File: Economic Plan

FEBRUARY 28, 1993

MEMORANDUM TO THE PRESIDENT

FROM: Gene Sperling

SUBJECT: Spending Cuts

There is an attempt by opponents of your budget to give the impression that you are somehow increasing overall spending in your budget. It just ain't so. If you simply look at the main "highlights" table from the OMB budget, it makes clear the degree that you are reducing spending.

What I have tried to do is ignore the tax side of the equation -- both increases and incentives -- and just look at the spending side of the equation. I include interest reductions as a spending cut since that seems to make common sense to almost every American. Since there is real dispute on the Social Security issue, I have listed the numbers both ways -- counting Social Security as both a cut and a tax increase. No matter how you classify Social Security, it does not change the basic point that the table shows: when you look at our discretionary spending and entitlement cuts, our spending cuts exceeds the new spending investments each year. Furthermore, the net spending cut amount increases each year.

	1994	1995	1996	1997	1998
Spending Cuts (defense, domestic entitlements, interest, S.S.)	-20	-43	-73	-112	-128
Spending Cuts (w/o Social Security)	-17	-37	-67	-105	-120
New Spending Increases (New spending investments without new tax incentives)	+15	+22	+33	+39	+45
OVERALL SPENDING CUTS	-5	-19	-40	-73	-83
Without S.S	-2	-15	-34	-66	-75

FIVE YEAR TOTAL: $222 billion in net spending cuts ($193 billion without SS) of science and technology, to improve the delivery of health care for underserved groups, and to increase incentives and opportunities for productive employment. Tax incentives for business investment also continue.

The *deficit reduction* plan makes a vital contribution to increasing investment and raising standards of living by gradually reducing the structural deficit in the Federal budget. Cutting the deficit will reduce the Federal Government's drain on national savings, lower long-term interest rates, and encourage productive private investment.

The deficit reduction plan is a balanced mix of cuts in ongoing spending and selected tax increases. We believe it is fair, that it contains many changes that would be desirable even without the necessity for deficit reduction, and that it is a bold assault on the structural deficits that threaten our future prosperity.

TABLE 3–1. HIGHLIGHTS OF THE PLAN

(In billions of dollars)

	1993	1994	1995	1996	1997	1998	1994–1997 Total	1994–1998 Total
Baseline Deficit	319	301	296	297	346	390	1,241	1,830
Spending Changes:								
Defense Discretionary		−7	−12	−20	−37	−36	−76	−112
Nondefense discretionary	1	−4	−10	−15	−20	−23	−50	−73
Entitlements	−*	−6	−12	−24	−34	−39	−76	−115
Social Security		−3	−6	−6	−7	−8	−21	−29
Subtotal	*	−20	−40	−65	−98	−106	−223	−329
Debt Service	*	−*	−3	−7	−14	−22	−24	−46
Total spending cuts (−)	1	−20	−43	−73	−112	−128	−247	−375
Revenue increases (−)	−3	−46	−51	−66	−83	−82	−246	−328
Gross deficit reduction	−2	−66	−93	−139	−195	−210	−493	−704
Stimulus and Investment:								
Stimulus outlays	8	6	2	1	*	*	9	9
Investment outlays		9	20	32	39	45	100	144
Tax incentives	6	13	17	15	15	17	60	77
Total stimulus and investment	15	27	39	47	55	62	169	231
Total Deficit Reduction	13	−39	−54	−92	−140	−148	−325	−473
Resulting Deficit	332	262	242	205	206	241	916	1,157
Deficit as a percent of GDP	5.4%	4.0%	3.5%	2.9%	2.7%	3.1%	3.3%	3.2%

* $500 million or less.

File:
Gene Pl

FEBRUARY 28, 1993

MEMORANDUM TO THE PRESIDENT

FROM: Gene Sperling

SUBJECT: The $400 Billion Deficit Prediction

One of the most false and inane claims made against you by David Broder and others is that you knew that the FY1997 deficit would be far worse during the campaign because you said in a July 6, 1992 Business Week interview that the deficit could get as high as $400 billion.

The fact is that you were referring in that interview to the fact that the **1992 deficit** was projected to be $400 billion. That was not your opinion: the February 1992 OMB budget predicted the deficit for 1992 would be $399.7 billion. (See circled number attached). The CBO projected the 1992 deficit at the time was projected to be $368 billion. So when you were talking about the $400 billion deficit on July 6, 1992, you were just saying what the Bush OMB had projected at that time for the current year.

The deficit turned out to be only $290 billion in 1992. This prompted CBO recently to put in a special section called "Whatever happened to the $400 billion deficit?" (See attached) The CBO explains that "neither the CBO nor the OMB has assumed in its projections the failure of policymakers to approve any new funds for the savings and loan cleanup after March 31."

The irony of this is that this only shows that no one can even predict whether the current deficit numbers are going to be correct. The notion that we could somehow know what the January 1993 numbers would be during the campaign is absurd.

> The facts are clear: the deficit did deteriorate somewhat during the campaign, but not enough to have made us have to raise taxes on the middle class. Whether you use the CBO number ($33 billion,) our transition team number, ($50 billion) or the Bush OMB number ($100 billion), the fact is that the deficit increased at least $30 billion in January 1993 -- after the election -- and that without that last post-election deficit increase we could have hit our same deficit targets without the energy tax.

2. DEFICIT OUTLOOK AND ECONOMIC PROJECTIONS

DEFICIT OUTLOOK

This chapter presents the revised estimates of receipts, outlays, and deficits for the 1993 Budget. It also includes the current status of pay-as-you-go legislation and discretionary spending.

As shown in Table 2-1, the estimate of the 1992 deficit is $333.5 billion, $66.2 billion below the February estimate of $399.7 billion. The major change is for deposit insurance. The decline results primarily from congressional inaction on additional funding for the Resolution Trust Corporation, although revised estimates for resolving troubled banks have also reduced 1992 outlays.

The 1993 deficit estimate is $341.0 billion, $9.0 billion below the February estimate. The decrease is largely due to lower deposit insurance outlays, partially offset by lower receipt estimates and higher outlays for other programs.

Deficits would decline to $104.0 billion by 1998 assuming enactment of the President's proposals to cap the growth of mandatory

Table 2-1. MID-SESSION REVIEW: DEFICIT ESTIMATES

(In billions of dollars)

	1992	1993	1994	1995	1996	1997	1998
February estimates	-399.7	-349.9	-212.3	-193.6	-181.3	-187.7	NA
Changes due to:							
Deposit insurance	69.1	16.3	-46.1	2.5	1.5	1.6	NA
Receipts	-2.1	-2.4	-10.0	-16.0	-24.9	-32.7	NA
All other changes	-0.8	-4.9	-5.8	-11.3	-13.0	-17.9	NA
Total changes	66.2	9.0	-62.0	-24.8	-36.4	-49.0	NA
Mid-Session estimates	-333.5	-341.0	-274.2	-218.4	-217.7	-236.7	-273.4
Excluding deposit insurance	-322.5	-281.6	-253.2	-248.1	-240.9	-270.5	-283.2
Excluding "off-budget" transactions	-382.3	-399.7	-344.6	-297.6	-311.3	-341.1	-394.3
Including President's mandatory cap proposal	-333.5	-329.7	-253.4	-163.1	-130.1	-117.7	-104.0
Including President's mandatory cap proposal and assuming a stronger recovery	-326.0	-315.3	-215.2	-106.4	-60.9	-33.1	0.5
MEMORANDUM							
Deficits as a percent of GDP:							
Mid-Session estimates	-5.7%	-5.5%	-4.2%	-3.1%	-2.9%	-3.0%	-3.3%
Excluding deposit insurance	-5.5%	-4.5%	-3.8%	-3.5%	-3.2%	-3.4%	-3.4%
Excluding "off-budget" transactions	-6.5%	-6.4%	-5.2%	-4.2%	-4.2%	-4.3%	-4.7%
Including President's mandatory cap proposal	-5.7%	-5.3%	-3.8%	-2.3%	-1.7%	-1.5%	-1.2%
Including President's mandatory cap proposal and assuming a stronger recovery	-5.6%	-5.0%	-3.2%	-1.5%	-0.8%	-0.4%	*

* 0.05 percent or less.

CBO
January 1993

have failed since last April to approve additional funds for the Resolution Trust Corporation, the agency in charge of the savings and loan cleanup. This nosedive in outlays for deposit insurance, in fact, is the main reason that the 1992 deficit came nowhere near the $400 billion mark that was so widely publicized a year ago (see Box 2-1).

Box 2-1.
Whatever Happened to the $400 Billion Deficit?

Last February, the Bush Administration forecast a $400 billion deficit for 1992; soon thereafter, the Congressional Budget Office published its own forecast of $368 billion. These figures received wide play in the financial community and the press. But as the year progressed, analysts busily retreated from these large figures, and the actual deficit totaled only $290 billion. What happened?

The single leading explanation for CBO's $77 billion overestimate was the abrupt slowdown in deposit insurance spending, chiefly because of a development that neither CBO nor the Administration's Office of Management and Budget had assumed in its projections: the failure of policymakers to approve any new funds for the savings and loan cleanup after March 31. This delay in funding brought the Resolution Trust Corporation's (RTC's) authority to close institutions to a halt, although the RTC could still pay out funds that were previously obligated and sell assets on behalf of institutions that were in its custody.

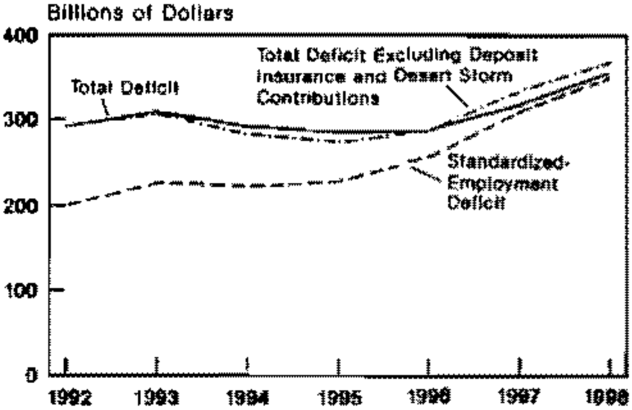
Deposit insurance alone accounted for almost $63 billion of CBO's $77 billion overestimate: almost $50 billion for the RTC, another $11 billion for the Bank Insurance Fund (which did not suffer any funding interruption but whose spending proved to be surprisingly low and its receipts from sales of assets unexpectedly high), and a few billion dollars for the FSLIC Resolution Fund. The remaining error of nearly $15 billion can be traced to stronger-than-expected revenues ($4 billion) and to slower spending in a wide variety of programs, particularly in defense, modestly helped by a package of rescissions adopted by the Congress last spring that trimmed an estimated $2.5 billion from outlays in 1992.

Projected deposit insurance outlays are not terribly volatile in CBO's newest projections: they peak at about $11 billion in 1995, then turn negative as projected losses decline and ongoing sales of assets dominate the totals. But this is a notoriously uncertain category of spending and should be isolated when eyeing the deficit's trend.

Another volatile category, Desert Storm contributions, has already faded from the scene. These contributions--collected from allied nations to help finance the United States' costs in the Persian Gulf conflict two years ago--totaled $43 billion in 1991 and $5 billion in 1992 but have now stopped. As Figure 2-1 shows, the deficit excluding deposit insurance and Desert Storm contributions lies slightly below the total deficit through 1995 but then climbs more steeply.

Cyclical Factors: The Standardized-Employment Deficit. A deficit measure commonly used by economists removes the cyclical effects of a lackluster economy on the budget. When the nation is in recession, and even during recovery when it has not yet caught up

Figure 2-1.
The Deficit Outlook (By fiscal year)



SOURCE: Congressional Budget Office.

