

## KEY POINTS ON OUR POSITIVE ECONOMIC AGENDA

1. **Strengthen Foundation of American free enterprise through deficit reduction, opening trade, strengthening Democracy**
  - Deficit already cut more than in half from \$290 billion when we took office according to both OMB (\$117 B) and CBO (\$115-130 B) -- *now we will finish job and get to balance.*
  - Continue pursuing free and fair open trade as we did with NAFTA and GATT
  - Continue environmental pro-growth policies
  
2. **Equip all Americans with Tools and Security to Succeed in this Free Enterprise System** (invest in education, modernize schools, technology, training, standards, health insurance you can take from job to job).
  - \$55 billion more for education and training than GOP budget
  - \$1,500 HOPE Scholarship to help make 14 years of education the national norm
  - \$10,000 tax deduction for higher ed.
  - School construction
  - Education Tech
  - Double funding for dislocated workers
  - Higher education standards for students and teachers
  - Kassebaum-Kennedy insurance -- so workers can take their insurance from job to job.
  - Pension Portability
  
3. **Continue to Grow Together Not Apart: Ensure that all Americans are growing together -- with opportunity -- not growing apart, fighting for a smaller pie and subject to the politics of division.**
  - Since 1992, every family income quintile from the most well-off to the poorest has seen their real income increase.
  - Raise minimum wage to help 10 million working families
  - Empowerment Zones round 2
  - Brownfields empowerment contracting

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

WHAT A DIFFERENCE 4 YEARS MAKES:

Deficit Cut More Than In Half

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

Unemployment Is Down

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

Jobs Are Up

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

Private-Sector Growth Is Up

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

EXPERTS SAY PRESIDENT CLINTON DESERVES CREDIT FOR A STRONGER ECONOMY

- *Fortune*, 10/3/94: "[President Clinton's] economic plan helped bring interest rates down, spurring the recovery."
- *Paul Volcker, Federal Reserve Board Chairman (1979-1987), in Audacity*, Fall 1994: "The deficit has come down, and I give the Clinton Administration and President Clinton himself a lot of credit for that. [He] did something about it, fast. And I think we are seeing some benefits."
- *Alan Greenspan*, 2/20/96: The deficit reduction in President Clinton's 1993 Economic Plan was "an unquestioned factor in contributing to the improvement in economic activity that occurred thereafter."
- *Lehman Brothers*, 1/10/94: "Lower deficits, lower long-term rates and higher real growth was the overall promise. With the data now rolling in for December 1993, it seems clear that President Clinton delivered on all three counts..."

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

<u>Clinton</u>	<u>Reagan</u>	<u>Major Economic Indicator</u>
✓		<b>JOB GROWTH:</b> Since President Clinton took office, 10 million new jobs have been created - that's a 2.6% annual rate of job growth vs. a 2.0% annual rate during the Reagan Administration. <i>It took 41 months for 10 million jobs to be created under Clinton vs. 74 months under Reagan.</i> (Source: Based on data from the Bureau of Labor Statistics, Current Employment Statistics survey.)
✓		<b>PRIVATE-SECTOR JOB GROWTH:</b> Since President Clinton took office, nearly 9.3 million new private-sector jobs have been added -- that's a 2.9% annual rate of job growth vs. a 2.3% annual rate during the Reagan Administration. (Source: Based on data from Bureau of Labor Statistics, Current Employment Statistics survey.)
✓		<b>PRIVATE-SECTOR ECONOMIC GROWTH:</b> Since President Clinton took office, the private sector of the economy has expanded 3.1% per year compared to 3.0% per year during the Reagan Administration. (Source: Based on data from the Department of Commerce, Bureau of Economic Analysis.)
✓		<b>BUDGET DEFICIT:</b> By the end of this year, the deficit will be less than half what it was 6 years ago: \$117 billion now vs. \$290 billion then. During the Reagan Administration, the deficit doubled, exploding from \$74 billion to \$155 billion. (Source: OMB.)
✓		<b>MORTGAGE RATES:</b> Since President Clinton took office, fixed mortgage rates have averaged 7.8% -- compared to an average rate of 12.8% during the Reagan Administration. (Source: Department of the Treasury, Office of Economic Policy.)
✓		<b>BUSINESS INVESTMENT:</b> Since President Clinton took office, business investment has increased 11.0% annually vs. a 4.1% annually during the Reagan Administration. (Source: Based on data from the Department of Commerce, Bureau of Economic Analysis.)
✓		<b>HOMEOWNERSHIP:</b> Since President Clinton took office, the homeownership rate has increased to a 15-year high. During the Reagan Administration, the homeownership rate fell from 63.6% to 63.9%. (Source: Based on data from the Department of Commerce, Bureau of the Census.)
✓		<b>STOCK MARKET:</b> Since President Clinton took office, the stock market has increased 14. percent per year, after adjusting for inflation. This is more than twice the annual rate during the Reagan Administration: 6.6% per year. (Source: Department of the Treasury, Office of Economic Policy.)
✓		<b>INFLATION:</b> Since President Clinton took office, the inflation rate has averaged 2.8% per year. During the Reagan Administration, the average inflation rate was 4.2%. (Source: Based on data from the Bureau of Labor Statistics.)
✓		<b>WAGE GROWTH:</b> Since President Clinton took office, real average hourly wages have increased slightly. During the Reagan Administration, they fell 2% -- or 28 cents. (Source: Based on data from the Bureau of Labor Statistics, (adjusted to December 1995 dollars using the CPI-U).)
✓		<b>MANUFACTURING JOB GROWTH:</b> Since President Clinton took office, 183,000 new manufacturing jobs have been added vs. 778,000 manufacturing jobs lost during the Reagan Administration. (Source: Based on data from the Bureau of Labor Statistics, Current Employment Statistics survey.)

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

*The Facts On The Economy Under President Clinton*

July 17, 1996

## WHAT A DIFFERENCE 4 YEARS MAKES:

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

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

### THE WORLD'S JOBS LEADER

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

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

### THE WORLD'S AUTOMOBILE LEADER

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

### THE WORLD'S LEADER ON DEFICIT REDUCTION

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

### THE WORLD'S LEADER IN SEMICONDUCTORS

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

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

July 17, 1996

- \* **Smallest Deficit As A Share Of The Economy In Over Two Decade.** OMB projects the deficit to be 1.6 percent of the economy this year -- smaller than any year since 1974.
- \* **Lowest Combined Rate of Unemployment and Inflation Since 1968.**
- \* **Stronger Job Growth Than Any Republican-Administration Since the 1920s.** More than 10 million new jobs added in 3 1/2 years -- that's a faster annual rate of job growth than any Republican Administration since the Roaring 1920s.
- \* **Highest Share Of Jobs In Private Sector Since Harding.** Ninety-three percent of all new jobs have been created by the private sector -- that's higher than the average during any other Administration since Warren G. Harding was President 75 years ago.
- \* **Lowest Inflation For An Administration Since Kennedy.** Inflation has averaged just 2.8 percent per year -- that's the lowest rate of inflation for any Administration since John F. Kennedy was President.
- \* **Stronger Manufacturing Job Growth Than Any Republican Administration Since Before the Great Depression.** Since President Clinton took office, the economy has added 183,000 new manufacturing jobs -- that's a faster annual rate of manufacturing job growth than any Republican Administration since the before the Great Depression.
- \* **Strongest Business Investment Growth For An Administration Since Kennedy.** Business investment has grown 11.0 percent annually -- that's a faster rate of business investment growth than any other Administration since John F. Kennedy was President.
- \* **Lowest Mortgage Rates In 30 Years.** Mortgage rates have averaged just 7.8 percent -- that's lower than any other Administration since Lyndon Johnson was President in the 1960s.
- \* **Strongest Stock Market Growth Since World War II.** The stock market has increased 14.2 percent per year, in real terms -- that's a faster rate than during any other Administration since World War II.
- \* **Highest Homeownership Rate In 15 Years.**
- \* **Strongest Construction Job Growth Since Truman.** In just over 3 years, the economy has added 890,000 new construction jobs -- that's the fastest annual rate of construction job growth since Harry S Truman was President.

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

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

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

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

## CLINTON "GLASS CEILING" OF ECONOMIC GROWTH

*Q. Does the White House believe that the current rate of economic growth -- 2.3% -- is the best we can do? Certainly, the Republicans might be right that we should be able to grow faster than this?*

**A: There are no limits on how fast the economy can grow -- as long as we look to the long-term.** If we do the right things to make America more productive, as the President said, the sky is the limit.

- **The 2.3 percent growth is used for budget estimates because we believe that it is important to be conservative.** Our economic forecasts are conservative for budget purposes -- we should not return to the rosy scenarios of the previous Republican Administrations.

**The threshold question is: which vision of economic growth will deliver a more productive America?**

-- **Wrong Way:** The wrong way is to look for simple solutions, easy answers, and silver bullets.

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

*Follow: How fast do you think we are capable of growing today: 3.0? 3.5%?*

**A: I DON'T THINK ANYONE CAN TELL YOU EXACTLY WHAT IS OUR LONG-TERM GROWTH POTENTIAL.** What is important is that we know the path to higher growth is making our people and our companies more productive and embracing the long-term growth agenda President Clinton has proposed to make it happen.

## TAXES

### SPECULATION ON ACROSS THE BOARD TAX CUTS

*Q. What do you think about reports the Senator Dole is considering a large tax cut proposal?*

**A: Senator Dole will have to decide for himself the policy he wants to propose, and whether or not he will do it in a way that stays true to our commitment to balance the budget.**

- **He Still Hasn't Paid For His \$110 Billion Worth of New Proposals.** So far, he has offered up about \$110 billion in new deficit spending (\$10 billion for school vouchers and at least \$100 billion for a Charity Tax Credit) and we are still waiting for specifics on how he is going to pay for these two proposals.

**ALL TAX QUESTIONS SHOULD THEN PIVOT BACK TO OUR TAX PROPOSALS AND PRINCIPLES:**

**THE PRESIDENT WANTS TO CUT TAXES, BUT HE BELIEVES THERE ARE RIGHT WAYS AND WRONG WAYS TO DO THIS.**

**THE RIGHT WAY TO CUT TAXES:** The right way is to follow two key principles:

- 1) **Tax cuts should be targeted to the middle class and towards things like education, savings and child care -- things that matter most for working families and most for our country.**
- 2) **Tax cuts should be specifically paid for, and stay within the strict discipline of our bipartisan commitment to balance the budget**

**Example:** The President's HOPE Scholarship Tax Cut met these two principles. It was targeted to a new national standard for our nation and for economic growth -- that all people should get two years of higher education -- and it was fully paid for within the context of a balanced budget proposal. This is the standard we have set for all tax cuts.

**THE WRONG WAY TO CUT TAXES** is a broad, across-the-board tax cut that is not targeted to what families and our economy most need and will drive up the deficit, drive up interest rates [or lead to unacceptable Medicare and education cuts.]

- The Republican head of the tax writing committee, **Chairman Archer has stated that the 15% across-the-board cut would cost around \$600 billion over seven years, or \$1 trillion over 10 years, and that he has no idea how it could be paid for.**

## Tax Revenues Following 1981 and 1993 Tax Plans

**CLAIM:** *Spencer Abraham and other prominent Republicans such as Steve Forbes and Jack Kemp, falsely assert that the 1981 tax cut raised revenue and the 1993 plan did not raise revenue. They claim that tax revenues, after adjusting for inflation, increased 3.8 percent per year from 1981 to 1989, despite the fact that tax rates were cut, while tax revenue increased just 2.3 percent from 1990 to 1995, when the top tax rate increased 50 percent.*

### THE FACTS:

**Both the notion that the 1981 tax cut raised revenues and the notion that the 1993 tax plan did not raise revenue is clearly factually false according to any reasonable analysis.**

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

- **1981 tax cuts cost tax revenue and helped explode the deficit.** After passage of the 1981 supply-side tax cuts, real individual income tax revenue fell for three consecutive years, and did not recover to their 1981 level until 1986. That is, for four entire years after Reagan's 1981 tax cut, real individual income tax revenue were below their 1981 level, even though it was in the middle of an economic recovery. [Source: Department of the Treasury, (tax revenue adjusted to 1995 CPI dollars.)]
- **Individual tax revenues grew rapidly after 1986 tax reform.** From 1981 to 1989, individual income tax revenue grew 1.7 percent annually -- not 3.8 percent -- but even this is misleading. From Reagan's 1981 tax cut to the tax reform of 1986, real individual income tax revenues grew just 0.2 percent per year. After tax reform -- from 1986-1989 -- they grew 4.1 percent per year.
- **During the 1980s, the Social Security payroll tax rate increased 6 times.** To the degree that overall tax revenues went up faster, it was due to increases in the Social Security payroll tax rate in 1981, 1982, 1984, 1985, 1986, and 1988, which increased Social Security tax revenues at a rate of 4.7 percent per year from 1981 to 1989. Therefore, revenues went up 3.8 percent per year because of real payroll tax revenues; individual income tax revenues rose just 0.2 percent annually from 1981 to 1986 and 4.1 percent per year from 1986 to 1989.
- **1981 Tax Cuts helped explode the deficit.** This loss in tax revenue helped explode the deficit: in Ronald Reagan's first three years in office -- when the Republicans controlled both the White House and the Senate -- the deficit nearly tripled, increasing from \$74 billion in FY80 to \$208 billion in FY83. By FY 86, the deficit had increased \$221 billion. [Source: CBO]

**Response to Notion #2:** First of all, they are looking at 1990 to 1995 data to refute the President's 1993 Economic Plan. Let's look at what's happened since the 1993 plan took effect: **Inflation-adjusted individual income tax revenues have increased 4.8 percent annually since the 1993 plan.** According to both the Congressional Budget Office and H&R Block, the 1993 Economic Plan did not raise income tax revenue from 98.8 percent of working families -- it only raised rates on the top 1.2 percent. A small amount of the increase in revenue -- about \$4 billion a year -- comes from the wealthiest top 13 percent of social security beneficiaries. [Source: "H&R Block Analysis of the Income Tax Consequences of the Revenue Reconciliation Bill of 1993," August 1993; and "GOP Tax Issue May Fade Away: Only 1.2% Of Filers Will Face Increase, CBO Study Finds," *Washington Post*, 1/13/94.]

- **President Clinton's 1993 Economic Plan has worked and has cut the deficit in half.** Since President Clinton took office, CBO projects that the deficit will be cut in half, dropping from \$290 billion in FY 92 to about \$130 billion in FY96. [Source: CBO, 5/96]

## RESPONSE TO PRESIDENT CLINTON RAISED TAXES ON TYPICAL FAMILIES

- Typical family have seen a drop in their tax rate since 1992 -- and tax rates for typical family lower now than in 7 of 8 years under Reagan
- 15 million families saw tax cut benefitting 40 million total Americans because of President Clinton's expansion of the Earned Income Tax Credit
- H&R block has confirmed that only the top 1.2% of all tax payers saw rate increase
- Because of the President's 1993 Economic Plan, 8 million homeowners have refinanced at lower rates -- many over \$1000 a year
- The source of the Republican tax Ad claiming that taxes have been raised \$1,500 for the typical family has renounced the ad.
  - \*\* Income for two-earner family is up \$6,260 since 1992 (nominal) and people only paid more taxes because they earned more.
  - \*\* Remember, even under Flat Tax: if you earn more, you pay more.

## CLAIM ON LARGEST TAX INCREASE IN HISTORY

**CLAIM:** *The 1993 Economic Plan contained the biggest tax increases in history.*

**THE FACTS:** 1. **THIS IS JUST NOT TRUE.** The attached chart from the *Wall Street Journal* identifies four tax changes that were *larger* as a percentage of the economy than the 1993 plan.

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

2. **The 1993 Economic Plan raised income tax rates on only the top 1.2% of taxpayers -- and expanded the Working Families Tax Credit, cutting taxes for 15 million workers and their families.**

- H&R Block confirms that the 1993 Economic Plan only increased income tax rates for the top 1.2 percent, while cutting taxes for "16.6% of all taxpayers [who] benefit from the Earned Income Tax Credit Expansion." [Source: "H&R Block Analysis of the Income Tax Consequences of the Revenue Reconciliation Bill of 1993," August 1993.]
- CBO found that "only a sliver of tax filers -- about 1.2 percent -- will face a higher income tax bill on April 15 because of the Clinton administration's economic program." ["GOP Tax Issue May Fade Away: Only 1.2% of Filers Will Face Increase, CBO Study Finds," *Washington Post*, 1/13/94.]

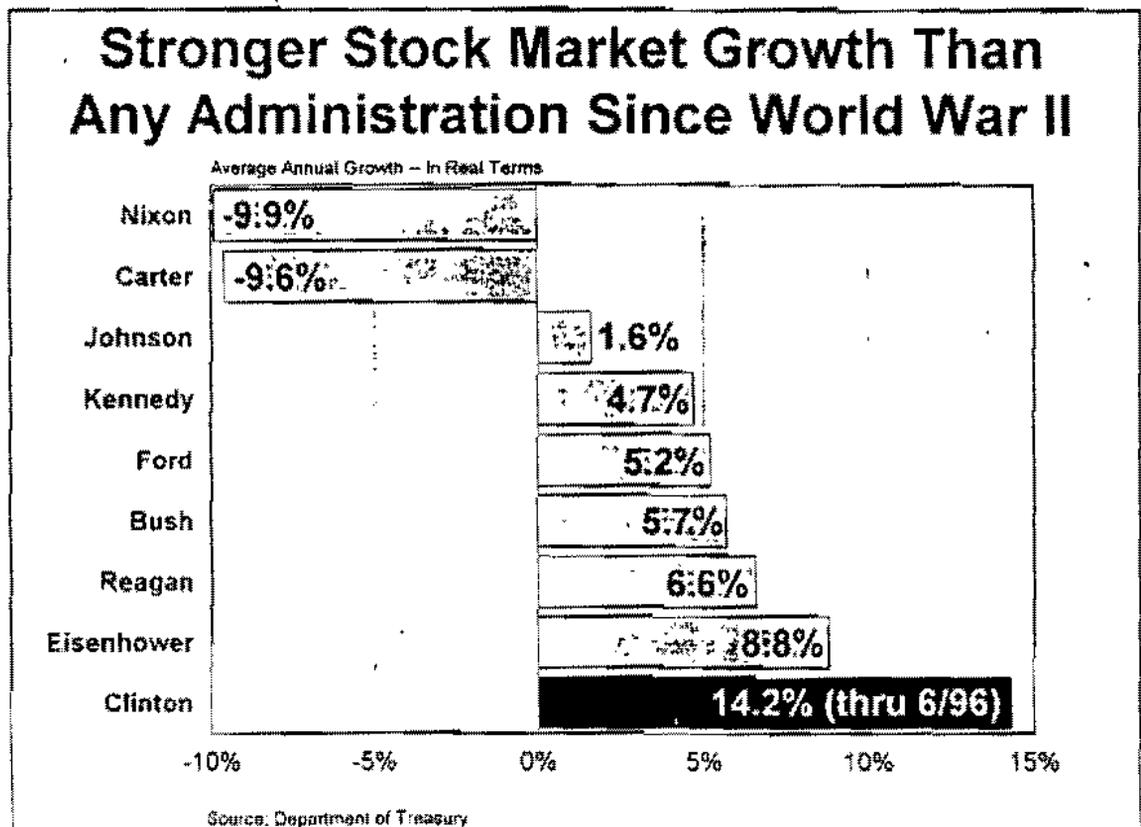
3. **The average federal income tax rate for the typical four-person family is lower today than when President Clinton took office, and is lower than in 7 of the 8 years when Ronald Reagan was President.** The average federal personal income tax rate for the typical four-person family will be lower in 1995 than in 1992 and lower than in 7 of the 8 years under Ronald Reagan. [Source: Treasury Department Office of Tax Analysis, based on Census Bureau data, 4/18/95.]

