SETTING THE RECORD STRAIGHT
On President Clinton's Record

False Claims

&

<u>The Facts</u>

May 6, 1996

CONTENTS OF
MATERIALS IN THIS BINDER

Divider Title: **A. ONE PAGERS**

ONE-PAGERS

TABLE OF CONTENTS

WHAT "CLINTON CRUNCH" ???

The Facts On The Economy Under President Clinton

May 6, 1996

CLINTON ECONOMY IS STRONGER THAN PREVIOUS REPUBLICAN ADMINISTRATIONS

- **Stronger Job Growth.** More than 8.5 million new jobs added in just over 3 years -- a faster annual rate of job growth than any Republican Administration since the 1920s. And nearly 8 times more private-sector jobs per month than during the previous Administration -- 203,000 jobs per month vs. 26,900.

- **Lower Combined Unemployment, Inflation, and Mortgage Rates.** The combined unemployment, inflation, and mortgage rate is at its <u>lowest level in nearly 30 years.</u>

- **Stronger Private-Sector Economic Growth.** Since President Clinton took office, the private sector has grown 3.2% annually -- far stronger than either of the previous two Administrations.

- **Stronger Exports.** Exports of American goods have grown by one-third -- up $150 billion -- a better record than either of the previous two Administrations.

- **Higher Homeownership.** Homeownership is now at its highest level in 15 years.

- **Deficit Cut In Half.** CBO projects the deficit to be $144 billion this year -- cut in half in just four years and smaller as a share of GDP than any major economy in the world. [CBO, 4/96 and OECD, 12/95]

PRESIDENT CLINTON'S POLICIES ARE HELPING TURN THE CORNER ON 20 YEARS OF WAGE STAGNATION

- **Increase In Average Hourly Earnings.** During the last three years, real average hourly earnings have increased slightly, after dropping 79 cents during the previous two Administrations. [Source: Bureau of Labor Statistics (adjusted to December 1995 dollars using the CPI-U).]

- ***Business Week*, 3/11/96:** "Real hourly wages are rising, for the first time in 10 years."

- **Increase In Real Median Family Income.** After falling 4 percent during the previous Administration, real median family income is up since President Clinton took office. Indeed, it increased 2.3 percent in 1994 alone. [Source: Bureau of the Census, *Income, Poverty, and Valuation of Noncash Benefits: 1994.*]

- **America Is Growing Together.** In 1994 -- the most recent year data are available -- every family income group, from the richest to the poorest, experienced a real increase in their incomes, for the first time since 1989. [Source: Bureau of the Census, *Income, Poverty, and Valuation of Noncash Benefits: 1994.*]

EXPERTS AGREE THAT THE CLINTON ECONOMY IS STRONG

- ***Barron's*, 3/18/96:** "In short, Clinton's economic record is remarkable. ...Clinton also rightfully boasted that, 'our economy is the healthiest that it has been in thirty years.'"

- **Majority Leader Robert Dole, 2/20/96:** "It is also true, as some have said, that our economy is the strongest it's been in 30 years."

  ***Washington Post*, 5/4/96:** "Wages are rising at their fastest pace in five years, consumer confidence is soaring, and business and consumer spending has fueled an unexpectedly strong burst of economic growth."

- **Council on Competitiveness "Competitiveness Index" Report, 1995:** "The U.S. standard of living has grown faster than that of all other G-7 countries over the past three years, reversing the trend of the 1980s and early 1990s during which other countries' standard of living grew more rapidly than ours."

THE ECONOMY UNDER PRESIDENT CLINTON: THE BEST SINCE...

May 6, 1996

★ **Smallest Deficit As A Share Of The Economy Since 1979.** The deficit will be more than cut in half in four years and is now smaller as a share of the economy than at any time since 1979.

★ **Lowest Combined Rate of Unemployment and Inflation Since 1968.**

★ **Stronger Job Growth Than Any Republican Administration Since the 1920s.** More than 8.5 million new jobs added in just over 3 years -- that's a faster annual rate of job growth than any Republican Administration since the 1920s.

★ **Highest Share Of Jobs In Private Sector Since Truman.** Ninety-three percent of all new jobs have been created by the private sector -- that's higher than the average during any other Administration since Harry S Truman was President 50 years ago.

★ **Lowest Inflation For An Administration Since Kennedy.** Inflation has averaged just 2.7 percent per year -- that's the lowest rate of inflation for any Administration since John F. Kennedy was President.

★ **Strongest Industrial Production Growth In 30 Years.** Industrial production has grown 3.8 percent annually -- that's faster than any other Administration since Lyndon B. Johnson was President.

