

M E M O R A N D U M

August 25, 1992

TO: SENATOR DOLE  
FROM: JIM MCMILLAN  
RE: RICH WILLIAMSON FUNDRAISING LUNCHEON

On Thursday, August 27, from 12:00 to 1:00 p.m., you are scheduled to attend a fundraising luncheon for Rich Williamson. Meal service will be from 12:00 to 12:30 p.m.; from 12:30 to 1:00 p.m., Rich Williamson will speak, followed by Sen. Cochran and then by you (speaking for about about 10 minutes each). About 75-100 guests are expected, most of whom are from the business community. They would like to hear about the economy and jobs. A press conference has also been scheduled from approximately 1:00 to 1:30 p.m.

Attached are brief talking points on the economy and jobs. In addition, I have collected some background materials from Policy Committee and the Budget Committee dealing with these issues.

FOR U.S. SENATE  
**Rich Williamson**

## M E M O R A N D U M

DATE: August 20, 1992  
TO: JoAnne Coe  
FROM: Cheryl Sutter  
RE: Senator Dole and Senator Cochran's visit

For the Senator's visit to Chicago on Thursday, August 27th we have scheduled a luncheon at the Palmer House, Empire Room, 17 E. Monroe Street, Chicago. The luncheon will run from 12:00 noon to 1:00 p.m. We are expecting approximately 75 - 100 guests, most of whom are active in the business community.

The speaking program will begin at 12:30 p.m. We would like both Senator Dole and Senator Cochran to address the group. The issues we would like to focus on are economy and jobs. We will get an exact program timeline to you early Monday morning.

After the luncheon, we have scheduled a press availability to continue the emphasis on economy and jobs. Our press department will get the necessary back-up information to you also by early next week.

The press conference will begin at 1:30 p.m. and will be held in the lobby mezzanine of the Palmer House. The conference will end at 2:00 p.m.

If you'd like, we will have a driver pick the Senators up from the airport and take them directly to the Palmer House. Simply give me a call with the times and locations of their flights and I will make the necessary arrangements.

If there is any further details you need at this time, please don't hesitate to call.

Thank you for your help.

29 S. LaSalle Street, Suite 1192 • Chicago, Illinois 60603 • 312/641-1992

*Paid for by Rich Williamson for U.S. Senate*

**SETTING THE RECORD STRAIGHT**

*"Facts About the 1980s"*

**U.S. SENATE  
BUDGET COMMITTEE**

*U.S. Senator Pete Domenici  
Ranking Republican Member*

**Prepared by Minority Staff**

*July 1992*



Pete V. Domenici  
New Mexico

United States Senator  
Washington, D.C.

*Dear Colleague:*

*For the past several months, Democratic members of the Congress have relentlessly tried to define the past decade as a time of abject failure. Recently, however, we have also seen some of these same critics attempt to recast themselves in a Republican image. By denying the successes of the 1980s under Republican leadership, they hope to lay claim to the principles that helped create those successes – Republican principles such as opportunity, hard work, jobs, and most importantly economic growth, the catalyst for rising national prosperity.*

*No matter how hard revisionists attempt to cloud recollections, the historical record remains intact: the 1980s under Republican leadership was a decade of growth and rising prosperity. And, contrary to some assertions, it was also a period in which government met domestic needs.*

*This document was prepared at my request by the Republican staff of the U.S. Senate Budget Committee. It presents in a succinct fashion the major issues of the 1980s from the economy to the environment. It sets the record straight.*



U.S. Senator Pete Domenici



**"SETTING THE RECORD STRAIGHT:"**  
*Economic Growth Through the Decade*

## ECONOMY



*The U.S. economy ended the past decade significantly stronger than it began the decade.*

✓ The 1980s under Republican leadership included the longest peace-time expansion in U.S. history, lasting 7-1/2 years.

✓ Many Americans, especially the younger generation, may not recall the trauma of 18% inflation and interest rates as high as 21% — a product of the dismal economic performance of the late 1970s.

✓ During the Bush Administration, inflation averaged 4.5%, less than half the inflation during the Carter years.

✓ Currently, inflation has fallen to roughly 3% and, except for a 1.1% rate in 1986, inflation is now the lowest in a quarter of a century.

✓ Mortgage rates are now in the 8% range, half the rate President Reagan encountered in the first year he took office.

✓ Thanks to low interest rates, more people can afford to own a home now than at any time since 1973.

✓ During the late 1970s, taxpayers found themselves paying higher taxes, not because they were wealthier, but because inflation pushed them into higher tax brackets. This "inflation tax" helped raise income taxes from 7.8% of GDP in 1976 to 9.6% in 1981, an \$81 billion tax burden increase.

✓ During the 1980s, this "inflation tax" was terminated! Revenues as a share of GDP fell back to historical levels.

✓ The 1970s malaise associated with out-of-control inflation, interest rates, and taxes, was replaced in the 1980s with an environment that allowed people to plan their lives and focus on the future with confidence.

### TRUE OR FALSE:

*"The Decade of the 1980s didn't leave us any better off." — FALSE!*

● *No matter how many times they say it, it just won't wash. The record shows that the 1980s included the longest peace-time expansion in U.S. history, producing 19 million new jobs.*

● *Since the start of the expansion in late 1982, real Gross Domestic Product (GDP) has risen \$1.1 trillion, adding nearly one-third to the size of our economy.*

● *The rise in U.S. GDP was greater than the total level of GDP in Germany. Interest and inflation rates have been cut by half. Since 1986, the U.S. export sector has been expanding at a record pace, making us the largest exporter in the world.*

● *For people this has meant:*

➤ *real per-capita income and the proportion of the population with jobs at new highs by the end of the decade,*

➤ *average family income reached \$42,652 in 1990, \$15,000 more than before the expansion began,*

➤ *real per capita income rose 15.7%,*

➤ *the unemployment rate reached a 16-year low of 5.3% from a high of 10.7%,*

➤ *the misery index — the sum of inflation and unemployment — down to 10.4 today from 19.6 in 1980,*

➤ *The poverty rate down to 12.1% from 13.7%.*



**"SETTING THE RECORD STRAIGHT"**  
*Economic Growth Brought New Jobs*

## **JOBS**



*Economic growth in the Reagan/Bush era has meant jobs! Since the expansion began more new jobs were created in the U.S. than in all the other major industrial countries and the rest of Western Europe combined.*

- ✓ Since the beginning of the 1980s expansion, 19 million new jobs have been created. Today, 117.6 million Americans go to work every morning, 18% more than 10 years ago.
- ✓ The share of the working-age population with jobs during the Bush Administration has averaged 62.3%, the highest in U.S. history.
- ✓ The employment-population ratio for Black Americans during the Bush Administration averaged a record 55.7%, up significantly from 52.8% during the Carter years.
- ✓ Job growth was wide spread. Between 1982 and 1991, employment grew by more than 15% in over half the states and by more than 5% in 45 states.
- ✓ All major demographic groups shared in the improvement in job opportunities that resulted from economic growth. Between 1982 and 1991, employment of Blacks was up 29%, and Hispanics, a larger 52%.
- ✓ The unemployment rate during the Bush Administration has averaged 6.1%, the lowest of any Administration back to Nixon. In comparison, unemployment averaged 6.5% during the deteriorating Carter years and reached a peak of 10.7% in 1982 just as the 1980s expansion got underway.
- ✓ Job prospects are good in the U.S. relative to other countries because the unemployment rate is relatively low. The average U.S. unemployment rate during the 1980s was the sixth lowest in the world.
- ✓ The U.S. job market is very dynamic. The number of people who began new jobs was significantly larger than the net change in employment. Between 1987-89, 41.5 million persons went from not having a job in one month to have a job in the following month.

### **TRUE OR FALSE:**

*"The economic well-being of the U.S. is declining."*  
- FALSE!

- *Contrary to assertions that U.S. well-being is falling, during the Bush Administration real GDP per capita – the broadest measure of U.S. strength – has been the highest in the world and the highest in U.S. history.*
- *U.S. GDP per capita was 1st among countries in 1980 and is 1st in 1990. GDP per capita of \$16,231 in Germany and \$17,571 in Japan in 1990 remains well below America's \$21,931.*
- *The level of GDP per capita during the Bush Administration is higher than any other previous Administration - \$3,350 more than during the Carter Administration.*

### **TRUE OR FALSE:**

*"The economy is in recession and is getting worse."* - FALSE!

- *The 1990 recession, marked by two quarters of GDP decline, has been followed by 4 straight quarters of positive growth. The economy is now back to its previous peak, making this recession one of the shallowest on record, as measured by GDP.*
- *Home construction has risen 38% since its trough point at the beginning of 1991.*
- *Expanding export production has accounted for nearly two-thirds of economic growth over the last 4 quarters.*
- *As a result of increased international competitiveness, U.S. exports during the Bush Administration have grown by more than one-quarter in just a little over 3 years. We have become, once again, the largest exporting nation in the world.*



**"SETTING THE RECORD STRAIGHT:"**

*Improving Opportunities and Well-Being*

**IMPROVING OPPORTUNITIES**



**Women and minorities in business  
made significant gains during the  
1980s.**

✓ In 1982, there were 2.9 million women-owned businesses. By 1987, this number had risen to 4.1 million. In 1990, 5.4 million women owned businesses, and for 1992, the National Foundation for Woman Business Owners projects that 7 million businesses will be owned by women, up 140 percent compared with a decade ago.

✓ In 1988, women-owned business employed about 10.3 million people. This rose to about 11 million people in 1990 - ninety percent as many as the Fortune 500 companies. By 1992, the number of people employed by women-owned businesses is projected to approach 12 million.

✓ Earnings of women, which stagnated and then declined during the 1970s, increased beginning in 1982. Since then weekly earnings of female workers have grown 18% faster than male earnings, narrowing the wage-gender gap.

✓ Black and Hispanic unemployment rates, increasing through the 1970s and early 1980s, showed large declines during the expansion. By 1991, Black unemployment was 7.1 percentage points lower and Hispanic unemployment was 3.9 percentage points lower than when the expansion began.

✓ Within the white-collar high-paying managerial and professional occupations between 1983 and 1991, Black employment rose 46% and Hispanic employment rose 84%. In comparison, the increase for all groups was 31% between 1983 and 1991.

**TRUE OF FALSE:**

*"Economic growth during the Bush/Reagan years led to rising incomes and declining poverty." -  
TRUE!*

● *Income growth suffered during the weak economic growth years of the late 1970s and recessionary early 1980s. But the strength and longevity of the 1980s expansion helped family incomes rise substantially over the decade.*

● *Compared to previous Administrations, average family income set a record high during the Bush Administration - \$43,200 per family through 1990, the most recent year recorded. This is 13.5% greater than the average family income in 1980.*

● *After trending up for 10 years, the rise in the poverty rate halted with the beginning of the 1980s expansion. The poverty rate was 12.1% in 1990, the most recent year tabulated, compared to a high of 13.7% when the 1980s expansion got underway.*

● *Taking into account in-kind government benefits, the poverty rate was an even lower 9.5% in 1990.*

● *The proportion of elderly living in poverty has declined significantly and was the lowest on record during the Bush Administration. When in-kind payments are taken into account, the elderly poverty rate was 7.6% in 1990.*



**"SETTING THE RECORD STRAIGHT:"**

*Quality Jobs for Americans*

**RICH VS. POOR**



*The 1980s provided economic opportunity for all income levels, not just the wealthy.*

✓ The expansion helped raise the lowest incomes, boosting families into higher income brackets. Tracking the income histories of individual families shows that upward income mobility was the norm.

✓ Of the people making up the lowest fifth of the income distribution in the late 1970s, more than half moved out of the lowest fifth and up the income ladder over the next 10 years.

✓ The lower end of the income distribution displayed the most upward mobility. More people moved up the income ladder from the bottom two-fifths than from the next higher two-fifths.

✓ The middle class gained. During the expansion, the middle class shrank because more of them moved above the \$50,000 threshold and into the high-income groups - they weren't moving down.

✓ Upward household income mobility is an American strength not a weakness.

**TRUE OR FALSE:**

*"The rich got richer, the poor got poorer during the Bush/Reagan years." - FALSE!*

● According to some assertions, 60% of the income gains went to the richest 1% of the population between 1977 and 1989. But as the Congressional Budget Office, the Treasury, and a recent Urban Institute study confirm, that's just wrong.

● Including the Carter years in the 1977-89 data hurts all income levels and is most devastating to the poorest fifth of families. But incomes turned the corner during the Bush/Reagan years; incomes increased for each and every income level. While high income groups did increase their means during the 1980s expansion, so did all other income levels.

● The view that only the rich gained ignores the significant income mobility of families, both up for people at the bottom and down for people at the top.

● When upward mobility is taken into account, families who started in the bottom of the income distribution in 1977 saw their incomes rise 77% over the next nine years. In contrast, those in the top one-fifth in 1977 saw their incomes rise only 5%.

● A recent study by the Urban Institute concluded:

➤ "When one follows individuals rather than statistical groups defined by income, one finds that, on average, the rich got a little richer and the poor got much richer."

➤ "This pattern, however, may be surprising to the general public, which has been led to believe that the poor were literally getting poorer over the last decade or two, and that the incomes of the rich were skyrocketing. That is simply not true."



**"SETTING THE RECORD STRAIGHT:"**

*Reducing Taxes Across the Board*

**TAXES**



*The rich bear a greater share of the cost of federal government than they did before the 1980s tax changes went into effect.*

✓ Families in the top 20% of the income distribution pay 75% of all income taxes – an increase of 10% since 1980.

✓ The very rich, those in the top 1% of the income distribution, saw their share of the income tax burden rise 65% during the Reagan/Bush years.

✓ Only 1.1% of total income taxes collected come from families in the lowest 40% of the income distribution. As a result of Republican tax policies, the share of income taxes paid by families in this group declined 70% since 1980!



*We started the 1980s with 16 individual income tax brackets and a top individual rate of 70% – now there are three brackets and a top rate of 31%.*

✓ If 1980 tax policy were still in effect, a head of household with three dependents and \$40,000 in income would have paid \$3,900 more in federal income taxes than they do now under current law.

✓ Under 1980 tax policy, this hypothetical family could claim four personal exemptions totalling to \$4,000. Under current tax policy, this family can claim exemptions worth \$9,200, an increase of 130%.

