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NEWS

U. S. SENATOR FOR KANSAS

FROM:

SENATE REPUBLICAN LEADER

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A LESSON IN CLINTONOMICS

THE CLINTON PLAN'S HIGH-STAKES NUMBERS GAMES:
MORE TAXES, FEWER CUTS, LESS DEFICIT REDUCTION;
TAX HIKES FAR OUTWEIGH BUDGET CUTS

WE HAVEN'T SEEN MANY OF THE DETAILS ON PRESIDENT CLINTON'S ECONOMIC PLAN. THE FINE PRINT MAY NOT BE AVAILABLE UNTIL LATE MARCH, BUT WE HAVE LEARNED A FEW THINGS SINCE LAST NIGHT THAT THE AMERICAN PEOPLE OUGHT TO KNOW.

NEW TERMINOLOGY

FIRST, THE PRESIDENT AND THE PROPONENTS OF HIS PLAN HAVE REDEFINED SEVERAL WORDS, GIVING THEM TROUBLING NEW MEANINGS:

INVESTMENT NOW MEANS MORE GOVERNMENT SPENDING.

SACRIFICE NOW MEANS HIGHER TAXES, BIGGER GOVERNMENT AND MORE MANDATES.

CONTRIBUTION NOW MEANS HIGHER TAXES, AND

PATRIOTISM IS NOW DEFINED BY WHETHER OR NOT AN INDIVIDUAL SUPPORTS THE PRESIDENT'S PROGRAM.

WHAT THE PRESIDENT DIDN'T SAY

THE PRESIDENT SAID HIS PLAN STRUCK A BALANCE BETWEEN MORE REVENUES AND TOUGH SPENDING CUTS. HE CLAIMS THAT HIS BUDGET CONTAINS 150 PROPOSALS TO CUT GOVERNMENT SPENDING. BUT, HE DIDN'T SAY WHERE THEY WERE.

THE PRESIDENT DIDN'T TELL THE AMERICAN PEOPLE THE WHOLE STORY ABOUT THE TAX INCREASES IN HIS PLAN. BY MY COUNT, IF YOU ADD ALL THE TAX INCREASES TOGETHER, THE TOTAL COMES TO \$361 BILLION BY 1998.

HE CLAIMED THAT THE PLAN WAS FAIR AND WOULD CREATE JOBS. BUT, HE DIDN'T TELL YOU THAT THE NEW 36 PERCENT TAX BRACKET HITS AMERICAN SMALL BUSINESSES -- THE ONES WHO CREATE 60 PERCENT OF ALL NEW JOBS -- SQUARE IN THE TEETH. HE DIDN'T TELL US THAT THE TOP TAX BRACKET WILL INCREASE FROM 31 PERCENT TO 46 PERCENT. HE DIDN'T TELL US THAT HIGHER CORPORATE TAX RATES WILL BE PASSED ON TO MIDDLE CLASS CONSUMERS THROUGH HIGHER PRICES FOR ALL KINDS OF PRODUCTS.

THE PRESIDENT DID TELL US THAT UNLESS WE ACT NOW TO REDUCE THE BLOATED FEDERAL DEFICIT, PAYING OFF THE INTEREST ON THE DEBT WILL BECOME THE COSTLIEST GOVERNMENT PROGRAM IN 10 YEARS.

REPUBLICANS AGREE THAT A RESPONSIBLE DEFICIT REDUCTION PACKAGE WILL LOWER INTEREST RATES -- FOR HOME-BUYERS, CONSUMERS AND BUSINESSES. IT WILL IMPROVE OUR GLOBAL ECONOMIC COMPETITIVENESS. IT WILL CREATE MILLIONS OF NEW JOBS, INCREASE THE AMERICAN STANDARD OF LIVING, AND ALLOW US TO PASS ON THE AMERICAN DREAM TO OUR CHILDREN AND OUR GRANDCHILDREN.

BUT, THE PRESIDENT FAILED TO CONVINCE US THAT A TAX-HEAVY PACKAGE THAT FAILS TO MAKE THE TOUGH CHOICES ON SPENDING CONTROLS CAN ACCOMPLISH THIS GOAL.

