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NEWS

U. S. SENATOR FOR KANSAS

FROM:

SENATE REPUBLICAN LEADER

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DEFICIT REDUCTION

BUDGET DEBATE REVEALS TWO DIFFERENT VISIONS FOR AMERICA: REPUBLICAN SPENDING RESTRAINT VS. DEMOCRAT TAX INCREASES

Since the beginning of the Clinton administration, the American people have witnessed two very different visions for America -- the Democrats vision of higher taxes, more spending and more government mandates, and the Republican vision of sustained economic growth, less government spending and fewer heavy-handed Washington mandates.

No single debate has revealed the stark contrast between these two visions more clearly than the debate over President Clinton's budget plan.

Make no mistake. Republicans want to work with the President to keep the economy moving, create millions of good, high-wage, private sector jobs that will last. We want to help the President attack the deficit with real, enforceable controls on government spending. But, I am afraid that the Democrat majority is on the verge of making a terrible mistake by enthusiastically supporting this tax-heavy budget plan.

THE FIRST STEP IN THE PROCESS

The Budget Resolution is only the first step in the congressional budget process. It does not have the force of law, but it does pave the way for tax and spending bills later in the year. The Distinguished Chairman of the Appropriations Committee has explained how this resolution will affect discretionary spending. But, since the President's economic plan relies primarily on tax increases to reduce the deficit, the fate of the plan will be, in large part, determined by the Senate Finance Committee.

In the Finance Committee, we will be shooting with real bullets. No Sense of the Senate Resolution can change the fact that we are being told to produce 81 percent of the deficit reduction in this entire plan. Even for the Democrats on the Finance Committee who will vote today in favor of the President's plan, raising taxes by \$273 billion and cutting mandatory spending by \$35 billion will be difficult. With an eleven-to-nine vote margin in the Finance Committee, President Clinton, the Democrat leadership, and Chairman Moynihan will have their hands full trying to push the President's economic plan and its big new taxes through Committee intact. There may be a number of opportunities for bipartisan efforts to remove some of the worst features of the President's plan. The social security tax increase and the so-called BTU tax immediately come to mind.

A VICTORY FOR THE PRESIDENT IS A DEFEAT FOR WORKING AMERICA

Passage of this budget resolution is a victory for President Clinton and a victory for the Democrat leadership in Congress -- but, it is a big loss for the honest, hard-working men and women of America. I predict that many of my Democrat colleagues in the Senate who decide to fall in lock-step behind the President and celebrate today's political victory will regret that decision two years from now.

THE INFORMATION GAP

Most Americans want an end to gridlock in Washington. As the Distinguished Majority Leader has stated time and time again, they want us to give the President a chance.

But, most Americans do not know what is in this plan, and very few of them understand that this economic blueprint is very different from anything they heard during the campaign last fall. The reason is simple: the details -- the legally required details -- have not been made public.

There are a lot of questions that remain unanswered, but we do know this -- by adopting this resolution we are clearing the way for the largest tax increase in history -- \$273 billion over 5 years. We are clearing the way for \$115 billion in new domestic spending -- that is an increase above inflation.

Most Americans want the President to succeed. The latest polling information suggests that the American people support the President's good-sounding rhetoric by a margin of almost two-to-one. President Clinton has been successful in controlling the information the American people are getting about his plan, but he is not going to be able to sustain the information blackout for long.

Once the facts are out and the American people learn what is in the Clinton plan, I think a lot of those who are now giving the President the benefit of the doubt will change their minds about his economic plan.

WHAT AMERICANS WANT

One recent poll showed that to reduce the deficit, the American people choose spending cuts over tax increases by a ratio of fourteen-to-one. Republicans agree.

We understand that there are a lot of Americans who may be willing to bite the bullet and pay more taxes in order to reduce the deficit. But, when they learn that 77 percent of the deficit reduction in the president's plan comes from tax and fee increases -- including a big chunk from the pockets of honest, hard-working, middle class Americans, a lot of them are going to change their minds.