✓ This family pays a marginal tax rate of 15% now. If 1980 law were still in effect, they'd pay a marginal rate of 42%. =

**TRUE OR FALSE:**

*"The Republican tax policies of the 1980s and 1990s were key to raising the tax threshold and lowering taxes on lower-income families." – TRUE!*

● *Prior to tax law changes enacted in the 1980s, inflation pushed people into higher tax brackets, and reduced the value of the standard deduction and the personal exemption until they were almost meaningless.*

● *The eroding standard deduction and personal exemption didn't mean too much to the wealthy – but it meant a lot to those low- and middle-income families struggling to make ends meet.*

● *Large increases in the standard deduction and indexing the personal exemption took altogether nearly six million families off the tax rolls.*

● *Between 1977 and 1993, the number of families receiving the Earned Income Tax Credit rose by 143% and the average credit rose more than 300%.*

**TRUE OR FALSE:**

*"Republicans were responsible for Social Security payroll tax increases in the 1980s." – FALSE!*

● *In 1977, President Carter and the Democratic Congress approved five payroll tax increases which occurred in the 1980s.*

● *Prior to the Carter Administration, the payroll tax rate for workers was scheduled to hit 6.45% in 1990. But due to the Carter tax increases, the payroll tax rate reached 7.65% in 1990, a 19% tax rate hike.*



**"SETTING THE RECORD STRAIGHT:"**

*Emphasis on Education*

**EDUCATION**



*Continuing federal support of education has been coupled with innovative proposals for education reform.*

- ✓ From 1980 to 1991, federal support for education increased 59%, from \$34.3 billion to \$54.6 billion.
- ✓ Federal support for education extends beyond those amounts, to include post-secondary education loans.
- ✓ The total volume of guaranteed student loans grew from \$4.6 billion in 1980 to \$11.5 billion in 1991 - an increase of almost 150%.
- ✓ Federal support for elementary and secondary education increased from \$16 billion in 1980 to \$24.4 billion in 1991, a 53% increase over those years.
- ✓ Federal support for education also comes indirectly through deductions allowed for state and local taxes—major sources of local education funding—on federal income tax returns. Federal tax deductions that help pay for state funded education are estimated to have increased over 36% from 1980 to 1991, from \$13.3 billion to \$18.1 billion.
- ✓ Also during the 1980s, expenditures per student in public elementary and secondary schools rose from \$2,502 to \$5,266—an increase of 110%.
- ✓ The U.S. sends 60% of its children to higher education, second only to Canada in the world, and well above the 32% rate in Germany and 30% in Japan. And 51% of the students are women, providing them more opportunities than in Japan (38%) and Germany (26%).
- ✓ During the 1980s, reading proficiency, increased dramatically for 17-year old minority students. For Black students, those achieving reading proficiency increased from 6.7% in 1980 to 25.8% in 1988. For Hispanic students, the rate increased to 24.3% in 1988 from only 14.9% in 1980.

**TRUE OR FALSE:**

*"The President's proposal for educational reform, America 2000, is dead in the water since Congress has refused to act." - FALSE!*

- *While Congress appropriated \$100 million last year for implementation of America 2000, it was unable to pass authorizing legislation for education reform.*
- *Despite the inability of Congress to pass the President's proposal, 43 states and more than 1,100 communities have, on their own, initiated America 2000 projects, in search of innovative ways of achieving the national education goals adopted by the governors and the President in 1989.*
- *State and local projects include offering parental choice of schools, allowing increased flexibility for teachers and administrators, retraining teachers to incorporate higher academic standards for students, and developing new, break-the-mold schools.*
- *Examples:*
  - *Over 86 of Maine's 184 communities have become Maine 2000 communities.*
  - *Memphis 2000 has over 800 persons working to create a "new America school."*
  - *Ohio, Texas, and 12 other states have given state commissioners broad authority to free schools from regulation if they produce results.*
  - *Minnesota has authorized the creation of deregulated charter schools - a new independent public school. Similar new programs are being worked on in California, Colorado, Connecticut, and Michigan.*



## HEALTH CARE



### American Health Care delivers the best medicine in the world.

- ✓ The U.S. health care system has fostered countless medical breakthroughs and new medical technologies that can prevent and treat the most life-threatening diseases.
- ✓ Our diverse and flexible system has dispersed these advances rapidly throughout the country so that millions of Americans could benefit, vastly improving our health.
- ✓ Since 1980:
  - ▶ life expectancy has increased from 73.7 to 75.3 years;
  - ▶ the infant mortality rate has dropped from 12 to 10.1 per 1000 live births;
  - ▶ years lost due to premature deaths have dropped 11%;
  - ▶ deaths from heart diseases have dropped from 202 to 166 per 100,000 people, an 18% decline;
  - ▶ deaths from strokes and related diseases have dropped from 40.8 to 29.7 per 100,000 people, a 27% decline.
- ✓ Federal investments in biomedical research — \$9.4 billion in 1993, up from \$3.2 billion in 1980 — have led to many of the most important discoveries in medicine, such as discovery of the cause of cystic fibrosis, paving the way for dramatic improvements in diagnosis and treatment, and possibly a cure.
- ✓ Since 1989, President Bush has increased AIDS research funding by 39% to over \$1.2 billion, AIDS prevention funding by 29% to \$621 million, and AIDS treatment funding by 240% to \$2.5 billion.

### TRUE OR FALSE:

*"President Bush has presented a comprehensive program to control costs and spread access to health care." — TRUE!*

- *The President's Health Reform Program builds on the strengths of the U.S. health care system — consumer choice, innovation, and state-of-the-art medicine — while controlling costs and expanding access.*
- *The President's program would cut health costs by \$394 billion over 5 years by eliminating administrative waste and unnecessary paperwork, investing in preventive care, reducing defensive medicine through medical malpractice reform, arming consumers with information about costs and quality, and encouraging enrollment in cost-effective health plans.*
- *The President's program guarantees access to health insurance for all poor families through tax credits sufficient to buy a basic health insurance plan (\$3,750 for a family). Other low and middle income families would get tax relief to partially offset the costs of their health insurance. In total, some 70 million Americans will benefit.*
- *The program provides insurance security for all Americans by prohibiting "preexisting condition" clauses in health insurance and ensuring workers can keep employer health insurance when changing jobs.*
- *The President has increased investments in preventive health care, particularly for children:*
  - ▶ *Medicaid has been expanded to ensure care for all poor pregnant women and poor children up to age 19;*
  - ▶ *Spending for childhood immunizations is up by 148% since 1989 (to \$349 million),*
  - ▶ *a new Healthy Start infant mortality reduction program will target areas of high infant mortality.*



**"SETTING THE RECORD STRAIGHT:"**

*Housing: Building an American Dream*

## HOUSING



*During the past twelve years, a variety of programs has worked to make homeownership opportunities more affordable and more accessible for all Americans.*

✓ Through refinancing and mortgage rate reductions, American homeowners have been able to reduce their mortgage payments by as much as \$1,500 to \$2,000 a year. This tremendous savings has helped raise homeowner confidence and spending.

✓ The United States has the highest homeownership rate of all major industrialized countries with more than 64% of households owning their own homes. This is higher than the 61% rate in Japan and the 39% rate in Germany.

✓ Between 1980 and 1990, 7.2 million more families owned their own homes, a 14% increase.

✓ Mortgage rates are now the lowest they have been in 19 years, making homeownership more affordable.

✓ Despite billions of taxpayer dollars devoted to low-income housing, some of the worst housing in America is government run. People choose to live on the streets rather than occupy public housing projects.

✓ The Democratic Congress continues to fund the same approaches that result in more public housing projects being constructed. Nearly 14% of public housing is vacant and boarded-up.

✓ The Bush Administration has pushed for using the new approach of housing vouchers to provide homeownership opportunities for low-income families. President Bush's most recent budget proposes a \$1.9 billion increase for housing vouchers - from \$758 million to \$2.7 billion. This increase would result in nearly 83,000 low-income families receiving housing vouchers. Vouchers are more cost effective than constructing new public housing units, families don't have to wait 7 years for the units to be built, and vouchers allow families more choice.

### TRUE OR FALSE:

*"During the 1980s, the Bush-Reagan Administration cut housing assistance." - FALSE!*

● *In 1990, HUD housing assistance was provided to 4.4 million low-income families, up from 3.1 million in 1980. This represents a significant 42% increase.*

● *During the 1980s, federal spending for assisted housing increased from \$6.3 billion to \$15 billion representing an increase of 138%. There were no budget cuts to housing during the 1980s, only substitution of programs to try new approaches such as housing vouchers.*

● *HUD has added to the number of households being served at a rate of 80,000 to 100,000 a year throughout the 1980s right up to today.*

● *President Bush has increased funding to help the homeless by 76%, to over \$1.1 billion.*

● *The Bush Administration continues to push for higher funding for its newly created HOPE Homeownership Program. HOPE gives low-income families a stake in their communities by providing assistance to buy their public housing units. Ownership is a stabilizing force in communities and a fundamental building block of prosperity in America. Low-income families need to be part of this opportunity.*



## TWIN DEFICITS



### *Rebounding U.S. competitiveness and strong export growth characterize the Bush years.*

✓ During the Bush Administration, U.S. exports have risen fully one-quarter to the highest level in U.S. history.

✓ Today U.S. exports amount to 11.5% of U.S. output, up from 8.5% at the beginning of the 1980s.

✓ All major categories of exports gained during the Bush years. Exports of industrial supplies increased by 29%, capital goods by 53%, automotive by 37%, and consumer goods by 99%.

✓ With exports now at \$617.7 billion, the U.S. is once again the world's largest exporting nation.

✓ U.S. export growth has been roughly twice the rate of the other G-7 major industrial countries during the Bush Administration.

✓ As a result of rising U.S. competitiveness, the U.S. trade position has been brought back into balance. The U.S. trade deficit on goods, services, and income has shown a \$140 billion improvement over the past five years culminating in a \$1.4 billion surplus in the first quarter of 1992.

### TRUE OR FALSE:

*"Tax cuts in the 1980s led to the rise in the Federal deficit." - FALSE!*

● *Too much Federal spending, not too few taxes, has been the main reason for large deficits in the 1980s. Over the decade, tax collections rose 81%. Spending had risen 92% - 11% more than taxes.*

● *Federal revenues as a share of GDP during the 1980s at 18.9% were higher - not lower - than their average of 18.5% over the previous two decades.*

● *But Federal spending as a share of GDP rose to record highs. Over the 1980s spending averaged 23.1% - more than three percentage points higher than the 20% of the previous two decades.*

● *The Budget Agreement of 1990 lowered budget deficits in the 1990s by \$500 billion but the agreement stopped short of controlling entitlement and other mandatory spending that has accounted for most of the rise in outlays in the 1980s.*

● *Over the next ten years, entitlement and other permanent mandatory programs are projected to rise 89% and will account for seven-eighths of all Federal revenues collected.*

● *President Bush's proposals for controlling mandatory spending have been rejected by the Democratic Congress.*

● *Presidents Bush and Reagan submitted plans in six out of the eight years since the enactment of the Gramm-Rudman-Hollings law in 1985, that would lead to a balanced budget. Further, Congress has regularly rejected these budgets and three times over the past decade - in 1982, 1986, and 1992 - declined to adopt a constitutional amendment to balance the federal budget!*



**"SETTING THE RECORD STRAIGHT:"**

Building America, Assisting Local Government

**IMPROVING AMERICA'S INFRASTRUCTURE,  
HELPING AMERICA GROW**



The past ten years have brought an increase in governments' contribution toward building America.

✓ Contrary to popular impressions, public investment in infrastructure has not been declining. Total public investment in infrastructure in the 1980s grew 2.2% annually, roughly equal to the growth in the 1960s and greater than growth in the 1970s.

✓ Since 1989, under President Bush, federal spending for infrastructure has increased a nominal average of 6 percent annually, or 2.7% annual real growth.

✓ State and local government investment in infrastructure, which has averaged 70% of all public investment over the past 35 years, rose in the 1980s from \$46.8 billion to \$103.5 billion, or 9.2% annually.



Economic growth in the 1980s provided enormous benefits to state and local governments.

✓ Rising jobs and incomes resulting from the expansion of the 1980s allowed state and local revenues to grow from \$390 billion in 1980 to \$801 billion in 1990.

✓ State and local government expenditures grew from \$363 billion in 1980 to \$765 billion in 1990.

✓ State and local governments expanded services dramatically during the boom of the 1980s, when revenues were plentiful and the caseloads of income security programs were reduced.

✓ State and local employment continued to rise throughout the 1980s. The number of state and local public employees grew at a rate of 14.7 percent as the country's population grew only 9 percent.

**TRUE OR FALSE:**

*"The plight of America's cities is the result of 'A Decade of Neglect' by the federal government." - FALSE!*

- *Federal grants-in-aid to state and local governments has increased from \$88 billion in 1982 to a projected \$182 billion in 1992— an increase of 50 percent during the Bush Administration alone.*
- *The non-entitlement federal grant programs for state and local governments - such as highways, airports, education, and social services - have expanded strongly during the past two years, growing 28.1% from fiscal year 1990 to 1992.*
- *Direct federal assistance to cities decreased during the 1980s, but federal assistance to states increased proportionately.*
- *At the same time, state intergovernmental grants to local governments rose 94% from 1980 to 1989.*



**"SETTING THE RECORD STRAIGHT:"**

*Fighting Crime and Drug Abuse*

**CRIME AND DRUGS**



*During the past ten years funding for combating crime and waging the war on drugs has been dramatically increased.*

✓ Spending on federal law enforcement has grown from \$4.3 billion in 1981 to an estimated \$15.8 billion in 1993. This has paralleled a dramatic 22% decrease in the national crime rate over the same period:

- ▶ rape decreased 33%
- ▶ robbery was down 24%
- ▶ assaults fell by 14%
- ▶ theft was down 25%

✓ U.S. Attorneys continue to aggressively target and prosecute financial fraud and white collar crime. Between October 1988 and March 1992, 2,300 Savings and Loan crooks were convicted and more than \$37 million in criminal restitution recovered.

✓ Since the early 1980s, Federal law enforcement agencies have worked increasingly with state and local officials to target inner-city gangs, organized crime, and major drug trafficking operations. President Bush has tripled federal anti-drug assistance, now \$496 million, to state and local governments.

✓ Bush/Reagan law enforcement initiatives, including aggressive prosecution, stiffer sentencing, and federal prison expansion, have kept violent offenders off the streets. The prison population has increased 172% since 1981.

✓ The national drug control budget has grown from \$1.5 billion in 1981 to \$12.7 billion in 1993, an increase of 750%. Spending on prevention and treatment has doubled under Bush and is now up to \$4.1 billion.

✓ President Bush has fought for strengthening our crime laws, including an enforceable federal death penalty.

**TRUE OR FALSE:**

*"The Bush/Reagan War on Crime is having a significant impact on illegal drug use in America." - TRUE!*

● *President Bush has given the Defense Department an active role in halting the flow of illegal drugs into the U.S. Federal cocaine seizures in 1991 totaled nearly 108 metric tons, a 10% increase over 1989.*

● *Last year Congress cut President Bush's requested increases for law enforcement agencies such as the FBI, DEA, INS, and Federal prisons by \$472 million – a 64% cut!*

● *Use of illicit drugs decreased dramatically in the 1980s. According to the National Institute on Drug Abuse (NIDA) 1991 Household Survey, the number of Americans using illicit drugs dropped 10.8 million, or roughly 30%, between 1985 and 1991.*

● *President Bush's National Drug Control Strategy helped cut overall drug use by 13% and adolescent use by 27%.*

● *President Bush's innovative "Weed and Seed" initiative weds tough law enforcement efforts targeting drug dealers and violent criminals with effective social and economic programs to regenerate troubled neighborhoods. Bush has proposed \$500 million for "Weed and Seed" in 1993.*



**"SETTING THE RECORD STRAIGHT:"**

Protecting Our Environment

**ENVIRONMENT**



During the past twelve years, our nation's most important environmental laws have been significantly strengthened.

✓ Twenty-two years after a Republican President created the Environmental Protection Agency (EPA), the Congress has failed to adopt President Bush's 1990 proposal to make EPA a cabinet level Department.

✓ The United States has the toughest, most comprehensive environmental laws of any nation on Earth. During the 1980s, 43 environmental laws were enacted. During his first two years in office, President Bush alone signed 26 bills into law, including the 1990 Clean Air Act.