THE NUMBERS GAMES

THE PRESIDENT CLAIMS HIS NUMBERS ARE REAL BUT THE TRUTH IS THAT HE IS PLAYING HIGH STAKES NUMBERS GAMES WITH YOUR TAXES.
GAME #1 -- INFLATING THE BASELINE DEFICIT:

THIS GAME HAS TWO PARTS.

THE FIRST IS PESSIMISTIC ECONOMIC ASSUMPTIONS. EVERYONE AGREES THAT DEFICITS GO UP WHEN THE ECONOMY SLOWS DOWN -- THAT'S ONE REASON WHY KEEPING THE ECONOMY MOVING IS CRITICAL TO GETTING THE DEFICIT UNDER CONTROL.

PRESIDENT CLINTON APPEARS TO BE USING THE MOST PESSIMISTIC ECONOMIC FORECAST HE CAN FIND -- LOWER THAN HIS OWN COUNCIL OF ECONOMIC ADVISERS, LOWER THAN THE CONSENSUS PRIVATE BLUE CHIP FORECASTERS -- TO CALCULATE WHAT IS CALLED THE BASELINE DEFICIT.

PAINTING A BLEAK ECONOMIC PICTURE ENABLES THE PRESIDENT TO INFLATE FUTURE DEFICIT PROJECTIONS AND THEN MEASURE HIS PROGRESS IN CUTTING THE DEFICIT AGAINST THAT ARTIFICIALLY HIGH BASELINE.

(MORE)

THE SECOND PART OF THE BASELINE GAME IS THE DISAPPEARING SPENDING CAPS.

THE CAPS ON DISCRETIONARY SPENDING ARE TO REMAIN IN PLACE THROUGH 1995 -- THAT'S THE LAW. BUT, THE PRESIDENT'S BUDGET APPEARS TO ASSUME THAT THESE SPENDING CAPS WILL DISAPPEAR IN 1994, AND THAT DISCRETIONARY SPENDING WILL GROW AT THE RATE OF INFLATION. MORE SPENDING MEANS HIGHER DEFICITS.

BASED ON CONGRESSIONAL BUDGET OFFICE FIGURES, REMOVING THE CAPS IN 1994 WILL INCREASE SPENDING BY \$123 BILLION BY 1998.

GAME #2 -- THE PRESIDENT'S 4-YEAR DEFICIT REDUCTION GOAL:

THE PRESIDENT BLAMES HIS INABILITY TO FOLLOW THROUGH ON HIS PROMISE TO CUT THE DEFICIT IN HALF IN 4 YEARS ON HIGHER THAN EXPECTED DEFICITS -- \$50 BILLION PER YEAR. BUT, EVERYONE KNEW BACK IN AUGUST THAT THE DEFICIT PICTURE WAS GETTING WORSE.

HIS NEW GOAL IS TO CUT \$140 BILLION FROM THE DEFICIT. NOT ONLY HAS HE GIVEN UP ON CUTTING THE DEFICIT IN HALF. IT'S NOW BEEN STRETCHED FROM A 4-YEAR GOAL TO A 5-YEAR GOAL.

GAME #3 -- DOUBLE-COUNTING THE BUSH DEFENSE CUTS:

DEFENSE PROVIDES THE LION'S SHARE OF THE PRESIDENT'S PROPOSED SPENDING CUTS. THE DEFENSE CUTS APPROVED BY PRESIDENT BUSH AND CONGRESS LAST YEAR WILL PRODUCE \$74.8 BILLION IN SAVINGS BY 1998. A CLOSER LOOK AT THE PRESIDENT'S NUMBERS SUGGESTS THAT HIS PLAN INCLUDES THE DEFENSE CUTS ALREADY APPROVED LAST YEAR BY PRESIDENT BUSH AND CONGRESS. PRESIDENT CLINTON SHOULD NOT COUNT THESE SAVINGS AS PART OF HIS OWN PACKAGE.

