E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E

19-Apr-1993 08:37am

TO: (See Below)

FROM: Jeffrey L. Eller
Office of Media Affairs

SUBJECT: Talking Points 4/19

Comments on the President's Schedule
April 19, 1993

* The President addresses a gathering of members of the Building and Construction Trades to discuss his jobs plan pending before the Senate.

PUTTING PEOPLE BEFORE POLITICS;
THE ECONOMIC CASE FOR THE PRESIDENT'S JOBS PLAN

* For sixteen months in a row the unemployment rate has been over 7%. Sixteen months. This is a jobless recovery with no relief in sight for literally millions of working Americans, and we must do something now.

* There are over one million less private sector jobs now than there were before the recession even began. Last year more businesses failed than any time in memory. Last month we lost another 22,000 jobs, including fifty nine thousand construction jobs.

* There are now 16 million Americans who are looking for the wages and the dignity of full time work but cannot find it.

* We're not willing to say to the seven point one per cent of Americans who are unemployed, to the millions more who are under-employed, to the tens of millions of our youth who are about to enter the job market, that opportunity is over in America, that this is as good as it gets.

WHY THE SENATE SHOULD PASS THE CLINTON JOBS PLAN

* Our initiative will create half a million new jobs in the next year and a half, and that would reduce the unemployment rate half a percent.

* This isn't about an economic theory. It's about tens of thousands of men and women doing jobs that need to be done: constructing highways and mass transit systems, repairing bridges and building waste water treatment facilities and sewer systems. It's about building parks for our children. It's about offering 700,000 jobs to young people to provide the opportunity that a summer job affords.

* Americans are tired of Congress in gridlock and an economy that doesn't produce jobs. The Senate should pass the Clinton jobs plan and get the economy moving again.

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4/16/93 b.c.

Talking Points for Jobs Compromise

Description

o The President announced today a compromise recommendation to the Senate leadership on the jobs stimulus bill intended to break the gridlock. While the jobs bill has the support of a majority of Senators, it has been stalled by a filibuster over the past several weeks.

o The compromise would involve the following:

--Overall budget authority levels in the bill would be reduced by 25% from $16.2 billion to $12.2 billion. However, the jobs created by the bill would be reduced by only 18%.

--Unemployment benefits, highway programs, summer jobs, childhood immunization, Ryan White program for AIDs victims, construction of wastewater treatment facilities, food safety, and assistance to small business would be fully funded. In addition, the President would target $200 million for grants to local governments to provide additional police protection.

--The remaining programs would be subjected to an across-the-board reduction of 44 percent. Programs in this category include CDBG, technology, education, science and housing programs.

o The President is reluctant to approve any compromise that reduces the overall number of jobs created by his economic plan. But his interest is in breaking gridlock and jumpstarting the economy, and his offer to the Senate leadership is designed with both objectives in mind.

Questions and Answers (not for distribution)

Q. Does the Administration have any Republican support for the compromise proposal?

A. The President has recommended a course of action to the Senate leadership in the hopes of moving forward his jobs bill. The specifics of this proposal were not discussed in advance with Republican members.

Q. Is this proposal a first proposal in a series of negotiations or does it represent a final offer?

A. Negotiations cannot be conducted with only one party. The Republicans have not offered any alternatives to the president's jobs bill. Reluctantly, the President has acknowledged the procedural difficulties faced in the Senate and has offered a compromise position that achieves some but not all of his economic objectives.

Q. Will this proposal survive the Senate?

A. It is our hope that the proposal will be adopted as the Mitchell/Byrd substitute and pass the Senate.

Q. Why did the Administration exempt certain programs from the across-the-board reduction?

A. The President was forced to make difficult choices amongst a series of priorities. The programs selected for funding included those where funding in fiscal 1993 is most desperately needed. We will continue to press for funding of those programs subjected to the across-the-board reduction as part of our long-term investment strategy in the fiscal 1994 and subsequent appropriation bills.

Q. What has the Administration been doing over the recess to generate additional support for the jobs bill?

A. The President has spoken several times on the need for the legislation and the reasons for specific program increases. Senior White House officials, Cabinet members and others have discussed the economic benefits of the proposal with a number of Republican members and urged their support.

BACKGROUND MATERIALS
NOT FOR DISTRIBUTION

3/11/93.cb

The President's Economic Plan and Children

FULL FUNDING OF HEAD START:

Children who participate in Head Start do better in school and become more productive as adults. By giving them the caring, stimulating environment they need, Head Start programs enable at-risk children to become problem-solvers instead of problems. Thousands of parents and selected studies have testified to the program's success, but for years our government -- despite promises --- has failed to make Head Start available to all the children who need it. With this initiative, one of our country's most cost-effective programs will become far more widely available and help change countless lives.

The Administration's goal is to move swiftly on a path towards full-funding for an estimated 1.4 million eligible disadvantaged children.

In its stimulus package, the Administration is also proposing a Head Start Summer Program to enroll up to 350,000 disadvantaged children this summer. In addition, the President's proposal pays for related programs, such as Head Start-related child care feeding to pay for meals at Head Start centers and Head Start related Medicaid to fund new entrants in the Medicaid program resulting from Head Start expansion.

FULL FUNDING OF WIC PROGRAM:

If our nation is going to prosper, our children will have to grow up healthy, not hungry. This special supplemental food program for women, infants, and children (WIC), helps make sure they do.

> **The Administration aims to expand 1993 funding to serve an additional 300,000 participants this year (mostly children ages 1-4). By the end of 1996, all eligible children ages 1 to 4, including some 2 million who were not served last year, can be assisted with the proposed investment of $1 billion in 1997, $2.6 billion over four years.**

EDUCATION REFORMS AND INITIATIVES:

All American children need greater access to better education -- not just to make the American Dream more available, but to make the American economy more productive.

> **These initiatives will provide $2.7 billion in 1997, $6.2 billion over four years, to support reforms and reauthorizations in elementary, secondary, and postsecondary education, including state and local systemic reforms, a new SAFE Schools program, student assistance program improvements, and support of Historically Black Colleges and Universities.**

The President also proposes an expanded Chapter 1 Summer School program this summer for educationally disadvantaged children.

EARNED INCOME TAX CREDIT (EITC):

In America, no one who works should have to raise a family in poverty. The EITC currently provides refundable tax credits to low-income working families with children. By expanding the EITC, we will assure that a family of four will not be forced to live in poverty, if one of the parents works full-time at a minimum wage job.

IMMUNIZATIONS:

The President's plan to increase childhood vaccinations to help fight against resurgence of preventable childhood diseases will immunize one million children during the summer of 1993 and will ensure that the United States guarantees immunization for all its children.

> **As a result, Americans will not have to face $10 in avoidable health care costs for every $1 we should have spent on vaccines. The Administration proposes to award $300 million to support a community--based effort to finance vaccine purchases and education and outreach campaigns.**

This program will help to raise the Nation to the standards of child immunizations set by other advanced countries, which we have fallen far behind. Too many families are deterred by outrageously high costs from having their children immunized. The President intends to end that problem.

The President will direct HHS Secretary Shalala to enter negotiations with drug manufacturers to assure that states can purchase the vaccines they need at affordable prices. And the health care task force is preparing legislation that will guarantee the immunization of every child.

JOB CORPS, YOUTH EMPLOYMENT AND TRAINING, AND APPRENTICESHIPS:

The Job Corps program provides remedial education, occupational skills training, supportive and job placement services to severely disadvantaged youth in its network of 110 residential centers. The President would provide resources to increase the size of the Job Corps program by 50% by the year 2001; increase the number of participants to 104,000; finance 50 new residential centers; and repair and renovate existing centers.

The Summer youth employment and training program (SYETP) offers economically disadvantaged youth work experience in public and nonprofit agencies during the summer. This summer, the President would add 700,000 summer jobs. Over the succeeding four years, the proposal includes a $2 billion investment in this program to provide 2 million additional summer youth jobs, including an enriched program of work experience, basic skills training, testing, counseling, and closer coordination with schools.

For high school youth who do not plan to attend college, the President's proposal includes a nationwide system of school- and work-based learning programs in order to reduce drop-out rates and help them make a successful transition to meaningful careers in technical occupations.

PARENTING AND FAMILY SUPPORT:

These initiatives stem from a simple reality: governments don't raise children; parents do. These proposals will empower parents with the skills and the tools they need to help raise their children.

> **They will support disadvantaged parents, including activities to help them work with their children at home and parenting classes, with an investment of $500 million in 1997, $900 million over four years.**

CHILD SUPPORT ENFORCEMENT:

Of the over 10 million women living alone with their children, only half have child support orders and only half of those women receive full payment. Child support enforcement will be strengthened by streamlining paternity establishment; using the IRS to collect seriously delinquent child support; making sure that absent parents who can pay child support do; setting up a national registry to track down deadbeat parents; requiring employees to report child support obligations on IRS W-4 forms; and improving medical support for children.

MEMORANDUM

5/6/93

TO: Kathy Mays
Office of Domestic Policy

FR: Lisa Mortman
Office of Media Affairs

RE: REGIONAL ROUNDTABLE WITH BRUCE REED --
TOMORROW, MAY 7, 11:00AM

Here is a list of reporters confirmed for tomorrow's roundtable with Bruce. I will clear them in and escort them up to your office. Please thank Bruce for making the time available for us -- we appreciate it very much.

Bill Hersey - Akron Beacon-Journal
Tom Brazaitis - Cleveland Plain Dealer
Roger Lowe - Columbus Dispatch
Tom Price - Dayton Daily News
Jack Torry - Toledo Blade
Randy Wynn - Thompson Newspapers

I am still waiting to hear who Crain's will send. As soon as I hear back from them, I will let you know

E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E N T

06-May-1993 06:28pm

TO: (See Below)

FROM: Jeffrey L. Eller
Office of Media Affairs

SUBJECT: Talking Points for Trip

For Internal Use Only

May 6, 1993

TO: Media Affairs Staff
Tom O'Donnell
Bruce Reed

FR: Jeff Eller
Kim Hopper

RE: Next Week POTUS TRIP

On Monday, Tuesday and Wednesday, the President will travel to New York and the Midwest to talk about his economic plan. As you know, we are arrainging press roundtables on Friday with reporters from those states to "pre-set" the message of the trip. Below are some guidance points for those roundtables and for the trip. Until the schedule is publicly announced, you should consider the trips sites as subject to change. However, the message remains the same.

Monday, May 10: Cleveland, Ohio

* The President's address will focus on his economic vision for America.

* The President has a balanced economic program that will create jobs, cut government waste, control spending and invest in the future of America. He is going outside of Washington to bring his economic plan to the people who have the most at stake.

* This economic plan is not about the Republicans, Bob Dole or partisan battles but about real people around the country who are hurting economically.

Tuesday, May 11: Chicago, Illinois

* The President's speech will focus on standing up to the special interests that are standing in the way of economic progress. The President is making the tough choices for the future of the country.

* The President will fight to protect the national interests of hardworking, middle-class Americans over the special interests who want to protect the status-quo. The President understands that good jobs at good wages will not be created by doing nothing. The economic health of the country and the futures of many American are what's at stake.

* The President will represent the interest of the people -- the national interests -- over the power of the special interests. He will represent the national interests over those who say do-nothing. The President's economic plan is a plan of action -- a plan that takes a new approach to job training, diversification, technology and investments in people.

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TALKING POINTS: TOUGH CHOICES IN THE CLINTON ECONOMIC PLAN

May 5, 1993

UNPRECEDENTED CUTS

On February 17, the President presented the largest line-by-line deficit reduction package in history. This was not like 1990, where the President at that time was dragged to the table and where tough choices were made only in conference or "summit." President Clinton has gone out on a limb and made tough, painful choices. Look at how many tough cuts and revenue raisers he proposed that no one has managed to do before:

The Energy Tax: The President proposed a broad-based energy tax on all types of energy, based on the energy content of the fuel (measured in British Thermal Units or BTUs). The new tax will raise $18.3 billion in 1997, when it is fully phased in. Our major competitors rely substantially on energy taxation to raise revenues and conserve energy. In most Western European countries, 60 to 70 percent of the cost of gasoline is tax. [Energy Prices and Taxes, International Energy Agency, 4th Quarter 1992] During the 70's and 80's there were some efforts in the U.S. to raise an import fee, gasoline taxes or other oil product taxes to improve transport infrastructure, to enhance national security or to reduce the deficit.

Reliance on cheap energy is greatly increasing our trade deficit, compromising our security and degrading our environment with harmful greenhouse gases. But proposing an energy tax to accomplish these things takes guts -- because people don't like taxes, because the energy tax history has been abysmal, and because the interests that have traditionally blocked or gutted such measures are still out there. Indeed, we are facing a multi-million dollar, industry campaigns to defeat the proposed tax.

Medicare Savings: The President proposed 32 specific cuts in Medicare spending for a total savings of $38 billion over four years. These proposals for controlling health care costs are short-term savings proposals that focus on providers rather than beneficiaries.

The President's proposed Medicare savings focus on providers rather than on beneficiaries. Those proposals take on doctors and hospitals, and it is always difficult to reduce government health care costs. But rising costs are a major contributor to increases in the deficit, and they must be controlled. The President is taking on that challenge.