✓ The United States has led efforts to research, assess, and combat the ozone hole and global warming:

- ▶ Last February, President Bush announced the unilateral phase-out of ozone depleting substances by 1995. U.S. production of these substances is already 42% below levels required by international agreements.
- ▶ The U.S. spends more than half of what is spent in the world on global warming research.
- ▶ The U.S. is the only nation except the Netherlands that has a detailed action plan for limiting greenhouse gas emissions.
- ▶ Through Bush initiatives such as the 1990 Clean Air Act, the National Energy Strategy, and the America the Beautiful Reforestation program, the U.S. will reduce greenhouse gas emissions by 125 to 200 million tons without seriously damaging our economy.

**TRUE OR FALSE:**

"During Reagan-Bush, pollution increased, environmental regulations were relaxed, and funding was slashed." - FALSE!

● The Reagan and Bush Administrations have sought to protect the environment in a cost-effective manner that minimizes job losses and threats to sustained economic growth.

● The U.S. currently spends more on pollution control than any other country in the world, devoting at least \$115 billion annually, or 2% of GDP.

● During the past two decades:

- ▶ lead pollution down 96%,
- ▶ carbon monoxide pollution down 41%,
- ▶ sulfur dioxide pollution (contributes to acid rain) down 25%, and,
- ▶ water pollution (suspended solids) down 80%.

● The Federal budget for environmental programs more than doubled since President Bush took office. He has proposed a 22% increase – or an added \$3.4 billion – for 1993. The President proposes in 1993 to spend:

- ▶ \$2.7 billion for EPA's operating budget (more than double 1980 levels);
- ▶ \$9.4 billion for cleanup of Defense and Energy Department facilities.
- ▶ \$1.4 billion for global climate change research (24% above last year).

## **APPENDIX**

### **Federal Budget Trends**

**Table:**

- A) Receipts, Outlays, and Deficits  
In Billions of Dollars**
- B) Receipts, Outlays, and Deficits  
As a Percentage of GDP**
- C) Components of Outlays  
In Billions of Dollars**
- D) Components of Outlays  
As a Percentage of Total Outlays**



TABLE A.

RECEIPTS, OUTLAYS, AND DEFICITS (\$ billions)			
Fiscal Year	Receipts	Outlays	Deficit
1965	116.8	118.2	1.4
1970	192.8	195.6	2.8
1975	279.1	332.3	53.2
1980	517.1	590.9	73.8
1981	599.3	678.2	79.0
1982	617.8	745.8	128.0
1983	600.6	808.4	207.8
1984	666.5	851.8	185.4
1985	734.1	946.4	212.3
1986	769.1	990.3	221.2
1987	854.1	1,003.9	149.8
1988	909.0	1,064.1	155.2
1989	990.7	1,114.2	153.5
1990	1,031.3	1,251.8	220.5
1991	1,054.3	1,323.0	268.7
1995 <sup>1</sup>	1,340.0	1,543.0	203.0

TABLE C.

COMPONENTS OF OUTLAYS <sup>2</sup> (\$ billions)				
Fiscal Year	Defense	Nondefense Discretionary	Entitlements	Net Interest
1965	51.0	30.8	35.7	8.6
1970	81.9	42.7	68.2	14.4
1975	87.6	74.9	164.9	23.2
1980	134.6	141.9	291.1	52.5
1981	158.0	150.1	340.6	68.8
1982	185.9	140.3	372.7	85.0
1983	209.9	143.6	410.4	89.8
1984	228.0	151.6	405.4	111.1
1985	253.1	163.1	447.8	129.5
1986	273.8	165.2	461.2	136.0
1987	282.5	162.4	473.3	138.7
1988	290.9	174.1	504.2	151.8
1989	304.0	185.6	549.2	169.2
1990	300.1	201.6	624.6	183.8
1991	317.0	215.2	702.2	196.3
1995 <sup>1</sup>	267.2	270.9	848.0	246.0

TABLE B.

RECEIPTS, OUTLAYS, AND DEFICITS As a Percentage of GDP			
Fiscal Year	Receipts	Outlays	Deficit
1965	17.4%	17.6%	0.2%
1970	19.6	19.9	0.3
1975	18.5	22.0	3.5
1980	19.6	22.3	2.8
1981	20.2	22.9	2.7
1982	19.8	23.9	4.1
1983	18.1	24.4	6.3
1984	18.0	23.0	5.0
1985	18.5	23.8	5.3
1986	18.2	23.5	5.2
1987	19.2	22.5	3.4
1988	18.9	22.1	3.2
1989	19.2	22.1	3.0
1990	18.9	22.9	4.0
1991	18.7	23.5	4.8
1995 <sup>1</sup>	19.1	22.0	2.9

TABLE D.

COMPONENTS OF OUTLAYS <sup>2</sup> As a Percentage of Total Outlays				
Fiscal Year	Defense	Nondefense Discretionary	Entitlements	Net Interest
1965	43.1%	26.1%	30.2%	7.3%
1970	41.9	21.8	34.9	7.4
1975	26.4	22.5	49.6	7.0
1980	22.8	24.0	49.3	8.9
1981	23.3	22.1	50.2	10.1
1982	24.9	18.8	50.0	11.4
1983	26.0	17.8	50.8	11.1
1984	26.8	17.8	47.6	13.0
1985	26.7	17.2	47.3	13.7
1986	27.6	16.7	46.6	13.7
1987	28.1	16.2	47.1	13.8
1988	27.3	16.4	47.4	14.3
1989	27.3	16.7	49.3	15.2
1990	24.0	16.1	49.9	14.7
1991	24.0	16.3	53.1	14.8
1995 <sup>1</sup>	17.3	17.6	55.0	15.9

1) Projections are from "An Analysis of the President's Budgetary Proposals for Fiscal Year 1993", CBO, March 1992. Proportion of total outlays that is defense is SBC-GOP Staff estimate.

2) These components, combined with a small amount of off-setting receipts (not shown), sum to total outlays.



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# CLINTON BUDGET PROPOSAL

(Deficit impact in \$ billions)

	1993	1994	1995	1996	4-Year Total
<u>TAXES</u>					
Highly questionable increases in revenue estimates due to IRS enforcement initiatives:					
Unearned income tax fraud.....	(2.0)	(2.2)	(2.3)	(2.3)	(8.8)
Foreign corporations.....	(9.0)	(11.0)	(11.5)	(13.5)	(45.0)
Subtotal questionable revenues.....	(11.0)	(13.2)	(13.8)	(15.8)	(53.8)
Increased income taxes due to tax code changes:					
Individual.....	(17.8)	(20.5)	(21.6)	(23.0)	(82.9)
Corporate:					
Cap executive pay deduction.....	(0.1)	(0.4)	(0.4)	(0.4)	(1.3)
Eliminate overseas plant expense deduction.....	(0.3)	(0.4)	(0.4)	(0.4)	(1.5)
Increase pollution-related taxes.....	(1.8)	(2.5)	(2.9)	(2.9)	(10.1)
Eliminate lobbying expense deduction.....	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)
Subtotal corporate.....	(2.3)	(3.4)	(3.8)	(3.8)	(13.3)
Subtotal tax code changes.....	(20.1)	(23.9)	(25.4)	(26.8)	(96.2)
<i>Total tax increases.....</i>	<i>(31.1)</i>	<i>(37.1)</i>	<i>(39.2)</i>	<i>(42.6)</i>	<i>(150.0)</i>

## SPENDING INCREASE PROPOSALS

Putting America to work.....	28.3	34.6	35.4	35.4	133.7
Rewarding work and families.....	3.5	5.5	6.5	7.0	22.5
Lifetime learning.....	10.1	14.3	17.3	21.7	63.3
<i>Total spending increase.....</i>	<i>41.9</i>	<i>54.4</i>	<i>59.2</i>	<i>64.1</i>	<i>219.5</i>

NOTE: Details may not add to totals due to rounding.

(\*) Less than \$50 million.

Prepared 10-Aug-92

- Clinton speaks of a *leaner* federal government. But he proposes a *bloated* budget plan built on more than \$220 billion in new spending and adding over \$1 trillion to the national debt during his first four years.

► He claims to cut spending in his plan by \$145 billion, but his numbers don't add up and many of the "cuts" are unspecified.

► Of the alleged \$145 billion in spending cuts, \$61 billion or 42 percent come from deep, but unspecified, reductions in national security and foreign affairs programs.

► Another \$58 billion - or 40 percent of the alleged \$145 billion in Clinton's cuts - are unspecified administrative gimmicks, vague reforms, and magic asterisks! Here he includes nearly \$10 billion in savings resulting from approval of a line-item veto, a measure repeatedly rejected by the Congress.

► Of the nearly 1,800 programs in the Federal budget, the only one Governor Clinton could propose ending is the \$40 million honey bee support program - a program Democratic Vice-Presidential nominee Al Gore voted to save at least three times.

► Clinton entitlement cuts consist of slight reductions in the ever expanding Medicare program. But he even does this by raising premiums rather than controlling costs.

► The Governor also advocates consolidating agency field offices, terminating noncompetitively awarded grants, and reducing the Federal workforce - proposals also recommended by the current Administration, but stonewalled by the Democratic-controlled Congress.

► Therefore, of Clinton's alleged \$145 billion in spending cuts, only \$26 billion, or 18 percent, are specific and real - honey bees, increased Medicare premiums, and Congressional rejects!

- Clinton speaks of creating jobs; but his economic proposals would destroy at least 2.5 million American jobs!

► Governor Clinton has proposed an additional \$58 billion in unspecified defense cuts - on top of those already proposed by the Bush Administration - leading to a significant loss of jobs in defense and high-technology industries. Clinton's defense cuts would eliminate more than one million jobs.

► The Joint Economic Committee estimates that a health care reform package, such as the one offered in Governor Clinton's plan, will cost some 713,000 Americans their jobs.

► In total, at least 2.5 million jobs would be lost as a direct result of Governor Clinton's "economic growth" plan, and that doesn't even try estimate the loss in auto jobs from higher CAFE standards:

- Defense jobs lost:	1,100,000
- Federal jobs lost:	100,000
- Jobs lost due to business tax increases:	300,000
- Jobs lost due to health care reform proposal:	700,000
- Jobs lost due to 1.5% payroll tax increase:	<u>300,000</u>

TOTAL: 2,500,000



- **Clinton speaks of responsibility; but his economic plan is based upon ambiguous assumptions, fiscal trickery, and an incredible "rosy" growth scenario!**

► Clinton has taken the unusual step of presenting a four-year rather than the normal five-years budget plan. This is interesting because, if he were to be elected, he would have to present a budget covering the period 1994 through 1998. Yet he may have chosen the period 1993 to 1996 because he is aware that projections show an improving deficit picture in those four years, but a worsening deficit picture beginning in 1997.

► Clinton's plan claims \$260 billion in deficit reduction by assuming economic growth. But the nonpartisan Congressional Budget Office has concluded that real growth would have to average a "rosy" 4.5 percent - a whole percentage point faster than anyone's estimate - to achieve Clinton's numbers.

► Clinton's numbers don't add up. Nearly \$130 billion of his supposed savings are unspecified gimmicks and highly questionable revenues.

► He ignores the new spending for his "play or pay" health plan, estimated at \$200 billion for one in Congress.

► He ignores another \$45 billion resulting from his so-called "middle income" tax cuts.

► He ignores the cost of extended unemployment benefits.

► He specifies only \$26 billion of his alleged \$145 billion in spending cuts.

► The likely impact of his economic program is, at least, an additional \$200 billion in deficit spending, not the \$75 billion reduction he advertises!

# CLINTON BUDGET PROPOSAL

(Deficit impact in \$ billions)

	1993	1994	1995	1996	4-Year Total
<u>BUDGET PLAN SUMMARY</u>					
CBO Baseline deficit a/.....	332.8	276.7	219.9	200.8	1,030.2
Clinton budget plan.....	(15.8)	(16.1)	(17.8)	(25.3)	(75.1)
"Real" impact.....	5.0	11.0	11.8	8.5	36.2
"Gimmicks" and questionable revenues.....	(20.8)	(27.1)	(29.7)	(33.8)	(111.3)
"Play or pay" health reform.....	9.0	15.0	23.0	70.0	117.0
Middle-income tax cut.....	1.0	14.0	15.0	15.0	45.0
Clinton budget deficit.....	317.0	260.6	202.1	175.5	955.1
"Real" Clinton deficit, including costs of other proposals.....	347.8	316.7	269.7	294.3	1,228.4

a/ Assumes conformance with 150 and domestic discretionary caps; assumes Bush request for defense.

NOTE: Details may not add to totals due to rounding.

(\*) Less than \$50 million.

Prepared 10-Aug-92



# CLINTON BUDGET PROPOSAL

(Deficit impact in \$ billions)

	1993	1994	1995	1996	4-Year Total
<u>DEFICIT REDUCTION</u>					
Defense:					
Unspecified cuts beyond Bush.....	(2.0)	(8.5)	(10.5)	(16.5)	(37.5)
Intelligence cuts.....	(1.0)	(1.5)	(1.5)	(1.5)	(5.5)
Procurement reform.....	(5.7)	--	--	--	(5.7)
Inventory system reform.....	(2.3)	(2.5)	(2.5)	(2.5)	(9.8)
Subtotal defense cuts.....	(11.0)	(12.5)	(14.5)	(20.5)	(58.5)
International:					
Consolidate overseas broadcasting system (USIA).....	(0.1)	(0.2)	(0.3)	(0.3)	(0.8)
Unspecified cuts.....	(2.0)	--	--	--	(2.0)
Subtotal international.....	(2.1)	(0.2)	(0.3)	(0.3)	(2.8)
Subtotal defense/international.....	(13.1)	(12.7)	(14.8)	(20.8)	(61.3)
Vague reforms and administrative gimmicks:					
Unspecified 3% admin cut.....	(2.0)	(5.0)	(6.5)	(8.5)	(22.0)
Line-item veto of pork barrel projects.....	(3.8)	(2.0)	(2.0)	(2.0)	(9.8)
Federal agency energy conservation.....	--	(0.9)	(0.9)	(0.9)	(2.6)
Reform debt financing.....	--	(2.0)	(2.0)	(2.0)	(6.0)
RTC reform.....	(4.0)	(4.0)	(4.5)	(4.6)	(17.1)
Subtotal gimmicks.....	(9.8)	(13.9)	(15.9)	(18.0)	(57.5)
Real reforms:					
Workforce reduction.....	(2.0)	(4.3)	(4.5)	(4.5)	(15.3)
White House staff cut.....	(*)	(*)	(*)	(*)	(*)
Legislative branch cut.....	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)
University projects.....	(0.7)	(0.8)	(0.8)	(0.8)	(3.1)
USDA field offices.....	(*)	(0.1)	(0.1)	(0.1)	(0.4)
HUD grants.....	(0.1)	(0.1)	(0.1)	(0.1)	(0.5)
Freeze consultants.....	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)
Increase nuclear waste disposal fees.....	(*)	(*)	(0.1)	(0.1)	(0.2)
Consolidate social services programs.....	--	(0.3)	(0.3)	(0.3)	(0.8)
Terminate honey price supports.....	(*)	(*)	--	--	(*)
Medicare Part B premiums.....	(0.6)	(1.0)	(1.0)	(1.8)	(4.4)
Subtotal real reforms.....	(3.7)	(6.8)	(7.2)	(8.1)	(25.9)
Total spending cuts.....	(26.6)	(33.3)	(37.8)	(46.8)	(144.6)

