacity Utilization</b> (Average Rate)	<b>83.0</b>	<b>79.8</b>

<b>Real Average Hourly Earnings</b> (Percent Growth)	<b>0.6%</b>	<b>-2.4%</b>
<b>Real Average Weekly Earnings</b> (Percent Growth)	<b>-0.2%</b>	<b>-2.5%</b>
<b>New Business Incorporations</b> (Average Annual Growth)	<b>5.1%</b>	<b>3.2%</b>
<b>Business Failures</b> (Average Annual Growth)	<b>-9.7%</b>	<b>21.9%</b>
<b>Total Bankruptcy Filings</b> (Average Annual Growth)	<b>-2.0%</b>	<b>8.0%</b>
<b>Homeownership Rate</b> (Change In Percentage Points)	<b>1.4</b>	<b>-1.7</b>
<b>Poverty Rate</b> (Change In Percentage Points)	<b>-0.3</b>	<b>0.0</b>
<b>Home Building Permits</b> (Average Annual Growth)	<b>5.6%</b>	<b>2.3%</b>

### **Economic Indicators Stronger Under President Reagan:**

<b>Housing Completions</b> (Average Annual Rate)	<b>1.29 Million</b>	<b>1.50 Million</b>
<b>Real GDP Growth</b> (Average Annual Growth)	<b>2.6%</b>	<b>3.0%</b>
<b>Real Compensation Per Hour</b> (Average Annual Growth)	<b>0.3%</b>	<b>0.6%</b>
<b>Housing Starts</b> (Average Annual Rate)	<b>1.37 Million</b>	<b>1.54 Million</b>
<b>Productivity</b> (Average Annual Growth)	<b>0.7%</b>	<b>1.1%</b>
<b>Real Median Family Income Growth</b> (Average Annual Growth)	<b>0.2%</b>	<b>0.8%</b>

TABLE 3

# ECONOMIC PERFORMANCE

A Comparison Of Your Record vs. the Previous Two Administrations Combined

	Clinton	Reagan/Bush
<b>Economic Indicators Stronger Under President Clinton:</b>		
<b>Job Growth</b> (Average Annual Growth)	2.4%	1.6%
<b>Private-Sector Job Growth</b> (Average Annual Growth)	2.7%	1.6%
<b>Percent of the New Jobs in Private Sector</b> (Average Rate)	92.8%	86.3%
<b>Manufacturing Job Growth</b> (Average Annual Growth)	0.3%	-0.9%
<b>Construction Job Growth</b> (Average Annual Growth)	6.2%	0.5%
<b>Auto Job Growth</b> (Average Annual Growth)	3.0%	0.4%
<b>Federal Budget Deficit</b> (Percent Growth)	-43.4%	291.9%
<b>Real GDP Growth</b> (Average Annual Growth)	2.6%	2.4%
<b>Real Private-Sector GDP Growth</b> (Average Annual Growth)	3.2%	2.4%
<b>Business Investment</b> (Average Annual Growth)	11.0%	3.4%
<b>Combined Rate of Unemployment &amp; Inflation</b> (Average Rate)	8.9	11.7

<b>Combined Rate of Unemployment, Inflation, and Mortgage Rates</b> (Average Rate)	<b>16.5</b>	<b>22.7</b>
<b>Consumer Sentiment</b> (Average Rate)	<b>89.3</b>	<b>85.5</b>
<b>Consumer Confidence</b> (Average Rate)	<b>88.2</b>	<b>86.1</b>
<b>Help-Wanted Index</b> (Average Annual Growth)	<b>9.4%</b>	<b>-1.6%</b>
<b>Stock Market</b> (Average Annual Growth)	<b>15.3%</b>	<b>6.3%</b>
<b>30-Year Treasury Bond</b> (Average Rate)	<b>6.9%</b>	<b>9.9%</b>
<b>10-Year Treasury Bond</b> (Average Rate)	<b>6.5%</b>	<b>9.8%</b>
<b>Average Fixed Mortgage Rate</b> (Average Rate)	<b>7.8%</b>	<b>11.8%</b>
<b>Inflation (CPI-U)</b> (Average Annual Growth)	<b>2.7%</b>	<b>4.2%</b>
<b>Inflation (PPI)</b> (Average Annual Growth)	<b>1.3%</b>	<b>2.5%</b>
<b>Core Inflation (CPI-U)</b> (Average Annual Growth)	<b>2.9%</b>	<b>4.8%</b>
<b>Exports (Total)</b> (Average Annual Growth)	<b>9.3%</b>	<b>6.6%</b>
<b>Exports (Goods)</b> (Average Annual Growth)	<b>10.9%</b>	<b>5.3%</b>
<b>Trade Balance (as a % of GDP)</b> (Change in Percentage Points)	<b>-0.6</b>	<b>-2.7</b>
<b>Industrial Production</b> (Average Annual Growth)	<b>3.8%</b>	<b>2.2%</b>
<b>Capacity Utilization</b> (Average Rate)	<b>83.0</b>	<b>80.2</b>

<b>Real Average Hourly Earnings</b> (Percent Growth)	<b>0.6%</b>	<b>-6.4%</b>
<b>Real Average Weekly Earnings</b> (Percent Growth)	<b>-0.2%</b>	<b>-7.3%</b>
<b>Real Median Family Income Growth</b> (Average Annual Growth)	<b>0.19%</b>	<b>0.17%</b>
<b>New Business Incorporations</b> (Average Annual Growth)	<b>5.1%</b>	<b>1.9%</b>
<b>Business Failures</b> (Average Annual Growth)	<b>-9.7%</b>	<b>19.2%</b>
<b>Total Bankruptcy Filings</b> (Average Annual Growth)	<b>-2.0%</b>	<b>9.4%</b>
<b>Homeownership Rate</b> (Change in Percentage Points)	<b>1.4</b>	<b>-1.9</b>
<b>Poverty Rate</b> (Change in Percentage Points)	<b>-0.3</b>	<b>1.8</b>
<b>Home Building Permits</b> (Average Annual Growth)	<b>5.6%</b>	<b>-0.3%</b>

**Economic Indicators Stronger  
Under Previous Two Administrations Combined:**

<b>Housing Completions</b> (Average Annual Rate)	<b>1.29 Million</b>	<b>1.42 Million</b>
<b>Real Compensation Per Hour</b> (Average Annual Growth)	<b>0.3%</b>	<b>0.5%</b>
<b>Housing Starts</b> (Average Annual Rate)	<b>1.37 Million</b>	<b>1.43 Million</b>
<b>Productivity</b> (Average Annual Growth)	<b>0.7%</b>	<b>1.1%</b>

