THE PRESIDENT'S ECONOMIC GROWTH PLAN

July 16, 1993

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THE ECONOMIC MESSAGE

The President's Plan Is Good For Our Country

The President's plan is good for the country, good for the economy, and good for the middle-class working families who have suffered for too long.

I. This plan puts us back in control of our economic destiny. After years of government policies that failed us, **there are no quick fixes -- just long-term solutions. We didn't get into this mess overnight, and we won't get out of it overnight.** The Clinton economic plan steps up to the plate and takes responsibility for the economic strength of this country. This plan is good news for the economy:

- It has the largest deficit reduction in history;
- It has over 200 specific spending cuts totalling $250 billion;
- It puts America's economic house in order;
- It makes it possible for America to grow again, for our economy to expand again, by finally paying down the deficit that has been choking off jobs and growth, and by shifting the federal budget away from wasteful spending and toward sound investment.

II. With this plan, we will create permanent, productive, private-sector jobs. Over the next four years, with this plan in place, we will add 8 million jobs to our economy. This plan is a job generator because:

- It makes it easier for business to grow. If we keep interest rates at their present low level for the rest of this year, we will have pumped **$50-100 billion of new private spending** into the economy.

- It has targeted new incentives to encourage business -- especially small business -- to create new jobs.

- It includes targeted public investment in education, training and infrastructure.

III. This plan will **improve the standard of living for the American people,** lower interest rates resulting from this deficit reduction will **make it easier for Americans to own their own home, buy a new car, finance a college education, and pay down consumer debt.**

- This is real money in the pockets of real people. For example, **if you make about $40,000 a year and refinance a $100,000 mortgage down from 10% to 7.5%, you will save $175 a month -- more than ten times what you'll be paying in new taxes.**

- Lower deficits mean lower interest rates and higher private investment. President Clinton believes the private sector is the vital engine of economic growth. Lower interest rates and higher private investment will lead to higher productivity, more jobs and a higher standard of living for all Americans.

The President's Plan Represents Real Change

The President's plan represents a fundamental break from the old, failed trickle-down policies of the past. It is **change that is historic in its scope**: the largest deficit reduction in history. This is truly fundamental change.

- The old ways left deficits out of control. Now **we're putting our economic house in order;**

- Where trickle down sheltered the powerful and privileged, and tried to balance the budget on the backs of the middle class, this economic plan is fair, shared and balanced.

- **The well-off are finally paying their fair share.** At least 70% of the taxes come from those making over $200,000.

- **The working poor actually get a break.** If you make $30,000 a year or less and have children in the home, this plan gives you a tax break, to help you raise your children above the poverty line.

- **The middle class wins in this plan.** After twelve years in which the Republicans taxed working people and helped wealthy people, this is a plan in which the middle class wins. The total tax burden on the middle class ranges from about $5 a month in the Senate version to a maximum of $17 a month in the House version. But the benefits far outweigh the burdens: lower interest rates on everything from your home to your car loan to your credit card payments (see p.1 for a good example of this good deal); historic deficit reduction; real spending cuts in 200 specific programs; incentives for business to create jobs here in America; and the kind of sustained, long-term growth that America needs.

- **This plan makes real cuts in specific programs -- more than 200 specific cuts in programs that cut more than $250 billion from the budget.** The old ways included using phony numbers, gimmicks and tricks to avoid making real spending cuts.

- Under business as usual, deficit reduction disappeared as time passed. But this plan locks the savings once and for all in a deficit reduction trust fund.

- ***For every $10 we put in that $500 billion trust fund, $5 comes from spending cuts, $4 comes from taxes on the wealthiest 6%, and only $1 comes from the middle class.***

- The trust fund will be proof that we really are paying down the deficit -- unlike the policies of the past, when the Republicans used gimmicks like "budget caps" that were lifted or ignored.

- In the old, failed way of doing things, the most vulnerable were the most victimized. The President's plan achieves more deficit reduction than the Republican proposals, with **vastly smaller cuts in Medicare, veterans benefits, and health care.**

- The old way of doing things allowed politicians to look no further than the next election. This plan looks to the next generation. From historic deficit reduction to lower interest rates to investing in our children, this plan sets the stage for long-term growth.

- Under the old policies, Presidents weakened America by ignoring economic crises here at home. Now the world has greater respect for the leadership America is showing. President Clinton's success at the G-7 Summit in Tokyo was due to the fact that America is finally taking responsibility for paying down the deficit, creating jobs and expanding growth.

The President's Plan Is The Only Alternative

The President's plan is the only plan with: credible deficit reduction; courage to make the well-off pay their fair share; specific spending cuts; reduction in interest rates to expand the economy; targeted investments to create jobs; targeted investments to spur growth; and security for older Americans. On each of these points, where the President's plan is strong, the Republican schemes are weak.

- **The Republicans have no plan.** They offer nothing but more of the same. They looked the deficit squarely in the eye...and blinked.

- **America cannot afford more of the same.** The Republicans did offer a couple of last-minute excuses for an economic plan. Here's what they propose: a continuation of the status quo, more uncontrolled deficits, more tax breaks for the most well-off, more cuts in Social Security, Medicare, veterans' benefits and health care for the most vulnerable.

A Plan For Economic Change And Growth

After 12 years of inaction and talk on the deficit, Bill Clinton stepped up to the plate and proposed the largest deficit reduction package ever proposed by a President. This is a specific and detailed plan to reduce the deficit and increase investment in our people, and spur long-term economic growth. If this plan fails, it will be a victory for gridlock, higher interest rates and ever growing deficits. When it succeeds, it will help us build an economy that will be strong, invest in the businesses that create jobs, and prepare our people for lives of prosperity and opportunity in the future.

I. Strong And Fair Deficit Reduction To Get Our Economic House In Order

The President's plan calls for $500 billion in deficit reduction, evenly divided between $250 billion in net spending cuts and $250 billion in tax increases. For every $10 in deficit reduction, $5 comes from spending cuts, $4 comes from taxing those over $100,000 and only $1 comes from everyone else.

II. Fair And Progressive Taxation

The overwhelming majority of these taxes fall on the most well-off Americans. There is no income tax increase for 98.8% of American taxpayers. Only those families making over $180,000 would see their income tax rates increase. Indeed, **the Congressional Budget Office analyses of both the House and Senate version of the Clinton plan show that approximately 70% of the taxes raised fall on those making over $200,000.**

III. Spending Cuts

The Clinton plan calls for $250 billion in net spending cuts -- $1 in cuts for every $1 raised in revenues. Every dollar of new investments is paid for with over $3 in spending cuts. There are over 100 domestic program cuts that exceed $100 million each. The Clinton plan cuts overall spending in real terms, through a "hard freeze" -- there is no inflation adjustment to increase overall discretionary spending for five years.

IV. Deficit Trust Fund

Under the President's plan every dollar that is targeted for deficit reduction will be locked away in a deficit reduction trust fund so that savings promised for deficit reduction can never be used for pet spending projects by anyone.

V. New Investments -- Borrowing Less While Investing More

The President's plan borrows less and spends less, while still investing more in the things that are fundamental for long-term economic growth -- like education, technology, children, worker training, new cops on the street and technology and defense conversion. Quite simply, it seeks to invest more in -- not borrow more from -- our future. The plan does this by cutting enough spending to invest $100 billion more in our people, while still finding $250 billion in net spending cuts to contribute to a $500 billion deficit reduction package.

- **Rewarding Work Tax Credit:** The Clinton plan will fund the Earned Income Tax Credit so that no parent who works full-time and has a child at home will live in poverty.

- **Small Business, Pro Jobs Tax Incentives:** The plan includes a new venture capital gains tax cut for investments held for over 5 years in small-medium sized companies. Furthermore, the plan more than doubles the amount of expensing small businesses are allowed to take immediately.

- **Investing in People:** The plan has a bold commitment to lifelong learning: It fully-funds Head Start and WIC; calls for a new school-to-work initiative, National Service and EXCEL College Opportunity Accounts and Dislocated Worker Initiatives -- investments with high returns for our future.

- **Making America Stronger, Safer, and Smarter:** President Clinton has announced a major defense conversion package for the next five years, a new technology initiative that includes "information superhighways," a national network of manufacturing extension centers; and a permanent R&D tax credit to spur private sector investment in cutting-edge technologies. The plan also includes a new and innovative empowerment zones proposal and a Community Development Bank initiative.

VI. Stronger Economy

The Clinton plan has already lowered long-term interest rates significantly and had a positive effect in turning this economy around.

- **Jobs:** We have created 813,000 jobs in the first five months of this administration. Over 90% (740,000) of these jobs are in the private sector, while under half the job growth in the Bush Administration was in the private sector. Thus, while the Bush Administration created just 1 million private sector jobs in four years, we have created 70% of that total in just five months.

- **Inflation:** Inflation was virtually flat last month and has shown a modest 2.5 annual rate so far in the Administration. We are creating jobs and getting growth back without sparking inflation.

- **Housing and Construction:** Lower interest rates have led to over 112,000 construction jobs created in the last five months, after losing over 700,000 in the last four years.

- **Autos:** Sales of domestically-built autos have been strong. In June, 7.136 million were sold, up 489,000 units since January 1993.

Bring Down The Deficit To Strengthen Our Economy

During the last 12 years, the annual deficit practically quadrupled from $74 billion to nearly $300 billion. The debt quadrupled from $1 trillion to $4 trillion. If we do not change our ways, the deficit will continue to grow, exceeding $600 billion in just 10 years. This will make it harder for businesses to invest, harder for average families to afford homes, and harder for us to show international leadership on economic matters vital to national and international economic security.

The goal of the President's plan is to bring down the deficit dramatically and to spur private sector investment, while still finding enough spending cuts to let government make targeted, smart investments in the things we need for economic growth: investments in worker training, in children and schools, in safe streets and more police in our neighborhoods, and in new technology and defense conversion.

The Clinton plan successfully finds the necessary savings to achieve the following:

- $500 billion in deficit reduction -- the largest deficit reduction proposed by a President.
- $250 billion in spending cuts, including over 200 specific program cuts.
- $3 in spending cuts for every $1 in new investments.
- at least 70% of the taxes fall on those making over $200,000, while there is no income tax rate increase at all for the 99% of families who earn under $180,000.
- A cut in discretionary spending in real terms every year for five years through a "hard freeze" that allows no increase for inflation for five years.
- All $500 billion of net savings would go into a Deficit Reduction Trust fund to ensure savings go to deficit reduction. The Deficit Reduction Trust Fund locks in $500 billion in deficit reduction and throws away the key. It gives the American people a legal guarantee that all of the funds will go to deficit reduction. (It is a needed enforcement provision because, currently, the budget law the President inherited does not have a way of locking in the deficit savings that come from taxes and entitlement cuts.)

Lower deficits mean a higher standard of living:

America has the world's most productive workers, yet over the past decade our productivity growth has lagged and real wages have actually declined. Cutting the deficit will help tackle this problem by lowering interest rates and encouraging the kinds of new investments that increase productivity. Higher productivity leads to higher wages and a higher standard of living for working Americans. Deficit reduction matters most to average Americans who didn't benefit from the excesses of the 1980's and need new investments in training and equipment.

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The President's Deficit Reduction Plan
Has Already Produced Economic Benefits

Lowered Interest Rates Tied To Clinton: The strong bond market rally began right after the November election. Investors showed confidence in Bill Clinton's commitment to deficit reduction and the substantial drop in long-term interest rates continued after the President introduced his economic plan -- the largest deficit reduction package ever championed by a U.S. President. The evidence is in the numbers!

Treasury issues	11/06/92	2/19/93	7/9/93
3 mo. bill	3.06%	2.93%	3.27%
I0 yr. note	6.97	6.35	5.74
30 yr. bond	7.76	7.13	6.55
Conventional mortgage rates 30 yr. fixed (FHLMC series)	8.29	7.66	7.19

Impact of Lowered Rates On Average Americans

- **Big Savings On Buying or Refinancing a Home:** If a family with a $100,000 mortgage at a 10 percent rate refinanced at a 7-1/2 percent rate, monthly savings would total $175, or $2,100 a year. [Treasury Dept.] About 375,000 Americans refinanced their homes during the first quarter. [Mortgage Bankers Association Weekly Survey and Treasury Dept. Interpretations]

- **Existing Home Sales:** Wall Street Journal reported recently that "Sales of previously owned homes jumped a robust 4.6% in May as the housing recovery continued to regain steam amid continued low interest rates and strengthening job growth. ... The sales increase was the biggest since December, and marked the second consecutive month of gains." [Wall Street Journal, 6/28/93]

- **Construction Jobs:** With the lower interest rates and increased building, construction jobs have increased. The construction sector, which lost 721,000 jobs during President Bush's term of office, has gained over 112,000 jobs so far during the first five months of President Clinton's term.

The Drop In Interest Rates Is A Direct Result Of A Favorable Bond Market Reaction To The Clinton Plan

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

New York Times, December 7, 1992

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

New York Times, December 7, 1992

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

Financial Times (London), January 26, 1993

February, 1993. "The spectacular bond market rally accelerated yesterday, with long-term Treasury bond yields plunging to another record low as investors rushed to embrace President Clinton's economic package."

Wall Street Journal, February 24, 1993, "Bond Rally Roars Ahead on Clinton Proposals"

May, 1993. "The [Administration's] bill.... will help assure that interest rates will continue to decline. Vacillation at this juncture can reawaken uncertainties about the direction of the economy, uncertainties that would be reflected in the marketplace on a variety of fronts. The effects on housing, investment, consumer confidence and overall business planning would almost certainly be negative, with delay more damaging than the burdens imposed by the package."

-- editorial, **Boston Globe**, May 29, 1993

June, 1993 "When President Clinton proposed his deficit-containment plan in February, interest rates tumbled as Washington finally looked like it was facing up to the deficit mess."

-- editorial, **USA Today**, June 9, 1993

Fair Taxation That Rewards Work And Promotes Investment

The President's plan reverses trickle-down economics by putting forth a deficit reduction plan that is as fair to the middle class as it is real.

Taxes Fall On Those Most Able To Pay: The overwhelming majority of the taxes fall on the most well-off Americans. **Congressional Budget Office analysis shows that 70% of the taxes we raise fall on those making over $200,000.** The revenue-raisers include: increasing tax rates on the top 1%, those making over $180,000; a surtax on individual income above $250,000; reduced loopholes and unnecessarily generous deductions for country club dues, three-martini lunches, lucrative pensions, and lobbying expenses; and the wasteful taxpayer subsidy of CEO pay over $1 million

Most of the tax rate changes affect only the top 1% of individual taxpayers and the largest 1% of corporate taxpayers. For the other 99% of Americans, their income tax rate stays the same.

A Good Deal For Middle Class Families: The only tax that affects middle class families is the energy tax. The plan would cost less than $10 a month for middle class families. Yet, many of these families are already benefiting far more from lower interest rates than they will ever pay in additional energy taxes. For example, if that same family refinanced their $100,000 mortgage down from 10% to 7.5%, thanks to lower interest rates caused by the President's deficit reduction plan, that same family will gain $175 a month -- not to mention the savings from lower interest payments on car loans, home improvement loans, student loans and credit card borrowing.

The Plan Includes A Major Tax Credit For The Working Poor And Offsets To Ensure That Families Under $30,000 Are Generally Held Harmless: The plan increases the Earned Income Tax Credit so that families with incomes under $30,000 are on the whole held harmless. According to a study by Arthur Andersen, a family of three making $25,000 would actually see their taxes fall by several hundred dollars.

Pro-Business Investment Incentives: The Clinton plan also includes targeted pro-business investment incentives:

- **More than doubling SMALL BUSINESS expensing of new investment**
- **Targeted capital gains cut for new investments in small business**
- **Empowerment Zones: Investments for business in depressed communities**
- **Modify AMT depreciation schedule to promote capital investment**
- **Extend the Research and Experimentation tax credit**

Restore-House

Restore-Senate

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CHART V. BUSH

Real Spending Cuts

Half -- or $250 billion -- of the President's $500 billion deficit reduction package includes over 200 specific spending cuts. While there has been a great deal of distortion as to the degree of our spending cuts, the facts are as follows:

$250 Billion Net Deficit Reduction From Spending Cuts
Half of the President's $500 billion deficit reduction plan comes from spending cuts. The $250 billion for deficit reduction can be divided roughly as $100 billion in discretionary spending cuts, $100 billion in entitlement cuts and $50 billion in cuts of interest paid on the national debt.

$350 Billion In Gross Spending Cuts
The President's plan actually cuts $350 billion in spending. He uses $250 billion for deficit reduction and $100 billion for new investments in education, training, technology, crime prevention and defense conversion.

100 Cuts Of Domestic Programs Of Over $100 Million
The Clinton plan calls for over 100 domestic programs to be cut by over $100 million each.

A 13.5% Cut In Real Discretionary Spending Over Five Years
The Clinton plan cuts total discretionary spending by 13.5% over five years in real terms through a "hard freeze" -- meaning no adjustment for inflation for five years. **Even if you exclude all defense cuts, domestic discretionary spending is still lower in 1998 in real terms than it will be 1994.**

Spending -- As A Percentage of GDP -- Is Less Under The Clinton Plan Than It Was Under Either Bush Or Reagan
Overall spending will average 22.7% of GDP (under cautious CBO economic assumptions) vs. 23.3% for Bush and Reagan years combined. (Bush spending averaged 23.5% of GDP while Reagan spending averaged 23.2% of GDP) The bottom line? Republican low spending is a myth. And under the Clinton plan, the average of discretionary spending as a percentage of GDP would be between 7.6-7.8%, while under Bush it was 9.2% and under Reagan it was 10.2%.

Immediate Legislation To Cut Spending
Every spending cut will be passed into law immediately and the net savings will be locked in through budget enforcement procedures. Despite Republican distortions, it is completely untrue that the President is in anyway delaying spending cuts. The President has said repeatedly that he will not pass a budget to increase taxes unless the same budget locks in by law all of his spending cuts.

The Clinton Plan Uses Specific Cuts
The Republican alternatives rely on typical unspecified approaches such as entitlement caps. The Dole plan does not include a single new cut and none of the other Republican floor amendments offered a single specific spending cut beyond the President's.

SUMMARY OF SPENDING CUTS:

Entitlement Cuts:

- The plan identifies over 30 specific cuts in Medicare and Medicaid that reduce the deficit by $58 billion.
- Agriculture entitlements are cut by $2 billion.
- Federal worker entitlements are cut by $12 billion.
- Through FCC spectrum auctions, the plan saves $7 billion.
- By restructuring the student loan program, the plan saves $4 billion.