Table 1.3. GDP per capita in international dollars (1980 prices)

	1900	1913	1929	1950	1973	1987
Australia	2 923	3 390	3 146	4 389	7 696	9 533
Austria	1 651	1 985	2 118	2 123	6 434	8 792
Belgium	2 126	2 406	2 882	3 114	6 937	8 769
Canada	1 808	2 773	3 286	4 822	9 350	12 702
Denmark	1 732	2 246	2 913	3 895	7 845	9 949
Finland	1 024	1 295	1 667	2 610	6 804	9 500
France	1 600	1 934	2 629	2 941	7 462	9 475
Germany	1 558	1 907	2 153	2 508	7 595	9 964
Italy	1 343	1 773	2 089	2 323	6 824	9 023
Japan	677	795	1 162	1 116	6 622	9 756
Netherlands	2 146	2 400	3 373	3 554	7 754	9 197
Norway	1 218	1 573	2 184	3 436	7 071	11 653
Sweden	1 482	1 792	2 242	3 898	8 288	10 328
Switzerland	2 077	2 474	3 672	5 256	10 556	11 907
United Kingdom	2 798	3 065	3 200	4 171	7 413	9 178
United States	2 911	3 772	4 909	6 697	10 977	13 550
OECD average	1 817	2 224	2 727	3 553	7 852	10 205
Bangladesh	349	371	372	331	281	375
China	401	415	444	338	774	1 748
India	378	399	403	359	513	662
Indonesia	499	529	660	484	786	1 200
Pakistan	413	438	441	390	579	885
Philippines	718	985	1 091	898	1 400	1 519
South Korea	549 <sup>a</sup>	610	749	564	1 790	4 143
Taiwan	434	453	631	526	2 087	4 744
Thailand	626	652	616	653	1 343	2 294
Asian average	485	539	601	505	1 061	1 952
Argentina	1 284	1 770	2 036	2 324	3 713	3 302
Brazil	436	521	654	1 073	2 504	3 417
Chile	956 <sup>b</sup>	1 255	1 928	2 350	3 309	3 393
Colombia	610 <sup>b</sup>	801	975	1 395	2 318	3 027
Mexico	649	822	835	1 169	2 349	2 667
Peru	624 <sup>b</sup>	819	890	1 349	2 357	2 380
Latin American average	760	998	1 220	1 610	2 758	3 031
USSR	797	973	1 044	2 265	5 066	5 948


a) Korean per capita GDP assumed to have moved like the average for the other 8 Asian countries from 1900 to 1913.

b) Chilean, Colombian and Peruvian per capita GDP assumed to have moved like the average for the 3 other Latin American countries from 1900 to 1913.

Sources: Derived from Appendices A, B and C.



Memorandum

To: Senator Domenici  
From: Bill Hoagland   
Subject: How low will Clinton go?

August 24, 1992

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Confusion reigns as to what income level would be subject to increased income taxes in Governor Clinton's economic plan. The confusion is in large part because Governor Clinton himself has not been specific, preferring to use rhetoric such as the "very wealthy" and "only the rich" would see their taxes increase.

The document released by the Clinton Campaign Committee on June 21, entitled the "National Economic Strategy for America" shows one line: "Increase rates on top 2%, raise AMT, surtax on millionaires." This entry projects increased revenues of \$82.9 billion over four years. In later press reports, Clinton spokesmen have referred to the top 2% as couples earning more than \$200,000 a year.

We asked the CBO to run its individual income tax model to determine what the "top 2%" means in terms of Adjusted Gross Income (AGI). Lumping all returns together -- single, joint, head-of-household -- for 1992 the top 2% of AGI was found to average \$122,000. For single filers this means an income level of \$76,000; for joint filers an income level of \$127,000; and for head-of-household's an income level of \$108,000.

Therefore, using Clinton's own words -- "top 2%" -- you can be confident in stating that individuals with incomes of \$75,000 and couples with incomes of \$127,000 would have their taxes increase under his plan.

\*\*\*

However, we also know that Clinton's proposed \$150 billion tax increase included a proposal to collect taxes on U.S. subsidiaries of foreign owned corporations. His claimed \$45 billion in additional compliance revenues from these corporations is widely questioned. An estimate of this provision prepared for you by the Joint Tax Committee found that it would raise only about \$1.0 billion over four years.

If in the real "estimating" world Governor Clinton was serious about raising \$150 billion in taxes, he would need to find at least another \$44 billion. If this additional revenue were derived from the individual income tax code, then the income threshold levels estimated above would need to be lower still or

the new 36% tax rate would have to be even higher.

Using CBO data we estimate that to make up this revenue shortfall and retain a top rate of 36%, single filers would begin paying a higher 36% marginal tax rate at \$48,000 compared to the current 28% rate paid up to the threshold income level of \$53,550. Further, we estimate that joint filers would begin paying a higher 36% marginal rate at \$80,000 compared to the current 28% rate now paid up to the threshold income level of \$89,250.

Clearly, Clinton could argue that "if" he could not achieve the revenues he expects from taxing foreign corporations, he could derive the needed revenues from sources other than the personal income tax. Nevertheless, without specifying what these "other sources" might be the above analysis is defensible. Simply stated to make Governor Clinton's \$150 billion in new revenues real, tax rates for single individuals with incomes over \$48,000 and joint filers with incomes over \$80,000 would go up!



# Clinton Tax Increase Proposals (\$ billions)

	Clinton estimates				
	1993	1994	1995	1996	4-yr total
Increase Individual Income Taxes:					
Raise top marginal rate to 36% (\$80,000 joint, \$48,000 single) 1/.....	21.3	26.5	27.3	27.5	102.6
Increase individual AMT from 24 percent to 28 percent.....	5.5	5.3	6.1	9.2	26.1
Millionaire surtax.....	2.0	1.9	2.0	2.1	8.0
Subtotal, individual.....	28.8	33.7	35.4	38.8	136.7
Increase Corporate Taxes:					
Limit corporate deductions at \$1 million for executive compensation.....	0.1	0.4	0.4	0.4	1.3
End incentives for opening plants overseas..	0.3	0.4	0.4	0.4	1.5
Increased fines and taxes for corporate polluters.....	1.8	2.5	2.9	2.9	10.1
Eliminate deduction for lobbying expenses...	0.1	0.1	0.1	0.1	0.4
Subtotal, corporate.....	2.3	3.4	3.8	3.8	13.3
Total Tax Increases.....	31.1	37.1	39.2	42.6	150.0

1/ In order to raise this amount of revenue, staff estimates that 1993 tax rates would be raised:

Married, Filing Jointly	
AGI	Marginal Tax Rate
\$0-36,900	15%
\$36,900-80,000	28%
\$80,000 and up	36%

Single Filer	
AGI	Marginal Tax Rate
\$0-22,130	15%
\$22,130-48,000	28%
\$48,000 and up	36%

Head of Household	
AGI	Marginal Tax Rate
\$0-29,520	15%
\$29,520-64,000	28%
\$64,000 and up	36%

Note current marginal rates for 1993 are:

Married, Filing Jointly	
AGI	Marginal Tax Rate
\$0-36,900	15%
\$36,900-89,250	28%
\$89,250 and up	31%

Single Filer	
AGI	Marginal Tax Rate
\$0-22,130	15%
\$22,130-53,550	28%
\$53,550 and up	31%

Head of Household	
AGI	Marginal Tax Rate
\$0-29,520	15%
\$29,520-71,400	28%
\$71,400 and up	31%



July 1, 1992

## CLINTON'S ECONOMIC PLAN

### Much Less than Meets the Eye

Presidential candidate Bill Clinton's 22 page economic plan, upon analysis, is insubstantial and hardly more than a hoax. President Bush, by contrast, has submitted a detailed Federal budget plan for Fiscal Year 1993 through 1997 of more than 550 pages (plus over 1,000 pages of detailed agency and program information, cross-referenced to statutes).

The Clinton document emphasizes tax increases and spending for public works -- conventional Democrat philosophy. It relies on budget gimmicks, of the type ruled out of order by the Congressional Budget Act, for \$71 billion dollars of such things as unspecified "management savings" and optimistic IRS estimates. When these are excluded, the Clinton budget would add nearly \$50 billion to current deficit estimates.

Clinton's New Taxes					
	FY.93	FY.94	FY.95	FY.96	4.yr
Individual income taxes	\$17.8	\$20.5	\$21.6	\$23.0	\$82.9
Corporate income taxes					
Cap executive pay	0.1	0.4	0.4	0.4	1.3
Overseas plant expenses	0.3	0.4	0.4	0.4	1.5
Pollution-related taxes	1.8	2.5	2.9	2.9	10.1
Lobbying expenses	0.1	0.1	0.1	0.1	0.4
IRS enforcement gimmicks					
Unearned income tax fraud	2.0	22.2	2.3	2.3	8.8
Foreign corporations	9.0	11.0	11.5	13.5	45.0
<b>TOTAL NEW TAXES</b>	<b>\$31.1</b>	<b>\$57.1</b>	<b>\$39.2</b>	<b>\$42.6</b>	<b>\$150.0</b>
Billions of dollars					

#### What's wrong with the economic plan?

- \$150 billion in new tax increases
- \$220 billion in new spending
- No commitment to balance the budget, and a strong dose of "gimmicks" to fool the unwary.

#### Conspicuously missing:

- No cost estimates for children's tax credit
- No proposals to control mandatory spending



## CLINTON'S ECONOMIC PLAN

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### Economically destructive proposals for tax increases on "wealthiest Americans."

For small businessmen (proprietors, sub-S corporations) the proposed tax increases directly affect their businesses, and America's future economic growth:

- for family income over \$200,000, a new tax bracket at 35% or 36%;
- a previous Clinton proposal had a 38.5% bracket on \$90,000+ individuals.

Rhetorical scattergun tax ideas appeal to envy and raise very little revenue:

- a 10% surtax on millionaires
- increase in the Alternative Minimum Tax (no details provided)
- increased Medicare-B charge for seniors with incomes above \$125,000
- tax penalties for corporations that pay executives more than \$1 million.

### Using the tax code for protectionism.

Clinton proposes to use the tax code for trade protectionism, which can only damage America's competitiveness. Clinton's proposal would make government permission necessary to import needed components and semi-finished products. In today's interdependent world economy, such an increase in government micromanagement would be very unlikely to "put Americans to work."

Clinton's New Spending					
	FY.93	FY.94	FY.95	FY.96	4.yr
Public Works	\$23.2	\$29.3	\$27.2	\$26.1	\$105.8
Work and families	3.5	5.0	6.0	6.5	21.0
Lifetime learning	10.1	14.3	17.2	21.6	63.1
Tax expenditures					
Enterprise zones	.*	0.1	0.2	0.3	0.6
Targeted ITC	4.5	5.0	6.0	6.3	21.8
R&D tax credit	0.8	1.4	1.6	1.8	5.6
Capital gains	-0.2	-1.2	0.4	0.9	-0.1
Apprenticeship program	.*	.*	0.1	0.1	0.2
Expanded EITC	.*	0.5	0.5	0.5	1.5
<b>TOTAL NEW SPENDING</b>	<b>\$41.9</b>	<b>\$54.4</b>	<b>\$59.2</b>	<b>\$64.1</b>	<b>\$219.5</b>
	Billions of dollars				(* = less than .05)

### Public works spending is hardly something new.

If money alone could "rebuild America" and fix problems in the cities, the \$1.5 trillion spent since 1980 should have done it. CDB grants is classic "throwing money at a problem," but big city mayors want promises of more Federal funding.



## CLINTON'S ECONOMIC PLAN

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### Has our infrastructure been neglected?

The Bush Administration, working with Congress, has passed and implemented the largest surface transportation bill in history (\$153 billion over 6 years; 2-4 million jobs); states cannot fully absorb current available funding. As of June 24, more than 33 percent of Federal funds available this fiscal year for highway and transit projects has yet to be obligated. Due to budget constraints at the state and local level, existing dollars are being put to work as quickly as possible -- the pipeline is full. More funding for infrastructure investment will either sit there, or be wasted on questionable projects.

Clinton's Cuts in Current Programs					
	FY.93	FY.94	FY.95	FY.96	4.yr
Mandatory programs					
Honey price supports	\$ .*	\$ .*	\$ 0.0	\$ 0.0	\$ .*
Medicare-B premiums	0.6	1.0	1.0	1.8	4.4
Consolidate social prog.	0.0	0.3	0.3	0.3	0.8
Defense programs					
Unspecified defense cuts	2.0	8.5	10.5	16.5	37.5
Intelligence cuts	1.0	1.5	1.5	1.5	5.5
Procurement reform	5.7	0.0	0.0	0.0	5.7
Inventory system reform	2.3	2.5	2.5	2.5	9.8
International programs					
Consolidate USIA	0.1	0.2	0.3	0.3	0.8
Unspecified other cuts	2.0	0.0	0.0	0.0	2.0
Domestic discretionary programs					
White House staff	.*	.*	.*	.*	.*
Congressional staff	0.1	0.1	0.1	0.1	0.4
Fed. agency energy convs.	0.0	0.9	0.9	0.9	2.6
Nuclear waste fees	.*	.*	0.1	0.1	0.2
University projects	0.7	0.8	0.8	0.8	3.1
USDA field offices	.*	0.1	0.1	0.1	0.4
HUD grants	0.1	0.1	0.1	0.1	0.5
<b>TOTAL REAL SAVINGS</b>	<b>\$14.6</b>	<b>\$16.0</b>	<b>\$18.2</b>	<b>\$25.0</b>	<b>\$73.7</b>
	Billions of dollars				(* = less than .05)

### What's wrong with Clinton's proposal for "leveraging" Federal funds?

He suggests using pension funds for infrastructure investments. ERISA rules and "prudent man" fiduciary standards now prevent boondoggle investments of pension funds. The proposal to create financial joint ventures with private capital is an illusory way to play down the cost to taxpayers of the ambitious spending program Clinton envisions.



## CLINTON'S ECONOMIC PLAN

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### Do we need a nationwide, Federally built computer network?

Clinton's computer proposal is not new; what is new is the proposal to have the Federal government do it. World-wide computer on-line database services (e.g. Compuserve, Prodigy, thousands of BBS systems) are thriving in the private sector; university professors and graduate students, as well as research organizations, have been linked by Internet for over 10 years; millions of homes now have computers, and computer literacy is taught in elementary schools.

### Clinton's Budget Gimmicks

	FY.93	FY.94	FY.95	FY.96	4.yr
Unspecified 3% adm. cut	\$2.0	\$5.0	\$6.5	\$8.5	\$22.0
Workforce reduction	2.0	4.3	4.5	4.5	15.3
Line-item veto	3.8	2.0	2.0	2.0	9.8
Freeze consultants	0.2	0.2	0.2	0.2	0.8
Reform debt financing	0.0	2.0	2.0	2.0	6.0
RTC reform	4.0	4.0	4.5	4.6	17.1
<b>TOTAL GIMMICKS</b>	<b>\$12.0</b>	<b>\$17.5</b>	<b>\$19.7</b>	<b>\$21.8</b>	<b>\$71.0</b>
Billions of dollars					

### More investment in environmental systems sounds wonderful.

But existing requirements and incentives under the Clean Air Act and Clean Water Act already stimulate development and implementation of environmental systems for recycling and prevention. Investment decisions should be made by private sector and local authorities who can evaluate trade offs among other investments and employment.