TABLE 4

# ECONOMIC PERFORMANCE

A Comparison Of Your Record vs. the Previous Administration

Clinton Bush

## Economic Indicators Stronger Under President Clinton:

<b>Job Growth</b> (Average Annual Growth)	<b>2.4%</b>	0.6%
<b>Private-Sector Job Growth</b> (Average Annual Growth)	<b>2.7%</b>	0.4%
<b>Percent of the New Jobs in Private Sector</b> (Average Rate)	<b>92.8%</b>	53.0%
<b>Manufacturing Job Growth</b> (Average Annual Growth)	<b>0.3%</b>	-1.8%
<b>Construction Job Growth</b> (Average Annual Growth)	<b>6.2%</b>	3.4%
<b>Auto Job Growth</b> (Average Annual Growth)	<b>3.0%</b>	1.4%
<b>Federal Budget Deficit</b> (Percent Growth)	<b>-43.4%</b>	87.1%
<b>Real GDP Growth</b> (Average Annual Growth)	<b>2.6%</b>	1.3%
<b>Real Private-Sector GDP Growth</b> (Average Annual Growth)	<b>3.2%</b>	1.3%
<b>Business Investment</b> (Average Annual Growth)	<b>11.0%</b>	2.0%
<b>Combined Rate of Unemployment &amp; Inflation</b> (Average Rate)	<b>8.9</b>	10.6

<b>Combined Rate of Unemployment, Inflation, and Mortgage Rates</b> (Average Rate)	<b>16.5</b>	<b>20.0</b>
<b>Consumer Sentiment</b> (Average Rate)	<b>89.3</b>	<b>82.4</b>
<b>Consumer Confidence</b> (Average Rate)	<b>88.2</b>	<b>84.6</b>
<b>Help-Wanted Index</b> (Average Annual Growth)	<b>9.4%</b>	<b>-10.7%</b>
<b>Stock Market</b> (Average Annual Growth)	<b>15.3%</b>	<b>5.7%</b>
<b>30-Year Treasury Bond</b> (Average Rate)	<b>6.9%</b>	<b>8.2%</b>
<b>10-Year Treasury Bond</b> (Average Rate)	<b>6.5%</b>	<b>8.0%</b>
<b>Average Fixed Mortgage Rate</b> (Average Rate)	<b>7.8%</b>	<b>9.5%</b>
<b>Inflation (CPI-U)</b> (Average Annual Growth)	<b>2.7%</b>	<b>4.2%</b>
<b>Inflation (PPI)</b> (Average Annual Growth)	<b>1.3%</b>	<b>2.9%</b>
<b>Core Inflation (CPI-U)</b> (Average Annual Growth)	<b>2.9%</b>	<b>4.4%</b>
<b>Exports (Total)</b> (Average Annual Growth)	<b>9.3%</b>	<b>7.2%</b>
<b>Exports (Goods)</b> (Average Annual Growth)	<b>10.9%</b>	<b>5.9%</b>
<b>Industrial Production</b> (Average Annual Growth)	<b>3.8%</b>	<b>0.9%</b>
<b>Capacity Utilization</b> (Average Rate)	<b>83.0</b>	<b>81.3</b>
<b>Real Average Hourly Earnings</b> (Percent Growth)	<b>0.6%</b>	<b>-4.1%</b>

<b>Real Average Weekly Earnings</b> (Percent Growth)	<b>-0.2%</b>	<b>-4.9%</b>
<b>Real Median Family Income Growth</b> (Average Annual Growth)	<b>0.2%</b>	<b>-1.1%</b>
<b>New Business Incorporations</b> (Average Annual Growth)	<b>5.1%</b>	<b>-0.5%</b>
<b>Business Failures</b> (Average Annual Growth)	<b>-9.7%</b>	<b>14.2%</b>
<b>Total Bankruptcy Filings</b> (Average Annual Growth)	<b>-2.0%</b>	<b>12.1%</b>
<b>Homeownership Rate</b> (Change in Percentage Points)	<b>1.4</b>	<b>-0.2</b>
<b>Home Building Permits</b> (Average Annual Growth)	<b>5.6%</b>	<b>-5.3%</b>
<b>Housing Starts</b> (Average Annual Rate)	<b>1.37 Million</b>	<b>1.20 Million</b>
<b>Housing Completions</b> (Average Annual Rate)	<b>1.29 Million</b>	<b>1.25 Million</b>
<b>Poverty Rate</b> (Change in Percentage Points)	<b>-0.3</b>	<b>1.8</b>

**Economic Indicators Stronger Under President Bush:**

<b>Real Compensation Per Hour</b> (Average Annual Growth)	<b>0.3%</b>	<b>0.4%</b>
<b>Productivity</b> (Average Annual Growth)	<b>0.7%</b>	<b>1.2%</b>
<b>Trade Balance (as a % of GDP)</b> (Change in Percentage Points)	<b>-0.6</b>	<b>0.6</b>

**Statement:** *There is more computer power in your Ford Taurus as you navigate to the supermarket than there was in Apollo 11 when Neil Armstrong took it to the moon.*

**Action Needed:** Fact check with Tom Kalil.

**Statement:** *Just 10 hair-thin strands of optical fiber could transmit the entire contents of the Library of Congress across the United States -- in less than a second.*

**Action Needed:** Fact check with Tom Kalil.

**Statement:** *The World Wide Web did not even exist at the beginning of my term.*

**Action Needed:** Fact check with Tom Kalil.

**Statement:** *By the time a child born today is old enough to read, two billion people will be on the Internet.*

**Action Needed:** Fact check with Tom Kalil.

**Statement:** *When I took office, Washington was standing still in the past. The deficit skyrocketed; unemployment climbed; job growth fell, and Washington failed to respond.*

**Action Needed:** It is true that the deficit had skyrocketed during the previous Administration, the unemployment had climbed, and the rate of job growth had fallen. **HOWEVER**, when President Clinton took office, the unemployment rate was declining and the job growth rate was increasing. The last phrase sounds very "big government" -- Washington controls what happens to unemployment and job growth.

I would suggest something like: "The unemployment rate had climbed, job growth had fallen, and Washington had failed to respond to skyrocketing deficits."