Discretionary Spending Cuts:

- Limiting pay increases for Federal employees by $11 billion
- Administrative cuts of $11 billion
- Cutting 100,000 federal workers, to save $10 billion
- Nuclear reactors R&D cuts, to save $1 billion
- Consolidating overseas broadcasting, to save $760 million
- Reorienting and cutting AID spending, to save $500 million
- Reducing International Security Assistance by $1.6 billion
- Streamlining education programs, to save $2.6 billion
- Streamlining Agriculture Department service delivery by $730 million
- Implementing uranium enrichment initiative, aiming toward privatization, to save $1.3 billion
- Improving management of VA hospitals, to save $1 billion

Eliminating Programs:

- Highway Demonstration projects, saving over $1 billion
- Special Purpose HUD grants
- National Oceanic and Atmospheric Administration Demonstration projects
- Earmarked SBA grants
- Agriculture special grant programs
- Unnecessary federal commissions

SPENDING CUTS IN THE PRESIDENT'S PLAN

The President's plan provides for spending cuts that will make government less wasteful and more productive. The cuts can be considered in the following categories:

Programs That Don't Work or Are No Longer Needed. Making government work for the next century means ending programs that don't work and updating policies and programs that were designed to meet the needs of an earlier era. Savings include:

- Consolidating overseas broadcasting programs (\$644 million)
- Reforming federal crop insurance (\$739 million)
- Terminating obsolete commissions (\$41 million)

Eliminating Subsidies and Wasteful Programs, Charging Fees for Government Services. The nation can no longer afford subsidies and giveaways to those who don't need them, and we must assure that the taxpayer is fairly compensated to reduce the cost of providing services or resources. Savings include:

- Auctioning spectrum for new communications services (\$7 billion)
- Reducing export promotion support for large companies (\$35 million agriculture only)
- Reducing unproductive crop subsidies (\$2 billion)

Managing Government for Cost-Effectiveness and Results. Making our government more effective and efficient means abandoning structures and practices that impede flexibility, waste resources, and frustrate service delivery. Savings include:

- White House and government-wide administrative and staff reductions (\$21 billion)
- Streamlining field offices (\$730 million -- agriculture only)
- Strengthening child support enforcement mechanisms (\$328 million)

Controlling Health Care Costs. Systemwide reform is a top priority, but some additional short-term savings proposals which do not harm beneficiaries are necessary as a down-payment on controlling health care costs. Savings include:

- Reducing laboratory and durable medical reimbursement rates at market to levels (\$3.6 billion)
- Capping excessive physician and hospital reimbursement (\$5 billion)

Shared Contribution. For deficit reduction to succeed, all groups must contribute. Only if there is a sharing of the load can the entire country be sure that everyone is participating. Savings include:

- Pay freeze for all federal employees (\$8.3 billion)
- Savings in veterans' programs (\$2.6 billion)

$100 MILLION SPENDING CUTS -- OVER 100 EXAMPLES

Savings in Millions

1994 - 1998

1. Unpaid Flexible Acres -1960
2. Conservative Reserve (CRP) & Wetlands Reserve (WRP) -469
3. Dairy Program -259
4. Market Promotion Program (MPP) -235
5. Peanut Marketing Assessments -112
6. Retirement COLAs -2339
7. Armed Services Pay Changes -20,263
8. Depositor Priority for FDIC & RTC -750
9. Reduce FHA Premium Rebates -416
10. GNMA REMIC Guarantees -730
11. HUD/IRS Income Verification -1022
12. Direct Student Loan Program -4270
13. States' Share FFEL Default Costs -300
14. Third Party Medicare/caid Liability -1247
15. Medicare - Physician Payments -8045
16. Prohibition on Physician Referral -350
17. Laboratory Services -3220
18. Hospital Outpatient and Ambulatory Surgical Services -2058
19. Medicare Secondary Payor Provisions -5522
20. Durable Medical Equipment (DME) -908
21. Medicare Hospital-Based Home Health Agencies -1150
22. Medicare: Purchase Erthropoietin (EPO) -243
23. Medicaid: Remove Prohibition on State Use of Drug Formularies -220
24. Transfer of Assets/Estate Recovery -950
25. Disproportionate Share Hospitals (DSH) -2250
26. Medicaid Offsets to Immunization Program -905
27. Northern Marinas Islands -118
28. Extend 50% Net Receipt Sharing for On-shore Minerals -201
29. Civil Service Retirement -779
30. Lump-Sum Retirement Option -8810
31. Payments by the United States Postal Service -1041
32. Additional Personnel Reductions -1266
33. Cash Bonus Awards -3250
34. Death and Indemnity Compensation (DIC) -133
35. Pensions-extends IRS Income Verification for Pensions Eligibility -136
36. VA: Permanently Extend Medical Care Cost Recovery -606
37. VA: Collect from Health Insurers for Services Connected Care -368
38. DVA Housing Programs -665
39. Charge Fee for State SSI Administration and Other SSI -703
40. Equate Matching Rates for Welfare Programs (AFDC) -204
41. Fund Priority Health Professions Curriculum Assistance Grants -116
42. HHS Personnel Reductions -1034
43. HHS Administrative Savings -2360
44. Completion of Wastewater Treatment Grants Authorization (except NAFTA) -6311
45. EPA Personnel Reductions -149
46. EPA Administrative Savings -132
47. Reforms in Light of New Crime Initiative -1704
48. Eliminate Unnecessary Nuclear Reactor R&D -1099
49. Reduce Rural Electrification Administration 5% Loan Subsidies -545
50. Eliminate Cooperative State Research Service (CSRS) Earmarked Research Grants

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51. Eliminate CSRS Earmarked Facilities Construction -146
52. Agriculture Administrative Savings -1092
53. Termination of NOAA Demonstration Projects -293
54. Commerce Personnel Reductions -925
55. Commerce Administrative Savings -308
56. Reduce Construction Funding for Lower Priority Water Projects -250
57. Corp of Engineers Administrative Savings -209
58. Eliminate Special Purpose Grants -853
59. HUD Personnel Reductions -104
60. HUD Administrative Savings -102
61. Reduce Construction Funding for Lower Priority Water Projects -186
62. Interior Personnel Reduction -762
63. Interior Administrative Savings -659
64. Labor Personnel Reductions -210
65. Labor Administrative Savings -171
66. Low Priority Transportation Programs and Projects -1749
67. Transportation Personnel Reductions -579
68. Transportation Administrative Savings -482
69. Eliminate SBA Earmarked Grants -431
70. Treasury Administrative Savings -935
71. Reduce Enterprise for the Americas Debt Forgiveness -191
72. Reduce Development-oriented Foreign Food Aid -336
73. Phase Out Below-cost Timber Sales (Forest Service) -360
74. Implement One New Farm Service Organization -1133
75. Reform Crop Insurance through Area-yield -647
76. Reduce Economic Research and Foreign Service Program -124
77. Reform Campus-based Aid -1044
78. Phase Out Impact Aid "b" -553
79. Education Personnel Reductions -143
80. Uranium Enrichment Initiative -1615
81. Energy Administrative Savings -2262
82. Eliminate Public Housing New Construction Amendments -101
83. Reforming Low-income Housing Preservation -195
84. Consolidate Several HUD Housing Programs into HOME -652
85. Reduce Prison Construction -580
86. Justice Administrative Savings -562
87. Federal Aviation Administration (Operations) -303
88. Coast Guard: Pay Adjustment -336
89. Improving Management of VA Construction -434
90. Improve Management of VA Hospitals -1500
91. Veterans Administrative Savings -229
92. Increase Private Sector Superfund Financing -426
93. Reduce 7(a) Business Loan Subsidies -476
94. Consolidate Overseas Broadcasting -894
95. Cut WH and Office of Nat'l Drug Control Policy Staff, Abolish Council on Environmental Quality -99
96. Re-orient AID Programs and Reduce Spending -841
97. Phase Out Defense Acquisition Fund -472
98. Reduce International Security Assistance -2526
99. Reduce Export-Import Bank Credits -327
100. Freeze Other Foreign Assistance Programs -301
101. Maintain Current Program Level for Programs in Small Agencies -266
102. Freeze Federal Pay in FY94; COLA at ECI Minus 1 FY95-97; and Revise Locality Pay Beginning FY95 -13,244
103. Reduce Overhead Rate on University R&D -1560

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Jobs And The Economy

The Clinton Administration is Committed To Job Creation: Only a strong and durable economic expansion with sound investment in our people can return the economy to high employment and provide the good, high-paying jobs our people deserve. The President has a multitude of policies that are all aimed at a simple and profound goal: more jobs and better jobs. From efforts to create a high skilled, high opportunity workforce through GOALS 2000, a National School-to-Work Initiative, a new dislocated worker training system, opening markets for American products, and investing in defense conversion, the President is deeply committed to ensuring that the economy works to put America to work.

Return To Private Sector Job Growth: The last four years saw the worst private sector job growth of any Administration since Herbert Hoover. The last two years were in fact thought of as a "jobless recovery." Only 1 million private sector jobs were created in four years -- only 20,000 a month. **In the first five months of the Clinton Administration, there have been 740,000 private sector jobs created -- nearly 150,000 jobs per month -- with private sector job growth at over seven times the rate of the Bush Administration.** President Clinton still feels the economy is not putting enough people to work, but this is a start in the right direction.

Eight Million Jobs: President Clinton pledged during his campaign to set a goal of 8 million additional jobs during his first four years in office. This was an ambitious but achievable goal. The policies are now being put in place to make that goal a reality. Several independent analysts (DRI, L.H. Meyer, Wharton Econometrics) found that the economy will create between 7.0 and 9.0 million jobs over the next four years under the Clinton plan. (Based on chart on next page.)

We Need Change -- Not More Of The Same Policies That Led To Pathetic Private Sector Job Growth: Ironically, some of the same architects of the policies that led to the worst private sector job growth since the Great Depression now want to return to the policies of the past under the argument that raising taxes on the top 1.2% of individuals will hurt the economy and keep small businesses from creating jobs. We fully recognize that small- and medium-sized businesses are the engine of job creation.

That is why the President's plan makes over 90% of small business receive or be eligible for a tax cut through a major expansion of expensing for small business -- what the NFIB in 1992 called the most important investment incentive -- and a small business capital gains tax cut that the **NFIB called "admirable" if "you wanted to focus on the creation of small businesses and creation of jobs."** (Testimony of NFIB, Senate Finance Committee, 2/13/92)

The Argument That Clinton's Plan Would Hurt Small Businesses Has Been Called "Specious" By The Wall Street Journal and Others: Newspapers who have analyzed the Republicans' claims have found them lacking. The Wall Street Journal wrote: **"But many of the Republican arguments are specious. Despite GOP claims that most of the burden of the higher rates would fall on small business owners, Joint Tax Committee data show otherwise. . . ."** [Wall Street Journal, 6/25/93]

CHART DWARFS

CHART 8MIL

Highlights Of Investments In The President's Economic Plan

I. The Investment Deficit

In the 1980's, while tax burdens increased on the middle class and federal deficits soared, public investment in America and the American people plummeted dramatically. As stated in Putting People First, "in the emerging global economy, everything is mobile: capital, factories, even entire industries. The only resource that's really rooted in a nation -- the ultimate source of all its wealth -- is its people. The only way America can compete and win in the 21st Century is to have the best educated, best trained workforce in the world, linked together by transportation and communication networks second to none."

The Clinton plan seeks to accomplish the challenging goal of increasing investments in education, technology, defense conversion, and crime prevention, at the same time that we are decreasing the deficit. This requires cutting spending that is not needed or can no longer be justified, to make room for investments in our future. Just as many American families have had to cut back on luxuries in order to invest in their children, government must do the same. Thus, the Clinton plan pays for every dollar of new investments by cutting spending somewhere else. **In fact, there are $3 in spending cuts for every $1 of new investments.** Simply put: The Clinton plan includes enough spending cuts to pay for all of its new investments and still have $250 billion left over for deficit reduction.

II. Investment Incentives Within The President's Reconciliation Package

The President's economic plan seeks to spur private-sector investment by reducing the deficit and providing targeted tax incentives. That is why the reconciliation includes both targeted growth incentives and the largest deficit reduction plan in our history.

A. The President's Economic Package Is Pro-Small Business:

- **More Than Double Small Business Expensing Incentives:** Following the President's lead, both the House and Senate have called for legislation to allow small businesses to expense immediately more than twice the $10,000 of business investment that is currently permitted. Under the House bill the threshold is increased to $25,000. Under the Senate bill the level is increased to $20,500. This will free up cash flow for small businesses and allow them to make new investments in training and equipment and to create new jobs.

- **New Small Business Capital Gains Exclusion**: The plan gives investors generous tax incentives to provide equity capital to productive small businesses, thus encouraging risk-taking and innovation. Half the long-term capital gains from investment in small businesses would generally be excluded from income and would not be subject to the alternative minimum tax.

- **Reducing The Cost Of Health Insurance Premiums For The Self-Employed.** The package extends the 25% deduction for health insurance premiums paid by the self-employed. The extension will last through the end of the year in anticipation of broad health care reform measures to be introduced by the Clinton Administration.

- **Tax-Exempt Financing For Small Business.** By extending qualified small-issue bonds and creating a new category of enterprise zone facility bonds, the plan provides certain small businesses with greater access to tax-exempt financing.

- **Small Issue Manufacturing And Farmers Bonds:** The plan extends the provision in current law that allows local jurisdictions to issue tax-exempt qualified small-issue bonds to finance manufacturing facilities or agricultural land and property purchases for first-time farmers.

- **"Super-Expensing" In Empowerment Zones.** The plan also increases from $10,000 to $75,000 the amount that small businesses located in ten "empowerment zones" may expense, and provides other incentives for small businesses located in our Nation's most distressed communities.

B. **The President's Economic Plan Includes Pro-Growth Incentives For Large and Small Companies:**

- **Modify AMT Depreciation Schedule**: This is an incentive for new capital investment. It provides relief on the tax treatment of depreciation deductions for corporations paying the corporate minimum tax, and is of enormous value to capital-intensive companies. By allowing such depreciation deductions to be accelerated considerably, the provision promotes capital investment.

- **Extend The R&E Tax Credit:** The plan fosters economic growth, technological development, and international competitiveness permanently by extending the research and experimentation credit. It extends the provision that provides a 20% credit for qualified research expenditures. It includes a new rule relating to start-up companies that will make it easier for new enterprises to qualify for the credit by simplifying and rationalizing the rules for computing research eligible for the credit.

- **Mortgage Revenue Bonds:** The plan extends the current law provision that permits local jurisdictions to issue tax-exempt qualified mortgage bonds to finance the purchase, rehabilitation, or improvement of, single-family, owner-occupied residences located within the jurisdiction of the issuer. This is an important financing tool for many first-time home buyers and an important stimulus for the housing industry.

- **Passive Loss Liberalization**. The plan provides relief to real estate professionals by allowing qualifying taxpayers to deduct from income certain losses from real estate activities in which they materially participate.

C. **The Reconciliation Bill Encourages Worker Training and Education:**

• **New Excel Accounts for College Access/Direct Student Loans:** The Clinton plan calls for a new program that will allow every young person who wants to go to college to receive an EXCEL Account that will allow him or her to take out money needed for college, and then pay it back as a small percentage of future income. This will allow young people to go into public service or try to start a new business without facing a crushing debt burden from college loans. In addition, the Clinton Administration has introduced legislation to overhaul the student loan system. By cutting out the middle-man, eliminating costly subsidies to private lenders, and lending directly to students, the Government will lower interest rates for students and save billions for the taxpayer. The program will be phased in over four years, and save taxpayers billions over the next five years.

• **School-To-Work Tax Credit:** This tax credit will provide important incentives to businesses to join in the President's effort to create new pathways to high-skill, high paying jobs for young Americans who choose not to go to college but still seek further training for a chosen trade or profession.

• **Employer-Provided Educational Assistance:** The plan extends the current law provision that excludes from gross income amounts paid by employers for workers' educational assistance.

• **Targeted Jobs Tax Credit:** The plan extends the current law provision that allows employers to claim a targeted jobs tax credit equal to 40% of up to $6,000 of first-year wages paid to members of certain targeted groups.

D. **The Reconciliation Bill Provides Work Incentives And Tax Relief For Low-Income Americans**

• **Rewarding Work By Increasing The Earned Income Tax Credit To Help Make Work Pay For The Working Poor.** By expanding and simplifying the earned income tax credit (EITC) significantly, the plan ensures that no American family with a full-time worker will be below the poverty line. America's poor will have greater incentive to work, and low-income taxpayers will receive larger direct payments to help them with basic living expenses. Extending the EITC to working poor taxpayers without children expands work incentives to additional Americans and increases equity.

• **Extend Low-Income Housing Credit Permanently**: By permanently extending the housing tax credit for new or substantially rehabilitated low-income rental housing, and providing more generous rules for projects developed in the 110 empowerment zones and enterprise communities that will be designated, the plan increases opportunities for affordable housing development by the private sector.

• **Empowerment Zones:** The President's Empowerment Zone proposal represents a new approach to the problems of distressed urban and rural communities. It gives local communities the incentives and regulatory flexibility they need to work with the private sector to develop comprehensive economic strategies to attract businesses, create jobs, make their streets safe, and empower people to get ahead. A total of 110 zones will be chosen through a competitive challenge grant process that will reward those communities that submit innovative comprehensive strategic plans that involves a partnership between government, private businesses and local residents of the targeted distressed areas. The 110 zones will receive an enterprise grant and a package of tax incentives designed to attract new business activity. Each zone will also receive special priority for participation in many innovative federal programs, including

Community Development Banks, Community Policing and the Education Department's "enterprise schools" initiative.

E. The Reconciliation Package is Pro-Children:

In addition to the strong agenda for children in the President's overall package, the President's reconciliation proposal includes important investments in the health and well-being of all of our children.

- **Earned Income Tax Credit:** The President's expansion of the EITC ensures that no child whose parents work full-time will be raised in poverty.

- **Childhood Immunizations:** All American children should be assured of a healthy start through appropriate immunizations. The President's Budget calls for a 96% increase in the funding received by the Centers for Disease Control (CDC) for such activities. A recent CDC survey indicated that only about 60 percent of the Nation's children had received the recommended immunizations by age two. The President's FY 1994 request for CDC will focus resources on this group of children. The President's budget also increases funds for State immunization infrastructure support so that States can hire more clinic personnel and keep clinics open longer, allowing more children to receive immunizations on schedule. In addition, the Administration is working with Congress on legislation that will allow it to provide free vaccines to needy children.

- **Family Support And Preservation:** The House has approved major new child welfare services legislation proposed by the Administration. The proposed capped entitlement program would help prevent child abuse and help parents learn the skills and tools they need to help raise their children, such as parenting classes and assistance to families with at-risk children. The program would place special emphasis on preventing family dissolution and on reunifying families through supportive community-based interventions.

- **Child Hunger Prevention:** The Food Stamp Program is the Nation's first-line of defense against hunger. The Administration has proposed improving the Food Stamp Program by enacting the Mickey Leland Hunger Prevention Act. The initiative will reduce hunger among poor children, simplify and improve program administration, help prevent abuse of the Food Stamp Program, and help offset the effect of the proposed energy tax on low-income households. Most of the benefits would go to low-income families with children.

Investments In People And Technology In Entire Clinton Plan

The following are other key investments in the Clinton plan:

A. JOB TRAINING

- **Dislocated Workers Program:** Today the average American worker changes jobs eight times in a lifetime. The President wants to transform our current unemployment system to a reemployment system. The Clinton program calls for a new worker training initiative that will guarantee for the first time that workers who lose their jobs through no fault of their own will be given training to find new jobs. This new national initiative will replace a current system that is fragmented and has poor quality control with a new system designed to provide rapid access to basic assistance and training for anyone who has suffered permanent job loss.

- **One Stop Shopping:** If you want to learn and earn, why should you have to go to 14 federal agencies plus state and local organizations? One-Stop Shopping will create a network of convenient outlets that provide unified, simplified and sensible access to self-help job assistance as well as a clearinghouse for additional government and private assistance. Using bold experimentation at the state and local level, the program will provide Americans with an information highway to careers, training programs and financial aid.

- **Profiling Unemployed Workers:** Some people have a harder time than others finding new jobs. Unemployment insurance profiling identifies those who need extra help quickly, **before** their benefits run out. The plan will provide grants to states for automating identification and referrals by the fifth week of unemployment.

B. Economic Growth And Job Creation

- **Defense Reinvestment And Conversion:** President Clinton has announced a comprehensive five-year package to ensure that those people and communities that helped win the cold war are not left out in the cold. This effort includes a joint program of the Defense Department and the National Economic Council to provide economic development assistance to hard-hit communities, worker training to dislocated defense workers, and a new emphasis on dual-use technologies to ensure that the technological and scientific know-how that once went into winning the cold war is targeted toward creating civilian jobs and ensuring our economic security.

• **Technology Initiative:** The Administration's Technology Initiative, unveiled on February 22nd, will create high-wage jobs in the industries of the 21st century and increase U.S. economic growth and productivity. This initiative includes:

-- "information superhighways," which will enable Americans to access information in any form at any time, creating a $300 billion market for new products and services;

-- a national network of manufacturing extension centers to help America's 360,000 small- and medium-sized manufacturing firms adopt modern manufacturing techniques;

-- an extension of the R&E tax credit to spur private sector investment in cutting-edge technologies; and

-- development of "green" technologies to reduce pollution and conserve our natural resources.

• **Community Development Banks:** Across the country, many communities are deprived of credit and basic banking services. In these communities, credit-worthy small business and other lending needs go unmet. The President has introduced an initiative to create a national network of community development financial institutions that will begin to meet this need. The proposal, which will invest $382 million over five years, will provide start-up capital on a matching basis to community development financial institutions that have a primary mission of developing and serving a targeted, underserved area.

C. Education And Youth Training

• **Education Reform:** All American children need greater access to better education -- not just to make the American Dream more available, but to make the American economy more productive. The President's plan includes $3.2 billion over five years to support the legislative proposal known as GOALS 2000: Educate America Act. It is a downpayment on a national program of support for fundamental change in America's elementary and secondary schools. Most of the funds would help States and localities involve public officials, teachers, parents, students, and business leaders in designing systematic education reforms. The President's plan also includes substantial new funding for a SAFE schools initiative.

• **National Service:** The Clinton Administration has called for a new national service program that will allow tens of thousands of young people to pay for higher education by serving their community and their Nation as police officers, teachers, hospital workers, or drug and homeless prevention workers. This program combines two of this Nation's best ideas: the GI Bill and the Peace Corps. Beginning in 1994, those who participate in meeting community and national needs through the National Service program will be eligible to receive a $5,000 educational award for each year of service (up to a maximum of $10,000) payable toward educational expenses.

D. Children And Families

- **Head Start:** The President aims to provide full funding for the Head Start program which has proven results and is cost-effective. Studies have shown that preschoolers who participate in Head Start do better in school and become more productive adults. The program provides educational, social, medical and nutritional services to at-risk preschoolers so they can become problem solvers instead of problems. The President aims to make Head Start available to all children who need it.

- **WIC:** If our Nation is going to prosper, children will have to grow up healthy, not hungry. This special supplemental food program for Women, Infants, and Children (WIC) helps make sure that they do. By the end of FY 1996, all eligible children ages 1 to 4, including some 2 million who were not served last year, will be assisted.

E. Safe Neighborhoods, Safe Streets, Safe Schools

To combat increasing crime and associated violence, the President is requesting $390 million for 1994 for the Justice Department to implement a comprehensive crime initiative to hire police and promote public safety throughout America. At the core of this initiative is a new Federal/State Partnership program to assist States and localities in their fight against crime. The program supports community and neighborhood-oriented policing programs; a Police Corps program; and upgrading criminal records at the Federal and State levels. In addition, resources are requested to meet other Federal law enforcement needs such as the Bureau of Prisons' projected increase in the Federal prison population. The total 5-year investment to combat crime and associated violence is $4.4 Billion.