June 11, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Leon Panetta and Alice Rivlin

Bob Rubin and Bo Cutter

SUBJECT: The FY 1995 Budget Decisions--A Big Challenge and Opportunity

Although we are all still struggling with reconciliation and the FY 1994 appropriations the time has come to focus on the FY 1995 budget cycle. We believe that the extremely tight budgetary outlook for FY 1995 should be seen as an enormous opportunity to prune out ineffective programs and refocus government on a smaller number of high priority, better defined missions. This memo explains why we think this and proposes a schedule for making decisions on the FY 1995 budget.

The Stark Reality of FY 1995

As you know, the Congress in its budget resolution opted for a "hard freeze" on discretionary spending. As a consequence, the FY 1995 discretionary outlay cap implied by the resolution is $13.6 billion below the FY 1995 outlays shown in our economic plan (see table below). The discretionary investments proposed in the plan imply 1995 outlays of about $18 billion. These investments do not include important initiatives now under development, such as welfare reform.

DISCRETIONARY PROPOSALS COMPARED TO CAPS
(in billions of dollars)

	FY 1994		FY 1995	
	Budget Authority	Outlays	Budget Authority	Outlays
Caps in the House Reconciliation Bill	501.0	538.7	506.3	541.1
Proposals in the FY 1994 Budget	508.9	544.1	522.6	554.7
Amount by which proposals exceed caps	7.9	5.4	16.3	13.6
Proposed Investments (discretionary only)	16.7	5.9	29.4	17.8

The process of cutting $5.4 billion in outlays from our original FY 1994 spending proposals to get to the spending caps has been extremely painful. Although we have fought hard to protect the highest priority investments, it is already evident that much of our program will not be funded in FY 1994. In FY 1995 discretionary spending must be cut by two and a half times as much.

The stark reality is that unless we cut deeply into "the base" of on-going federal programs in FY 1995 we will not be able to fund the Administration's investment program - or any other new initiatives. Another round of nickel and dime cuts - shaving here, paring there - will not produce the required savings. Hence, preserving the Clinton program and making room for new priorities requires an entirely new approach to the budget for FY 1995.

__Seizing the Opportunity__

The budgetary reality presents a major opportunity to rethink and restructure federal activities. We can seize this opportunity to reexamine the whole range of government programs. We can identify sets of activities that are no longer high priority, that are of questionable effectiveness, or that other levels of government could perform as well. We can work with the Congress to eliminate these programs or drastically restructure them. The result could be a leaner, more effective, more manageable federal government - and room in the budget for higher priorities identified by the Administration. The effort could integrate the best ideas of the National Performance Review into the FY 1995 budget process.

__Structuring the Budget Decision Process__

The traditional federal budget process has been a bottom-up effort that tends to preserve the base and make only incremental changes at the margin. Agencies usually submit their budget requests to OMB in September. These are examined painstakingly by OMB staff. After a series of Director's Reviews in October and November, the OMB Director issues a "passback" in late November. Agencies can appeal to you in December and final decisions are made shortly thereafter--usually by Christmas.

For FY 1994 the budget process was both extremely compressed and turned on its head. Because of the shortness of time there were no agency submissions. Instead you made overall decisions on the main features of the FY 1994-98 economic plan which OMB translated into FY 1994 budget details. The process was essentially top down. Cabinet officers were new and did not yet have firm views about their priorities.

The difficulty of the decisions to be made for FY 1995 - especially the necessity of cutting deeply into the base - requires a new kind of budget process.

- The process should be collegial. The adversarial relationships that have sometimes developed between the agencies and the OMB (or the White House) should be avoided.

- The process should be interactive. You should have ample opportunity to think about alternative sets of priorities and to interact with his Cabinet and top staff as the process proceeds.

- The process should be informed. OMB should work with the agencies to lay out options and alternatives so that you and others can see the big choices as clearly as possible. Cross-cutting issues (such as environmental programs or programs for children) should be highlighted.

We envision roughly the following schedule for budget decisions:

Proposed Schedule

June	OMB works with agencies to identify major issues that should be considered and to be sure that good analysis of these issues will be available (this process has already started)
June	Discussions involving the President, the Cabinet, the NEC on the nature of the problem and various approaches to fitting Administration priorities within the 1995-98 budget resolution limits. General guidance issued to agencies for preparation of budget submissions.
Late June early July	Management and budget previews at which major agency heads present their plans and priorities to the OMB Director. These meetings are opportunities for interaction and discussion between agencies and OMB/White House/NEC staff.
August/September	OMB works with agencies to prepare major policy issues and options for consideration by the President.
September 1	Agencies required to submit complete budget requests for FY 1995 Budget.
September/October	A series of meetings are held, first with the NEC and then with the President, to discuss the major policy issues and options that the agencies and OMB have assembled. These discussions should be organized around major Administration themes and

	cross-cutting issues. The President's decisions on these issues will be provided to the agencies as they are made, but not later than November 1.
November	OMB works with agencies to incorporate the President's decisions into a complete set of proposals for the FY 1995 budget.
Early December	The President is briefed on the complete set of proposals for the FY 1995 budget. Any final adjustments are made before Christmas.
December -- mid January	FY 1995 Budget is written.
February 7, 1994	FY 1995 Budget is transmitted to Congress.

<u>Decision</u>

__________1. Proceed as outlined above and follow the proposed schedule.

__________2. Other:

BR|BO|65|SM

Public Economic plan

March 1, 1993

To: Vice President Gore
Skila Harris
Alexis Herman
Tony Lake
Mack McLarty
Regina Montoya
Bernie Nussbaum
Leon Panetta
Howard Paster
John Podesta
Carol Rasco
Bob Rubin
Eli Segal
Christine Varney
Maggie Williams

From: Ricki Seidman
Collier Andress

Enclosed are the most current talking points for the economic plan. Please ask your assistant to keep a binder of all talking points so that you may have the most current information accessable within your department.

IN-DEPTH Q&A ON CLINTON-GORE ECONOMIC PACKAGE

1. Broder column and the deficit:

Q: Broder implied that the President knew about the deficit increase during the campaign and that thus he was not being straight in saying that it was the deficit that forced him to go beyond the campaign and raise energy taxes. What is your response?

A: The clear and undisputable facts show that he is wrong. It is the case that the deficit did deteriorate during the Presidential campaign. Everyone knew that. But it did not deteriorate enough to require us to have raised energy taxes to get our current deficit target for 1997.

But the undisputable fact is that after the election was over the deficit got far worse by any standard. The adjusted OMB shows that the deficit got worse by $70-100 billion after the campaign. The CBO showed that it go worse by well over $33 billion. When adjustments were made to our internal numbers, the deficit was $50 billion higher. So by any standard, it is a clear, objective and undisputable fact that the deficit got $33-$100 billion worse after the campaign. No one -- no one -- had the capacity to know what the January 1993 CBO and OMB numbers would be before they came out. Therefore, no matter whose numbers you believe, the facts are clear: the deficit is much higher than anyone could have known last summer.

2. Business Week Deficit "Prediction:"

Q: But last July, Clinton told Business Week the deficits would approach $400 billion.

Let me repeat, no human being could predict what the OMB or CBO would do with their January 1993 numbers until they came out.

The unexpected increase in the deficit was the rise in FY1997 to $346 billion -- more than $100 billion greater than when we first did our plan. When Clinton spoke to Business Week he was not even talking about the deficit baseline in 1996 or 1997. What he was referring to in that July 6, 1992 interview was that some were predicting that the 1992 budget might rise to near $400 billion because of RTC costs and other factors. When Congress did not deal with the RTC and technical changes were made, the deficit for 1992 ended up being $290 billion. As it turned out, the 1992 number was far lower than anyone expected, but the 1997 number that we have to live with was more than $100 billion worse than Clinton -- or anyone -- could have known in July 1992.

3. Bush Campaign Tax Commercial:

Q: When Bush did a commercial saying that people making $36,000 would pay higher taxes, the President said it was despicable. Yet, now it seems that Clinton intends to raise taxes on such families. Hasn't Clinton's critique of Bush's commercial proven to be unfair?

A: Absolutely not. Clinton stated that his income tax proposal would apply only to the top 1-2%. What he proposed in his budget was only on the top 1.2% of families making over $180,000. Almost 99% of Americans are untouched by increases in the income tax -- just as Clinton promised.

Even when the deficit increased after the campaign by an additional $50 billion, Clinton ensured that average families were touched as little as possible by overall tax package-- no more than $17 a month for an average family -- while millions of families will pay far less when you count their reduced mortgage costs.

4. Family Economic Income:

Q: David Broder says that the Clinton counts income in his figures of $30,000 and $100,000 is inflated and counts income that people normally do not count as income and that this is more smoke and mirrors. What is your response?

A: Those were the same Treasury calculations used in the Treasury for years -- by Republican Administrations. Only now is it challenged. If you look at the Reagan Administration's 1985 "Tax Proposals to the Congress for Fairness, Growth and Simplicity" or their 1984 report "Tax Reform for Fairness, Simplicity, and Economic Growth" -- they both use the same concept of "family income" and have an appendix that explained it in detail. Whatever differences there are between family income and adjusted gross income, that difference is minimal for the average middle class family.

In any case, objective studies by the nation's top tax and accounting companies completely confirm our estimates.

Arthur Anderson showed that a family of three making $25,000, would actually receive a $700 tax cut because the amount we increased the Earned Income Tax Credit is so much larger than the energy tax.

Coopers & Lybrand found that for a family of four making $55,000 adjusted gross income their tax rate would go up less than $11 a month.

[It should also be noted that, by any standard, objective study after objective study has shown that the average family pays only around $15 more a month in higher energy taxes, while a USA Today article this week showed that many middle class families will save over $1000 in mortgage costs from the reduced interest rates that have been brought about already from the seriousness of the Clinton plan. In addition, the worst distribution table shows that the top 10% pay 70% of all of revenues in the Clinton plan.]

5. Clinton Baseline and CBO Baseline:

Q: Isn't Clinton's baseline purposefully made more negative so that it looks like you are doing more on the deficit. After all, the CBO deficit is only $319, while his is $346?

A: The Administration had some slightly more conservative revenue calculations, but let's be clear: the plan achieves specific gross cuts of $195 billion in 1997. When you subtract $55 billion for new investments that comes to $140 billion in net deficit reduction.

We have been more conservative in all our numbers so that the American people know we are shooting straight with them. Remember, the Council of Economic Advisors came up with the same growth numbers as the Blue Chip. We could have used those numbers and no one could have assailed them. Yet, since the CBO numbers were more conservative, they used them so that there could be no chance that anyone could see them as getting out of the nation's problems with rosy scenarios.

6. Spending cuts:

Q: How do you reply to the claims by Pete Domenici that the Clinton is not really doing much on spending cuts?

A: If you look at his gross cuts, he is cutting $247 billion in spending and has $493 overall in gross deficit reduction. Even when you subtract all of the tax incentives and new investments, you still find $325 billion in net deficit reduction over four years and $473 in net deficit reduction over five years. Even with all of the new investments, this is still close to being the largest net deficit reduction package of all time.

<u>In fact, if the Clinton plan is adopted, we will spend less -- as a proportion of our national income -- than either Bush or Reagan.</u> [Government spending under the Clinton plan would average 22.7 percent. Under the Republicans, it averaged 23.3 percent.]

7. Tax and Spending Ratios:

Q: But doesn't he rely far more heavily on tax revenues and really far too little on spending cuts? Some -- like Rep. Kasich -- say the ratio is $3.60 cents to every $1 in spending cuts.

> A: The long-term package over five years has $375 billion in gross spending cuts and $222 billion in cuts even if you subtract all of the new investments.
>
> In gross terms, the overall plan relies more on spending cuts and has more spending cuts than revenue raisers by the second full year. Yet, even if you look at the net numbers -- even if you subtract all of the tax incentives and new investments -- there are more spending cuts than taxes by the fourth year out, <u>and most importantly, that pattern continues to grow with each year</u>. In other words, the percentage of spending cuts continues to exceed the revenue raisers by more and more each year starting in the fourth year.
>
> So the plan will set the nation on a new path. We are turning around the pattern of high deficits and low investment and replacing it with lower deficit, higher investments and do so while setting a long-term pattern that relies more and more on spending cuts with each year.
>
> [Note: In real terms, Treasury has calculated that the 1982 Reagan tax increase was larger and less fair than our tax package]

<u>Specific Spending Cut Issues:</u>

Q: Your numbers seem good from a distance, but what we are hearing is that you are inflating your spending cuts by counting things that are not really spending cuts. I would like to mention the charges one by one and have you respond as to why it is a spending cuts.