**Statement:** *The American people have created nearly 9 million new jobs.*

**Action Needed:** As of Tuesday, we will have 8.545 million new jobs (7.9 million in the private sector). "The American people" includes American people working for the government creating jobs.

**Statement:** *Americans bought 3.6 Million new homeowners, 3 Million new small businesses, and a record number of self-made millionaires. For the third year in a row, the United States of America is the most competitive economy in the world.*

**Action Needed:** I would suggest changing this to: "We have 3.7 million new homeowners, a record number of new small businesses in each of the last three years, and -- just last week -- the United States of America was ranked the world's most competitive economy for the third year in a row."

**Statement:** *The income gap between those with college degrees and those without is not narrowing, it is not holding steady -- it is growing wider and wider. Fifteen years ago, the typical worker with a college degree made 36 percent more than a worker with a high school diploma. Today, the college-educated worker makes 74 percent more than the high school worker.*

**Action Needed:** The "fifteen years ago" number is **38 percent**. The "today" number pertains to 1994. Lisa Lynch should have the 1995 number. We should also ask Lisa and Tom Kane how they feel about the statement that the gap is "not holding steady -- it is growing wider and wider." There are some who believe that the gap is leveling off at about 75 percent (e.g., Larry Mishel at EPI).

**Statement:** *In his book "The Road From Here," Bill Gates wrote that the invention of the digital chip is leading the way to the greatest revolution in communications since Gutenberg printed the first Bible in Europe some 500 years ago.*

**Action Needed:** I believe the book is titled "The Road Ahead."

**Statement:** *I'm pleased to announce today that a partnership of high-tech companies, parents, teachers, and students, have launched Netday New Jersey to connect over 1000 of New Jersey's schools to the Information Superhighway by this time next year.*

**Action Needed:** Fact check with Tom Kalil.

**Statement:** *As a result, we have made college more affordable for millions of Americans [Princeton?] while cutting costs for taxpayers.*

**Action Needed:** Check with Leslie to see if Princeton is a direct-lending school.

**Statement:** *We started AmeriCorps, to give a helping hand with college to XX,000 young people who are helping their country.*

**Action Needed:** Check with National Service.

25,000 this  
30,000 next yr

**Statement:** *A century ago, millions of new factory workers and immigrants needed to read instructions or streetcar signs, so at the turn of the century, the Progressives made the requirement that every child should be in school the law of the land.*

**Action Needed:** Check with Education.

Jason

**Statement:** *After World War II, we decided that 10 years was not enough -- that all Americans should go to school for 12 years.*

-Bruce Ford

**Action Needed:** Check with Education.

**Statement:** *Bill Clinton, Bob Dole, Colin Powell, Bill Gates, and Ted Turner all have one thing in common: the government helped them go to college.*

**Action Needed:** Double check these -- it would be pretty embarrassing to screw this one up.

*Jason*

✓ **Statement:** *When I was Governor of Arkansas, we created Academic Challenge Scholarships -- given only to students who make a good average, stay in school, and stay off drugs.*

**Action Needed:** Check to make sure that these were the conditions of the scholarships.

✓ **Statement:** *This year, HOPE scholarships are helping 80,000 Georgia students -- including 70% of the freshman class at the University of Georgia.*

**Action Needed:** Check to make sure these stats are correct.

# ECONOMIC ONE-PAGERS

## One pagers on President Clinton's Economic Record:

	<u>Page</u>
I. What Clinton Crunch?	1
II. The Economy Under President Clinton: The Best Since...	2
III. Clintonomics vs. Reaganomics	3
IV. What A Difference 4 Years Makes on the Economy	4
V. What A Difference 4 Years Makes on Jobs	5
VI. America's Economy: Back on Top of the World	6
VII. Opening Markets and Expanding Exports	7
VIII. The Facts on Taxes	8
IX. The Facts on Cutting Government and Balancing the Budget	9
X. The Facts on Cutting Spending	10
XI. Update on the Stock Market under President Clinton	11

JULY 17 UPDATE

**WHAT "CLINTON CRUNCH" ???**  
*The Facts On The Economy Under President Clinton*  
July 17, 1996

**CLINTON ECONOMY IS STRONGER THAN PREVIOUS REPUBLICAN ADMINISTRATIONS**

- **Stronger Job Growth.** More than 10 million new jobs added in 3 1/2 years -- a faster annual rate of job growth than any Republican Administration since the 1920s. And nearly 8 times more private-sector jobs per month than during the previous Administration -- 227,000 jobs per month vs. 29,000.
- **Lower Combined Unemployment, Inflation, and Mortgage Rates.** The combined unemployment, inflation, and mortgage rate is at its lowest level in nearly 30 years.
- **Stronger Private-Sector Economic Growth.** Since President Clinton took office, the private sector has grown 3.1% annually -- stronger than either of the previous two Administrations.
- **Stronger Exports.** Exports of American goods have grown by one-third -- up \$150 billion -- a better record than either of the previous two Administrations.
- **Higher Homeownership.** Homeownership is now at its highest level in 15 years.
- **Deficit More Than Cut In Half.** Both CBO (\$115-\$130 billion) and OMB (\$117 billion) agree that the deficit will have been cut more than in half within four years. The deficit is now smaller as a share of GDP than any major economy in the world. [CBO 7/16/96; OMB 7/96 and OECD, 6/96]

**WHILE THERE IS STILL MORE WORK TO BE DONE, PRESIDENT CLINTON'S POLICIES ARE HELPING TURN THE CORNER ON 20 YEARS OF WAGE STAGNATION**

- **Increase In Average Hourly Earnings.** During the last three years, real average hourly earnings have increased slightly, after dropping 79 cents during the previous two Administrations. [Source: Bureau of Labor Statistics (adjusted to December 1995 dollars using the CPI-U).]
- *Business Week*, 3/11/96: "Real hourly wages are rising, for the first time in 10 years."
- **Increase In Real Median Family Income.** 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*.]
- **America Is Growing Together.** In 1994 -- the most recent year data are available -- every family income group, from the richest to the poorest, experienced a real increase in their incomes, for the first time since 1989. [Source: Bureau of the Census, *Income, Poverty, and Valuation of Noncash Benefits: 1994*.]

**EXPERTS AGREE THAT THE CLINTON ECONOMY IS STRONG**

- *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.'"
- **Majority Leader Robert Dole**, 2/20/96: "It is also true, as some have said, that our economy is the strongest it's been in 30 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."