# THE STOCK MARKET DURING THE CLINTON ADMINISTRATION

July 19, 1996

## *Some Perspective On Recent Movements:-*

- **Stock Market Is Up 68 Percent Under President Clinton.** Since President Clinton took office, the stock market has increased from 3,242 on January 20, 1993 to 5,431 (close on 7/19/96) -- an amazing 68 percent increase in three and a half years.
- **The Stock Market Has Increased Faster Under President Clinton Than Under Any President Since World War II.** The stock market has increased 14.2 percent per year, in real terms -- that's a faster rate than during any other Administration since World War II.
- **Since The Beginning Of This Year, The Stock Market Is Up More Than 6 Percent.** Since the beginning of 1996, the stock market has increased from 5,117 to 5,431 (close on 7/19/96) -- that's a 6 percent increase (even after including recent declines).



## THE DOLE-GINGRICH ANTI-EDUCATION BUDGET OF 1995

IN 1995, MAJORITY LEADER BOB DOLE TEAMED UP WITH NEWT GINGRICH TO FIGHT FOR THE MOST EXTREME EDUCATION BUDGET IN HISTORY. *The 1995 (FY96)*

*Dole/Gingrich budget would have cut Education and Training by \$31 billion over 7 years.* [CBO, Analysis of HR 2491, 11/16/95, FY96 Budget Resolution Conference Agreement; FY97 Budget Report, Chart 8-1]

- **2.5 Million Students Denied Direct Student Loan Opportunities.** The Gingrich-Dole budget would have capped Direct Lending at 10% of loan volume, denying Direct Loan opportunities to 2.5 million students in 1,350 colleges and universities. [Dole voted for H.R. 2491, the Republican Budget Reconciliation Bill, 11/17/95]
- **Bob Dole Wanted To Cut Student Loans Even More.** During consideration of the Republican Budget Resolution, the Senate *passed* an amendment to reduce the cut in student loans by \$9.4 billion over 7 years eliminating corporate tax breaks -- but Bob Dole voted no. [CQ Almanac, 1995 (vote #231)]
- **Income-Contingent Loans Effectively Eliminated.** The Dole-Gingrich budget effectively eliminated the ability of students to repay their loans as a share of their income. [Dole voted for H.R. 2491, the Republican Budget Reconciliation Bill, 11/17/95]
- **380,000 Students Denied Pell Grants.** The Dole-Gingrich budget would have seriously underfunded Pell grant program, denying Pell grants to 380,000 deserving students in 1996 alone, compared to the President's budget. [House-Passed FY96 Labor/HHS Appropriations Bill]
- **Bob Dole Voted Against \$9 Billion Amendment to Prevent Pell Grants From Being Underfunded.** On May 23, 1995, Dole voted to table an amendment that would have restored \$8.88 billion over 7 years for Pell Grants in order to ensure that Pell Grants keep up with inflation. [Dole Senate Vote #330, S.C.R. 13, 5/25/95]
- **100,000-200,000 Denied The Opportunity To Serve Their Communities While Earning Money Toward College.** In 1995, about 25,000 people participated in AmeriCorps. In 1996, nearly 25,000 participate in the program. The Dole-Gingrich budget would have eliminated AmeriCorps, denying (based on conservative estimates) 100,000-200,000 youth the opportunity to serve their communities while earning money toward college over the next few years. [Vetted FY96 VA/HUD Approps. Bill, 12/18/95]
- **150,000 Children Denied Head Start.** The Dole-Gingrich budget would have denied 150,000-180,000 children comprehensive Head Start education, health, and social services in the year 2002. [The Senate Budget Resolution -- which Dole voted for -- assumed a freeze in Head Start funding at 1995 levels, denying 150,000 opportunities in 2002. The House-passed Labor/HHS Bill cut Head Start to a funding level that would deny 180,000 children Head Start opportunities in 2002. Source: Department of Health and Human Services, October 25, 1995]
- **1 Million Denied Basic & Advanced Skills Assistance.** The Dole-Gingrich budget would have cut T I by more than \$1 billion -- 1 million students cut from the program in 1996. [House-passed Labor/HHS FY96 Approps. Bill]
- **Goals 2000 Education Reforms Eliminated -- Cutting off 9,000 schools currently using Federal Funds to raise educational standards.** [House-passed FY96 Labor/HHS Approps. Bill] [Dole campaign Internet Web Site, "It was a bad idea when I voted against it in the Senate. It is a worse idea now." 7/6/96]
- **Safe And Drug Free Schools Funding Slashed More Than In Half -- Services Reduced For 23 Million School Children.** The Dole-Gingrich budget would have cut the Safe and Drug-Free School program by more than 1/2 in 1996, from \$466 million to \$200 million. [Based on House-passed FY96 Labor/HHS Approps. Bill. Dole voted for a 51% cut in FY95 Rescission Bill, President Clinton vetoed, June 1995.]
- **4 Million Youth Denied Summer Jobs Opportunities.** The Republican budget would have eliminated the Summer Jobs program, denying about 600,000 young people work opportunities next year and nearly 4 million over 7 years. [FY96 Senate Budget Resolution, May 1995]

## **BOB DOLE FAILS EVEN THE MOST BASIC EDUCATION LEADERSHIP TEST**

**A QUICK HISTORY LESSON FOR BOB DOLE: Nothing Bob Dole says about education in a 35 minute campaign speech can erase Senator Dole's 35 years of anti-education votes, including:**

- **1996:** **Voting to provide \$55 billion less funding for education and training than the President's balanced budget.** [FY97 Senate Budget Resolution]
- **1995:** **Voting for and leading the fight for the Dole-Gingrich budget that cut education by \$31 billion.** [FY96 Budget Resolution, conference agreement, H. Con. Res. 97, FY1996 Budget Reconciliation Bill, 11/16/95]
- **1994:** **Voting against Safe and Drug Free Schools, Head Start, Title I, Charter Schools, and Goals 2000 Higher Education Standards.** [Safe and Drug Free Schools: CQ Almanac, 1994, (p. 55-S; Vote #321), Title I and Charter Schools: HR 6, October 5, 1994, Senate vote #2243, Goals 2000: HR 1804, C.R., March 26, 1994, Vote #86, Head Start: CQ Almanac 1994, Vote #34, HR1804, 2/8/94]
- **1993:** **Voting against the creation of Direct Student Loans and National Service.** [Direct Lending: CQ Almanac, 1993, (p410) CQ Vote #190, HR 2264, passed 50-49, 6/23/93, National Service: CQ Almanac 1993, pg. 403, CQ Vote #231, HR 2010, passed 58-41, 8/3/93]
- **1986:** **Fighting to cut \$1.5 billion from Pell Grants scholarships and cutting the maximum scholarship award for disadvantaged college students from \$2,400 to \$2,300.** [CQ Almanac, 1986 (Vote #109)]
- **1981:** **Voting for Reagan's Pell Grant Cuts which set spending limits below the operating cost of the program.** [CQ Almanac, 1981 (p. 493)]
- **1979:** **Voting against creation of the Department of Education.** [Senate Vote# 1070, S. 210, 4/30/79]
- **1965:** **Voting against creation of the first federal student loans -- 1 of only 63 representatives to vote against the creation of the Higher Education Act which guaranteed federal student loans for undergraduate college students.** [CQ Almanac, 1965 (vote #169), 10/25/65.]
- **1964:** **Voting against the creation of Head Start.** [CQ Almanac, 1964]

**CHECK THEIR RECORDS ON SCHOOL CHOICE:  
PRESIDENT CLINTON HAS BEEN A LEADER IN PROMOTING  
COMPETITION, ACCOUNTABILITY AND PARENTAL CHOICE**

*"I challenge every state to give all parents the right to choose which public school their children will attend: and to let teachers form new schools with a charter they can keep only if they do a good job."*  
President Bill Clinton, State of the Union Address, January 23, 1996

- I. **AS GOVERNOR, BILL CLINTON PROPOSED AND WON PUBLIC SCHOOL CHOICE.**  
Governor Bill Clinton proposed and signed the law in 1989 allowing parents to choose any public school in any school district -- making Arkansas among the first states to have such a law.
  
- II. **AS PRESIDENT, BILL CLINTON HAS REPEATEDLY ACTED TO PROMOTE CHARTER SCHOOLS AND CHOICE -- BOB DOLE REPEATEDLY OPPOSED HIM:**
  1. **PRESIDENT CLINTON WON PASSAGE OF LEGISLATION TO HELP ESTABLISH CHARTER SCHOOLS TO EXPAND PARENTAL CHOICE AND COMPETITION.** As part of his 1993 proposal to reauthorize the Elementary and Secondary Education Act, President Clinton proposed providing start-up funds for teachers, parents, and others to start charter schools - innovative public schools governed by teachers, parents and others that operate free of many district and state regulations but are held accountable for results through performance-based contracts. In 1995, President Clinton announced grants to provide start-up funds for Charter Schools in 11 states, including Minnesota, Michigan, California, Texas, and Mass.  
  
⇒ **BOB DOLE VOTED NO:** Bob Dole voted against the Improving America's Schools Act that created the Charter School program. (Congressional Record 10/5/94, Senate Vote 321)
  
  2. **PRESIDENT CLINTON MADE CHARTER SCHOOLS A CLEAR OPTION FOR SCHOOLS THAT DON'T PERFORM.** The President's proposal to reform and reauthorize Title I listed as a possible corrective action for low-performing high-poverty schools receiving Title I "making alternative governance arrangements such as the creation of a charter school."  
  
⇒ **BOB DOLE VOTED NO:** Bob Dole voted against the Improving America's Schools Act that reformed Title I, which helps improve reading and math skills. (CR 10/5/94, Senate Vote 321)
  
  3. **PRESIDENT CLINTON FOUGHT FOR AND SIGNED GOALS 2000 TO RAISE ACADEMIC STANDARDS AND INCREASE ACCOUNTABILITY AND CHOICE.** 48 states -- including all but two Republican governors -- are using Goals 2000 to raise achievement and choice. Goals 2000 funds can be used to support the development of charter schools, and at least three states are already doing so: Minnesota, Michigan, and Massachusetts. In Michigan, 8 charter schools were funded in 1995 with Goals 2000 funds.  
  
⇒ **BOB DOLE VOTED NO:** Even as the Senate voted bipartisanship to pass it (63-22), Bob Dole voted against Goals 2000: Educate America's Act. (HR 1804, 3/26/94) "It was a bad idea when I voted against it in the Senate, and it's still a worse idea now." (New York Times, 7/5/95)
  
  4. **PRESIDENT CLINTON'S BALANCED BUDGET MORE THAN DOUBLES FUNDING FOR CHARTER SCHOOLS** to \$40 million in 1997, and increases funding over the next 5 years to fund start-up costs for up to 3,000 new charter schools. (OMB, FY97 Budget, 3/96)  
  
⇒ **BOB DOLE RESIGNED AND REPUBLICANS VOTED NO:** The House-passed FY97 Labor-HHS appropriations bill provides less than half the funding requested for charter schools

## 6 QUESTIONS ON VOUCHERS

**Q: Why is the President opposed to school vouchers?**

**A:** ● The President's goal is to give true choice to all parents to send their children to good schools with high standards, competent and inspired teachers, opportunities for technology literacy. The President feels the best way to do that is to support charter schools, public school choice while supporting basic skills for disadvantaged students, technology literacy, high performance tests for graduating from elementary school, middle school and high school, and that we ought to provide choice and competition among public schools that open their doors to all students.

● This plan would hurt the choice for millions of parents to go to quality schools by draining the funds away from public schools that are needed to give all parents and students choice of a first rate education. The Dole-Gingrich budget proposed \$31 billion in education and training cuts -- the most anti-education budget in history -- and now this private school initiative could drain another \$10 billion away from programs like Head Start, Pell Grants and Title I over six years.

[● Want competition and choice among schools that open doors their to all students - not just the ones they hand pick for any arbitrary reason.]

[● This is an unnecessarily divisive approach that allows schools to hand-pick winners and losers, while the Church and State issues tend to lead to litigation that is long and too often divisive.

[● No accountability]

[● No evidence that it works. The University of Wisconsin-Madison has found no evidence of higher academic achievement, while there is evidence of schools closing and parents being stranded and the state being defrauded through the program.]

[Much will go to just subsidizing the 5.7 million who already go to private schools]

**Follow up:**

**Q: Why are private school vouchers are different from giving training vouchers or Pell Grants to private schools, the difference is that public school education in this nation is not optional and is not charged for.**

**A:** College is optional for students; all colleges charge tuition and all colleges can pick and choose who they want to accept or deny. In that environment, we decided as a nation to help all students out regardless of whether they are going to public or private schools. Public elementary and secondary school is different. It is universal; it is where our common values and sense of common citizenship is formed. Everyone is accepted and no one has to pay. That is special and we should preserve the strength of that system. When you have a Dole-Gingrich budget that cuts public education and then calls for siphoning off \$10 billion more in cuts to allow a few to pay less for private schools, we weaken that system and weaken the ability of all students to choose quality schools.

**Q: Is our position that school vouchers are unconstitutional?**

**A:** ● There is no clear cut answer there, but we know that it raises constitutional questions and that it is guaranteed to lead to years of unnecessary litigation and division.

**Q: The President talks about giving poor children the same choices in education as the most well-off. They why is it okay for the President and Vice President to send their daughters to elite private schools but then oppose Bob Dole's effort to give millions of poor families the same choice?**

**A:** ● The President's goal is to give all Americans as much choice as possible to go to the best schools possible. The question is what is the best way to do that. Yet, the fact is that the President feels the best way to strengthen our economy and give every child and every parent the choice to go a quality school is to strengthen the public schools and not to siphon funds off public funds for private schools scholarships for a few -- especially when these schools have no public accountability and do not open their doors to all students.

**Q: The President called Polly Williams a visionary**

**A:** ● The President was an early forerunner of school choice and competition. He wrote Polly Williams because he wanted to offer encouragement to the exploration of the few choice and competition ideas that existed at that time and he told her that he would "have his staff analyze it." After seriously studying different choice options, then Governor Clinton came to the conclusions that the right way to promote parental choice in education was through public school choice and charter schools -- and not private vouchers -- because he feared private school vouchers would siphon funds away from public schools and lead to unnecessary division at a time when he thought Americans should be pulling together. He has been consistent in the position and has acted as President to promote this view by praising public school choice efforts and finding new funds for charter school in two separate bills GOALS 2000 and Improve America Schools Act -- both of which gave funds to Minnesota and both of which Dole voted against.

**Q: Has the Wisconsin proposal been successful?**

**A:** The study by the University of Wisconsin shows no academic difference between those who are in the program and those who are not. (Study by Professor John Witte, University of Wisconsin-Madison, Milwaukee Journal, February 10, 1996). Furthermore, as Clarence Page reported for the Chicago Tribune, "two of the seventeen private Milwaukee schools participating in the voucher program have gone out of business, leaving students stranded and parents scrambling to find another

school. Two more have been put on the critical list with severe financial troubles." Page also reports that 200 of 1476 students have dropped out and the director of one school wrote \$47,000 in bad checks. A state audit found that two schools have exaggerated enrollments enough to overbill the state of Wisconsin by \$390,000. ("Reality Check on School Vouchers," Chicago Tribune, March 13, 1996 p.15

## RESPONSE TO QUESTIONS ON WHAT ADMINISTRATION HAS DONE TO APPEAL TO PEROT CONSTITUENCY

- **President Clinton has done more than any President to balance the budget:**
  - Deficit cut in half \$290B to \$117B (OMB) or \$115-130 (CBO)
  - 4 Consecutive years of deficit reduction under Clinton -- first President to do so since 1840's -- before Civil War
  - First President to offer CBO-certified balanced budget in 17 years.
  - Budget would be balanced today were it not for interest on debt created during Reagan/Bush years.
  
- **President Clinton Reinvented Government -- leaner, cheaper, smarter.**
  - 1993 plan cut spending \$255 billion -- one of largest cuts in history
  - Spending as share of GDP down from 23.3% to 21.7% after going up under Bush
  - Spending as share of GDP lower than at any time during Reagan or Bush.
  - Smallest government in 3 decades -- cut by 230,000 workers
  - Closed 2,000 field offices, eliminating 16,000 pages of unneeded regulations, proposed terminating over 400 programs and projects.
  
- **Working for meaningful political reform**
  - Signed law applying laws of land to Congress
  - Signed lobbying reform.
  - Called on Congress in State of Union to pass McCain-Feingold campaign finance reform

## SOCIAL SECURITY Q&A

July 15, 1996

**Q: Did the President open the door yesterday to supporting some experimental version of allowing a portion of Social Security to be privatized as first a demonstration project?**

**A: The President made clear three points:**

**1. Importance of Bipartisan Process in Least Political Context Possible:** The President made clear that he supports a bipartisan independent process like existed in 1983 to consider the steps that needed to be taken to keep the Social Security system strong. Unfortunately, the current Social Security Advisory Council seems to have failed -- it reportedly could not reach consensus on a bipartisan plan to ensure the program's long-term solvency.

**2. Opposes Privatization or Anything that Would Put Older Americans at Serious Risk:** The President also made clear that he opposes complete privatization because it would not be dependable enough for many older Americans and would put them "at serious risk."

**3. Willing to Study Ideas -- But Will Not Support Implementing Ideas that Change Social Security -- Without Careful Study, Testing and Review:** We do want to clarify that the President does not mean to propose experimenting with privatizing a portion of Social Security system.

**Q: If you look at his statement it seems to imply that he means that you don't want sweeping changes or complete privatization until you have experimented with some partial privatization that can be studied or tested. Are you saying that he did not mean this or misspoke?**

● The President is not making any proposals, nor does he support any proposals for any type of privatization. What he was saying was that within the context of a bipartisan commission or process like the one in 1983, even new ideas should only be considered that are carefully tested before implemented, and that if new ideas are to be considered he would want careful study and even testing before we take any risks with a program that has worked so well for the American people.

# PRESIDENT CLINTON CUT THE DEFICIT MORE THAN IN HALF -- ON THE WAY TO BALANCING THE BUDGET

July 16, 1996

In today's Mid-Session Review, the Office of Management and Budget projects the deficit will drop to \$117 billion this fiscal year, down from its projection of \$146 billion just four months ago -- far less than the \$290 billion deficit when Clinton took office in January 1993.