8: Interest Cuts?

Q: Both of the critique on the Clinton budget put out by Republicans on the House and Senate Budget Committees say that the Administration is wrong to count interest rate cuts as a spending cut. What is your response?

> A: We knew that Washington was out of touch, but we never thought we would live to see the day when if we cut the tragic amount of interest we pay on the debt, we would be told that this is not cutting spending! Do the Republicans think that cutting interest payments on the debt is raising taxes?

We spend nearly $200 billion a year in interest payments on a national debt that has exploded over the last 12 years. We spend this money -- much of it to foreign bond holders -- instead of investing in America. Since, many of the people in Washington have never cut the interest payments we pay on the debt, I can understand that they do not know what to call it. But I think most people know that when they pay down their credit cards so they pay less interest, they are cutting their spending. When we finally have the courage to cut the deficit so that we are cutting the spending we pay on interests, we are cutting spending. Republicans can call this a Kangaroo or an orange or whatever they want, but common sense tell you that you are cutting spending not raising taxes.

9. Social Security?

Q: Many people have criticized the Administration for counting their Social Security provision as a spending cut when they are raising funds by including more Social Security benefits as taxable income?

A: Just Tuesday, at a Dole, Domenici, Packwood Press conference -- Senate Finance member Packwood stated clearly that this type of reduction in Social Security has been counted as a spending cut by both the Bush and Reagan Administration. [Reuters Transcript Report, 2/23/93] Former CBO director Rudy Penner has published an article stating that this reduction should be seen as a spending cut.

And as Herb Stein said in the <u>Wall Street Journal</u>, (1/24/93) there is no reason to call this a new revenue as opposed to a spending cut. The effect is exactly the same. However it is classified, we are spending less on entitlements by the same amount

The main thing is that it is too bad that people who don't have the courage to change are getting lost in form over substance. For years and years, we have heard that we have to cut what we spend on entitlements, and that we must have the courage to take on Social Security. If the Clinton plan had cut COLAs, it would have been regressive, but everyone would have called that a "spending cut." Yet, the Administration figured out a way to cut spending on Social Security entitlements by affecting only the top 19% of beneficiaries. That is an important, smart and fair way to reduce entitlements -- whatever you call it.

10. User Fees?

Q: Some are also saying that they are counting fees as cuts when they are really higher taxes:

A: It has always been the standard rule that if a business or a person uses a government service -- paid for by the taxpayer -- and that business or person pays for a specific service and is charged for it in a business-like way, then it is counted as a reduction of the costs of the program. Why should a taxi cab driver have his tax dollars used to subsidize a wealthy person's use of a private jet? Making that private jet owner pay for his use of a taxpayer financed airport so that we can spend less on our airports is lowering the spending costs average taxpayers have to pay.

11. Earned Income Tax Credit:

Q: The House Budget Republicans say that it is wrong for the Administration to count all of the earned income tax credit as a tax cut, and that they should count part of it as a spending increase?

A: That is a trickle-down definition if I've ever heard one. If a tax cut is given for a rich person it is called a supply-side miracle. When we give a tax cut for working people, they call it a spending increase. The fact is that President Bush and everyone else scored the earned income tax credit as a tax cut in the 1990 Budget Agreement. It is just one more attempt to distract attention from the fact that Bill Clinton has presented a real deficit package, and the Republicans have no reply.

12. Spending Cuts and Budget Agreement:

Q: What is your response to Domenici and others who say that many of the Administration's spending cuts were already in the 1990 budget agreement?

Answer: No. Every single one of the 150 programs we cut is a new cut -- beyond what was implemented in the Bush Administration -- creating new savings. The 1990 Budget agreement had caps -- it didn't say what the cuts were, or who would have the courage to identify and call for them. By filling in the black box with real and specific reductions, the Clinton plan converts smoke and mirrors into concrete spending cuts.

13. Gross and Net Deficits:

Q: But didn't the OMB Director purposely mislead us by giving the impression that you were cutting $493 billion in net deficit reduction over four years?

> A: No. There may have been some confusion over what was gross deficit cuts and what was a net deficit cut. The Administration has always made it clear that of the $493 billion in gross deficit reduction, 2 of every 3 dollars goes for deficit reduction and $1 goes for new investment. In his briefing on February 17th, Leon Panetta referring to the $493 billion said, "Two-thirds of that amount goes for deficit reduction, one-third of that amount goes for investments."

14. Social Security Thresholds:

Q: The President claimed that while he was going to ask for more from well-off Social Security recipients, that no one who did not pay tax on their Social Security now would not pay tax under his proposal. Yet, some claim this is not true. They say that the provision will reach below $32,000 and tax new people who never before paid tax on their Social Security benefits.

> A: That is not true. We ask more from the top 19% of the Social Security recipients and that is all. The same 80% of Social Security recipients who don't pay a dime on their Social Security benefits will still not pay a dime.
>
> [The formula to increase the amount of benefits subject to taxation, is phased in so that only those over the current threshold -- $25,000 for a single and $32,000 for couple --are affected. The claim that we are reaching deeper is not the case: the thresholds are intact under our plan. (If there are disputes on the revenue we raise, that is a technical issue)]

15. The Need for a Stimulus?

Q: Now that we see how great the growth was for the 4th Quarter of 1992, do we still need a stimulus package?

> A: In light of the strong upsurge in consumer confidence that occurred in the last few months of 1992 because of optimism over President Clinton's election, we are gratified by the encouraging news. Yet, as we have said before, the President's criteria is jobs, and we still have a jobless recovery, with historically low job creation rates. If this were even an average recovery, we would have 3 million more jobs in the economy today. In fact, the unemployment rate is higher today than it was at the very bottom of the recession. So we are not satisfied, and we will not be satisfied until we get a job creating recovery.

16. Gramm-Armey?

Q: What about the Gramm-Armey plan? They call for a Balanced Budget Implementation Act that would put a cap on entitlements, used fixed deficit targets and sequestration to balance the budget by the year 2000. What is wrong with that, especially if they are only capping non-Social Security entitlements at inflation as they claim?

A: Their plan is just another gimmick designed to allow some members of Congress to hide behind a scheme that allows them to sound tough on the deficit, without having to summon the courage to specifically say what they would cut.

Gramm-Armey does not call for a single new dollar in training for laid-off defense workers, for anti-crime initiatives, for fixing the environment, for the best children's programs like Head Start and WIC or for welfare reform.

But far beyond that, their nice sounding plan could only be implemented with devastating cuts that could set our nation back decades. To reach their goal through across the board spending cuts, they would have to cut everything by 33%. That means brutalizing Medicare and Medicaid. That means, according to one Congressional study, that we would need a 33% cut in our veteran programs, a 33% cut in federal judges, a 33% cut in the FBI -- 3,000 less agents, a 33% cut in federal drug enforcement officials, and a 33% cut in programs like Head Start, child immunizations.

We have given every cut -- no matter how painful -- line by line, dollar by dollar, year by year. Others who don't have the cuts to follow course, throw out gimmicks that sound nice, but when you look behind them you find that they could only take place if we called for painful, dangerous cuts that these same people don't have the courage to be specific about.

17. Kemp-Weber?

Q: How about the Kemp-Weber proposal -- "Empower America?"

A: It is the same old thing: nice words, no courage, major deficit increases and a wish list with no specifics.

— Mr. Kemp calls for hundreds of billions in all sorts of tax cuts to everyone imaginable. He would spend hundreds of billions reducing the payroll tax cut, increasing the personal exemption, while reducing every corporate tax imaginable. Some of this is nice -- I wish we could just give away hundreds of billions. And what is his only suggestion for paying for these massive new tax cuts? He calls for a line-item veto -- which we support -- and what he calls "strong budget caps." We really can't afford four more years just like the last 12 years with people like Mr. Kemp promising everything to everyone, saying we can cure all our problems without having the guts to come forward with even one specific tough choice. We gave America a real budget, with over a 150 specific cuts in program for each of the next five years so that we could both bring the down the deficit while we increased investments in our people. That is tough to do, but that is the type of change the American people want.

18. Marriage Penalty?

Q: Isn't there a marriage penalty in this package?

A: No. This plan doesn't even touch the incomes taxes of any other than the top 1.2% of all taxpayers. Some have complained that the surtax on those making over $250,000 is a marriage penalty for those in that bracket because it didn't distinguish between singles and married couples who are extremely well-off. That just goes to technical aspects of that provision and is a red-herring at best.

BRIEF Q & A ON CLINTON-GORE ECONOMIC PLAN

Deficit increase

Question: Did the President, as journalists have charged, know about the deficit increase during the campaign and not shoot straight about raising taxes?

Answer: Putting People First was based on January 1992 budget and deficit estimates. The deficit did get somewhat worse during the campaign, but not enough to have forced President Clinton to have had to raise energy taxes to hit our current deficit targets.

But then in January 1993, just two weeks before President Clinton took office, Bush Budget Director Darman revealed that in fact, the deficit in 1997 would be another $70 -$100 billion higher than he had said it would be in August. The Congressional Budget Office also agreed the deficit in 1997 would be a lot bigger -- closer to $30 billion more. Our transition officials found the numbers showed we were $50 billion higher. No one -- no one -- had the capacity to know what the January 1993 CBO and OMB numbers would be before they came out. Therefore, no matter whose numbers you believe, the facts are clear: the deficit is much higher than anyone could have known last summer.

Follow-up: But didn't candidate Clinton tell Business Week in July that the 1997 deficit could hit $400 billion?

Answer: No. Clinton was, in fact, referring to some projections that the 1992 deficit would be massive because of the Savings and Loan bailout and other factors.

Deficit claims in OMB document

Question: Why did OMB mislead the public when it claimed the plan would cut the deficit by $500 billion?

Answer: There's been some confusion about what are called "gross" and "net" deficit reduction numbers. But lets be clear: the Clinton budget cuts the deficit by $325 billion over four years even when you include the $160 billion of new investments the President calls for. [Over five years, the plan reduces the deficit $472 billion net, while also doing over $220 billion in new investments.] The plan will reduce the deficit by $140 billion in FY1997 alone.

Taxes on the middle class

Question: When Bush did a commercial saying that people making $36,000 would pay higher taxes, the President said it was despicable. Yet, now it seems that Clinton intends to raise taxes on such families. Hasn't Clinton's critique of Bush's commercial proven to be unfair?

Answer: Absolutely not. Clinton stated that his income tax proposal would apply only to the top 1-2%. What he proposed in his budget was only on the top 1.2% -- families making over $180,000. Almost 99% of Americans are untouched by increases in the income tax -- just as Clinton promised.

Even when the deficit increased after the campaign by an additional $50 billion, Clinton ensured that average families were touched as little as possible -- no more than $17 a month for an average family -- while millions of families will pay far less when you count their reduced mortgage costs as a result of reduced interest rates.

Follow-up: But isn't it the biggest tax increase of all time?

Answer: No. The Reagan tax increase of 1982 was larger and far less fair.

Question: Is the President, by using the concept of "family economic income," misleading people about the real impact of his plan on their taxes?

Answer: For more than twenty years the Treasury Department has consistently used "family economic income" when it calculates tax impacts.

Opponents of the Clinton plan are trying to scare the public by making people believe that the Administration is suddenly changing the way it calculates how much you owe in taxes. That's not true.

Look at what the nation's top accounting have shown: Coopers & Lybrand found that for a family of four making $55,000 adjusted gross income, their tax rate would go up less than $11 per month; Arthur Andersen showed that a family of three making $25,000 would actually receive a $700 tax cut because the increase in the Earned Income Tax Credit is much larger than the energy tax.