Social Security Savings: Up to 50 percent of Social Security benefits are currently included in taxable income for those recipients with income and benefits exceeding $25,000 for individuals, and $32,000 for couples. President Clinton proposed including up to 85 percent of such benefits in taxable income for those with income and benefits exceeding the current thresholds.

This affects the 22 percent highest-income Social Security recipients, who already pay taxes on benefits. It takes guts for an elected official to make any proposal regarding Social Security benefits. But President Clinton is committed to substantial deficit reduction, and that requires taking on entitlement programs. Retirement programs, particularly Social Security, make up 50 percent of entitlements. The President has rejected proposals that would harm those who are most dependent on Social Security benefits for their livelihood. However, he is asking that Social Security be treated like other retirement programs for those who are most able to afford it. He believes most seniors are willing to accept this proposal to help our children and grandchildren in the future. But he has taken on a very tough lobbying group in making this proposal.

OTHER EXAMPLES OF TOUGH CUTS

Rural Electrification Administration Cuts: Despite coming from a rural state that benefits from the REA, President Clinton proposed maintaining electric and telephone loan levels but eliminating loan subsidies on most REA loans -- for an estimated savings of $374 million over four years. REA has performed valuable service for this country, but the loan subsidies have outlived their usefulness. This proposal proves that the President is willing to take on unjustified subsidies without regard to parochial interests.

> **Background:** Historically, this is the kindest cut of REA proposed in the last 12 years. Reagan proposed eliminating the whole agency and Bush proposed to cut loan levels as opposed to interest subsidies. Most likely we will be compromising at roughly half the proposed cuts. Rural utility cooperatives argue that the proposed cuts are unfair because subsidies to other types of utility providers were not cut.

Direct Lending for Student Aid: The President has proposed a phased-in switch to direct lending from the current guaranteed student loan program for savings of $4.3 billion in outlays over five years. The Bush Administration threatened to veto the reauthorization of the Higher Education Act last year over a pilot program to test direct lending. President Clinton is taking on powerful banks and others who want to continue to receive risk-free profits so that instead those funds can be used to reduce the deficit, while students are given incentives to perform national service or other meaningful work.

Cuts affecting Federal Employees: Before asking other Americans to participate in deficit reduction, the President has first demanded that we reduce the cost of government. He expects to save over $30 billion by

- ordering reductions in the Federal work force of at least 100,000
- freezing pay for federal workers for one year and then reducing annual raises through 1997
- ordering a 14-percent cut in administrative costs
- reducing the White House staff by 25 percent
- reducing the number of automobiles and other privileges available to high office holders

Obviously, it's not ~~pleasant or easy~~ requesting cuts that impact federal workers. But the President is asking everyone to sacrifice.

Auction the FCC Spectrum: saving $4 billion over four years. As the New York Times pointed out on March 21, 1993, "the Clinton Administration is pushing hard to auction off what is arguably the Federal Government's biggest remaining free-lunch program for the rich: rights to the airwaves of the radio spectrum."

Auction proposals have been around since the late 1950's and have been debated ever since. Previous Administrations repeatedly tried and failed to enact auction legislation. No one likes the idea of paying for something they used to get for free, and a powerful array of industries has opposed this in the past. This year it is going to happen.

Reduce Export-Import Bank Credits -- saving $153 million over four years. **[will receive info from OMB tomorrow morning]**

Consolidate overseas broadcasting: saving $644 million over four years. **[will receive info from OMB tomorrow morning]**

Restructuring the Space Station program: [will receive info from OMB tomorrow morning]

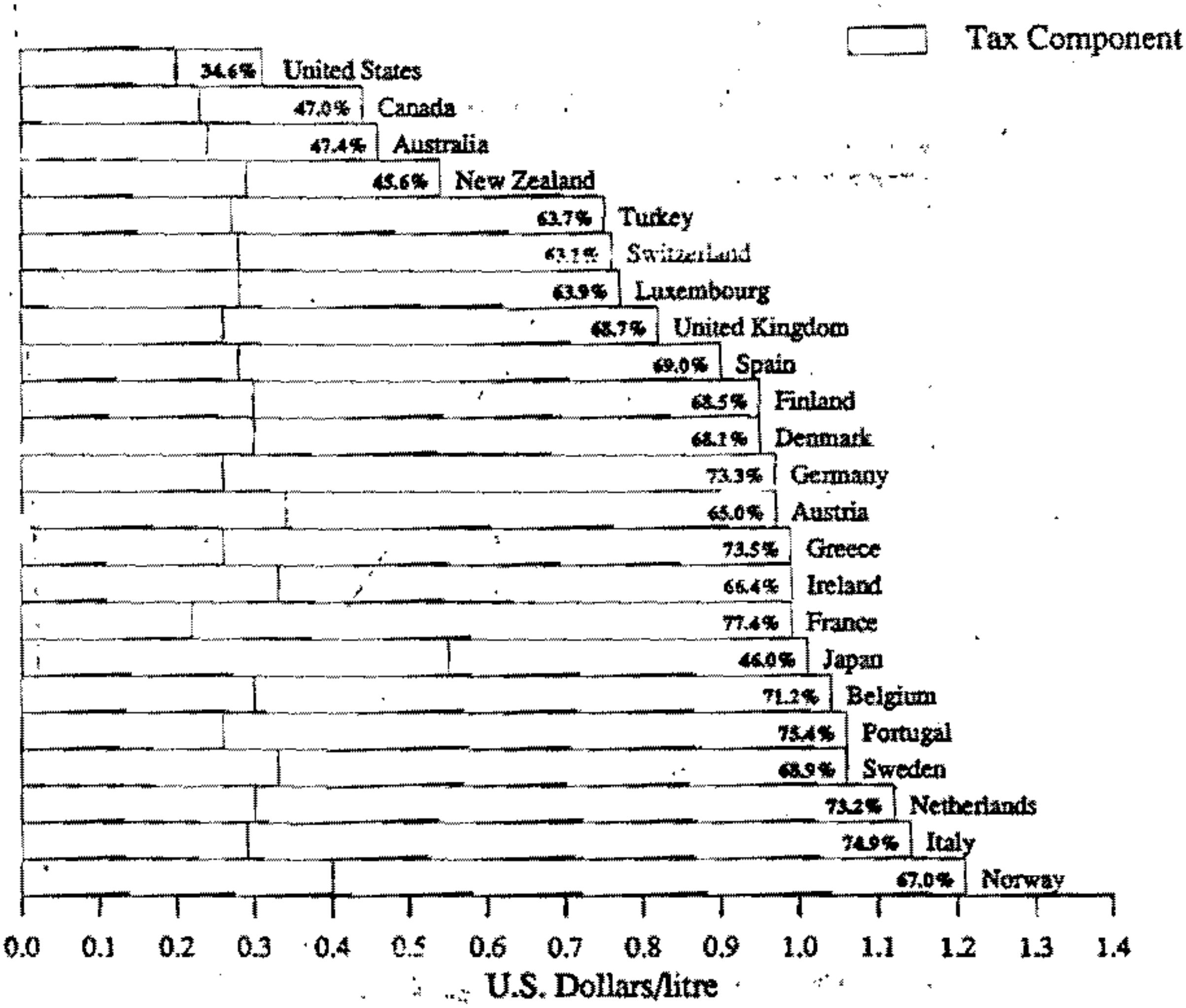
CLOSING SPECIAL INTEREST TAX BREAKS

Deny lobbying deductions: saving $700 million over four years. Current law permits businesses -- and only businesses -- to deduct expenses for lobbying the Congress. In proposing to end that deduction, the President is taking on virtually every major industry as well as practically every major lobbyist in Washington. No President has ever made a serious effort to eliminate this deduction.

Cap the possessions tax credit for American corporations in Puerto Rico at 65% of wages: saving $4.8 billion over four years. This provision of the tax code is widely acknowledged to have been abused for years by certain multinational corporations. For ten years people have been criticizing the flaws in this tax credit. Other Presidents have proposed to limit it, but none have had the courage to follow through. President Clinton is taking on the multinationals and intends to limit the credit and thereby end the abuses.

> **Background:** In 1985, President Reagan's blueprint for tax reform was submitted to the Congress proposing a replacement of the section 936 tax credit with a wage credit (this is very similar to what the Clinton Administration is now proposing). The Reagan Treasury document noted the disproportionate tax benefits provided under section 936 to U.S. companies that contributed relatively little to the Puerto Rican economy. Before Congressional action on the tax reform bill, the Reagan administration withdrew its proposal, thus failing to address the abuses it had identified.

Figure 11: OECD - Gasoline Prices and Taxes (U.S. Dollars/litre)



— Berman's section "Politics"
Needs heavy editing — I'll pare it down & incorporate

CHARGE: The Clinton Budget Program will hurt the American economy.

RESPONSE: Bill Clinton and his economic vision boosted the nation's economy from Day One -- literally. His victory in the November election spurred consumer confidence.

CLINTON VICTORY BOOSTED CONSUMER CONFIDENCE

- "They all point to the same, cautiously positive economic indicators: recent increases in consumers' inflation-adjusted income; lower unemployment; increased consumer confidence following Clinton's election; and an increase, in November and December, in the government's chief economic forecasting gauge, the index of leading economic indicators. [Seattle Times, 12/31/92]

- "'I think there was a fever in this country, I call it Clinton-mania, which overwhelmed shoppers during the Christmas season, particularly in the last week,' says Alan Millstein, the ascerbic publisher and editor of Fashion Network Report, an industry publication." [Seattle Times, 12/31/92]

- "Some economists say they feel that the political changes in Washington have added to consumer confidence. 'People turned on the TV during the Clinton [economic] summit and saw the best economic minds in the country trying to tackle our problems,' says Jack Schultz, president of the National Retail Federation. 'It made them feel things were going to get better.'" [Christian Science Monitor, 12/30/92]

- "Spurred by consumer confidence that took a turn for the better after the presidential election, Americans spent more and bought smarter than during any Thanksgiving-to-Christmas season since 1988, economists say." [Christian Science Monitor, 12/30/92]

- "Dealers said U.S. consumer confidence figures for December due out later in the day could further boost the dollar, reflecting improved U.S. market sentiment following Bill Clinton's presidential victory." [Agence France Presse, 12/29/92]

- "Today's figures on consumer confidence from the Conference Board are expected to show a continued upward trend in December, following strong growth after president-elect Bill Clinton's victory in November." [Financial Times, 12/29/92]

- "Prof. SOLOW: Well, I think the little blip we saw in consumer confidence was probably mostly a reaction to the election of Bill Clinton. People have expected him – and I think still expect him – to do a lot better than the Bush administration." [ABC News: Business World, 12/27/92]

- "In one sense, President-elect Bill Clinton already has delivered. Americans feel significantly better about themselves, their country and their future than they did just two months ago, according to polls and interviews with voters across the country.

"'I'm confident,' said Sue Barry, 52 of Montara, Calif. 'For the first time in 12 years I have a hopeful view of the future.'

"Asked whether she thought the country would be better off a year from now under Mr. Clinton, Ms. Barry replied, 'It's better off already.' Consumer confidence is up, more Americans believe that the country is on the right track, and Mr. Clinton gets high marks for his transition decisions. Forty-five percent of Americans now say the nation is headed in 'the right direction,' while 32 percent say the nation is on the 'wrong track,' according to a recent NBC/Wall Street Journal poll.

"Just two months ago, between 70 and 80 percent of Americans answered 'wrong track' to a similar question.

"The first indications that the United States might be pulling out of a stubborn recession came before Election Day; most of the indicators that are exciting economists these days already were improving during President Bush's watch." [Dallas Morning News, 12/26/93]

- "Then in November, Mr. Clinton's White House win touched off a minisurge of consumer confidence, filling hotels, restaurants and stores with pent-up spenders and promising New Yorkers some longer-term relief." [Crain's New York Business, 12/21/92]

- "Consumer confidence jumped in November after Clinton was elected, but Curtin said Clinton must act fast to sustain that upward trend. [Gannett News Service, 12/20/92]

- "Economists had anticipated some rise in consumer confidence following the November election, figuring the incoming Clinton administration would inspire more Americans to believe the future would improve. A key reason for Clinton's victory was discontent over President Bush's handling of the economy, which in recent years has been marked by high-profile layoffs in a range of industries, stagnant incomes, heavy debts and some of the slowest growth since the Great Depression." [Associated Press, 12/30/92]

- "Consumer confidence jumped for the second straight month in December, helped along by continuing positive economic news and the afterglow of the Clinton election." [Newsday, 12/30/92]

- "'Without doubt, there has been a Clinton effect on the polls, just as there was a Persian Gulf effect,' said Richard T. Curtin, director of the University of Michigan Consumer Surveys, referring to the brief surge in consumer confidence and economic growth in 1991, after the gulf war ended. 'People have a firm expectation that Clinton will do something to steer the economy to better times. It is the anticipation of the change that has provided the initial stimulation, and it can wear off quickly.'" [New

York Times, 12/15/92]

- "If, as many economists say, the economy has shifted gears and is on a generally steady path of 2% to 3% GDP growth (at an annual rate) each quarter, the pace has picked up for a number of reasons. Among them:

  – The election is over. People are no longer thinking about how bad things are and can look to Clinton to do something about the economy. 'Just the change in leadership is giving (consumer) confidence a fairly significant boost,' says Kim Rupert, economist at consultants MMS International." [USA Today, 12/14/92]

- "Those views, on the eve of Clinton's economic summit in Little Rock, Ark., last week, surfaced in a New York Times/CBS News poll of 499 senior executives in early December and in follow-up interviews with a dozen of them.