Police On Our Streets

Overall, the President's budget requests for the Justice Department include a five-year investment of $2.174 billion to increase police presence and to expand community policing dramatically. To meet the 100,000 new police pledge, this investment will be leveraged with $150 million in policing grants already approved by Congress, $500 million requested as part of the President's Empowerment Zones legislation and policing investments requested for other agencies -- including HUD's proposed Community Partnerships Against Crime (COMPAC), the Department of Education's Safe Schools legislation, and the public safety component of the President's National Service proposal. Together, these proposals will offer state and local governments a full menu of options -- and maximum flexibility --in putting more police on our streets.

F. Public Health And Health Research

- **AIDS, Women's Health, And Other Public Health Initiatives** These initiatives increase funding for HIV/AIDS research and treatment, as well as for programs addressing women's health issues, teenage pregnancy, and other efforts focusing on the leading causes of morbidity and mortality. These investment initiatives would provide substantial new funding for these programs over several years, including:

-- additional funds for the fight against HIV/AIDS, through the Ryan White program, for CDC HIV/AIDS prevention, and for NIH HIV/AIDS research.

-- additional funds to address women's health issues, including breast cancer research, breast cancer screening, family planning efforts, and research on women's health issues at NIH.

-- additional funds to reduce our Nation's voracious appetite for illegal drugs, for increased treatment availability and for drug prevention programs.

• **Rural Health Initiative:** The President's rural health initiative is designed to address the unique, and acute, problems faced by rural hospitals. It extends authority for demonstration projects for limited-service rural hospitals, special payments for small, rural Medicare-dependent hospitals, and classification of hospitals as Regional Referral Centers.

G. Environmental And Energy Technologies

• **Drinking Water State Revolving Funds:** The Safe Drinking Water Act sets rigorous health-based standards for drinking water systems. In recent years, these requirements have imposed a large financial burden on drinking water systems. The President has requested new funds to provide capitalization grants to States so that they in turn can provide low-interest and no-interest loans to municipalities that must improve their drinking water systems.

• **Clean Water State Recolving Funds:** The Administration has requested funds to capitalize Clean Water State Revolving Funds. These Funds would make low-interest loans to municipalities for construction of projects to address water quality problems and help municipalities comply with new legal requirements for controlling stormwater run-off and wastewater pollution.

• **Environmental Technology:** The President's Environmental Technology Investment Initiative would increase funding for environmental engineering and technology development. The focus of this initiative will be long-term research and pollution prevention by EPA, other Federal agencies, and the private sector. The goal is to develop more advanced environmental systems and treatment techniques that can yield environmental benefits and increase exports of "green" technologies.

• **Alternative-Fuel Vehicles:** This initiative provides $18 million in 1994, and $30 million per year from 1995 through 1998 for Federal purchase of alternatively-fueled vehicles or conversion of the Federal fleet.

H. Transportation And Infrastructure

- **Mass Transit Formula Capital Grants:** After twelve years of neglect, America suffers from a crumbling transit infrastructure. These grants, together with State and local investment, will be used to upgrade rail facilities and equipment, and replace rail rolling stock, thus beginning to eliminate the rail investment backlog. These funds will also support bus and van replacement and bus facility rehabilitation. The new vehicles, which are needed to replace the aging U.S. transit fleet, will be more reliable and more accessible to disabled persons.

- **Federal-Aid Highways/Intelligent Vehicle Highway Systems:** The President proposes to increase highway spending to improve conditions and performance on the Nation's most important roads, the National Highway System, which carry over 40 percent of all highway traffic. The proposal would also increase funding for the Intelligent Vehicle/Highway Systems (IVHS) program. This "smart cars/smart highways" program will improve traffic control systems, warn drivers of dangerous situations, and make more efficient use of the existing highway infrastructure. It will combine state-of-the-art communications, warning systems, electronic displays, and computer technology.

- **High-Speed Rail Transportation:** High-speed rail systems can meet the transportation needs of several of the Nation's high-density corridors. These systems could relieve congestion, improve air quality, reduce oil consumption and improve safety. The funds could be used to start upgrading High-Speed Rail Service in selected rail corridors outside the Northeast Corridor. Train speeds would be increased by over 30 percent. In addition, funds would be provided for prototype design of magnetic levitation (MagLev) transportation and research on new turbine engines. MagLev speeds could exceed 250 miles per hour.

I. Agriculture

- **Equipment Expensing:** Under the President's plan to encourage small businesses to invest, farmers will be able to expense an increased amount of their capital investment. Agriculture is capital-intensive and good farming requires regular investments in productive capital, such as new and used equipment and machinery, special structures, motor vehicles, and farm and land improvement. The increased expensing reduces the cost of investment and frees up cash flow for use elsewhere on the farm.

- **Extending Small Issue Agriculture Bonds:** By extending this program, farmers entering agriculture can receive low interest rate loans from state, county or local governments to enable them to meet the high investment costs associated with beginning a farm operation. The government units raise the lower-cost funds through small-issue agricultural bonds, and most states with these loan programs depend upon these bonds to raise the funds for their programs. The Administration proposes to extend the right of state and local governments to issue these bonds, enabling entering farmers to meet the investment needs of their farm operations.

- **Extending The Health Insurance Deduction:** Because they are self-employed, farmers need comprehensive affordable health insurance; yet many cannot afford it. The Administration proposes to extend the 25 percent deduction for health insurance costs of self-employed workers and their families through at least December 31, 1993. This means continued savings for farmers.

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SMALL BUSINESSES WILL BENEFIT FROM THE CLINTON PLAN

The Clinton Economic Plan is fair and beneficial to small businesses. The vast majority of small businesses will come out ahead under the tax proposals in the Clinton plan.

THE CLINTON PLAN IS PRO-SMALL BUSINESS. Those who plow money back into their businesses for economic growth and expansion will be able to take advantage of tax incentives like the expensing provisions and the capital gains exclusion for investments in small business. Benefits include:

-- **Lower borrowing costs.** Markets have responded to the President's deficit reduction plan. Long-term interest rates are at a 16-year low, and mortgage rates are at a 20-year low.

-- **Increased expensing.** The President proposed more than doubling from $10,000 the investment that small business will be able to expense immediately.

-- **Special capital gains tax cut for investments in small and medium-sized businesses.** The President has strongly supported a new provision to cut capital gains taxes for new investment in businesses.

-- **Retroactive extension of the 25% deduction for health insurance premiums of the self-employed.**

-- **Retroactive extension of the ability of State and local governments to issue tax-exempt bonds for small businesses.**

THE CLINTON PLAN WILL SPUR JOB GROWTH: During the last four years, only one million private sector jobs were created -- just 20,000 a month. In the first five months of the Clinton Administration, 740,000 private sector jobs have been created ---over 140,000 jobs per month -- seven times the rate of the last Administration. Several independent analysts have projected that growth in the economy under the Clinton plan will create over 8 million jobs in the next four years. Furthermore, studies by the Joint Economic Committee and the National Venture Capital Association show that the President's capital gains cut for small businesses and his expensing provision will create at least an additional 200,000 jobs in small businesses.

ONLY 4.2% OF SMALL BUSINESS OWNERS THAT FILE INDIVIDUAL RETURNS WILL PAY MORE WHILE OVER 90% WILL RECEIVE OR BE ELIGIBLE FOR A TAX CUT. Some small business owners who are among the top 1% of taxpayers will have to pay more. But only 4.2% of the business owners who file individual returns -- proprietorships, partnerships or subchapter S corporations -- will be affected by the increases in individual tax rates, because only 4.2% of these returns show income over $180,000 a year. Over 90% of small businesses and subchapter S corporation owners will either receive or be eligible for a tax cut through increased expensing, a targeted capital gains tax cut or the extension of the 24% health insurance deduction for the self-employed.

ONLY THE TOP 1.2% WILL PAY INCREASED INCOME TAXES. The Clinton plan raises income taxes only on households who earn over $180,000 a year or individual filers who take in over $140,000 a year (adjusted gross income). No matter what your occupation, you will only pay more income tax if you have a yearly income of $180,000. And no family that makes less than approximately $180,000 will pay any higher income tax.

ONLY THOSE BUSINESS OWNERS WHO MAKE THE MOST WILL PAY MORE: Those 4.2% of business owners who will pay higher income taxes are quite well-off. The average business owner who will pay more makes $560,000 a year and nearly half (43%) of all income of these taxpayers goes to people who make over $1 million. Often these business owners are highly paid doctors, lawyers or investment bankers rather than owners of small businesses such as the corner store.

AGGRESSIVE ASSAULT ON THE CREDIT CRUNCH: The President has implemented more than 10 regulatory initiatives designed to increase lending to small and medium-sized businesses. These initiatives have cut unnecessary paperwork and regulations, increased bankers' ability to make "character" loans, and created an ombudsman so that regulatory mistakes get corrected. The bottom line is more business loans at lower interest rates.

MAJOR NEWSPAPERS SUCH AS THE WALL STREET JOURNAL AND THE NEW YORK TIMES HAVE EXAMINED REPUBLICAN CLAIMS THAT THE CLINTON PLAN IS BAD FOR SMALL BUSINESS AND FOUND THEM TO BE "SPECIOUS."

News reports confirm what we already know -- that Republicans have been distorting the truth, claiming that the Clinton plan hurts small business, when, in fact, the income tax increases fall on only 4% of small business owners, while Republican plans eliminate tax cuts that could benefit over 90% of small business owners.

WALL STREET JOURNAL:

> "Having been battered in last year's presidential campaign as defenders of the wealthy, Republicans hardly want to oppose the president's proposed income tax increases head on and bemoan the burden on the nation's richest 1.2% of the population. So they're playing up the plight of small business. . . .
>
> **"But many of the Republican arguments are specious. Despite GOP claims that most of the burden of the higher rates would fall on small business owners, Joint Tax Committee data show otherwise. . . .**
>
> "[T]he higher income tax rates wouldn't affect the vast majority of small businesses, the Treasury Department says. About 300,000, or 4.2%, of the seven million taxpayers who are actively involved in S corporations, partnerships or sole proprietorships would be subject to the higher taxes. And many of those are upper-income investment bankers, doctors and lawyers - hardly the image of small business owners evoked by some of the Republicans. . . .
>
> "A [Treasury] department analysis shows that the 300,000 active business owners who would be affected by the higher individual rates have income before itemized deductions averaging $560,000." [Wall Street Journal, 6/25/93]

THE NEW YORK TIMES:

> "The Republicans maintain that a large portion of the higher tax rates the Democratic plan would impose on taxpayers with taxable income above $140,000 would fall on small businesses and would inhibit the owners from pouring money back into the business so they could expand and hire new workers. ...
>
> "One problem with the argument is that many of these businesses are actually doctors, lawyers and other professionals - not the sort of entrepreneurs

normally associated with job creation.

"Another problem is that these businesses pay taxes only on their profits, after deductions are taken for expenses like paying wages to employees or making new investments to expand.

"The Republicans never quite explained why surgeons, or even the owners of hardware stores or canneries, should be taxed less on their income than someone who draws a salary from, say, the United States Treasury." [New York Times, 6/24/93]

WASHINGTON POST:

- "The affected businesses include such affluent professionals as doctors, lawyers and accountants. If they were exempt from the personal rate increase, they would have a lower tax rate than corporate executives and other professionals who receive income in the form of salary." [Washington Post, 6/24/93]

THE NFIB (NATIONAL FEDERATION OF INDEPENDENT BUSINESS) HAS PREVIOUSLY GIVEN TESTIMONY STRESSING THE IMPORTANCE OF KEY PROVISIONS OF THE PRESIDENT'S PLAN: EXPENSING, TARGETED SMALL BUSINESS CAPITAL GAINS CUT, AND LOWER INTEREST RATES FROM DEFICIT REDUCTION

NFIB'S position on these provisions from that testimony is as follows:

- **DEFICIT REDUCTION**: *"Our members feel that there is very little the government can do right now to bring us out of the recession in the short-term and would focus on the deficit rather than cutting taxes."*

  The Clinton Plan is the largest deficit reduction plan in history -- $500 billion in deficit reduction over five years.

- **EXPENSING**: *"In the area of investment incentives, let me simply say that we're consistent. Simplicity is the key for the small business community. We prefer above all other things an increase in direct expensing." (emphasis added)*

  The President's plan would more than double from $10,000 the investment that small businesses will be able to expense immediately.

- **CAPITAL GAINS:** *"If you wanted to focus, though, on creation of small businesses and creation of jobs, I think that Senator Bumpers' proposal does an admirable job in that area."*

  The President's plan adopts the key provisions of that proposal.

  Source: Testimony of NFIB Vice President John Motley at Hearing of the Senate Finance Committee on "Economic Growth and the President's Proposals: Focusing on How the Proposals Will Affect the Economy, 2/13/92.

FACTS ON CLINTON BUDGET SPENDING/TAX RATIOS:

BOTH HOUSE AND SENATE SCORING CONFIRM A ONE-TO-ONE RATIO:

There are now two versions of the plan -- the House and the Senate plan.

The House Budget Committee has done an analysis of the House plan and found that their bill had $250 billion in cuts and $250 billion in taxes -- exactly $1 to $1.

The Senate Budget Committee found that the package used more than a $1 to $1 ratio -- with $1 in spending cuts for every 92 cents in revenue increases.

Both versions of the Clinton plan result in approximately $500 billion in deficit reduction. There are $250 billion in spending cuts -- roughly $100 billion in entitlement cuts; $100 billion in other spending cuts; and $50 billion in savings from interest we pay on the national debt.

There are over 100 cuts of $100 million or more in domestic programs in the Clinton budget.

DOLE & PACKWOOD INCORRECTLY DISPUTE THE $1 to $1 RATIO AND SAY THAT THE REAL TAX/SPENDING RATIO WAS 3:1 OR WORSE AND THAT THE DEFICIT REDUCTION WAS AS LITTLE AS $347 BILLION:

Senator Dole has tried to block change and President Clinton's leadership by distracting the American public from what is really at stake: the largest deficit reduction package ever proposed by a President. The Republicans should join the President in showing leadership on deficit reduction.

Senator Dole's calculation is inaccurate because: 1) it does not count discretionary spending cuts as spending cuts at all; 2) it does not count interest savings as spending cuts; and 3) it does not count first time user fees as spending cuts. Senator Dole includes only taxes and some entitlement cuts in calculating the 3:1 ratio.

Discretionary Spending Cuts: Senator Dole denies all of the plan's $100 billion in spending cuts that come from the caps and sequesters -- even though the plan presents line-by-line cuts. He ignores 125 domestic discretionary cuts. **He states that there is no enforcement, ignoring the extension of the strict current enforcement procedures in the budget resolutions and the House Bill.**

- When Senator Dole spoke about the 1990 deficit reduction plan, he counted discretionary spending savings created by the same cap and sequester that is being extended in the Clinton plan. (See quotes on following page.)

Cuts in Paying Interest on the National Debt: Republicans say that cutting the interest government spends on the national debt is not a spending cut, and that we are wrong to count interest savings as a spending cut.

- Interest savings were used to calculate the total deficit reduction in 1990, and they were always considered spending cuts.

- The Kasich plan uses $50 billion in net interest in its "all spending cut/no taxes" House Republican alternative.

Fees: Some Republicans argue that user fees should not be seen as spending cuts. For years, every Administration -- Republican and Democrat -- has counted them as cuts.

- In 1985, Senator Dole was the point person on a deficit plan, in which they specifically counted fees as spending cuts.

- The 1990 bi-partisan plan had user fees, and they were clearly scored by the Republican Administration's OMB as spending cuts.

- The Kasich plan has fees and specifically lists them as spending cuts -- the plan boasts that it has no new taxes.

THERE IS NO REPUBLICAN LEADERSHIP -- WHILE THEY CRITICIZE THE RATIOS, THEY OFFER NO NEW SPENDING CUTS:

The Republicans offered nearly a dozen amendments to the Senate Finance bill and not one had any net spending cuts. The rest all increased spending.

The Republican response by Senator Packwood is that "we are not going to do [additional spending cuts] alone" because they do not want to take the hits of showing leadership. (Washington Post, June 19, 1993) Yet, President Clinton -- alone -- put out an entire deficit reduction plan of nearly $500 billion, with every cut and revenue raiser line-by-line, and year-by-year.

SUMMARY OF FIVE MAIN POINTS ON HOW THE CLINTON CUTS ARE REAL AND HAVE ALWAYS BEEN COUNTED AS CUTS BY CONGRESS:

1. **HOUSE REPUBLICAN PLAN: The Kasich plan -- the Republican alternative -- counts interest, fees and discretionary spending reductions as spending cuts.** Senator Dole questioned the President for counting interest spending reductions as a cut, but in fact the Republican alternative in the House of Representatives counts it as a spending cut.

2. **1985 PACKAGE:** Senator Dole passed his package in the Senate in 1985 and he listed every dollar in projected savings from the deficit reduction as a spending cut.

   Senator Dole counted net interest savings as a spending cut.

   Senator Dole had user fees in his package and they were specifically listed by the Reagan OMB and the Congressional plan as spending cuts.

3. **DOLE AND 1990 PACKAGE:** Senator Dole supported the fight for a deficit reduction package that counted discretionary spending cuts that were enforced by the cap and sequester, as well as interest savings and user fees.

   Senator Dole and the Bush OMB also called the cut in interest savings a deficit cut.

   The Bush OMB called user fees a spending cut.

   Senator Dole and the Bush OMB took credit for all of the projected savings under the discretionary caps -- the exact same process as in the President's budget.

4. **INTEREST PAYMENT INCREASES HAVE ALWAYS BEEN SEEN AS SPENDING:** Republicans -- like all of us -- have complained that we are spending too much on interest on the national debt. When you cut that spending, it is only common sense that you are cutting spending.

5. **SENATOR DOLE'S QUOTES FROM 1990 SAY IT ALL:** "I think a lot of people forget what this is all about. It is about deficit reduction. It is not about the gas tax or the cigarette tax or Medicare. In the long run, it is about deficit reduction, and our children and our grandchildren."

   Senator Bob Dole, Congressional Record, October 8, 1990

"Some...want to reduce the deficit but do not want to touch Social Security, do not raise taxes, do not touch Medicare, do not touch agriculture, but $500 billion is not enough the same speaker will say. I have heard all those speeches and they are great. But they do not reduce the deficit.

I have said for the past several years the biggest problem we have in America is the deficit. Boy, we hear great speeches on the Senate floor. I do not question anyone's motives but sooner or later we have to make tough choices... It is not easy to save $500 billion in a balanced package."

Senator Bob Dole, Congressional Record, October 17, 1990

FOUR ADDITIONAL NOTES:

1. **DOLE'S DECLINING ATTACK:** Senator Dole had been saying 6:1, taxes to spending. Then he went to 4:1. Then he went to 3:1. So in a few days the facts should overwhelm him and he, too, will say 1:1.

2. **THE PRESIDENT'S PLAN DOES NOT RELY ON SOCIAL SECURITY AS A CUT:** The plan has a proposal to make 85% of Social Security benefits over income of $32,000 subject to taxation for the top 20% of beneficiaries -- while now only 50% is subject to taxation.

   -- Reagan stated this was a cut, and so have others. But even if counted as a tax increase, the President's package is still $1 to $1. To be conservative, the plan has not counted it as a spending cut and it still has an even split, for both the House and Senate bills.

3. **SENATOR DOLE AND TAXES:** In 1990 Senator Dole strongly defended including a gas tax increase in the package. Senator Dole in fact offered an amendment on October 17, 1990 for a 9.5 cent gas tax--larger than the 5 cent tax eventually enacted.

   In 1983, Senator Dole single-handedly promoted a deficit reduction plan that:
   -- raised corporate taxes
   -- imposed a surtax on the wealthy
   -- LEVIED A BROAD-BASED ENERGY TAX ON MOST DOMESTIC CRUDE OIL, NATURAL GAS, COAL AND ELECTRICITY.

4. **NOTE on DISTORTED CBO Quote:** Some Republicans have been using an incorrect and outdated CBO quote to support their notion that there is a 3:1 ratio in taxes to spending cuts. This analysis is incorrect for the following reasons:

   1) It was an early analysis that assumed the Administration was not going to extend the budget caps at the same level, which the Administration did in the budget resolution. This made clear that there were far more spending cuts than that quote signified.

   2) The same page of the same documents stresses that there are $50 billion more in spending cuts in the Administration proposal that do not show up because of using different baselines.

   3) CBO priced some of the cuts less than the Administration did, but the Administration responded by working with the House to find more cuts.

   4) Even that same document stated that "by 1998 the proposed increases in taxes and reductions in spending are more evenly balanced."

   5) The key thing is that both the House and Senate bill clearly have 1:1 ratios and these are the bills that will be worked on and voted on.