Spending cuts

Question: Are the Republicans in Congress right when they charge that the Clinton plan doesn't really cut spending?

Answer: Listening to the Republicans talk about cutting spending is like listening to Al Capone talk about cleaning up street crime.

The Clinton plan, in fact, cuts almost $250 billion from defense and 150 separate domestic programs over the next four years. These are specific cuts and they required tough decisions. The President had the courage to detail these cuts and the critics should either come up with specific cuts of their own or shut up.

In fact, if the Clinton plan is adopted, we will spend less -- as a proportion of our national income -- than either Bush or Reagan. [Government spending under the Clinton plan would average 22.7 percent. Under the Republicans, it averaged 23.3 percent.]

Question: Why did the Administration break its promise to offer two dollars in spending cuts for every one dollar in taxes?

Answer: The Clinton plan cuts almost $250 billion from defense and 150 separate programs over the next four years -- and puts almost all those cuts into effect immediately. It is a serious and balanced plan to bring down the deficit and restore economic growth.

The important thing is that the President has said that he will not raise any new revenues unless Congress also votes to cut spending. In addition, the ratio of spending cuts to taxes grows each year. By the fourth year, spending cuts outstrip revenue increases and the gap gets bigger each year after that. We welcome the critics to come up with their own <u>specific</u> lists of further spending cuts.

Question: Isn't the Clinton plan just a ruse to take credit for spending cuts that would have happened anyway under the 1990 Budget Agreement?

Answer: No. Every single one of the 150 programs we cut is a new cut creating new savings and additional savings. The 1990 Budget agreement had caps -- it didn't say what the cuts were, or who would have the courage to identify and call for them. By filling in the black box with real and specific reductions, the Clinton plan converts smoke and mirrors into concrete spending cuts.

Question: What about the various critics who say you should just cap spending, and that will solve our deficit woes?

Answer: The magic asterisk solution to the deficit has been tried before -- and failed. Calling for a cap on spending is the easiest way to avoid making the tough calls and no way to get a handle on the deficit.

The Clinton plan is specific, balanced and fair. It calls for almost $250 billion in cuts in 150 separate programs.

Question: How can you count savings in interest payments as spending cuts?

Answer: Only Republicans who presided over the quadrupling of our national debt would have the gall to ask this question.

When a family gets behind and has to pay interest on its Visa bill, it spends more money each month. When the Federal Government pays interest on an ever-expanding debt, it is wasting the taxpayers' money. When we pay less interest, we spend less.

Question: Why do you count increasing Social Security taxes as a spending cut?

Answer: This is a long standing practice used by the Bush and Reagan administrations for years. The important point is that we need to reduce spending on entitlement programs to reduce the deficit, and we have taken a measure to reduce such spending in a fair and progressive way that leaves untouched 80% of all Social Security recipients.

Question: Why does the Clinton plan count user fees as spending reductions rather than tax increases?

Answer: If the government is asking users of a service to pay more in fees, its costs go down. Therefore, the program costs less to the government.

Every Republican budget produced since 1981 has included user fees as an offset to spending. This is not a new practice.

Question: Isn't a boost in the earned income tax credit really a spending increase?

Answer: This is standard budget practice. It is amazing that when we give a tax cut to working people, as opposed to the wealthiest Americans, some people want to call it spending.

Note: It is possible that Congressional Democrats may insist on counting a portion of the increase in the Earned Income Tax Credit as a spending increase.

Gramm-Armey:

Question: What about the Gramm-Armey plan? They call for a Balanced Budget Implementation Act that would put a cap on entitlements, used fixed deficit targets and sequestration to balance the budget by the year 2000. What is wrong with that, especially if they are only capping non-Social Security entitlements at inflation as they claim?

Answer: Their plan is just another gimmick designed to allow some members of Congress to hide behind a scheme that allows them to sound tough on the deficit, without having to summon the courage to specifically say what they would cut.

Gramm-Armey does not call for a single new dollar in training for laid-off defense workers, for anti-crime initiatives, for fixing the environment, for the best children's programs like Head Start and WIC or for welfare reform.

According to Congressional experts who have studied their plan, it could only be implemented with devastating cuts that could set our nation back decades. To reach their goal through across the board spending cuts, they would have to cut everything by 33%. That means brutalizing Medicare and Medicaid. That means, according to one Congressional study, that we would need a 33% cut in our veteran programs, a 33% cut in federal judges, a 33% cut in the FBI -- 3,000 less agents, a 33% cut in federal drug enforcement officials, and a 33% cut in programs like Head Start, child immunizations.

Kemp-Weber:

Question: How about the Kemp-Weber proposal -- "Empower America?"
Answer: It is the same old thing: nice words, no courage, major deficit increases and a wish list with no specifics.

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Relase April 25, 1993

The First 100 Days
Administration of President Bill Clinton
January 20 - April 30, 1993

INTRODUCTION

This is the season of America's renewal.

Already, in the first few months of his new Administration, President Bill Clinton has restored an active purpose to the Presidency, and renewed America's commitment to change and progress.

We now have a President dedicated to investment and economic growth; a President determined to help Americans weather the winds of change; a President committed to restoring responsibility; a President devoted to returning the government back to the American people.

After twelve years of national drift and economic decline, President Clinton has charted a clear path to growth with his New Directions economic plan designed to create jobs, boost incomes, move our economy from consumption to investment, and reduce our deficit, substantially and dramatically.

The investments in the Clinton economic plan embrace priorities that will raise the living standards and profits of workers and businesses for the long-term: rebuilding America's infrastructure; committing resources and attention to the education and training needs of our students and workers; and restoring vital incentives that reward productivity, profits, innovation and investment.

The Clinton budget -- the outline of his economic plan for New Directions -- passed the Congress in record setting time. It reduces deficit spending by over $500 billion; a plan so credible that the markets continue to reduce interest rates on the American people. These interest rate reductions, coupled with imaginative steps taken by the Clinton Administration to deal with the credit crunch, means American businesses, farms, and consumers have money to save, spend, invest and grow.

We now have a President who helps the American people make the choice for change.

Enormous changes are sweeping our economy. Inevitable defense cutbacks are forcing military bases to close?they're causing defense manufacturers to lose markets and cut jobs. Problems in the airline industry have caused massive lay-offs in aerospace firms and among the domestic carriers. America's economic partners abroad are beating American companies in the race for markets in the former Soviet Union.

That's why President Clinton's economic program will help the American people take advantage of these changes. He has offered a $20 billion, five-year initiative to reinvest in workers, communities and companies harmed by cuts in military spending. He has formed a task force to recommend real changes in Federal policy to help restart our aviation and aerospace industry. And he has provided an enterprise-oriented aid initiative to save the Russian Democracy and spur American economic growth.

Beyond growth, Americans want a return to responsibility in our schools, our communities, and our economy. And in that spirit, President Clinton is leading the way. By reforming welfare to make it a second chance, not a way of life; by reforming the health care system to provide health security to every American and bring rising costs under control; by making national service opportunities available to students so that they can exchange opportunities for education with community service.

Finally, President Clinton is working to give the government back to the American people. At the beginning of his Administration he announced his decision to cut the White House staff by 25%, and to eliminate the kinds of perks and privileges which isolate federal workers from the people they are supposed to serve.

He has cut billions from the budgets of Federal Agencies and Departments, telling them they must do more with less. He is committed to reinventing government and bringing his Presidency directly to the people through town meetings, electronic mail with the White House, and ideas like the Forest Conference?which enabled the environmental and economic problems of the Pacific Northwest to be discussed by average people with the President, Vice-President Gore and Members of the Cabinet.

Most important, he is committed to enacting tough campaign finance and lobbying reform legislation to drive special interest dealing out of politics.

What follows is a chronology from the first 100 days of the most action oriented Administration in our memory. But it is more than a listing of accomplishments, because now is not the time to be satisfied. Instead, it is indicative of a change in direction.

What will come from what we accomplished here -- more economic growth, comprehensive health and welfare reform, a new system of national service, and the like -- is new opportunities for achievement, empowerment and progress for middle-class Americans, and a new direction for us all. It is indeed America's season of renewal.

HISTORICAL FOOTNOTE

The "hundred days" period was applied by journalists to the special session of the 73rd Congress, which granted newly inaugurated President Franklin D. Roosevelt extraordinary powers to combat the national crisis of the Great Depression in 1933.

Less well-known than the hundred days of 1933, is how Woodrow Wilson set a modern precedent in 1913, when one month after taking office, he became the first President in a century to deliver an address to Congress. That speech initiated the sweeping economic reforms enacted later that year -- tariff reform, the first income tax and the Federal Reserve. With that early speech, Wilson had closed the book on the Gilded Age and had shifted Government to the side of average, hard working Americans.

Day 1: January 20, 1993
Inaugurated as 42nd President of the United States.

Delivers Inaugural Address from the steps of the Capitol.

Issues Executive Order on Executive Appointee Ethics; order restricts or limits ways in which senior executive appointees may profit in the future from their experience while serving the President.

Proclaims a National Day of Fellowship and Hope.

"Our Democracy must be not only the envy of the world but the engine of our own renewal. There is nothing wrong with America that cannot be cured by what is right with America.

This beautiful Capital, like every capital since the dawn of civilization, is often a place of intrigue and calculation. Powerful people maneuver for position and worry about who is out, who is up, who is down, forgetting those people whose toil and sweat sends us here and pays our way. Americans deserve better. ... Let us resolve to make our Government a place for what Franklin Roosevelt called 'bold, persistent experimentation,' a Government for our tomorrows, not our yesterdays. Let us give this Capital back to the people to whom it belongs.

Yes, you, my fellow Americans, have forced the spring. Now we must do the work the season demands."

Inaugural Address

Day 2: January 21, 1993
Abolishes Council on Competitiveness, criticized as a back door for polluters who circumvented U.S. laws.

Meets with senior White House staff.

Day 3: January 22, 1993
Swearing-in of Cabinet members.

First Cabinet Meeting.

Issues memorandum to revoke Reagan and Bush Administration restrictions on fetal tissue research in the development of treatments for individuals afflicted with serious diseases and disorders such as Alzheimer?s disease, Parkinson?s disease, diabetes and leukemia.

Issues memorandum to revoke Reagan and Bush Administration restrictions ("Gag Rule") that prohibited abortion counseling in clinics that receive Title X funds to provide family planning services for low-income patients.

Issues memorandum to revoke Reagan and Bush Administration restrictions ("Mexico City Policy") that prohibited Family Planning Grants to be awarded to certain nongovernmental organizations from the Agency for International Development.

Issues memorandum to revoke Reagan and Bush Administration restrictions on a woman?s legal right to privately- funded abortion services in military hospitals.

Issues memorandum to revoke previous Administration restrictions on the importation of the drug commonly known as RU-486.

Day 4: January 23, 1993

Telephone conversations with President Boris Yeltsin of Russia and Prime Minister Yitzhak Rabin of Israel.

Day 5: January 24, 1993

Issues Proclamation and statement on the death of Justice Thurgood Marshall.

Day 6: January 25, 1993

Establishes National Economic Council to coordinate economic policymaking among all relevant departments and offices of the federal government; holds economic policy meeting.

Meets with Joint Chiefs of Staff.

Establishes Task Force on National Health Reform, chaired by the First Lady, Hillary Rodham Clinton; Task Force is charged with formulating legislation that would take strong action to control health care costs while providing Americans with the security of knowing that their fundamental health care needs will be met.

Day 7: January 26, 1993

Meets with bipartisan Congressional leadership.

Nominates U.S. Foreign Service Ambassador Pickering to be Ambassador to Russia.

Day 8: January 27, 1993

Meets with Democratic Congressional leaders.

Day 9: January 28, 1993

Meets with Federal Reserve Chairman Greenspan, Secretary Bentsen and NEC Chairman Rubin.

Day 10: January 29, 1993

Teleconference with citizens concerned about Family and Medical Leave Act.