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

July 17, 1996

- ★ **Smallest Deficit As A Share Of The Economy In Over Two Decade.** OMB projects the deficit to be 1.6 percent of the economy this year -- smaller than any year since 1974.
- ★ **Lowest Combined Rate of Unemployment and Inflation Since 1968.**
- ★ **Stronger Job Growth Than Any Republican Administration Since the 1920s.** More than 10 million new jobs added in 3 1/2 years -- that's a faster annual rate of job growth than any Republican Administration since the Roaring 1920s.
- ★ **Highest Share Of Jobs In Private Sector Since Harding.** Ninety-three percent of all new jobs have been created by the private sector -- that's higher than the average during any other Administration since Warren G. Harding was President 75 years ago.
- ★ **Lowest Inflation For An Administration Since Kennedy.** Inflation has averaged just 2.8 percent per year -- that's the lowest rate of inflation for any Administration since John F. Kennedy was President.
- ★ **Stronger Manufacturing Job Growth Than Any Republican Administration Since Before the Great Depression.** Since President Clinton took office, the economy has added 183,000 new manufacturing jobs -- that's a faster annual rate of manufacturing job growth than any Republican Administration since the before the Great Depression.
- ★ **Strongest Business Investment Growth For An Administration Since Kennedy.** Business investment has grown 11.0 percent annually -- that's a faster rate of business investment growth than any other Administration since John F. Kennedy was President.
- ★ **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.** The stock market has increased 14.2 percent per year, in real terms -- that's a faster rate than during any other Administration since World War II.
- ★ **Highest Homeownership Rate In 15 Years.**
- ★ **Strongest Construction Job Growth Since Truman.** In just over 3 years, the economy has added 890,000 new construction jobs -- that's the fastest annual rate of construction job growth since Harry S Truman was President.

## **MAJORITY LEADER DOLE, BARRON'S, AND DRI/McGRAW-HILL AGREE: *THE ECONOMY IS THE HEALTHIEST IT'S BEEN IN 30 YEARS***

Majority Leader Robert Dole, 2/20/96: "It is also true, as some have said, that our economy is the strongest it's been in 30 years."

Barron's, 3/18/96: "Clinton also rightfully boasted that, 'our economy is the healthiest that it has been in thirty years.'"

DRI/McGraw-Hill, March 1996: "[T]he normal economic indicators suggest [the economy] is in its best shape in decades."

**CLINTONOMICS VS. REAGANOMICS**  
*The Facts On The Economy Under President Clinton*  
July 17, 1996

**PRESIDENT CLINTON'S ECONOMIC RECORD IS BETTER THAN REAGAN'S ON NEARLY EVERY MAJOR ECONOMIC INDICATOR.** When Republicans claim that the Reagan economy was stronger, they point to what they consider the Reagan "expansion years," 1983 to 1989. But, this is classic case of manipulating data by choosing a selected time period. The Republicans give Reaganomics an "A" by dropping their two "F's" (1981 and 1982) and by claiming credit for someone else's work (1989 happens to be Bush's first year in office).

<u>Clinton</u>	<u>Reagan</u>	<u>Major Economic Indicator</u>
✓		<b>JOB GROWTH:</b> 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. <i>It took 41 months for 10 million jobs to be created under Clinton vs. 74 months under Reagan.</i> [Source: Based on data from the Bureau of Labor Statistics, Current Employment Statistics survey.]
✓		<b>PRIVATE-SECTOR JOB GROWTH:</b> Since President Clinton took office, nearly 9.3 million new private-sector jobs have been added -- that's a 2.9% annual rate of job growth vs. a 2.3% annual rate during the Reagan Administration. [Source: Based on data from Bureau of Labor Statistics, Current Employment Statistics survey.]
✓		<b>PRIVATE-SECTOR ECONOMIC GROWTH:</b> Since President Clinton took office, the private sector of the economy has expanded 3.1% per year compared to 3.0% per year during the Reagan Administration. [Source: Based on data from the Department of Commerce, Bureau of Economic Analysis.]
✓		<b>BUDGET DEFICIT:</b> By the end of this year, the deficit will be less than half what it was four years ago: \$117 billion now vs. \$290 billion then. During the Reagan Administration, the deficit doubled, exploding from \$74 billion to \$155 billion. [Source: OMB.]
✓		<b>MORTGAGE RATES:</b> 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 the Treasury, Office of Economic Policy.]
✓		<b>BUSINESS INVESTMENT:</b> Since President Clinton took office, business investment has increased 11.0% annually vs. a 4.1% annually during the Reagan Administration. [Source: Based on data from the Department of Commerce, Bureau of Economic Analysis.]
✓		<b>HOMEOWNERSHIP:</b> Since President Clinton took office, the homeownership rate has increased to a 15-year high. During the Reagan Administration, the homeownership rate <i>fell</i> from 65.6% to 63.9%. [Source: Based on data from the Department of Commerce, Bureau of the Census.]
✓		<b>STOCK MARKET:</b> Since President Clinton took office, the stock market has increased 14.2 percent per year, after adjusting for inflation. This is more than twice the annual rate during the Reagan Administration: 6.6% per year. [Source: Department of the Treasury, Office of Economic Policy.]
✓		<b>INFLATION:</b> Since President Clinton took office, the inflation rate has averaged 2.8% per year. During the Reagan Administration, the average inflation rate was 4.2%. [Source: Based on data from the Bureau of Labor Statistics.]
✓		<b>WAGE GROWTH:</b> Since President Clinton took office, real average hourly wages have increased slightly. During the Reagan Administration, they <i>fell</i> 2% -- or 28 cents. [Source: Based on data from the Bureau of Labor Statistics, (adjusted to December 1995 dollars using the CPI-U).]
✓		<b>MANUFACTURING JOB GROWTH:</b> Since President Clinton took office, 183,000 new manufacturing jobs have been added vs. 778,000 manufacturing jobs <i>lost</i> during the Reagan Administration. [Source: Based on data from the Bureau of Labor Statistics, Current Employment Statistics survey.]