## PRESIDENT CLINTON HAS MORE THAN KEPT HIS PROMISES

- ★ **Deficit Cut More Than in Half.** Both CBO (\$115-\$130 billion) and OMB (\$117 billion) now project the deficit to be more than cut from the record \$290 billion when Clinton took office.
- ★ **10 Million New Jobs.** President Clinton promised his economic strategy would create 8 million jobs in 4 years -- and it has now created 10 million jobs in 3 1/2 years.
- ★ **Smallest Government in Three Decades.** President Clinton promised to cut 100,000 unnecessary positions from the bureaucracy -- and he has already reduced the federal workforce by 230,000.

## DEFICIT CUT MORE THAN IN HALF

**1992:** **Record Deficit.** The deficit was \$290 billion -- the highest dollar level in history.

**Today:** **Deficit Cut 60%.** Both CBO and OMB agree that the deficit will be cut more than in half in 4 years. CBO projects the deficit will be between \$115 and \$130 billion this year and OMB now projects it will be \$117 billion. [CBO 7/96, OMB 7/96]

- **Smallest Deficit in Over 20 Years as a Share of the Economy.** OMB projects the deficit will be 1.6% of the economy -- lower than any year since 1974.
- **Smallest Deficit Than Any Major Economy In the World As A Share of GDP.** In 1992, the U.S. had a larger budget deficit as a share of the economy than Japan, Germany, and France. Today, the U.S. has the lowest deficit as a share of the economy of any major economy in the world. [OECD, 12/95]
- **President Clinton is the first President to cut the deficit 4 years in a row since the 1840s.**

## BALANCING THE BUDGET

- **President Clinton Is the First President in 17 Years To Submit a CBO-Certified Balanced Budget.**
- **Republican Budgets Would Not Balance Without President Clinton's 1993 Deficit Reduction Plan.** Without the 1993 deficit reduction plan -- which every Republican voted against -- the GOP budget would not even come close to reaching balance in 2002. Rather than repeal it, Republicans depend on it.

## CUTTING SPENDING

- **Government Spending Is Down.** President's Clinton's 1993 plan cut spending by \$255 billion -- one of the largest cuts in history. After spending as a share of GDP increased from 22.1% to 23.3% under President Bush, spending as a share of the economy has now declined from 23.3% to 21.7% of GDP and is lower than at any time during the previous two Administrations. [OMB, Fiscal Year 1997 Budget: Supplement and Historical Tables.]

## CUTTING THE SIZE OF GOVERNMENT

- **Smallest Workforce in 3 Decades.** After increasing from when Reagan took office to when Bush left office, the federal workforce has been cut by 230,000 workers under President Clinton to the smallest level in three decades. Closing over 2,000 unnecessary field offices, eliminating 16,000 pages of unneeded regulations, and proposed terminating over 400 programs and projects.

## CLAIM ON NOT DESERVING CREDIT FOR DEFICIT REDUCTION

**CLAIM:** *President Clinton's policies are responsible for less than 40% of the deficit reduction between fiscal 1993 and 1996.*

### THE FACTS:

1. Any way you slice it, the President's 1993 Economic Plan and the resulting impact on the economy is responsible for the overwhelming majority of the deficit reduction.

The deficit had quadrupled in the previous 12 years and was projected to be \$455 billion in FY2000 and to \$579 billion in FY2002. Now, thanks to the President's plan the deficit has been cut in half and come down four years in a row under on President for the first time since before the Civil War.

2. While Republicans are Petty, the Most Respected Republican Experts Acknowledge President's impact. After driving quadrupling the deficit under their watch [*the first major explosion of the deficit between 1981-1986 when the Republicans controlled the Senate and Dole was Finance Chairman*] and saying they were going to blame the President if anything went wrong in the economy, it is rather petty and pathetic for them now to be arguing about credit now. If you look at what the experts say -- even the most respected experts say -- including Republicans -- nearly all acknowledge that the President's deficit reduction plan reduced the deficit, lowered interest rates, and spurred economic growth:

Volker: The Deficit has come down and I give the Clinton Administration and President Clinton himself a lot of credit for that ... and I think we're seeing the benefits." Audacity, Fall, 1994]

Alan Greenspan: "The deficit reduction [from 1993]...was an unquestioned factor in contributing to the improvement in economic activity that occurred thereafter." [2/20/96]

CBO, January 1994:" The dramatic improvement in the deficit since last January is largely the result of the enactment of the Omnibus Budget Reconciliation act of 1993."

3. Republicans are being hypocritical: They were ready to give the President's Plan 100% of the blame for hurting the economy and increasing the deficit, but are not willing to give it more than 40% of the credit for improving the economy and cutting the deficit. They claim the strong economy is a coincidence!

- Representative Newt Gingrich: *"The tax increase will kill jobs and lead to a recession, and the recession will force people off of work and onto unemployment and will actually increase the deficit."* [Atlanta Journal-Constitution, 8/6/93]
- Senator Pete Domenici: *"April Fool, America. This Clinton budget plan will not create jobs, will not grow the economy, and will not reduce the deficit."* [Dallas Morning News, 4/2/93]
- Representative John Kasich: *"...We're going to find out whether we have higher deficits, we're going to find out whether we have a slower economy, we're going to find out what's going to happen to interest rates, and it's our bet that this is a job killer..."* [GOP Press Conference, 8/3/93]

5. We will compare our records on deficit reduction and the economy any day.  
President Clinton:

- President Clinton is the first President to cut the deficit 4 years in a row since before the Civil War.
- Smallest Deficit in Over 20 Years as a Share of the Economy.
- Smallest Deficit Of Any Major Economy In the World As A Share of GDP.
- Republican Budgets Would Not Balance Without President Clinton's 1993 Deficit Reduction Plan.

## CLAIM ON DEMOCRATS DEMAGOGUING ON MEDICARE.

**Q:** *Isn't the President just demagoguing on Medicare. Aren't the differences really pretty small now?*

1. **Republicans are still insist on excessive Medicare cuts that would move medicare toward second class health care.**
  - **45% larger cuts.** The Republican budget reduces Medicare spending by \$168 billion -- \$51 billion or 44% more than CBO scored the President's balanced budget.
2. **They are still raising costs on beneficiaries -- but now they do it indirectly through even larger cuts on health care providers.** Rather than raising costs on beneficiaries directly they now do it indirectly through even deeper cuts in payments to the hospitals and home health providers that serve beneficiaries, jeopardizing quality and access to health services.
  - **Extreme Cuts Threaten Viability of Many Hospitals.** Their \$168 billion cut could mean hospitals get lower payments tomorrow than today--even in nominal terms--and will result in cost-shifting, undermine quality, and threaten the financial viability of many rural and urban hospitals. According to the American Hospital Association, nearly 700 hospitals derive *67% or more* of net patient revenues from Medicare & Medicaid.
  - **American Hospital Association and National Association of Children's Hospitals are "gravely concerned about the level of reductions proposed"** by Republicans in Medicare and Medicaid. [May 10, 1996 letter to Chairmen Roth, Archer, and Bliley from ten hospital associations.]
3. **More than dollars are at stake -- their damaging structural changes would force Medicare to "wither on the vine."** The Republican budget still contains the damaging structural changes that President Clinton vetoed last year. These changes would segment the Medicare population, leaving the traditional program with fewer dollars and sicker beneficiaries.
  - **Medical Savings Accounts.** Republicans have insisted on the immediate adoption MSAs that appeal to the healthiest and wealthiest beneficiaries, leaving the sickest and most costly beneficiaries in a weakened fee-for-service program. CBO projects that MSAs will *increase* Medicare costs by \$4 billion over seven years.
  - **Over-charging in private plans.** Republican proposals permit physicians to charge beneficiaries extra -- through "balance billing" -- in private Medicare plans, increasing out-of-pocket costs for beneficiaries and slowly draining the fee-for-service system of both doctors and dollars.
  - **Hard spending cap.** Republicans impose a hard cap on Medicare spending. If costs increase faster than projected, spending would no longer keep up -- leading to cuts exceeding \$168 billion.
4. **President Clinton's budget shows that their deep cuts and damaging structural changes are not necessary to balance the budget and guarantee the life of the Medicare Trust Fund for 10 years -- just as long as the Republican proposal.**

August 7, 1996

MEMORANDUM FOR THE PRESIDENT

THROUGH: LEON PANETTA

FROM: GEORGE STEPHANOPOULOS  
GENE SPERLING

SUBJECT: Response to Dole's Economic Plan

Attached are some of the documents produced in response to Dole's announcement of his economic plan.

- I. **Summary of Press and Economists' Reaction to Dole's Plan.** As you will see from the attached summary and clips, Dole's plan received harsh criticism from newspapers and renowned economists nationwide. More than 30 major newspapers printed negative editorials on the day following Dole's announcement.
- II. **6 Key Points To Keep In Mind On Bob Dole's New Supply-Side Tax Cut.** This document was produced the day before Dole's announcement (Sunday) and given to reporters by the re-election campaign before they entered the pre-brief for Dole's plan (Monday morning.) The impact of this document -- and accompanying phone calls to reporters -- was significant: reporters were well informed of the tough questions to ask about the plan and Dole's hypocrisy, before the plan was even officially announced.
- III. **10 Unanswered Questions on Dole's Plan.** Since the announcement of his plan on Monday, we have worked with reporters to highlight the overwhelming lack of specifics and answers to key substantive questions. This has been effective, as reporters are becoming more frustrated and skeptical with the Dole campaign's inability to answer basic questions. Today the campaign is officially giving out this document in San Diego at the Dole Campaign briefing and to specific reporters here in Washington.
- IV. **Impact of President Clinton's Tax Cuts For Education and Child-Rearing on Typical Families.** This document shows how millions of working families will get a significant tax cut under your plan without ballooning the deficit. While many taxpayers will certainly do better under their plan -- if it were implemented and if it did not raise interest rates which would evaporate the tax cut benefits -- families with young children will do nearly as well under your tax cut as the Dole tax cut, and families with children in college will on the whole do better under your tax cut.

## NEWSPAPERS NATIONWIDE HAVE DISMISSED BOB DOLE'S TAX PLAN:

- **New York Times Editorial:** "Since Congress could barely muster the courage to cut mohair subsidies, it could take until 3002, not 2002, to meet Mr. Dole's spending targets. If somehow Mr. Dole managed to defy Congressional history and get his cuts, he would do irreparable harm to the economy." [New York Times, 8/6/96]
- **New York Times Editorial:** "The Hail Mary Tax Plan....There is still no magical supply-side elixir. Mr. Dole is caught up in another supply side fiction, that tax cuts will not open gaping holes in the budget.... Mr. Dole's economic adviser, John Taylor of Stanford University, once wrote that predicting that a tax cut would be a large stimulus to employment and output 'would be contrary to the evidence.' The evidence has not changed, but it looks like Bob Dole has." [New York Times, 8/4/96]
- **Washington Post Editorial:** "The tax cuts will likely add to the deficit, thereby reducing the savings rate on which investment depends while forcing interest rates higher than they otherwise would be. Far from generating greater growth, these factors would combine to suppress it." [Washington Post, 8/4/96]
- **Business Week:** "Dole may offer huge tax cuts, but they could hurt long term growth.... Indeed, the bulk of economic studies suggest that a tax cut such as the one being discussed could send the deficit soaring and cut business investment in the long run. Ultimately, the economy's growth rate would fall rather than rise," [Business Week, 8/12/96]
- **Boston Globe Editorial:** "For all Dole's claims about the innovativeness of his proposal, analysts said that it relies on two tried-and-troubled ideas -- spending cuts like those balked at by the public last year, and an economic payoff largely missing from the nation's last experiment with substantial tax cuts under Ronald Reagan." [Boston Globe, 8/6/96]
- **Boston Globe:** "... a wide array of analysts criticized the proposal as, at best, of only modest economic significance and, at worst, a recipe for political disaster." [Boston Globe, 8/6/96]
- **Baltimore Sun Editorial:** "Desperation is perhaps the kindest and gentlest explanation for Bob Dole's late-life conversion from deficit hawk to voodoo doctor.... What is dubious about this whole business is that it rests on huge, unspecified spending cuts, huge revenue growth that requires a leap of faith... the question of the future is whether he can or even wants to fulfill an utterly irresponsible campaign promise." [Baltimore Sun, 8/6/96]

- **St. Louis Post-Dispatch Editorial:** "Back To Voodoo Economics. Though supply-side economics is a proven failure, Bob Dole wants to try it again." [St. Louis Post-Dispatch, 8/6/96]
- **Sacramento Bee Editorial:** "Deja Voodoo... For Dole, this is not just an issue of economics, it's also an issue of credibility. On both counts, it's a mistake." [Sacramento Bee, 8/6/96]
- **Chicago Tribune Editorial:** "...without specifics on where spending cuts will come be made and with Washington facing increasing spending on entitlements programs, tax cuts now would almost certainly lead to bigger deficits, not smaller ones.... Frankly, we liked the old Bob Dole better." [Chicago Tribune, 8/6/96]
- **Chicago Tribune:** "... few independent experts believe Dole's [plan] could work." [Chicago Tribune, 8/6/96]
- **New York Daily News Editorial:** "Who do voodoo now? Like a drowning man reaching for something -- anything -- to keep himself afloat, Bob Dole has repudiated 35 years of fiscal rectitude in favor of a crackpot economic plan. Reaching for a life preserver, he grabbed an anvil. An anvil called tax cuts.... It' sad this snake oil is being offered as the salvation of Dole's foundering presidential bid.... [Higher interest] would choke off the best job-creating economy in a generation, one that has produced 10 million new jobs." [New York Daily News, 8/6/96]
- **Chicago Sun-Times Editorial:** "The \$548 billion tax cut would be paid for, mostly, by deeper cuts in spending -- never mind that Congress has been unable to agree on trims already proposed. In true 1980s supply-side rhetoric, the proposal would capitalize on presumed economic growth stimulated by a tax cut. That's an unproven assumption." [Chicago Sun-Times, 8/6/96]
- **Philadelphia Daily News Editorial:** "...Dole offered no hard choices yesterday. Desert first, then spinach later -- the Reagan menu." [Philadelphia Daily News, 8/6/96]
- **Detroit Free Press Editorial:** "NO FREE LUNCHES; Dole's tax cut would be economic irresponsibility... Mr. Dole would arrest this progress [on fiscal responsibility], and return to the debt accumulation of the Reagan years... Mr. Dole may want to offer a free lunch, and plenty of candy for desert, but voters already recognize how unpalatable that menu is." [Detroit Free Press, 8/6/96]
- **Philadelphia Inquirer:** "...skeptics questioned whether the numbers add up." [Philadelphia Inquirer, 8/6/96]

- ***Miami Herald Editorial:*** "Dramatic -- and risky.... There's pixie dust in his proposals to cut taxes \$548 billion and balance the budget by 2002.... Trailing President Clinton by 20 points in come polls, Bob Dole yesterday reached back 15 years and embraced the supply-side shamans whose advice he wisely had spurned earlier.... it's also dramatically risky." [Miami Herald, 8/6/96]
- ***Nwsweek:*** "...like Reagan's, Dole's plan risks ballooning the deficit." [Newsweek, 8/12/96]
- ***San Francisco Chronicle Editorial:*** "This plan raises a great risk of reversing hard-won battles against the deficit, which peaked at \$290 billion a year in 1992.... there is no free lunch in a nation trillions of dollars in debt." [San Francisco Chronicle, 8/6/96]
- ***San Francisco Chronicle:*** "If Bob Dole's economic plan were a movie, most reviewers would be giving it two thumbs down..." [San Francisco Chronicle, 8/6/96]
- ***Bloomberg Business News:*** "Wall Street analysts and economists were skeptical of Republican presidential candidate Bob Dole's economic package, saying the proposed tax cuts and projected growth rate could balloon the deficit and drive up interest rates." [Bloomberg, 8/5/96]
- ***New York Post:*** "Most Wall Street insiders greeted the news of Bob Dole's tax-cut proposals with a great gaping yawn -- about as wide as President Clinton's lead in voter polls.... Economists question Dole's math. "This is not a realistic plan in that it fails to explain how we will pay for these tax cuts," says Stephen Roach, chief economist at Morgan Stanley... Investors expressed fear that Dole's tax cut proposals -- if implemented -- could widen the federal budget deficit after strong efforts made in recent years to get it under control. Bond investors in particular, are concerned that a growing federal deficit would boost interest rates, driving down bond prices." [New York Post, 8/6/96]
- ***Newsday Editorial:*** "Imprudent Politics. With his huge budget-unbalancing tax cut, Dole undermines his solid-citizen image.... an act of desperation that grossly -- and rather crassly -- underestimates the public's ability to see through election year charades.... After a distinguished career as a prudent deficit-conscious lawmaker, the former Senate leader has diminished himself immeasurably with the supply-side witchcraft he once mocked. Dole now has his own credibility gap and his own character issue...." [Newsday, 8/6/96]
- ***Des Moines Register Editorial:*** "His 'Dramatic' economic plan is warmed over fantasy.... it was about as dramatic as reheated leftovers." [Des Moines Register, 8/6/96]

- ***Des Moines Register:*** "Economists, Democrats, and even some conservatives criticized the plan." [Des Moines Register, 8/6/96]
- ***St. Petersburg Times Editorial:*** "Dole [has] unveiled a desperate tax-cut gambit that represents the low point of his 1996 presidential campaign (at least so far)... Stop running away from your record.... It amounts to a recipe for destroying the painful progress the president and Congress have made toward reducing the deficit over the past three years.... it is the very sort of supply-side wishful thinking Dole has properly resisted in the past." [St. Petersburg Times, 8/6/96]
- ***Arizona Daily Star:*** "...a legion of skeptics questioned whether the math adds up.... Nonetheless, a summary of the plan released to reporters was somewhat thin on details. Spending reductions were vague, unlike line-by-line estimates that House Republicans produce to back up their balanced-budget plans. Significant financing for the tax cuts comes from projections of higher tax revenue due to increased economic growth." [Arizona Daily Star, 8/6/96]
- ***Minneapolis Star Tribune Editorial:*** "In the end then, Dole's tax cuts promoted as a means to reduce the deficit and cut interest rates, would almost certainly mean just the opposite: larger deficits, higher interest rates, and a less hopeful future for the families whose interests Dole professes to champion.... If that's what Dole means by finishing the job Reagan started, perhaps he's be better off starting one of his own -- one with a higher quotient of economic common sense." [Minneapolis Star Tribune, 8/6/96]
- ***Herald-Sun (Durham, NC) Headline:*** "Dole Unveils Economics Plan; Experts Skeptical of Tax Cuts, Candidate's Promises of Growth" [Herald-Sun (Durham, NC), 8/6/96]
- ***Portland Press Herald:*** "So, with the national economy prospering and inflation under control, why id Bob Dole, the presumptive Republican nominee for president, proposing a major tax cut? The answer is politics.... a number of economists, including conservative experts, don't believe it.... It is a reputation for fiscal integrity that Dole earned the hard way. He should not abandon it with ease." [Portland Press Herald, 8/7/96]
- ***Bergen (NJ) Record Editorial:*** "Bob Dole's Tax Cut; Americans Can't Afford To Pay For the Deficit. Bob Dole's massive tax cut proposal may be good politics, but it's cased on some very shaky economics..... Higher interest rates would work against the very economic surge that Mr. Dole wants to set off. they would also make it harder for businesses to expand and for people to borrow money for new homes." [Bergen Record, 8/6/96]