### Is Clinton's idea of converting defense resources to civilian purposes new?

Defense conversion is a challenge American businessmen met easily and productively at the end of World War II. There is no reason to believe a Defense Department program would be superior to U.S. Department of Labor programs and state employment and training programs. Requiring contractors for the "Rebuild America Fund" to work through the Pentagon for manpower, materials, and resources is an absurd "industrial policy" concept that resembles the economic system Boris Yeltsin is now struggling to get away from.

### A bold new idea: community development banks?

There is apparently no difference between the community development bank concept and the SBA programs that have just been given additional funding at President Bush's initiative following the Los Angeles riot -- except perhaps more direct lending.

### A National Police Corps, employment opportunities for discharged soldiers.

Clinton proposes to employ 100,000 discharged military personnel in a "national police corps." This is a dangerous idea. Law enforcement must remain a local function in our federal system. The President's crime bill is a more logical solution to urban crime.



## CLINTON'S ECONOMIC PLAN

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### **One really excellent idea: to direct more investment into depressed inner cities.**

Urban enterprise zones are a Republican idea whose time has come! It's about time Congressional Democrats noticed Clinton's commitment to this Administration proposal to bring new capital investment to depressed areas. His proposal to use the Community Reinvestment Act will not improve small business and homeowner financing in distressed communities; government capital controls cannot foster prudent loans and investments. Banks have closed branches in neighborhoods with bad loan loss records because of the CRA, reducing access to financial services for residents.

### **Industrial policy for high-technology investments.**

Clinton has espoused the ideology of his most left-wing supporters in proposing an industrial policy for high technology investments. Government "industrial policy" programs for direct investment have not worked anywhere -- not in Europe, Japan, nor in this country. Clinton's entire private sector investment strategy betrays the lingering Democrat belief in government planning and direction of business. Republicans know that new business ideas and economic growth come from individual people, in a free market, not from the government.

### **Nothing new in Clinton's proposals for trade negotiations.**

The Bush Administration has the most successful trade negotiation track record since the 1960s.

- Intellectual property rights secured by agreements with China, Thailand, India, and Mexico.
- Market-opening concessions by Korea, Taiwan, Japan, and Latin America
- Initiated free trade agreements with Mexico and Latin American countries.

### **What's wrong with Clinton's proposal for a new, stronger Super 301 power?**

Super 301 powers have been used effectively by the Bush Administration, because Republicans understand success is measured by *avoiding* the actual triggering of sanctions. Trade sanctions imposed by the U.S. on foreign nations hurt American citizens as much as anyone else. A new, stronger Super 301 power would add nothing to the ability of the Administration to negotiate more open trade agreements. The call for a "new, stronger Super 301" is a cryptic way to advocate *imposing* trade sanctions and closing U.S. markets. Protectionism is an irrational, self-destructive economic policy.

### **An Economic Security Council?**

By analogy with the National Security Council, Clinton's "economic security council" would coordinate international economic policy. There is no clear mission, however, for a new government agency to duplicate U.S.T.R. and branches of the Commerce, Treasury, and State Departments -- unless Clinton is an advocate of trade war.

### **Should Federal employees be barred ever from working for foreign companies?**

Post-employment restrictions on individuals who serve in the U.S. government in any capacity would act as serious barriers to recruiting talented or experienced personnel. There is no evidence that any former employee of U.S.T.R. has acted contrary to the interests of the United States, even as counsel or representatives of foreign companies. The false premise of the concept of employment restrictions is that trade is a zero-sum game: that if any foreign client persuades the U.S. government of its arguments, that some U.S. citizen must lose.



## CLINTON'S ECONOMIC PLAN

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### BUDGET SUMMARY

	FY93	FY94	FY95	FY96	1993-96
	(billions of dollars)				
NEW TAXES					
Individual income taxes	17.8	20.5	21.6	23.0	82.9
Corporate income taxes	2.3	3.4	3.8	3.8	13.3
IRS enforcement gimmicks	11.0	33.2	13.8	15.8	53.8
TOTAL NEW TAXES	31.1	57.1	39.2	42.6	150.0
NEW FEDERAL SPENDING					
Public works spending	23.2	29.3	27.2	26.1	105.8
Work and families	3.5	5.0	6.0	6.5	21.0
Lifetime learning	10.1	14.3	17.2	21.6	63.1
Tax expenditures	5.1	5.8	8.8	9.9	29.6
TOTAL NEW SPENDING	41.9	54.4	59.2	64.1	219.5
CURRENT PROGRAM CUTS					
Mandatory programs	0.6	1.3	1.3	2.1	5.2
Defense programs	11.0	12.5	14.5	20.5	58.5
International programs	2.1	0.2	0.3	0.3	2.8
Domestic discret. programs	0.9	2.0	2.1	2.1	7.2
TOTAL REAL SAVINGS	14.6	16.0	18.2	25.0	73.7
"GIMMICK" SAVINGS					
Unspecified 3% adm. cut	2.0	5.0	6.5	8.5	22.0
Workforce reduction	2.0	4.3	4.5	4.5	15.3
Line-item veto	3.8	2.0	2.0	2.0	9.8
Freeze consultants	0.2	0.2	0.2	0.2	0.8
Reform debt financing	0.0	2.0	2.0	2.0	6.0
RTC reform	4.0	4.0	4.5	4.6	17.1
TOTAL GIMMICKS	12.0	17.5	19.7	21.8	71.0
TOTAL DEFICIT REDUCTION					
	-15.8	-16.1	-17.8	-25.3	-75.1
"Real" Impact	7.2	14.6	15.7	12.3	49.7
"Gimmicks"	-23.0	-30.7	-33.5	-37.6	-124.8
CBO BASELINE DEFICIT					
	332.8	276.7	219.9	200.8	1,030.2
Clinton deficit	317.0	260.6	202.1	175.5	955.1
"Real" Clinton deficit	340.0	291.3	235.6	213.1	1,079.9

[Source: Senate Budget Committee Minority

Staff contact: Joe Cobb, 224-2946

**U.S. Senate  
Republican Policy  
Committee**

Don Nickles, Chairman  
Kelly D. Johnston, Staff Director

# Talking Points

July 24, 1992

## Status Report on The President's Program: America Still Waits

President Bush, in his January 28th State of the Union Address, challenged Congress to act on a seven-point, short-term economic growth and job creation bill by March 20th. The Republican Leader introduced S. 2195 on February 5th, followed by S. 2217 on February 7th, which include the major components of the President's economic program.

It's been 178 days since the President's challenge, and the country awaits Congressional action on an economic growth bill.

### Not Just the Economy

Congress has also stalled on the President's and Republican Senate proposals for comprehensive health care reform; education reform; enhanced recission authority, or the line item veto; crime legislation; and the energy bill. Additionally, the House has voted to cut the President's applied research initiatives by more than \$500 million and to only extend the R&D tax credit on a temporary basis.

Attached is a comprehensive update on the status of every Presidential proposal, including:

1. Growth Incentives and Tax Reductions
2. Comprehensive Healthcare Reform
3. Investing in Education and Job Training
4. Energy and the Environment
5. Hope for Distressed Communities
6. Building Infrastructure for Tomorrow
7. Global Leadership for the 21st Century
8. Economic Competitiveness
9. Reducing the Deficit and Controlling Federal Spending



## Growth Incentives and Tax Reductions

President's Initiative	Congressional Response
<p>In his State of the Union address on January 28th, President Bush challenged Congress to act by March 20 on a bill that would encourage job-creating investment, spur economic growth, and provide incentives for working families and first-time homebuyers.</p> <p><u>Incentives for First-time Homebuyers</u> -- \$5,000 Tax Credit, Penalty-free IRA Withdrawal.</p> <p><u>Promoting Job-Creating Investment</u> -- Capital Gains Tax Rate Reduction, Enterprise Zones, Investment Tax Allowance.</p> <p><u>Help for Working Families</u> -- \$500 per child increase in the personal exemption.</p> <p><u>Small Business Incentives</u> -- AMT Tax Relief, Passive Loss Relief</p> <p>President's <u>Regulatory Review</u> Initiative. This unilateral administrative action to reduce the burden of Federal regulations has saved workers and consumers an estimated \$15-20 billion.</p>	<p>177 days have passed since the State of the Union and a real economic growth bill has yet to reach the President's desk.</p> <p>Congress passed a \$100 billion tax increase on March 20th. The bill would increase taxes on small business owners and entrepreneurs -- the very people who create most jobs in the economy. The President vetoed the bill, and his veto was sustained in the House on March 25th.</p> <p>On July 2nd, the House passed the Revenue Act of 1992. This bill contains a more modest enterprise zone proposal than that proposed by the President, and modified versions of the President's passive loss and AMT proposals.</p>



## Comprehensive Health Care Reform

President's Initiative	Congressional Response
<p>The President announced his <u>comprehensive health care reform plan</u> on February 6th. This is a market-based system that builds on the strengths of the current system to provide access to affordable insurance for all Americans. Some key elements of the plan are discussed below:</p> <p><u>Health Insurance Market Reform</u> initiative (May 8th) would reform the health insurance market to make coverage more secure, available and less costly for millions of Americans.</p> <p><u>Medical and Health Insurance Information</u> initiative (June 16th) would eliminate unnecessary administrative costs and strengthen administrative activities that improve the quality of care.</p> <p><u>Malpractice Reform</u> initiative (July 2nd) would reduce the insurance, litigation, settlements, and defensive medicine costs that contribute to escalating health care costs.</p> <p>100% deductibility for health insurance premiums for the self-employed.</p> <p><b>Funding Increases for preventive health care initiatives</b> include among others: childhood immunizations (up 18%); infant mortality/Healthy Start (up 17%); WIC nutritional assistance (up 9%); HeadStart (up 27%), and access to primary care/childcare services (up 24%).</p>	<p>Both the House and Senate Republican Health Care Task Forces have introduced comprehensive legislation containing elements of the President's plan. Despite bipartisan support for components of these plans, Congress has failed to act on any health care reform plan.</p> <p>Current law provides a 25 percent deduction. The House-passed version of H.R. 11 contains a 6-month extension of current law.</p> <p>The House Labor-HHS-Education Appropriations subcommittee bill funds the following the following preventive care initiatives below the President's request: immunizations (\$3 million), Healthy Start (\$83 million), infant mortality (\$140 million) and Head Start (\$82 million). The House-passed Agriculture appropriations bill provides funding for WIC and child nutrition programs consistent with the President's request.</p>



## Investing in Education and Job Training

President's Initiative	Congressional Response
<p><b><u>Education</u></b></p> <p><b>America 2000, Excellence in Education Act</b></p> <p>A \$6 billion increase for Federal Support for <b>National Education Goals</b>, up 8 percent over 1992. This includes 15 percent (\$2.6 billion) more for preschool children, and 10 percent (\$2.1 billion) more for childhood development programs. <b>Head Start</b> would receive a record \$600 million (27 percent) increase in funding, the largest one-year increase ever.</p> <p><b>Federal Grants for State and Local "GI Bills" for Children</b> would provide Federal grants to States and localities to provide middle and low income families with \$1,000 scholarships to use at any lawfully operating school.</p> <p><b><u>Work Force Development</u></b></p> <p><b>\$11.7 billion</b> for a new coordinated, comprehensive, market-driven system: <b>Job Training 2000</b>. This new program will replace the 60 Federal job training programs currently administered by 7 different Federal agencies.</p> <p>Incentives to help students and disabled Americans enter the workplace, and older workers get additional training.</p>	<p>In 1989, the President submitted his plan to help communities achieve the National Education Goals by the year 2000. A revised plan was submitted on May 23, 1991. Because Congress failed to act on this proposal, \$100 million previously appropriated to fund reform will now be available for other education purposes.</p> <p>Congress has failed to enact a single choice program or demonstration project.</p> <p>The Senate passed an alternative education bill in January 1992 which does not include a school choice initiative. The House has yet to act on the proposal.</p> <p>House Labor-HHS-Education Appropriations subcommittee bill provides no funds for America 2000. No funding is provided for the "GI Bills" for Children program. Discretionary education programs are funded \$300 million below the President's request.</p> <p>Submitted on May 28, 1992. To date, no legislative action has been scheduled on Job Training 2000.</p> <p>There has been no legislative action on the Administration's youth apprenticeship (1/29/92) or rehabilitation act proposals. Congress included minor elements of the Administration's lifelong learning proposal in the Higher Education Act.</p>



## Energy and the Environment

President's Initiative	Congressional Response
<p><b><u>Energy</u></b></p> <p>The President announced the <u>National Energy Strategy</u> (NES) on March 20, 1991. NES promotes 1) environmentally conscious development of America's domestic energy resources; 2) improved energy efficiency; and 3) the timely development of renewable and alternative energy sources.</p> <p><b><u>Environment</u></b></p> <p>The President proposes a <u>22 percent (\$3.4 billion) increase for priority environmental investments</u>, including:</p> <ul style="list-style-type: none"> <li>Protect and expand national and state parks wildlife refuges and other public lands.</li> <li>Higher funding for federal facility and Superfund cleanup.</li> <li>Wetland protection.</li> <li>Increases in pollution control and resource protection.</li> <li>Expanded global change research.</li> </ul>	<p>The Senate-passed National Energy Security Act (February 19th) contains most of the Administration's NES initiative. On May 27th the House passed a related bill which contains objectionable provisions, such as restrictions on OCS and natural gas development. The Senate is expected to consider the tax provisions of its energy bill this week.</p> <p>The House Appropriations Committee voted for significant reductions in the requested level of these activities. For example, the Committee has reduced funding for the President's <u>America the Beautiful</u> initiative in the Interior Appropriations bill by \$262 million (14 percent). The Committee bill uses the savings to fund: among other things: unneeded construction of Interior Department buildings and facilities (a \$173 million increase) and increases for programs targeted by the President for termination or consolidation (a \$49 million increase). The Senate has yet to take action on the 1993 Appropriations bills.</p>



## Hope for Distressed Communities

President's Initiative	Congressional Response
<p>\$500 million for the <u>Weed and Seed</u> initiative. This proposal combines increased support for state and local law enforcement with economic incentives and expanded social services to revitalize targeted communities.</p> <p>On February 9, 1989, the President called for the establishment of <u>Enterprise Zones</u> to promote entrepreneurship and job creation in distressed urban and rural communities. The Administration has since revised its EZ proposal (June 3, 1992) to broaden and deepen the tax incentives associated with zones.</p> <p>The Administration proposed \$1 billion in 1993 for <u>HOPE grants</u> to enable low-income families to achieve homeownership. The Administration has also proposed penalty-free withdrawal of IRA funds and a \$5,000 tax credit for eligible first-time homebuyers.</p> <p>The Administration proposed funding for 82,699 vouchers for 1993 and reduced public housing subsidies for local housing authorities and incentives for public housing tenants to take over management of troubled projects.</p> <p>On June 22, 1992, the President signed the FY 1992 Dire Emergency Supplemental Appropriations Bill, providing \$500 million to create an additional 414,000 summer youth jobs.</p>	<p>In H.R. 11, the House voted to authorize a modified version of the Administration's Weed and Seed proposal. The House VA-HUD and Independent Agencies Appropriations Subcommittee proposed no funds for Weed and Seed. The Senate has not yet acted on its 1993 appropriations bills.</p> <p>The House-passed version of H.R. 11 includes authorization for 50 zones with a 50% reduction in capital gains taxation. The Finance Committee is expected to consider similar legislation next week.</p> <p>The House VA-HUD Appropriations Subcommittee bill provides \$361 million for HOPE. The House defeated an amendment to H.R. 4210 which would have authorized the Administration's IRA and homebuyer's tax credit.</p> <p>The House VA-HUD Appropriations Subcommittee bill funds 50,000 vouchers. The bill also prevents HUD from reducing public housing subsidies to local housing authorities. The House Banking Committee has rejected the Administration's tenant management proposal.</p>