**WHAT A DIFFERENCE 4 YEARS MAKES**  
*The Facts On The Economy Under President Clinton*  
July 17, 1996

**WHAT A DIFFERENCE 4 YEARS MAKES:**

**Deficit Cut More Than In Half**

- In 1992. The deficit was \$290 billion -- the highest dollar level in history.
- Today. CBO (\$115-\$130 billion) and OMB (\$117 billion) agree that the deficit will be cut more than in half in 4 years. The deficit is now smaller as a share of GDP than any major economy in the world. (CBO 7/96, OMB 7/96, and OECD, 6/96)

**Unemployment Is Down**

- In 1992. The unemployment rate was above 7% during every month -- over 7.5% during 5 months. Four years ago -- in June 1992 -- the unemployment rate was 7.8 percent.
- Today. In June 1996, the unemployment rate is 5.3 percent -- and has been below 6 percent for 22 consecutive months. [Source: Bureau of Labor Statistics]

**Jobs Are Up**

- In 1992. Job growth was weak and had suffered from one of the worst 4-year periods in history -- worse than any Administration since President Hoover during the Great Depression. *It took 74 months during the Reagan Administration for 10 million jobs to be created.*
- Today. The economy has created 10 million new jobs under President Clinton in just 41 months -- that's a faster annual rate of job growth than any Republican Administration since the 1920s. [Source: BLS]

**Private-Sector Growth Is Up**

- 1981-1992. The private sector of the economy grew 2.4 percent annually from 1981-1992.
- Today. The private sector of the economy has grown 3.1 percent annually -- a stronger record of private-sector growth than either the Bush or Reagan Administrations. [Source: Based on data from the Department of Commerce, Bureau of Economic Analysis]

**EXPERTS SAY PRESIDENT CLINTON DESERVES CREDIT FOR A STRONGER ECONOMY**

- *Fortune*, 10/3/94: "[President Clinton's] economic plan helped bring interest rates down, spurring the recovery."
- *Paul Volcker, Federal Reserve Board Chairman (1979-1987), in Audacity*, Fall 1994: "The deficit has come down, and I give the Clinton Administration and President Clinton himself a lot of credit for that. [He] did something about it, fast. And I think we are seeing some benefits."
- *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."
- *Lehman Brothers*, 1/10/94: "Lower deficits, lower long-term rates and higher real growth was the overall promise. With the data now rolling in for December 1993, it seems clear that President Clinton delivered on all three counts..."

**10 MILLION NEW JOBS**  
*The Facts On The Economy Under President Clinton*  
July 17, 1996

**WHAT A DIFFERENCE 4 YEARS MAKES:**

**10 Million New Jobs**

In 1992. Job growth was weak and had suffered from one of the worst 4-year periods in history -- worse than any Administration since President Hoover during the Great Depression. *It took 74 months during the Reagan Administration for 10 million jobs to be created.*

Today. The economy has created 10 million new jobs under President Clinton in just 41 months -- that's a faster annual rate of job growth than any Republican Administration since the 1920s. [Source: BLS]

**8 Times More Private-Sector Jobs Per Month**

In 1992. Private-sector job growth was dismal -- the record on private-sector jobs during the four years of President Bush was worse than any Administration since Hoover during the Great Depression.

Today. Nearly 8 times more private-sector jobs per month than during the previous Administration (227,000 per month vs. 29,000 per month). [Source: Bureau of Labor Statistics]

**Unemployment Is Down**

In 1992. Four years ago today, the unemployment rate was 7.8% -- the highest level in eight years. The unemployment rate was above 7% during every month -- above 7.5% in 5 months. [Source: BLS]

Today. The unemployment rate is now 5.3% -- lowest level in 6 years and the 22nd consecutive month below 6%.

**High-Wage Jobs Are Up**

In 1992. Just 6 percent of the new jobs created were in high-wage industries. And the economy lost 200,000 jobs in high-wage industries during the previous Administration. [Source: Department of Treasury, based on Bureau of Labor Statistics data.]

Today. So far this year, more than half of all the new jobs have been in high-wage industries. The economy has added nearly 4 million jobs in high-wage industries since President Clinton took office.

**Jobs In Basic Industries Are Back Up**

In 1992. The economy lost jobs in manufacturing and construction. More than two million jobs were lost in manufacturing and construction combined during the previous Administration. [Source: BLS]

Today. The economy has added more than one million new jobs in manufacturing and construction.

**TURNING THE CORNER ON JOB GROWTH**

*New York Times 7/6/96:* "The nation's unemployment rate dropped to 5.3% last month -- its lowest point in six years -- as 239,000 new jobs were added to the nation's payrolls in June. The unexpected strength in jobs suggested that the economy was picking up speed."

*Los Angeles Times 7/6/96:* "The latest economic figures are a notable contrast with those released this week four years ago, when Clinton was the challenger against Republican incumbent George Bush and the June unemployment report showed an increase in the jobless rate, from 7.5% to 7.8%."

# AMERICA'S ECONOMY IS BACK ON TOP -- #1 IN THE WORLD

*The Facts On The Economy Under President Clinton*

July 17, 1996

## WHAT A DIFFERENCE 4 YEARS MAKES:

### AMERICA'S ECONOMY IS BACK ON TOP OF THE WORLD

- **1992: Trailed Japan, Germany, Denmark, and Switzerland.** In 1992, the World Economic Forum found that Japan, Germany, Denmark, and Switzerland all had more competitive economies than the United States.
- **TODAY: Most Competitive Economy In The World.** For the first time in ten years, United States was declared the world's most competitive economy in 1994. The United States was ranked number one again in 1995, beating Japan and Germany by an even larger margin than the year before. And in 1996 -- on a comparable basis as previous reports.-- America was ranked the world's most competitive economy yet again. [Source: World Economic Forum and IMD.]

### THE WORLD'S JOBS LEADER

- **1989-1992: Weaker Job Growth.** From 1989-1992, the six other major economies of the world created over two-and-a-half times more jobs than the United States.
- **TODAY: Strongest Job Growth.** The United States has had the fastest rate of job growth among major economies since 1992 and created more new jobs than the other six major economies combined.

Washington Post, 4/2/96: "[T]he U.S. economy has created more new jobs over the past several years than all the other G-7 economies combined...Since January 1993, 8.4 million new jobs, swelling the number of job holders by 7.7 percent. No other G-7 economy comes close to matching that performance."

### THE WORLD'S AUTOMOBILE LEADER

- **1992: Trailed Japan for 13th Year In A Row.** In 1992 Japan produced 28 percent more automobiles than America -- trailing for the 13th year in a row.
- **TODAY: #1 in Auto Production.** In 1994 the United States surpassed Japan as the world leader in automobile production -- the last time the United States was number one was back in 1979. And in 1995, America retained its status as the world's largest car producer.