- **Charleston Gazette Editorial:** "The sad part is that Dole knows better. He knows that it's crazy to plan on tax cuts generating additional revenue, yet his plan says that 27 percent of the cost of the cuts would be "paid for" by this phantom boost.... Dole's tax cut will make balancing the budget practically impossible. Dole is betraying his own deficit hawk nature to espouse this tax cut. In the past, he ridiculed supply-siders, who say that tax cuts boost economic activity and produce more revenue. Now he's joining them in a desperate attempt to energize his sleepy campaign." [Charleston Gazette, 8/6/96]
- **Lexington Herald-Leader Editorial:** "Grasping for a gimmick. Candidate Dole has shed his deficit hawk ways... candidate Bob Dole has only a passing acquaintance with the leader once known as Sen. Bob Dole." [Lexington Herald-Leader, 8/6/96]
- **Tennessean Editorial:** "Dole deals campaign some familiar voodoo. Deficit-hawk converts to supply-sider... Dole's pledge to cut everyone's income tax rate by 15% is audacious enough in its own right since it would be a giant leap backward on deficit reduction. But coming from a leader with a 35-year reputation as a deficit hawk, the pledge also smacks of an election-year conversion.... It's a shame to see him so desperate for votes that he'll abandon his own principles." [Tennessean, 8/6/96]
- **Courier-Journal (Louisville, KY):** "Dole's economic proposal under scrutiny; Some question the assumptions underlying plan.." [Courier-Journal, 8/6/96]
- **Lansing State Journal Editorial:** "Mega-tax cuts will only drive up deficits. There is a shrill note of desperation in Bob Dole's sweeping plan to cut taxes.... Even spread over six years as Dole proposes, the \$548 billion tax cut will either stop the glide toward a balanced budget -- or put such a drag on it that it will postpone the time when Washington spends only what it takes in.... Many economists are skeptical of trickle-down contrivances. Dole himself has scoffed at supply-siders. Desperation, desperation." [Lansing State Journal, 8/6/96]

## ECONOMISTS HAVE CRITICIZED BOB DOLE'S TAX PLAN:

- **THE CONCORD COALITION – Warren Rudman, Paul Tsongas, and Pete Peterson:** "Beware the 'rosy scenarios' and technical voodoo." [Concord Coalition, New York Times Advertisement, 8/4/96]
- **Robert Reischauer, former Director of the Congressional Budget Office:** "[It's] a tax cut that will blow an increasingly larger hole in our budget as the years go by." [CNN, 8/5/96]
- **Robert Reischauer:** "It would appear that Senator Dole's economic advisers have been feeding their calculators performance enhancing drugs." [Washington Post, 8/6/96]
- **Benjamin Friedman, Harvard University Economist:** "It sounds great if you believe in the tooth fairy." [Los Angeles Times, 8/6/96]
- **David Romer, University of California at Berkeley Economist:** "My overall reaction is it's irresponsible and insulting to the voters.... Promising tax cuts with nothing concrete on the spending side is likely to make the deficit problem worse and that's bad for economic growth." [San Francisco Chronicle, 8/6/96]
- **Alan Auerbach, University of California at Berkeley Economist:** "But Alan Auerbach, a tax expert at the University of California at Berkeley, said he doubted whether most middle income taxpayers would end up working harder or investing more when offered a tax cut." [San Francisco Chronicle, 8/6/96]
- **Daniel Hammermesh, University of Texas Economist:** "We're talking about a very small response, far too small to make much of a difference in GDP.... This is worse than voodoo economics. This is d'hote economics." [Business Week, 8/12/96]
- **Norman Ornstein, American Enterprise Institute:** "It takes a problem that is a chronic problem and moves it closer to a crisis." [Minneapolis Star Tribune, 8/6/96]
- **Norman Ornstein:** "It's a risk to his credibility.... We're talking about something that might make Arthur Laffer blush." [Minneapolis Star Tribune, 8/6/96]
- **William Schneider, American Enterprise Institute:** "This destroys Bob Dole's credibility on the deficit.... It is a radical solution to which there is no problem." [Christian Science Monitor, 8/6/96]
- **Sung Won Sohn, Chief Economist at Norwest Bank:** "My concern is that if anything the short-term impact could be very negative." [USA Today, 8/5/96]

- **Martha Phillips of the Concord Coalition:** "This will not work. It will blow a gigantic hole in the budget and it will set us back rather than lead us forward." [ABC News, 8/4/96]
- **Allen Sinai, Global Economist at Lehman Brothers:** "There's no way you can say that this program is a plus for raising the long-run growth of the economy." [Washington Post, 8/6/96]
- **Joel Prakken, Chairman of Macroeconomic Advisers:** "Fanning this economy, which grew this spring at an annual rate of 4.2 percent, with massive tax cuts, Prakken said, could quickly ignite inflation, forcing up interest rates enough to throttle economic growth, not stimulate it." [St. Louis Post-Dispatch, 8/6/96]
- **Stephen Roach, Chief Economist at Morgan Stanley:** "This is not a realistic plan, in that it fails to explain how we will pay for these tax cuts.... [Dole] has done nothing to address the effects this could have on deficits in coming years." [Bloomberg, 8/5/96]
- **Robert Dederick, Chief Economist at Northern Trust Bank:** "Frankly, it leaves me quite uncomfortable.... We have to be concerned about what this could do to deficits and, as a result, interest rates." [Bloomberg, 8/5/96]
- **Tom Gallagher, Lehman Brothers:** "If this were a budget document, you'd be pretty skeptical..." [Bloomberg, 8/5/96]
- **Diane Swonk, Economist at First Chicago:** "It's an election year offering, to be financed 70 percent out of spending cuts that haven't been named yet.... This is a tax cut that tends to bolster consumption, not investment." [Chicago Sun-Times, 8/6/96]
- **Joseph Isenberg, University of Chicago Tax Law Expert:** "It's a lot of supply-side dogma." [Chicago Sun-Times, 8/6/96]
- **Robert Reischauer:** "It would require very deep cuts in programs the American public balked at cutting last year when the cuts were much smaller" [Boston Globe, 8/6/96]
- **Mickey Levy, Chief Economist at Chase Securities:** "Too much of this proposed reduction in spending is unconvincing." [New York Daily News, 8/6/96]
- **David Wyss, Chief Financial Economist of DRI/McGraw Hill:** "You're sacrificing long term growth for the short term." [Business Week, 8/12/96]

- **Ron Miller, Columbia University Economist:** "They're pulling this out of a hat.... Of course it's possible on paper, but it's just not credible -- the money is not there. We heard it in the late 1970s and again in the early 1980s -- that's where our huge debt came from." [MSNBC, 8/4/96]
- **Jack W. Germond and Jules Witcover:** "But the question is where would the money come from to pay for a reduction of \$600 billion over six years....The answer appears to be blue smoke and mirrors." [National Journal, August 3, 1996]
- **Bill Barnhart of the Chicago Tribune:** "The so-called supply-side assertion that sharp cuts in income tax rates pay for themselves by stimulating economic growth was so convincingly discredited in the 1980s that it's amazing anyone would propose it now.... there is no evidence in a complex economy that a generalized, large tax cut would produce the effects supply-siders claim to want. It could easily produce excessive consumption, inflation and debilitating increases in interest rates" [Chicago Tribune, 8/5/96]
- **Byron Wien, Chief Strategist at Morgan Stanley:** "I'm not convinced, and I think Dole is on the ropes and is coming up with a plan that is extreme,... I don't think it will add up, and I think it's inconsistent to have some features of this plan and try to balance the budget by 2002.... Do you think Bob Dole sat down with spreadsheets and added this up? I don't.... There isn't enough spending cuts to get there without more dramatic cuts." [Bloomberg, 8/5/96]
- **William C. Dudley, Director of U.S. Research at Goldman Sachs:** "I would say that at this point the credibility of the plan is not very high.... To cut taxes and balance the budget, until you actually specify the spending cuts, and do so in detail, the credibility is lacking." [Bloomberg, 8/5/96]
- **Kathy Jones, Director of Futures Research at Prudential Securities:** "[Market fears about Dole's plan would grow] if it looks like there's a ghost of a chance that he'll win or the Democrats respond with a similar package." [Bloomberg, 8/5/96]
- **David Dunslow, University of Florida Senior Economist:** "If this goes through, long-term interest rates would go up, and it would probably prompt the federal reserve to raise short-term rates... We would have to pay higher mortgage rates for houses, higher rates for cars, and credit-card rates might rise a bit." [Sun-Sentinel (Fort Lauderdale), 8/6/96]
- **James Annable, Chief Economist at First Chicago:** "My real objection is that we're getting the desert up front and setting aside the vegetables.... But if you're going to cut taxes, cut spending first." [Herald-Sun (Durham, NC), 8/6/96]

- **Neil Harl, Iowa State University Economist:** "We have been down this road before... It's a road of immense danger." [Des Moines Register, 8/6/96]
- **David Lawrence, Drake University Economist:** It's not going to work. The Republicans have got a big problem with the economy and that problem is the economy is too good." [Des "We have been down this road before... It's a road of immense danger." [Des Moines Register, 8/6/96]

# 6 KEY POINTS TO KEEP IN MIND ON BOB DOLE'S NEW SUPPLY-SIDE TAX CUT

## 1. Initial Reaction to Dole's Retreat from Deficit Reduction Has Been Highly Unfavorable.

- **Martha Phillips, the Concord Coalition.** "This will not work. It will blow a gigantic hole in the deficit." [ABC News, 8/4/96]
- **Warren Rudman, Paul Tsongas, and Pete Peterson:** "Beware the 'rosy scenarios' and technical voodoo." [Concord Coalition, New York Times Advertisement, 8/4/96]
- **Sung Won Sohn, Chief Economist at Norwest Bank.** "My concern is that if anything the short-term impact could be very negative." [USA Today, 8/5/96]

## 2. Dole's New Economic Plan Relies On More Supply-Side Growth Assumptions than the Reagan 1980 Campaign Tax Cut.

- **Wall Street Journal, 8/5/96:** "[T]he need for boldness has forced Mr. Dole to adopt more optimistic assumptions about the revenue-generating impact of his policies than even Ronald Reagan used in offering his own supply-side tax cuts during the 1980 campaign."
- **Dole says his plan assumes 27% of its revenues from increased growth.** The fact is it is closer to 40%. Either way, it is more than the Reagan 1980 campaign tax cut proposal which relied on less than 20% of its revenues from increased economic growth [Newsweek 9/20/80, New York Times 9/12/80, Martin Anderson "Revolution," 1988]

## 3. Republicans Have Previously Rejected Supply-Side Economics and Just Last Year Shut Down the Government Over Using Conservative Economics.

- **Rep. Bill Archer, 6/3/96:** "We Republicans are committed to a balanced budget by 2002. It is difficult to see how we could enact a massive tax cut that's being talked about for the Dole campaign....We're not going back to dynamic scoring. We Republicans are committed to budget analysis by the Congressional Budget Office." [Sacramento Bee, June 3, 1996]
- **Rep. Newt Gingrich, 11/15/95:** "We're not open in any way to fudging the figures or getting to a phony number." [Washington Post, 11/15/95]

## 4. Conservative Economists Have Dismissed Supply-Side Gimmickry.

- **Robert E. Hall and John B. Taylor, Advisor to Bob Dole:** "A prime selling point of the supply-side policies put into place in 1981 was precisely this incentive argument. But a cut in income taxes also makes people better off, which depressed labor supply. The net effect of a simple tax cut could therefore be quite small. . . . A prediction of large stimulus to employment and output from tax cuts would be contrary to the evidence." [Macroeconomics: Theory, Performance, and Policy, Second Edition, 1988, p.373]

## 5. Bob Dole Has Always Been Against Supply-Side.....Until Now.

- **Senator Dole:** "I've been through the supply-side years. I never believed in that either." [Remarks to the National Association of Business Economists, 3/13/91]

## 6. President Clinton Has Proposed Responsible Tax Cuts Targeted At Education and Child-Rearing and Fully-Paid For Within Balancing The Budget.

- **San Francisco Chronicle:** "Hurray for College Tax Credit...the government could hardly make a better investment in the nation's future. ...And the President deserves praise -- not Dole's knee-jerk political sneering -- for spelling out precisely how he would pay for the plan without increasing the deficit." [San Francisco Chronicle, 6/3/96]

## EARLY REACTION TO THE BOB DOLE TAX PLAN HAS BEEN LESS THAN FAVORABLE:

- **THE CONCORD COALITION** – Warren Rudman, Paul Tsongas, and Pete Peterson: "Beware the 'rosy scenarios' and technical voodoo." [Concord Coalition, New York Times Advertisement, 8/4/96]
- **New York Times Editorial:** "The Hail Mary Tax Plan...There is still no magical supply-side elixir. Mr. Dole is caught up in another supply side fiction, that tax cuts will not open gaping holes in the budget.... Mr. Dole's economic adviser, John Taylor of Stanford University, once wrote that predicting that a tax cut would be a large stimulus to employment and output 'would be contrary to the evidence.' The evidence has not changed, but it looks like Bob Dole has." [New York Times, 8/4/96]
- **Sung Won Sohn, Chief Economist at Norwest Bank.** "But 'My concern is that if anything the short-term impact could be very negative.' ...[Financial Markets] would be skeptical of Dole's promise that spending cuts and better economic growth would offset lost tax revenue and keep the deficit from growing....Fearing that the government would soon be borrowing heavily to cover its deficits, traders would demand higher returns for bond. The result: higher interest rates and a weaker economy as home sales, business investment and other activity slowed. And if the economy ran into such trouble, that could mean Dole's long-term objective of balancing the budget would never be achieved, economists warn. One or two years of slower-than-expected economic growth, or a recession, could push deficits up sharply and put Dole years behind in balancing the budget." [USA Today, 8/5/96]
- **Martha Phillips of the Concord Coalition:** "This will not work. It will blow a gigantic hole in the budget and it will set us back rather than lead us forward." [ABC News, 8/4/96]
- **Business Week:** "Dole may offer huge tax cuts, but they could hurt long term growth....Indeed, the bulk of economic studies suggest that a tax cut such as the one being discussed could send the deficit soaring and cut business investment in the long run. Ultimately, the economy's growth rate would fall rather than rise," [Business Week, 8/12/96]
- **Ron Miller, Columbia University Economist:** "They're pulling this out of a hat.... Of course it's possible on paper, but it's just not credible -- the money is not there. We heard it in the late 1970s and again in the early 1980s -- that's where our huge debt came from." [MSNBC, 8/4/96]
- **Daniel Hammermesh, University of Texas Economist:** "We're talking about a very small response, far too small to make much of a difference in GDP.... This is worse than voodoo economics. This is doo-doo economics." [Business Week, 8/12/96]
- **David Wyss, Chief Financial Economist of DRI/McGraw Hill:** "You're sacrificing long term growth for the short term." [Business Week, 8/12/96]
- **Jack W. Germond and Jules Witcover:** "But the question is where would the money come from to pay for a reduction of \$600 billion over six years....The answer appears to be blue smoke and mirrors." [National Journal, August 3, 1996]

# BOB DOLE'S PLAN RELIES ON MORE SUPPLY-SIDE ASSUMPTIONS THAN REAGAN'S SUPPLY-SIDE TAX PLAN

REPUBLICANS ARE NOT BEING STRAIGHTFORWARD WHEN THEY SAY THAT BOB DOLE'S ECONOMIC PLAN USES ONLY LIMITED SUPPLY-SIDE ECONOMICS. Bob Dole's economic plan claims to rely on feedback estimates of 27 percent. The fact is, their feedback estimate is approximately 40 percent. Either way, Dole assumes a larger feedback than Ronald Reagan's economic plan in 1980 that assumed less than 20 percent of his tax cut would be paid for by increased economic growth.

- **Bob Dole's Economic Plan Assumes That Increased Economic Growth Would Pay For 27 Percent Of His Plan's Total Price Tag.** Bob Dole is proposing a tax cut that he says will cost \$548 billion over the next six years. His plan projects that increased economic growth will pay for \$147 billion -- or about 27 percent -- of the cost of the plan.
- **Ronald Reagan's Economic Plan Assumed That Increased Economic Growth Would Pay For Less Than 20 Percent Of His Plan's Total Price Tag:**
  - ▶ *Wall Street Journal*, 8/5/96: "[T]he need for boldness has forced Mr. Dole to adopt more optimistic assumptions about the revenue-generating impact of his policies than even Ronald Reagan used in offering his own supply-side tax cuts during the 1980 campaign. Mr. Reagan's assumption then, subsequently disdained by Mr. Dole himself throughout the 1980s, was that economic growth resulting from across-the-board tax cuts would generate nearly one-fifth of the revenue needed to cover their costs. The former Kansas senator's plan assumes that an "income-growth effect," both from tax reductions and his other domestic proposals, would cover at least one-fourth the cost of the tax cuts."
  - ▶ As *Newsweek* reported on September 22, 1980, the Reagan Economic Plan assumed that just 13.7 percent of its tax cut would pay for itself: "By last week, Reagan and his aides were conceding that the \$531 billion in tax cuts they were proposing over the next five years would stimulate only enough growth to produce \$73 billion in new tax revenue." [Source: *Newsweek*, 9/22/80]
  - ▶ A Senate Budget Committee table from August 27, 1980 -- printed in Martin Anderson's *Revolution* -- shows that Reagan was assuming that just 17 percent of his tax cut would pay for itself. The table shows that the Reagan Economic plan proposed tax cuts of \$531 billion over five years and assumed increased economic growth would pay for just \$92 billion of the tax cut -- or 17 percent. [Source: Martin Anderson, *Revolution*, p. 135.]
- **The Feedback Estimate in Bob Dole's Economic Plan Is About 40 Percent For Two Reasons.** The first reason is that in addition to the \$147 billion, Dole's plan assumes that revenue changes are about \$25 billion higher than currently projected. That means that in sum, Dole's supply-side assumption is approximately \$170 billion. The second reason is that the tax cuts that Republicans claim are "growth" tax cuts cost between \$420 billion to \$450 billion. (For example, the GOP don't claim that the child tax credit increases economic growth.) Therefore, Dole's plan assumes a feedback of about \$170 billion -- or approximately 40 percent.