GAME #4 -- UNDERSTATING THE TAX INCREASE:

WHEN IS A TAX INCREASE A SPENDING CUT? PRESIDENT CLINTON TRIED TO TELL US LAST NIGHT. THE PRESIDENT SUPPORTS HIGHER TAXES ON MIDDLE INCOME SOCIAL SECURITY BENEFICIARIES, BUT HIS PLAN APPEARS TO COUNT THIS \$32 BILLION TAX INCREASE AS A SPENDING CUT. SECRETARY BENTSEN AND DEPUTY OMB DIRECTOR RIVLIN ADMITTED AS MUCH THIS MORNING. TELL THAT TO AMERICA'S SENIORS WHEN THEY FILL OUT THEIR TAX RETURNS AFTER THIS CHANGE GOES INTO EFFECT.

THE PLAN ALSO APPEARS TO INCLUDE \$6 BILLION IN USER FEE INCREASES AS SPENDING CUTS.

WHERE'S THE BALANCE?

WE ARE LOOKING AT A RECORD -- MORE THAN \$360 BILLION IN HIGHER TAXES BY 1998 -- THE BIGGEST TAX HIKE EVER.

DURING THEIR CONFIRMATION HEARINGS LEON PANETTA AND LLOYD BENTSEN ARGUED THAT DEFICIT REDUCTION SHOULD INCLUDE TWO DOLLARS IN SPENDING CUTS FOR EVERY DOLLAR IN NEW TAXES.

THE BIPARTISAN NATIONAL GOVERNORS ASSOCIATION URGED THE PRESIDENT TO GO EVEN FURTHER ON THE SPENDING SIDE AND CUT \$2.75 IN GOVERNMENT SPENDING FOR EVERY \$1 IN NEW TAXES.

THE PRESIDENT'S PLAN FAILS THE BALANCE TEST. THE PRESIDENT CLAIMED LAST NIGHT THAT HIS ECONOMIC PLAN CUTS SPENDING BY \$246 BILLION. BUT, HIS NUMBERS DON'T ADD UP.

COUNT THE SOCIAL SECURITY TAX HIKE AS A TAX INCREASE -- NOT A SPENDING CUT, REMOVE THE BUSH DEFENSE CUTS, BALANCE THEM AGAINST THE SPENDING INCREASES FOR "STIMULUS" AND "INVESTMENT," AND HE ENDS UP WITH A TOTAL OF \$123.2 BILLION IN SPENDING CUTS. I'M NO BUDGET TECHNICIAN, BUT THAT'S NOT BALANCE.

EVEN IF YOU INCLUDE THE TAX CUTS IN THE PRESIDENT'S PLAN USING HIS OWN NUMBERS, THE NET TAX INCREASE STANDS AT \$276.9 BILLION. COMPARE THAT TO \$123.2 BILLION IN SPENDING CUTS AND THAT'S 44 CENTS IN SPENDING CUTS FOR EVERY DOLLAR IN HIGHER TAXES.

CLEAR AWAY THE SMOKE AND MIRRORS, AND THE PICTURE GETS EVEN WORSE. BEFORE IT'S ALL OVER, THIS SO-CALLED "BALANCED" PACKAGE MAY END UP RAISING THREE, FOUR, OR FIVE DOLLARS IN NEW TAXES FOR EVERY DOLLAR IN REAL SPENDING CUTS.

REPUBLICANS WANT TO SUPPORT THE PRESIDENT

LET'S BE CLEAR ABOUT IT. REPUBLICANS SUPPORT EFFORTS TO KEEP THE ECONOMY MOVING, TO CREATE MILLIONS OF GOOD, NEW, LASTING JOBS, AND TO CUT THE DEFICIT IN HALF IN FOUR YEARS. WE WANT TO HELP THE PRESIDENT ON THE SPENDING SIDE.

BUT, BEFORE THE PRESIDENT ASKS CONGRESS TO APPROVE A PLAN THAT WILL FORCE THE FARMER, THE NURSE, THE FACTORY WORKER, THE SHOPKEEPER, THE TRUCK DRIVER, OR OUR SENIOR CITIZENS TO SEND ONE MORE DIME TO WASHINGTON, WE SHOULD WORK TO ENSURE THAT EVERY OUTDATED PROGRAM, EVERY BLOATED AGENCY AND EVERY ITEM IN THE FEDERAL BUDGET TAKES THE HIT IT DESERVES.

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