## Hope for Distressed Communities (Continued)

President's Initiative	Congressional Response
<p><b><u>Fighting Crime and Drugs</u></b></p> <p>Record level of investment in anti-Crime/drug abuse programs (\$28.5 billion).</p> <p>On March 11, 1991 the President proposed a comprehensive crime bill to provide law enforcement officials with the tools necessary to keep dangerous criminal behind bars. He challenged Congress to act on this legislation within 100 days.</p> <p>\$173 million for strengthened international law enforcement to help stem the flow of drugs into the United States.</p>	<p>501 days have passed and Congress has yet to produce a crime bill that incorporates acceptable provisions regarding the death penalty, habeas corpus, and the exclusionary rule. The House passed the conference report on the crime bill on November 27, 1991. The Senate has yet to pass the conference report.</p> <p>The House-passed Foreign Operations Appropriations bill reduces the President's request for international law enforcement by \$25 million.</p>



## Building Infrastructure for Tomorrow

President's Initiative	Congressional Response
<p><b><u>Transportation</u></b></p> <p><b>\$19.2 billion for highway construction and rehabilitation (a 13 percent increase).</b></p> <p><b>\$2.6 billion for air traffic modernization and \$1.9 billion for airport capacity project funding.</b></p>	<p>The House Appropriations Committee reported a bill which contains over \$1 billion in earmarked, highway "pork" projects. Despite a senior advisors veto threat, the House voted on July 9 to finance the President's request for highway funding by increasing the deficit and breaking the 1990 Budget Agreement.</p> <p>The House-passed Transportation Appropriations bill reduces the President's proposed air traffic modernization and airport capacity investments by almost \$300 million.</p>
<p><b><u>Research &amp; Development</u></b></p> <p><b>Record level of Federal investment in R&amp;D (\$76.6 billion).</b> Including investments in both applied research and basic research in agriculture, biotechnology, computers and communications, education, energy, environment, manufacturing, space, technology and transportation.</p> <p><b>Continued call for permanent extension of the R&amp;D tax credit</b> (first proposed on 2/9/89) to promote private sector investment in R&amp;D.</p>	<p>To date, the House has voted to cut each of the President's 10 major applied research initiatives by well over half a billion dollars. The House has voted to cut each of the President's seven basic research proposals by a total of \$300 million. The Senate has yet to act on these proposals.</p> <p>The House-passed tax bill, H.R. 11, includes an 18-month extension of the R&amp;D tax credit.</p>
<p><b><u>Space</u></b></p> <p>Investments to improve access to space and to continue space exploration.</p>	<p>The House VA-HUD Appropriations Subcommittee has voted to cut \$500 million from the President's space exploration request and \$525 million from Space Station Freedom.</p>



## Global Leadership for the 21st Century

President's Initiative	Congressional Response
<p><b><u>National Defense</u></b></p> <p>The adaptation of U.S. defense strategy to new global conditions, allows the President to recommend an orderly build-down of U.S. military forces. This year's budget requested <b>\$50 billion in defense cuts by 1997</b>. In addition to cuts already planned, by 1997 the cumulative real decline in defense budget authority is 37 percent from 1985 and 29 percent from 1989.</p> <p>Within a smaller defense budget, the President requested a greater share of funds for research and development.</p> <p><b><u>International Affairs</u></b></p> <p>The <b>Freedom Support Act</b>, providing humanitarian aid and technical assistance to the former republics of the Soviet Union, was requested to promote stability and provide a foundation for continued democratic change. The Act also authorizes a U.S. quota increase in the International Monetary Fund.</p> <p>The <b>Enterprise for the Americas Initiative (EAI)</b> seeks to promote strong economic growth in Latin America. Aims of this initiative include stimulating greater demand for U.S. exports to Latin America and creating more jobs for American workers.</p>	<p>The 1993 Budget Resolution provides \$3.6 billion in BA and \$2.3 billion in outlays less than the President's request.</p> <p>The House has completed action on all defense-related bills, providing considerably less than requested. The House-passed DoD Authorization is \$10.3 billion (BA) below the request; the DoD Appropriation is \$8.7 billion (BA) below the request. The Senate has taken no action on defense authorization or appropriations.</p> <p>The House-passed DoD Appropriations bill contained significant changes to the President's DoD R&amp;D program, reducing it by over \$8 billion (BA).</p> <p>On July 2, the Senate passed the Freedom Support Act. The House has not acted on this proposal. On June 30, the House-passed Foreign Operations bill provided funding for assistance to the former Soviet republics.</p> <p>The House-passed Foreign Operations Appropriations bill cuts funding for the for the Multilateral Investment Fund by \$25 million below the request and rejected the Administration's \$216 million development aid debt restructuring proposal. The House-passed Agriculture Appropriations bill (June 30) provided the requested \$70 million for P.L. 480 debt reduction under the EAI.</p>



## Economic Competitiveness

President's Initiative	Congressional Response
<p>The Administration has endorsed a series of proposals to reform the legal system. These include <b>Civil Justice Reform</b> introduced 2/7/92), <b>Product Liability/Tort Reform</b> (announced 11/7/91) and <b>Malpractice Reform</b> (introduced 2/7/92).</p> <p><b>Job Training 2000 and America 2000, Excellence in Education Act</b> (see "Investing in Education and Job Training").</p> <p>The Administration is in the process of negotiating comprehensive <b>GATT</b> and <b>NAFTA</b> trade agreements to open markets to U.S. exports, promote trade, economic growth and job creation.</p> <p>Comprehensive <b>Financial Services Modernization</b> legislation was proposed in 1991. An new proposal to ease the "credit crunch" by reducing the regulatory burden on financial institutions was announced on June 24th.</p> <p><b>National Energy Strategy</b> (see "Energy and the Environment")</p>	<p>These proposals were introduced as part of the Economic Growth Act of 1992 in both Houses of Congress. No further legislative action has been taken on these proposals.</p> <p>No legislative action required at this point.</p> <p>Congress failed to enact the President's modernization initiative. No action has been taken on the Credit Availability and Regulatory Review Act.</p>



## Reducing the Deficit and Controlling Federal Spending

President's Initiative	Congressional Response
<p><b><u>Balanced Budget Constitutional Amendment--</u></b> In his first legislative proposal to Congress, President Bush urged Congress to adopt a BBCA. Earlier this year, the President endorsed two different BBCA amendments.</p> <p><b><u>Rescinding Unnecessary Appropriations --</u></b> The 1993 budget proposed terminating 246 domestic discretionary programs that would have reduced budget authority by \$5 billion.</p> <p><b><u>Line Item Veto --</u></b> The President seeks the same authority that governors already enjoy. The President requests the authority to strike from legislation provisions that reflect only narrow, special, or wasteful interests.</p> <p><b><u>Enhanced Rescission Authority --</u></b> Under current law, Presidential rescission proposals do not become law unless Congress votes to rescind within 45 days of the request. The President seeks to strengthen his ability to reduce unnecessary spending by tightening the rules and <u>requiring</u> Congress to vote on rescission requests.</p> <p><b><u>Capping the Growth of Mandatory Spending -</u></b> - The President has proposed capping the largest and fastest growing portion of the Federal budget. This action alone would significantly reduce the deficit; coupled with reasonable economic growth such action could eliminate the deficit by 1998.</p>	<p>On June 11, the House narrowly defeated a balanced budget amendment that was strongly supported by the President. The measure fell 9 votes short of the 2/3 majority required to pass a constitutional amendment. On June 30 and July 1, the Senate blocked (56 to 39 -- 60 votes needed), by procedural vote, consideration of the Balanced Budget Amendment.</p> <p>Appropriations actions to date indicate the vast majority of unnecessary programs will continue to be funded next year. Likewise, of the 73 domestic rescission proposals transmitted this year (totaling \$737.7 million), Congress rejected 99% of the proposed savings, accepting only \$10.4 million of the amounts proposed by the President.</p> <p>Although the Administration has submitted numerous budget process reform proposals for consideration, Congress has not yet acted on a single one. The Speaker of the House recently announced that the House will consider the line item veto <u>next year</u>.</p> <p>The House has voted on two separate occasions to increase domestic discretionary spending by removing firewalls between discretionary spending caps. The first effort failed on March 10. The second effort passed on July 9.</p>



*Bob Dole*



NEWS

U.S. SENATOR FOR KANSAS

FROM:

SENATE REPUBLICAN LEADER

FOR IMMEDIATE RELEASE  
AUGUST 24, 1992

CONTACT: WALT RIKER  
(202) 224-5358

## DOLE APPLAUDS PRESIDENT BUSH'S TRAINING INITIATIVE

WASHINGTON - SENATE REPUBLICAN LEADER BOB DOLE TODAY APPLAUDED PRESIDENT BUSH'S NEW INITIATIVE FOR HELPING MAKE AMERICA'S WORKERS MORE COMPETITIVE. THE PRESIDENT UNVEILED HIS PLAN IN UNION TOWNSHIP, NEW JERSEY.

"IT WILL BE UP TO CONGRESS TO FOLLOW THE PRESIDENT'S EXCELLENT INITIATIVE" DOLE SAID.

"COMPETITION IN WORLD MARKETS ISN'T GETTING ANY EASIER, THAT'S WHY OUR WORKFORCE NEEDS THIS KIND OF BOLD INITIATIVE SO AMERICA WILL BE LEADING THE PACK, NOT RESTING ON OUR LAURELS."

THE PRESIDENT'S INITIATIVE HAS TWO PARTS: THE FIRST HELPS PREPARE NON-COLLEGE BOUND YOUTH FOR AN INCREASINGLY DEMANDING AND SKILLS-ORIENTED JOB MARKET; THE SECOND PART LOOKS AT DISLOCATED WORKERS WHO NEED NEW SKILLS AND GETS THEM BACK TO WORK IN GOOD JOBS.

"GETTING YOUTHS -- PRIMARILY THOSE WHO ARE ECONOMICALLY AND SOCIALLY DISADVANTAGED -- WHO FACE A FUTURE OF LOW PAYING OR NO JOBS -- INTO TRAINING PROGRAMS THAT EMPHASIZE PRACTICAL SKILLS DEVELOPMENT AND DISCIPLINE IS ONE WAY THIS PROPOSAL WILL DELIVER.

"FOR THOSE WORKERS WHOSE JOBS ARE EITHER LOST OR THREATENED AS A RESULT OF TECHNOLOGICAL ADVANCES AND CHANGES IN THE INTERNATIONAL ECONOMY, THIS PROPOSAL WILL PROVIDE UNIVERSAL TRAINING COVERAGE TO GET THESE INDIVIDUALS BACK IN THE WORKFORCE", DOLE ADDED.

OVER FIVE YEARS, THIS PROPOSAL REPRESENTS A MORE THAN \$13 BILLION INITIATIVE CAPABLE OF SERVING MILLIONS OF DISLOCATED WORKERS AND STUDENTS.

"IF THERE IS ONE WORD THAT SUMS UP THE PRESIDENT'S PROPOSAL, IT IS 'COMMITMENT' LET'S HOPE CONGRESS CAN MATCH IT."

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A4 TUESDAY, AUGUST 25, 1992 ...

THE WASHINGTON POST

## CAMPAIGN '92

# \$10 Billion Job Training Proposed

*Bush Says 'Work Force' Plan Would Not Raise Taxes or U.S. Spending*

By Ruth Marcus  
Washington Post Staff Writer

ANSONIA, Conn. Aug. 24—President Bush today proposed spending an additional \$10 billion on job training programs in the next five years and said they could be paid for without raising taxes or increasing federal spending.

Bush said he would not explain how that would be accomplished until after the election, and neither he nor administration officials briefing reporters offered details of what programs would be cut to pay for the new initiative, which would require congressional approval.

The job training plan, dubbed "The New Century Work force," would increase federal spending on job training for dislocated workers from \$740 million to \$2 billion for the next five years. The centerpiece is a "skill grants" voucher program that would give such workers up to \$3,000 a year for two years for job training.

The proposal, which administration officials said would serve 1.2 million workers annually, would combine two existing programs—one of which, trade adjustment assistance, the president has previously proposed eliminating.

Bush also proposes in the "new Century Work Force" a jobs training program for youth, creating a youth training corps modeled after the jobs corps and a "treat and train" program that combines drug

rehabilitation with the youth training corps. That program is set to cost \$650 million in the first year, growing to \$1 billion by the fifth year.

Bush said the training programs for displaced workers and disadvantaged youth would be "funded under the budget caps" negotiated with Congress and promised to "project these in more detail as we move into the next budget cycle," after the election. Bush has also not provided details about the size or financing of the across-the-board tax cut he promised in his acceptance speech at the Republican National Convention last week.

After proposing the new program in a morning stop in Union, N.J., Bush came to Connecticut this afternoon and pressed the case for lower government spending.

"Here's one we have a big difference on," Bush said of his Democratic opponent, Bill Clinton. "Lower government spending and tax relief, not spend and tax. Tax relief." And, he said, spacing out the words for emphasis, "less federal government spending."

Earlier he had sought to contrast his job training proposal with one made by his Democratic opponent Bill Clinton, who would require firms with more than 50 employees to spend 1.5 percent of their payroll on worker retraining.

"When you get to the details, we really do have a vast philosophical difference," Bush said. "I believe we can pay for this new job training

offensive without raising taxes on people or increasing overall government spending."

Bush said Clinton "sees job training as a tax raiser and he wants to tax workers to pay for their own training."

Referring to the requirement that a firm spend a percentage on retraining, he said: "That is 1.5 that will come out of your paycheck and it's on top of the new income and other payroll taxes he's proposing."

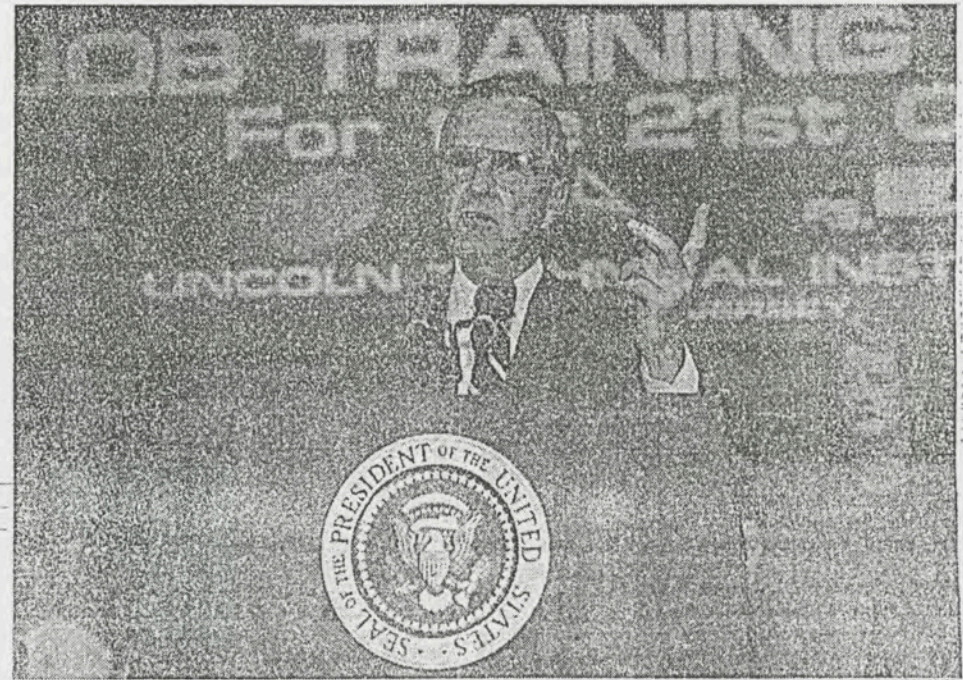
"So let me say this to my opponent," he said. "There is no point in training people for jobs if your plan is going to be in the process of destroying jobs."