COMPARISON OF CLINTON PLAN TO REPUBLICAN SENATE ALTERNATIVE

The Republicans and Dole offered an alternative plan that the Washington Post described as a "fake." "They proposed an alternative to the president's budget, which they said should reduce the deficit without increasing taxes. It turned out to be a plan ... without identifiable Republican spending cuts. More than half [of their] cuts, and the only specific ones, were lifted directly from the Clinton budget."

"Even so, the Republicans managed to achieve ... only about three-fourths of the deficit reduction the Democrats would. And what was the point of all this? [T]o save ... the richest people in the country from the higher top income tax rates the Democrats would rightly impose to achieve the necessary deficit reduction fairly."

THE DOLE-DOMENICI PLAN PUTS ALL DEFICIT REDUCTION ON THE BACK OF THE MIDDLE CLASS, LETTING THE WELL-OFF OFF THE HOOK:

- The Dole-Domenici would trade a fair and strong Clinton proposal to reduce the deficit by $500 billion for a weaker deficit reduction package has over $100 billion less deficit reduction and that puts the entire burden of deficit reduction on the middle class and the working poor, while protecting the privileged from bearing any burden at all.

- The Dole-Domenici plan brings back the twin evils of the 1980's: no tough choices to bring down the deficit and a punishing burden on the middle class, while letting the privileged off the hook.

- Eighty percent of the taxes the Dole-Domenici plan would strike from the Clinton plan would come from Americans making over $200,000. The Dole-Domenici plan accepts higher deficits and less fairness to lower the tax burden on the top 1%.

THE DOLE-DOMENICI ALTERNATIVE PROTECTS THE MOST WELL-OFF AMERICANS FROM PAYING THEIR FAIR SHARE. COMPARED TO THE CLINTON PLAN, THE DOLE-DOMENICI PLAN:

Saves the top 1% from paying a penny in extra taxes on income over $180K
Eliminates the surtax on income over $250,000
Eliminates a 1% tax increase on the top 1% of the largest corporations
Eliminates the proposal to stop deducting country club dues
Saves the subsidy for three-martini lunches
Eliminates the provision to reduce wasteful taxpayer subsidy of CEO pay over $1 million

THE DOLE-DOMENICI PLAN DOES NOTHING TO HELP THE ECONOMY:

"It offers no great tax cuts or special business incentives to kick-start the sluggish economy immediately." Wall Street Journal, 7/15/92

TO JUSTIFY THIS PROTECTION FOR THE RICH, THE DOLE-DOMENICI ALTERNATIVE USES CAPS THAT HIDE THE FACT THAT:

Makes excessive Medicare cuts that threaten the benefits of 34 million elderly and disabled
Cuts the Earned Income Tax Credit for over 12 million working families
Cuts health care for poor children

Cuts education funding by an average of 10%
Cuts worker training and all new funds for apprenticeships
Cuts college aid/National Service
Cuts increased expensing for small businesses
Cuts the R&E tax credit for all businesses
Cuts proposed criminal justice, FBI agents, and INS agents
Cuts funds for foster care and adoption assistance
Cuts research for AIDS
Cuts billions for the Head Start and Women, Infants and Children program

NO GUTS, NO CUTS, NO SPECIFICS, AND STILL LESS DEFICIT REDUCTION:

The Dole-Domenici plan is nothing more than a vague wish list. The only specific cuts in their program are the specific cuts that the President and the Democratic Congress have already proposed. The Dole-Domenici plan has at least $50 billion more in cuts on Medicare and Medicaid over a two year period -- $35 billion in one year alone (CBO thinks these cuts could be even higher) -- yet it doesn't say how. They say they want $100 billion less in discretionary spending, but they won't say that this would mean fewer police officers, fewer INS agents, less education funds, less AIDS research, and less worker training -- all to keep taxes low on the wealthy.

THE DOLE-DOMENICI PLAN GOES EYEBALL TO EYEBALL WITH THE DEFICIT AND BLINKS:

The Dole-Domenici plan -- even with its overwhelming reliance on vague entitlement and spending caps -- still has over $100 billion less in deficit reduction than the President's plan by its own terms. The President set a benchmark of $500 billion in deficit reduction, and the Republicans could not come through because they are so committed to keep taxes low on the top 1%.

SENATE REPUBLICANS CONTRADICT THEIR OWN ACTIONS:

Republicans have recently argued on the national television networks that the Clinton deficit plan is not as large as it is said to be because it counted future discretionary cuts, interest savings, and user fees. Yet in their own plan, Dole and Domenici count discretionary spending cuts, user fees, and interest savings as spending cuts. In fact, President Clinton was only counting deficit reduction the exact same way that Republicans counted in 1985, 1990 and even in 1993!

THE REPUBLICAN CLAIM TO GET BELOW $200 BILLION IN 1998 IS BASED ON GIMMICKS:

While the Republicans admit that their plan has $100 billion less deficit reduction, they still claim to get to the same degree of deficit reduction in 1998. With no specifics, no cuts, no anything, they simply state that they will find an additional $66 billion in cuts in 1998 alone. Why not say $100 billion or $120 billion if you don't have to give any details.

THERE IS NO REPUBLICAN LEADERSHIP -- ONLY REPUBLICAN GRIDLOCK AND PROTECTION OF THE STATUS QUO:

Newsweek put it simply: "Bob Dole ... at eleventh hour, cynically offers GOP's totally unspecific plan. Bag it, Bob." [Newsweek, 7/5/93]

The Washington Post further stated that "The rest of the Republican spending cuts weren't proposals at all but abstractions. They'd be done through 'caps.' You understand the virtue of caps: They enable these Republicans whose party quadrupled two centuries of national debt in just 12 years to vote piously against spending in general without having to lay a finger on a particular program or offend a single constituent."

COMPARISON OF CLINTON PLAN TO THE HOUSE REPUBLICAN PLAN

The House/Republican alternative claims to be good because it has no tax increases. Here's the bottom-line about this plan: in order to avoid **taxing the most well-off Americans**, the plan --

- achieves about **$70 billion less in deficit reduction** than the Clinton plan (according to the CBO)
- requires tough Medicare cuts to 34 million elderly beneficiaries
- calls for no new investments, such as the President's proposal to fund fully Head Start for at-risk preschoolers
- keeps nonproductive business deductions for items like country club dues and 3-martini lunches and allows taxpayers to continue subsidizing CEOs who make over $1 million

There is nothing strong and certainly nothing pro-middle class in doing less deficit reduction, less investment in our people and schools, and more in cutting of Medicare to keep special interests happy and taxes low on the most well-off Americans.

NO INCREASED TAX FAIRNESS

The House Republican plan eliminates all of the proposals in the Clinton plan that seek a more fair tax system that asks the most of those most able to pay. Unlike the Clinton plan, the Kasich plan:

- does not require any contribution from the top 1.2% of Americans
- keeps the deduction for country club dues
- keeps the 3-martini lunch deduction unnecessarily high
- allows corporations to continue subsidizing CEOs who make over $1 million, even when their companies are not performing

MUCH LESS DEFICIT REDUCTION THAN THE PRESIDENT

Americans have been telling Washington that they are sick of business as usual and they want to see real deficit reduction that will put us on the road to a healthy economic future. That's why the Chief of Staff to former Vice President Quayle stated recently in the Wall Street Journal (7/15/93), "People want to see change. The great risk," (of current GOP proposals) "is you end up almost by definition supporting the status quo." To save the most well-off Americans and corporations from their fair share of contributions, the Kasich plan achieves about $70 billion less in deficit reduction than the Clinton plan.

TO PAY FOR TAX CUTS FOR THE RICHEST AMERICANS, KASICH WOULD CALL FOR AN ACROSS-THE-BOARD CAP THAT WOULD REQUIRE CUTS IN INVESTMENTS FOR ECONOMIC GROWTH AND JOB CREATION

The Kasich plan funds all of its deficit reduction through spending cuts, and asks the most of those least able to pay. By eliminating growth investments in the Clinton plan and calling for a drastic across-the-board cut, the Kasich plan would do the following to ensure that the well-off did not have to bear any of the burden of increased deficit reduction. The Plan

* Demands deficit-reduction contributions from some 34 million elderly who will be affected through severe cuts on Medicare beneficiaries. Unlike the Clinton plan, which cuts $50 billion from Medicare over 5 years by scaling back payments to health providers, Kasich cuts more from Medicare and adds a major new beneficiary cut. Millions of elderly and disabled Americans would pay substantially more as a result of the Kasich Medicare cuts.

* Demands Medicaid cuts that are 50 percent deeper than the substantial Medicaid cuts in the Clinton/Gore plan.

* Demands much deeper cuts on federal retirees than the Clinton plan by ending cost-of-living adjustments for military retirees under 62 and raising the retirement age for civil service retirees.

Other cuts that would result from elimination of all the President's investments or Kasich's severe across the board cut.

Cuts criminal justice, FBI agents, INS agents
Cuts Head Start, WIC, and health care for children
Cuts new child immunization program
Cuts education funding
Cuts assistance to individuals and communities facing transition from the defense drawdown
Cuts working training, apprenticeships
Cuts National Service
Cuts AIDS research
Cuts foster care and adoption assistance
Eliminates expansion of the Earned Income Tax Credit that makes work more attractive than public assistance for working poor families and ensures that they no longer have to raise their children in poverty.
Eliminates increased expensing allowances to small businesses
Eliminates the new venture-capital gains exclusion for investments in small business
Eliminates the modified alternative corporate tax depreciation schedule which promotes new investment by business
Eliminates investments in the development of technologies to help U.S. companies compete internationally and create new jobs at home

NO SPECIFIC DISCRETIONARY CUTS AND MORE OF THE SAME OLD BUDGET GIMMICKS

The Clinton plan identifies 200 specific cuts to achieve $250 billion in net spending savings. $100 billion in cuts comes from discretionary spending. By contrast, the Kasich plan does not identify a single specific discretionary cut. Instead it relies on the smoke and mirrors tactics of the past decade that have not worked and that have contributed to soaring budget deficits.

- Rather than having the courage to identify specific discretionary cuts, the Kasich plan uses "magic" discretionary spending caps to save billions and billions.

- Spending caps have not worked in the past because real cuts are hard to make and the estimated caps usually are unrealistic, wishful thinking. Unless you have the guts to say what you will cut in the end, you have no realistic chance of actually succeeding in reducing spending.

COMPARISON OF CLINTON PLAN TO PEROT PLAN

PEROT RELIES ON MORE TAXES THAN DOES CLINTON.

Perot has $302 billion of self-admitted tax increases in his plan, while the President's plan has $250 billion.

Perot's claim that Clinton has far more taxes than spending cuts because of accounting disputes is erroneous. If you apply to the Perot plan the classifications used to score the Clinton plan, Perot's overall tax amount actually goes up from $302 to $319! Why? Because Perot counts the increase on repealing the $28.9 billion in Medicare cap as an entitlement cut, while the Clinton plan counts this as a tax increase. (Perot also lists $12 billion in user fees as tax increases.) Thus, Perot's tax plan is $319 to Clinton's $250, using exactly the same classifications.

PEROT'S PLAN IS HARD ON THE POOR AND MIDDLE CLASS.

Perot's tax plan is far more regressive than the plan put forth by the President -- either the House version or Senate version.

Perot has a $157.8 billion gas tax, over twice as high as any version of the President's energy tax proposal. The energy tax in the Senate version of the President's plan ($23 billion) is about one-seventh the size of Perot's gas tax and the House version ($72 billion) is less than half its size.

Furthermore, Perot's plan does nothing to offset its heavy tax burden on the working poor and the middle class.

Even though the Clinton plan includes an energy tax less than half the size of Perot's, President Clinton's plan holds harmless families making $30,000 or less, through a major expansion of the Earned Income Tax Credit and Food Stamps.

CLINTON ENSURES THAT THOSE MOST WELL-OFF PAY THEIR FAIR SHARE. PEROT'S PLAN MAKES THE MIDDLE CLASS PAY INSTEAD OF THE WEALTHY.

The President's plan ensures that 70% of the tax increases falls on those making over $200,000, through increasing the marginal rates on the top 1% of individuals and raising additional funds from less than 1% of the largest corporations. Perot would raise only $33 billion, by increasing the top rate on well-off individuals and corporations. **He would saddle the poorest Americans with over twice the burden the President's plan does, skip offsets to help the poor and working poor, but then ask only one-fourth as much from the wealthiest Americans as the President's plan does.**

CLINTON'S PLAN HAS MORE DISCRETIONARY CUTS.

The Clinton plan has $100 billion of net discretionary spending cuts that will go to deficit reduction.

Perot has no deficit reduction out of discretionary spending. Even if you counted half of his unspecified cuts as real -- something the CBO would never be so generous to do -- Perot would have $55 billion in increased discretionary spending. If you counted all of Perot's unspecified spending cuts as real, he would still have a $1.5 billion increase in discretionary spending.

PEROT RELIES ON A $425 BILLION MISTAKE TO SAY HE BALANCES THE BUDGET. WITH ACCURATE BUDGET NUMBERS, THE PEROT FINAL DEFICIT IS HIGHER THAN CLINTON'S.

Perot's own economic director, as well as the Washington Post, point out that Perot's claim on his budget plan is $425 billion off!

Even though Ross Perot's book came out in 1993, he bases his budget on the CBO baseline from January 1992 -- not 1993. Thus, while the current 1998 baseline is $387 billion, Perot uses $254 billion -- a $133 billion error in one year alone, and, as the Washington Post reported, $425 billion over five years. Furthermore, his interest savings assume 10.3% interest rates! If you use the correct baseline, count 40% of his unspecified cuts, and give him the most generous interest savings, he would have a deficit of approximately $210 billion in 1998 -- higher by several billion dollars than the CBO now estimates for the Clinton plan approved in the budget resolution.

EVEN PEROT'S ENTITLEMENT CUTS NUMBERS ARE HARD TO PIN DOWN.

Perot's plan appears to achieve strong deficit reduction through entitlement cuts. His book claims $267.9 billion in such cuts for deficit reduction. $141 billion are unspecified cuts in Medicare and Medicaid. Where is he going to get these savings? Furthermore, he counts an additional $28.9 billion as entitlement cuts for lifting the $130,000 cap on the income that the Medicare tax is applied to -- a change that should be counted as a tax.

Even if you count half of his unspecified entitlement cuts as real and all of his unspecified discretionary spending cuts as real -- a tremendously generous calculation -- the Perot plan still has less net spending and entitlement cuts together (approx. $182 billion), than does the Clinton proposal (approx. $200 billion).

A. **SUPPORT FOR THE PRESIDENT'S ATTACK ON THE DEFICIT:**

"[The President's] budget reconciliation package is more of a down payment on the deficit than George Bush ever had the nerve to make. And the Clinton budget remains a definitive break from the reckless spending and Louis XIV social attitudes that were embodied in the budgets of his predecessors."

-- editorial, Detroit Free Press, 6/10/93

The political climate has changed in large measure because of Clinton's determination to address the deficit seriously for the first time in twelve years... The Republicans in this case have no standing for simple opposition; after all, it was on their White House watch that the deficit got out of control."

-- editorial, Mortimer Zuckerman, U.S. News & World Report, 5/17/93

"This President ... has courageously done what his predecessors notoriously did not do. He has proposed a restoration of fiscal discipline."

-- editorial, The Washington Post, 5/26/93

"A newly elected president took a huge political risk and drafted an ambitious five-year program of tax increases and spending cuts to help reverse the frightening rise of the deficit."

-- Charles Schultze and Henry Aaron, Brookings Institution op-ed, The Washington Post, 5/26/93

"Failure to pass the package essentially intact would be a great mistake. It would send a message at home and abroad that Federal fiscal policy remained out of control and that there was no concerted will to do what all sides agree must be done. **The country waited a long time for a President to take the lead in deficit reduction. Finally we have one.**"

-- Robert M. Solow, Nobel laureate in economics and professor at MIT, and James Tobin, Nobel laureate in economics and professor emeritus at Yale; op-ed, The Washington Post, 5/27/93

"President Clinton has challenged himself, Congress, and the American people to stop talking and start doing. Amen... Clinton was elected to deal with the economy; overall his program appears both courageous and meritorious. "

-- editorial, Minneapolis Star Tribune, 2/18/93

"[Clinton] has shown real courage and faced up to problems just the way voters said they wanted him to."

-- editorial, The Arizona Republic, 5/26/93

B. QUOTES ON THE FAIRNESS OF THE PRESIDENT'S PLAN:

"If the deficit has to be reduced, who pays -- which population groups, which sectors of the economy? Most of that's actually been settled; the progressive income tax increases in the President's plan are the main answer... The marginal burden should not be shifted to vulnerable groups in the society least able to pay."
-- editorial, The Washington Post, June 10, 1993

"Clinton's proposal sensibly recognized that there's only one realistic way to trim the deficit: by enacting a combination of tax increases and spending reductions -- including restraints on popular social programs. The tax component of this package is fair, seeking about 75% of its revenues from upper-income taxpayers while easing the tax burden on lower-income families.".
-- editorial, Plain Dealer, May 28, 1993

"The President rightly observes that to cut entitlements in advance of broader health care reform is only to shift more costs to the elderly, the privately insured and state taxpayers... The plan is fair."
-- editorial, The Washington Post, May 27, 1993

"On entitlements, Mr. Clinton wisely rejects a simple cap because it would trigger across-the-board cutbacks aimed at the elderly, poor, and disabled who are the primary recipients of entitlement spending. It would also risk throwing the economy into deeper recession, because entitlement spending on welfare and unemployment insurance rises during economic downturns and helps maintain consumer purchasing power."
-- editorial, The New York Times, May 27, 1993

"The plan distributes its sacrifices fairly and intelligently. Three-quarters of the tax increases fall on households making more than $100,000, and spending cuts spare those -- the poor, the middle-income elderly, the sick -- whose security depends on government's safety net."
-- editorial, Sacramento Bee, May 28, 1993

"Included among [the bill's] tax increases and entitlement cuts is a major step toward welfare reform... The proposals would also reverse distributional policy, restoring some of the progressive edge that the tax code lost in the 1980's and early 1990's."
-- editorial, The Washington Post, May 16, 1993

C. SUPPORT FROM THE BUSINESS COMMUNITY FOR THE PRESIDENT'S ECONOMIC PLAN

50 of Our Nation's Top Corporations Have Recently Expressed their Support for the President's Plan as reported out of the House, stating in a letter:

> "We expect better economic results and better employment prospects to follow from the reported bill." [May 25, 1993]

These business supporters include:

- AFLAC Incorporated
- 3M
- Marriott Corporation
- Philip Morris
- Procter and Gamble
- Sara Lee Corporation
- Southwest Airlines
- Time-Warner
- The Walt Disney Company
- Westinghouse Electric Corp.
- Avon Products
- Colgate-Palmolive
- Delta Airlines
- Dow Corning
- The Gap
- General Electric
- General Motors
- H&R Block
- Honeywell Inc.
- IBM
- Allied Signal Inc.
- Ameritech Corp.
- Anheuser-Busch Companies, Inc.
- Associated Financial Corp.
- Beneficial Corporation
- B.P. America
- Electronic Data Systems
- Emerson Electric Co.
- GenCorp Inc.
- General Mills, Inc.
- General Signal Corporation
- Hallmark Cards, Inc.
- Hughes Aircraft Company
- Jim Walter Corporation
- Kellogg Company
- Levi Strauss & Company
- Mars Inc.
- Mercantile Stores Co. Inc.
- Owens-Corning Fiberglas Corporation
- PLY GEM Industries, Inc.
- The Quaker Oats Company
- Ryder System Inc.
- Service Merchandise Co. Inc.

Southern California Edison, Co.
Southern California Gas Co.
Southland Corp.
Tektronix, Inc.
Premark International, Inc.
Tenneco Inc.
Valero Energy Corporation

CEOs across the country have stated their support of the President's economic plan:

John Belk, Chairman & CEO, Belk Stores
John H. Bryan, Jr., Chairman, Sara Lee Corporation
August Busch, Chairman of the Board & President, Anheuser-Busch Companies, Inc.
Emma C. Chappell, Chairman & CEO, United Bank of Philadelphia
Lodwrick M. Cook, Chairman & CEO, ARCO
Robert L. Crandall, Chairman, President & CEO, American Airlines
Robert E. Denham, Chairman, Salomon, Inc.
Ed Gardner, Chairman of the Board & CEO, Soft-Sheen Products
Joseph T. Gorman, Chairman & CEO, TRW Incorporated
James R. Jones, Chairman, American Stock Exchange
Gerald M. Levin, Chairman, President & CEO, Time-Warner
Bruce Llewellyn, President & CEO, Philadelphia Coca-Cola Bottling Company
Hugh McColl, Chairman & CEO, NationsBank
Richard McCormick, Chairman & CEO, US West, Inc.
Harold "Red" Poling, Chairman & CEO, Ford Motor Company
John Reed, Chairman & CEO, Citicorp
John Sculley, Chairman & CEO, Apple Computer Inc.
Kathryn G. Thompson, Chairman & CEO, Kathryn G. Thompson
Development Company
Leslie H. Wexner, Chairman, The Limited, Inc.