REPUBLICAN PRIORITIES

Republicans want to keep the economy moving. Republicans will oppose policies that could stall the recovery that is under way. We want to create millions of good, new jobs that will last. We want to help businesses create jobs in the private sector by encouraging more saving and investment.

Republicans want to cut spending first. We are serious about reducing the deficit, and we want President Clinton to back up his tough talk about fiscal discipline with real cuts in government spending. During this debate, Republicans in both the House and the Senate have demonstrated with our votes and our amendments, that we are willing to back up our tough talk on the deficit with tough choices.

Before the President and the Democrats in Congress force the farmer, the shopkeeper, the nurse, the truck driver, and the senior citizen to reach into their pockets and make a "contribution" to deficit reduction -- before the American people are asked to send more of their hard-earned money to Washington -- Republicans want to make sure that every government program takes the hit it deserves.

THE DEMOCRATS' PRIORITIES

We have heard the debate. I would just remind you of the highlights of the President's plan, as modified by the Democrats in Congress. According to the independent Congressional Budget Office -- President Clinton's official budget scorekeeper, seventy-seven percent of the deficit reduction in their plan comes from higher taxes and user fees -- \$273 billion in net new taxes and \$18 billion in higher user fees.

During the 1992 presidential campaign, Candidate Clinton promised \$3 of spending cuts for every dollar of tax increases. The bipartisan National Governors Association recommended \$2.75 in spending cuts for every dollar of tax increases. President Clinton and the Democrat leadership in Congress are now endorsing a plan that asks the American people to "contribute" \$3.38 in higher taxes and fees for every dollar of spending cuts.

GUTTING DEFENSE

Events in Russia over the past two weeks remind us that the world is still a dangerous and uncertain place. Yet, the Democrats under the leadership of President Clinton want to gut defense with \$75 billion in additional cuts. That is \$75 billion above and beyond the cuts approved by President Bush and Congress last year.

GROWING GOVERNMENT

Only three percent of the savings in the Democrats' deficit reduction plan comes from non-defense programs. The Democrats are asking two-thirds of the government to "contribute" a grand total of \$11 billion over 5 years to reduce the deficit. Earlier today, Senate Democrats were arguing in favor of a spending stimulus that would increase the deficit by almost twice that amount for President Clinton's spending stimulus package.

The fact is that the Democrats' economic plan is not a plan to reduce the deficit. It is not a plan to control spending. And, it is not a plan to keep the economy moving. It is a plan to raise taxes to finance more government spending -- plain and simple.

WHAT ABOUT JOBS?

Higher taxes do not create jobs. They never have, and they never will. Higher taxes will destroy jobs.

A recent study by the National Center for policy analysis projects that the tax increases in the Clinton plan would substantially reduce investment in the U.S. Economy. The study suggests that if the Clinton plan is adopted, long-run economic growth rates will drop 0.4 percentage points and national output will be \$260.6 billion lower over 5 years than they would be if we reject the President's plan. The study suggests that if the Clinton plan were adopted, the U.S. economy would create 1.4 million fewer jobs over the next 5 years than if we simply rejected the plan.

Federal Reserve Chairman Alan Greenspan testified last week -- and I quote -- it is important to recognize that trying to wholly, or substantially, address a structural budget deficit by increasing revenues... Is more likely to fail than to succeed -- end quote. I agree with Chairman Greenspan. Unfortunately, it appears that President Clinton and those who support his plan do not.

The financial markets are beginning to grasp the full meaning of the Clinton economic plan and the impact that a record \$273 billion tax hike could have on the U.S. economy. Earlier this week, the Conference Board's Index of consumer confidence dropped for the third straight month. Lower consumer confidence and lower-than-expected increases in the Commerce Department's leading economic indicators add to indications that the economy's progress this year may fall below the brisk pace set in the final quarter of 1992. A number of economists point to worries about a tax hike as a major factor contributing to the slowdown.

The March Blue Chip survey of 50 private economic forecasters shows that the consensus forecast of real GDP growth in 1994 fell two-tenths of a percentage point. The panel members cited -- and I quote -- the potentially negative effects on the pace of economic growth stemming from the Clinton administration's plan -- end quote -- as a reason for their lower growth projections.