Clinton said Bush's plan is "very much like" what the governor has tried in Arkansas and has proposed for the country if elected president. "The problem is he can't pay for his plan because he wants an across-the-board tax cut," Clinton said at a news conference in Little Rock.

"Imitation is the sincerest form of flattery," said George Stephanopoulos, Clinton's communications director. "But how's he going to pay for it?"

Part of the money in Bush's proposal—at least \$335 million yearly and up to \$670 million—would be set aside to respond to job losses caused by the North American Free Trade Agreement (NAFTA), which the administration contends will create additional jobs overall but may dislocate some workers.

The president promised Congress that he would submit a plan to



Bush announces his "New Century Work Force" plan yesterday after touring Lincoln Technical Institute in Union, N.J.

retrain workers displaced by increased trade with Mexico when he persuaded Congress in the spring of 1991 to give him authority to negotiate the free trade pact and have it ratified under a special "fast track" procedure that bars amendments and delaying tactics.

The youth training program is similar to one favored by Clinton and a bipartisan group of senators, including David L. Boren (D-Okla.), Harris Wofford (D-Pa.), Robert J. Dole (R-Kan.) and John Warner (R-Va.)

Boren called the president's program "a step in the right direction," but said it needs to be broadened to include a Depression-era Civilian Conservation Corps approach for youths that need to learn good work habits before they can succeed in job training.

Campaigning here in the Naugatuck River Valley of south-central Connecticut, where the departure of mills and other manufacturers has pushed unemployment above the state's level of 7.1 percent, Bush presented himself as a native son.

"My dad was a senator from this state," he said. "We grew up down the way," in Greenwich. But Bush said he empathized with the troubled times, and referring to a local clergyman who noted in his benediction that it was an area "taunted by our closed factories and office buildings," added: "We're in choppy waters. I heard the reverend. I know it—people that are hurting and can't find jobs when they need it."

Staff writer Stuart Auerbach in Washington contributed to this report.



THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

August 10, 1992

PRESS BRIEFING

BY

COUNSELOR TO THE PRESIDENT FOR  
DOMESTIC AFFAIRS CLAYTON YEUTTER

The Briefing Room

12:10 P.M. EDT

MS. MELILLO: Hello, everyone, and thank you for coming. I would like to introduce Clayton Yeutter who is Counselor to the President for Domestic Affairs.

SECRETARY YEUTTER: Thanks, Laura. Good to have you all in; I think most of this crew is up in Kennebunkport, but I'm glad there are a few of you around. We'll spend a little additional time on the Clinton economic plan today and then I'll take some questions.

This is simply one chart that we put up which indicates the proposed additional taxation by Governor Clinton; I'll embellish upon that in a minute. I had hoped to provide an opening statement for you to lay out some of these issues today, but spent about the last 45 minutes on the phone to Sam Skinner up in Kennebunkport, so I didn't have a chance to put all that together. So I'll do it for you verbally rather than with a statement that you can take with you. I'm sorry about that.

But this is a piece of a total evaluation or analysis of the Clinton economic plan that will be released down in Houston today by the Republican National Committee. And, in addition, I believe that Congressman Armey and Senator Roth are doing something similar on Capitol Hill. So this is just to fill you in here as a courtesy on what's going to be transpiring both on Capitol Hill and down in Houston.

The principal emphasis here is once again to point out that what is incorporated in the Governor's economic plan is truly a gigantic increase in taxes. The Governor has sought to downplay that in his public appearances because he's seeking to project himself as a fiscal moderate, but the fact is that's an unfair evaluation. If you'll just look at the graph you can see the illustration of \$220 billion of new spending and \$150 billion in new taxes. That is hardly the height of moderation. And, in fact, were he elected president, and I hope we will be denying that privilege and I'm confident that we will be, but were he elected president he would be presiding over the largest first-year tax increase in modern history and he'd be presiding over the largest four-year tax increase in modern history. The first-year tax increase, as you can see, in 1993 would be \$31 billion and the increase for the four years would be a total of \$150 billion.

The Governor has also concentrated allegedly in his economic plan on deficit reduction and contends that even though he has \$220 billion in additional spending in his program, as is illustrated there, that he will be able to achieve deficit reduction over this four-year period and, in fact, will cut the deficit in half, as I recall was his commitment.

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We believe that there is no chance from a real world standpoint that that will occur. That increase in deficit -- and we don't have that graph here but you've seen the numbers in his economic plan -- but the decrease in the deficit which he is projecting -- I may have said increase; if I did I misspoke -- the decrease that he is projecting depends upon the veracity of his spending estimates. That is the manner in which he's able to achieve the disciplines that he encompasses in his economic plan, and also economic growth resulting therefrom.

In other words, he's got to be able to achieve the kind of dramatic increase in economic growth that's necessary to generate the revenues that are incorporated in his plan, in his numbers, and he's got to achieve the level of spending disciplines that are incorporated in his plan in order to come anywhere near the deficit reduction objectives that he has enunciated.

I believe he will fail on both counts. And I'd like to take them one by one and analyze them for you for just a second and then we'll go on to questions. If you look at the spending side you will note in his plan that he proposes spending cuts of about \$140 billion over four years. That is cuts, reductions in federal spending. Our analysis would place about 80 percent of that \$140 billion in a dubious category. In other words, our view is that he is most unlikely to achieve about 80 percent of those benefits. The spending that he has articulated simply is not a reflection of what is likely to transpire in the real world and it is a reflection of the Governor's inexperience in being able to look at these kinds of issues.

But taking some specific categories -- just to run through them very quickly -- he's projecting a defense cut of about \$37.5 billion over the next four years over and above what is already projected by the President. If that occurs, he will inevitably face additional pressures on the unemployment side because there are a lot of jobs involved in getting an additional \$37.5 billion of savings. That seemingly is not in any way taken into consideration in his plan. He projects \$22 billion over four years in administrative savings; that's a nebulous number that in our judgment is not likely to occur. He provides really no indication of how that will be carried out. He's got reduction in 100,000 employees; that's another \$15.3 billion. That we believe is exceedingly dubious.

He's got \$9.8 billion in there for a line-item veto, which has been roundly opposed by his colleagues on Capitol Hill for a long period of time. He's got \$17.1 billion in there for RTC reforms, and that simply does not fit the realities of the RTC situation at all in a whole variety of ways, and I won't take the time to embellish upon that.

I add that up -- just those categories alone -- to a little over \$100 billion. And there are a number of other smaller ones that are dubious in nature as well.

And then on the revenue side, if you look at that, he's projecting about \$45 billion over four years of additional revenues by closing what he calls tax loopholes for foreign corporations having business operations here in the U.S. These are basically transplants. There was some irony in the fact that as he was coming out with this plan, BMW was announcing that it was going to build a plant down in South Carolina. Certainly he does no favors for investment of that kind in this country which will create new jobs if he's going to add this additional taxation into the system and allegedly pick up \$45 billion over four years for that purpose.

So when I add those together I find that his plan is already lacking in veracity. When one then proceeds to add the additional revenue impact of his middle income tax cut, which is not

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in the plan but certainly has been discussed by the Governor for a long period of time, that's another \$45 billion over four years that he has to find somewhere if he's not going to have a negative impact on his deficit reduction projections.

And then, if one adds to that the additional cost of a pay-or-play health care program, those numbers are altered still further. Under pay-or-play there is something over \$100 billion estimated as additional cost to the taxpayer, aside from additional cost to the business community, but additional cost to the taxpayer as a result of a pay-or-play plan that Congressman Rostenkowski introduced here a year or so ago. In other words, that is the way it was costed over on Capitol Hill.

And without attempting to pull all that together item by item, suffice it to say that when that is combined it leaves an estimated budget deficit in the Clinton economic plan by Fiscal '96, which is the final year of his economic plan, of something in the vicinity of \$300 billion rather than the numbers he has projected and well over the \$130 billion that is projected in the Bush administration.

Governor Clinton projects for a moderate plan a deficit of \$141 billion by Fiscal '96; in his strong growth plan he projects it at about \$76 billion. We think he's going to be closer to \$300 billion when one looks at the real world outlook of his spending and taxation plans.

I meant to say a word about moderate growth versus strong growth. The estimates there are that he would have economic growth increases during this four year period of about 4.5 percent per year or thereabout under his strong growth plan, maybe about a half a percent less than that under the moderate growth plan. And right now I doubt that there are many economists in the country who would project scenarios quite that rosy. I hope we achieve them and we'll do the best we can in the Bush administration to bring them about, but he assuredly will not achieve them under his own program, which is, in our judgment, antigrowth rather than progrowth.

In other words, the progrowth elements which include infrastructure, investments in education and training and so on -- essentially none of those are likely to pay off in terms of growth projections in that short a time period. They are much more long-term in nature. And when one then accompanies that with a negative reaction on economy -- of all the additional taxes that are involved here, we look for a job impact of 2.5 million or so job loss rather than net job creation under the Clinton economic plan. And if you're having a net job loss of 2.5 million, you're certainly not going to have a rosy scenario for economic growth as is projected.

All in all, we simply believe that this plan doesn't hold water in any facet of the projections. We believe it will not hold water in his economic growth projections. It will not hold water in terms of the spending disciplines that are encompassed therein. It's not going to hold water in terms of the tax revenues that are generated by it. And if you add all of those together as they effect the deficit, we see the deficit number deteriorating over the next four years rather than improving.

Okay, that's about it.

Q A lot of commentators analyzing the Clinton plan have said that while it does have drawbacks the good thing that you can say about it is that he has put forward a plan, whereas under the Bush administration taxes have gone up, the budget deficit has grown and there is the perception that Bush does not have an economic plan. What do you say to that argument?

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SECRETARY YEUTTER: It is a perception, a fallacious one in my judgment as it's a fallacious perception that Governor Clinton does have a plan. It's interesting to me that that phenomenon continues to exist even though we know the Clinton plan is only about 18 pages of narrative and there are about four pages of pap in that, so it really only has about 14 pages of substance. I just consider it a reasonably good college term paper on the economy, I don't even believe it constitutes a plan. And as you can tell from the analysis that we've articulated here, in my view, the economic veracity is very subject to question.

On the other hand, the President has had a voluminous economic program before the Congress and the American public over the last three and a half years. Many of the longer-term policy proposals first surfaced shortly after the President came into power way back in 1989; the shorter-term ones, of course, got a lot of attention in the State of the Union message this January. Adding those together and if you just look at the midsession review where all of them are encompassed, there's 20 times as much detail and specificity on the President's plan as there is in the Clinton plan. And it's so much more solid from a tax policy standpoint, an economic growth standpoint, a job creation standpoint and a philosophical standpoint.

Q Is it your feeling that it would be a good idea for Bush to strengthen his economic proposals by calling for a tax cut, calling for the sort of tax proposals that Mr. Kemp and some of the other GOP members on the Hill have put forward?

SECRETARY YEUTTER: We're always prepared to evaluate proposals in this area because it is one that changes rapidly both in terms of its domestic and its international dimensions. And certainly, as a nation we need to adjust to the economic environment in which we function. Any administration ought to be open to new ideas and concepts, and we clearly are and we'll evaluate new proposals on a continual basis. But aside from anything that might be done in the future, whether between now and the conclusion of this congress or in the next congress, it seems to me the important thing to emphasize today is that what has been on Capitol Hill for a long period of time is sound. It's just as sound now as when it was introduced. There is just as much motivation, if not more, for that legislation to be enacted into law and Congress ought to do it.

So whether or not we can add to it and embellish and expand and find new ways to generate additional economic growth, there is a lot of potential economic growth in the programs that have already been presented to Congress and the Congress ought to act on it.

Q Will the President, however, propose new economic proposals to get the economy moving between now and the convention or at the convention, as some of these conservatives have said he'd do?

SECRETARY YEUTTER: Well, in terms of short-term impact we're, as you know, less than 90 days from the election now so whatever is done in the way of economic activity -- economic policy making activity between now and then can have, at best, a psychological impact. It's not likely to change the numbers in any significant way.

Having a positive psychological impact, of course, is beneficial in terms of the coming months and the coming years. So if the President can articulate his views and his vision, both short term, intermediate term and long term at the convention and elsewhere, and I hope he will do that, that may well be helpful. But we shouldn't anticipate that any of these proposals, whether they come from the conservative group that you mentioned or elsewhere, are

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going to have a big impact on the economic numbers between now and November.

Q Was that a yes? (Laughter.) It certainly sounded like a yes from here.

SECRETARY YEUTTER: It was a yes in terms of you have to distinguish between the time frames here -- short, medium and long. You've got to afford the President the privilege of saying what he wishes on any of those specific time frames at Houston and beyond, but my specific reference was to the short term where, irrespective of what he might say in that area, you're not likely to have in the short term effect.

Q What about the longer term?

SECRETARY YEUTTER: Longer term is a very key issue. He's had long-term proposals on Capitol Hill since January, a lot of those were in the State of the Union message, as you'll recall, haven't been acted upon, ought to be acted upon, are not likely to be taken up by the Congress this year; but they are certainly open issues for 1993. Now, whether the President will go beyond that and have additional programs to offer by January of 1993, that's an issue that's always under consideration. So that's neither a yes or a no, it's simply always an open question.

Q What is he more likely to do? Is he likely to announce something for the long term between now and the convention?

SECRETARY YEUTTER: Well, there are not likely to be pronouncements between now and the convention of consequence on any subject. At the convention -- stay tuned.

Q You seem to be saying that proposals for tax cuts as urged by Secretary Kemp and others are strictly for immediate political reasons to help the President in November, and that it wouldn't work because there's too little time. Is that, in fact, your evaluation of the Kemp letter that came in on Friday?

SECRETARY YEUTTER: Well, as I said, the only potential short-term impact would be psychological. Tax provisions do not have an instantaneous impact on decision-making -- let me put it this way. They could have an instantaneous impact on decision-making, but the effect of those decisions by businessmen in the private sector are not likely to be felt in terms of unemployment rates or economic -- durable goods sales and so on until a substantial period of time in the future.

Q But assuming that you're trying to develop and economic policy that goes beyond reelecting the President, are these tax cuts as proposed good for the economy, good for growth, or not?

SECRETARY YEUTTER: One has to evaluate the entire package. You can't just pick out one particular proposal or particular element thereof and draw a definitive conclusion because, as you well know, there are tradeoffs in the impact of a lot of these different provisions. So you really have to ask what does the total package look like and what will its effect be on the deficit, what will its impact be on long-term interest rates, what will be the effect on investment psychology and so on. And you can't do that without evaluating an entire package.