## EVEN THE CHIEF ARCHITECT OF DOLE'S ECONOMIC PLAN HAS STATED THAT TAX CUTS WILL NOT BE A LARGE STIMULUS TO THE ECONOMY

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

## WHAT REPUBLICANS USED TO SAY ABOUT SUPPLY-SIDE TAX CUTS, GIMMICKS, AND ROSY SCENARIOS BEFORE THEY GOT DESPERATE:

### CONSERVATIVE REPUBLICANS *REJECTED* SUPPLY-SIDE

- **Rep. Bill Archer, 6/3/96:** "We Republicans are committed to a balanced budget by 2002. It is difficult to see how we could enact a massive tax cut that's being talked about for the Dole campaign....We're not going back to dynamic scoring. We Republicans are committed to budget analysis by the Congressional Budget Office." [*Sacramento Bee*, June 3, 1996]
- **Rep. John Kasich, 10/19/95:** "We didn't use dynamic scoring, we didn't use smoke and mirrors." [National Press Club Debate with Alice Rivlin, October 10, 1996]
- **Sen. Pete Domenici, 11/16/94:** "...we never tried the dynamic system, but we understand there are very major flaws in it." [MacNeil/Lehrer NewsHour, 11/16/94]
- **Sen. Spencer Abraham, 12/21/95:** "Too often in the past, we relied on rosy economic projections to make it appear as if we were taking action, whether it was in deficit reduction or in any other area of Federal Government activity, only to see those rosy scenarios unrealized. For that reason, it is in our interest to have a budget office that scores our legislation on a conservative basis." [Congressional Record, December 21, 1995, p. S19030]

### LAST YEAR, REPUBLICANS SHUT DOWN THE GOVERNMENT OVER THEIR INSISTENCE OF USING CONSERVATIVE ECONOMICS:

- **Rep. Newt Gingrich, 11/20/95:** "What will not happen under any circumstance is a political deal where we make up a phony number for Washington political purposes to buy off the pressure so we can claim victory." [*St. Louis Post-Dispatch*, November 20, 1995]
- **Rep. Newt Gingrich, 11/15/95:** "We're not open in any way to fudging the figures or getting to a phony number." [*Washington Post*, 11/15/95]
- **Rep. John Kasich, 6/18/95:** "[W]e're not going to use rosy scenarios. We're not going to cook the books, and we're not going to get there on a hope and a prayer." [NBC Meet the Press, June 18, 1995]
- **Rep. Dick Armey, 11/23/95:** "We have no need for smoke and mirrors, we have no use for econo-magicians, and we don't date Rosy Scenario." [*Dallas Morning News*, November 23, 1995]
- **Sen. Pete Domenici, 11/14/95:** "[A]ll we ask is that the president commit to a seven-year balanced budget using real economics." [Kasich & Domenici press conference, *Federal News Service*, November 14, 1995.]
- **Rep. Bill Archer, 11/19/95:** "We are making the toughest choices, based on the toughest forecast. That's what the American people want. They don't want a rosy scenario and then wake up seven years from now and we don't have a balanced budget." [*The Sunday Gazette Mail*, November 19, 1995]

## WHAT CONSERVATIVE ECONOMISTS SAY ABOUT SUPPLY-SIDE TAX CUTS, GIMMICKS, AND OVERLY OPTIMISTIC GROWTH ASSUMPTIONS

- **Robert E. Hall and John B. Taylor, Senior Advisor to Bob Dole:** "[O]ne might expect that a cut in income taxes would stimulate work by improving incentives. A prime selling point of the supply-side policies put into place in 1981 was precisely this incentive argument. But a cut in income taxes also makes people better off, which depressed labor supply. The net effect of a simple tax cut could therefore be quite small. . . . A prediction of large stimulus to employment and output from tax cuts would be contrary to the evidence." (Macroeconomics: Theory, Performance, and Policy, Second Edition, 1988, p.373)
- **Paul Volcker, former Federal Reserve Chairman, 1/10/95:** "If Congress switches to dynamic scoring, I won't believe any of the numbers anymore" [Oral testimony before a joint hearing of the House and Senate Budget Committees, January 10, 1995, p. 126]
- **Paul Volcker, 1/10/95:** "There can be no doubt, however, of the skeptical judgment that the market as a whole will make about dynamic revenue estimates resting on weak and highly controversial assumptions about the effects of tax reduction on productivity growth or the level of economic activity a few years ahead." [Testimony before the House and Senate Budget Committees, January 10, 1995, p. 78]
- **Alan Greenspan, Federal Reserve Chairman, 1/10/95:** "Should financial markets lose confidence in the integrity of our budget scoring procedures, the rise in inflation premiums and interest rates could more than offset any statistical difference between so-called static and more dynamic scoring." [Testimony before hearing of the House and Senate Budget Committees, January 10, 1995]
- **Business Week Editorial, 12/12/94:** "It [dynamic scoring] may be the most dangerous thing to hit Washington since politicians discovered how to print money." [Business Week, December 12, 1994, p. 126]
- **Robert Reischauer, Former Director of the Congressional Budget Office, 1/15/95:** "It [dynamic scoring] could be used as a ticket to lie and cheat and exaggerate." [*Chicago Tribune*, 1/15, 95]
- **Martin Feldstein Professor of Economics at Harvard University and former Chair of the Council of Economic Advisors under Ronald Reagan:** "The experience since 1981 has not been kind to the claims of the new supply-side extremists that an across-the-board reduction in tax rates would spur unprecedented growth, reduce inflation painlessly, increase tax revenue, and stimulate a spectacular rise in personal saving. Each of those predictions has proven to be **WRONG.**" (American Economic Review, May 1986, p. 29)
- **Herbert Stein, American Enterprise Institute and former Chair of the Council of Economic Advisers under Richard Nixon:** "We had one Ronald Reagan; I'm not sure the country can afford another one. . . . [Supply-side economics] is just a fringe movement. All the evidence is against them. . . . It appeals partly because people want to believe it and partly because they don't care if it isn't true. They don't care about deficits." (The Washington Post, March 12, 1996)
- **William A. Niskanen, Chairman of the Cato Institute and former member of the Council of Economic Advisers under Ronald Reagan:** "Supply-siders ...should consider why the reduction in tax rates has not (yet) increased economic growth.... What is left of supply-side economics? ...the experience since the tax law of 1981...refuted the irresponsible conjectures of some supply-side polemicists that a general reduction in tax rates would substantially increase economic growth and might increase tax revenues." (Reaganomics: An Insider's Account of the Policies and the People, 1988, p.318, 326)

# WHAT BOB DOLE USED TO SAY ABOUT SUPPLY-SIDE GIMMICKS:

- **Senator Dole:** "I never really understood all that supply-side business." [Washington Post, 9/5/82]
- **Senator Dole:** "I've been through the supply-side years. I never believed in that either." [Remarks to the National Association of Business Economists, 3/13/91]
- **Senator Dole:** "What I could never understand is why, if you just cut taxes, you'd have this big, big revenue increase. You know, more jobs, more opportunity. And you didn't have to make hard choices about spending. That was the philosophy back in the Eighties, particularly with Newt and the House Republicans. Don't make any painful decisions. Just cut taxes. In the Eighties, we said, 'Everything's going to be fine.' Well...It wasn't." [Gentlemen's Quarterly, 6/95]

## BOB DOLE ON CNN's LARRY KING LIVE, 11/4/92

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

- **Senator Dole:** Supply-side economics was "something I've never understood," and "it's had a fair chance to work," and it failed. Dole concluded, "My view is that there isn't an easy way." [Washington Post, 11/9/87]
- **Senator Dole:** "I waited 10 years now for growth to get us out of the deficit." [Reuters, 10/16/90]
- **Senator Dole:** "I don't have any quarrel with supply-siders; I just haven't seen it work yet. there aren't any painless ways to (reduce the debt). You've got to do it the hard way." [Columbus Dispatch, 4/16/93]
- **Sen. Bob Dole, 10/1/93:** "We have to talk as honestly as we can to the American people -- no rosy scenarios, no smoke and mirrors, no juggling the books." [Des Moines Register, October 1, 1993]

# PRESIDENT CLINTON HAS RESPONSIBLE, TARGETED TAX CUTS FOR EDUCATION AND CHILD-REARING -- PAID FOR IN HIS BALANCED BUDGET

*San Francisco Chronicle:* "Hurray for College Tax Credit...the government could hardly make a better investment in the nation's future. ...And the President deserves praise -- not Dole's knee-jerk political sneering -- for spelling out precisely how he would pay for the plan without increasing the deficit." [San Francisco Chronicle, 6/5/96]

**TARGETED TAX CUTS FOR EDUCATION, SAVINGS, AND CHILD-REARING -- WHILE BALANCING THE BUDGET.** These responsible tax reforms encourage investment in education and not just physical capital, & they are fully paid for with spending cuts and closing corporate tax loopholes in a budget certified by CBO to reach balance by 2002. CBO: "*The President's budget proposes policies that CBO estimates would balance the budget by 2002.*" [Testimony of CBO Director June O'Neill, April 17, 1996]

- **\$1,500 HOPE Scholarship Tax Cut For College Tuition.** \$1,500 refundable tax credit for tuition in the first year of college and for the second year if the student earns at least a B average in the first year. This \$1,500 tax credit will make the average-priced community college free and provide a downpayment for more expensive schools for families with incomes up to \$100,000.
- **\$10,000 Tuition Tax Deduction for Education and Training at Any Age.** Families with incomes up to \$100,000 could deduct up to \$10,000 in tuition, providing a tax cut of up to \$2,800 per family. This deduction could be taken for education and training at any time in order to encourage life-long learning.
- **\$500 Child Tax Credit for Children Under 13.** Phased in \$500 per child tax credit for families with incomes up to \$75,000, providing tax relief to 19 million families with 37 million children.
- **Expanded IRAs for Education, Retirement, First-time Homeownership.** Double the income limits for IRAs to make 20 million more families eligible for tax-deductible IRA contributions, and allow penalty-free IRA withdrawals for education, first home purchases, and major medical expenses as well as retirement.

## EXAMPLES OF FAMILIES WHO BENEFIT FROM CLINTON TAX CUTS:

Family Earning \$40,000 With Two Children: Ages 2 and 8	Taxes Cut \$1,000 (\$500 per child tax credit)
Family Earning \$40,000 With Two Children: Ages 6 and 19 (1st year college student)	Taxes Cut \$2,000 (\$500 child tax credit and \$1,500 HOPE Scholarship)
Family Earning \$40,000 With Two Children: Ages 6 and 21 (college senior - \$5000 tuition)	Taxes Cut \$1,250 (\$500 child tax credit and Tuition Tax Deduction)

## Millions Of Families Have Already Saved Between \$1,000 - \$2,000 A Year In Lower Mortgage Rates, Due In Large Part To President Clinton's Deficit Reduction Plan

*Money Magazine:* "Following the President's early drive to lower the deficit, the Federal Reserve Board cut short-term rates while bond traders drove down long-term rates....In all, the rate rollback allowed some 10 million homeowners to save as much as \$25 billion by refinancing their loans, according to David Lereah, the chief economist at the Mortgage Bankers Association." [Money, August 1996]

*New York Times:* "The low interest rates not only generated a boom in business investment but put more money in the pockets of ordinary Americans. In 1993 alone, six million homeowners, most of them solidly middle class, refinanced their mortgages because of the lower rates....On a standard 30-year fixed-rate mortgage of \$100,000, for example, the monthly saving was \$139 a month, or \$1,668 a year. [NYT, 8/3/96]

# CAN BOB DOLE REALLY CLAIM TO BE: "ONE OF THE COUNTRY'S GREATEST TAX CUTTERS" ???

THE NEW DOLE FOR PRESIDENT WEB PAGE SAYS "BOB DOLE IS ONE OF THE COUNTRY'S GREATEST TAX CUTTERS". BUT MEMBERS OF HIS OWN PARTY SAY THAT THIS ISN'T TRUE AND DOLE'S 35-YEAR RECORD AS A TAX HIKER SHOWS HIM TO BE ANYTHING BUT A BIG TAX CUTTER:

- Jack Kemp, 2/11/88: "Bob Dole never met a tax he didn't hike." [*St. Petersburg Times*, 2/11/88]
- Newt Gingrich, 11/19/84: Bob Dole is "the tax collector for the welfare state." [*Washington Post*, 11/19/84]
- Steve Forbes, 11/17/95: "The majority leader, for example, the Majority Leader has voted for 16 tax increases in the last 14 years -- almost a trillion dollars worth, \$15,000... \$15,000 per family and that is the problem." [*CNN*, 11/17/95]
- Steve Forbes, 2/29/96: "...Senator Dole has voted for 16 tax increases totaling almost one trillion dollars.... Raising taxes on Social Security -- some loophole closing. Raising taxes on incomes of working Americans -- some loophole closings... You voted for tax increases across the board... When no one's looking, you vote for tax increases." [*CNN*, 2/29/96]
- Lamar Alexander, 2/29/96: "Senator Dole... while I was keeping taxes low, you raised taxes. Why don't you say that, if you want to talk about records?" [*CNN*, 2/29/96]
- Bob Dole, 1/29/83: "It's not much fun to finally become chairman of the Finance Committee and find yourself constantly raising taxes." [*NBC Nightly News*, 1/29/83]

## BOB DOLE CAN'T RUN AWAY FROM A 35 YEAR RECORD OF RAISING TAXES

- Dole authored the largest tax increase in history in 1982. According to the New York Times (11/3/95): "It is not true that the \$240 million tax increase approved by Congress in 1993 at Mr. Clinton's behest is the largest tax increase in American history. When adjusted for inflation -- the only way to make comparisons of dollar amounts from different years -- a tax increase engineered by Mr. Dole in 1982, when he was the Chairman of the Senate Finance Committee, was larger."
- Dole voted to triple the gas tax in the 1980s, raising it by over 10 cents. Dole was such a strong supporter of raising the gas tax that on December 23, 1982, he wrote his colleagues in the Senate and said that "While an increase of 125 percent in the fuels tax may appear to be onerous, it should be noted that this will only amount to a 4-percent increase in gasoline prices..."
- Dole has voted to raise social security payroll taxes for three decades. Dole's votes led to increases in social security payroll taxes in nine different years: 1969, 1971, 1973, 1978, 1984, 1986, 1988, and 1990. And Bob Dole has also voted numerous times to increase the Social Security wage base.
- Dole also voted to increase taxes and fees on Medicare. He voted for a 10-percent surtax on corporate and personal incomes. And in the midst of the worst recession since the Great Depression, he voted to retroactively raise income taxes on families receiving unemployment benefits.

# TOP 10 UNANSWERED QUESTIONS WITH BOB DOLE'S ECONOMIC PLAN

## 1. The Republican Budget – Supported By Bob Dole – Included A Child Tax Credit That Cost \$122 Billion Over Six Years. Who Is Dole Going To Deny The Tax Credit To Since The One He Proposed Costs Only \$75 Billion?

### THE FACTS:

- Bob Dole's Fact Sheet, *Restoring the American Dream*, states that his plan contains a child tax credit that costs \$75 billion over six years. The Dole plan says that "A \$500 credit for every child 18 years of age and younger will be provided to low- and middle-income families..." [Source: Bob Dole for President, Fact Sheet: *Restoring the American Dream*, August 5, 1996]
- However, the \$500 child tax credit for every child 18 years of age and younger in the Republican budget costs \$122 billion over six years. [Source: Joint Tax Committee, 11/16/95, analysis of Reconciliation Bill (HR 2491) Committee Report on the FY97 Budget Resolution, 6/96]

**FOLLOW-UP QUESTION:** The Dole Campaign Says That This Is Because of An Interaction Effect With The 15% Tax Cut. How Can The Interaction Explain The \$47 Billion Drop In Cost When The Largest The Interaction Effect Could Be Is 15% -- Or \$18 Billion?

- The Dole campaign claims that the interaction between the child tax credit and 15% tax cut explains the drop in the cost of the credit. But this can not be the only explanation; the most this can reduce the cost of the credit is 15 percent -- or \$18 billion -- which is far less than the \$47 billion Bob Dole asserts.
- For example, suppose a family of four had a tax bill of \$1,000. With only the child tax credit, they would get a tax break of \$1,000. Since the credit is "nonrefundable", with both tax cuts, the family would get the 15 percent tax cut -- \$150 -- and then the child tax credit of \$850. In this -- the most extreme possible case -- the interaction reduces the cost of the credit by 15 percent.

## 2. Why Does His 15-Percent Across-The-Board Tax Cut Cost Only \$406 Billion Over Six Years? Even The Most Conservative Estimates Of His Proposal Would Put The Cost At At Least \$450 Billion.

### THE FACTS:

- Rep. Bill Archer, Chairman of the Ways and Means Committee, "puts the cost of a 15% cut at \$90 billion a year." [Source: *USA Today*, 6/3/96]
- Bob Dole's Fact Sheet, *Restoring the American Dream*, says that this 15 percent tax cut will be phased in over three years in three equal steps. Taking the most conservative approach, this proposal would should seem to cost at least \$450 billion. If we take Rep. Archer's estimate of \$90 billion per year, then, Dole's across-the-board tax cut should cost \$30 billion in 1997; it should cost \$60 billion in 1998; and it should cost \$90 billion per year from 1999-2002. If, instead, we took account of the fact that the economy grows over time, the revenue loss should be at least \$500 billion. [Source: Bob Dole for President, Fact Sheet: *Restoring the American Dream*, August 5, 1996]

3. **Does Bob Dole Really Expect Us to Believe He Can Cut Another \$150-\$180 Billion on Top of the \$298 Billion in Discretionary Cuts Already in the Republican Budget? Will Bob Dole Really Cut Non-Defense Discretionary Spending By 40 Percent In Real Terms? Would Cutting The Number of FBI Agents or Air Safety Inspectors Be "On The Table"?**

**THE FACTS:**

- The current Republican budget already contains \$298 billion in discretionary cuts, measured from CBO's April Capped Baseline. Dole now proposes another \$150-\$180 billion in non-defense discretionary cuts in addition to those in the budget. [Sources: FY97 Budget Resolution Conference Agreement and CBO's *Economic and Budget Outlook*, May 1996. \$150-\$180 billion = \$217 billion in cuts - \$34 billion spectrum - up to \$30 billion in entitlement savings from 1% across-the-board cut.]
- The \$150-\$180 billion in cuts Dole proposes -- coupled with the current \$298 billion in cuts-- require about a 40 percent real cut in non-defense discretionary spending in 2002 compared to 1995 levels. For comparison, Republicans are already having difficulty making the 4 percent real cut in this year's budget.

Senator Pete Domenici said of the discretionary cuts Republicans currently propose for this year: "We are shortchanging investments...This can't continue. We've got to find some way to *increase appropriations*." [Source: *Washington Post*, July 22, 1996]

- When politicians call for huge cuts in discretionary spending, they often claim they can achieve them without cutting things people care about. But discretionary spending includes environmental protection, federal prisons, NIH, NASA, and agriculture, and excluding any of these items from cuts only increases the depth of the cuts in the remaining areas.
- Even if Dole could make these cuts without cutting these items, it would still leave another \$298 billion in cuts in the budget resolution to be made in the remaining items, such as Head Start, Pell Grants, the FAA, FBI, border patrols, food safety, veterans medical care, and Social Security administration.