### THE WORLD'S LEADER ON DEFICIT REDUCTION

- **1992: Bigger Deficit Than Japan, Germany, and France.** In 1992, the United States had a larger budget deficit as a share of the GDP than Japan, Germany, and France.
- **TODAY: Lowest Deficit.** The United States currently has the lowest deficit as a share of GDP of any major economy in the world.

### THE WORLD'S LEADER IN SEMICONDUCTORS

- **1992: Trailed Japan for 7th Straight Year.** In 1992, the United States trailed Japan in semiconductor production for the seventh consecutive year.
- **TODAY: #1 in Semiconductors.** For the first time since 1985, America is leading the world in semiconductor production.

# OPENING MARKETS TO EXPAND EXPORTS AND CREATE HIGH-WAGE JOBS

*The Facts On The Economy Under President Clinton*

July 17, 1996

## EXPORTS ARE SURGING -- CREATING HIGH-WAGE JOBS

- **Exports Stronger Than Previous Administrations.** Under President Clinton, exports of American goods have grown by one-third -- up \$150 billion. That's a better record than either President Bush or President Reagan.
- **Trade Policies Are Creating High-Wage Jobs.** Since President Clinton took office, over 200 trade agreements have been concluded, helping to create hundreds of thousands of new high-wage, export-related jobs; jobs related to goods exports pay 13 percent more than the average job.
- **High-Tech Exports Are Soaring.** Exports of semiconductors have grown 113 percent under President Clinton's leadership; telecommunications exports have grown 71 percent; and exports of computers and computer-related goods have grown 38 percent.

## AMERICA IS ONCE AGAIN LEADING THE WORLD

- **The World's Most Competitive Economy.** The United States has now been ranked Number One on competitiveness for two years in a row -- and up from Number Five in 1992. And in 1996, America is going to be ranked the world's most competitive economy for a third year in a row.
- **The World's Automobile Leader Once Again.** The United States is the world's Number One producer of automobiles for the first time since the 1970's -- overtaking Japan.
- **The World's Semiconductor Leader Once Again.** The United States has regained its position as the world's Number One producer of semiconductors -- surpassing Japan.

### **PRESIDENT CLINTON STOOD UP FOR AMERICAN WORKERS AND COMPANIES AGAINST UNFAIR COMPETITION**

- **Stood Up To The Japanese To Open Markets To America Goods.** The Clinton Administration has stood up for America's workers and forged 20 trade agreements with the Japanese in sectors ranging from cellular telephones to rice. Since President Clinton took office, exports of American goods to Japan in these sectors have grown 85 percent -- three times faster than other U.S. exports to Japan.
- **Stood Up To Japan To Open The Car Market.** Since the Clinton Administration secured an auto and auto parts agreement with Japan, American auto and auto parts exports to Japan have increased 35 percent.
- **President Clinton Fought For NAFTA -- Opening Markets And Cutting Tariffs.** Since NAFTA was signed, exports to Mexico and Canada have risen by over 20 percent, and the U.S. share of Mexico's imports has expanded to 74 percent. And under NAFTA, Mexico has cut its tariffs more than twice as much as the United States.

# CUTTING TAXES

*The Facts On The Economy Under President Clinton*  
July 17, 1996

## Tax Cuts

- **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]
- **Tax Cuts For Small Businesses.** Over 90% of small businesses are eligible for tax reductions through the increased Small Business Expensing Limit and the Capital Gains tax cut targeted to small business in President Clinton's 1993 Economic Plan. [Treasury Department, Office of Tax Analysis.]

### 1993 ECONOMIC PLAN CUT TAXES FOR 15 MILLION WORKING FAMILIES – WHILE ONLY INCREASING TAX RATES ON TOP 1.2%

- **H&R Block Confirms.** Income tax rates were only raised on the "top 1.2% of all taxpayers." There was "no income tax increase for middle-income taxpayers...income tax rates are unchanged on middle incomes -- 82.2% of all tax payers." There is a tax cut for the other "16.6% of all taxpayers [who] benefit from Earned Income Tax Credit Expansion." [H&R Block Analysis of Income Tax Consequences of the Revenue Reconciliation Bill of 1993, pp. 21-24.]

- **Tax Cuts For Middle-Class Families.** President's balanced budget shows that we can balance the budget in 7 years without devastating cuts to Medicare, Medicaid, Education, and the Environment, while *still* providing for targeted Middle-Class Tax Cuts, including a \$500 tax credit for children, a \$1,500 tuition tax credit for the first two years of college, a \$10,000 tuition tax deduction, and expanded Individual Retirement Accounts (IRAs).

## Tax Rates Are Down

- **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 than in 1992 and lower than in 7 of the 8 years under Ronald Reagan. [Treasury Department, Office of Tax Policy, 4/18/95]

### "The Largest Tax Increase In History?" THEY'RE NOT TELLING THE TRUTH:

- **Wall Street Journal, 10/26/94:** "Contrary to Republican claims, the 1993 package...is not 'the largest tax increase in history.' The 1982 deficit reduction package of President Reagan and Sen. Robert Dole in a GOP-controlled Senate was a bigger tax bill, both in 1993-adjusted dollars and as a percentage of the overall economy."
- **Washington Post, 2/1/95:** "The biggest tax increase in history did not occur in the Omnibus Budget Reconciliation Act of 1993. The biggest tax increase in post-World War II history occurred in 1982 under President Ronald Reagan."
- **New York Times, 11/3/95:** "It is not true that the \$240 billion tax increase approved by Congress in 1993 at Mr. Clinton's behest is the largest in American history. When adjusted for inflation -- the only way to make comparisons of dollar amounts from different years -- a tax increase engineered by Mr. Dole in 1982, when he was the Chairman of Senate Finance Committee, was larger."
- The attached chart from the *Wall Street Journal* (2/16/96) identifies 4 tax changes that were *larger* as a percentage of the economy than the 1993 plan -- and shows that Majority Leader Dole supported three of these tax changes.

# THE FACTS ON CUTTING THE SIZE OF GOVERNMENT AND BALANCING THE BUDGET

July 17, 1996

## Cutting the Deficit More Than In Half

1981-1992. The deficit quadrupled -- growing from \$74 billion in 1980 to a record \$290 billion in 1992.