  "The poll results and the interviews both revealed some enthusiasm for the new president. While 53 percent of the executives voted for George Bush, a whopping 71 percent said he had not displayed as much concern for the economy as Clinton had during the campaign.

  "And 81 percent said the Clinton election has increased consumer confidence and spending.

  "'Clinton will speed up the economy initially because he has a lot of people feeling good," said John R. Albers, chairman of the Dr Pepper-Seven-Up Companies, the Dallas-based concern that makes the concentrate for the two soft drinks. 'A lot of people, including myself, would have preferred Bush as a proactive president, but he was not. Clinton is satisfactory, he is proactive, and we will see what happens.'" [Houston Chronicle, 12/13/92]

- "This is NPR. Laura Knoy, newscaster:

  "Some business leaders say President-elect Bill Clinton has already helped the economy. A new survey of executives shows 80 percent believe Mr. Clinton's election has boosted consumer confidence and spending. Most of the business people say they voted for George Bush. The executives were unclear on deficit reduction. Most said the government should not raise the deficit to create jobs. But then 63 percent said in the short run, it's more important for Mr. Clinton to create jobs than reduce the deficit, and 62 percent did not believe that in the long run, the president-elect will be able to do both--create jobs and cut the deficit. Mr. Clinton opens a two-day conference on the economy tomorrow in Little Rock. Laura Knoy, newscaster:" [NPR, Weekend Edition, 12/13/92]

- "Demetrios Giannaros, a professor of economics at the University of Hartford, said the latest data indicate that people in the state were ready to spend their money again. 'Consumer confidence is up, and I personally think it has a lot to do with the fact that Bill Clinton was elected President,' Dr. Giannaros said. 'People seem to feel he is going to take charge of the economy, and his leadership will correct the economic problems. If people have faith in the future, they are willing to spend some of their money. If they are really afraid, they won't.'" [New York Times, 12/13/92]

- "Ed Kerschner [chief investment strategist, PaineWebber] also sees stocks as attractive relative to interest rates, and he projects that they should offer an average 'normal' return of 10 percent in the 1990s. 'Research shows that consumer confidence drops when an incumbent wins and rises when an incumbent loses,' said Kerschner, 'and, contrary to conventional wisdom, Democrats are historically better for the market than Republicans. The difference comes in the first year of an election cycle, when a Republican market is up an average of 2 percent and a Democratic market an average of 12 percent during the post-election year.'" [Business Wire, 12/11/92]

- "Jack Albertein (Economist): We're getting a bump in consumer confidence as a result of the election of Governor Clinton. The election has ended the uncertainty, and I think it's convinced the American people that the new president was going to focus on--on economics, on economic concerns, and so I think people are a little...'" [NPR, Morning Edition, 12/11/92]

CHARGE: Clinton's fiscal stimulus plan = pork barrel. His $16 billion "emergency jobs" package is a return to politics as usual. The package is loaded with special-interest spending that will benefit politicians, not workers.

RESPONSE: President Clinton's plan is anything but politics as usual. He has proposed the single largest deficit reduction package in American history -- $500 billion in deficit reduction -- and listed more than 150 specific spending cuts. On the other hand, the Republicans hide behind budget-cutting rhetoric, while they try to cut backroom deals to provide home state pork for their constituents.

For example, according to the April 19 issue of US News and World Report:

* While Slade Gorton called the stimulus plan an "irresponsible proposal" on the Senate floor, he was lobbying behind the scenes for "vital projects" including $30 million for four natural-gas buses for Seattle and $50 million for rail improvements.

  His explanation: "I don't want the money spent, but if it is, I want to make sure my state gets its fair share."

* Bob Dole wrote to Senate appropriators requesting more than $25 million for transportation projects. Stated it was his "preference" to pay for these within

the budget limits, but just in case that didn't happen, he supported these items. Dole did say he was against Kansas pork requests, including playgrounds and trolleys.

* While criticizing CDBG's in the President's package, Phil Gramm wrote Secretary Cisneros for a fairer distribution formula to fund more projects in his region. "I have never been a fan of this program," Gramm contends. "But if it's allocated, I want some of it to go to Texas."

* Republicans are playing the same old game supported highway and infrastructure investment in the past; they should support it now.

  Bob Dole supported the highway bill as "creating 4 million jobs". [News Conference Federal News Service 11/27/91]

  Phil Gramm said: "How can having a highway bill be controversial? --a bill that would create tens of thousands of jobs." [Federal News Service 11/27/91]

  Bob Michel said "thank heavens" for such a "job creator" bill. [11/27/91]

  Newt Gingrich said that "the highway bill is undersold if you look at the job creation of the construction jobs...it is a "net job creator" and that we had to recognize the second and third-order job creation opportunities." [Federal News Service 12/18/91]

ON HEAD START, WIC, JOB CORPS:

Last year, Dole co-sponsored a $2 billion measure to boost funds for Head Start, Jobs Corps, and WIC. "These programs... are among the best weapons we have in our fight against poverty," he declared. [San Francisco Chronicle, 8/31/92]

John Chaffee said, "I believe we must go a little further in fiscal year 1993 if we intend to provide full funding for WIC and Head Start... We know beyond a shadow of a doubt that these programs are successful." [Congressional Record, 5/19/92]

COMMUNITY DEVELOPMENT BLOCK GRANTS:

Phil Gramm proposed an amendment to increase CDBG funds for Texas and other states by changing the formula for distributing funds from a need-based one to a population-based one. "I'm trying to right a terrible wrong in the allocation of money.:.. Texas gets cheated by the current formula," he said. [AP, 6/27/90]

GRAMM ON CDBG

"During votes yesterday, the Senate defeated 63-35 an amendment from Sen. Phil

Gramm that had the potential to kill the housing bill. It would have changed the formula under which Community Development Block Grants are distributed to states. Under current law, the $3 billion for programs ranging from new senior centers to town road upgrades is distributed to the states based on need. Need is determined by such factors as poverty levels and the age of housing in a given community. Under the Gramm amendment, distribution would have been based on population.

"'What I am trying to do here is come up with a formula that makes sense,' said Mr. Gramm, Texas Republican, who said since high-population states pay most of the federal government's bills, they should receive most of the benefits." [Washington Times, 6/28/90]

CHARGE: Bottom line: most everyone will pay substantially higher taxes next year. The non-partisan Tax Foundation has accounted for all the Clinton taxes and has calculated that the average tax increase for a family of four will be $904.

RESPONSE: Wrong. Actually, the Tax Foundation says that the average per capita tax increase is $226 -- that is, for all income levels. The Republicans arrived at their $904 figure for a family of four by simply multiplying the per capita figure by four. In fact, a family of four would be more likely to have two wage-earners -- thus a $452 tax hike -- or less than $40 monthly.

Most importantly, of course, is that middle-income families would pay less than that. The overall average is not as significant as the average within income groups.

CHARGE: "Despite sharing Ross Perot's concern about foreign lobbyists during the campaign, the President's pick for the number three position at the U.S. Trade Representatives office is registered as a foreign agent for firms in Mexico, Canada, and Japan, and a lawyer who worked for Mexico in its trade talks with the U.S. is expected to oversee the State Department's trade office."

RESPONSE: President Clinton's commitment to closing the revolving door is as strong as ever. On January 20, just minutes after being sworn into office, President Clinton issued the most stringent ethics code of any administration in American history.

The ethics code:

- prohibits over 1000 top officials from lobbying their former agencies for five years after leaving government. Current law limits such contact for one year.
- imposes a lifetime ban on senior officials becoming registered foreign agents for foreign governments or political parties; and
- in addition, requires lower level trade negotiators to sign a pledge not to lobby for foreign governments or business entities for five years

following participation in a negotiation.

CHARGE: Despite making Paul Tsongas' support of (and his opposition to) an energy tax a deciding factor in the New Hampshire primary, enactment of a broad-based energy tax is a pillar of President Clinton's economic program.

RESPONSE: Unlike the Tsongas and Perot gasoline tax proposals, President Clinton's energy tax is a part of the most progressive budget package ever proposed. 70% of the revenues are paid by those making more than $100,000. Overall, the President's plan would hold harmless families with incomes of $30,000 or less. The average family's tax burden would increase by only about $17 per month.

Some reports indicate that middle class families can save more than $1,000 in mortgage costs from lower interest rates resulting from the Clinton plan.

In addition, the President's energy proposal will conserve resources, decrease dependence on imported oil and reduce pollution.

CHARGE: During the general election, the Clinton campaign mocked the Bush campaign claim that paying for his programs would entail taxing Americans making as little as $30,000 per year. As it turns out, that estimate of the income level was too high.

RESPONSE: During the campaign Bush said, "To get to 150 billion, even with his other plan governor Clinton would have to raise the tax rates on every individual with over $36,600 a year in taxable income and that is a fact and we cannot let him do that to the United States." [Campaign rally, Wixom, MI, 9/26/92]

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.

CHARGE: "What VAT tax?" Clinton first promised that he wasn't considering a VAT tax, but other administration sources have acknowledged that it is being considered.

RESPONSE: President Clinton has never proposed a VAT tax.

CHARGE: "What revised deficit numbers?" During the campaign, Clinton said "the deficit" had risen from $250 to $400 billion. Now, he says he has to tax the middle class because he didn't realize the deficit was increasing beyond his earlier estimates.

RESPONSE: When then candidate Clinton told Business Week in July, 1992 that the deficit could hit $400 billion, he was referring to the 1992 deficit -- referring to pessimistic estimates relating to increased S&L costs and other factors.

Putting People First was based on January 1992 budget and deficit estimates of the 1997 deficit. The 1997 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 1997 deficit 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.

CHARGE: "What timetable?" During the campaign, Clinton promised a 100-day period that would be the most productive in history, but now the administration is backing off from the 100 Days framework.

RESPONSE: President Clinton has delivered. In only his first 100 days, he has moved swiftly to implement his vision of change for America.

On January 20, just minutes after being sworn into office, President Clinton issued the most stringent ethics code of any administration in American history.

President Clinton -- the first new President to submit a complete line-by-line budget during his first year in office -- passed his economic program faster than any other President in the 17 year history of the current congressional budget process. [Wall Street Journal, 4/1/93].

Within two weeks of taking office, Clinton signed the Family and Medical Leave Act -- breaking the gridlock that blocked the bill for seven years.

The President has also cut the White House staff, eliminated perks, cut administrative costs of government, and eliminated 100,000 federal positions.

CHARGE: "What pork-barrel?" Although Clinton denies that there was any pork listed in his stimulus legislation, there are three obvious examples of pork: $1.4 million for drawings of 28 significant structures and engineering achievements; $28 million for the District of Columbia to reduce its debt; and $148 million for new computers and telecommunications systems for the IRS.

RESPONSE: None of the swimming pools or beachfront parking lots or ice skating warming huts the Republicans railed about were ever in President Clinton's bill.

While Republicans played the politics of gridlock by complaining about alleged "pork" that wasn't in the President's Jobs Bill, they neglected to mention that they had previously supported many of the programs in the past. For example, Republicans had supported highway and infrastructure investment in the past.

Bob Dole supported the highway bill as "creating 4 million jobs". [News Conference Federal News Service 11/27/91]

Phil Gramm said: "How can having a highway bill be controversial? --a bill that would create tens of thousands of jobs." [Federal News Service 11/27/91]

Bob Michel said "thank heavens" for such a "job creator" bill. [11/27/91]

Newt Gingrich said that "the highway bill is undersold if you look at the job creation of the construction jobs...it is a "net job creator" and that we had to recognize the second and third-order job creation opportunities." [Federal News Service 12/18/91]

Republicans had supported Head Start, WIC, and Job Corps programs.

Last year, Dole co-sponsored a $2 billion measure to boost funds for Head Start, Jobs Corps, and WIC. "These programs... are among the best weapons we have in our fight against poverty," he declared. [San Francisco Chronicle, 8/31/92]

John Chaffee said, "I believe we must go a little further in fiscal year 1993 if we intend to provide full funding for WIC and Head Start... We know beyond a shadow of a doubt that these programs are successful." [Congressional Record, 5/19/92]

Even Phil Gramm had been fighting to bring more CDBG funding to Texas.

Gramm proposed an amendment to increase CDBG funds for Texas and other states by changing the formula for distributing funds from a need-based one to a population-based one. "I'm trying to right a terrible wrong in the allocation of money.... Texas gets cheated by the current formula," he said. [AP, 6/27/90]

GENE AND SHERYLL: IS THIS THE EQUIVALENT IRS PROPOSAL?

IN FACT, PRESIDENT CLINTON'S FUNDING FOR ADDITIONAL IRS TAX COMPLIANCE EFFORTS WOULD RAISE $633 MILLION OVER FIVE YEARS.

CHARGE: "What definition of income?" Although Clinton claims that families making $30,000 will be held harmless in his economic package, David Broder notes that the President's definition of income is "not what most people understand as income."