4. **How Can Dole Take Both CBO's \$254 Billion Bonus From Using Conservative Estimates to Balance The Budget and His \$147-\$172 Billion Supply-Side Bonus From Using Optimistic Estimates?**

**THE FACTS:**

- The current Republican budget already assumes a \$254 billion "fiscal dividend" from balancing the budget using CBO's conservative economic assumptions, which CBO projects will lower interest rates and increase real GDP, reducing interest costs and increasing revenues. [Source: CBO, *Economic and Budget Outlook*, May 1996, p. 33]
- Dole then take this dividend from using conservative assumptions at the same time that he is taking a \$147-\$172 billion bonus from using optimistic assumptions about the increased economic tax revenues his tax cuts would produce. [Source: CBO, *Economic and Budget Outlook*, May 1996]

5. **What Happened To Bob Dole's \$102 Billion Charity Tax Credit That He Proposed On May 23, 1996?**

**THE FACTS:**

- On May 23, 1996, Bob Dole said: "To this end, I will propose a charity tax credit, which over time would allow taxpayers to earmark a portion of their annual taxes to private and religious charities -- faith-based or not -- that spend over 75 percent of their money on poverty relief. This credit will be up to \$500 for individuals and up to \$1,000 for couples." [Source: Prepared Remarks by Bob Dole at the Catholic Press Association Annual Convention, Philadelphia, Pennsylvania, May 23, 1996]
- The *St. Louis Post-Dispatch* reported that "Dole spokesman Nelson Warfield said Dole would not introduce the legislation as a senator, but it would be part of an economic package he would submit if elected president." [Source: *St. Louis Post-Dispatch*, 5/24/96]
- This proposal is NOT in Dole's Economic Plan announced August 5, 1996. [Source: Bob Dole for President, Fact Sheet: *Restoring the American Dream*, August 5, 1996]
- Dole campaign officials said that this proposal would cost \$17 billion a year -- or \$102 billion over six years; private analysts put the revenue number far higher. [Source: *Dallas Morning News*, 5/24/96; *Associated Press*, 7/22/96; *Washington Post*, 5/28/96]

6. **Considering The Importance of This Issue, Why Would Bob Dole Make A Proposal That Would Shorten The Life of The Medicare Trust Fund by Four Months and Not Mention This Fact At All?**

**THE FACTS:**

- President Clinton's 1993 Social Security provision helped push back the date of insolvency of the Medicare Trust Fund because all of the revenue raised went into the trust fund. [Source: Omnibus Budget Reconciliation Act of 1993, HR 2264]
- But, Dole's proposal to repeal the 1993 provision would cause the Medicare Trust Fund to lose \$27 billion over the next six years, shortening the life of the Trust Fund by four months. [Source: Health Care Financing Administration, 6/7/96]
- Dole's Economic Plan does NOT mention this fact at all. [Source: Bob Dole for President, Fact Sheet: *Restoring the American Dream*, August 5, 1996]

## 7. How Is Bob Dole Going To Pay For His "Star Wars" Proposal? His Economic Plan Does Not Provide Funds For His Missile Defense Proposal.

### THE FACTS:

- On June 18, 1996, Bob Dole said that: "In my Administration... we will build a defense for California and America against missiles." [Source: Transcript of Bob Dole's Remarks to Lockheed Martin, 6/18/96]
- On June 25, 1996, Bob Dole stated that: "When I am President, we will deploy an effective national missile defense. We can afford it. We can do it. We should begin now." [Source: Bob Dole's Web Page: <http://www.dole96.com/news/speeches/spjun2596.html>]
- This proposal is NOT included in Dole's Economic Plan announced August 5, 1996. [Source: Bob Dole for President, Fact Sheet: *Restoring the American Dream*, August 5, 1996]
- The Congressional Budget Office initially estimated that this would cost from \$31 billion to \$60 billion to build a ground-and-space-based missile defense system by 2010. [Source: *Associated Press*, 5/22/96]
- In early June, CBO then said that a limited, ground-based national missile defense system could be built for between \$4 billion and \$14 billion by 2003. [Source: *Christian Science Monitor*, 7/9/96; *Associated Press*, 6/7/96]
- According to *Defense Daily*, Dole's missile defense plan would cost \$14 billion over the next six years. [Source: *Defense Daily*, 5/31/96]

## 8. What Happened To Bob Dole's \$12 Billion Estate Tax Cut?

### THE FACTS:

- On July 24, 1996, Bob Dole proposed an estate-tax exemption in East Prussia, Pennsylvania: "[W]e're going to give an estate tax relief to small businesses and women and ranchers and farmers and its about time you got a break. [Source: Transcript of Bob Dole's Remarks in East Prussia, PA, 7/24/96]
- As of this moment, Bob Dole's Web page still states that "As President, Bob Dole will... cut the estate tax to ease the tax burden on family businesses." [Source: Bob Dole's Web Page: [www.dole96.com/agenda/issues/taxcuts/stand.html](http://www.dole96.com/agenda/issues/taxcuts/stand.html)]
- This proposal is NOT in Dole's Economic Plan announced August 5, 1996. [Source: Bob Dole for President, Fact Sheet: *Restoring the American Dream*, August 5, 1996]
- The Dole-Gingrich 1995 budget included an estate tax provision that cost \$11.9 billion over the next six years. [Source: Joint Tax Committee, 11/16/95]

9. What Happened To Bob Dole's \$7 Billion "Marriage Penalty" Relief and \$1 Billion Home Office Deduction??

THE FACTS:

- As of this moment, Bob Dole's Web page states that "As President, Bob Dole will... eliminate the 'marriage penalty' and "As President, Bob Dole will... restore a meaningful home office deduction the tax code." [Source: Bob Dole's Web Page: [www.dole96.com/agenda/issues/taxcuts/stand.html](http://www.dole96.com/agenda/issues/taxcuts/stand.html) and Bob Dole's Web Page: [www.dole96.com/agenda/issues/business/stand.html](http://www.dole96.com/agenda/issues/business/stand.html)]
- As Bob Dole said on July 24, 1996 at McKees Rocks, Pennsylvania: "I will restore a meaningful home office deduction in the tax code. More and more of America's small businesses--especially the owned by women--are home-based. The home office tax deduction was severely limited in 1993 by Supreme Court ruling that must be overturned by new legislation." [Source: Bob Dole's Web Page: <http://www.dole96.com/news/speeches/spjul2496.html>]
- These proposals are NOT in Dole's Economic Plan announced August 5, 1996. [Source: Bob Dole for President, Fact Sheet: *Restoring the American Dream*, August 5, 1996.]
- The Dole-Gingrich 1995 budget included marriage penalty relief that cost \$6.9 billion over the next six years and a home office deduction that cost \$1.1 billion over the next six years. [Source: Joint Tax Committee, 11/16/95]

10. What Happened To Bob Dole's \$3 Billion 100% Health Care Deduction For The Self Employed?

THE FACTS:

- As of this moment, Bob Dole's Web page states that "As President, Bob Dole will... [increase] the deduction for health insurance for the self-employed from 30 percent to 100 percent." [Source: Bob Dole's Web Page: [www.dole96.com/agenda/issues/business/stand.html](http://www.dole96.com/agenda/issues/business/stand.html)]
- As *Gannett News Service* reported on July 24, 1996: "Dole would... give the self-employed a 100 percent tax deduction for health insurance." [Source: *Gannett News Service*, 6/24/96]
- This proposal is NOT in Dole's Economic Plan announced August 5, 1996. [Source: Bob Dole for President, Fact Sheet: *Restoring the American Dream*, August 5, 1996.]
- As a conservative rule of thumb, every 10 percent increase in the deductibility of health care costs for the self employed causes a revenue loss of about \$200 million. If Bob Dole phases the deduction in so that it reaches 100 percent by FY2002, it is estimated that it would cost \$3 billion over the next six years. [Source: Based on revenue estimates from the Joint Tax Committee, 4/18/96]

**PRESIDENT CLINTON HAS RESPONSIBLE, TARGETED TAX CUTS FOR EDUCATION AND CHILD-REARING - PAID FOR IN HIS BALANCED BUDGET**

*San Francisco Chronicle:* "Hurray for College Tax Credit...the government could hardly make a better investment in the nation's future. ...And the President deserves praise -- not Dole's knee-jerk political sneering -- for spelling out precisely how he would pay for the plan without increasing the deficit." [San Francisco Chronicle, 6/5/96]

**TARGETED TAX CUTS FOR EDUCATION, SAVINGS, AND CHILD-REARING -- WHILE BALANCING THE BUDGET.** These responsible tax reforms encourage investment in education and not just physical capital, & they are fully paid for with spending cuts and closing corporate tax loopholes in a budget certified by CBO to reach balance by 2002. CBO: "*The President's budget proposes policies that CBO estimates would balance the budget by 2002.*" [Testimony of CBO Director June O'Neill, April 17, 1996]

- **\$1,500 HOPE Scholarship Tax Cut For College Tuition.** \$1,500 refundable tax credit for tuition in the first year of college and for the second year if the student earns at least a B average in the first year. This \$1,500 tax credit will make the average-priced community college free and provide a downpayment for more expensive schools for families with incomes up to \$100,000.
- **\$10,000 Tuition Tax Deduction for Education and Training at Any Age.** Families with incomes up to \$100,000 could deduct up to \$10,000 in tuition, providing a tax cut of up to \$2,800 per family. This deduction could be taken for education and training at any time in order to encourage life-long learning.
- **\$500 Child Tax Credit for Children Under 13.** Phased in \$500 per child tax credit for families with incomes up to \$75,000, providing tax relief to 19 million families with 37 million children.
- **Expanded IRAs for Education, Retirement, First-time Homeownership.** Double the income limits for IRAs to make 20 million more families eligible for tax-deductible IRA contributions, and allow penalty-free IRA withdrawals for education, first home purchases, and major medical expenses as well as retirement.

**EXAMPLES OF FAMILIES WHO BENEFIT FROM CLINTON TAX CUTS:**

Family Earning \$40,000 With Two Children: Ages 2 and 8	Taxes Cut \$1,000 (\$500 per child tax credit)
Family Earning \$40,000 With Two Children: Ages 6 and 19 (1st year college student)	Taxes Cut \$2,000 (\$500 child tax credit and \$1,500 HOPE Scholarship)
Family Earning \$40,000 With Two Children: Ages 6 and 21 (college senior - \$5000 tuition)	Taxes Cut \$1,250 (\$500 child tax credit and Tuition Tax Deduction)

**Millions Of Families Have Already Saved Between \$1,000 - \$2,000 A Year In Lower Mortgage Rates, Due In Large Part To President Clinton's Deficit Reduction Plan**

*Money Magazine:* "Following the President's early drive to lower the deficit, the Federal Reserve Board cut short-term rates while bond traders drove down long-term rates....In all, the rate rollback allowed some 10 million homeowners to save as much as \$25 billion by refinancing their loans, according to David Lereah, the chief economist at the Mortgage Bankers Association." [Money, August 1996]

*New York Times:* "The low interest rates not only generated a boom in business investment but put more money in the pockets of ordinary Americans. In 1993 alone, six million homeowners, most of them solid middle class, refinanced their mortgages because of the lower rates....On a standard 30-year fixed-rate mortgage of \$100,000, for example, the monthly saving was \$139 a month, or \$1,668 a year. [NYT, 1/11/94]

## IMPACT OF CLINTON TAX CUTS FOR EDUCATION AND CHILD-REARING ON TYPICAL FAMILIES

**Family Earning \$40,000 With 2 Young Children: Taxes Cut \$1,000**  
[Family of four with one 3-year old and one 8-year old]

Federal Income Tax Under Current Law	\$3,390
Clinton \$500 Tax Credit for Each Child	-\$1,000
Total Income Tax	\$2,390
<b>Total Clinton Tax Cuts</b>	<b>-\$1,000</b>

NOTE: Under the President's expanded IRA proposal, this family could also make tax-deductible IRA contributions and could withdraw savings penalty-free for education, to purchase a first home, or to pay for a major medical expense. Parents could also deduct up to \$10,000 for education and training tuition for themselves. Assumes itemized deduction equal to 18% of income.

**Family Earning \$40,000 With 1 Young Child and 1 College Freshman: Taxes Cut \$2,000**  
[Family of four with one 3-year old and one 19-year old college freshman]

Federal Income Tax Under Current Law	\$3,390
Clinton \$500 Child Tax Credit	-\$500
Clinton \$1,500 HOPE Scholarship	-\$1,500
Total Income Tax	\$1,390
<b>Total Clinton Tax Cuts</b>	<b>-\$2,000</b>

NOTE: Under the President's expanded IRA proposal, this family could also make tax-deductible IRA contributions and could withdraw savings penalty-free for education, to purchase a first home, or to pay for a major medical expense. Parents could also deduct up to \$10,000 for education and training tuition for themselves. Assumes itemized deduction equal to 18% of income.

**Family Earning \$40,000 With 1 Young Child and 1 College Senior: Taxes Cut \$1,250**  
[Family of four with one 3-year old and one 21-year old college senior with \$5,000 tuition]

Federal Income Tax Under Current Law	\$3,390
Clinton \$500 Child Tax Credit	-\$500
Clinton Tuition Tax Deduction	\$750
Total Income Tax	\$2,140
<b>Total Clinton Tax Cuts</b>	<b>-\$1,250</b>

NOTE: Under the President's expanded IRA proposal, this family could also make tax-deductible IRA contributions and could withdraw savings penalty-free for education, to purchase a first home, or to pay for a major medical expense. Parents could also deduct up to \$10,000 for education and training tuition for themselves. Assumes itemized deduction equal to 18% of income.

**Family Earning \$48,630 With 1 Young Child and 1 College Senior: Taxes Cut \$1,950**  
 [Family of 4 with 1 child in her 1st year of college and 1 college senior with \$3,000 tuition]

Federal Income Tax Under Current Law	\$4,452
Clinton \$1,500 college tax credit	-\$1,500
Clinton \$10,000 tuition tax deduction (\$3,000 tuition)	-\$450
Total Income Tax	\$2,502
<b>Total Clinton Tax Cuts</b>	<b>-\$1,950</b>

NOTE: This family also would be eligible to save tax-free under the President's expanded IRA proposal and to withdraw savings penalty-free for education, to purchase a first home, or to pay for a major medical expense. Itemized deduction assumed to be 18% of income.

**Family Earning \$35,000 With 1 Young Child and 1 College Freshman: Taxes Cut \$2,000**  
 [Family of four with one 3-year old and one 19-year old college freshman]

Federal Income Tax Under Current Law	\$2,715
Clinton \$500 Child Tax Credit	-\$500
Clinton \$1,500 HOPE Scholarship	-\$1,500
Total Income Tax	\$715
<b>Total Clinton Tax Cuts</b>	<b>-\$2,000</b>

NOTE: Under the President's expanded IRA proposal, this family could also make tax-deductible IRA contributions and could withdraw savings penalty-free for education, to purchase a first home, or to pay for a major medical expense. Parents could also deduct up to \$10,000 for education and training tuition for themselves. Assumes standard deduction.

**Family Earning \$35,000 With 1 Young Child and 1 College Senior: Taxes Cut \$1,250**  
 [Family of four with one 3-year old and one 21-year old college senior with \$5,000 tuition]

Federal Income Tax Under Current Law	\$2,715
Clinton \$500 Child Tax Credit	-\$500
Clinton Tuition Tax Deduction	\$750
Total Income Tax	\$1,465
<b>Total Clinton Tax Cuts</b>	<b>-\$1,250</b>

NOTE: Under the President's expanded IRA proposal, this family could also make tax-deductible IRA contributions and could withdraw savings penalty-free for education, to purchase a first home, or to pay for a major medical expense. Parents could also deduct up to \$10,000 for education and training tuition for themselves. Assumes standard deduction.

THE WHITE HOUSE  
WASHINGTON

October 12, 1996

MEMORANDUM FOR THE VICE PRESIDENT

FROM: GENE SPERLING

SUBJECT: Medicare and Budget Tough Q. and A. for Meet the Press

Attached, please find the following tough Q. and A. for your appearance on *Meet the Press* this Sunday:

	<u>Pages</u>
I. <u>Explanation of why Dole has to cut Medicare more, and what CBO says the implication would be.</u>	1
II. Overall Tough Medicare questions framework.	2
III. Means-testing framework.	3
IV. Q. and A. on Medicare premiums.	4
V. Q. and A. on Secretary Shalala's recent comments on Medicare Commission.	4
VI. Q. and A. on \$80 billion in "unspecified cuts" in our budget.	5
VII. Q. and A. on the size of cuts in "non-priority areas" under our budget.	5
VIII. Q. and A. on our 1992 promise to cut spending 3% across-the-board in every agency.	6
IX. Key facts and Q. and A. on our 1992 "Putting People First" investment promises.	7-8

## CBO ANALYSIS OF WHAT A \$300 BILLION MEDICARE CUT WOULD MEAN

- **Dole's Plan Would Require Deeper Medicare Cuts.** As Business Week and D'Amato have said, to pay for his \$550 billion risky tax scheme, common sense tells you that Dole would have to cut Medicare much more than he did last year to pay for a tax cut less than half the size. 83% of economists surveyed by *The Economist* also said that Dole would have to cut Medicare and defense in order to pay for his plan.
- **CBO Analysis of \$300 Billion Medicare Cut.** In August of this year, the CBO released an analysis of what a \$300 billion Medicare cut would mean and said it would have "draconian" effects. A \$300 billion Medicare cut would be just \$30 billion more than the \$270 billion cut in the vetoed Republican budget. Here is what CBO said a \$300 billion Medicare would mean:
  - The reduction in payments in the traditional Medicare program "*would be draconian.*"
  - "[W]ould lead to an actual reduction in hospital payments rather than a slowing in the rate of growth..."
  - "[B]eneficiaries would probably find *their own costs rising substantially.*"
  - "Access to particular providers and services plus the overall quality of care in Medicare might be *threatened...*"

[Source: CBO, August 1996, *Reducing the Deficit: Revenue and Spending Options.*]

NOTE: While CBO's \$300 billion cut is over 6 years and last year's \$270 billion cut was over 7 years, it is completely fair to say the Dole plan would require at least a \$300 billion cut over 6 years. It is fair because if Dole distributed the additional cuts needed to pay for his tax cut across entitlements in the same way as in the current Republican budget, he would have to cut Medicare by \$305 billion over 6 years (\$168 in current plan plus an additional \$137 billion in cuts for a total of \$305 billion over 6 years).

## TOUGH MEDICARE

**Headline:** We have a responsible balanced budget plan that strengthens the Medicare Trust fund for 10 years without raising premiums and without damaging structural changes in the Dole-Gingrich budget President Clinton vetoed -- that would have segmented Medicare, causing it to wither on the vine. We oppose cutting Medicare harshly in order to pay for a risky tax scheme.

### Possible Russert Questions

1. MediScare.
2. Isn't it true that you are exaggerating the differences between you and won't this make it harder to do the right thing after the election?

**Record:**

1. The Dole-Gingrich 1995 budget, would have cut Medicare by \$270 billion, 3 times the largest cut in history.
  - It is well-documented that they proposed \$270 billion in Medicare cuts just because that's what they needed in order to pay for their \$245 billion tax cut. Helping the fund was just an afterthought. And most of the money from their Medicare cut did not go to Trust Fund.
  - Under the Dole-Gingrich budget, a couple would be paying \$268 more this year for a dramatically weakened Medicare program.
  - In the Senate version, Dole would have more than doubled the deductible and raised it 50% in 1996 alone.
  - The American Nursing Association, the Catholic Health Association, and AARP, say the Republican plan would devastate Medicare.
  - American Hospital Association said that 700 of the most vulnerable hospitals get 2/3 of their funds from Medicare & Medicaid, would be at risk if their plan had passed.
  - Their plan included damaging structural changes such as Medical Savings Accounts, other provisions that allowed doctors to overcharge in the new private plans, and hard spending caps that wouldn't allow adjustments for need or medical costs.