Other Business groups have also recently expressed support for the President's economic plan in writing:

American Insurance Association
American Planning Association
American Resort Development Association
Manufactured Housing Institute
National Apartment Association
National Assisted Housing Management Association
National Association of Home Builders
National Association of Life Underwriters
National Association of Real Estate Investment Trusts
National Association of REALTORS
National Association of Retail Druggists
National Association of Targeted Job Companies, NATCO
National Housing and Rehabilitation Association
National Housing Conference
National Leased Housing Association
National Marine Manufacturers Association
National Multi Housing Council
National Realty Committee
Truck Renting and Leasing Association

D. **QUOTES FROM TOP BUSINESS LEADERS WHO HAVE ENDORSED THE PRESIDENT'S ECONOMIC PLAN:**

"We applaud President Clinton's bold approach to reduce the deficit through spending cuts and higher taxes equitably levied. The approach the President has taken does a good job of achieving two important goals. First, it will result in a reduction in the deficit, prompting a healthier economy and an improved standard of living for all Americans. Second, it is a fair approach... Equitably shared burdens to achieve a program that benefits all Americans is the proper approach...and that is what the President has offered."

-- August A. Busch III, Chairman and President
Anheuser-Busch Companies, 2/18/93

"President Clinton has shown great political leadership and courage in bringing the country together to attack the critical deficit problem that we are facing."

-- Robert E. Denham, Chairman,
Salomon, Inc., 2/24/93

"We believe that the President's economic package... has the reasonable balance to begin to address deficit reduction, and we believe that's extremely important for the economic well-being and future of this country, for industry, and for our company."

-- C. Michael Armstrong, Chairman and CEO
Hughes Aircraft Company, 5/18/93

"President Clinton has taken on a difficult but very important task in crafting his broad program to reduce the deficit and promote sustained economic growth... As this program is moved forward, the administration has shown itself willing to work night and day to mitigate some of the problems. In particular, I want to express strong support for the programs to minimize the burden on low-income families... We support President Clinton's efforts to address the deficit and to promote economic growth, and we salute him for his leadership as he takes on this difficult task."

-- Ralph Bean, President
Hope Gas Co., West Virginia, 5/18/93

"I think that the President's proposal...will act to stabilize real estate markets. ...in the past three years, about $500 million in decline in real estate has taken place. And that has impacted communities all over the country... Already [the President's plan] has had an impact on lower interest rates...lower interest rates and refinancing has also added to driving in more and more money into the economy... We will do our part."

-- Bill Chee, President
National Association of REALTORS, 5/18/93

"President Clinton has offered the only serious program to bring these deficits down and he deserves our support... We've delayed too long."

-- James R. Jones, President
American Stock Exchange, 2/24/93

"We all agree that the growing federal deficit is a threat to the welfare of the nation, and especially to its future... We believe that the President has proposed an even-handed plan that promises to reduce federal spending and accomplish real deficit reduction... We believe that the President has faced up to the economic problems of our nation. He has taken a gutsy step and deserves our support. In a very positive and persuasive way, he has sent a signal to the world that America is serious about putting its economic house in order."

-- Lodwrick M. Cook, Chairman and CEO,
ARCO, 2/25/93

"I applaud President Clinton for focusing the attention of the American people on the need to reduce the size and growth of the federal deficit, which over the years has translated into a national debt in excess of $4 trillion."

-- John Clendenin, Chairman and CEO,
Bellsouth Corporation, 2/18/93

"[The plan is] courageous and a dramatic move to reduce America's fiscal deficit."

-- John H. Bryan, Chairman and CEO
Sara Lee Corporation, 2/24/93

"The President's economic plan begins to confront the many long-term and long-neglected challenges this country faces, from the state of our cities to the health and education of our children."

-- J. Bruce Llewellyn, President and CEO,
Philadelphia Coca-Cola Bottling Co., 2/18/93

"The President has prescribed tough medicine for the country's economic troubles. The plan needs to be studied, analyzed, debated fully, modified if appropriate, and acted on promptly... This far-reaching proposal could -- as the President said -- start a process of renewal for America."

-- Harold A. Poling, Chairman and CEO,
Ford Motor Co., 2/17/93

"[President Clinton] has put forth a bold and comprehensive plan... At the end of the day, what is most important is that our debate does not result only in more gridlock... As the President has said, no comprehensive plan can please everyone. If this plan is picked apart, there is something in it with the potential of angering each of us. But if it is taken as a whole, it will help us all. We must move forward."

-- Hugh L. McColl, Chairman,
NationsBank Corporation, 2/25/93

"Every indication that I've seen is that he does want to work with business. He has reached out to business leaders, he's reached out to Republican business leaders. And I think that we're going to see that he's going to be not only knowledgeable, willing to talk in depth about ideas and concepts which are quite different from what we've heard from government leaders in the past, but I think he's listening to the private sector."

-- John Sculley, Chairman and CEO,
Apple Computer Co., 2/18/93

E. LABOR, ENVIRONMENTAL, CONSUMER AND COMMUNITY ORGANIZATIONS THAT SUPPORT THE CLINTON PLAN

On May 25, 1993 ninety industry, labor, community, and education groups representing millions of Americans expressed support for the reconciliation bill. They wrote: "We support President Clinton's objectives of creating new jobs, encouraging growth and investment and reducing the deficit." Among the organizations were:

AIDS Action Council
American Agricultural Movement
American Association of Museums
American Council on Education
American Education Association
American Federation of Government Employees
American Federation of State, County, and Municipal Employees
American Federation of Teachers
American Seniors Housing Association
Americans for Democratic Action
Association of Local Housing Finance Agencies
Bread for the World
Brotherhood of Maintenance of Way Employees
Center for Community Colleges
Child Welfare League of America
Coalition on Human Needs
Coalition to Preserve the Low Income Housing Tax Credit
College and University Personnel Association
Communications Workers of America
Consumer Federation of America
Council for Rural Housing and Development
Council on Research and Technology
Families USA
Human Rights Campaign Fund
Institute for Responsible Housing Preservation
International Ladies' Garment Workers Union
International Union of Electronic, Electrical,
Salaried Machine & Furniture Workers, IUE-AFL-CIO
National Association of Children's Hospitals and Related Institutions
National Association of College and University Business Officers
National Association of Community Health Centers
National Association of Homes and Services for Children
National Association of Independent Colleges and Universities
National Association of Social Workers
National Coalition for the Homeless
National Consumers League
National Council of La Raza
National Council of Senior Citizens
National Council of State Housing Agencies
National Council of Independent Living
National Education Association
National Employment Opportunities Network, NEON
National Neighborhood Coalition
National Urban League
National Women's Law Center
NETWORK: A National Catholic Social Justice Lobby
Parent Action

Peace Action
Physicians for Social Responsibility
United Auto Workers
United Methodist Church, General Board of Church and Society
United Transportation Union
Women Strike for Peace
Women's Action for New Direction
YWCA of the USA

Q & A

1. Does the President's plan hurt small business?

No. In fact, the President's plan provides unprecedented incentives for small business to create jobs and sustain real growth. Small business owners who are worried about higher tax rates should consider this: only 4% of all business owners -- those taking home over $180,000 a year -- will pay more. And over 90% of small business owners will receive or be eligible for a tax cut through increased expensing, a targeted capital gains cut and the extension of the 25% deduction for health insurance premiums for the self-employed. Indeed, the average business owner affected by the higher income tax rates makes $560,000 a year. Many of them are doctors, lawyers and consultants.

Everyone benefits from lower interest rates, new incentives and a stronger economy. The President's plan has already made it easier for small business to borrow money and has eased the credit crunch. Once adopted, his plan will add the following incentives:

- **Increased expensing.** The President's plan will more than double the current $10,000 that small business is able to expense immediately.

- **Targeted capital gains tax cuts.** The plan aids small and medium-sized business with reductions that the National Federation of Independent Business has called "admirable for job creation." And it would retroactively extend the 25 percent deduction for health insurance premiums for the self-employed.

At least 200,000 more jobs will be created as a result of these changes, according to studies by the Joint Economic Committee and the National Venture Capital Association.

In contrast, the Republican alternatives seek to eliminate the tax cuts that over 90% of small business owners would be eligible for. Indeed, their alternatives eliminate **all** of the President's incentives for small business growth and job creation. The Republicans are willing to sacrifice small businesses in order to protect the wealthiest Americans from bearing their fair share of deficit reduction.

2. Will the President's package hurt job creation?

THE PRESIDENT'S PLAN IS DESIGNED TO CREATE MORE JOBS, HIGH PAYING JOBS, BETTER JOB SKILLS AND STRONGER JOB OPPORTUNITIES: Everything in the President's economic plan -- from deficit reduction to opening markets to job training, defense conversion and better schools -- reflects his commitment to put people to work at better jobs in a stronger economy.

RETURN TO PRIVATE SECTOR JOB GROWTH: In the first five months of the Clinton Administration, there have been 740,000 private sector jobs created -- nearly 150,000 jobs per month -- over seven times the rate of the Bush Administration.

8 MILLION JOBS: Several independent analysts (DRI, L.H. Meyer, Wharton Econometrics, CBO) found that the economy will create between 7.0 and 9.0 million jobs over the next four years under the Clinton plan.

CLAIMS THAT CLINTON'S PLAN WOULD HURT SMALL BUSINESSES HAVE BEEN CALLED "SPECIOUS" BY THE WALL STREET JOURNAL AND OTHERS: Newspapers who have analyzed the Republicans' claims have found them lacking. The Wall Street Journal wrote: **"But many of the Republican arguments are specious. Despite GOP claims that most of the burden of the higher rates would fall on small business owners, Joint Tax Committee data show otherwise. . . ."** [Wall Street Journal, 6/24/93]

REPUBLICANS OFFER NOTHING BUT THE SAME POLICIES THAT LED TO THE WORST RECORD IN PRIVATE SECTOR JOB CREATION SINCE HERBERT HOOVER: The last four years we had high borrowing, low investment, and the worst private sector job creation of any Administration since Herbert Hoover. Despite this, the Republicans have adopted what the Wall Street Journal calls a "No New Anything" policy (7/15/93). The President, on the other hand, has shown strong economic leadership in the cause of change. As a result, our Nation is now creating private sector jobs at over seven times the rate of the Bush Administration, while taking bold action to lower tariffs and open markets that will create American jobs. We need the President's plan to further strengthen the economy

3. **Isn't this just more of the same old tax and spend?**

THIS PLAN IS A FUNDAMENTAL BREAK WITH THE FAILED POLICIES OF THE PAST. As Bill Clinton has said many times, this plan moves beyond the old failed tax and spend and the old failed Trickle Down.

While Bill Clinton is rejecting both the old ways of tax and spend and trickle down, the Republicans are fighting for gridlock and the interests of the top 1% of taxpayers, and opposing economic change.

THIS IS CHANGE -- WE ARE CUTTING $250 BILLION IN SPENDING FOR DEFICIT REDUCTION, AND INVESTING IN AMERICA'S FUTURE: The President's plan actually cuts $350 billion in gross spending cuts. The plan uses $250 billion for deficit reduction and $100 billion for new investments in education, training, technology, crime prevention and defense conversion. That is not tax and spend -- it is borrowing less and spending less, while investing more.

THE PRESIDENT'S PLAN BORROWS LESS, SPENDS LESS, BUT INVESTS MORE IN OUR PEOPLE AND OUR FUTURE. The President's plan cuts the deficit by $500 billion; cuts discretionary spending by more than 10% in real terms -- with over 100 cuts of $100 million -- and still invests more in our people.

THIS IS CHANGE -- TOUGH CHOICES ARE BEING MADE IN A FAIR WAY BY MAKING THE TOP 1% CONTRIBUTE THEIR FAIR SHARE: Unlike the 1980s, when the middle class was asked to pay more, while the most well-off Americans saw their tax rates decline, the Clinton plan asks the wealthiest 1% to pay moderately higher tax rates, so that deficit reduction will not rest on the backs of the middle class, the elderly or the working poor.

THIS IS CHANGE -- TAX CUTS ARE BEING PROPOSED THAT ARE TARGETED TOWARD JOB CREATION: The Clinton plan focuses tax cuts not on large windfalls for the gains already made by the well-off -- as the Bush capital gains proposal did -- but on job creating tax credits for small business and capital investment.

4. Isn't it true that there are few spending cuts, and that the Clinton deficit reduction plan is mostly taxes?

A FAIR PLAN WITH REAL AND BALANCED CUTS: The Clinton plan is evenly balanced between taxes and spending cuts. For every $10 of deficit reduction, $5 comes from spending cuts, $4 from taxpayers making over $100,000 and $1 from the 94% of Americans who make under $100,000. The plan has historic levels of spending cuts -- cuts in over 100 domestic programs of more than $100 million. **Indeed, the President's plan cuts discretionary spending by 13% over five years.**

CONCERNING SENATOR DOLE'S CLAIM THAT THE PRESIDENT'S PLAN LACKS CUTS, THE WASHINGTON POST STATED -- "MR. DOLE HAS TRADED TRUTH FOR DISTORTION." The Washington Post further stated that, "You get pretty much what the Administration has advertised: the likely cumulative deficit over the next five years will indeed be a half-trillion less than otherwise and only half by virtue of higher taxes."

HYPOCRISY ON SPENDING CUTS: Republicans said that they would not count cuts in interest payments or future spending as real cuts for the President's plan. But they did count them for deficit reduction in 1985 and 1990 -- and counted them as cuts in their own budget plan only hours after they criticized the President of the United States for doing so.

REPUBLICANS SEEK TO HIDE THE FACT THAT THEY WANT MORE SPENDING CUTS THAT HURT THE MIDDLE CLASS, THE ELDERLY AND THE WORKING POOR SO THAT ONLY THE TOP 1% CAN BE SAFEGUARDED FROM CONTRIBUTING TO DEFICIT REDUCTION. Both the House and Senate alternatives impose severe additional cuts in Medicare, and wipe out investments for worker training, education, defense conversion and more police so they can knock out any additional taxes on the top 1% of taxpayers.

5. Isn't it true that the President has abandoned his investments and now has only a deficit reduction plan?

THE PRESIDENT'S PLAN CUTS ENOUGH SPENDING SO THAT WE CAN REDUCE THE DEFICIT, LOWER SPENDING AND STILL HAVE FUNDS LEFT TO INVEST IN OUR PEOPLE:

The President's plan actually cuts $350 billion in gross spending cuts. He uses $250 billion for deficit reduction and $100 billion for new targeted investments in education, training, technology, crime prevention and defense conversion.

THE PRESIDENT'S PLAN PUTS AMERICA IN A NEW DIRECTION WITH LESS BORROWING, LESS SPENDING, YET MORE INVESTMENT IN OUR PEOPLE:

The President is reaching most of his goals for new investments at the same time he is cutting net spending significantly, and putting America in a new direction with new policies for school-to-work training, defense conversion, worker training, school reform, National Service and college opportunity.

He still has strong new funding for the earned income tax credit for working poor families, defense conversion, nutrition through the WIC program and help for AIDS through the Ryan White Act, and new capital grants for mass transit, environmental technology and infrastructure.

THE REPUBLICANS BOAST ABOUT CUTTING ANY NEW INVESTMENT FOR THE MIDDLE CLASS, SO THAT THEY CAN PREVENT THE TOP 1% FROM PAYING ANY NEW ADDITIONAL TAXES.

6. Is this plan unfair to the elderly?

THE CLINTON PLAN ASKS FOR SHARED CONTRIBUTIONS FROM ALL AMERICANS. THE PRESIDENT IS DETERMINED TO PROTECT THE ELDERLY FROM REPUBLICAN ATTEMPTS TO IMPOSE HARSH MEDICARE CUTS ON THE MIDDLE CLASS SIMPLY TO CUT TAXES ON THE WELL-OFF:

One thing all of the Republican alternatives have in common is that they increase cuts dramatically on Medicare for all elderly Americans so that they can afford to eliminate all of the tax hikes on the top 1% of taxpayers.

The Clinton plan asks doctors and hospitals and other providers and the top 20% of Social Security recipients to contribute their fair share to reducing entitlement costs, but it does so fairly and not by cutting benefits to the overwhelming majority of Medicare recipients. Yet, the House Republican alternative cuts benefits for middle-class Medicare recipients, and the Dole proposal relies on an entitlement cap that could only work if it imposed dramatic new Medicare cuts on nearly all of our Nation's 34 million Medicare recipients. **While the President is asking for balanced and fair contributions from all Americans, the Republicans want to make the elderly pay for protecting the wealthy.**

7. Hasn't the President's plan been torn apart? What will his approach be in the House-Senate conference?

Both the House and the Senate passed the vast majority of the President's plan. He will take an active role in ensuring that the final legislation adheres to the principles of his plan.

- The Administration will be very active in the House-Senate conference, coming in with clear principles and directions and providing leadership and support to help the conferees complete their work.

Our goal is a bill that adheres to the President's goals:

- **Deficit Reduction**: approximately $500 billion in deficit reduction, maintained in a Deficit Reduction Trust Fund with tough budget enforcement

- **Progressivity:** any new taxes must be progressive, with the wealthy paying the vast majority of those taxes

- **Spending Cuts:** a ratio of approximately one dollar of spending cuts for every dollar of new revenues

- **Growth and Fairness:** a bill that is pro-investment, pro-work, pro-small business and pro-family, and that does not even consider placing severe burdens on the elderly and the middle class, in order to wipe out all tax increases on those making over $180,000.

We are confident that we can achieve a bill that adheres to those principles while gaining a majority in both the House and Senate.

8. Why does this plan raise taxes on the middle class, instead of cutting taxes as candidate Clinton promised?

THE PRESIDENT PROMISED THAT HE WOULD REVERSE THE TRICKLE DOWN POLICIES OF THE 1980s AND HE HAS DELIVERED: In the 1980s, the middle class saw their taxes go up and real hourly wages go down, as the Government gave tax cuts to the most well-off Americans. Now, the President has demanded tax fairness.

This is a progressive plan, with the vast majority of new revenues to be paid by the wealthy.

Under the plan, at least 70% percent of new revenues come from families with over $200,000 of income.

There are no income tax increases for couples with under $180,000 in adjusted gross income or single taxpayers earning under $140,000. For the average family, the increased taxes under the plan would amount to several dollars a month. Right now many middle-class families are already saving well over $1,000 a year on lower mortgage payments -- or school loans, installment or car payments -- because of the interest rate reductions that have occurred with the progress of the President's deficit reduction plan.

THE PRESIDENT WOULD HAVE PREFERRED NOT TO INCREASE TAXES AT ALL, BUT WHEN, AFTER THE ELECTION, ESTIMATES OF THE DEFICIT INCREASED BY $125 BILLION OVER THE NEXT FIVE YEARS, THE PRESIDENT FELT THERE WAS NO CHOICE BUT TO ASK EVERYONE TO CONTRIBUTE TO GETTING OUR HOUSE IN ORDER.

There were no rosy scenarios or double talk -- as we've seen so often over the last 12 years. He got up on national television on February 17, and shot straight with the American public. He told them the deficit had deteriorated further and that we would need a modest energy tax to reach our deficit goals.**THREE FOLLOW UPS BASED ON COMMON MISPERCEPTIONS:**

1. **Didn't the deficit get worse during the election -- not after it?**

   RESPONSE: The deficit projections got worse at two different times when the Bush Administration and the Congressional Budget Office released official government estimates. Once in July/August of 1992 and again in January, 1993. Had it not been for the five-year $125 billion deterioration after the election, there would have been far less need for any energy tax increase.

2. **Is there a Business Week quote in which the President says he knows that the deficit will increase to $400 billion in 1997?**

   RESPONSE: No, this is one of the most erroneous and false statements that has been made. In July of 1992, OMB was saying that for 1992 -- that year -- the deficit would likely increase to $400 billion. Then candidate Clinton was simply stating what the Bush OMB was predicting for 1992. As it turns out, the deficit was not so high in 1993, but in January of 1993 the Bush OMB increased their deficit projection for 1997 alone by $100 billion. This just confirms that the deficit projections increased dramatically after the election.

3. **But wasn't the President particularly firm in objecting to the ad by then President Bush stating that taxes would be raised on families making $36,000?**

That ad was false then and it is false now. That ad suggested that then Governor Clinton's proposal to increase taxes on the top 1-2% would actually raise income tax rates dramatically -- by thousands of dollars -- on average middle class families.

As the President promised during the campaign, he is raising taxes only on the top 1.2% -- those families with adjusted gross income of $180,000 or more.

Millions of working families -- making under $30,000 are getting a tax cut through the Earned Income Tax Credit increase -- while middle class families making $40,000 are being asked to pay only several dollars a month more to get the deficit down. And that small contribution is already buying them lower interest rates which have dramatically cut the cost of mortgages, consumer loans and business borrowing.

9. What are the principles behind the President's plan?

THE PRESIDENT BELIEVES THAT BY MAKING HISTORIC REDUCTIONS IN OUR DEFICIT AND PROVIDING TARGETED INVESTMENTS IN OUR PEOPLE, WE CAN CREATE MORE JOBS AND ECONOMIC GROWTH. THESE POLICIES WILL LEAD TO LOWER INTEREST RATES, HIGHER INCOMES, AND AN AMERICAN PRIVATE SECTOR THAT CAN COMPETE AND WIN IN A GLOBAL ECONOMY.