Issues memorandum on ending discrimination on the basis of sexual orientation in determining who may serve in the Armed Forces; memorandum directs Secretary of Defense Aspin to consult with others to study how revisions in current policy could be implemented in a manner that is practical, realistic and consistent with the high standards of combat effectiveness and unit cohesion maintained by the Armed Forces; memorandum directs the Secretary to submit recommendations prior to July 15, 1993.

First news conference.

Day 11: January 30, 1993
Weekend working meeting at Camp David with Cabinet and senior White House staff.

Day 12: January 31, 1993
Hosts first state dinner, attended by the Nation?s Governors.

Day 13: February 1, 1993
Meets with Nation?s Governors about health care and other policy issues.

Revokes Bush Administration Executive Orders on federal contracting, thereby reducing Government intrusion into workplace relations.

Addresses Democratic Governors? Association Dinner.

Day 14: February 2, 1993
Addresses National Governors? Association on initiatives to make welfare a second chance, not a way of life; declares intent to form working group on welfare reform; outlines principles and goals to guide policy reform, ensure that people who work are rewarded, toughen child support enforcement, and encourage policy experimentation to achieve these goals in the states.

Declares storm-afflicted areas of Louisiana a Federal Disaster Area, authorizing emergency relief assistance.

Day 15: February 3, 1993
Addresses employees of Office of Management and Budget; pledges cooperation with, and asks for help from, federal employees in cutting waste and reinventing government.

Discusses campaign finance and lobbying reform with Democratic Congressional leaders.

Declares storm-damaged and flood-affected areas of California a Federal Disaster Area, authorizing emergency relief assistance.

Day 16: February 4, 1993
Addresses National Prayer Breakfast.

Announces Secretary of State Christopher will travel to Middle East to advance the peace process.

Meets with German Foreign Minister Kinkel.

Day 17: February 5, 1993
Signs Family and Medical Leave Act of 1993.

Meets with Canadian Prime Minister Mulroney of Canada.

Holds news conference (number 2) with Prime Minister Mulroney.

Addresses U.S. Conference of Mayors.

"I am very proud that the first bill I am to sign as President truly puts people first. ...it took eight years and two vetoes to make this legislation the law of the land. Now millions of our people will no longer have to choose between their jobs and their families."
? Remarks on signing Family and Medical Leave Act of 1993.

Day 18: February 6, 1993
First Saturday radio address; focuses on the economy and principles to guide economic plan to be unveiled later this month

Day 20: February 8, 1993
Creates White House Office on Environmental Policy, a new office that will have broader influence and a more effective and focused mandate to coordinate environmental policy, one that recognizes the connection between environmental protection and economic growth and the responsibility to provide real leadership on global environmental issues; reaffirms support of legislation to make Environmental Protection Agency part of the Cabinet.

Designates Thurgood Marshall Federal Judiciary Building.

Meets with Turkish President Ozal.

Day 21: February 9, 1993
As part of new effort to cut waste and reinvent government, announces reduction and reorganization of the White House staff; Executive Office of the President staff to be reduced by 25%, or 350 positions, in the next fiscal year.

Day 22: February 10, 1993
Cabinet meeting (number 2).

Signs Executive Orders on greater efficiency and fiscal responsibility in government: 14% reduction in administrative costs by FY97, a savings of $16 billion in taxpayers? dollars; elimination of wasteful advisory committees; reduction of federal bureaucracy by 100,000 positions through attrition; elimination or limitation of perks and privileges in executive branch offices, including the use of executive dining rooms, government aircraft, and government vehicles.

Conducts first town meeting with citizens in Detroit, linked via satellite with citizens in Seattle, Miami, and Atlanta.

Day 23: February 11, 1993
Addresses business leaders on the economy and the budget.

Meets with Japanese Foreign Minister Watanabe.

News conference (number 3), nominates Janet Reno to be Attorney General.

Telephone conversation with Philippine President Ramos.

Day 24: February 12, 1993
Announces child immunization initiative at Fenwick Clinic, Arlington, Virginia; proposal provides more vaccines for children, saving taxpayers $10 in avoidable health care costs for every $1 invested in vaccinations; directs the Secretary of Health and Human Services to enter into negotiations with drug manufacturers to see that states can buy vaccines at affordable prices, reversing the trend of skyrocketing costs of vaccines to U.S. consumers.

Day 25: February 13, 1993
Saturday radio address on the economic plan.

Day 27: February 15, 1993
Address from the Oval Office on the economic plan.

"All during this last 12 years the federal deficit has roared out of control. Look at this: the big tax cuts for the wealthy, the growth in Government spending, and soaring health care costs all caused the federal deficit to explode... Now if all that debt had been invested in strengthening our economy, we?d at least have something to show for our money: more jobs, better educated people, a health care system that works. But as you can see, while the deficit went up, investments in the things that make us stronger and smarter, richer and safer, were neglected: less invested in education, less in our children?s future, less in transportation, less in local law enforcement. ...The price of doing the same old thing is far higher than the price of change."

? First televised address to the Nation from the Oval Office.

Day 28: February 16, 1993
Addresses California Economic Conference via teleconference.

Visits construction site, Washington, D.C., to discuss jobs and infrastructure.

Day 29: February 17, 1993
Delivers address to Joint Session of Congress on the economic plan.

Meets with bipartisan Congressional leaders prior to address.

"Our Nation needs a new direction. Tonight I present to you a comprehensive plan to set our Nation on that new course."

"I know this economic plan is ambitious, but I honestly believe it is necessary for the continued greatness of the United States. And I think it is paid for fairly, first by cutting Government, then by asking the most of those who benefited the most in the past, and by asking more Americans to contribute today so that all of us can prosper tomorrow."

"The test of this plan cannot be 'What is in it for me?' It has got to be 'What is in it for us?' If we work hard and if we work together, if we rededicate ourselves to creating jobs, to rewarding work, to strengthening our families, to reinventing

our Government, we can lift our country?s fortunes again."

? Address before a Joint Session of Congress

Day 30: February 18, 1993

Delivers speech on the economic plan, St. Louis, Missouri.

Day 31: February 19, 1993

Delivers speech on the economic plan and participates in a town meeting, Chillicothe, Ohio.

Delivers speech on the economic plan, Hyde Park, New York.

Day 32: February 20, 1993

Saturday radio address on the economic plan.

Participates in a "Children?s Town Meeting" at the White House.

Day 33: February 21, 1993

Delivers speech on the economic plan, Santa Monica, California.

Meets with California business leaders.

Day 34: February 22, 1993

Announces national technology policy and conducts question-and-answer session with Vice President Gore and employees of Silicon Graphics, Mountain View, California; policy focuses on high-skill, high-wage jobs in the technology sectors, research and development and experimentation, education for America?s workforce, information infrastructure, and U.S. competitiveness in basic science, mathematics and engineering.

Talks by phone from Air Force One with Larry Villella, a 14-year-old entrepreneur who donated $1,000 to reduce the federal budget deficit.

Addresses Boeing employees, Everett, Washington, on legislation in Congress to establish a commission to examine the U.S. airline industry, efforts by U.S. Trade Representative Kantor to monitor agreements on European Airbus subsidies and their impact on American workers, and the economic plan.

Day 35: February 23, 1993

Delivers speech on the economy, the economic plan and other economic proposals to the National Business Action Rally of the U.S. Chamber of Commerce.

Meets with U.N. Secretary-General Boutros-Ghali.

Day 36: February 24, 1993
Meets with Prime Minister Major of the United Kingdom.

News conference (number 4) with Prime Minister Major.

Day 37: February 25, 1993
Delivers speech on the economic plan to business and labor leaders.

Announces airdrops of humanitarian aid in Bosnia-Herzegovina.

First Lady Hillary Rodham Clinton accepts invitation to attend "Conversations on Health," a series of four public hearings on the health care crisis, held in Florida, Michigan, Iowa and D.C.

Day 38: February 26, 1993
Delivers first major foreign policy address, on the subject of American leadership in the global economy, at American University, Washington, D.C.

"For years our leaders have failed to take the steps that would harness the global economy to the benefit of all our people, steps such as investing in our people and their skills, enforcing our trade laws, helping communities hurt by change; in short, putting the American people first without withdrawing from the world and people beyond our borders.

The truth of our age is this and must be this: Open and competitive commerce will enrich us as a nation. It spurs us to innovate. It forces us to compete. It connects us with new customers. It promotes global growth without which no rich country can hope to grow wealthier. It enables our producers who are themselves consumers of services and raw materials to prosper. And so I say to you in the face of all the pressures to do the reverse, we must compete, not retreat."

? Address on "The imperative of American leadership in the face of global change," American University

Day 39: February 27, 1993
Saturday radio address on the economic plan.

Day 40: February 28, 1993
Publishes column, on principles behind the National Service proposal, in the New York Times.

"Our new initiative will embody the same principles as the old G.I. Bill. It will challenge our people to serve our country and do the work that should ? and must ? be done. It will invest in the future of the quiet heroes who invest in the future of others."

? "National Service Now," New York Times

Day 41: March 1, 1993

Issues statement on community service and participates in a question-and-answer session at Adult Learning Center, New Brunswick, New Jersey.

Outlines National Service proposal in an address at Rutgers University, New Brunswick, New Jersey.

Day 42: March 2, 1993

Meets with Republican House leaders at the Capitol.

Lunch meeting with Senate Republicans.

Meets with NATO Secretary General Woerner.

Meets with Democratic Congressional leaders.

Day 43: March 3, 1993

Announces initiative to reinvent government; names Vice President Gore as head of national performance review to cut spending and increase efficiency throughout government, agency by agency.

Receives one millionth piece of mail after six weeks in office, as much as the previous President received in six months.

Day 44: March 4, 1993

Signs Emergency Unemployment Compensation Amendments of 1993.

Declares certain storm-damaged areas of the State of Washington a Federal Disaster Area and declares major disaster in Georgia, authorizing emergency relief assistance.

Meets with former President Carter.

First Lady Hillary Rodham Clinton discusses health care concerns with steelworkers, New Orleans, Louisiana.

Day 45: March 5, 1993

Delivers speech to Mayors on the economic plan.

Announces April 3-4 summit with Russian President Yeltsin.

Day 46: March 6, 1993

Saturday radio address on the economic plan.

Revokes Bush Administration Proclamation that suspended Davis-Bacon Act of 1931 within areas struck by Hurricanes Andrew and Iniki.

Day 48: March 8, 1993

Delivers speech on the jobs package to the Legislative Conference of the National League of Cities.

Telephone conversation with former President Bush to discuss the situation in Russia.

Meets with members of the House Budget Committee.

Meets with former President Nixon.

Day 49: March 9, 1993

Meets with President Mitterrand of France.

News conference (number 5) with President Mitterrand.

Signs Executive Order to extend U.S. Cooperation with the European Atomic Energy Community.

Meets with Senate Budget Committee.

Day 50: March 10, 1993

Announces initiative to alleviate the credit crunch, to open up credit to creditworthy loans, to generate jobs in the private sector, and to assist small businesses on fair lending, equal opportunity and credit availability.

Meets with California State legislators.

Announces Forest Conference to be convened in Portland, Oregon, on April 2.

Secretary Christopher announces the President?s plan on Bosnia-Herzegovina.

Day 51: March 11, 1993

Outlines plan for defense conversion and reinvestment to Westinghouse employees, Linthicum, Maryland; plan confronts issues raised by cutbacks made in defense spending since 1985; major components include: worker training and adjustment, investing in hard-hit communities, dual-use technology and commercial-military integration, and conversion opportunities in new civilian technology investment.

Delivers speech on children and family policies to Children?s Defense Fund conference.

Meets with National Conference of State Legislatures.

Issues statement on murder of Dr. David Gunn, Pensacola, Florida.

Discusses campaign finance reform with Democratic Senators.

Day 52: March 12, 1993

Attorney General Reno assumes office.

Visits and addresses the crew of the U.S.S. Theodore Roosevelt.

Radio address to the Armed Forces.