RESPONSE: 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.

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. 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.

CHARGE: "What Haitian refugees?" Although Clinton criticized Bush's Haitian policy as "callous", he continued the Bush policy on Haiti after taking office.

RESPONSE: WORTH RESPONDING TO?

CHARGE: "What war on drugs?" Although Clinton said he would wage a "real war on crime and drugs," after taking office he revoked the policy of random drug testing for White House staff and he cut 121 positions from the Office of National Drug Control Policy.

RESPONSE: First of all, every White House employee must pass a drug test upon being hired.

Regarding the Office of National Drug Control Policy, President Clinton is planning to raise the "Drug Czar" position to the cabinet level.

Under Bush, the Office of National Drug Control Policy was a haven for political patronage with more than 40 percent of its 109 positions allocated to GOP loyalists. The 49 political appointments, including two people who did not even work on drug-related issues, cost American taxpayers up to $2.6 million. [Orlando Sentinel, 6/28/92]

On April 28, 1993, President Clinton nominated Dr. Lee Brown to serve as its new Director. Brown has served as the top law enforcement officer in New York, Atlanta and Houston, and he is the former President of the International Association of Chiefs of Police. Brown is widely respected by law enforcement officials and treatment professionals.

CHARGE: "What small business burden?... According to the National Federation of Independent Business' analysis, the Clinton economic plan 'will restrict (small businesses') ability to increase the size of their workforce.'"

RESPONSE: Unlike the Republicans, President Clinton has acted to alleviate some of the problems faced by small businesses, most notably with respect to the "credit crunch" and the Small Business Administration's primary loan program.

On March 10, 1993, President Clinton announced a policy to alleviate the "credit crunch," and in doing so, the President explained, "Today we are taking a step to speed the economic recovery that will increase jobs by increasing access to credit for the main engine of our economy -- small and medium-sized businesses."

Additionally, the President's stimulus package included $141 million in funding for the SBA's loan guarantee program -- funding that would have made available about $2.5 billion in new small business loans. [*LAT*, 4/28/93] However, due to Republican opposition, the economic stimulus package was rejected, and the SBA loan program ran out of money on April 27, 1993.

Incidentally, this is the same Section 7(a) program that sixteen Republican Senators wrote to President Bush about in a July 9, 1992 letter that urged Bush to support the 7(a) program. Here's what Republican Senators, including Bob Dole, had to say about a program they are now about to kill:

> "We, the undersigned Republican Senators, are writing to express our strong support for the Small Business Administration's 7(a) program.
>
> "Small business entrepreneurs have led the way in creating new job opportunities.... Two out of every three new jobs in the past decade have been

created by small business.

"The SBA 7(a) program is an important source of long-term financing for the nation's small business sector which simply is not available through conventional sources.... The SBA 7(a) program is one of the greatest success stories of the past twelve years."

CHARGE: "What balanced budget?" Although then-candidate Clinton pledged to present a five-year plan to balance the budget, the President has claimed that his economic plan will cut $140 billion from the deficit by 1997.

RESPONSE: The President's plan embodied in the congressional budget resolution would achieve a total of $514 billion of deficit reduction over the next five years -- the largest deficit reduction package in history. It reduces the deficit as a percent of GDP from 5.2% of GDP in fiscal year 1993 to 2.7% of GDP in fiscal year 1997.

CHARGE: "What staff cuts?" Although Clinton announced a 25 percent reduction in the White House staff, figures from the Office of Personnel Management contend that an additional 117 positions must be eliminated to meet that goal and figures from the Human Resources Subcommittee of the House Government Operations Committee claim that an additional 127 cuts are required.

RESPONSE: The Republicans want to play numbers games to hide what the facts say about their twelve-year record of ballooning the White House staff to record sizes. But the facts state clearly that President Clinton cut 350 positions from the White House -- a 25% cut. But President Clinton didn't stop there. He issued orders to:

- cut senior staff pay by 6-10%;
- reduce federal bureaucracy by 100,000 positions;
- require agencies to itemize administrative costs, such as shipping and travel;
- cut administrative costs by 14% by 1997; and
- eliminate one-third of non-statutory federal advisory commissions.

The President issued executive orders that:

- eliminate 50% of the Executive Vehicle Fleet;
- end home-to-office limousine service for executive officials (except, due to national security concerns, the National Security Adviser, his deputy, and White House Chief of Staff);
- close executive dining rooms that do not recover costs; and
- tighten controls on the use of executive aircraft.

CHARGE: "What congressional reform?" Although Clinton called for a 25 percent reduction in congressional staff and expenditures, he backed off from the issue, explaining that Congress "did take a cut last year.

RESPONSE: WORTH RESPONDING TO?

CHARGE: "What millionaires?" Although candidate Clinton promised to impose a "millionaires surtax", President Clinton imposed a surtax on incomes over $250,000 a year.

RESPONSE: That's right. Before asking the middle class to contribute to deficit reduction, President Clinton found revenues by cutting government, cutting spending and asking the wealthiest Americans to pay their fair share.

CHARGE: "What promise to cut spending first?"

RESPONSE: Before asking the American people to contribute more to cut the deficit, President Clinton issued orders that:

- cut White House staff by 25% -- or 350 positions;
- cut senior staff pay by 6-10%;
- reduce federal bureaucracy by 100,000 positions;
- require agencies to itemize administrative costs, such as shipping and travel;
- cut administrative costs by 3% a year; and
- eliminate one-third of non-statutory federal advisory commissions.

The President issued executive orders that:

- eliminate 50% of the Executive Vehicle Fleet;
- end home-to-office limousine service;
- close executive dining rooms that do not recover costs; and
- tighten controls on the use of executive aircraft.

In his economic plan, President Clinton made tough cuts:

Rural Electrification Administration Cuts: Despite coming from a rural state that benefits from the REA, President Clinton proposed maintaining electric and telephone loan levels but eliminating loan subsidies on most REA loans -- for an estimated savings of $374 million over four years.

Eliminate HUD Special Purpose Grants -- saving $565 million over four years.

Cut Low Priority Transportation Projects: saving $1.3 billion over four years.

Consolidate overseas broadcasting: saving $644 million over four years.

Cut 100,000 federal employees: saving $7.9 billion over four years.

Freeze -- and then reduce the COLA -- for pay for federal employees: saving $8.3 billion over four years.

Assess examination fees for state-charted, FDIC-insured banks: saving $1 billion over four years.

Auction the FCC spectrum: saving $4 billion over four years

Reduce Export-Import Bank Credits -- saving $153 million over four years.

Reducing Earmarked Small Business Grants -- saving $315 million over four years.

Cut University R&D: saving $1.2 billion over four years.

President Clinton also raised taxes on the rich, improved collection of taxes on foreign corporations and closed special interest tax loopholes before proposing the energy tax.

CHARGE: "What special interests?" Clinton said he would get rid of wasteful spending programs and taxpayer subsidies, but he found only 11 programs that don't work or aren't needed. Also, he disguises some tax increases as spending cuts.

RESPONSE: In addition to his specific proposals to make tough spending cuts, President Clinton took on several special interests in his economic package. He proposed the following crackdowns on special interest tax breaks:

Restrict deductions for business meals and entertainment to 50%: saving $12.1 billion over four years.

Deny lobbying deductions: saving $700 million over four years.

Deny deduction for executive pay over $1 million: saving $500 million over four years.

Require Securities Dealers to value their inventories at market value rather than cost in computing taxable income: saving $3.8 billion over four years.

Cap the possessions tax credit for American corporations in Puerto Rico at 65% of wages: saving $4.8 billion over four years.

RESPONSES TO ATTACKS BY ARMEY ON THE FIRST 100 DAYS OF THE CLINTON PRESIDENCY

I. "WHERE WE STARTED"

CHARGE: Armey argues that the economy and markets were strengthening before President Clinton introduced in Economic Plan and sought to invoke allegedly unneeded emergency spending measures. He claims, for example, that the 30-year fixed mortgage rates had fallen to 7-1/8 percent before the Clinton Plan was introduced.

RESPONSE: Bill Clinton, more than anyone, deserves the credit for lowered interest rates. In fact, the strong bond market rally began right after the November election. Investors showed confidence in Bill Clinton's commitment to deficit reduction the resulting substantial drop in long-term interest rates continued after the President introduced his economic plan -- the largest deficit reduction package ever championed by a U.S. President.

	11/06/92	2/19/93	4/23/93
Treasury issues	3.06%	2.93%	2.84%
3 mo. bill	6.97	6.35	5.89
10 yr. note	7.76	7.13	6.79
Conventional mortgage rates 30 yr. fixed (FHLMC series)	8.29	7.65	7.38

The press knows what Armey refuses to acknowledge: it has consistently linked the overwhelmingly favorable bond market reaction to the Clinton program.

December, 1992. "The sharp rally in the bond market ... seems to show a surprising comfort among market players with President-elect Bill Clinton, a Democrat who will govern with a Democratic-controlled Congress." [NYT, 12/7/92]

"The shift in mood in the last six to eight weeks is phenomenal...they [the market] thought the economy was going down the drain and he was evil incarnate. Now they think the economy is growing at a 4 percent rate [actual 4.7 percent] and that Clinton is smart, practical and will do the right thing." [NYT, 12/7/92]

January, 1993. "U.S. Treasury prices roared ahead at the long end of the market yesterday on growing hopes that the Clinton administration will take a tough line on tackling the budget deficit. ... The market opened markedly higher as investors and dealers got their first chance to react to Sunday's comments by Mr. Lloyd Bentsen, the new Treasury secretary, which suggested the White House views cutting the deficit as a top priority." [Financial Times (London), 1/26/93]

February, 1993. "The spectacular bond market rally accelerated yesterday, with long-term Treasury bond yields plunging to another record low as investors rushed to embrace President Clinton's economic package." [WSJ, 2/24/93, "Bond Rally Roars Ahead on Clinton Proposals]

BACKGROUND: Bond prices are currently near the levels of late February and early March. Rates rose to a peak in late March on unfounded fears of inflation and then fell back. Legislative opposition to the President's program in the form of the Republican filibuster may have temporarily blocked an extension of the four-month bond market rally following last November's election.

It should also be noted that the economy would be in much worse shape without these lowered interest rates. Alan Greenspan reportedly estimates that the economy has gained $10 billion for each basis point the interest rate has fallen, for a total of $100 billion.

IMPACT OF LOWERED RATES ON AVERAGE AMERICANS:

Big Savings On Buying or Refinancing a Home: a March, USA Today article 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. [USA Today, 3/ /93 **check cite**]

> If a family with a $100,000 mortgage at a 10 percent rate refinanced at a 7-1/2 percent rate, monthly savings would total $175, or $2,100 a year. [Treasury Dept. Estimate]

Homeowners are taking advantage of savings: Refinancing activity is up significantly. Fifty-four percent, or $125 billion, of the total loan volume for the first quarter of 1993 was for refinancing. Less than 50 percent of loan volume was for refinancing in the fourth quarter of 1992. About 375,000 Americans refinanced their homes during the first quarter. [Mortgage Bankers Association Weekly Survey and Treasury Dept. Interpretations]

CHARGE: Armey brags that the "unemployment rate in February 1993 was 7 percent, having steadily declined from 7.7 percent six months earlier."

> **RESPONSE:** The impact of this recovery on employment and job growth is nothing to brag about. Bill Clinton has been saying over and over again what all average Americans know:
>
> Unemployment has yet to fall below the 7 percent barrier--it's been 7 percent or higher for 16 consecutive months. And we have 1.1 million fewer private sector jobs than we did at the start of the recession -- nearly three years ago. 16 million Americans remain unemployed, involuntarily underemployed, or desiring work but too discouraged to look for it.
>
> Even with the record growth at the end of last year, job growth is at a crawling pace. We're in the 24th month of the recovery and jobs have increased only 0.8%. If we were following the trend of typical past recoveries jobs would have grown by 7.4% by now. **We are still more than 3.6 million jobs behind a typical recovery and we have recovered only half of the jobs we lost in the 1990-91 recession.**
>
> In addition to the slow job growth, real wages have remained stagnant. Average American workers have seen their real wages go **down** in the last four years.

CHARGE: Armey brags that the "deficit as a percentage of GDP stood at 6 percent in 1992."

> **RESPONSE:** Indeed. The Bush administration leaves -- and the Clinton administration has the misfortune to inherit -- a deficit at near-record levels, surpassed in post-World War II history only by Ronald Reagan himself. If the Clinton Economic Plan is implemented, we would **halve** the deficit as a percentage of GDP by 1996.

II. THE CLINTON BUDGET

CHARGE: The Clinton budget plan calls for a "Leviathan government, increasing Federal spending by $300 billion (or about 20 percent" in a scant five years."

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

- Spending grows more slowly in the Clinton plan than it did under the Reagan and Bush administrations. While spending under Reagan and Bush grew at 2.6 percent and 2.7 percent respectively, Federal spending under Clinton will increase by only 1.6 percent per year. (all figures inflation-adjusted)

- Apart from health care and interest on the Reagan–Bush debt, spending growth is less than inflation -- meaning that government is shrinking in real (inflation–adjusted) terms.