[Optional] 2. For a short time, some Republicans cut their tax cut to \$122 billion so that they could limit their Medicare reductions to \$168 billion.

- But that was still \$50 billion more than we proposed to extend the Trust Fund for a decade.
- And they still insisted on all their damaging structural changes in the Dole-Gingrich budget that would have segmented Medicare, driving out the healthiest and wealthiest beneficiaries & leaving a weaker Medicare.

**Dole Plan:** 3. Dole's plan calls for a \$550 billion tax cut -- 4 1/2 time more than the current Republican budget and over twice as large as their tax cut when they had a \$270 billion Medicare cut. Common sense says that they would have to cut Medicare more to pay for a twice as large tax cut -- as Business Week and Dole's steering co-chair Al D'Amato have said.

**KEY POINT:** If their spending cuts are distributed in the same way as their recent budgets, Dole's new plan would require over \$300 billion in Medicare cuts. A recent CBO analysis says that \$300 billion in Medicare cuts would be "draconian" and "actual reduction in hospital payments rather than a slowing in the rate of growth."

**Agenda:**

1. Balance budget & protect Medicare trust fund for another 10 years. We need a bi-partisan commission, but it has to really save Medicare, not to pay for a huge, risky \$550 billion tax cut.

**End:** Balance the budget in a way that's consistent with our values: protect Medicare, and strengthen the Trust Fund for future generations -- but don't cut more just to pay for risky tax cuts.

## MEANS-TESTING

<b>Headline:</b> We proposed fair and prudent entitlement reforms as part of our 1993 plan that extended the Medicare Trust Fund into the 21st century.	<u>Potential Russert Questions</u>
<b>Record:</b> <ol style="list-style-type: none"><li>1. In 1993, we did ask the top 13% of Social Security recipients to contribute a little more to help protect the Medicare Trust Fund while 87% of Social Security recipients didn't pay a penny more. We also asked the top 1% to pay more [Medicare payroll taxes] in order to strengthen the Medicare Trust Fund.</li><li>2. In our health care plan we were willing to ask higher-income beneficiaries to a little more -- but only in the context of overall reform, and beneficiaries would have received additional benefits including prescription drugs and long-term care benefits in return for their increased contribution. <u>The Republican proposal would have raised premiums -- \$268 higher this year alone -- without any new benefits.</u></li><li>3. On principle -- we are opposed to Medicare premium increases of any type to pay for reckless tax cuts.</li></ol>	<ol style="list-style-type: none"><li>1. You and the President have attacked Dole for asking higher income seniors to pay more in premiums. However, you included a similar provision in the health care bill. Isn't this just another attempt to play political games and frighten the elderly?</li><li>2. Politics aside, don't we have to start means-testing if we are going to save entitlements.</li></ol>
<b>Agenda:</b> <ol style="list-style-type: none"><li>1. First thing we should do is achieve a common ground balanced budget plan that protects the Medicare Trust Fund for a decade.</li><li>2. That gives us time to have a bi-partisan commission, but it has to be to really save Medicare, not to pay for a huge, risky \$550 billion tax scheme. We do not want to allow Medicare to be a bank to pay for reckless tax cuts.</li></ol>	
<b>Dole/Kemp</b> <ol style="list-style-type: none"><li>1. If they had to pay for a \$550 billion tax scheme, common sense tells you that they will have to go beyond \$270 billion in Medicare cuts they needed just last year to pay for a \$245 billion tax cut.</li><li>2. In fact, if the Dole-Gingrich plan had passed, a couple would be paying \$268 more this year for a dramatically weakened Medicare program. Most Americans think that when you pay more and get less, that's a cut. (Dole would have more than doubled the deductible and raised it 50% in 1996 alone).</li><li>3. <u>The American Nursing Association, the Catholic Health Association, AARP,</u> say the Republican plan would devastate Medicare. <u>The American Hospital Association</u> said that 700 hospitals were at risk of closing if their plan had passed.</li><li>4. Dole's current risky scheme would require even deeper cuts than called for in the Dole-Gingrich budget. <u>Business Week</u> and even their own campaign steering co-chair <u>Al D'Amato</u> says they would have to cut Medicare more to pay for it. And while they say you can't get economists to agree on anything, an independent analysis by <u>The Economist</u> found that 83% agree they can't pay their risky tax scheme without cutting Medicare.</li></ol>	
<b>End:</b> Bridge to the 21st Century. We have to balance the budget and strengthen the Medicare Trust Fund in a way that's consistent with our values.	

## MEDICARE PREMIUMS

**Q:** Isn't it true that the difference in the Republican and your Medicare premium proposals was only about \$4 to \$7? [*Meet the Press* claimed this last year.]

- A:**
- The difference was always more than \$4 to \$7 when an "apples to apples" comparison was made. (OMB vs. CBO baselines)
  - But there is no longer any debate. Under the Republican plan the President vetoed, Medicare beneficiaries today would be paying \$11.20 more per month than they are today (\$53.70 vs. \$42.50) and than they would have been paying under the President's plan. That's \$134 more this year alone for each older American and \$268 more per couple.
    - And that's just this year. Over 7 years, Medicare beneficiaries would have had to pay at least \$1,700 more than under the President's plan. [CBO estimates of the plans.]
  - That may not sound like a lot to some people, but it is a lot of money to the typical Medicare beneficiary. Three-quarters of Medicare beneficiaries have incomes under \$25,000.
  - And not a penny of their premium increase went to strengthen the Trust Fund -- it went to pay for tax cuts. [CAVEAT: Republicans ultimately dedicated all of the revenues from the premium increase to the Trust Fund, but this was just an accounting gimmick. They can't get around the fact that they would not have had to cut Medicare \$270 billion if they had not had to pay for their excessive tax cut.]

## SECRETARY SHALALA'S RECENT COMMENTS ON MEDICARE COMMISSION

**Q:** The *Washington Post* reported this week that Secretary Shalala proposed passing a \$100 billion Medicare cuts to extend the Trust Fund for ten years from now and then proposed a bipartisan commission to address the longer term Medicare financing issues. Do you support her proposal?

**A:** There was no news. She was merely restating our long-standing position. We have said all along that we should pass the common Medicare savings in our budgets, which would extend the life of the Trust Fund for 10 years from now, and then establish a bipartisan process to address the longer term issues that none of the current proposals would solve.

The President has stated clearly that we need a bi-partisan commission, but it has to be to really save Medicare, not to pay for a huge, risky \$550 billion tax scheme. We do not want to allow Medicare to be a bank to pay for reckless tax cuts.

## CLAIM ON \$80 BILLION IN UNSPECIFIED BUDGET CUTS IN THE PRESIDENT'S BUDGET

- Q: You are out there calling for Bob Dole to explain how he will pay for his tax cut. But your own budget has \$80 billion in unspecified cuts -- a huge magic asterisk -- because your budget only specifies all the cuts under OMB assumptions not under CBO assumptions. What are you going to cut in order to pay for *your* plan?
- A:
- Our balanced budget plan provides all the detail required for the CBO to certify that it would reach balance in 2002. We believe our projections are correct. Every year the deficit has been lower than we projected and growth has been higher.
  - And every time we have made a new proposal -- such as our \$1,500 college tax credit, school construction, reading challenge and our plan to help move people from welfare to work -- we have said how we would pay for it, line-by-line and dime-by-dime.
  - But Senator Dole's plan contains billions of unpaid-for promises. And while Newt Gingrich said on this show that he would "absolutely" ask CBO to evaluate the Dole plan, they have not. [When Daschle and Gephardt asked CBO to evaluate it, CBO refused saying it did not analyze campaign proposals, but Gingrich could have introduced the Dole plan as his own and asked CBO to evaluate it.]

## CLAIM ON OUR BUDGET REQUIRING AS DEEP CUTS IN DISCRETIONARY PROGRAMS AS DOLE'S PLAN

- Q: You say Dole's plan would require 40% real cuts in domestic discretionary programs, but isn't it the case that after you get down protecting your priorities -- such as education, the environment, and law enforcement -- you would have to cut the remaining areas by 30 to 40% as well.
- A:
- No, that's not the case. Dole's plan contains twice as deep cuts in discretionary spending as the President's balanced budget [CBO scored the President's budget at \$228 billion and Dole has \$468 billion -- \$305 billion from the GOP budget resolution and another \$163 billion in the Dole plan].
  - It is true that after we protect education, environment, and law enforcement, we will have to make significant cuts in some non-priority areas. But we've proven that we can do so through reform and REGO.
  - Even after we protect our priorities like education, the environment, and law enforcement, the real cuts would be less than half as deep as in the Dole plan's across-the-board cuts. If Dole wanted to protect some programs from cuts, he would have to cut the remaining programs much deeper than 40% in 2002. For example, if he wanted to protect some areas such as the FBI, DEA, US attorneys and marshals, and the NIH and Centers for Disease Control, NASA and FEMA, it could require a 57% in the remaining programs, such as education and training, the environment, national parks, INS border patrols, and FAA air traffic controllers.

## 1992 PROMISE TO CUT SPENDING 3% ACROSS-THE-BOARD IN EVERY AGENCY

Q: In 1993, you came on this show and promised to cut spending 3% across-the-board in each agency. Did you keep that promise?

- A:
- We did better than that. We didn't cut across-the-board, we took a careful look at each program and cut or eliminated those that were unnecessary or low-priority and increased those that were good investments, programs such as Head Start, WIC, technology, and training for dislocated workers. *We cut funding in real terms in 9 of the cabinet agencies, while increasing funding for the Justice Department and the VA.*
  - Our 1993 Economic Plan cut spending \$255 billion while investing in people, skills, and technology.
  - REGO: and we've reinvented countless programs, for a total savings of \$118 billion.
  - Spending last year was already lower as a share of the economy than any year under Reagan or Bush.
  - Spending growth has been slower under this Administration than under either Reagan or Bush.
  - We've more than kept our promises: 10.5 million jobs, deficit cut 60%, cut nearly 250,000 fewer federal workers, 100,000 COPS, etc.

## 1992 PROMISES AND PUTTING PEOPLE FIRST

**Opening Line:** In 1992, we promised 8 million jobs, cut the deficit in half, reward work, open trade, make our communities safer with 100,000 new cops on the street and bans on assault weapons, while investing more in education. We have fulfilled these major promises and often surpassed them. For example, we have cut the deficit more than in half, created 10.5 million -- not 8 million -- new jobs, and cut the government by nearly 250,000, not 100,000. An independent *Knight-Ridder analysis* found that we had fulfilled two-thirds of our promises and that it would have been 79% success rate if several of my legislative proposals had not been blocked by Congress.

### Key Answer Points:

- **An independent *Knight-Ridder* analysis** found that we had fulfilled two-thirds of our promises and that it would have been 79% success rate if several of my legislative proposals had not been blocked by Congress.
- **Deficit and Economy:** We promised to cut the deficit in half and cut it by 60%; an economy with 8 million new jobs. We have 10.5 million jobs.
- **Spending:** Promised to cut 100,000 from the workforce, and we have brought it down by near 250,000, the lowest since Kennedy
- **Trade:** We promised to open markets and we opened markets in Japan and passed two largest trade agreements.
- **Reward Work:** We raised the working family tax credit -- cutting taxes for 15 million people, raising the minimum wage for 10 million and reforming the welfare system as we promised. Empowerment Zones, Community Development Banks.
- **Crime:** 100,000 cops as promised, Brady bill and assault weapons.
- **Education:** Head Start up 29%, reformed student loans for millions; new national service, new school-to-work programs;

**Attack 1:** *In 1992, you proposed a "Putting People First" Agenda that called for major investments with little emphasis on the deficit. Yet, when you were elected you really changed your emphasis. How do you explain the change?*

**Facts:** The projected deficits were higher when we took office than during the campaign and this meant more careful targeting of some of our investments, but we have an extremely strong record in fulfilling the promises in Putting People First.

An independent Knight-Ridder analysis found that we had fulfilled two-thirds of our promises and that it would have been 79% success rate if several of my legislative proposals had not been blocked by Congress.

Our promise for Putting People First, was to cut the deficit in half while investing more in people, reward work and open trade. Consider our record:

*[See above "Key Answer Points"]*

**Attack 2:** Yet, isn't it the case that on your main investing in people proposals, you have been reduced to small, incremental gains?

**Facts:** Certainly, the demands of deficit reduction forced us to target our new initiatives carefully, but we have passed major legislation to give millions and millions of people more opportunity and reward work and family.

Consider the following:

Family and Medical Leave	12 million utilized
(WweC) Nutrition for Pregnant Women and Children	wincreased to over 7 million.
New National Service	Larger than Peace Corp: Already 45,000 have participated
New Student Loan Reform and Direct Student Loans	10 million students have benefited from lower costs and over the next several years millions will benefit from direct loans pay as you can repayment plans.
EweTC Rewarding Work Tax Credit	largest increase ever: cut taxes for 15 million hard pressed families
New School Reform	Over 8,000 schools benefiting
New School-to-Work	40 States now have programs.
Empowerment Zones	105 Zones and Communities:
Community Policing	100,000 new cops on the way.

THE WHITE HOUSE

WASHINGTON

October 24, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING  
CHRIS JENNINGS

SUBJECT: Use of Validation on Medicare

Over the last two weeks, the Republicans have made a vigorous effort to attack the use of validation of the extremism of the Dole-Gingrich Medicare cuts. It is important to their critique of us to establish that we are demagogues on Medicare, and the strength of our validation undermines that attack.

As the basic strength of our validation is unassailable -- their argument has centered around stating that we have slightly mischaracterized a source or validator. One would not normally think that the media would give much credence to such marginal complaints, but we have three factors working against us: one, most of the press has been extremely critical of the Dole campaign's tax cut and their misuse of facts, and are looking for ways to show that they are evenhanded; second, most of the elite media does not take the Dole plan seriously, and therefore assumes that the "real" Republican Medicare plan is \$168 billion -- and therefore not far from ours. Third, there is still a general feeling that the more Medicare "pain" you call for the more responsible you are, and therefore, any critiques of the Republican plan involve us scoring politically at the expense of the "responsible" Republican proposals.

We feel there is no reason to back-off from our use of validation for our points -- as you will see below our side on each of the disputed areas is very strong. Furthermore, other groups, like the Catholic Health Association, called to thank us for citing their opposition to the Dole-Gingrich Medicare plan. Yet, in light of the environment we are in, it is worth being clear on what has been disputed and what is beyond dispute.

## **American Hospital Association:**

**Our Statement:** The American Hospital Association says that 700 vulnerable hospital could close under the Dole-Gingrich Medicare cuts.

**Complaint:** The AHA never said explicitly said this. In response to pressure from Republicans, the AHA stated that they had only said that "700 most vulnerable hospitals" dependent on Medicare and Medicaid "were at risk" or "on the financial edge" and that "some would certainly be faced with closing their doors."

### **Facts:**

- The AHA ran newspaper advertisements in 1995 stating that the Dole-Gingrich Medicare budget "Needed hospitals in rural or inner-city communities could be forced to shut their doors, period."
- They further wrote that: "Particularly hard hit will be communities with hospitals serving a large proportion of Medicare and Medicaid patients... Almost 700 of the most vulnerable hospitals derive two thirds or more of their net patient revenue from Medicare and Medicaid."
- Further they wrote Dole personally on October 1995 stating that in terms of hospital payments under their plan "[R]educations of that magnitude would result not in a reduction in the rate of growth, but in a real cut."

Indeed, even the most recent clarification the AHA gave hardly undercut our statement that 700 hospitals "could" close. They stated that they had never estimated that all 700 "at-risk" hospitals could close their doors, :

"some of the 700 hospitals would have to cut some services like trauma care, burn units, and some things they do for the elderly would be severely affected....other programs would be trimmed, and in some rural and inner city areas, there would be hospitals faced with closing doors. We didn't say that 700 hospitals would close their door, but we did say that of those 700 hospitals that are on the financial edge, some would certainly be faced with closing their doors."

**Best Statement for Future:** According to the American Hospital Association, the Dole-Gingrich budget would have put 700 of the most vulnerable hospitals at risk, with needed rural and urban hospitals being forced to close their doors."

"The Catholic Health Association and nearly every state hospital association in the nation stated that these Medicare and Medicaid cuts would "jeopardize the ability of hospitals and health systems to deliver quality care."

**Note:** The AHA can be used as a validator that they wrote Dole in 1995 that his Medicare plan would lead to a real cut in hospital payments.

[While overall, our statement seems valid and powerful, I [Gene] still should have been more careful in putting this in the debate materials and apologize for forcing us to deal with this at all].

**AARP:** Republicans have also put great pressure on the AARP to dispute the Vice President's claim on *Meet the Press* that the AARP said that "their plan would devastate Medicare." This has been more of a misunderstanding than a factual dispute.

**Our Statement:** When asked about why our Medicare savings in our health security plan were okay but the Dole-Gingrich budget was too extreme, the Vice President used as validation that the AARP had supported our plan and felt the Republican Medicare cuts were devastating. This is essentially correct. The AARP was generally supportive of our health security plan [though they stopped short of endorsing it] and supportive of the Mitchell plan, and they did call the Republican budget resolution "devastating" while later asking the President to veto their reconciliation bill.

**Complaint:** Republicans at first convinced the AARP that we were saying that AARP supported our current Medicare plan and felt the current Republican budget resolution (\$168 billion) was devastating. Leon Panetta and Chris clarified this with the AARP, and AARP reacted by simply writing a letter scolding both campaigns and asking that neither of us politicize them during the campaign. Barbour, of course, immediately interpreted the letter as a victory for them and made such a public statement.

**Facts and Background:** When the Republican budget resolution first came out the AARP responded harshly saying that their plan would "devastate" Medicare as the Vice-President stated and that it would lead to hospital closing.

- In June, 1995, AARP wrote: "[The] Congressional Budget Resolution Could Devastate Medicare Beneficiaries." Dole voted for this budget resolution which cut Medicare by \$270 billion -- same as the vetoed budget.
- In June, 1995, AARP wrote: "Spending cuts could limit access to providers. [M]any hospitals across the country -- particularly in rural areas -- would be forced to close."
- In November, 1995, AARP wrote that the Dole-Gingrich \$400 billion cuts from Medicare and Medicaid "do not meet the fairness test."
- Their statement further stated that "Millions of American families depend on Medicare and Medicaid for their basic health care coverage, for protection against the high cost of long-term care and for financial security. These protections, for Americans of all ages, are now at risk"
- On Medicaid cuts: "Frail, older Americans, most of whom are single, elderly women who have worked hard all of their lives, and children from low-income families would be hardest hit by these drastic cuts."

**Future Statements:** The AARP urged the President to veto their budget, stating that their Medicare and Medicaid cuts "did not meet the fairness test," put protections for all Americans at risk" and included "drastic cuts" in Medicaid, that would hit hardest "frail, older Americans" and "children from low-income families."