> "I pledge to you that as long as I am President, you and the other men and women in uniform of this country will continue to be the best trained, the
> best prepared, the best equipped, and the strongest supported fighting force in the world."
> ? Remarks to the crew of the U.S.S. Theodore

Roosevelt

Day 53: March 13, 1993
Radio address on plans for defense conversion and reinvestment.

Declares storm-afflicted areas of Florida Federal Disaster Areas, authorizing emergency relief assistance.

Day 55: March 15, 1993
Meets with Israeli Prime Minister Rabin.

News conference (number 6) with Prime Minister Rabin.

At the direction of the President, U.S. begins negotiations with Canada and Mexico to seek side agreements to the North American Free Trade Agreement; side agreements would seek greater protections for American workers, farmers and the environment.

Day 56: March 16, 1993
Meets with bipartisan Congressional leaders.

Meets with exiled Haitian President Aristide.

Day 57: March 17, 1993
Meets with Irish Prime Minister Reynolds; attends Friends of Ireland luncheon at the Capitol.

Signs Aircraft Equipment Settlement Leases Act of 1993.

Day 58: March 18, 1993
House of Representatives passes Budget Resolution, basic outline of the economic plan.

Addresses employees of the U.S. Treasury Department on the economic plan.

Meets with National Newspaper Publishers Association.

Meets with Commission of European Communities President Delors.

Addresses Radio and Television Correspondents Association Dinner.

"I want to thank all of you for the work that you do. I think you have a difficult job.. Each of us sees the world in different ways and the whole complex interplay of the press and people in public life is designed somehow to give the American people a kaleidoscope of opinion, a mountain of facts organized in ways that will enable them to grasp it, so that somehow they ? not you or me ? they can be the main actors in the great American democracy."

"I ask that in the months and years ahead you stay faithful to yourselves and to your cause. Never lose your sense of humor. And remember that most of us who do this on both sides do it because we love our country and prefer to believe that an effort made today can make it better tomorrow. It?s a good way to live a life."

? Remarks to the Radio and Television Correspondents Association Dinner

Day 59: March 19, 1993

Meets with members of the House of Representatives who supported the economic plan.

Issues statement praising career and service of Supreme Court Justice Byron R. White; thanks Justice White for time to deliberate on the choice of a successor and still have nominees considered and confirmed by the Senate well in advance of the Court?s next term, which begins in October.

Delivers speech on the economic plan and health care at Downtown Child Development Center, Atlanta, Georgia.

Delivers speech on the economic plan, the jobs package and reinventing government to local business leaders, Atlanta, Georgia.

"I think that there are few decisions the President makes which are more weighty, more significant, or can have a greater impact on more Americans than an appointment to the Supreme Court. And I?m going to try to pick a person that has a fine mind, good judgment, wide experience in the law and in the problems of real people, and someone with a big heart."

? Exchange with reporters at the Downtown Child Development Center, Atlanta, Georgia.

Day 60: March 20, 1993

Saturday radio address on the economic plan.

Issues statement on the situation in Russia in support of Russian President Yeltsin.

Day 63: March 23, 1993

News conference (number 7) on the economic plan and aid to Russia.

Addresses to Democratic Governors? Association, state officials and business leaders.

Day 64: March 24, 1993

Meets with Russian Foreign Minister Kozyrev.

Meets with Governor Pedro J. Rossello of Puerto Rico.

Day 65: March 25, 1993

Senate passes Budget Resolution, basic outline of the economic plan.

Meets with Foreign Minister Zlenko of Ukraine.

Working dinner with Members of the House of Representatives on the Administration?s policy toward Russia.

Day 66: March 26, 1993
Meets with German Chancellor Kohl.

News conference (number 8) with Chancellor Kohl.

Meets with Bosnian President Izetbegovic.

Working dinner with Senators on the Administration?s policy toward Russia.

Names Commerce Secretary Brown to lead Cabinet-wide effort on the economy in California.

Day 67: March 27, 1993
Radio address on the economic plan and the jobs package.

Signs into law an Act to extend the Export Administration Act of 1979 and authorize appropriations under the Act for fiscal years 1993 and 1994.

Addresses Gridiron Club Dinner.

Day 69: March 29, 1993
Issues Executive Order on International Development Law Institute.

Day 70: March 30, 1993
Makes available emergency appropriations for the Departments of Agriculture and Education to provide assistance for victims of recent natural disasters.

Day 71: March 31, 1993
Cabinet meeting (number 3).

Signs Memorandum on Certification of Major Narcotics Producing and Transit Countries.

Day 72: April 1, 1993
Congress passes basic outline of the economic plan just six weeks after the President?s State of the Union Address; for the first time in 17 years, Budget Resolution conference report is passed before the legal deadline.

Meets with bipartisan Congressional leadership.

Transmits to Congress the proposed Comprehensive Child Immunization Act of 1993.

Signs into law an act to extend the suspended implementation of certain requirements of the food stamp program on Indian reservations and for other purposes.

Addresses Naval Academy Midshipmen, Annapolis, Maryland.

Outlines aid to Russia in address to the American Society of Newspaper Editors, Annapolis, Maryland.

"Just today, the Congress passed the heart of my economic program, a long term plan to drastically reduce the deficit and increase investment in our nation?s future. After years of policies that have diminished our future, Washington has finally realized that the best social program is a good job, and the best route to deficit reduction is a growing economy founded on a bold plan of change that will both cut spending and increase investment to empower the working people of our country."

? Address to the American Society of Newspaper Editors, Annapolis, Maryland

"Decisions command attention. Crises drive action. But it is only with an overriding sense of purpose, drawn from their history and their cultures, that great nations can rise above the daily tyranny of the urgent to construct their security, to build their prosperity, to advance their interests, and to reaffirm their values."

"Like a wise homeowner who recognizes that you cannot stop investing in your house once you buy it, we cannot stop investing in the peace now that we have obtained it. ...vision must drive our investment and our engagement in this new world."

"Nowhere is that engagement more important than in our policies toward Russia and the newly independent states of the former Soviet Union. Their struggle to build free societies is one of the great human dramas of our day."

? Address to the American Society of Newspaper Editors, Annapolis, Maryland

Day 73: April 2, 1993

Holds Forest Conference, Portland, Oregon; conference convenes interests at odds over management of the Nation?s forests in the Pacific Northwest.

Declares major disaster in the State of New York due to effects of the bombing of the World Trade Center and in the State of Nebraska as a result of severe March flooding and ice jams, authorizing emergency relief assistance.

Day 74: April 3, 1993

Summit with Russian President Yeltsin, Vancouver, BC.

Meets with Canadian Prime Minister Mulroney, Vancouver, BC.

Lunch meeting with Prime Minister Mulroney and President Yeltsin.

Radio address on the economic plan and aid to Russia package.

Working dinner with President Yeltsin.

Day 75: April 4, 1993

Summit with Russian President Yeltsin, Vancouver, BC.

News conference (number 9) with President Yeltsin.

Issues Vancouver Declaration: Joint Statement of the Presidents of the United States and the Russian Federation.

Day 76: April 5, 1993

Throws out first pitch at opening day, baseball game between the Baltimore Orioles and Texas Rangers, Oriole Park at Camden Yards, Baltimore, Maryland.

Day 77: April 6, 1993

Meets with Egyptian President Mubarak.

News conference (number 10) with President Mubarak.

Signs act providing for temporary increase in the public debt limit.

Day 78: April 7, 1993

Signs enabling legislation providing for the "National Commission to Ensure a Strong Competitive Airline Industry".

Day 79: April 8, 1993

Submits budget to Congress.

Meets with Defense Secretary Aspin and Joint Chiefs of Staff at the Pentagon.

Day 80: April 9, 1993

Announces the White House will send to Congress proposed legislation to extend fast track for the Uruguay Round of the GATT negotiations.

Day 83: April 12, 1993

Addresses the first Technology Reinvestment Project Conference via satellite.

Issues statement on jobs package and immunization of children.

Announces that General Vessey will travel to Vietnam as the President?s Special Emissary for POW/MIA Affairs.

In first engagement outside of NATO territory, NATO forces begin enforcement of no-fly zone in Bosnia, a policy urged by the President and adopted by the United Nations.

Day 84: April 13, 1993

Hosts town meeting to discuss summer jobs proposal and school-to-work training for young Americans, with Secretaries Riley of Education and Reich of Labor and the U.S. Chamber of Commerce, via satellite.

Delivers speech at Ceremony honoring 250th anniversary of Thomas Jefferson?s birth, Jefferson Memorial.

"The genius of Thomas Jefferson was his ability to
get the most out of today while never taking his eye

off tomorrow, to think big while enjoying the little things of daily life. Perhaps most important, he understood that in order for us to preserve our timeless values, people have to change. And free people need to devise means by which they can change profoundly and still peacefully."

o Remarks at Ceremony honoring the 250th anniversary of the birth of Thomas Jefferson, Jefferson Memorial

Day 85: April 14, 1993

Addresses at Summer Jobs conference on jobs package, Crystal City, Virginia.

Releases letter to Congressional leaders consistent with War Powers Resolution, advising of actions in support of United Nations efforts in Bosnia-Herzegovina.

Day 86: April 15, 1993

Addresses speech to law enforcement organizations on jobs package provision for hiring police officers.

Day 87: April 16, 1993

Announces jobs package revisions to break gridlock in the Senate; reduces size of package by 25%, but reduces jobs created by only 18%; maintains original full funding for unemployment benefits, highway improvements, summer jobs, childhood immunization, Ryan White program for AIDS victims, wastewater treatment, food safety, and assistance to small businesses; new provision includes $200 million for new police hiring.

Meets with Japanese Prime Minister Miyazawa.

News conference (number 11) with Prime Minister Miyazawa.

Day 88: April 17, 1993

Delivers speech on the jobs package, Pittsburgh Airport, Pittsburgh, Pennsylvania.

Radio address on the jobs package, Pittsburgh, Pennsylvania.

Day 90: April 19, 1993

Delivers speech on the jobs package to the Building and Construction Trades Union of the AFL-CIO.

Issues statement on federal operations in Waco, Texas.

Issues statement on death of Turkish President Ozal.

Day 91: April 20, 1993

Issues statement and conducts news conference (number 12) on Federal Operations in Waco, Texas.

Meets with Czech President Havel.

Day 92: April 21, 1993

Delivers speech on the eve of Earth Day; announces U.S. will sign international treaty to protect biodiversity; commits U.S. to specific targets and timetables to reduce emissions of greenhouse gases;

outlines long term strategy to protect the environment while promoting economic growth and creating millions of new high-skill, high-wage jobs.

Issues Executive Order to increase the use of alternative fuel vehicles in the federal fleet.

Issues Executive Order to reduce government use of ozone-depleting substances.

Issues Executive Order requiring federal agencies to use energy efficient equipment.

Meets with President Walesa of Poland, Prime Minister Meksi of Albania, President Havel of Czech Republic, President Zhelev of Bulgaria, President Tudjman of Croatia, President Herzog of Israel, President Soares of Portuguese Republic, President Iliescu of Romania, President Goncz of Hungary, President Kucan of Slovenia, President Kovac of Slovak Republic, and Prime Minister Sangheli of Moldova.

Republican filibuster prevents vote on jobs package in the Senate.

Submits sweeping education reform legislation, "Goals 2000," to Congress.

"For all our differences, I think there is an overwhelming determination to change our course, to offer more opportunity, to assume more responsibility, to restore the larger community, and to achieve things that are larger than ourselves and more lasting than the present moment.

All across this country, there is a deep understanding rooted in our religious heritage and renewed in the spirit of this time that the bounty of nature is not ours to waste. It is a gift from God that we hold in trust for future generations."
Earth Day address

Day 93: April 22, 1993
Delivers address at the dedication ceremony of the United States Holocaust Memorial Museum.

Day 94: April 23, 1993
News conference (number 13)

Day 96: April 25, 1993
Addresses the Newspaper Association of America, Boston.