THE PRESIDENT HAS STATED THAT HIS PRINCIPLES IN THE RECONCILIATION PROCESS ARE AS FOLLOWS:

DEFICIT REDUCTION FOR ECONOMIC GROWTH: In order to get back on a path to long-term economic growth, we will fight to ensure that our package is the largest deficit reduction package ever.

IMMEDIATE, SUBSTANTIAL AND FAIR SPENDING CUTS: We will continue to fight for all of the $250 billion of spending cuts in our program.

TAX FAIRNESS: Any taxes needed to reach the President's deficit reduction target must continue to be raised in a way that is fair to average working families. At least 75% of the taxes must come from families making over $100,000.

PRO-INVESTMENT AND PRO-WORK: All changes should seek to strengthen not weaken the plan as pro-investment, pro-small business, pro-family and pro-work.

10. Does the President's plan reduce the deficit so much that it further harms an already weak recovery?

No. Let me give you four reasons why that is not true:

- **Confidence:** First of all, one cannot underestimate how much it will mean to confidence in our country and our financial system when we show that we can finally break the gridlock and put our house in order after 12 years of drift.

- **Lower Interest Rates:** Second, the President's deficit-reduction plan is essential to maintaining lower interest rates, which are critical to long-term economic recovery. The lower interest rates that have followed as a result of the progress on our deficit reduction plan have already benefitted interest sensitive industries like housing and autos.

- **Greater Exports (or Global Trade):** Third, the President's leadership at home on the deficit is leading to greater U.S. leadership in opening markets for our products that create U.S. jobs, and in encouraging other nations to lower interest rates and stimulate demand for more U.S. products that create even more jobs at home.

- **Growth and Jobs:** Fourth, the tax incentives contained in the plan will help to spur additional investment which will help to speed the recovery. First, independent analysts like DRI, CBO and Wharton Econometrics have found that the Clinton plan will help the economy create 8 million jobs.

11. Aren't the President's investments just more Democratic spending?

No, they are fundamentally different. The President's program seeks to cut unnecessary spending that can be seen more as consumption and use most of those savings for deficit reduction and the remaining savings for investments that are designed to create growth, build higher skills and a stronger private sector economy.

- The investments contained in the President's plan are, like investments in the private sector, targeted toward increasing economic growth now and in the future.
- They will make today's workers and businesses more productive by rewarding work and investment.
- Our investments in people will make the workers of tomorrow more productive -- with better education, better nutrition, and better health care.

12. **Won't deficits still be high, even after all this deficit reduction?**

The President has proposed the largest deficit reduction plan in history to address the huge deficit and debt which quadrupled in just 12 years. He inherited difficulties from the past two Administrations. Indeed, much of the deficit that will remain is attributable to interest on the debt incurred over the past 12 years. But as the President said on February 17, 1993 -- you have to play with the hand you are dealt. The deficit could not be completely eliminated in four years because it has grown so large over the last 12 years and that completely eliminating it could devastate the economy. The fact is, for the last 12 years the deficit has been going up, and under the Clinton plan, the deficit will go down by $500 billion over the next five years.

In addition, the primary reason for higher deficits in the future is the skyrocketing cost of health care. We need to pass health care reform, as well, in order to control those costs.

13. **Doesn't this plan break many of the promises made by candidate Clinton?**

Quite the contrary, this plan fulfills a number of the most critical pledges made by the President during his campaign -- to make tough choices, to break the gridlock in Washington, to create a more progressive tax system, to reestablish the United States as a global economic leader, to improve the Nation's trade status, and to increase investments in working families and in economic growth.

- **Deficit Reduction:** The President promised serious deficit reduction. This $500 billion plan is the biggest deficit reduction package in the Nation's history.

- **Tough Choices:** The President promised to make tough choices. Never before has a President been willing, on his own, to go forward with the tough choices on both spending cuts and tax increases that are needed to reduce the deficit. Whether it's controlling entitlement spending, keeping the lid on discretionary spending, asking the wealthy to pay their fair share, or calling for a energy tax, the President has taken on the tough choices. He is asking every American to pitch in for the good of our country today and of our children in the future. That's what leadership is all about, and it's the kind of leadership he promised.

- **No More Gridlock:** The President promised to end the gridlock. Despite the self-proclaimed efforts of Republicans to perpetuate gridlock, the President and the Congress are working together to reduce deficits, increase economic growth, and create jobs. When Republicans are willing to help make those efforts bipartisan, the President is welcoming their support; when they are not, he is working with Democrats to get the job done.

- **Fair Tax System:** The President promised a more progressive tax system in which the wealthy pay their fair share and middle-class families are not forced to carry an excessive burden, as they did in the 1980s. That is what this bill provides, with at least 70 percent of new revenues coming from taxpayers with more than $100,000 of income; no income tax increases for couples with under $180,000 in adjusted gross income or single taxpayers with under $140,000 in adjusted gross income; and an increased tax burden for the average family of less than ten dollars a month for the average family.

- **Leadership:** The President promised to make this nation once again the unquestioned leader of the global economy. His recent performance at the G-7 meeting in Tokyo made it clear that, by fulfilling his pledge to get this Nation's economic house in order, the President has restored the ability of the United States to persuade other nations to cooperate in creating global economic growth and increasing export markets for American goods.

- **Investment:** The President promised to increase investments in areas critical to the well-being of working families and to fostering economic growth. This legislation fulfills many of those promises. The following -- all fully paid for -- are contained in one or both versions of the legislation:

  - Expansion of the earned income tax credit to take working families out of poverty

  - Immunization for the nation's children

  - Empowerment zones

  - Tax incentives to encourage investments

  - Mickey Leland hunger prevention legislation, providing needed food stamp benefits to families with children

  - Family preservation legislation to help keep our families together

  - Direct lending for the nation's students to entirely or partially replace more costly guaranteed student loans

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release December 28, 1993

EXECUTIVE ORDER 12889

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IMPLEMENTATION OF THE NORTH AMERICAN FREE TRADE AGREEMENT

By the authority vested in me as President by the Constitution and the laws of the United States of America, including the North American Free Trade Agreement Implementation Act (Public Law 103-182, 107 Stat. 2057) (the NAFTA Implementation Act) and section 302 of title 3, United States Code, and in order to implement the North American Free Trade Agreement (NAFTA), it is hereby ordered:

Section 1. Establishment of United States Section of the NAFTA Secretariat. Pursuant to section 105(a) of the NAFTA Implementation Act, a United States section of the NAFTA Secretariat shall be established within the Department of Commerce and shall carry out the functions set out in that section.

Sec. 2. Acceptance by the President of Panel and Committee Decisions. Pursuant to subparagraph 516A(g)(7)(B) of the Tariff Act of 1930, as amended, 19 U.S.C. 1516a(g)(7)(B), in the event that the provisions of that subparagraph take effect, I accept, as a whole, all decisions of binational panels and extraordinary challenge committees.

Sec. 3. Implementation of Safeguard Provisions for Textile and Apparel Goods. Pursuant to section 201 of the NAFTA Implementation Act, the Committee for the Implementation of Textile Agreements (the Committee) shall take such action as necessary to implement the bilateral safeguard provisions (tariff actions) set out in section 4 of Annex 300-B of the NAFTA. The United States Customs Service shall take such actions to carry out those safeguard provisions as directed by the Secretary of the Treasury, upon the advice and recommendation of the Chairman of the Committee.

Sec. 4. Publication of Proposed Rules regarding Technical Regulations and Sanitary and Phytosanitary Measures. (a) In accordance with Articles 718 and 909 of the NAFTA, each agency subject to the provisions of the Administrative Procedure Act, as amended (5 U.S.C. 551 et seq.), shall, in applying section 553 of title 5, United States Code, with respect to any proposed Federal technical regulation or any Federal sanitary or phytosanitary measure of general application, other than a regulation issued pursuant to section 104(a) of the NAFTA Implementation Act, publish or serve notice of such regulation or measure not less than 75 days before the comment due date, except:

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(1) in the case of a technical regulation relating to perishable goods, in which case the agency shall, to the greatest extent practicable, publish or serve notice at least 30 days prior to adoption of such regulation;

(2) in the case of a technical regulation, where the United States considers it necessary to address an urgent problem relating to safety or to protection of human, animal or plant life or health, the environment or consumers; or

(3) in the case of a sanitary or phytosanitary measure, where the United States considers it necessary to address an urgent problem relating to sanitary or phytosanitary protection.

(b) For purposes of this section, the term "sanitary or phytosanitary measure" shall be defined in accordance with section 463 of the Trade Agreements Act of 1979, and "technical regulation" shall be defined in accordance with section 473 of the Trade Agreements Act of 1979.

(c) This section supersedes section 1 of Executive Order No. 12662 of December 31, 1988.

Sec. 5. Government Procurement Procedures. (a) Waiver.

(1) With respect to eligible products (as defined in section 381(c) of the NAFTA Implementation Act) of Canada and Mexico, and suppliers of such products, the application of any law, regulation, procedure, or practice regarding Federal Government procurement that would, if applied to such products or suppliers, result in treatment less favorable than the most favorable treatment accorded:

(A) to United States products and services and suppliers of such products and services; or

(B) to eligible products of either Mexico or Canada, shall be waived.

(2) This waiver shall be applied by all executive agencies listed in Annexes 1 and 2 of this Executive order in consultation with, and when deemed necessary at the direction of, the United States Trade Representative (Trade Representative).

(b) The Secretary of Defense, or his designee, in consultation with the Trade Representative, shall be responsible for determinations under Article 1018(1), pursuant to Annex 1001.1b-1(A)(4), of the NAFTA. The Secretary of Defense, or his designee, and the Trade Representative shall establish procedures for this purpose.

(c) The executive agencies listed in Annex 2 are directed to procure eligible products in compliance with the procedural provisions of Chapter 10 of the NAFTA.

(d) The Trade Representative shall be responsible for calculating and adjusting the threshold as required by Article 1001(1)(c) of the NAFTA.

(e) This order shall apply only to solicitations issued on or after the date of entry into force of the NAFTA for the United States.

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(f) Although regulatory implementation of this order must await revisions to the Federal Acquisitions Regulation (FAR), it is expected that agencies listed in Annexes 1 and 2 of this order will take all appropriate actions in the interim to implement those aspects of the order that are not dependent upon regulatory revision.

(g) Pursuant to section 25 of the Office of Federal Procurement Policy Act, as amended (41 U.S.C. 421(a)), the Federal Acquisition Regulatory Council shall ensure that the policies established herein are incorporated in the FAR within 30 days from the date this order is issued.

Sec. 6. Government Use of Patented Technology. (a) Each agency shall, within 30 days from the date this order is issued, modify or adopt procedures to ensure compliance with Article 1709(10) of the NAFTA regarding notice when patented technology is used by or for the Federal Government without a license from the owner, except that the requirement of Article 1709(10)(b) regarding reasonable efforts to obtain advance authorization from the patent owner:

(1) is hereby waived for an invention used or manufactured by or for the Federal Government, except that the patent owner must be notified whenever the agency or its contractor, without making a patent search, knows or has demonstrable reasonable grounds to know that an invention described in and covered by a valid United States patent is or will be used or manufactured without a license; and

(2) is waived whenever a national emergency or other circumstances of extreme urgency exists, except that the patent owner must be notified as soon as it is reasonably practicable to do so.

(b) Agencies shall treat the term "remuneration" as used in Articles 1709(10)(h) and (j) and 1715 of the NAFTA as equivalent to "reasonable and entire compensation" as used in section 1498 of title 28, United States Code.

(c) In addition to the general provisions of section 7 of this order regarding enforceable rights, nothing in this order is intended to suggest that the giving of notice to a patent owner under Article 1709(10) of the NAFTA constitutes an admission that the Federal Government has infringed a valid privately-owned patent.

Sec. 7. Judicial Review. This order does not create any right or benefit, substantive or procedural, enforceable at law by a party against the United States, its agencies, its officers, or any person.

Sec. 8. Effective Date. This order shall take effect upon the date of entry into force of the NAFTA for the United States.

WILLIAM J. CLINTON

THE WHITE HOUSE,
December 27, 1993.

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Annex

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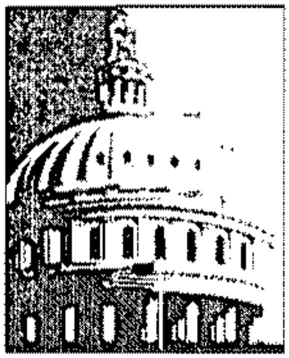
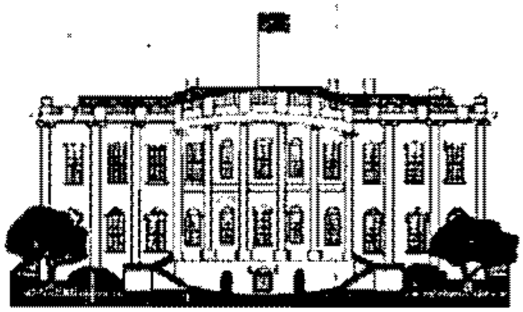
Department of Agriculture Department of Commerce Department of Defense Department of Education Department of Energy Department of Health and Human Services Department of Housing and Urban Development Department of the Interior Department of Justice Department of Labor Department of State Department of Transportation Department of the Treasury United States Agency for International Development General Services Administration National Aeronautics and Space Administration Department of Veterans Affairs Environmental Protection Agency United States Information Agency National Science Foundation Panama Canal Commission Executive Office of the President Farm Credit Administration National Credit Union Administration Merit Systems Protection Board ACTION Agency United States Arms Control and Disarmament Agency Office of Thrift Supervision Federal Housing Finance Board National Labor Relations Board National Mediation Board Railroad Retirement Board American Battle Monuments Commission Federal Communications Commission Federal Trade Commission Interstate Commerce Commission Securities and Exchange Commission Office of Personnel Management United States International Trade Commission Export-Import Bank of the United States Federal Mediation and Conciliation Service Selective Service System Smithsonian Institution Federal Deposit Insurance Corporation Consumer Product Safety Commission Equal Employment Opportunity Commission Federal Maritime Commission National Transportation Safety Board Nuclear Regulatory Commission Overseas Private Investment Corporation Administrative Conference of the United States Board for International Broadcasting Commission on Civil Rights Commodity Futures Trading Commission Peace Corps National Archives and Records Administration

Annex 2

The Power Marketing Administrations of the Department of Energy Tennessee Valley Authority St. Lawrence Seaway Development Corporation



5TH ANNIVERSARY OF HOUSE PASSAGE OF CLINTON/GORE 1993 ECONOMIC PLAN



PRESIDENT CLINTON
VICE PRESIDENT GORE
AND
HOUSE DEMOCRATIC CAUCUS

AUGUST 5, 1998

FIVE YEARS AGO TODAY: CONGRESSIONAL DEMOCRATS PASSED THE CLINTON/GORE ECONOMIC PLAN

Washington Post

"HOUSE PASSES CLINTON BUDGET PLAN BY 2 VOTES"

New York Times

"HOUSE PASSES BUDGET PLAN, BACKING CLINTON BY 218-216 AFTER HECTIC MANEUVERING"

Wall Street Journal

"DEFICIT PLAN SURVIVES THE HOUSE, 218-216, IN HARD-WON VOTE UNCERTAIN UNTIL END"

Los Angeles Times

"CLINTON DEFICIT PLAN SQUEAKS THROUGH HOUSE BY 218 to 216"

USA Today

"HOUSE DOWN, SENATE TO GO"

FIVE YEARS AFTER CONGRESSIONAL DEMOCRATS PASSED THE CLINTON/GORE ECONOMIC PLAN

Then And Now: What a Difference Five Years Make

August 5, 1998

Five Years Ago Today, Congressional Democrats Passed President Clinton's and Vice President Gore's Economic Plan; Five Years Later, The Positive Results for the American People Are Clear. On August 5, 1993, a Democratic House passed the President's bold new economic strategy: cutting the deficit to help reduce interest rates and spur business investment, while investing in education, health care, and technology so that America was prepared to meet the challenges of the 21st century. Five years later, the results of that new economic plan are clear:

Deficit Eliminated: The First Budget Surplus in A Generation

- **1992.** The deficit was $290 billion -- the highest dollar level in history. When President Clinton took office, the deficit was projected to hit $357 billion in 1998, and head higher. [Source: CBO]
- **Today.** The 1993 Economic Plan helped cut the deficit by more than 90 percent, and for the first time since 1969, OMB projects a surplus of $39 billion this year. [Source: OMB]

Unemployment Is Down: 28-Year Low

- **1992.** The unemployment rate averaged 7.5 percent.
- **Today.** In June 1998, the unemployment rate was 4.5 percent -- its lowest level in 28 years. For the first time since 1970, the unemployment rate has been below 5 percent for 12 consecutive months. [Source: BLS]

Jobs Are Up: 16.2 Million Created Since January 1993

- **1988-1992.** The private-sector was barely creating jobs and had experienced one of the worst four-year periods of job growth in history.
- **Today.** The economy has created 16.2 million new jobs since January 1993 -- a faster annual growth rate than any Republican Administration since the 1920s. [Source: Bureau of Labor Statistics]

Private-Sector Growth Is Up: 3.9% Per Year

- **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 3.9 percent annually -- that's the fastest rate of private-sector growth since the Johnson Administration. [Source: Based on data from the Department of Commerce]

Productive Business Investment Is Booming: Fastest Since Kennedy

- **1988-1992.** Real business investment rose just 1.9 percent annually during the previous Administration.
- **Today.** Real productive business investment is up 12.8 percent per year -- faster than any Administration since President Kennedy. [Source: Department of Commerce]

Real Wages Rising Again: Fastest Growth in Two Decades

- **1981-1992.** Real average hourly earnings *fell* under Presidents Reagan and Bush. [Source: BLS.]
- **Today.** Over the past year, real wages are up 2.7% -- that's the fastest real wage growth in over 20 years.

Government Spending: Lowest in Quarter Century

- **1981-1992.** Under Presidents Reagan and Bush, government spending as a share of GDP increased from 21.7 percent in 1980 to 22.5 percent in 1992.
- **Today.** Under President Clinton, federal government spending as a share of the economy has been cut from 22.5 percent in 1992 to 19.9 percent in 1998 -- its lowest level since 1974. [Source: OMB]

The Auto Sector is Back on Its Feet: Leading The World Again

- **1992.** Japan produced 28% *more* automobiles than America. America trailed Japan for 13 years in a row.
- **Today.** In 1994, the United States surpassed Japan for the first time since 1979. America has maintained its position as the world's #1 auto producer in each of the last three years (1995, 1996, and 1997). [Source: AAMA]

Inflation: The Lowest in More Than 30 Years

- **1981-1992.** The average annual inflation rate between 1981 and 1992 was 4.2 percent. [Source: BLS.]
- **Today.** Since 1993, the inflation rate has averaged just 2.5% -- that's the lowest average inflation rate since the Kennedy Administration. Over the past year, the Consumer Price Index increased only 1.6%.

Homeownership Is Up: The Highest in American History

- **1981-1992.** The homeownership rate *fell* from 65.6 percent in the first quarter of 1981 to 63.7 percent in the first quarter of 1993. [Source: Bureau of the Census]
- **Today.** Nearly two-thirds of American households now own their own home -- the highest percentage in American history. Under President Clinton, over 6.5 million families have become new homeowners.

Family Income Up Nearly $2,200 Since 1993

- **1988-1992.** Median family income, adjusted for inflation, *fell* by $1,795, dropping from $42,965 in 1988 to $40,900 in 1992.
- **Today.** Since 1993, real median family income has increased by $2,169, rising from $40,131 in 1993 to $42,300 in 1996. [Source: Bureau of the Census]

Middle-Class Taxes: Lowest in 20 Years

- **1981-1992.** The effective federal tax rate for the richest 20% of families was cut from 27.6% in 1980 to 26.2% in 1992, while the poorest 20% of families saw their effective tax rate stay essentially the same.
- **Today.** Under President Clinton, the effective federal tax rate for middle-income families has dropped from 19.2% in 1992 to 18.9% in 1999 -- that's the lowest tax rate since data were first reported 20 years ago. For the poorest 20% of Americans, the effective federal tax rate has dropped from 8.0% in 1992 to 4.6% in 1999 -- that's also the lowest in 20 years. [Source: Congressional Budget Office]

Jobs In Basic Industries Are Coming Back

- **1989-1992.** The economy lost more than two million jobs in manufacturing and construction combined during the previous Administration.
- **Today.** The economy has added 1.4 million new jobs in construction and 678,000 new jobs in manufacturing since the beginning of 1993. [Source: Bureau of Labor Statistics]

Interest Rates: The Lowest in More Than 20 Years

- **1988-1992.** The 30-year Treasury yield averaged 8.2 percent during the previous Administration.
- **Today.** Despite a stronger economy, the yield on 30-year Treasury bonds has dropped to under 5.7 percent for the first time in more than 20 years. [Source: Department of the Treasury]

The World's Most Competitive Economy Again

- **1992.** In 1992, the World Economic Forum found that Japan, Germany, Denmark, and Switzerland all had more competitive economies than the United States.
- **Today.** In 1994, United States was declared the world's most competitive economy -- for the first time in a decade. The United States remained #1 in 1995, 1996, 1997, and 1998. [Source: World Economic Forum and IMD.]