BACKGROUND: The projected growth of total Federal outlays under the Clinton budget is 3.9 percent per year (from $1,467.6 billion in FY 1993 to $1,781.0 billion in FY 1998). The gross domestic product deflator is projected to increase by 2.3 percent per year over that period. In other words, real (inflation–adjusted) Federal spending increases by only 1.6 percent per year.

In contrast, spending over the Reagan administration's eight budget years (1981–89) increased by 6.7 percent per year in nominal dollars, or 2.6 percent in inflation–adjusted dollars. Spending over the Bush administration's four budget years (1989–93) increased by 6.4 percent per year in nominal dollars, or 2.7 percent per year in inflation–adjusted dollars.

Finally, even the modest spending growth under the Clinton plan is driven by two things: the cost of servicing the preexisting Federal debt, two–thirds of which was accumulated by George Bush and Ronald Reagan and over which Bill Clinton has absolutely no control (other than reassuring the financial markets and bringing down interest rates, which we have done in spades); and the cost of providing Medicare and Medicaid benefits under the preexisting law, which Bill Clinton is addressing through a massive health care delivery reform program that is not yet reflected in the budget numbers. Exclusive of interest on the debt, Medicare, and Medicaid, spending under the Clinton budget plan increases by only 1.7 percent per year in nominal dollars, and therefore actually shrinks by 0.6 percent per year in inflation–adjusted dollars.

CHARGE: "Clinton's budget contains roughly $300 billion in new taxes over five years. This is the largest tax increase in this nation's history."

RESPONSE: Untrue. While Former President Ronald Reagan's 1982 tax was smaller in current dollars, it was larger than the Clinton Administration's proposal as a percent of gross domestic product. This is a more accurate way to assess the true economic impact of various Administration fiscal policies.

CHARGE: "...Under the Clinton plan, the burgeoning level of federal debt will not subside. The Clinton budget calls for $1.7 trillion of additional debt through the year 1998."

RESPONSE: What Armey does not acknowledge is that without the Clinton plan, the national debt would be much higher! If George Bush's policies are not reversed, the debt will rise much more than it will under the Clinton program. Because Ronald Reagan and George Bush left Bill Clinton with a fiscal disaster, it will take enormous effort to turn the deficit from its current upward trend to a downward trend. Over that time, the debt will continue to grow. But there are no instant solutions, and so the responsibility for that debt growth rests with Ronald Reagan and George Bush, not Bill Clinton.

BACKGROUND: Under the Clinton program, the debt held by the public will increase from \$3.3 trillion in FY 1993 to \$4.5 trillion in FY 1998, an increase of \$1.2 trillion. (Rep. Armey's number is based on the larger, but less economically significant, gross debt -- which does not recognize the difference between debt held inside and outside of the Federal government itself.) However, under the policies left by the Bush administration, the debt would have increased to \$4.9 trillion -- more than \$400 billion more.

The heart of the issue is that the Bush administration left a budget in shambles, with the deficit rising rapidly. Under Bush policies, the deficit would increase from \$310 billion in 1993 to \$387 billion in 1998. The Clinton administration must make a series of painful choices just to stop the deficit from rising, much less to turn the trend downward. Thus, from Rep. Armey's simplistic view of the world, President Clinton is given instant responsibility for the deficits that Ronald Reagan and George Bush took more than a decade to build.

CHARGE: "The Clinton plan, even if fully adopted would leave America with a \$240 billion deficit in 1998 and nearly a \$400 billion deficit by 2000."

RESPONSE: Once again, without the Clinton budget program, the deficit would be much worse. However, even with the aggressive Clinton budget plan, the deficit will not come under control until we limit the rate of growth of health care costs. The administration recognizes -- and in fact has emphasized -- that fact of life, and is proceeding with a massive effort.

BACKGROUND: As was noted above, even with the Clinton deficit reduction plan, spending will be driven upward by (a) interest on the Reagan-Bush debt and (b) the rising cost of health care under preexisting Federal Medicare and Medicaid law. Between 1993 and 1998, interest costs are projected to grow at an average annual rate of 6.2 percent, and medical care costs at 11.3 percent -- compared with 1.7 percent for all other spending. Obviously, without control of health care costs -- and given that the Reagan-Bush debt cannot be repudiated -- there is no chance to bring the deficit down.

Without the Clinton budget program, the deficit would be even worse: \$387 billion in 1998, and \$476 billion by 2000 (instead of \$250 billion in 1998, and about \$300 billion in 2000 under the Clinton plan).

CHARGE: "Five dollars of taxes for every dollar of spending reduction. From 1993 through 1998 the Clinton budget plan contains $300 billion in new taxes and $55 billion in net spending cuts."

RESPONSE: This claim is simply wrong. It relies on Republican distortion of the President's program. Over 1993 through 1998, spending cuts equal tax increases. However, by the time the program is fully in place -- that is, in 1998 -- spending cuts exceed tax increases by a healthy margin.

- Over 1994-98, there is $1.00 of spending cuts per dollar of tax increase.
- In 1998, there is $1.28 of spending cuts per dollar of tax increase.
- Over 1994-2003, there is $1.45 of spending cuts per dollar of tax increase.
- In 2003, there is $2.00 of spending cuts per dollar of tax increase.

BACKGROUND: The spending cut-tax increase ratio can be computed in literally hundreds of ways. Among the key questions are: (a) how you count the income taxation of Social Security benefits; (b) how you count interest savings; (c) how you count user fees; and (d) over what time period you measure the results.

Social Security Benefits: We believe that the income taxation of Social Security benefits should be counted as a spending cut. Only last February, 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] 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, we 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.

Interest Savings: Most Republican critics want to either ignore our interest savings or count them pro-rata against spending and taxes. This is silly. Any American family can tell you that reducing your interest costs is a real spending cut.

User Fees: Another Republican hypocrisy is to count user fees as tax increases instead of spending cuts. Some 30 years ago, a Johnson-appointed commission laid down budget guidelines for categorization of fees as either negative outlays or receipts; all administrations, Republican and Democratic, have adhered to those guidelines ever since. In fiscal year 1993, George Bush proposed almost $15 billion worth of new user fees, and counted them as spending cuts. In the words of his own budget document:

> Income to the Government arising from the exercise of its sovereign powers (mainly, but not exclusively, taxes) is classified as governmental receipts. Income from the public that results from voluntary business-like transactions is classified as offsetting collections, which offset outlays rather than being included with the governmental receipts. (Part two, page 15)

Delayed Impact of Spending Cuts: The Clinton plan precisely specifies every spending cut needed to achieve its total of deficit reduction, and requests their <u>immediate</u> enactment. There are no decisions deferred, and no actions postponed. However, spending cuts simply take longer to build up their savings than do tax increases. The plan includes tax rate increases on the wealthiest Americans to be effective immediately at the beginning of 1993, and those revenues flow quickly. On the other hand, cutting a slow-spending Federal program might save little money in the first year, but much more in the long run. The administration's proposed discretionary spending cuts, all to be enacted immediately, would save $3.6 billion in FY 1994, but $21.3 billion in FY 1998 -- almost six times more. The proposed entitlement cuts, all but one of which (the exception would amend the Farm Bill when it expires in 1995) would be enacted immediately, would save $5.7 billion in FY 1994, but $33.0 billion in FY 1998 -- again, almost six times more.

Counting the income taxation of Social Security benefits as a tax increase, counting debt service savings as spending cuts, and counting user fees according to the concepts set forth by the Johnson commission on budget concepts, we reach the ratios and figures cited above in bullet form in the response.

CHARGE: "New taxes and defense cuts account for 92 percent of the savings in the Clinton plan."

RESPONSE: This is just more Republican new math. Over 1994-98, defense cuts are 16.8 percent of gross deficit reduction; tax increases are 48.3 percent. <u>In</u> 1998, when the program is fully in effect, defense cuts are 18.5 percent; tax increases are 41.0 percent.

CHARGE: "Federal spending would be an estimated $75 billion higher from 1993 through 1995 under the Clinton deficit reduction plan than if Congress simply honored the 1990 budget agreement already in place."

RESPONSE: Wrong. The President's request exceeded the caps by under $19 billion in 1994-95; the Congress chose to cut spending further and stay within the caps. In the 1993 stimulus package, the President proposed only $20 billion of new spending, more than $3 billion of which had already been authorized; the amount of new money was less than the amount the Congress had saved below the spending cap last year.

CHARGE: "The package is loaded with special-interest spending that will benefit politicians, not workers. Examples include: $15 million for a performing arts center in Newark, New Jersey...$2.5 million to construct an alpine slide in Puerto Rico..."

RESPONSE: Absolutely false. First, the Clinton plan never included a single one of the so-called "pork" items that Republicans are charging the community block grant or other funds will be spent on. These allegations are totally baseless. Second, this charge is ironic because Republicans usually joined with Democrats in believing that we should give government closest to the people the flexibility to serve the needs of their community. Now they mock the very bottom-up planning and flexibility they fought for.

BACKGROUND: The President's stimulus proposal included $2.536 billion for an expedited Community Development Block Grants (CDBG) program. The language in the bill was extremely brief -- about one page. It included no specific projects to be undertaken. The funds would be distributed according to the existing CDBG formula, directly to large cities and through the States to smaller units of government. The funds would be used at the discretion of the local governments themselves, though the bill was amended in the Senate to give the Director of OMB the authority to withdraw funding in any instance of abuse.

The National Conference of Mayors had assembled two volumes of public works projects, called Ready To Go, that they claimed could be undertaken within a few months if only Federal funds were made available. An enormous number of projects were specified in the volume; the total cost was $12.9 billion in the 1992 volume, and $7.2 billion in the 1993 book.

Republicans used this book to attack the President's stimulus program. They went through the projects specified in the book, picked out those that they believed were the most politically vulnerable, and insinuated that those projects were specified in the bill. Of course, the money in the bill would fund only a fraction of the projects listed in the book, and the funds were intended to be used both for such public works projects and other valid governmental purposes, such as rehiring or avoiding layoffs of teachers and policemen.

Line items in the bill:

- $1.4 million for drawings of 28 significant structures and engineering achievements.

- $28 million for the District of Columbia to reduce its debt.

- $148 million for new computers and telecommunication systems for the IRS.

In contrast to the earlier suggestions, these three items are in the bill. The first item is part of the Historic Preservation program, which would fund architectural drawings of historic structures that are about to be demolished so that such information could be retained after the buildings themselves were gone. The grant to the District of Columbia would supplement the annual Federal payment in lieu of property taxes — which has not increased for inflation. The third item would accelerate the IRS computer modernization program, which will cut down processing time for taxpayers and facilitate the collection of unpaid taxes.

III. NEW TAX BURDENS

CHARGE: "The Tax Man Cometh – If Bill Clinton's plan is adopted in full, the tax burden for American businesses and workers will surge to a higher level over the next four years than under any other President in history."

RESPONSE: It should be pointed out that the deficits produced during the Reagan-Bush years were the result of the lower taxes. The Reagan deficits averaged 4.4 percent of GDP while the Bush deficits averaged 4.7 percent. Deficits projected during the Clinton years average 3.7 percent.

The real cost of government, however, is determined by how many resources it uses, that it, by how much it spends. As a percentage of GDP, President Clinton's average federal expenditures of 23.0 percent are less than former President Reagan's 23.3 percent and the same as past President Bush's 23.0 percent.[1] Thus a proper response to Rep. Armey's allegation is that President Clinton will not only control the growth in federal spending, but he will pay for it too.

CHARGE: "Every American family of every income level will pay more taxes under Clinton's budget."

RESPONSE: Completely untrue. Under the Clinton plan, the bulk of new revenues come from those who can most afford to pay. Income tax rates are raised only on the top 1.2 percent wealthiest Americans -- individuals who make $115,000 per year and couples that make $140,000.

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[1] Historical information based on CBO "The Economic and the Budget Outlook," pg.129.
Clinton data assumes CBO economics, budget resolution, without stimulus, pricing by OMB

Middle income people who make more than $30,000 will be affected by the energy tax, but it will cost average families only $17 per month when it is fully phased in.

People who make less than $30,000 per year will not be affected by the BTU tax because of the offsetting increase in the Earned Income Tax Credit (EITC).

A family of four, for example, with earned income of $25,000 will receive a net tax reduction due to increases in the EITC of nearly $50 per month. [Treasury Dept. Estimate]

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.

BACKGROUND: The USA Today article published in March 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.

CHARGE: "The typical middle income family will pay $471 per year more in energy taxes under the Clinton proposal."

RESPONSE: Completely untrue. A typical family of four with family economic income of about $40,000 will only pay approximately $17 per month for the energy tax <u>and nothing else under the economic plan</u>.

CHARGE: "The BTU tax, as originally designed, is roughly equivalent to an 8-to-12 cents per gallon increase in the gasoline tax and a 4 percent increase in electric bills."

RESPONSE: Wrong again. The BTU tax, as originally designed, is roughly equivalent to an <u>7.5</u> cents per gallon increase in the gasoline tax and a <u>3.3</u> percent increase in electric bills.

CHARGE: "We're all rich in Clinton's eyes...but President Clinton uses a much broader measure of income than most of us do. For example, Clinton includes in his income calculations such items as pension buildup, insurance buildup, imputed rent on one's home, and so forth."