1992. Bill Clinton promised to "cut the deficit in half within four years." (*Putting People First*)

Today. *Deficit more than cut in half within four years:* CBO projects the fiscal 1996 deficit will be \$115-\$130 billion and OMB projects it will be \$117 billion -- either way it will be less than half what it was in 1992: \$290 billion. [CBO 7/96; OMB 7/96]

### PRESIDENT CLINTON'S 1993 ECONOMIC PLAN

- Deficit will be less than half of what it was when President Clinton took office.
- Deficit is now smallest as a share of the economy since 1974 and smallest as a share of GDP of any major economy in the world.
- President Clinton is the first President since before the Civil War to cut the deficit 4 years in a row.
- Without President Clinton's 1993 deficit reduction plan -- which every Republican voted against -- the GOP budget would not even come close to reaching balance in 2002. That is why -- for all the talk -- they have chosen to adopt it, not repeal it.

## Cutting Spending

1992. Spending as a share of the economy increased during the Bush Administration, rising from 22.1 percent to 23.3 percent of GDP.

Today. President's 1993 Economic Plan cut spending by \$255 billion -- one of the largest spending cut packages in history. Spending as a share of the economy has declined from 23.3% to 21.7% of GDP and is lower than at any time during the previous two Administrations -- indeed, it's lower than any year since 1979. [OMB, Fiscal Year 1997 Budget: Supplement and Historical Tables.]

## Reducing The Size of Government

1981-1992. The federal bureaucracy increased from when President Reagan took office to when President Bush left office. And non-defense federal employment reached its highest level in history in 1992 under President Bush. [OMB, Fiscal Year 1997 Budget: Supplement and Historical Tables.]

Today. President Clinton has more than kept his promise to reduce the federal workforce -- bringing it down by 230,000 workers to the smallest level in three decades. Closing over 2,000 unnecessary field offices, eliminating 16,000 pages of unneeded regulations, and proposed terminating over 400 programs and projects.

## Balancing The Budget In A Way That Protects America's Values.

President Clinton is the first President in 17 years to submit a **Balanced Budget** using CBO estimates. President Clinton's balanced budget proves that you don't have to devastate Medicare, Medicaid, Education, and the Environment in order to balance the budget in 7 years.

"The President's budget proposes policies that CBO estimates would balance the budget by 2002."

-- Testimony of CBO Director June O'Neill, April 17, 1996

# THE FACTS ON SPENDING UNDER PRESIDENT CLINTON

July 17, 1996

## SPENDING IS LOWER TODAY THAN UNDER REAGAN OR BUSH:

- **Lower Total Spending Today Than Any Year Since 1979 as a Share of the Economy:** Federal spending as a share of the economy was lower in 1995 than in any year under the Reagan and Bush Administrations -- it's now the lowest since 1979. [OMB, FY97 Budget: Supplement and Historical Tables.]
- **Lower Discretionary Spending Today Than Any Year on Record as a Share of the Economy -- While Investing More in People:** Total discretionary spending was lower in fiscal 1995 than any year since 1962 -- when official records first began being kept. [OMB, FY97 Budget: Historical Tables, p.112.]
- **Lower Domestic Discretionary Spending Today Than 4 of the 6 Years Under the Republican Controlled-Senate and White House as a Share of the Economy:** Domestic discretionary spending as a share of the economy was lower in fiscal 1995 than in 4 of the 6 years under the Republican-controlled Senate and White House (fiscal years 1982-1987). [OMB, FY97 Budget: Historical Tables, p.112.]

## SPENDING GROWTH SLOWER TODAY THAN UNDER REAGAN OR BUSH

### TOTAL SPENDING:

- **Slower Growth Than Under Reagan or Bush -- While Investing More in People.**

Reagan (FY81-89):	Spending Grew by 6.7%
Bush (FY89-93):	Spending Grew by 5.4%
Clinton (FY93-95):	Spending Grew by 3.8%

### ENTITLEMENT SPENDING:

- **Slower Growth Than Under Reagan or Bush -- While Investing in People.**

Reagan (FY81-89):	Spending Grew by 6.1%
Bush (FY89-93):	Spending Grew by 8.4%
Clinton (FY93-95):	Spending Grew by 5.3%

### DISCRETIONARY SPENDING:

- **Slower Growth Than Under Reagan or Bush -- While Investing in People.**

Reagan (FY81-89):	Spending Grew by 6.0%
Bush (FY89-93):	Spending Grew by 2.6%
Clinton (FY93-95):	Spending Grew by 0.4% (-2.6% in real terms)

[Source: Average annual nominal spending growth based on OMB, FY97 Budget: Historical Tables, Tables 8.1 & 8.2]

## SPENDING REDUCTIONS \$98 BILLION GREATER THAN PROJECTED IN 1993:

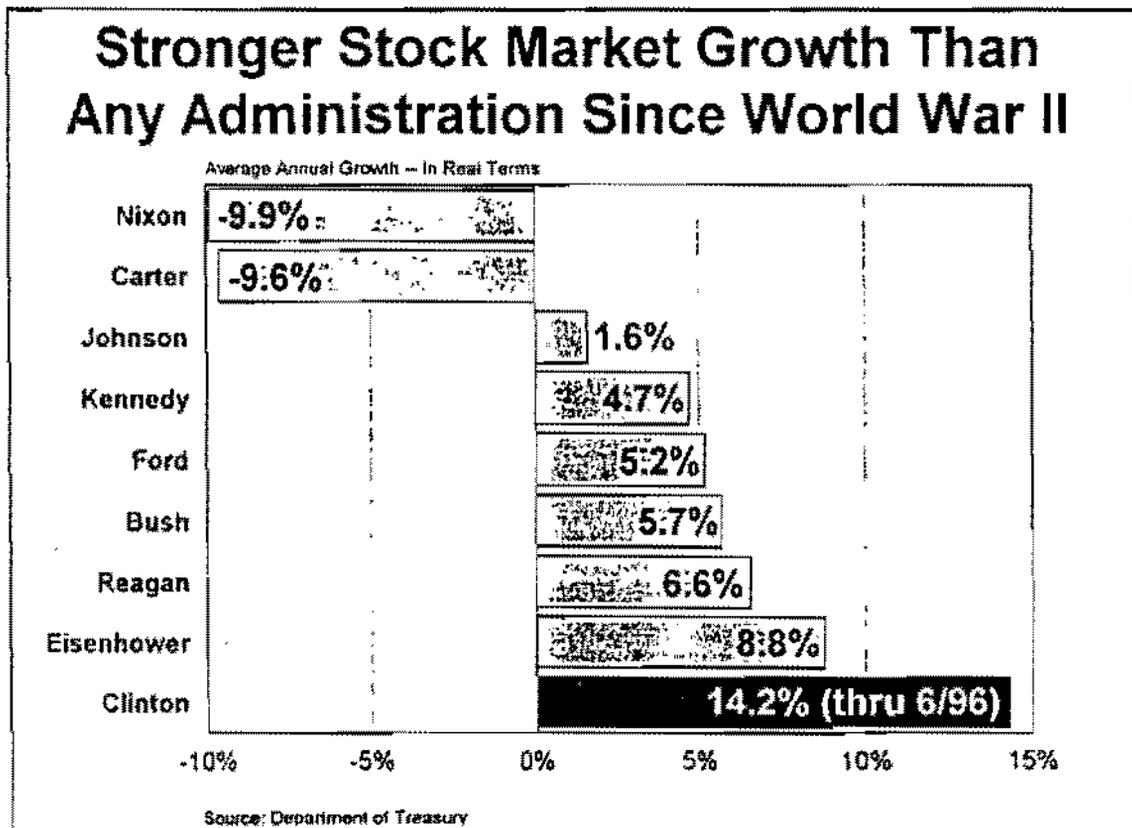
- **The President's 1993 Economic Plan was projected to cut spending by \$255 billion and cut the deficit by \$505 billion over 5 years. CBO now projects that spending over the same five years will be \$353 billion lower than projected when President Clinton took office -- \$98 billion lower spending than expected. Over 7 years, CBO projects that spending will be \$598 billion lower. [CBO, 1/93 and 4/96]**