Now, we wouldn't want to embrace one that didn't have a positive effect. But -- and neither should one construe that the comments by that group of gentlemen or any comments are sacrosanct in terms of formulation of a total package, now or in the future. Our job is to sort through recommendations and counsel and proposals that are coming in from a variety of sources, and they come in almost

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every day of the week. I suppose I get some kind of tax policy proposal on my desk from somebody around the country essentially every day of the week. Our job is to sort through those and help the President formulate what is a sound overall package.

Q In terms of selling this economic proposal, the President's, have you thought of new ways to package it? You talk about the voluminous stuff that he's put up on Capitol Hill. People can identify the Clinton proposal as a little tax on foreign corporations, big new infrastructure spending -- that sort of thing. Is there some way the President is going to sell his plan differently now?

SECRETARY YEUTTER: It certainly is important that he articulate to the American people the key elements of his economic plans for the second term. He has commented over and over again on the short-term plans that are pending on Capitol Hill. And as you know, some of that's before the Congress right now, it's still being debated and it is possible that that legislation could emerge. But so, in the short term, it's a question of commenting and supporting the programs that he included in his State of the Union message and that he has emphasized on Capitol Hill ever since then.

In the long term, it will be essential for the President to give a higher profile to what he has had to offer on that subject. There were long-term elements of his economic plan incorporated in the State of the Union message, as you well know. But not a whole lot of attention has been given to those since the State of the Union message because the Congress and the administration have been focusing on the short term.

When we now get into a campaign season where the focus begins more and more to turn to what will happen in the second term, he'll have to devote more attention to that. I expect you will see some of that in the speech in Houston and you will see it in a lot of speeches thereafter.

Q He could prioritize them for us -- short-term -- what are they long-term? Is entitlement caps long-term that you're going to emphasize? What will it be?

SECRETARY YEUTTER: Wait until Houston. I don't want to preempt the President's speech. He will assuredly talk about the major economic priorities for his second term in his Houston speech, and he will follow through post-Houston with an additional embellishment on the priority items that surfaced in Houston. But I don't want to do that -- obviously don't want to do that now.

Q To get back to the, if you would, to the form that these issues are taking before the Senate now. What is your reading as to the way the Senate is now going, and what do you like, what do you not like overall on balance? Do you think they've come far enough to meet you?

SECRETARY YEUTTER: Well, it's too early to tell because not only are we still awaiting Senate action, and that's conjectural at this point, but once the Senate does act, if it does, there will have to be a conference between the Senate version and the House version. And as is usually the case, there will be some elements of each bill that would be preferable to us vis a vis the other bill. So we'll have to see what ultimately is sorted out in the conference process.

Suffice it to say that we still have major shortcomings with respect to that package of legislation as it -- seems as it is presently being debated. For example, in a nation that needs increased investment badly, because that's the heart of our economic growth potential for the next two or three decades, it is regrettable

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that broad capital gains provisions are not encompassed in either of those pieces of legislation. It is also regrettable that the enterprise zone provisions do not have what we believe to be adequate capital gains provisions to generate the level of investment in those areas that we'd like to see.

As you know, there are capital gains provisions in the House version of the enterprise zones legislation, but not yet in the Senate version. We do not know what will emerge from Congress, so there are shortcomings in that regard. And, of course, we're not enthusiastic about the proposal by Senator Bentsen to make permanent some of the tax increases that were temporarily imposed on the American public as a part of the 1990 budget deal.

So those are among the shortcomings. There are some additional shortcomings of that legislation, too. Hopefully, all of this can be worked out either in Senate deliberations or in conference. But all of that is hypothetical at this stage.

Q But without capital gains, do you think they can work out a satisfactory -- with these other things taken --

SECRETARY YEUTTER: If there are inadequate capital gains provisions in the legislation, however we ultimately define inadequate, then it seems to me that that legislation is almost assuredly headed for a veto. But we have to make -- the President will ultimately have to make a judgment call on the adequacy of whatever capital gains provisions are there, if any. And we don't know yet what may emerge.

Q -- the enterprise zones?

SECRETARY YEUTTER: In the total package. It is unlikely that we'll have broad capital gains provisions, as you well know. So it looks now as if that legislation is likely to have capital gains provisions only in the enterprise zone dimensions thereof. If that be the case, then the evaluation here has to be is there enough there in the way of investment enhancement in those key geographical areas in the United States to make this a worthwhile bill when coupled with the other benefits thereof.

As you know, quite a number of the President's short-term proposals are encompassed in this legislation, at least more or less. Not with exact specificity as they were laid out in the State of the Union message, but they're more or less enclosed.

So we've got to evaluate how close did they come to what the President sought in each of these other categories, and how close will they come to what is really necessary in capital gains provisions in the enterprise zones.

Q On that same issue, though, why don't you just take the six of the seven that the House and Senate agreed to give you, go home and declare a victory?

SECRETARY YEUTTER: Well, back to my earlier comments: One always has to evaluate the total package. And we do not know what the total package will look like. If that total package is sufficiently beneficial to the American economy that it's worthwhile proceeding with it, then, in my view, the President will sign the bill and then go to the American public, take his case to the American public for enactment of those dimensions of his economic program that are not encompassed in that legislation.

If, on the other hand, it is simply an election-year -- what ultimately emerges is no more than an election-year legislative gimmick for the Democratic leadership of the Congress to make an argument that they really do pass some things in the economic growth

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area, then it may not be worthwhile. In other words, why sign -- why should the President give his approbation to a bill that is truly marginal at best in its potential positive impact on the American economy?

But all of that is conjecture and hypothetical at this point. We'll have to make a judgment call when we see what ultimately emerges. I would just emphasize that if that bill is to merit the President's signature it needs to be substantially improved over what is now in there individually in both the House and the Senate.

Q You have criticized Clinton's would-be tax on foreign investment here. And everybody in the administration is very excited about the BMW plant. What is the great contribution to economic growth -- what do you project it to be from foreign investment, and why not tax foreign corporations?

SECRETARY YEUTTER: Well, as you know, essentially every governor in this nation is out attempting to entice foreign investment into their states because that investment is a source of jobs, and often, a source of excellent jobs. You undoubtedly saw the job projections that emanated from the announcement of the BMW plant for South Carolina. Look at the jobs that have been created in Tennessee with the transplants there. There are examples all over the United States.

Immense numbers of jobs -- I don't have the figures with me today -- but there are immense numbers of jobs attributable to what are called transplants. And all governors, including Governor Clinton during his tenure, have been out attempting to solicit and encourage foreign investment.

It does seem a bit incongruous that the Governor, now that he wishes to change jobs, is taking what seems to be a diametrically opposed view to what he and his fellow governors have been arguing on this subject for a good many years.

Q One of the things I think was quoted in The Post this weekend was a quote of you saying that the White House is working on a jobs program. Can you tell us whether or not President Bush has any new proposals on the economy, or whether he is just going to announce kind of a recycling of the long-term proposals that were initially proposed in January but not included in the tax bill that ultimately went to Congress in March?

SECRETARY YEUTTER: Jobs program is a bit of a misnomer in that context. If I recall correctly, when I was responding to a question in that particular interview we were talking about job training kinds of activities at that particular point in time, rather than job creation. But whatever, putting aside interpretations or confusion on either the question or the answer, the fact is, as I said earlier, we continually work on proposals and alternatives in these areas as the economic situation changes and as time passes. That's a constant area of activity here.

And we will have available to the President options in this area that he may consider for inclusion in his speech in Houston that he wishes, and options that could be included post-Houston that he wishes. But again, I'm not going to preempt what he might ultimately do.

Q But as of right now, your focus is on the long-term provisions of the original economic growth package that were never sent up to the Hill, is that correct?

SECRETARY YEUTTER: Well, our focus is on short, medium and long at all times, but as -- going back to the earlier questions,

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there isn't much time left in short term. We're getting close to November; with the amount of time that's available there are severe constraints on what can be done short term.

Intermediate term, one can look at the impact that we could have on the economy over, say, the next year or so. And that's important. And then, obviously, we can also look at what kind of programs we ought to have that would have an impact 10 or 15 or 20 years down the road. And we're clearly spending substantial amounts of time looking at both intermediate and long-term possibilities.

Q Do you have any reason to believe that you would be more successful in a second term than you have been in the first term?

SECRETARY YEUTTER: Yes. Because of the change and the makeup of the Congress. An extremely important point and I'm glad you asked the question, because it's a critical element of this debate. We have had gridlock between the executive and legislative branches in recent years. In fact, that gridlock, for all practical purposes, goes back to early 1987, after the Democratic Party regained control of the Senate in the 1986 election, and widened its control or lead -- numerical lead in the House.

Since then, President Reagan had two rather frustrating years in the final segment of his administration, and the President -- President Bush has had three and a half frustrating years in his administration.

They haven't been entirely unproductive, as you know, because on certain issues at certain times it's been possible to achieve bipartisan consensus and pass significant pieces of legislation. The Clean Air Act is one of those; child care legislation is another one, and there have been several others. But when one looks at the total legislative environment, the fact is that it has not been as productive over the last five and a half years as it should have been. Not only is the President frustrated, but the American public is frustrated as well.

I believe that a lot of that frustration and a lot of the dissatisfaction and disaffection will this fall be directed at the Congress. Even though some of it is now being directed at the President, in my judgment, he will be able to make a compelling case between now and November that he's done the very best that he could have under the circumstances and what we need to do is change the circumstances. And that means changing the make up of the Congress.

It doesn't require regaining control of both Houses of the Congress by any means, as desirable as that may be and as hopeful as many of us on the Republican side are that that will occur. What it does require is that he have a lot more leverage on Capitol Hill than he has today. In my view through redistricting and through the relative unpopularity of many extant members of Congress or many present members of Congress, we're likely to see a very substantial turnover in the House in November. And I believe that will work to the numerical advantage of the Republican Party and I'm rather hopeful, in fact quite hopeful, that we'll be able to use the boll weevil strategy in January, 1993, which will be a combination of southern conservatives and Republicans to have de facto control of the House. If that should occur, we'll be able to do a lot more next year than we have in the past.

The alternative in my judgment is -- has very few redeeming qualities politically or philosophically. My judgment is that we went through the experience in the 1976 to '80 period of on-the-job training with a mediocre governor and I do not believe it would be wise to repeat that experience of having another four years of on-the-job training with another mediocre governor. So the

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alternative of putting a Democrat president with whatever be the make up of the Congress in 1993, to me is a highly undesirable one.

I guess we've got to go. Sorry we can't keep going though, good questions. Thanks everybody.

END

12:50 P.M. EDT



**TALKING POINTS**  
**RICH WILLIAMSON FUNCTION**  
**AUGUST 27, 1992**  
**ECONOMY AND JOBS**

- **IN MY SPEECH AT THE  
CONVENTION INTRODUCING  
THE PRESIDENT, I SAID  
THAT THE NUMBER ONE  
PROBLEM THIS YEAR THAT**

**AMERICANS ARE DEEPLY  
CONCERNED ABOUT IS THE  
ECONOMY.**

- **I ALSO RAISED THE POINT  
THAT THE ISSUE COMES  
DOWN TO ONE OF TRUST:  
DO YOU TRUST GOVERNOR  
CLINTON OR PRESIDENT  
BUSH TO NAVIGATE US  
THROUGH THESE CHOPPY**



## **AND UNCHARTERED WATERS?**

- **YOU ARE DEALING WITH  
RADICALLY DIFFERENT  
PHILOSOPHIES SO THERE  
ARE NO CLOSE OR  
OVERLAPPING POLICY  
APPROACHES HERE.**
- **THE PRESIDENT HAS  
ANNOUNCED HIS SUPPORT**

**FOR ACROSS THE BOARD  
TAX CUTS, SPENDING CAPS  
AND CUTS, REIGNING IN  
UNNECESSARY  
REGULATION AND  
LITIGATION, AND  
EXPANDING TRADE AND  
MARKETS BY BREAKING  
DOWN TRADE BARRIERS  
AND IMPROVING OUR**



## **COMPETITIVE STANDING.**

- **IN SHORT, IT BOILS DOWN  
TO LESS GOVERNMENT AND  
MORE FOR PRIVATE  
INITIATIVE AND PRIVATE  
ENTERPRISE.**
- **GOVERNOR CLINTON'S  
APPROACH WILL ONLY  
STEER YOU INTO MORE  
TREACHEROUS WATERS**

**AND ULTIMATELY SINK YOU  
UNDER THE WEIGHT OF  
\$150 BILLION IN NEW  
TAXES, LOTS AND LOTS OF  
MANDATES, AND A  
BUREAUCRACY THAT TIES  
YOUR HANDS AND FEET IN  
RED TAPE.**

- **ECONOMICS 101 TEACHES  
YOU THAT ALL THIS "MORE"**



**WILL CREATE SO MUCH  
"LESS": IT WILL KILL  
GROWTH, IT WILL KILL  
PRIVATE INVESTMENT, IT  
WILL KILL LARGE AND  
SMALL BUSINESSES, AND IT  
WILL KILL JOB GROWTH.**

- **AGAIN, THE ONLY THINGS  
THAT WILL BE ALIVE AND  
THRIVING WILL BE TAXES,**

## **SPENDING, BUREAUCRACY AND UNEMPLOYMENT.**

- **THERE IS NO DOUBT THAT  
THE ECONOMY IS NOT  
WHAT IT SHOULD BE. IF A  
BUSINESS OR WORKER  
HASN'T BEEN DIRECTLY  
AFFECTED BY THE  
RECESSION, THEY ARE  
CERTAINLY WORRYING**



**ABOUT IT.**

- **ACCORDING TO COMMERCE  
DEPARTMENT ESTIMATES,  
THE TOTAL OUTPUT OF  
GOODS AND SERVICES,  
REAL GROSS DOMESTIC  
PRODUCT, GREW AT AN  
ANNUAL RATE OF 1.4  
PERCENT IN THE SECOND  
QUARTER OF 1992.**

- **WHILE THIS MARKS THE  
FIFTH CONSECUTIVE  
QUARTER OF ECONOMIC  
GROWTH, NOBODY IS  
SATISFIED WITH THE PACE  
OF THAT GROWTH. IN  
SHORT, IT HAS NOT YET  
BEEN SUFFICIENT TO  
GENERATE ENOUGH NEW  
JOBS TO KEEP THE**



## **UNEMPLOYMENT RATE FROM RISING.**

- **DURING HIS STATE OF THE  
UNION ADDRESS,  
PRESIDENT BUSH URGED  
CONGRESS TO ACT ON HIS  
SEVEN-POINT, SHORT-TERM  
ECONOMIC GROWTH AND  
JOB CREATION BILL. THE  
SUMMER IS ALMOST OVER**

**AND WE'RE STILL WAITING.**

- **SO WHILE YOU MAY HAVE  
SOME CONCERNS OVER  
WHAT HAS HAPPENED THE  
LAST FOUR YEARS, A  
DEMOCRAT IN THE WHITE  
HOUSE -- BACKED BY A  
LIBERAL AGENDA  
DEMOCRAT CONGRESS -- IS  
A PRESCRIPTION THAT**



**THREATENS THIS  
COUNTRY'S FUTURE.**

- **WE NEED CHANGE; WE  
SUPPORT CHANGE. BUT  
THAT CHANGE SHOULD BE  
TAKING PLACE ON CAPITOL  
HILL AND NOT AT 1600  
PENNSYLVANIA AVENUE.**