RESPONSE: Let's put this bald-faced lie to rest once and for all. Here is the bottom-line fact: Regardless of which income concept is used by the President, the top 5 percent of the highest income Americans will pay 70 percent of the new taxes.

BACKGROUND: Rep. Armey should know that the concept of family economic income is not a new, Clinton invention. 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.

CHARGE: "The non-partisan Tax Foundation has calculated that the average tax increase for a family of four will be $904."

RESPONSE: Roughly 70% of tax paid under the proposal will be paid by families with income of $100,000 or more, so the use of a per capita amount is both false and misleading.

CHARGE: "The marriage tax: By raising marginal income tax rates, Clinton will discourage the kind of responsible behavior that he says he wants to promote."

RESPONSE: The existing tax law contains an inherent penalty on certain married couples. In most cases, the President's proposals do not increase this tax, and in many cases result in a lessening of this so called "marriage penalty."

The Document says that "a couple making $115,000 a year could save $4,500 by not getting married." Under the current law, the marriage penalty for such families is about $1,500 not $4,500. Moreover, it is wrong to ascribe this tax penalty to the Clinton proposal. In fact, for a couple making $115,000 per year in adjusted gross income, there is no change from the current law.

CHARGE: "Taxing Family Farms: One of America's most energy intensive industries is farming. The total Clinton tax on American farmers is estimated at $1 billion per year."

> **RESPONSE:** Farmers will be net beneficiaries of the Clinton Deficit Reduction Program. USDA estimates that average farm costs would rise 0.7% if farmers did not adjust their crop mix and farming practices; since they can and do adjust, the actual impact will be less. In addition, the energy tax is designed to treat farmers fairly; ethanol is not taxed, feed stocks used in producing fertilizers are not taxed, and other fuels commonly used on farms are taxed at lower rates.
>
> At the same time, farmers will benefit from many other aspects of the President's package, including the small business investment tax credit, the extension of the 25% deduction for health insurance, changes to the earned income tax credit, and the expected 100-basis point reduction in interest rates. On balance, we estimate that farmers will be net beneficiaries.

CHARGE: "Taxes on Seniors:"

Working Seniors: Armey says a widow with AGI of $24,000 could see her tax burden increase from $307 to $522, over 70 percent.

Middle Income Elderly: Armey says a retired couple filing a joint return with $40,000 of income and $10,000 of social security benefits will pay $525 more in income tax under the Clinton plan.

> **RESPONSE:** Because of income thresholds ($25,000 for singles and $32,000 for couples), only 20 percent of social security beneficiaries are taxed, and the Clinton plan does not increase the number of taxed beneficiaries.

CHARGE: "Punitive Marginal Tax Rates: For the typical middle income senior citizen, the Clinton tax "fairness" plan raises their marginal federal tax rate from 42 to 52 percent. When state and local taxes are included, [the marginal rate would be 80 percent."

> **RESPONSE:** False. The typical middle-income senior citizen's marginal tax rate will not rise to 42 to 52 percent. These people will be subject to the same personal income tax rates, 15 percent, 28 percent, as any other taxpayer, but simply will have more of their income subject to tax.
>
> Furthermore, less than 1 percent (only about 150,000 of the almost 40 million beneficiaries) are even affected by both the taxation of benefit phase-in and the retirement earnings test.

CHARGE: "Small Business: The Clinton tax and Medicare tax hikes are supposed to only affect rich Americans. In fact, hundreds of thousands of small business owners will pay the tax...The impact of higher taxes on small businesses will be to reduce, rather than expand, profits, growth and employment."

> **RESPONSE:** The Clinton Plan raises taxes on only the top 1.2 percent wealthiest Americans. These individuals and couples earn more than $115,000 and $140,000 in taxable income respectively. Some of these wealthy individuals also own small businesses.
>
> The fact is, however, that only 3 percent of small businesses report earned income of more than $150,000 per year. Furthermore, the Clinton Economic Plan helps small business by providing a targeted small business investment tax credit and reducing capital gains taxes by 50 percent on investments in small businesses held more than 5 years. Under the Clinton Plan, small businesses will continue to be a vibrant source of new job creation and growth for our economy.

IV. PROJECTED ECONOMIC IMPACT OF THE CLINTON PLAN

CHARGE: "Clinton's five-year $300 billion tax hike will have a substantial contractionary impact on the economy. [Republican members of the Joint Economic Committee have] assessed the Clinton economic plan by using an simple economic model that tracks the tax burden with economic growth and unemployment rates in the next year over the period 1960-92." Using this model, they estimate that the Clinton tax plan would increase unemployment by 0.6 percent and reduce economic growth by 1.1 percent by 1997.

> **RESPONSE:** The Republican's model is simplistic, flawed and conflicts with the estimates used by private forecasters. No serious economist would predict GDP growth and changes in unemployment using only the share of taxes in GDP in the previous year. The economy is far more complex. This "simple" model does not capture the fall in bond rates as a result of the long-term deficit reduction in the plan. It also does not account for shifts from consumption to investment.
>
> Private forecasters who make a living assesing the impact of policy changes — such as DRI, WEFA and Meyer and Associates -- make radically different projections about the impact of the Clinton plan. The private forecasters are in agreement: The Clinton Plan is good for growth. (See attached Appendix.)

CHARGE: "The advent of a VAT Tax. ... A 1988 study of the five-year impact a 3 percent VAT tax would have on the U.S. economy concluded it would reduce family income by $1,000, destroy 2.1 million jobs, increase inflation by 1.5 percent, and raise interest rates by 2 percentage points."

RESPONSE: The Clinton Administration has not proposed a VAT. The health care tax force is looking at a range of financing options and we feel that it is our responsibility to think carefully and consider all possible alternatives before making any decisions.

BACKGROUND: A 1992 non-partisan study from the Congressional Budget Office (CBO) cites the benefits of a VAT as follows:

- A VAT is often called a "pro-growth tax" as it does not distort the allocation of capital among its many uses. It does not tax the return to savings and new investments. [Effects of Adopting A Value-Added Tax, CBO, Feb. 1992, pg 49]

- Refuting any negative effects, CBO states that even a 6 percent VAT which raises $150 billion in annual revenue would have "only minor effects" on a $6 trillion economy. [Effects, pg 50]

- Because a VAT is a tax on consumption, CBO predicts that a VAT would lead to increased national savings and investment and long term capital stock formation.

- A VAT treats labor and capital the same. Therefore, as the recovery progresses, businesses have the same incentives to invest in increasingly productive equipment and to rehire laid-off workers.

- A common misperception is that a VAT will lead to increased inflation which could result in higher interest rates. As a tax on goods, a VAT will result in a one-time increase in price levels. It does not, however, lead to increased inflation. In fact, if a VAT were used to reduce the budget deficit, we could reasonably expect to see a further decline in interest rates.

CHARGE: Rep. Army quotes National Association of Manufacturers claims that the BTU tax will reduce output by $38 billion, and the American Petroleum Institute claims that over five years the BTU tax reduces total GDP by $170 billion.

RESPONSE: The BTU tax is one part of the President's Economic Plan and it is misleading to view the economic impact of the BTU tax separately. Furthermore, the major purpose of the BTU tax is to reduce the deficit. Deficit reduction has already

RESPONSES TO ATTACKS BY PEROT

CHARGE 1: 80% of the savings in the Clinton Economic Plan come from taxes and 20% from spending cuts.

RESPONSE: This claim is simply wrong. It relies on Republican distortion of the President's program. Over 1993 through 1998, spending cuts equal tax increases. However, by the time the program is fully in place -- that is, in 1998 -- spending cuts exceed tax increases by a healthy margin.

- Over 1994-98, there is $1.00 of spending cuts per dollar of tax increase.
- In 1998, there is $1.28 of spending cuts per dollar of tax increase.
- Over 1994-2003, there is $1.45 of spending cuts per dollar of tax increase.
- In 2003, there is $2.00 of spending cuts per dollar of tax increase.

BACKGROUND: The spending cut-tax increase ratio can be computed in literally hundreds of ways. Among the key questions are: (a) how you count the income taxation of Social Security benefits; (b) how you count interest savings; (c) how you count user fees; and (d) over what time period you measure the results.

Social Security Benefits: We believe that the income taxation of Social Security benefits should be counted as a spending cut. Only last February, 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] 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, we 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.

Interest Savings: Most Republican critics want to either ignore our interest savings or count them pro-rata against spending and taxes. This is silly. Any American family can tell you that reducing your interest costs is a real spending cut.

User Fees: Another Republican hypocrisy is to count user fees as tax increases instead of spending cuts. Some 30 years ago, a Johnson-appointed commission laid down budget guidelines for categorization of fees as either negative outlays or receipts; all administrations, Republican and Democratic, have adhered to those guidelines ever since. In fiscal year 1993, George Bush proposed almost $15 billion worth of new user fees, <u>and counted them as spending cuts</u>. In the words of his own budget document:

> Income to the Government arising from the exercise of its sovereign powers (mainly, but not exclusively, taxes) is classified as governmental receipts. Income from the public that results from voluntary business-like transactions is classified as offsetting collections, which offset outlays rather than being included with the governmental receipts. (Part two, page 15)

Delayed Impact of Spending Cuts: The Clinton plan precisely specifies every spending cut needed to achieve its total of deficit reduction, and requests their <u>immediate</u> enactment. There are no decisions deferred, and no actions postponed. However, spending cuts simply take longer to build up their savings than do tax increases. The plan includes tax rate increases on the wealthiest Americans to be effective immediately at the beginning of 1993, and those revenues flow quickly. On the other hand, cutting a slow-spending Federal program might save little money in the first year, but much more in the long run. The administration's proposed discretionary spending cuts, all to be enacted immediately, would save $3.6 billion in FY 1994, but $21.3 billion in FY 1998 -- almost six times more. The proposed entitlement cuts, all but one of which (the exception would amend the Farm Bill when it expires in 1995) would be enacted immediately, would save $5.7 billion in FY 1994, but $33.0 billion in FY 1998 -- again, almost six times more.

Counting the income taxation of Social Security benefits as a tax increase, counting debt service savings as spending cuts, and counting user fees according to the concepts set forth by the Johnson commission on budget concepts, we reach the ratios and figures cited above in bullet form in the response.

CHARGE 2: In 1994, this ratio is 10 to 1 -- $3.6 billion in taxes to $36 million in spending cuts.

RESPONSE: The ratio of taxes to spending in the early years of the Clinton budget is higher than after the plan takes full effect. However, Perot is using a Republican "new math" number; the actual ratio for FY 1994 is only 4.5 to 1.

But focusing on 1994 obscures the total impact of the packages; as we just said, by the time the program is fully in place -- that is, in 1998 -- spending cuts <u>exceed</u> tax increases by a healthy margin.

CHARGE 3: After the first five years of the Clinton Plan, the national debt will rise $900 million to $5 trillion and continue on an upward rise.

RESPONSE: What Perot does not realize is that without the Clinton plan, the national debt would be much higher! If George Bush's policies are not reversed, the debt will rise much more than it will under the Clinton program. Because Ronald Reagan and George Bush left Bill Clinton with a fiscal disaster, it will take enormous effort to turn the deficit from its current upward trend to a downward trend. Over that time, the debt will continue to grow. But there are no instant solutions, and so the responsibility for that debt growth rests with Ronald Reagan and George Bush, not Bill Clinton.

Also, Perot is using the "gross debt," which includes public and private debt, rather than the more economically meaningful "debt held by the public" figure, which would be $ 4.5 trillion. Without the Clinton plan, it would be $4.9 trillion.

BACKGROUND: Under the Clinton program, the debt held by the public will increase from $3.3 trillion in FY 1993 to $4.5 trillion in FY 1998, an increase of $1.2 trillion. However, under the policies left by the Bush administration, the debt would have increased to $4.9 trillion — more than $400 billion more.

The heart of the issue is that the Bush administration left a budget in shambles, with the deficit rising rapidly. Under Bush policies, the deficit would increase from $310 billion in 1993 to $387 billion in 1998. The Clinton administration must make a series of painful choices just to stop the deficit from rising, much less to turn the trend downward. Thus, Ross Perot's simplistic view of the world, President Clinton is given instant responsibility for the deficits that Ronald Reagan and George Bush took more than a decade to build.

CHARGE 4: The Clinton Plan adds $273 billion in new taxes.

RESPONSE: Wrong again. The Clinton plan increases taxes by $248 billion over five years. But the Clinton plan also calls for the largest deficit reduction in U.S. history. This is the first time a U.S. president has led the charge in seeking major deficit reduction, in this case, almost $450 billion in net deficit reduction over five years.

CHARGE 5: The Clinton Plan claims it will cut Defense by 20% but they couldn't tell you how they were doing it.

RESPONSE: Wrong again. Our defense cuts are fully specified in the April budget document. The Clinton budget includes discretionary national defense outlays for 1993-7 of $1,357 billion. This is a reduction of $79 billion from the Bush plan of $1,436 billion.

CHARGE 6: The "emergency" stimulus package Clinton called for included an Alpine Slide in Puerto Rico.

RESPONSE: Absolutely false. First, the Clinton plan never included a single one of the so-called "pork" items that Perot and Republicans are charging the community block grant or other funds will be spent on. Republicans have cited a long list of alleged abuses in "the stimulus bill" or "the package." These allegations are totally baseless.