# THE STOCK MARKET DURING THE CLINTON ADMINISTRATION

July 17, 1996

*Some Perspective On Recent Movements: --*

- **Stock Market Is Up 66 Percent Under President Clinton.** Since President Clinton took office, the stock market has increased from 3,242 on January 20, 1993 to 5,377 (close on 7/17/96) -- an amazing 66 percent increase in three and a half years.
- **The Stock Market Has Increased Faster Under President Clinton Than Under Any President Since World War II.** The stock market has increased 14.2 percent per year, in real terms -- that's a faster rate than during any other Administration since World War II.
- **Since The Beginning Of This Year, The Stock Market Is Up More Than 5 Percent.** Since the beginning of 1996, the stock market has increased from 5,117 to 5,377 (close on 7/17/96) -- that's a 5.1 percent increase (even after including recent declines).



June 5, 1996

MEMORANDUM TO DON BAER

GEORGE STEPHANOPOULOS  
MIKE MCCURRY  
JOHN HILLEY  
GENE SPERLING ✓  
BARRY TOIV

FROM: LARRY HAAS   
RE: LETTER ON BALANCED BUDGET AMENDMENT  
CC: CHRIS WALKER

Per this morning's call, attached is a draft presidential response to the letter from Republican leaders in which they sought his help in convincing Senate Democrats to back the balanced budget amendment.

I'm happy to incorporate your comments into a later working draft. I am reachable at 5-7254 or by fax at 5-6818. Someone needs to decide, however, whether we should have a letter to begin with -- and when.

DRAFT -- NOT FOR RELEASE

June xx, 1996

The Honorable Trent Lott  
United States Senate  
Washington, DC 20510

Dear Senator Lott:

I am writing in response to your letter of May 29 regarding impending Senate action on a constitutional balanced budget amendment.

The American people want a balanced budget, and we can give them one. And we don't need to amend the constitution to get the job done. In my negotiations with the bipartisan leadership last fall, we found more than enough savings in common to balance the budget. But Republicans walked away from those negotiations, and they have refused my offer to return.

In 1993, I worked with the last Congress to enact the largest deficit reduction bill in history, which has cut the deficit in half. We did not need a constitutional amendment to cut the deficit; what we needed was the political will to make difficult choices.

Not only is a constitutional amendment unnecessary, it is potentially dangerous. The laws to implement it could turn budget decisions over to the courts, allowing judges who are appointed for life to make decisions about whether to cut programs or raise taxes. If the budget fell out of balance in the middle of a year, would these judges decide to cut Social Security benefits, raise Medicare premiums, cut student loans, or increase taxes on working people?

The budget that I sent Congress this year would reach balance by 2002, as even the Congressional Budget Office agrees. We can give the American people the balanced budget they deserve without amending the Constitution. I urge the Republican leadership to return to the negotiating table so we can get the job done.

Sincerely,

THE WHITE HOUSE

WASHINGTON

July 19, 1996

MEMORANDUM FOR THE VICE PRESIDENT

FROM: GENE SPERLING

SUBJECT: Materials For *Face the Nation*

	<u>Page</u>
<b>I. ECONOMY.</b>	
• Basic Economic Growth Agenda For Second-Term	1
• What A Difference 4 Years Makes On The Economy	2
• Clinton Economic Record vs. Reagan Economic Record	3
• The Economy Under Clinton: The Best Since....	4
• America Is Back On Top -- #1 In The World	5
• Q & A On Whether Administration Is Satisfied With 2.3% Growth	6
• Q & A On Speculation On Dole's Economic Plan	7
<b>II. TAXES.</b>	
• Response To Republican Supply-Side Claim That Cutting Taxes Will Increase Growth and Revenues.	8
• Response to Republican Claim That Americans Are Paying More Taxes Under Clinton	9
• Response To Republican Claim On Largest Tax Increase	10
<b>III. STOCK MARKET</b>	
• Response To Questions On Recent Fluctuation of Stock Market	11
<b>IV. EDUCATION</b>	
• Facts On Dole-Gingrich Anti-Education 1995 Budget	12
• Facts On Dole's 35 Years Of Anti-Education Votes	13
• Comparison Of Dole and Clinton on School Choice	14
• Response To Tough Q. and A. on Private School Vouchers	15-17
<b>V. PEROT</b>	
• Response To Questions On What Administration Has Done For Perot Constituency	18
<b>VI. SOCIAL SECURITY</b>	
• Q & A On The President's Comments On Social Security Privatization In His MSNBC Interview. [ <i>U.S. News &amp; World Report</i> has expressed interest in the President's comments]	19

VII. BUDGET

- Facts On New OMB and CBO Deficit 20
- Response to Republican Claims That Administration Does  
Not Deserve Credit For Deficit Reduction 21
- Response To Claim On Demagoguing Medicare 22