## The Concord Coalition:

**Our Statement:** Appearing on *Meet the Press* two weeks ago, the Vice President included the Concord Coalition in a list of sources that he said had stated that Dole's plan would require "extreme" Medicare cuts.

**Complaint:** While we had used the Concord Coalition to validate 40% cuts in domestic spending and other groups to validate Medicare cuts, the Vice President's statements were in fact easily supported by various comments by the Concord Coalition that Dole-Kemp could not possibly pay for their tax cuts with only discretionary cuts. Sen. Rudman, however, is under considerable pressure from Dole and Republicans because of their repeated harsh criticisms of their tax cut plan and the Concord Coalition does support deeper Medicare cuts from both sides. They put out a statement clarifying that they have never said that the Dole plan would require extreme Medicare cuts.

**Facts:** While it is true that the Concord Coalition supports harsher Medicare cuts, their statements make clear that they do believe that the Dole plan would lead to deeper Medicare cuts as the Vice President implied. While the Concord Coalition has not specifically said that the Dole plan would require deeper Medicare cuts, they have explicitly indicated that Dole's plan can't work without deeper cuts in entitlements:

- "Can't we offset any revenue loss by cutting federal spending? Possibly, but not by following the Dole Plan's strategy, which promises to derive nearly all the needed savings from unspecified cuts in "discretionary" outlays."
- "[The Dole plan's] proposed outlay cuts are politically if not mathematically impossible"
- If Republican priorities were protected, "most public services to the young and poor will have to be defunded entirely."
- "The Dole people will maintain with straight faces from now until November that the necessary cuts will be anonymous, painless reductions that will not affect you or anyone you know."
- "Congress would have to slash this [domestic discretionary] spending while phasing in large tax cuts and while leaving the vast and still-growing senior-citizen entitlement edifice (in Dole's words) 'off the table.' It's hard to see how leaders like Dole and Jack Kemp...could square this circle."
- "Dole's fact sheet on his economic plan specifically states that Medicare, Social Security, and Defense programs are 'off-the-table.'... Exempting these three huge areas puts an enormous burden on the remaining areas of the budget."

**Future Statement:** The Concord Coalition has stated that the Dole plan "will blow a gigantic hole in the budget" lead to 34%-41% cuts in the area of the government that funds education, environment, law enforcement. Their budget is "politically, if not mathematically impossible" and if they protect all of their priorities "most public services to the young and poor will have to be defunded entirely."

## VALIDATION ON IMPACT OF DOLE-GINGRICH MEDICARE CUTS

**AARP:** "Millions of American families depend on Medicare and Medicaid for their basic health coverage, for protection against the high cost of long-term care and for financial security. *These protections, for Americans of all ages, are now at risk.* Cutting \$164 billion from Medicaid over the next seven years is *far more than the program can shoulder...* it's a shame that a veto is necessary, but unfortunately, there is no other alternative. [AARP, 11/16/95]

- In June, 1995, AARP wrote: "[The] Congressional Budget Resolution Could Devastate Medicare Beneficiaries." [AARP, 6/95]
- In June, 1995, AARP wrote: "Spending cuts could limit access to providers. [M]any hospitals across the country -- particularly in rural areas -- would be forced to close." [AARP, 6/95]
- **American Nurses Association:** "The American Nurses Association is strongly opposed to current proposals calling for deep cuts in the Medicare program and we urge Congress to act responsibly to *avert the dangerous consequences of such reckless legislation...* it is simply not possible to curtail the growth in Medicare outlays to this level. To do so will *diminish both the quality and accessibility of care* for those who depend on Medicare." [ANA, 10/17/95]
- **Catholic Health Association, American Hospital Association, 47 State Hospital Associations, and Voluntary Hospitals of America:** "This legislation...is not in the best interest of patients, communities, and the men and women who care for them...the reductions in the conference report will jeopardize the ability of hospitals and health systems to deliver quality care, not just to those who rely on Medicare and Medicaid, but to all Americans." [American Hospital Association, Catholic Health Association, and Voluntary Hospitals of America, and State Hospital Associations from 47 states, November 17, 1995]
- **American Hospital Association:** The Senate Republicans budget "would result not in a reduction in the rate of growth, but in a *real cut*. That means per beneficiary spending for hospital care grows less than the rate of inflation...[these] reductions will seriously jeopardize the ability of the hospital community to continue to provide high quality care, not only to seniors, but to all our citizens." [American Hospital Association, letter to Senator Dole, 10/16/95]
  - The AHA ran newspaper advertisements in 1995 stating that the Dole-Gingrich Medicare budget "Needed hospitals in rural or inner-city communities could be forced to shut their doors, period." [AHA, summer, 1995]
  - "Particularly hard hit will be communities with hospitals serving a large proportion of Medicare and Medicaid patients...Almost 700 of the most vulnerable hospitals derive two thirds or more of their net patient revenue from Medicare and Medicaid." [AHA, 11/95]
- **American College of Physicians, the American Nurses Association and the National Association of Public Hospitals:** "Weighing all the elements of this bill [House and Senate Republican Medicare proposals], the American College of Physicians, the American Nurses Association and the National Association of Public Hospitals, believe that the total package will be harmful to patients, physicians, hospitals, and the health care system as a whole...*This legislation will reverse the gains in the health status of the elderly that Medicare has achieved in its 30 year history...The budget cuts in this package...do not save or preserve Medicare, they simply shift costs from government to patients and providers.*" [American College of Physicians, 10/17/95]

**TWO ATTACHED VALIDATION LETTERS:**

- **Frank Pepper Letter:** As you know, Bob Dole has often used a letter from Claude Pepper to support his position that he can be trusted to deal with entitlements like Medicare and Social Security. Recently, Claude Pepper's brother Frank, released a letter he sent to Bob Dole criticizing him for using his brothers name to support Medicare cuts that are excessive.
- **American Hospital Association on "Cuts":** Also attached is the letter from the AHA to Dole in which they specifically state that the impact on hospitals of their \$270 billion savings would be a "real cut" not a reduction in the rate of growth.

Frank Pepper  
1020 Merritt Drive  
Tallahassee, Florida 32301  
October 16, 1996

The Honorable Bob Dole  
Dole for President  
810 First Street, N.E.  
Washington, D. C. 20002

Dear Senator Dole:

You have repeatedly referenced a note of gratitude from my late brother, Claude Pepper, about your work on the 1983 Social Security Commission. It appears to me that you are doing so to support your assertion that you would never do anything to hurt Medicare or other senior programs. Using my brother's fine name, sterling record of support for programs to benefit seniors, and his memory for this purpose is inappropriate. Claude was appreciative of your and all the Social Security Commission members' work; however, your using his personal note about this experience and applying it to the current Medicare debate is wrong.

If he were alive today, Claude Pepper would be the first in line to take action to truly strengthen the Medicare and Social Security programs. You have not supported many of the provisions he would regard as strengthening the program, such as incorporating long-term care and dental care. Just as he rejected the "ELDERCARE" alternative to Medicare (which would have left millions of elderly uninsured) that you are still praising, he would have strongly rejected your past and current proposals for excessive cuts and detrimental policy changes, such as Medical Savings Accounts, to both the Medicare and Social Security programs. I have to believe you understand this and find it surprising that you would engender his name to provide some sort of politically expedient cover for the policy changes you are advocating for the Medicare program.

My brother respected your decades of service to our nation. However, I must ask you to please resist what must be advice from political advisors to inappropriately use your relationship with Claude.

Sincerely,  
  
Frank Pepper

cc: President Bill Clinton



Liberty Place  
325 Seventh Street, N.W.  
Washington, DC 20004-2802

Office of the President

One North Franklin  
Chicago, Illinois 60606

October 16, 1995

The Honorable Bob Dole  
United States Senate  
141 Hart Senate Office Building  
Washington, DC 20510

Dear Senator Dole:

You and your Senate colleagues are about to make public policy decisions of truly historic proportions. Your debate and action on the Fiscal 1996 budget reconciliation bill, particularly where Medicare is concerned, will affect the lives of all Americans.

That's why the American Hospital Association, on behalf of its 5,000 members in the community delivering care every day, wants to make you aware of a report by Lewin-VHI, a respected research firm. It analyzes the effect of Medicare spending reductions on hospitals.

The bill now before the U.S. Senate calls for reductions of \$86 billion in hospital services. The principal finding of this analysis is that reductions of that magnitude would result not in a reduction in the rate of growth, but in a real cut. That means per beneficiary spending for hospital care grows less than the rate of inflation.

Repeatedly, the American people have been assured that the Medicare program would not suffer real cuts. This is a promise that must be kept. Eighty six billion dollars in reductions will seriously jeopardize the ability of the hospital community to continue to provide high quality care, not only to seniors, but to all our citizens. This is the potential impact of the current Senate proposal.

In its conclusion, Lewin-VHI, Inc., states: "The potential for payment reductions to result in real decline in hospital spending over the next seven years should indicate to policymakers the need to carefully consider the impacts of potential Medicare changes on the different categories of health care providers."

This is what the nation's hospitals ask of you and your colleagues in the critical days ahead.

Sincerely,

A handwritten signature in cursive script that reads "Dora Davidson".

December 9, 1996

**MEMORANDUM TO HILLARY RODHAM CLINTON**

**FROM:** Chris Jennings

**RE:** Children's Health Care

**ISSUE**

Children who lack access to health care are more vulnerable to health problems. Additionally the lack of health insurance for children may impact health care costs for the entire health care system. Today, an estimated 10 million children are uninsured and millions more are underinsured.

**BACKGROUND**

The General Accounting Office estimates that 10 million children (almost 15% of all children under age 18) were without health insurance -- the highest level of children uninsured since 1987. Millions more children are underinsured. These children have limited access to preventive and primary care and may lack the insurance or other resources needed to access care.

Additionally the number of children with private coverage has decreased. The decline in private health insurance among children may largely be attributed to an erosion in employer-sponsored health insurance due in part to the shift to more part-time work and more outsourcing to smaller firms.

As private insurance coverage shrinks, Congress has expanded kids' health coverage through Medicaid. State Medicaid expansions have extended coverage to millions of children, including children under the age of 6 whose family incomes are 133 percent above the federal poverty level. Each year a new age group of kids is "phased in" so that by 2002, all poor children under age 19 will be eligible for Medicaid. This will increase Medicaid eligibles by 1 million children.

Despite greater reliance on Medicaid, many eligible uninsured children do not enroll in Medicaid. According to a recent study by the Center on Budget and Policy Priorities, a variety of factors influence children's enrollment in Medicaid including: the scope of coverage under a state's welfare program, the uninsured rate in the state, and steps a state has taken to make the Medicaid program accessible to diverse populations.

The Democratic Leadership (Senator Daschle and Representative Gephardt) have a serious interest in developing a health care initiative for children. Even before they had real policy options, the Leadership included a proposal to expand coverage by requiring insurance companies to offer lower-cost "kids-only" policies. They included this proposal as part of the "Families First Agenda," akin to the GOP's 1994 "Contract with America." White House and HHS staff have provided technical assistance to Democratic staff to evaluate options.

## **OPTIONS**

There are several options to improve access to health care for children. These options range from expanding federal funding of health care services or coverage to promoting states' development of child health initiatives to encouraging the private sector to provide more comprehensive coverage to children. Five of the major options are discussed below.

**Option 1: Create a health subsidy for children.** This option would require all insurance companies that do business with the federal government to offer "kids-only" policies and provide premium subsidies to help families afford health care coverage.

**Option 2: Provide tax incentives to improve coverage for children.** Similar to option 1, option 2 would expand access to health care coverage by making families eligible for tax credits for their children's "kids-only" health care policies.

**Option 3: Expand children's health coverage under Medicaid.** This option would employ an effective outreach initiative to expand coverage to the estimated 3 million children currently eligible for Medicaid who do not have coverage.

**Option 4: Enhance partnerships with states to expand coverage for children.** This option would provide grants to states to support innovative programs to insure children. Under this option, the federal government would provide matching funds to expand the number of states participating in such programs and to increase the number of uninsured children who have access to such programs. For example, the Children's Health Insurance Program (CHIP) of Pennsylvania is a state-supported program aimed at providing comprehensive health care services to children up to 14 years of age. The program is funded by a two cents per pack state tax on cigarettes.

**Option 5: Expand access to community-based services.** This option would make sure kids receive needed health care through clinics and community health centers. Through a public health approach, the federal government could enhance existing networks or create new partnerships of providers to provide health services to underserved populations of kids. One possibility is to require the 650 federally funded community health centers around the country to locate uninsured kids and notify their families that the centers are there to provide treatment at nominal cost.

## RECENT REPORTS

In the past year, several reports on health care coverage for children have been released. Following is a summary of four of the most significant reports.

**TAB 1. Health Insurance For Children: Private Insurance Coverage Continues to Deteriorate, GAO, June 1996**

This report demonstrates that the number of children without health insurance coverage, 10 million children, was greater in 1994 than at any time in the last 8 years. Additionally private health insurance for children decreased primarily among children of poor families. Health care coverage remained relatively stable among non-poor children.

This report also finds that Medicaid continues to be an important source of insurance for children in working families. However, in 1994, approximately 3 million children who were eligible for coverage under Medicaid (30% of the total number of uninsured) did not enroll in the program.

**TAB 2. Millions of Uninsured and Underinsured Children Are Eligible For Medicaid, Center on Budget and Policy Priorities, December 1996**

This study finds that about 3 million children who may be eligible for Medicaid were not enrolled in the program. A variety of factors influence children's enrollment in Medicaid including: the scope of coverage under a state's welfare program, the uninsured rate in the state, and steps a state has taken to make the Medicaid program accessible to diverse populations. The authors continue to report that welfare law changes are likely to result in even lower Medicaid participation rates in the future, unless states revamp their Medicaid application procedures and outreach strategies.

This study concludes that the Medicaid program has the potential to provide health care coverage to a large number of children who are uninsured or underinsured.

**TAB 3. Uninsured Children of the South, Southern Institute on Children and Families, November 1996**

This report finds that the number of uninsured children in the South is disproportionately high. Of the 9.4 million uninsured children in the United States, a total of 4.1 million (43%) live in the South even though only 36% of all children live in this region. More than 100,000 (20%) of all children in Arkansas are uninsured.

States vary in their use of Medicaid to expand health care coverage for uninsured children. Arkansas is one of three states that has not expanded Medicaid eligibility beyond Federal minimums to cover children. To reduce the number of uninsured children in the South, the authors recommend that states: (1) raise Medicaid age and income eligibility levels, (2) eliminate the Medicaid assets test for children, and (3) use outreach to enroll eligible children in Medicaid.

**TAB 4. Health Insurance for Children: State and Private Programs Create New Strategies to Insure Children, GAO, January 1996**

This report highlights six health insurance programs initiated by states and private organizations (in five states; AL, PA, NY, FL, and MN) to increase health care access for children. By 1995, 14 states and at least 24 private-sector organizations had such programs. The number of children enrolled in the six programs studied ranged from more than 5,000 to more than 100,000 and focused primarily on low-income, uninsured children not enrolled in Medicaid. These programs were funded by various nonfederal sources, such as dedicated state taxes and private donations.

## POTENTIAL CHILDREN'S HEALTH INITIATIVES

### 1. **Base Proposal: Premium Assistance to Families with Workers in Transition**

Our FY97 Budget proposal builds on the Kassebaum-Kennedy law by providing premium assistance to temporarily unemployed workers and their families for up to 6 months. Recipients have to have had employer-provided health insurance, be receiving unemployment insurance, and have incomes below 240% of poverty. It is a 4-year demonstration grant program to states, under which states would have flexibility in using the funds, such as through COBRA, a private insurance product, Medicaid buy-ins, or state high risk pools.

**Cost and Number Benefiting:** About \$2 billion per year. Our FY97 Budget assumed about \$9 billion over 4 years. Our FY97 Budget proposal was estimated to help about 3 million people each year, including 700,000 children. Funding the program for 5 years would increase the number of adults and children helped, but would cost about \$3 billion in 2002.

### 2. **Target the 3 Million Children Now Eligible But Not Receiving Medicaid**

Under this proposal, we would try to enroll the 3 million children currently eligible but not enrolled in Medicaid through a variety of administrative and legislative proposals. These proposals include changing the law to let states more easily accelerate the OBRA90 children's expansion, working with states administratively to simplify their enrollment process and eligibility requirements, and expanding outreach through agreements with states, schools, providers, and federal grantees.

**Cost and Number Benefiting:** \$500-\$800 per child per year, so expanding coverage to 1 million of the 3 million eligible but not enrolled cost the federal government \$500-\$800 million a year. Additional costs from administrative actions would show up in the baseline. The actual scoring could depend on the timing and credibility of the proposal and/or agreements with states. There would also be a cost to states.

### 3. **Add State Options to Further Expand Coverage.**

This proposal would allow states, at their option, to expand coverage to children. For states who had voluntarily expanded their coverage of children up to 133% of poverty, this proposal would allow states to develop Medicaid buy-

in programs for children of families up to 185% of poverty. This program would be cost-effective for states because it would permit family contributions to help offset costs and allows states to limit the number of children covered -- as was done in TENNCARE. This proposal would also allow, at the state's option, to extend eligibility from one month to 12 months, thus increasing the number of children covered and the length for which their covered.

**Cost and Number Benefiting:** Unknown at this time, but states and health plans would likely be very interested in pursuing this approach.

**4. Grants to States to Develop Innovative Partnerships to Insure Children**

This proposal builds on existing innovate state programs to insure children by providing matching grants to states to provide insurance coverage to children. States would have tremendous discretion.

**Cost and Number Benefiting:** Flexible. A \$100 million per year federal program could provide preventive service insurance for 2 million children or traditional insurance coverage for 180,000 children. So, for example, a \$550 million investment could provide traditional coverage to about 1 million children. The proposal could be a demonstration program involving 5-10 states or a national program.

**5. Health Care to Children in Targeted Communities Through Health Centers**

This proposal provide uninsured children in targeted high-need communities with health services (not insurance) through school-based or school-linked health centers and/or consolidated health centers, which have strong support on the Hill, by providing targeted increases in their funding.

**Cost and Number Benefiting:** Flexible. Each \$100 million a year could provide services to 500,000 children though school based health centers or to 1 million people including 440,000 children though CHCs each year. Medicaid would cover some of the services.

**6. Set-Aside Funding to Expand Health Insurance or Services to Children Through Medicaid, Grants to States, and/or Tax Credits.**

This proposal would not specify the mechanism by which insurance and/or health care services would be provided. Instead, the budget would set aside between \$1 billion and \$2 billion each year to expand health care to children

through Medicaid, outreach, grants to states, health centers, and/or tax credits. This proposal would make clear the President's strong commitment to expanding children's health care while providing additional time to develop the specific proposal in coordination with Congress.

**Cost and Number Benefiting:** While the number of children benefiting varies depending on the specific proposal, providing comprehensive health care coverage through either Medicaid or grants to states will cost at least \$500 per child. Therefore, a \$1-\$2 billion a year proposal could cover as many as 2-4 million additional children per year.