Day 98: April 27, 1993
Announces proposal for campaign finance reform to limit campaign spending, curb the influence of special interests and open greater access to communication with voters.

April 30, 1993
Outlines legislation to enact a National Service plan.

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THE WHITE HOUSE

WASHINGTON

May 3, 1993

TO: ROBERT RUBIN

FROM: BO CUTTER

RE: DEVELOPING AN ECONOMIC FRAMEWORK

As we have discussed for sometime, the development of an economic framework is an increasingly significant task for the NEC. Laura Tyson and I have discussed this and intend to initiate an effort. This memo discusses:

- What I mean by a framework;
- How one could be developed; and
- How one would be used.

The ultimate objective I have in mind for this effort is to provide a way for the President to position himself differently with respect to the economy; and to create a Presidential-level vision of the economy. The reason I think that this is an appropriate and plausible effort to pursue is that the changes occurring in the economy both require a new vision and provide a political opening for a "new democratic" approach to seize a larger part of the business community.

I want to emphasize that I believe that an effort such as this is extremely important for three major reasons:

- Given the major changes that are occurring in the U.S. and the global economy, we cannot develop a sensible overall economic strategy unless we put in place a significant effort to understand the changes. While every agency probably has some kind of policy effort organized, we do not have an overall effort;

- There is no reason to assume that the efforts of parts of the government will naturally add up to a coherent whole unless we create some form of framework; and

- We cannot position the President and the Administration in a new way unless we build a far better vision of what that new way might be than we currently have.

I believe that one of our current problems is that in a time of vast change, which is at least sensed by the voters, we do not have a coherent vision of the emerging economy and how we can be successful within it. At best we have a programmatic vision - i.e. we have emphasized what programs we will introduce. However, I would argue that a programmatic vision quite literally detracts from how a President is perceived. I wouldn't.

1. Defining a economic framework

An economic framework would consist of:

a) A view/vision of how the economy is changing and of what the economy will look like in five years and ten years

- by this, I do not mean short-term macro-indicators, but, rather, such underlying fundamental trends as
  - the integration of the global economy;
  - the changing structure of industries;
  - the rising importance of science and technology; and
  - the crucial role of human capital.

previous "predictions" inspire nothing but humility.

b) A view of what this emerging economy means for the United States

c) a general economic strategy considering how our policies can be better matched to this emerging economy and how we can improve our over-all economic performance.

2. Developing an economic framework

I believe ... bureaucratic warning: you are equating yourself with Bo

a) Laura and I should assemble a small group intended to function like the trade framework group

b) This group should -
- consider the Administration's current economic objective and commitment;
- analyze and describe the economy of 8-10 years from today and the major driving trends (including likely changes in global economy); and
- outline appropriate long-term economic policy and strategy

c) This framework should be discussed thoroughly by the principals and used as the basis for an review or series of reviews with the President

d) I believe that we could be ready for a discussion with the President after he returns from the Tokyo summit

3. Using an economic framework

The principal argument for a framework is the following: **in a time of enormous economic change, a new vision is required which allows the President to position himself and the Administration, and which focuses and integrates the administration's policy development. The creation of such a framework is a means of moving "Its the Economy Stupid" into a Presidential and government focus.**

The framework would be:

a) Used as the basis for a series of planned speeches by the President and Cabinet officers that lay out a broad economic vision; I'm a bit dubious.

b) The basis for a periodic (quarterly?) annual, if it's long run assessment for the President of the direction and coherence of administration economic policy; and

c) The context for developing macroeconomic and microeconomic policy within the Administration.

The objective of such a framework is best considered from the perspective of a date at some point in the future - such as November 1, 1996. We would want the voters and the media to believe broadly - at that time - that we understood the economy in a unique way; that we had a vision of how to improve our economic performance; and, that we had reasonably consistently stayed with the vision. 8-10 years just shrunk to ~3 yrs!

4. Conclusion

The principal concern I have about this effort is whether or not the President would consider it worthwhile. This really means whether or not the President would be willing to participate in a series of discussions which were not immediately programmatic but were intended, instead, to consider what our programs ought to be. indeed

Without line-by-living the list, the words "Alvin Toffler" came to mind.

Global economic trends

(these are put forward as the kind of development we have to worry about as we try to develop a framework - I would argue that when brought together they suggest a very different economy than the one we now have.)

- The international economy becomes - on the margin - an increasing source of U. S. economic growth - both trade related activity; and global activity - i.e. U. S. service internationalization; integrated global companies.

- The source of international economic growth moves from Europe to Asis and Latin America - this does not imply a complete swing but rather a disproportionate emphasis on the margin.

- The U. S. economy experiences much higher productivity growth as U.S. companies begin to use network technology and distributed intelligence better.

- Employment growth and value growth begin to be "decoupled" - this means that GDP growth does not generate as much employment on the margin as in the past; and that companies will experience a greater rate of growth of market or shareholder value than job growth.

- Information and telecommunications technology become pervasively deployed; and begin to have fundamental effects on business structure -

  - the "network economy " begins to emerge - i.e. an economy in which many activities that were formerly carried out through the institution of corporate ownership are now executed through network relationships -
    - the network manufacturer emerges - agile manufacturing begins to be the norm -
    - logistics management and distribution managed via networks
    - the electronic auction become a significant aspect of business
    - linkage to disparate retail outlets via networks becomes commonplace/ home shopping becomes major

  - economies of scale and of vertical integration become much less significant

- the very large company loses significance as an important aspect of the U.S. economy

  - end of economies of scale and of vertical integration
  - difficulty of managing shortening product life cycles

- the middle sized company - roughly $50 million to $1 billion become the core of the U.S. economy

- different kinds of companies emerge - the network manager (NIKE)

• The trend toward the U.S. as a service economy accelerates - in terms of employment -

• Information and knowledge become an increasingly greater aspect of U. S. economic growth -

  - continued very high returns to R&D

• The structure of U.S. employment moves from a triangle to a barbell -

  - middle management (as we know it today) disappears virtually completely within the next 10 years

  - knowledge intensive employment increases substantially - at all levels - i.e. this is not simply a senior management phenomenon

  - non-knowledge oriented employment in either manufuacturing or service industries is under growing pressure from technological change or from low-wage international pressure

(remember this is occurring in an economy in which employment and value creation are decoupled)

• The ownership and governance of major corporations changes in major ways - in particular the funds begin to exercise major ownership responsibilities

• The role of major corporations in U.S. economy changes - locus of control of major core competancies which are "rented" to smaller, more agile companies for actual operational use

• issue emerges over the division of returns - i.e. in a high return economy - as hypothesized - how is work in the employment sector that will be under pressure allocated; how are returns (income) received

- The economies of the inner cities will not dramatically improve

THE WHITE HOUSE

WASHINGTON

June 29, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT E. RUBIN

SUBJECT: **Secretary Reich Memorandum Regarding U.S. Leadership on Structural Unemployment and Labor Market Policies in G-7 Nations**

Bob Reich asked me to pass on to you the attached memorandum. I agree with Bob's recommendations, although I would allow each country to designate three representatives rather than specify the Ministers of Labor, Education and Technology. In two of the governments that I knew reasonably well before I came here, the most appropriate representatives would have included individuals who were not occupants of those three Ministries, and I think the same is true of our government today.

I would also add that my own instinct is that there may well be another dimension of historic importance to the unemployment problem, to wit a disconnect between GDP growth and employment due to technology, new ways of organizing workforces and globalization. Quite a few members of your economic team don't feel there is a new phenomenon, but all agree that if there is, appropriate additional policy prescriptions are not at all clear.

Finally, the world is currently in a negative economic cycle, which is likely to last at least through the better part of 1994. Laura Tyson and I were discussing this just this morning, and we both agreed that whatever you do can at best have relatively little impact on hastening the return of more favorable cyclical conditions, although we should certainly pursue macro-economic coordination. The Administration's economic programs, including investments, deficit reduction, regulatory review, trade, and micro-economic measures, can, on the other hand, have a significant impact over the long run. We also agreed that difficult conditions give rise to quick fixes, like President Ford's famous WINSP buttons, which are unsound and counterproductive.

Attachment

cc: ASB
JES

THE WHITE HOUSE

WASHINGTON

December 21, 1993

MEMORANDUM FOR SECRETARY BENTSEN
SECRETARY BROWN
SECRETARY REICH
LEON PANETTA
LAURA TYSON
CAROL RASCO
TONY LAKE

FROM: ROBERT E. RUBIN

SUBJECT: **1994 Agenda**

The President, a couple of weeks ago, returned the attached summary memo on our low-budget impact economic ideas, with a note that he wanted a meeting on this. In view of his December schedule, that meeting won't be held until January.

Meanwhile, it seemed like a good idea to meet to see which of those initiatives had enough support to begin work now, and to decide who should do what.

In addition, we could talk about our agenda for 1994 -- what we think the economic team should be focusing on. Some items would be determined by events already scheduled or likely to happen, e.g., the March G-7 jobs conference, the need to combat the balanced budget amendment, the economic component of the Western Hemisphere Conference, the automobile initiative, and the 1996 budget process. Others would be ideas for initiatives by us, e.g., an analysis of the concept of regional economic strategies, for which CEA is already preparing a framing discussion document, or a more fully developed inner-city strategy. Obviously, many of the things on our agenda will be handled jointly with an appropriate other policy council.

Finally, we could review the list of existing working groups, and see if any should be deleted.

Sylvia Mathews will prepare an agenda for this meeting. You might refer thoughts for that agenda to me or to her, and she also will be in touch with your chief of staff on this.

I would guess that this undertaking will require several meetings, but we'll know better after our first meeting. Hopefully, this process will help us plan better for what we know is coming, continue coordinating effectively, and stimulate creativity.

This memo is also being given to the President and Vice President, to see if they have any items they would like to put on our agenda.

Attachment

cc: Mack McLarty, David Gergen & George Stephanopoulos

THE WHITE HOUSE

WASHINGTON

October 21, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: LLOYD BENTSEN, RON BROWN, BOB REICH, LEON PANETTA, LAURA TYSON AND BOB RUBIN

SUBJECT: **Possible Economic Initiatives with Little or No Budgetary Impact**

This memorandum briefly summarizes several budget-neutral or low-cost measures which might be taken to improve the performance of the economy in the short- to medium-term (these are in addition to the components of your investment program, which all have substantial budgetary impact). None of this reflects any particular view of the economy, but is simply consistent with our effort to do everything sensible to promote economic growth.

We all felt that this carefully culled list was worth bringing to your attention, as providing the potential for contributing usefully to increasing economic growth and creating jobs. However, we differ as to our recommendations on the effectiveness of each of these measures. Thus, the memo notes briefly the pros and cons of each measure, and seeks your guidance as to which options, if any, you would like us to pursue further.

We could schedule a meeting with you to discuss these options, or you might just indicate on this memo which options you think merit further consideration.

The various measures we have reviewed are grouped into six categories.

Talk to Larry Katz ⇓ and Jay Dooshy

I. PURSUE REGIONAL ECONOMIC STRATEGIES

Need: Certain regions lag behind the national economy and continue to suffer from relatively high unemployment, particularly the Northeast and California. Changes in federal policy (particularly base closings and defense downsizing) have contributed to this situation.

Options & Analysis: The Administration might propose a package of policies aimed at encouraging economic recovery in high-unemployment regions. "High-unemployment regions" could be defined as Standard Metropolitan Statistical Areas (SMSAs) with an average 1993 unemployment rate in excess of 125% of the national average. Such a definition would include roughly 50 SMSAs, including 11 in California; 6 total in New York, New Jersey, and Connecticut; 5 total in Michigan and Illinois; 5 each in West Virginia and

Texas; and 3 each in Pennsylvania and Massachusetts. Such a regional economic package might include:

- **Option I-A: Incentives for commercial lending in distressed regions.** FDIC premium relief could be linked to increased lending in distressed regions through amendment of the Bank Enterprise Act.

- **Option I-B: Limited preferences for distressed regions within certain discretionary economic development and investment programs.** The various departments could provide expedited treatment and a limited priority to areas with unemployment rates in excess of 125% of the national average.