EXPERTS AGREE THAT THE 1993 ECONOMIC PLAN HELPED CUT THE DEFICIT AND STRENGTHEN THE ECONOMY

- **Alan Greenspan, Federal Reserve Board Chairman, 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."
- ***Business Week*, 5/19/97:** "Clinton's 1993 budget cuts, which reduced projected red ink by more than $400 billion over five years, sparked a major drop in interest rates that helped boost investment in all the equipment and systems that brought forth the New Age economy of technological innovation and rising productivity."
- **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..."
- **Paul Volcker, former Federal Reserve Board Chairman, 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."
- ***Fortune*, 10/3/94:** "[President Clinton's 1993] economic plan helped bring interest rates down, spurring the recovery."

SETTING THE RECORD STRAIGHT

Prominent Opponents of President Clinton's 1993 Economic Plan Called It A Job Killer. They Were Wrong. The Economy Is Now The Strongest In A Generation.

REPUBLICAN PREDICTIONS	THE RESULTS
• **Speaker Newt Gingrich, 8/6/93:** "[It] 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."	• **Unemployment Down to 28-Year Low.** Under President Clinton, the unemployment rate has dropped from 7.5 percent in 1992 to 4.5 percent today -- the lowest in 28 years.
• **Senator Connie Mack, 8/6/93:** "This bill will cost America jobs, no doubt about it."	• **16.2 Million New Jobs.** Under President Clinton, the economy has added 16.2 million new jobs. More than 93 percent of them have been in the private-sector -- a higher share than any Administration in 75 years.
• **Representative John Boehner, 3/31/93:** "...we want to do something about reducing the budget deficits in this country and this budget resolution does nothing, absolutely nothing to reduce the huge budget deficits that we have had."	• **Deficit Eliminated.** In 1992, the deficit was $290 billion -- a record dollar high. The 1993 Economic Plan helped cut the deficit by more than 90 percent, and for the first time in a generation, OMB projects a budget surplus.
• **Senator Phil Gramm, 8/5/93:** "We are buying a one-way ticket to a recession."	• **On Track for Longest Peacetime Expansion On Record.** Under President Clinton, the economy has grown steady and strong for 68 months. If the economy continues to grow through the end of the year, we will have reached the longest peacetime expansion on record.
• **Representative Dick Armey, 8/5/93:** "[The 1993 Economic Plan] will grow the Government and shrink the economy."	• **Lowest Government Spending in 25 Years.** Under President Clinton, federal government spending as a share of the economy has been cut from 22.5 percent in 1992 to 19.9 percent in 1998 -- its lowest level since 1974. • **Economic Growth: Fastest in 30 Years.** Under President Clinton, the economy has grown 3.3 percent annually -- the fastest average rate of GDP growth since the Johnson Administration.
• **Representative John Kasich, 7/28/93:** "This plan will not work. If it was to work, then I'd have to become a Democrat..."	• **Alan Greenspan, Federal Reserve Board Chairman, 2/20/96:** The deficit reduction in the 1993 Economic Plan was "an unquestioned factor in contributing to the improvement in economic activity that occurred thereafter." • ***Business Week*, 5/19/97:** "Clinton's 1993 budget cuts, which reduced projected red ink by more than $400 billion over five years, sparked a major drop in interest rates that helped boost investment in all the equipment and systems that brought forth the New Age economy of technological innovation and rising productivity."

PRESIDENT CLINTON AND CONGRESSIONAL DEMOCRATS: EXPANDING CRITICAL INVESTMENTS BRICK-BY-BRICK

- **Expanded EITC For 15 Million Low-Income Working Families.** President Clinton's 1993 Economic Plan provided tax cuts to 15 million hard-pressed working families by expanding the Earned Income Tax Credit (EITC). The average family with two kids who received the EITC received a tax cut of $1,026.

  - ***EITC Has Helped Reduce Poverty.*** In 1996, the EITC lifted 4.3 million people out of poverty -- that's 2.2 million more people than were lifted out of poverty by the EITC in 1993. And the Council of Economic Advisers has concluded that about half of the decline in the child poverty rate over the past three years is attributable to the recent expansion of the EITC.

  - ***Full-time Minimum Wage Worker Is More Than $3,000 Better Off.*** Because of the expanded EITC and the higher minimum wage, a full-time minimum wage worker is more than $3,000 better off today than when President Clinton took office. This means that single parents working full-time with two kids can now raise their family out of poverty.

- **$24 Billion for Children's Health Initiative To Help Insure Up To 5 Million More Children.** During the balanced budget negotiations, President Clinton and Congressional Democrats insisted on increasing the investment for children's health by 50 percent -- from $16 billion to $24 billion. Because of the President's leadership, the budget contained the largest children's health care budget increase since Medicaid was created in 1965.

- **Expanded Head Start By Nearly 60 Percent -- Over $1.5 Billion Higher Per Year.** Since 1993, President Clinton and Congressional Democrats have expanded Head Start by 57 percent, from $2.8 billion in FY93 to $4.4 billion in FY98. The program now serves an estimated 830,000 children and the President's budget goes further on the way to his target of 1 million children in Head Start. The budget increases Head Start funding by $313 million for FY99, which would mean Head Start funding would be 68-percent higher in 1999 than in 1993. The evidence shows that Head Start increases test scores and improves performance for white and Hispanic children.

- **Increased WIC -- $1 Billion Higher.** Under President Clinton, participation in WIC has expanded by 1.7 million -- from 5.7 million in 1993 to 7.4 million women, infants, and children in 1998, with funding rising from $2.9 billion to $3.9 billion. The President's budget proposes $4.1 billion in WIC funding to serve 7.5 million women, infants, and children in 1999, fulfilling his goal of full participation in WIC. Research shows that every $1 increase in the prenatal care portion of the WIC program cuts between $1.77 and $3.90 in medical expenses in the first 60 days following childbirth.

- **Dislocated Worker Funding.** President Clinton have more than doubled funding for dislocated workers, from $517 million in FY93 to $1,351 million in FY98. The program will assist over 600,000 workers, up almost 100 percent since FY93. The FY99 budget increases dislocated worker funding by $100 million, so that we would provide nearly triple the amount of dollars as in 1993.

- **Technology Literacy Challenge Fund.** President Clinton created a new program to connect every school and classroom to the Internet. In FY98, the Technology Literacy Challenge Fund received $425 million -- more than double its level in FY97, when the program was created. The FY99 budget proposes $475 million for this program.

- **Pell Grants.** President Clinton and Congressional Democrats have increased the Pell Grant maximum grant amount from $2,470 in FY96 to $3,000 in 1998. The FY99 budget proposes $249 million more for Pell Grants, which would help increase the maximum by another $100 to $3,100 -- the highest ever. This would reach 3.9 million low- and middle-income undergraduates. If the President's budget were enacted, the maximum grant would be 25-percent higher than in 1996.

- **National Institutes of Health.** Between 1993 and 1998, NIH funding increased by $2.4 billion. The FY99 budget increases funding for NIH by $1.2 billion, bringing it to $14.8 billion. That means that NIH funding would be $3.6 billion higher than in 1993, or 32 percent.

- **125 Empowerment Zones and Enterprise Communities.** The Clinton Administration has announced 106 EZs and ECs – 11 urban and rural EZs and 95 ECs. The EZ/EC effort has generated more than $4 billion of new private-sector investment in community development activities. The President has also signed into law a second round of EZs -- 15 new urban and 5 new rural zones -- which will include tax incentives, small business expensing, and private activity bonds. The President's FY99 budget calls for an additional $150 million per year to provide needed flexible funding for the new EZs.

- **Created the Community Development Financial Institutions Fund (CDFI).** Through grants, loans, and equity investments, the Treasury Department's CDFI Fund is helping to create a network of community development financial institutions in distressed areas across the United States. This year, the CDFI Fund's budget was increased to $80 million. The President's FY99 budget calls for $125 million for CDFI fund -- a 56-percent increase over FY98.

- **Low-Income Housing Tax Credit.** In 1993, President Clinton fulfilled his promise to permanently extend the Low-Income Housing Tax Credit, spurring the private development of low-income housing and helping to build 75,000-90,000 housing units each year. President Clinton now proposes to expand the credit by 40 percent. Over the next five years, this will mean an additional 150,000-180,000 quality affordable rental units.

- **Welfare-to-Work Housing Vouchers.** The President's FY99 budget includes $283 million for 50,000 new Section 8 vouchers exclusively for people who need housing assistance to make the transition from welfare to employment. Families could use these new vouchers to move closer to a new job or to reduce long and cumbersome commuting patterns.

- **$3 Billion Welfare-to-Work Jobs Initiative.** The Clinton Administration fought and secured for a $3 billion welfare-to-work jobs initiative, as part of the Balanced Budget Act. The Administration provided these grants directly to both cities and states for allocating additional resources to help long-term, hard-to-serve welfare recipients find and keep jobs.

- **A Welfare-to-Work Tax Credit.** The Welfare-to-Work Tax Credit, enacted in the 1997 Balanced Budget Act, provides a credit equal to 35 percent of the first $10,000 in wages in the first year of employment, and 50 percent of the first $10,000 in wages in the second year, to encourage the hiring and retention of long-term welfare recipients. This credit complements the Work Opportunity Tax Credit (WOTC), which expands eligible businesses to include those who hire young adults living in Empowerment Zones and Enterprise Communities. Employers may claim a credit of up to $2,400 for the first year of wages for eight groups of job seekers. The President's FY99 budget extends these two important tax credits into the year 2000.

Weather

Today: Cloudy, cool, afternoon showers. High 77. Low 66. Wind east 8-15 mph.
Saturday: Cloudy. High 84. Wind west 8-16 mph.
Yesterday: Temp. range: 67-86. AQI: 65. Details on Page C2.

The Washington Post

FINAL

Inside Weekend
Today's Contents on Page A2

116th Year · · · · No. 244 · FRIDAY, AUGUST 6, 1993 · 25¢

House Passes Clinton Budget Plan by 2 Votes

A Day of Tension, Cajoling—and Relief

Campaign-Rally Atmosphere Gripped Capitol Hill Before Vote

By Kevin Merida
Washington Post Staff Writer

When the clock ran out, all eyes in the House were on the scoreboard. Democrats still needed two votes to pass President Clinton's economic plan.

Democratic leaders hovered around freshman Rep. Marjorie Margolies-Mezvinsky of Pennsylvania, who had deserted Clinton the first time his economic package came before the House. Finally, after the automatic voting system had been shut down, she walked to the rostrum along with Pat Williams, the Democrat who represents the entire state of Montana. They signed their names on the back of green voting cards. Green for yes.

"They sort of jumped together," said a House staff member who was counting votes. "Butch Cassidy and the Sundance Kid."

After a day of sweating and bargaining and high-wire drama, it had come down to a couple of votes and the outcome was in doubt. Until the very last minute, Democratic leaders were not certain which of the Democrats remaining to vote would swing their way. They only knew it would be among Margolies-Mezvinsky, Williams, and Reps. Ray Thornton of Arizona and David Minge of Minnesota. Thornton and Minge ended up voting no.

It was a relief for the Democrats and White House aides, who trolled the Capitol's halls and constantly checked their own worksheets. But no one said it would be rip-roaring fun.

Margolies-Mezvinsky would agree. She was worked on hard. Having voted "no" last time, she was swept up in a series of huddles for the last hour before the vote. White House aide Susan Brophy and Rep. Vic Fazio (D-Calif.), chairman of the Democratic Congressional Campaign Committee, led the effort.

"Goodbye, Marjorie," a Republican called as she made the leap, and she wasn't the only one who had a tense time.

"I haven't laughed a lot lately," said Rep. Pete

See HOUSE, A14, Col. 1

By Eric Pianin
and David S. Hilzenrath
Washington Post Staff Writers

The House last night voted 218 to 216 to approve President Clinton's budget package, setting the stage for a final showdown today in the Senate on the heart of Clinton's economic agenda.

In a Rose Garden statement, Clinton thanked the House for "breaking gridlock tonight and entering a new era of growth and control over our destiny." He said the action was an important "first step," adding, "The margin was close but the mandate is clear."

The president and his aides had lobbied frantically for the House victory, but more work remains for them today when the Senate votes on the plan. Sen. Bob Kerrey (D-Neb.), who voted for an earlier version of the plan when it passed the Senate by one vote, was undecided yesterday about whether to continue to support the president, despite intense pleading from the White House.

Republicans hammered away at the program throughout the day, portraying it as a recipe for economic disaster. But Democrats, fearful that the success of Clinton's administration may be riding on the outcome, rallied in the final hours to deliver the razor-thin victory.

The outcome of the vote was in doubt until the final seconds, when Rep. Marjorie Margolies-Mezvinsky (D-Pa.), who has consistently opposed Clinton's budget proposals, and Rep. Pat Williams (D-Mont.) cast the votes that put the Democrats over the top.

Republicans were united in their opposition and 41 Democrats joined them in voting against the bill, including one committee chairman, Rep. G.V. "Sonny" Montgomery (D-Miss.), who heads the Veterans Affairs Committee. When the House first approved the plan May 27, the vote was 219 to 213 with 38 Democrats deserting the president.

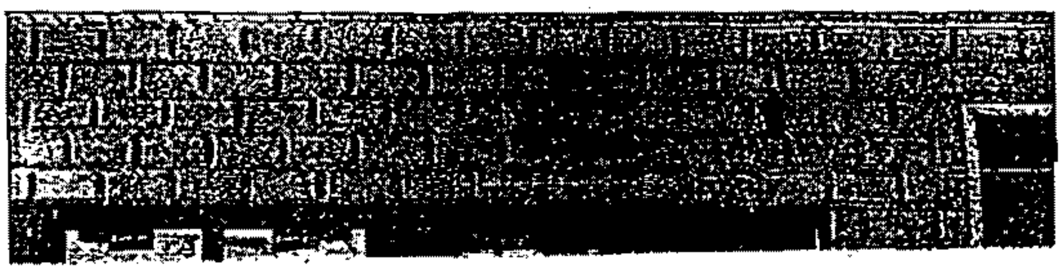
House Speaker Thomas S. Foley (D-Wash.) and Majority Leader Richard A. Gephardt (D-Mo.) took the floor in the closing minutes of the debate to signal that members were facing possibly the most im-

See BUDGET, A12, Col. 1

PRESIDENT CLINTON
. . . *"The mandate is clear"*

Making Life Work Amid the Waters And Hardships

In One Mississippi River Town,



U.S. Prods Muslims on Peace Talks

THE WALL STREET JOURNAL.

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Deficit Plan Survives the House, 218-216, In Hard-Won Vote Uncertain Until End

Democrats Hope the Win Will Create Momentum Needed in Senate Today

By Jackie Calmes
Staff Reporter of The Wall Street Journal

WASHINGTON – The House kept President Clinton's economic program alive, with a close, hard-won vote that was in suspense until the very end.

The 218-216 vote last night left one more hurdle for the president's top-priority initiative to cut the federal deficit by $496 billion over five years while at the same time providing expensive initiatives for business and the poor. The sharply divided Senate is to vote today, and the White House and [illegible]

Democrats and Republicans that spell trouble for the rest of Mr. Clinton's agenda, such as health-care and welfare reform.

Even with the House victory, the Senate outcome remains in doubt. Having passed its own bill in June only with the aid of Vice President Al Gore's tie-breaker vote, the Senate can't afford to lose a single Democrat. Yesterday, Sen. Robert Kerrey of Nebraska, a past supporter of the Senate bill, though a reluctant one, was said to be leaning against the measure.

The budget package leaves intact much of Mr. Clinton's original plan, particularly his proposals for tax increases on upper-income Americans and corporations, and for spending cuts, mostly in defense and Medicare.

But the president's original call for a broad-based energy tax has been replaced

Clinton proposed as part of his "investment" strategy.

Even as the House debated, Speaker Foley and Majority Leader Gephardt met with conservative Democrats and emerged with a sort of diplomatic communique that sealed several lawmakers' votes. In it, the leaders promised further action this fall on additional measures aimed at cutting federal benefit programs, including Medicare, and on a promised Clinton initiative to rescind some spending that has previously been approved.

Closing last night's House debate, Speaker Foley rallied Democrats for the vote, declaring to cheers, "The Republican Party will march in lock-step, so we on this side of the aisle must bear the burden of responsibility."

The roll call stalled at 216-214, with four Democrats – enough to tip the balance – still not voting. Finally, two went to the [illegible]

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The New York Times

New York: Today, increasing cloud rain late. High 77. Tonight, rain. Lo 64. Tomorrow, rain tapering off, th mostly cloudy. Cool. High 74. Yeste day, high 88, low 67. Details, page A1

NEW YORK, FRIDAY, AUGUST 6, 1993

75 cents beyond the greater New York metropolitan area. 50 CENT

Associated Press

Blasts in South China

er nitric acid leaked in a hazardous- plosions in other warehouses. China hundreds were hurt. Page A3.

NATIONALIST SERBS SAY THEY WILL EASE SIEGE OF SARAJEVO

VOW FOLLOWS NATO THREAT

They Offer to Ease Pressure on Bosnia's Capital and Open Supply Routes to City

By JOHN F. BURNS

Special to The New York Times

PALE, Bosnia and Herzegovina, Aug. 5 — Serbian nationalist leaders met here in emergency session today and announced a pullback of their troops from newly won territory on two strategic mountains southwest of Sarajevo, apparently fearing that failure to do so could bring on the NATO air strikes threatened earlier in the week if the Serbian forces continued their "strangulation" of Sarajevo.

The announcement was the first in the 16-month Bosnian war in which Serbian military commanders have made specific agreements to withdraw from any of the territory they have conquered, which amounts to more than 70 percent of Bosnia.

If the pullback is carried out, it would be a reprieve for the predominantly Muslim troops of the Bosnian Army, which has suffered a series of disastrous defeats in recent days on Mount Igman and Mount Bjelasnica, two peaks that guard the southwestern approaches to Sarajevo.

Agreement to Open Routes

The Serbian leaders, meeting at their headquarters in this mountain town 15 miles southeast of Sarajevo, also announced that they had agreed conditionally to remove obstacles that have severely constricted the flow of relief supplies to the beleaguered capital's 380,000 residents.

In a statement, they undertook to open two main roads into the city from the west and the north that Serbian forces have blocked to United Nations relief convoys since the Serbian siege of the bosnian capital began in April 1992.

Radovan Karadzic, who heads the breakaway government established by the Serbs in Pale, also said that the Serbian nationalists had undertaken to restore electricity, water and gas service throughout Bosnia. Sarajevo and other cities and towns under Serbian siege have gone without water and power for much of the war as a result of the Serbian strategy of making liv-

Continued on Page A8, Column 3

U.S. Seeks Broader Air Strikes

Washington is said to be pressing for NATO air strikes against Serbian forces to include roads, bridges, depots and command posts. Page A8.

HOUSE PASSES BUDGET PLAN, BACKING CLINTON BY 218-216 AFTER HECTIC MANEUVERINC

Stephen Crowley/The New York Times

Leon E. Panetta, the budget director, and House Speaker Thomas S. Foley speaking at a news conference last night after the vote.

SUSPENSE IN SENAT

Kerrey of Nebraska Nov Holds Key to Victory for the Democrats

By DAVID E. ROSENBAUM

Special to The New York Times

WASHINGTON, Aug. 5 — After a d of frantic maneuvering to lock up t final votes, the House of Represent tives narrowly approved Preside Clinton's five-year economic plan night, putting him on the verge of t most important victory of his you Presidency.

The vote, in doubt until the fin gavel, was 218 to 216. All 175 Repub cans voted against the measure, b they were joined by only 41 Democra The victory was provided by the 2 Democrats and one independent w stood with the President.

If only one more Democrat had vo with the opposition, the bill would ha failed on a tie vote. The last two Dem crats to vote and provide the margin victory were Representatives Marjor Margolies-Mezvinsky, a freshman w represents a heavily Republican d trict in the Philadelphia suburbs, a Pat Williams, who represents the e tire state of Montana.

'Margin Was Close'

All week long, Democratic leade had predicted that the bill would pa but did not know whose votes wou provide the margin of victory. As la as dinner time, the final votes were n in line.

President Clinton praised the Hou tonight for "putting the national inte est ahead of the narrow interest."

Speaking from the South Portico the White House to jubilant aides, M Clinton declared, "The margin w close, but the mandate is clear."

Mr. Clinton ended his remarks saying, "I congratulate those who v ed, I urge the Senate to follow the lead, and I look forward to continui the battle tomorrow."

Hinging on Kerrey

In the Senate, the final vote, expect Friday night, hinges on the decision the only Democrat Senator who has n announced his position, Bob Kerrey Nebraska. Senator Sam Nunn of Geo gia announced tonight that he wou vote against the bill.

The Democrats hold a 56-to-44 m jority in the Senate, and all the Repub cans and six Democrats have now a nounced their opposition. If Mr. Kerr votes for the measure, he would crea a tie that could be broken in the Pre dent's favor by Vice President Al Gor If Mr. Kerrey votes against it, the bi will fail.