Here is the bottom line. Higher taxes mean that businesses and consumers will have less money to spend. It also means that most of those companies that made the tough decisions -- to cut their debt load and streamline -- in order to increase their competitive position and are now poised for expansion, will either reduce or delay decisions to hire new employees if they see higher tax bills on the horizon.

A CLOSED-DOOR, PARTISAN PROCESS

The President's economic plan was developed behind closed doors. There has been no real consultation, no real opportunity for Republican input. In fact, we are being forced to vote on this budget blueprint before we get a chance to see the legally-required details.

When we criticized the President's plan because it relies too heavily on tax increases, we were told to "put up or shut up" with specifics. Well, we met the President's challenge -- we offered a better way to cut the deficit through spending restraint, not big tax increases.

THE SENATE REPUBLICAN ALTERNATIVE

Last week, 33 Republicans and the Distinguished junior Senator from Alabama, Senator Shelby, joined me in introducing a comprehensive alternative to the President's tax-and-spend plan. The differences between our bipartisan proposal and the Democrat leadership's tax-and-spend plan could not be more clear.

It was a choice between record-breaking tax increases and record-breaking spending cuts.

Our alternative highlights the fundamental difference Republicans have with President Clinton's economic program. We prefer to reduce the deficit by asking big government, not the American people, to sacrifice. Our plan includes \$406 billion of tough, real, spending cuts. When you include interest savings, our plan would reduce the deficit by \$460 billion over 5 years.

Our amendment would have eliminated all of the President's spending increases. We would require that any future spending increases be paid for each year with additional spending cuts.

Our amendment would have eliminated the President's entire record tax increase -- all the tax increases and all of the tax cuts. We eliminated all of his proposed user fees.

Our amendment included all of President Clinton's proposed mandatory and discretionary spending cuts except that we reduced his proposed defense cut by \$20 billion to defense over 5 years to allow for a more orderly build-down. Even with this change, our plan would have cut defense by \$129 billion below current levels over 5 years.

We added a non-defense discretionary spending freeze that provided for a \$500 million increase -- an "investment" as the President likes to call it -- next year for childhood immunization and the women infants and children (WIC) nutrition program.

And, we added a cap on medicare and medicaid spending that would allow spending for these programs to increase for population, plus inflation, plus an additional 4 percent each year for 4 years, and population, plus inflation plus an additional 2 percent in the 5th year. Taken together, the cap would allow spending for these programs to grow by roughly 12 percent per year for the first 4 years, and 10 percent in year 5.

REAL DEFICIT REDUCTION

The most recent Congressional Budget Office analysis of the President's plan concludes -- and I quote -- the proposals outlined in A Vision of Change for America... Are not sufficient to solve the long-run [deficit] problem. Both CBO and the Administration estimate that, under the President's policies, the deficit would decline only through 1997 and then resume its rise. By the Administration's own projections, the deficit would reach about \$400 billion, or 4 percent of GDP, by 2003 -- end quote. The President's plan as modified by Congressional Democrats has the same fatal flaw. CBO estimates that the Democrats' budget plan would reduce the deficit to \$201.9 Billion by 1998, but deficits would rise in future years. By contrast, our plan would have cut the 1998 deficit to \$168.4 Billion in 1998, and because our plan contains the tough medicine needed to control federal spending, the deficit would continue moving toward balance in future years if our plan were adopted.

Unfortunately, those Americans who want us to make the tough choices needed to get the deficit under control lost when 55 Senate Democrats joined hands to defeat our amendment.

CONCLUSION

Let the record show that when you take away all the slick packaging, when you forget all the talk about "new democrats" and "putting people first," you see two very different visions for America.

The American people know that there is more than one way to reduce the deficit. Republicans gave the Senate a clear choice -- spending restraint vs. record tax increases. It is regrettable that the Democrat leadership has decided to ignore the urgent appeals of the American people for real changes and real government sacrifice, and instead offered them a warmed-over plate of tax-and-spend and business-as-usual.

Republicans stand ready to help the President and the Democrat leadership hear the message from the voters, and offer the kind of real change that will help restore their faith in government.

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