- **Option I-C: Reinforcement or expansion of existing federal procurement preferences for distressed areas.** Existing procurement regulations provide a preference for bidders operating in high-unemployment areas. Through an Executive Order, this regulation could be enforced more systematically or expanded to include an additional preference for firms in **severely** distressed regions (a definition for **severely** would need to be developed).

General Budgetary Analysis: Option I-A would require legislation and a modest pay-as-you-go (PAYGO) offset. Option I-B and Option I-C could be executed without legislation and would be budget-neutral.

Other Considerations: A converse consideration is that relative regional performance varies over time, and perhaps we should rely on regional evening out over time rather than trying to compensate for these disparities. Moreover, compensating might detract from maximizing economic performance for the whole country; even this type of compensatory program can create all kinds of controversy, and the time lag and other problems on compensatory programs may make them relatively ineffective. It is worth noting that the concentration of spending in some regions unavoidably entails reduced spending in others, although that problem is lessened where the program is "place-neutral".

II. EXPAND HOUSING AND HOMEOWNERSHIP

Need: The most recent monthly numbers on housing starts and permits were encouraging, but there is considerable unmet demand for affordable multi-unit rental housing in some markets.

Options & Analysis: The Administration might propose a package of policies aimed at expanding housing and homeownership opportunities. Such a package might include:

- **Option II-A: Elimination of penalties on IRA withdrawals for investments in housing.** Under this option, the IRS would waive penalties (but not taxes) on IRA withdrawals that are directed into housing investments. This option is likely to increase net savings, but may, in the long run, reduce revenues and the liquidity of retirees.

- **Option II-B: Temporary relaxation of FHA lending requirements.** Home purchases could be stimulated by a temporary easing of FHA requirements, such as by deepening subsidy rates or by relaxing underwriting criteria. Such a program could be targeted toward first-time and middle-class homebuyers.

- **Option II-C: Provide direct, non-subsidy government lending for low-income housing construction.** The slow rise in housing starts, despite historically low interest rates, highlights a weakness in capital markets: the speculative nature of housing construction fits poorly with the current risk aversion of lenders. The government could address this by creating an unsubsidized, direct-lending program for low-income housing construction. The government's cost of capital is lower than the private sector's and the government can, through its public housing programs, control some of the risk in low-income housing construction. Such a program would lend at the government's cost of capital (currently about 4%) plus an economically appropriate risk premium -- for a total rate lower than the current private rates of prime-plus-4%.

- **Option II-D: Encourage Fannie Mae and Freddie Mac to accelerate their efforts in underserved areas and sectors.** Fannie Mae and Freddie Mac are required, within three years, to devote 30% of their annual purchases to low- and moderate-income mortgages, and (a non-exclusive) 30% to mortgages from central cities. The Administration could encourage the GSEs to meet those obligations more rapidly (e.g., within two years).

General Budgetary Analysis: Option II-A and Option II-C would require legislation and very small PAYGO offsets. Option II-B and Option II-D could be executed without legislation and would be budget-neutral.

Other Considerations: Housing incentives are generally well received, although some may feel that the tax code currently provides more than adequate subsidies for housing. The primary resistance will likely be to Option II-C, with lenders resisting the expansion of direct lending into an area of their traditional business. Others may see direct lending as a competitive threat to the existing low-income housing tax credit programs.

III. IMPROVE THE EFFICIENCY OF CAPITAL MARKETS

Need: In general, our capital markets work well, but there remain significant inefficiencies by regulatory measures, by tax requirements, and by market failures.

Options & Analysis: The Administration might propose a package of policies aimed at improving the functioning of capital markets (this is in addition to the matters discussed in your recent meeting on banking). Such a package might include:

- **Option III-A: Encouragement for pension funds to invest in "economically targeted investments" (ETIs).** Pension funds, which control a large portion of US assets, remain conservative in their investment patterns. Non-statutory changes in ERISA practices -- revisions to regulations and PBGC guidance -- could encourage limited investment in more aggressive and job-creating activities.

  The successful experience of state-employee pension funds with ETIs is encouraging, but some economists believe that there is no market failure and so no need for this measure. In addition, even with the proper information and regulation, expanded investment in ETIs places the pension system at greater risk.

- **Option III-B: Revisions to the "step up in basis at death" in order to free up low-basis, "frozen" assets.** The "step up in basis at death" creates inefficiencies by encouraging taxpayers to retain less productive, but highly appreciated, assets in order to take advantage of the step up in basis. About $100 billion in capital gains escape taxation each year because of this provision. The existing program could stay in place, but with the addition of preferential capital gains treatment for long-held, low-basis assets that are reinvested for a minimum period into specified job-creating investments. This would free up these assets for more efficient investment.

  Some economists believe that the problem of "locked-in" assets is overstated and are skeptical about claims of efforts to identify "qualified" investments. Others emphasize that requiring that assets be held for a certain period will encourage taxpayers who would otherwise sell, to retain their assets so they can qualify for preferential treatment.

General Budgetary Analysis: Option III-A would be budget-neutral and would not require legislation; Option III-B would raise modest amounts of revenues and would require legislation.

Other Considerations: There is very strong sentiment in Congress against new tax legislation this year. The step up in basis has historically proven to be a very difficult political issue (the provision was repealed in 1976, only to be reinstated retroactively), and thus elimination, even if desirable, would seem unachievable.

IV. ENCOURAGE BUSINESS EXPANSION AND NEW BUSINESS FORMATION

Options & Analysis: Policies aimed at small business encouraging "business starts" and business investment might include (all of this could be limited to some definition of small business):

- **Option IV-A: Intergovernmental New Business Incubators (INBIs).** INBIs encourage "business starts" by establishing agreements among federal, state and local governments to waive or defer for two years specified regulatory and tax requirements for new businesses in specified geographic areas. This regulatory relief would be combined with a restructuring and enhancement of SBA services in the area.

  Proponents argue that regulating costs that are reasonable for **existing** businesses are too great for **new** businesses, and so should be deferred, selectively. While federal regulations are, at times, burdensome, a majority of the requirements imposed on new businesses are imposed by **state and local** governments. Thus, a regulation-reforming, job-creating effort must be intergovernmental.

  Opponents say that such deferral, even though selective, sacrifices non-economic purposes (such as consumer protection and environmental protection) for economic growth.

- **Option IV-B: Partial expensing of depreciation deductions.** One way to encourage short-term private investment and consumption is to allow partial expensing of depreciation deductions -- that is, to allow businesses to choose between, say, 50% of the cost of new equipment as an expense and 100% of the cost of the equipment at the standard depreciation schedule. This would effectively allow businesses to borrow (at no cost to the government) against their future deductions.

- **Option IV-C: Expanded SBA lending.** Particularly after the latest program reforms, the SBA 7(a) program is one of the most budget-cost-effective methods for accelerating economic growth. The "credit subsidy" rate for 7(a) loans is less than 6%; thus $1 billion in loans is scored as costing less than $60 million. In the past few years, demand for SBA loans has far outstripped supply; some estimate that excess demand may be as great as $4 billion per year.

General Budgetary Analysis: All three options would require legislation. Options IV-A and IV-C would require small funding offsets; properly crafted, partial expensing would be budget-neutral.

Other Considerations: Expanded SBA lending would probably be politically popular. Partial expensing could be politically difficult. The Bush Administration was unsuccessful with a partial expensing proposal, and there is Congressional resistance to additional tax legislation.

Regulatory deferrals for new businesses are likely to be politically controversial, given the effect on non-economic purposes, and these "incubators" would involve complex multiple committee jurisdictions. One-hundred INBIs, each with deferral authority for 500 new businesses, would allow the Administration to claim credit for encouraging 50,000 new businesses.

V. REMOVE IMPEDIMENTS TO ECONOMIC ACTIVITY, WHERE APPROPRIATE

Need: There are an enormous number of federal governmental impediments to economic activity, including regulations, export controls, trade embargos and other similar measures, which should be reevaluated, because circumstances have changed or there is duplication or conflict, or economic impact was given inadequate weight in the initial decision or is now greater than was initially projected.

Options & Analysis: Proponents of such reevaluation argue that an effective effort to reduce impediments could have an enormous economic impact, with no budgetary cost and without inappropriately affecting non-economic purposes. Every recent Administration has tried to come to grips with this question (President Carter's notion of sunsetting, President Reagan's deregulation rhetoric and efforts, President Bush's Vice Presidential Competitiveness Council). Reducing impediments is tremendously important; the question is how to do this in a way that is both substantively and politically effective and sensible.

Also, accomplishing the reduction of impediments generally requires overruling an entrenched and/or static mind-set someplace in the federal government. For example, the recent removal of export controls on many classes of computers, and the Executive Order directing cost-benefit analysis in a look back at existing regulation, have large potential economic impact, but required overriding some contrary views.

Also, opponents might argue that this effort could spark all kinds of controversies with supporters of these non-economic purposes. Also, there is the most sophisticated question of when are some seemingly non-economic purposes, in the long run, also good economics.

- **Option V-A: Requirements for an "economic impact analysis" of every significant governmental action -- regulation, Executive Order or legislation.** There is almost always a tendency to inadequately consider economic effects, when pursuing other purposes. Recognizing this, you might require the Administration to complete an economic impact analysis for every significant Administration policy action, and propose the same for legislation. The analysis would include an evaluation of the impact of the action on markets, productivity, and competitiveness, and would send a strong signal that the Administration recognizes the significance of regulatory and other, similar burdens.

However, such a requirement could be criticized as redundant with the regulatory review required under the new Executive Order, or as simply creating a new, and vast, bureaucratic exercise.

- **Option V-B: Presidential Directive for reducing impediments and for quarterly Presidential review.** The same purposes as Option V-A could be pursued less systematically, but with vastly less effort, by a Presidential directive to vigorously re-examine economically significant regulations, export controls, trade embargos, and the like, and to minimize them to the extent appropriate, in view of the non-economic purposes involved. This could be combined with a quarterly report to the POTUS from some appropriate body (perhaps an OMB-led standing NEC group) on the status of this effort. (In a sense, this takes the recently signed Executive Order on Regulatory Review and carries it one step further.)

- **Option V-C: Independently of the above, or in conjunction with the above, Presidential Directives to expedite review of all remaining export controls, trade embargos, and regulations having major economic impact.** Proponents would allow that this is consistent with the view that there is enormous economic potential in facing these issues. Opponents would argue that this would create political and substantial controversies. If this were to be pursued, the definition of which regulations would be looked at would need to be clarified.

General Budgetary Analysis: There are no budgetary impacts.

VI. OTHER

- **Option VI-A: Jawboning for jobs creation.** Some of the sluggishness in job creation (as seen in the increase in overtime and part-time employment) stems from business' reluctance to create new full-time, full-wage jobs: You might challenge American business to utilize part of its refinanced debt to create more jobs. The Administration, proponents of this measure argue, is working to create a favorable economic climate -- a deficit under control, low interest rates, international macroeconomic coordination -- and business must now do its share.

  Opponents of this measure argue that such jawboning would have little effect and could be viewed as an act of frustration, or of shallow thinking, like President Ford's famous WIN buttons. Jawboning could also create expectation of more dramatic policy changes, thereby freezing business investment and hiring decisions.

- **Option VI-B: Improved labor market information for displaced workers.** The current structural changes in the American economy have resulted in great uncertainty for the individual worker about "where the jobs are." You might direct the Labor Department to analyze which occupations and skills are in short supply, and to issue a report on the matter within 60 days. This would provide some guidance for workers facing training and retraining decisions.

General Budgetary Analysis: Neither of these options would require legislation; all would be budget-neutral.

Overall Conclusion: As noted in the introduction, we have tried to give you a brief sketch of the pros and cons of a number of possible initiatives, and the signatories of this memo are not unanimous on any of them.

Please let us know which of these possible initiatives, if any, you would like us to pursue, and whether, prior to making that judgment, you would like to meet for further discussion.