The wrap-up of the debate tonig was one of the rare moments of re drama in Congress. Almost every re resentative was seated in the chambe The galleries were full. Pages and sta

Reporter's Notebook

At the Congressional Brink: A Freshman Saves the Day

By MICHAEL WINES

Special to The New York Times

WASHINGTON, Aug. 5 — If politics is theater, as the skeptics say, tonight was classic Hitchcock, with a very large dose of Frank Capra.

There on the House floor, Bill Clinton's budget package and his Presidency clung to credibility every bit like Eva Marie Saint in "North by Northwest," clinging to the face of Mount Rushmore. Mr. Clinton's Democratic supporters held a 216-to-214 margin.

Four Democrats still had not voted. Two of them, Representatives David Minge of Minnesota and Ray Thornton of Arkansas, had been considered likely to vote against the measure, bringing the nays equal to the 216 yeas. The third, Representative Pat Williams of Montana, was sure to support it, giving the yeas a one-vote edge again.

That seemed to leave Mr. Clinton's fate up to Representative Marjorie Margolies-Mezvinsky, a first-term Pennsylvania Democrat who had voted against the package in May, when it first came before the House.

In the pandemonium, she stood at the front of the House chamber. Representative Sander M. Levin of Michigan, a supporter of the measure, was grasping her by the shoulders, his face inches from hers, struggling to be heard above the roar of the 433 other lawmakers on the floor. House Speaker Thomas S. Foley of Washington, jaw tight, stood nearby.

Republicans were flooding the chamber with photocopies of a recent article from The Philadelphia Inquirer and chanting, "Goodbye, Marjorie." It was headlined, "Margolies-Mezvinsky will again cast vote against Democrats." Then the House — lawmakers, aides, packed gallery, press — fell utterly silent.

Finally, Ms. Margolies-Mezvinsky and Mr. Williams approached the Speaker's dais, filled out green cards signifying yea, and presented them to the clerk. Mr. Minge and Mr. Thorn-

...ets P.L.O. Aide, ...gstanding Taboo

...HEDGES

...w York Times

holding the meeting with a P.L.O. official in 1989. He did so as Minister of Science when such contacts were illegal.

This year the Rabin Government repealed a law forbidding contacts with the P.L.O., but Government officials continue to reject direct negotiations with the group, saying its stated aim is the destruction of the Israeli state.

Clearer Policy Urged

Shimon Shetreet, the Minister of the Economy from Mr. Rabin's Labor Party, called on the Government today to define its policy toward the P.L.O. openly.

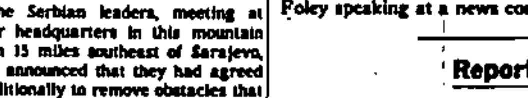
"We must determine whether we want to take a stance which even the United States won't take," he said.

Continued on Page A6, Column 2

From Israeli Site, News of House of David

By JOHN NOBLE WILFORD

An Israeli archeologist has discovered a fragment of a stone monument with inscriptions bearing the first known reference outside the Bible to King David and



Dr. Michael O. Wise/University of Chicago

Los Angeles Times

FRIDAY, AUGUST 6, 1993

DAILY
DESIGNATED AREAS HIGH

Clinton Deficit Plan Squeaks Through House by 218 to 216

Fleeing a Gunman's Fury

captain, center, protects two people in from a Topeka, Kan., courthouse. A gunman wrapped in explosives killed 1 and injured 4 before dying as devices ignited. A22

■ **Budget:** The close vote with no support from the GOP, comes after White House pledges to offer further spending cuts. President will continue th fight today in the Senate.

By WILLIAM J. EATON and KAREN TUMULTY
TIMES STAFF WRITERS

WASHINGTON—In an electr scene as President Clinton's polit cal fate hung in the balance, t House mustered the precise nun ber of votes needed to approve h deficit-reduction plan Thursda sending it to the Senate for anoth nail-biting showdown today.

The House's approval, on 218-216 vote, came after the Ad ministration and House Democrat leaders promised to bring up mor spending cuts in September an October, before Congress adjourn for the year, to show their contin ued commitment to deficit reduc tion.

And the Senate vote is expecte to be even closer. Democrats w gladly settle for a tie, which Vic President Al Gore would breal Gore did so when the origin Senate version was approved i June, winning passage of the legis lation despite solid Republican op position and defections by six Dem ocrats.

Appearing shortly after the vot in the Rose Garden with Gore and host of cheering aides, Clinto hailed what he called a "heroi vote." He vowed to "continue th battle tomorrow" in the Senate fo his package of $496 billion i spending cuts and tax increase including an average "dime-a day" hike in the gasoline tax.

The House, he said, had succeed ed in "breaking gridlock tonigh and entering a new era of growth" for the American economy by ap proving the plan, which promise nearly $500 billion in deficit reduc tion over the next five years. But he said, in the legislative arena an in efforts to revive the nation's economic fortunes, "the fight is still on and we have just begun to fight."

The House vote ended with one of the most dramatic moments on the chamber floor in recent memo ry. With no time remaining on the electronic clock that counts down the 15 minutes allotted for mem bers to cast votes, House leaders held open the final tally for several minutes to accommodate four un decided members. The count was two votes short of the 218 needed for approval.

While the House chamber buzzed with anticipation, a mob of Democrats quickly encircled Rep. Marjorie Margolies-Mezvinsky (D-

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Date: June 30, 1994

To: The Economic Team

From: Stan Greenberg
Don Baer
Michael Waldman
Gene Sperling
Mandy Grunwald

RE: THE CLINTON ECONOMIC MESSAGE

The National Economic Council, the economic team (broadly defined), White House communications and the political advisors have labored over a number of weeks to distill the economic message of the administration. We all work against the backdrop of a successful economic policy and a robust recovery, only barely recognized by the American people. Our goal here is clarity and a common purpose that will allow the President to break through the pervasive cynicism to communicate his effectiveness in managing and moving the economy forward.

This memorandum sets out a road map -- rooted in our policies and common assumptions, reflecting the articulated vision of the President. It is followed by a series of economic "facts" and a story that allow us to demonstrate our accomplishments and goals. Our hope is that this road map and skeletal story provide the basis, both for a simplified presentation of the message and accomplishments and for an amplified mission statement to inform the President's broader addresses.

The Road Map

The "facts" of the economic recovery only take on meaning and significance and only help the President when they are situated within a story. It is not enough to keep asserting our economic successes. The story allows people to overcome their cynicism, to believe that we are doing something real that people can depend upon in the future. That is the experience of the NAFTA period when good economic news and a forward-looking Presidential vision combined to produce real public confidence. By showing that we have a road-map to a better life, we reinforce confidence in a President who knows where he wants to take the country.

- Recent research at the University of Wisconsin indicates that assessments of the economy *in the coming year* are three times as important as assessments *of the past year* in determining the President's overall job approval. (The opposite was true for Bush in his last 2 years.)

- The economic "facts" and accomplishments presented in the Greenberg Research survey are considered more "real" when people have first heard the message statement. This is particularly true of deficit reduction: without the story, a plurality doubts that the deficit decline was "real change" (minus 9 points); with the story, a plurality accepts the deficit decline as "real change" (plus 5 points). (See attached graph.)

All of those involved in the discussion of the President's economic message agreed on a number of central elements:

Renewal. The administration's mission is renewal of the country: 1) so people can prosper in a changing world, and 2) so that work, responsibility and family are again the route to the American dream.

Diagnosis: Why renewal? Because government failed: it created big problems while people fell behind and the country drifted. People elected Bill Clinton to renew the country because of the failures of government that hurt the middle class.

> *Note:* The proper backdrop, according to the research, is an era when problems were ignored and people were hurt. Overcoming gridlock and inaction is an insufficient backdrop for the project of this Presidency.

Means. First, we are working to put our house in order -- deficit reduction, reduced spending and a better balance of tax burdens. Second, we seek to give people the tools -- the education and job training and, in the end, the confidence -- to prosper and build strong families in a changing country.

Note: In the research, a "house in order" vision alone was significantly less compelling than one that also talked about giving people the tools to master change. **People want to know the President has a strategy to make a better future.**

Note: While the administration has policy initiatives in a broad range of areas, we have focused on education and job training and on moving people from welfare to work -- the initiatives that allow people to get better jobs and build strong families, that allow the middle class to reclaim its future. In effect, education and training are the keys to renewing middle class confidence and aspirations.

New world economy. The President casts our country's future with open and expanded trade -- by welcoming, leading and mastering a changing economy that holds the prospect of greater prosperity -- if we can give our people the tools to succeed.

Optimism. The message must be optimistic and express confidence in the American people to compete and win -- contrasted with a pessimism and negativism that denies our ability to put our house in order and master this changing world. Our emphasis is on possibility, confidence, embracing change and demonstrating leadership.

Accomplishments

The vision gives the facts meaning and significance, but we also need to repeat and emphasize the "facts" that make the strongest possible case for our accomplishments. The public will give the President greater credit for the economy when they know where he is going and what he has done.

Cut federal spending by $255 billion -- one of the biggest spending cuts in history
Produced 3 years in-a-row of lower deficits for the first time since Harry Truman
Cut taxes for 15 million working families with modest incomes
Created 3 million new jobs in just 16 months

There is a lot more good news to talk about, but we should restrain ourselves and focus on the most powerful facts available to us.

The public has trouble believing the deficit has been reduced; more believable are the measures that seek to restrain spending and promote growth, which should be emphasized first.

1. **Cut federal spending by $255 billion -- one of the biggest spending cuts in history.** If further elaboration is necessary, one should emphasize that the administration **cut 250,000 federal bureaucratic positions.**

2. **Cut taxes for 15 million working families with modest incomes.** And the administration's economic policies **gave tax cuts and incentives for 94 percent of small businesses.** The two facts are very close in importance and reinforce the same point.

3. **Produced 3 years in-a-row of lower deficits for the first time since Harry Truman.** The point is equally strong, if one is less rhetorical and says, "for the first time in 50 years." If further elaboration is necessary, one can add, **reduced the federal deficit by 500 billion dollars.**

These policies have started to produce real results -- an improving economy for most Americans:

4. **Three million new jobs created in the last 16 months.** To further elaborate, one can add, **reduced unemployment from 7.7 to 6 percent.** It is also important to note that adding the phrase, "3 times as many jobs as created during the 4 years of the Bush administration," adds nothing to the power of the argument -- underscoring that President Clinton is being evaluated based on perceptions of future well-being.

5. **Increased support/spending for education and job training.** It is important for voters to know that President Clinton is working to give people the tools to prosper in the future.

Communication

The road map and its premises and the facts allow us to outline a story which forms the center of our communication on the economy. (See next page).

DIAGNOSIS-BACKDROP

* Government Failed Us
* People Struggled To Make Ends Meet

PURPOSE

* Make America Work For Ordinary People
* Give People The Tools To Compete And Win In Global Economy
* Allow People To Achieve A Better Life And Rising Living Standards
* Renew The American Dream

ACTIONS

* Put Our Economic House In Order

  $255 billion in spending cuts
  tax cuts for 15 million working families
  tax incentives for over 90% of small businesses

RESULTS

* Making America Work For Ordinary People

  new markets opened to American products
  3 years in a row of declining deficits
  3 million new jobs in 16 months

BATTLE CRY

* Renew The American Dream

  compete and win
  we must renew the promise of America

Mission Statement

We have taken a rough and collective hand at a mission statement -- which none of us feel committed to at this point. It is not sufficiently crisp, elevated, or combative. Nonetheless, we include it here as an example of work in progress.

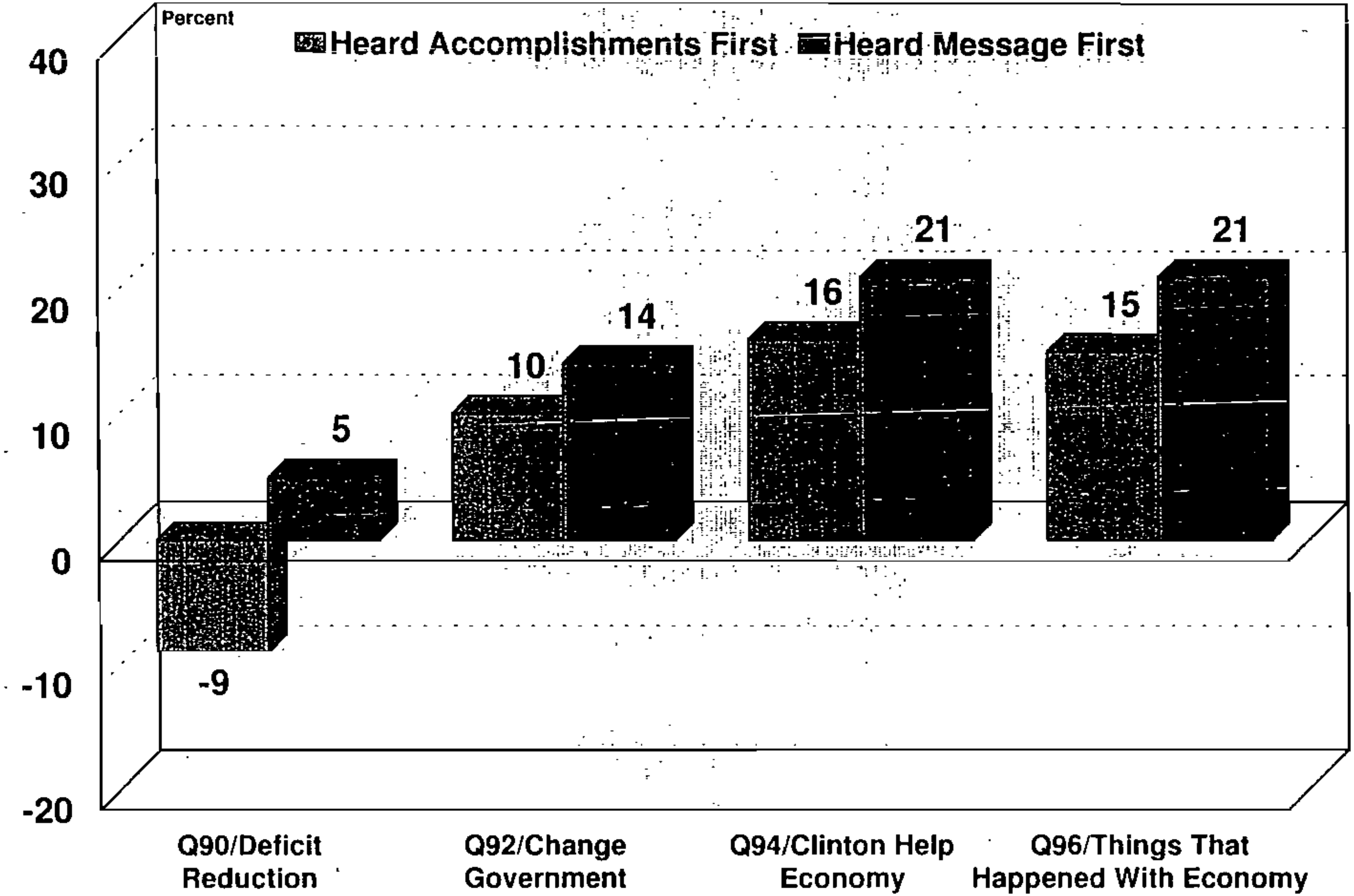
> **For decades, our leaders mishandled the economy. Most people fell behind and the nation drifted in the face of vast change. Our mission today is to put our house in order and enable all Americans to prosper again. We started first by cutting the deficit and government spending and restoring some balance to our tax burdens. The deficit is down and the economy has started to create jobs. Now, we must make it possible for hard working Americans to reap the potential of a vastly changing world economy. We do not want to hand anyone anything. We want to help Americans get the tools they need to take up good jobs and have strong families. That means committing to education and job retraining, moving people from welfare to work. Our mission is to restore pride in a nation where responsibility, work and family are again the route to the American dream.**

- A very strong majority of 63 percent finds this mission description a convincing statement about Bill Clinton and the economy.

- A quarter of the open-ended recall on this message focused on the future-oriented, empowerment elements: "We want to help Americans get the tools they need to take up good jobs and have strong families. That means committing to education and job retraining, moving people from welfare to work."

Message Order Effect

By Net: % Real Change - % Not Real Change



EXPERTS AGREE THAT PRESIDENT CLINTON CUT THE DEFICIT, HELPING LOWER INTEREST RATES, AND STRENGTHEN THE ECONOMY

***Fortune*, 10/3/94**: "[President Clinton's 1993] economic plan helped bring interest rates down, spurring the recovery."

***Business Week*, 7/8/96:** "In 1993, the passage of deficit-cutting legislation triggered a bond rally that cut interest rates 1.4 percentage points in 10 months."

***Business Week*, 5/19/97**: "Clinton's 1993 budget cuts, which reduced projected red ink by more than $400 billion over five years, sparked a major drop in interest rates that helped boost investment in all the equipment and systems that brought forth the New Age economy of technological innovation and rising productivity."

Alan Greenspan, Federal Reserve Board Chairman, 1/31/94: "The actions taken last year to reduce the federal budget deficit have been instrumental in creating the basis for declining inflation expectations and easing pressures on long-term interest rates."

Alan Greenspan, Federal Reserve Board Chairman, 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."

Goldman Sachs, March 1998: One of the reasons Goldman Sachs cites for the "best economy ever" is that "on the policy side, trade, fiscal, and monetary policies have been excellent, working in ways that have facilitated growth without inflation. The Clinton Administration has worked to liberalize trade and has used any revenue windfalls to reduce the federal budget deficit."

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..."

***Wall Street Journal*, 2/24/93:** "The spectacular bond market rally accelerated yesterday, with long-term Treasury bond yields plunging to another record low as investors rushed to embrace President Clinton's economic package."

***Financial Times* (London), 1/26/93:** "The market opened markedly higher as investors and dealers got their first chance to react to Sunday's comments by Mr. Lloyd Bentsen, the new Treasury Secretary, which suggested the White House views cutting the deficit as a top priority."

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."

***U.S. News & World Report*, 6/17/96:** "Voodoo Bob would also have to explain why he wants an approach that differs from President Clinton's budget deficit program begun in 1993. After all, that did lead to lower interest rates, which begat greater investment growth (by double digits since 1993, the highest rate since the Kennedy administration), which begat three-plus years of solid economic growth averaging 2.6 percent annually, 50 percent higher than during the Bush presidency."

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

***National Journal*, 2/27/93:** "[I]n the bond market, the early take on President Clinton's economic plan is a big thumbs-up. Prices of 30-year Treasury bonds rose sharply and interest rates dropped-in response to the package... The drop in interest rates is terrific news for the economy and for the Clinton Adminsitration: Cheaper credit should boost the recovery by stimulating demand for new houses and the big-ticket consumer goods, such as dishwashers and furniture, that follow housing purchases."

***The (Cleveland) Plain Dealer*, 2/26/93:** "The bond market has staged a massive rally since President Clinton announced his plan to revive the economy last week, with yields on 30-year Treasuries falling a third of a percentage point in just a week, leaving those already holding the bonds feeling significantly better off... Lower rates on Treasury securities, which fell below 7 percent Monday for the first time in 16 years, will lead to lower rates on mortgages, corporate borrowing and other types of long-term debt, leading to a rush of refinancings."

New York Times, 12/7/94: "[Clinton's economic team] managed together to convince the bond market -- perhaps now the most important constituency on economic policy -- that the White House commitment to deficit reduction was real. That, in turn, kept interest rates low enough to allow the economic recovery to gain steam."

New York Times, 8/24/93: "In pushing the nation to swallow the bitter medicine of deficit reduction, the Clinton Administration promised that there would be a sweet reward: a sharp drop in interest rates that would give the economy a huge boost. Well, interest rates have fallen sharply."

USA Today, 6/28/94: "[Clinton made] tough cuts in the budget. That helped lower interest rates and cause a strong stock and bond rally during Clinton's first year."

USA Today, 8/10/93: "Fueling the bond rally: Traders cheered the passage of President Clinton's deficit-cutting plan, which they believe will keep long-term interest rates low."

***Boston Globe*, 2/28/93:** "During the week the market continued a rally that began after Clinton's State of the Union Message, further driving down long-term interest rates and making home mortgages the most affordable they have been in two decades."

Los Angeles Times, 4/3/93: "[B]ond buyers appeared sure that President Clinton's deficit-reduction program would assure a steady decline in long-term interest rates. The result, said investment strategist/Richard Eakle of Eakle Associates, was 'a bond market pumped up as if on steroids.'"

Los Angeles Times, 2/23/93: "The yield on 30-year Treasury bonds sank below 7.0% for the first time, closing at 6.93%, as investors continued to rush into bonds on the belief that interest rates overall are headed lower. Traders cited the move as a ringing endorsement of President Clinton's plan to cut federal spending while rejuvenating the economy."

Washington Post, 2/29/93: "The bond market continued to respond favorably to Clinton's promises to reduce the deficit and to Greenspan's latest comments. Since Election Day, interest rates on 10-year U.S. Treasury notes and 30-year bonds have dropped by about half a percentage point."