BACKGROUND: The President's stimulus proposal included $2.536 billion for an expedited Community Development Block Grants (CDBG) program. The language in the bill was extremely brief -- about one page. It included no specific projects to be undertaken. The funds would be distributed according to the existing CDBG formula, directly to large cities and through the States to smaller units of government. The funds would be used at the discretion of the local governments themselves, though the bill was amended in the Senate to give the Director of OMB the authority to withdraw funding in any instance of abuse.

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Line items in the bill:

- $1.4 million for drawings of 28 significant structures and engineering achievements.
- $28 million for the District of Columbia to reduce its debt.
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In contrast to the earlier suggestions, these three items are in the bill. The first item is part of the Historic Preservation program, which would fund architectural drawings of historic structures that are about to be demolished so that such information could be retained after the buildings themselves were gone. The grant to the District of Columbia would supplement the annual Federal payment in lieu of property taxes -- which has not increased for inflation. The third item would accelerate the IRS computer modernization program, which will cut down processing time for taxpayers and facilitate the collection of unpaid taxes.

CHARGE 7: Perot cites a New York Times editorial [2/25/93] which attacks Senator Levin's Lobbying Disclosure Act of 1993. The editorial charges that the Act erred in requiring only total expenditures by lobbyists rather than "a much more telling member-by-member listing of the expensive meals, vacations, plane rides and other goodies lobbyists dole out in a form of legalized bribery." The editorial also castigates Clinton for backing this "phony reform measure."

RESPONSE: It is ironic that Perot relies on the New York Times for his information. President Clinton has been working with Congress to strengthen the Levin bill.

President Clinton supports a strong lobbying reform agenda. He proposes eliminating the tax deductibility of special interest lobbying. No longer will the average taxpayer have to subsidize this search for government benefits by high-priced lobbyists. The President is also fighting to:

- require <u>for the first time</u> registration and full disclosure of <u>all</u> paid lobbyists;
- close loopholes, such as the "lawyers' loophole"; and
- force lobbyists <u>for the first time</u> to detail their contacts with congressional and executive staff.

CHARGE 8: The Clinton plan's "job creation" will cost $89,000 for each new job created and these jobs are nothing but busy work.

RESPONSE: This number is both wrong on its face and has no meaning. Republicans created this number by taking the <u>total</u> cost of the program and relating it to the number of jobs created <u>in one year</u>. If the number of jobs in a particular year is related to the amount spent in that year, the cost per job in 1993 is $46,309; in 1994, it is $29,997 (considering jobs created from both direct spending and tax cuts).

Perot and Republicans are also choosing to ignore the job-creation effects that the plan would have in the <u>private sector</u>. The Council of Economic Advisors estimated that the stimulus package would have created more than 500,000 jobs by the end of 1994 and that most of these jobs will be in the private sector. The pro-business permanent and temporary investment tax credits, standing alone, would create some

160,000 private-sector jobs by the end of 1994.

BACKGROUND: Perot's approach is not a sensible way to look at the problem. Generating a highway job requires more than a person's time; it also requires construction equipment and asphalt. If we paid the workers half as much to stay home we would get no roads; looking at the stimulus program more broadly, we also would get no children immunized or educated, no public facilities repaired, and so on.

CHARGE 9: Perot claims that President Clinton misled the American people during the campaign when Candidate Clinton emphatically denied Bush's charge that he would raise tax rates on all people with incomes over $36,000. Perot claims that President Clinton has now raised taxes on middle income people.

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

Both Bush and Perot got it wrong. Under the Clinton plan, the bulk of new revenues come from those who can most afford to pay. Income tax rates are raised only on the top 1.2 percent wealthiest Americans -- individuals who make $115,000 per year and couples that make $140,000. Middle income people who make more than $30,000 will be affected by the energy tax, but it will cost average families only $17 per month when it is fully phased in. People who make less than $30,000 per year will not be affected by the BTU tax because of the offsetting increase in the Earned Income Tax Credit.

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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.

BACKGROUND: It should also be noted that objective study after objective study has shown that the average family pays only around $15 more a month in higher energy taxes and a USA Today article published in March 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.

CHARGE 10: President Clinton falsely claims that he was forced to break his "promise" and raise taxes on the middle class because the deficit was worse than he thought during the campaign; in fact, he knew how bad the deficit was all the time. He said in a July 1992 Business Week article that the deficit would approach $400 billion.

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

The unexpected increase in the deficit was the rise in FY1997 to $346 billion -- more than $100 billion greater than when 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.

In fact, the February 1992 OMB budget had predicted the deficit for 1992 would be $399.7 billion. When Congress did not deal with the RTC and technical changes were made, the deficit for 1992 ended up being $290 billion. Neither OMB nor the CBO had assumed in its projections that Congress would decide not to approve new funds for the S&L cleanup. The irony of this is that it shows that no one can predict whether the current deficit numbers are going to be correct.

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.

BACKGROUND: This allegation also ignores the reality of the changes in the economic outlook, and the composition of the President's program.

The Clinton program targets FY 1997 for $140 billion of deficit reduction. In January of 1993, after the election and evaluated on a consistent basis, CBO estimated that the FY 1997 deficit would by $38 billion higher than it had previously expected; OMB (still under George Bush) upped its projection by $50 billion. For sake of argument, take the lower number, $38 billion.

The Clinton program contains two tax increases that affect the middle class: the BTU (energy) tax, which raises $22 billion in FY 1997; and the increased income taxation of Social Security benefits, which raises $7 billion. The total of the two middle-class tax increases in FY 1997, therefore, is $29 billion.

It follows that the Clinton program could have more than reached its target without the middle-class tax increases -- but for the January deterioration in the budget deficit outlook; the $38 billion worsening of the projections exceeded the $29 billion of middle-class tax increases. Relative to a $300 billion deficit, the $38 billion deficit reestimate seems small; relative to the choices that have to be made to control the deficit, $38 billion hurts badly. The Clinton Plan assumes the budget deficit for 1997 will be $346 million without the Plan.

CHARGE 11: The Clinton tax plan reaches down to people who earn $15,000 a year.

RESPONSE: False. The BTU tax affects everyone who consumes energy. However, the Clinton plan increases the earned income tax credit (EITC) for low-income working people, and energy conservation grants for low-income people. The combined effect is to negate the impact of the tax, on average, for people with incomes below $30,000. The effect will not be absolutely uniform; some people (particularly working families with children) might receive net tax cuts, while others may pay small net tax increases.

CHARGE 12: The Clinton Administration is considering a 5% Value-Added Tax.

RESPONSE: The Clinton Administration has not proposed a VAT. The health care tax force is looking at a range of financing options and we feel that it is our responsibility to think carefully and consider all possible alternatives before making any decisions.

BACKGROUND: A 1992 non-partisan study from the Congressional Budget Office (CBO) cites the benefits of a VAT as follows:

- A VAT is often called a "pro-growth tax" as it does not distort the allocation of capital among its many uses. It does not tax the return to savings and new investments. [Effects of Adopting A Value-Added Tax, CBO, Feb. 1992, pg 49]

- Refuting any negative effects, CBO states that even a 6 percent VAT which raises $150 billion in annual revenue would have "only minor effects" on a $6 trillion economy. [Effects, pg 50]

- Because a VAT is a tax on consumption, CBO predicts that a VAT would lead to increased national savings and investment and long term capital stock formation.

- A VAT treats labor and capital the same. Therefore, as the recovery progresses, businesses have the same incentives to invest in increasingly productive equipment and to rehire laid-off workers.

- A common misperception is that a VAT will lead to increased inflation which could result in higher interest rates. As a tax on goods, a VAT will result in a one-time increase in price levels. It does not, however, lead to increased inflation. In fact, if a VAT were used to reduce the budget deficit, we could reasonably expect to see a further decline in interest rates.

CHARGE 13: Perot cites the New York Times for many of his arguments, including his charge that **[? $90 billion?]**.

RESPONSE: It is ironic that Ross Perot is relying on the press to make his arguments for him. During the campaign, Perot continually degraded the press. He compared reporters to "teen-age boys" who have "less respect in this country than Congress" and will "do anything for a 'gotcha' story." [Gannett News Service, 10/20/92] He told a New York Times reporter "I have to be real careful when you ask a question." [Reuters, 10/20/92] To one question, he replied: "That's press myth No. 615." He slammed the media for creating "these fairy tales." He accused reporters of being interested only in getting raises and promotions by reporting "gotcha" stories. [LA Times, 10/5/92] And he said to the press, "I think you have an enormous responsibility under the First Amendment that you don't discharge." [Reuters, 10/20/92]

CHARGE 14: Clinton broke his promise not to increase the income taxes of people earning under $200,000.

RESPONSE: President Clinton's plan keeps his campaign promise to increase income tax rates only for the wealthiest Americans. In fact, the plan increases income tax rates for only the top 1.2 percent of the population.

CHARGE 15: There are good deficit reduction plans out there -- Nunn-Domenici, Kasich -- that do not require raising taxes.

RESPONSE: The Nunn-Domenici and Kasich plans do not specify how they will achieve their deficit reduction.

The **Nunn-Domenici** plan calls for $2 trillion of deficit reduction over 10 years. This includes substantial tax increases ($376 billion); it also covers $260 billion of proposed new spending. Taking account of claimed interest savings, $1.5 trillion of spending cuts are needed.

Nunn-Domenici propose an entitlement cap to achieve most of those savings. This is a pure gimmick, a magic black box. But when you look within the magic black box, almost 90% of all savings come from Medicare and Medicaid -- with dramatic cuts inevitable in cuts to Medicare beneficiaries of all income. The Clinton-Gore plan already cuts $58 billion -- in specific line by line cuts from hospitals and doctors -- over five years. Yet, the Nunn-Domenici plan calls in broad and vague terms <u>at least another $170 billion cuts in Medicare over a five year period. Even if only half that</u>

amount were to be in benefit cuts, that could cost the average Medicare recipient over $2000 over a five year period. If we do that, on top of the Clinton cuts, without a national health care plan, it would require severe cuts to Medicare recipients of all incomes, that will cost people hundreds of dollars in benefits each year.

Certainly freezing entitlements at inflation and population growth sounds harmless, but with health care often at three times the rate of inflation, limiting entitlements at inflation is just a clouded way of saying we should simply reduce the deficit by putting all of the burden on the elderly -- without doing anything to improve our health care system.

The way to get entitlement costs down is to come up with a real solution -- a national health care plan.

The only savings suggested in the Nunn-Domenici report is a brief list of discretionary programs labeled, "Examples of Lower-Priority Programs to be reviewed for Possible Termination or Reduction" (many of which are cut in the Clinton budget plan). Assuming that all of those programs were terminated outright, the savings would be $65.4 billion, or 4.4 percent of the total savings needed. There are $5.73 of new taxes for every dollar of specified spending cuts in the Nunn-Domenici plan.

The **Kasich** budget plan is likewise nonspecific. $144 billion in spending cuts were unspecified. There were also enormous Medicare cuts including increases in copayments by the elderly regardless of income, speculative "managed care" savings in Medicaid, and unrealistically high reductions in Federal employees in every form (numbers of employees, salaries, benefits, and administrative costs).

According to the Center on Budget and Policy Priorities, the Kasich proposal would achieve less long-term deficit reduction than the President's plan. By 1998, the Kasich plan's deficit would be $30 billion higher than under the President's plan.

The Kasich plan would hit hardest at older Americans. Although advertised as raising premiums only on beneficiaries with incomes over $100,000, the plan also includes a substantial new co-payment charge for Medicare beneficiaries at all income levels on laboratory services or home health care. Also, the Center reports that the Kasich proposal "largely shields the wealthy" from contributions to deficit reduction.

ROSS PEROT'S ECONOMIC PLAN: Would increase the motor fuel tax 10 cents per year for five years and then maintain a total 50 cent gasoline tax ($157.8 billion).

RESPONSE: Perot's motor fuels tax would hit low-income Americans twice as hard as their high-income counterparts and with no compensating offsets. Low-income families spend more of their income on gasoline than their higher income counterparts.

Yet Perot would offer the working poor no offsetting relief. While the Clinton Administration's proposed BTU applies to everyone who uses energy, the Clinton budget proposal will assist low-income families by increasing the earned income tax credit and raising outlays for the Low Income Housing Energy Program.

BACKGROUND: The CBO estimates that a motor fuels tax would be highly regressive. A gasoline tax equal in amount to the President's BTU tax would be 1 percent of cash income in the bottom income quintile, 0.7 percent in the second quintile, 0.6 in the third, 0.5 in the fourth and only 0.2 in the top quintile. Although the President's Btu tax has approximately the same income distributional effect as a motor fuels tax, it is a significantly smaller amount than Perot's.

ROSS PEROT'S ECONOMIC PLAN: Would increase Medicare Part B SMI Premium from 25 Percent to 35 Percent.

RESPONSE: The Perot proposal to raise the Supplementary Medical Insurance (SMI) premium from 25 percent to 35 percent would increase all enrollees' premium costs by 40 percent. This change would cost each enrollee an additional $176 per year. Regardless of their level of income, this substantial cost increase would place a real burden on low-income retirees that need the current level of the subsidy while only reducing, but not eliminating, the unnecessary subsidy to the well-off retirees.

