Bob Dole
NEWS FROM: U.S. SENATOR FOR KANSAS
SENATE REPUBLICAN LEADER

FOR IMMEDIATE RELEASE
WEDNESDAY, SEPTEMBER 15, 1993

CONTACT: CLARKSON HINE
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MID-SESSION REVIEW

Will Rogers once said that "all I know is what I read in the papers."

Last year, Americans who read the papers, watched television commentators, or listened to the speeches of candidate Bill Clinton, were led to believe that America's economy was on it's deathbed.

Well, a few weeks ago, the Commerce Department released figures suggesting that while the economy may have been a bit under the weather, it was on its way to a strong recovery.

According to the new figures, the 1990-91 recession was shorter and shallower than previously reported, and real gross domestic product grew at a solid 3.9% in 1992, with growth peaking at 5.7% in the fourth quarter. Yes, the economy failed to produce as many jobs as we all would have liked, but, it was, as I said, clearly moving in the right direction.

A day after the Commerce Department released these new figures, the White House finally released its Mid-Session Review of the budget -- 6 weeks after the legal deadline.

The Mid-Session Review confirms what we already knew: economic growth slowed to a crawl in the first half of 1993. The most recent White House economic forecast projects that the economy will grow only 2.0% this year. That's significantly lower than April's rosy estimate of 3.1% growth, and just over half of last year's actual growth rate.

Even more interesting is the fact that over the 5 years covered in the Administration's new forecast, projected economic growth falls well short of last year's performance in each and every year.

Then, last week, the Congressional Budget Office -- the President's hand-picked budget scorekeeper -- released its own version of the Mid-Session Review. The CBO report contains some important information. First of all, it shows that the Clinton budget plan will not reduce the deficit by $505 billion as claimed by the White House, or even $496 billion as claimed by Congressional Democrats. According to CBO, the Clinton plan will reduce the deficit by $432 billion over 5 years. Those numbers are very close to the ones that Republicans were criticized for using during the budget debate this year.

CBO predicts a weaker economy in 1994 and a bleaker deficit picture than the White House does. But, CBO agrees with the White House that over the next 5 years economic growth will never come close to matching last year's 3.9% growth rate.

The new CBO forecast predicts that between now and 1998, the economy will never grow at a stronger rate than 2.7%.

Why the slowdown? The Chairwoman of President Clinton's Council of Economic Advisers, Laura Tyson, is quick to point the finger at Senate Republicans for blocking the President's $16 billion spending stimulus. But, I don't buy that argument and neither do most economists.

Over the recess, the Distinguished Senator from New Jersey, Senator Bradley, was interviewed by Business Week. Senator Bradley voted for the Clinton economic plan, but he criticized all the White House hand-wringing over the loss of some of the President's tax stimulus. He said, "Is that going to make a difference in a $6 trillion economy? Give me a break. That's not even symbolism. ...Will it have an impact on the economy? Zero." The same argument applies to the President's spending stimulus.

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All this talk about tax increases for the President's budget plan and even more taxes for health care reform has had a more profound negative effect on economic growth than President Clinton's proposed stimulus plan could possibly have offset.

The fact is that President Clinton and his economic team made a cold, calculated decision. In a recent interview [Business Week], the President was asked why he insisted on pushing for deficit reduction now. He admitted, "There are really two reasons we decided in this period of slow growth that we could risk a serious deficit-reduction package. One is, I'm not sure there ever was going to be a good time.... Second, since long-term interest rates have been quite high, there was a real chance that you would get enough refinancing... And subsequent reinvestment to offset the [plan's] contractionary effect." So, there it is in a nutshell. President Clinton is gambling that lower interest rates will keep the economy moving in spite of his economic plan.

But, recent economic news suggests that the President may have miscalculated. The lowest interest rates in 25 years have failed to produce a boom in the economy. The reason is simple: the American people understand that higher taxes, more government and more mandates will not help the economy grow and create jobs.

Consumer confidence has fallen steadily since January. In the Conference Board's August survey of 5,000 households, almost twice as many people fear there will be fewer jobs in the next few months.

And it's not just consumers that are holding back. A lot of businessmen and women are less optimistic about the future than they were a year ago. The small business confidence index recorded by the National Federation of Independent Business has come down every month since January.

Mr. President, there were a lot of people -- Democrats, Republicans, and Independents -- who had serious reservations about the President's tax-now, cut-spending-later (if at all) budget plan. We opposed it, because we believed it would be bad for the economy. That it would destroy hundreds of thousands of jobs.

All of us remember the 1992 election. We remember that the economy was the clear focus of the 1992 Presidential campaign. President Clinton and the Democrats in Congress wanted to end divided government. They wanted accountability. Now, they have it, not one Republican voted for the Clinton budget plan.

If the Clinton plan spurs the economy to new heights, Democrats will fare well. But, if they are wrong, as we believe they are, those who are up for re-election in 1994 will have to answer to the voters.

Let me conclude by saying that if either the White House economic forecast or the new CBO forecast is right, the economy will grow at a far slower pace in 1994 and in 1996 than it did for George Bush in 1992. That is something to think about.

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Remarks delivered on the Senate floor, approximately 3:00 PM.

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