BACKGROUND: The $176 estimate is based on 1993 premiums of $36.60 per month. 1993 Annual Report of the Board of Trustees of the Federal SMI Trust Fund pg. 64.

Ten Themes of Republicans

(1) 3 page defense of our plan
→ Op Ed

(2) Document – common Republican critiques

→ –6 or 7

response taxing middle class

~~(3) Peace~~

(1) He taxes too much
(A) Ratio spending / taxes
(B) Middle Class

→ Arthur Anderson

(2) He spends too much / cuts too little

(3) The Debt will still be big after we're done

(4) He broke his promise not to raise taxes on middle class
– Commercial on Bush –
– he knew it all along

over

5 ~~Porte~~ Pork

6 <The stimulus doesnt create jobs
Job creation Numbers

7 Defense

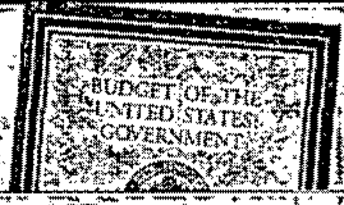
8 ~~Everything is good~~
Economy good b/c of what Repubs done
Bad b/c what Demos Done

9 other good Plans out there

10 Taxes we propose will contract economy

THE FEDERAL PAGE

FY 1994



President Clinton's $1.52 trillion tax and spending plan is out. The 1994 budget consists of 1,478 pages, weighs 5.11 pounds and costs $43. Clinton's goal: to reorder priorities and carve $447 billion from deficits over five years. This is a summary of how he plans to do that.

AGRICULTURE

$900 Million Reduction; No Major Subsidy Change

The Agriculture Department proposed cutting about $900 million from its $68 billion operation. But department officials warn their cost projections are based on unpredictable factors like the weather and market prices. Officials expect to save money by closing field offices, cutting a subsidy to honey producers and restricting farm subsidies for those who earn $100,000 or more in non-farm income. President Clinton is not seeking major changes in the farm subsidy programs until 1996. He is proposing funding increases for rural housing, meat inspection and the Women, Infants and Children (WIC) food program.

— Sharon LaFraniere

COMMERCE

Large Increase Slated To Build Competitiveness

Commerce gets the biggest departmental increase, on a percentage basis, thanks to a large-scale boost in spending on research and technology programs intended to strengthen U.S. industrial competitiveness. At $3.5 billion, Commerce's budget is 15 percent above its spending level in President Bush's final budget. A major increase goes to The National Institute of Standards and Technology (NIST), the agency leading federal efforts to boost manufacturing R&D and help smaller companies access new production technologies. NIST's budget request is $535.2 million, up 39 percent from the previous year, to expand research and training centers.

More funds go to build the federal "information highway," a proposed fiber-optic network designed to connect computers in universities, businesses, government agencies and, eventually, private residences. The Census Bureau and the Bureau of Export Administration are Commerce's only agencies to shrink.

— Peter Behr

DEFENSE

Modest Personnel Cuts; Tough Choices Deferred

The fiscal 1994 defense budget is more remarkable

EPA

Spending Cut Proposed, With 6% From Superfund

An administration that prides itself on its commitment to the environment has chosen a funny way to show it: cutting the budget for the Environmental Protection Agency. Administrator Carol M. Browner gamely tried to portray her 1994 budget as an increase, but to do it she had to count as fiscal 1994 funds about $915 million in spending included in the administration's job stimulus package—which is fiscal 1993 money. Absent the stimulus funds, the EPA's budget would go from $6.9 billion in fiscal 1993 to about $6.4 billion next year, a decrease of almost 8 percent. Significant reductions include a 6 percent cut in the Superfund program to clean up hazardous waste sites.

—Tom Kenworthy

HHS

Entitlement Programs Hold With Inflation

The Health and Human Services budget jumps from $592 billion this year to $641 billion in fiscal 1994, which includes $44 billion in Social Security, Medicare and Medicaid to match inflation. That would have been higher but for plans to save $53 billion over five years by controlling payments to doctors and hospitals. Secretary Donna E. Shalala emphasized new planned spending of $840 million for immunizations, up $400 million over what Congress provided for 1993; $4.2 billion for Head Start, up $1.4 billion; a new $60 million block grant to strengthen troubled families; $1.4 billion, up $328 million, for women's health programs; and $10.7 billion, up $1.2 billion, for disease prevention.

— Spencer Rich

HUD

Slight Total Increase; Housing Programs Frozen

Secretary Henry Cisneros outlined a $25.4 billion discretionary budget for the Department of Housing and Urban Development, a $200 million increase over 1993 outlays. Neither figure includes the $2.9

STATE

Toward 'Redirecting' U.S. Foreign Policy

Secretary of State Warren Christopher said the new foreign affairs budget "begins the process of redirecting our foreign policy" and "reforming our foreign policy institutions" such as the State Department, the Agency for International Development and international broadcasting agencies.

Overall, the international affairs budget calls for $21.6 billion, about $450 million more than fiscal 1993, and $21.3 billion in actual outlays, or spending, within fiscal 1994. Some programs saw major increases, including $300 million more for the former Soviet Union; $170 million more for peace-keeping efforts; $100 million more for population programs; $50 million for a new non-proliferation fund; and $35 million more for international environmental programs.

The administration also proposed $98 million for U.S. payments to the United Nations in fiscal 1994 and $163 million in the next year to end Washington's debtor status there.

Cuts of more than $400 million were announced in security assistance programs, mainly by phasing out a Special Defense Acquisition Fund.

Because of the cut in the size of the total program, the $3 billion allocated to Israel and $2.1 billion to Egypt make up 87 percent of all security assistance funding proposed for fiscal 1994.

— Don Oberdorfer

TRANSPORTATION

10 Percent Increase; Shift to R&D

The $40.24 billion Transportation Department budget is 10.2 percent greater than 1993. However, if Clinton's fiscal 1993 economic stimulus package is passed, the 1994 budget would be the same as this year's. As usual, the major share of the budget—71 percent—would go for infrastructure, mainly highway building and repair.

However, the budget represents a major change in philosophy from 12 years of GOP budgets. Clinton recommends increased funding for transit and more money for research and development into new transportation systems such as high-speed rail and "intelligent" vehicle and highway systems. Transportation Secretary Federico Peña described it as "transit-friendly."

TREASURY

Cuts in Customs, ATF; Increase for the IRS

The Treasury operating budget remains virtually frozen at 1993 levels.

Spending in many areas—such as the Financial Management Service, the U.S. Customs Service and the Bureau of Alcohol, Tobacco and Firearms—is trimmed by about 1 to 2 percent. However, the Treasury's biggest bureaucracy—the Internal Revenue Service—gets about a 9 percent increase to help it get tougher on taxpayer enforcement, up to $20.4 million from $18.7 million, and fulfill a key Clinton campaign promise. Some enforcement areas in the department get cut, however: air and marine interdiction and financial crimes enforcement, which would be $21 million, down from $24 million.

Treasury's total budget would rise substantially, however, because it includes interest payments made on the steadily rising national debt. Clinton has asked for $318.9 billion for fiscal 1994, up from $301.7 billion estimated for 1993.

— Steven Mufson

VETERANS

$1 Billion Increase; Homeless Initiatives

The fiscal 1994 budget request for the Department of Veterans Affairs is $36.4 billion, a $1 billion increase. The VA said that is about a 5 percent rise in discretionary spending over the fiscal 1993 appropriation.

The VA's medical programs would receive $15.6 billion, with $287 million of that going to equip and staff newly completed construction projects. About $100 million would be spent to recover funds owed the VA from insurance companies and third parties. The recovery effort should bring in $668 million in fiscal 1994, the department said. The VA's benefits programs would get $19.5 billion, including a cost-of-living adjustment for persons receiving veterans benefits and up to $7 million to support 100 housing loans for Native American veterans under a pilot project.

VA Secretary Jesse Brown issued a statement pointing out that the fiscal 1994 budget proposal includes $33.8 million for initiatives aimed at the homeless and $47.6

... [illegible] change from what it does. The president's spending plan—$263 billion in budget authority, $277 billion in actual spending—kills no major weapons program, makes only modest personnel reductions and defers until next year most tough decisions about the size and shape of the post-Cold War military. In fact, the higher actual spending figure reflects the Pentagon's efforts to complete several weapons programs, including the B-2 bomber. Total budget savings are roughly $12 billion beyond Bush's plan.

The budget hints at where the Clinton administration will end up on defense. The plan would cut $2.5 billion from the Strategic Defense Initiative anti-missile system and accelerate cuts in force structure.

The largest savings, $5.8 billion, would come out of procurement accounts, achieved mostly by scaling back weapons purchases or slipping production schedules. In the short term, the military will continue producing Cold War-era weapons systems like submarine-launched Trident II ballistic missiles and F-22 fighters.

Defense Secretary Les Aspin has acknowledged that the changes in the 1994 budget amount to little more than "treading water." But he promises a more aggressive approach during the next budget cycle.

— John Lancaster

EDUCATION

Service Program, Direct Lending Proposed

Those looking for a big federal investment in education will be disappointed. Clinton's new budget doesn't even seek the same level of increase in education as Bush did in his last year.

However, there are major changes in what this administration wants to do with its $30 billion—about the same as was appropriated for this fiscal year. The department wants to phase in a new direct lending program, one that aims to lower students' interest rates; launch a national service program, so students can work off college bills through community service; and spend millions for capital improvements to historically black colleges and minority teacher fellowships. Secretary Richard W. Riley said 1994 is a year for structural change and "the proper thing to do" now isn't "to pour money into old programs."

— Mary Jordan

ENERGY

For First Time, Cleanup Gets as Much as A-Arms

Energy's budget is a post-World War II landmark: The amount for environmental restoration and waste management at the department's nuclear weapons plants almost equals the amount for weapons production and handling. The department plans to spend $6.65 billion for weapons development and testing, stockpile management, naval reactors and other defense-related activities. The environmental cleanup allocation is $6.55 billion, including $721 million for former weapons plants now sitting idle while cleanup programs are developed.

Secretary Hazel R. O'Leary put the weapons spending figure at $5.0 billion, down 19 percent from fiscal 1993, but the actual amount is $6.65 billion, including money left over from earlier years. The total budget request is $19.6 billion, up from $19 billion this year. Beyond the weapons programs, the biggest changes are increases for solar and renewable energy research—up from $251 million to $327 million—and for "fundamental science research," up from $2.7 billion to $2.9 billion, including $628 million for the Superconducting Super Collider.

— Thomas W. Lippman

billion requested as part of Clinton's stimulus package. Cisneros defended what he called "unfair attacks" in Congress against the stimulus package's $2.5 billion in community development grants. The HUD budget requests $4.2 billion in grants, whether the stimulus package is approved or not. The budget also abandoned efforts to fold new public housing and housing for the elderly and disabled into a third program, but froze the individual allocations at 1993 levels.

— Guy Gugliotta

INTERIOR

Parks, Wildlife Service Get Big Increases

The Interior Department gets not only an 8 percent increase in funding under the new budget, from $9 billion to $9.5 billion, but a significant shift in emphasis to parks, conservation and wildlife. The National Park Service and U.S. Fish and Wildlife Service budgets would go up by 19 percent and 18 percent, respectively. The Interior budget also assumes increases in the fees ranchers pay to graze their stock on federal lands, and a first-ever royalty on gold and other minerals taken from federal property. The White House was criticized for agreeing not to push for those fees in budget reconciliation legislation, but Interior Secretary Bruce Babbitt said he will do that administratively.

— Tom Kenworthy

JUSTICE

Budget Stays Flat, Policing Funds Sought

The Justice Department's budget would remain flat at $11.2 billion. Clinton proposes spending $50 million on "community policing" programs that strive to get officers out of patrol cars and more in touch with neighborhoods. About $25 million would go for a "Police Corps" to provide scholarships to college students who pursue law enforcement careers. The department estimates it can save about $116 million in administrative and personnel costs, including travel for conferences and training. There are no new funds for prison construction after fiscal 1994—a big change from Bush's plans.

—Sharon LaFraniere

LABOR

Employment, Training Set for Added Funds

Labor gets a major increase for employment and training programs, keeping with Clinton's call for more spending—or "investment"—to help those who lose their jobs due to corporate downsizing, defense cuts and the North American Free Trade Agreement. Funds for employment and training would rise from $5.8 billion to $7.5 billion, but actual spending would be slightly less than this year because much of the money—spent on a program year, not a fiscal-year basis—won't be paid out until summer. To pay for these programs, $5 billion will be cut elsewhere. Overall, labor's budget goes down from $47.9 billion in 1993 to $40.4 billion next year. Most of the cut reflects the expiration of the Emergency Unemployment Compensation Act, an unemployment trust fund.

... [illegible]

[illegible] Pena described it as "transit-friendly."

Amtrak funding would remain at current levels, unlike past years when Republican administrations repeatedly tried to kill the passenger train corporation.

— Dan Phillips

... [illegible] for initiatives aimed at the homeless and $47.5 million for post-traumatic stress disorder programs.

— Stephen Barr

The New Regime will resume Monday.