★ **Strongest Business Investment Growth For An Administration Since Kennedy.** Business investment has grown 11.0 percent annually -- that's a faster rate of business investment growth than any other Administration since John F. Kennedy was President.

★ **Lowest Mortgage Rates In 30 Years.** Mortgage rates have averaged just 7.8 percent -- that's lower than any other Administration since Lyndon Johnson was President in the 1960s.

★ **Strongest Stock Market Growth Since World War II.** The stock market has increased 15.3 percent per year, in real terms -- that's a faster rate than during any other Administration since World War II.

★ **Highest Homeownership Rate In 15 Years.**

★ **Strongest Construction Job Growth Since Truman.** In just over 3 years, the economy has added 860,000 new construction jobs -- that's the fastest annual rate of construction job growth since Harry S Truman was President.

MAJORITY LEADER DOLE, BARRON'S. AND DRI/McGRAW-HILL AGREE: *THE ECONOMY IS THE HEALTHIEST IT'S BEEN IN 30 YEARS*

Majority Leader Robert Dole, 2/20/96: "It is also true, as some have said, that our economy is the strongest it's been in 30 years."

Barron's, 3/18/96: "Clinton also rightfully boasted that, 'our economy is the healthiest that it has been in thirty years.'"

DRI/McGraw-Hill, March 1996: "[T]he normal economic indicators suggest [the economy] is in its best shape in decades."

WHAT A DIFFERENCE 4 YEARS MAKES

The Facts On The Economy Under President Clinton

May 6, 1996

VHAT A DIFFERENCE 4 YEARS MAKES:

Deficit Cut In Half

- **In 1992.** The deficit was $290 billion -- the highest dollar level in history.
- **Today.** CBO projects the deficit to be $144 billion this year -- cut in half in just four years and smaller as a share of GDP than any major economy in the world. [CBO, 4/96 and OECD, 12/95]

Unemployment Is Down

- **In 1992.** The unemployment rate was above 7% during every month -- over 7.5% during 5 months.
- **Today**. The unemployment rate is at 5.4 percent -- and has been below 6 percent for 20 consecutive months. [Source: Bureau of Labor Statistics]

Jobs Are Up

- **In 1992.** The private-sector was barely even creating jobs and had suffered from one of the worst 4-year periods of job growth in history.
- **Today.** The economy has created more than 8.5 million new jobs -- that's a faster annual rate than any Republican Administration since the 1920s. And nearly 8 times more private-sector jobs per month than during the previous Administration (203,000 per month vs. 26,900 per month). [Source: Bureau of Labor Statistics]

Private-Sector Growth Is Up

- **1981-1992.** The private sector of the economy grew 2.4 percent annually from 1981-1992.
- **Today**. The private sector of the economy has grown 3.2 percent annually -- a stronger record of private-sector growth than either the Bush or Reagan Administrations. [Source: Based on data from the Department of Commerce, Bureau of Economic Analysis]

EXPERTS SAY PRESIDENT CLINTON DESERVES CREDIT FOR A STRONGER ECONOMY

- ***Fortune*, 10/3/94**: "[President Clinton's] economic plan helped bring interest rates down, spurring the recovery."
- ***Paul Volcker**, Federal Reserve Board Chairman (1979-1987), in Audacity,* Fall 1994: "The deficit has come down, and I give the Clinton Administration and President Clinton himself a lot of credit for that. [He] did something about it, fast. And I think we are seeing some benefits."
- **Alan Greenspan, 2/20/96**: The deficit reduction in President Clinton's 1993 Economic Plan was "an unquestioned factor in contributing to the improvement in economic activity that occurred thereafter."
- **Lehman Brothers**, 1/10/94: "Lower deficits, lower long-term rates and higher real growth was the overall promise. With the data now rolling in for December 1993, it seems clear that President Clinton delivered on all three counts..."

8.5 MILLION NEW JOBS

The Facts On The Economy Under President Clinton

May 6, 1996

VHAT A DIFFERENCE 4 YEARS MAKES:

8.5 Million New Jobs

In 1992. Job growth was weak and had suffered from one of the worst 4-year periods in history -- worse than any Administration since President Hoover during the Great Depression.

Today. The economy has created 8.5 million new jobs -- a faster annual rate of job growth than any Republican Administration since the 1920s. [Source: Bureau of Labor Statistics]

8 Times More Private-Sector Jobs Per Month

In 1992. Private-sector job growth was dismal -- the record on private-sector jobs during the four years of President Bush was worse than any Administration since President Hoover during the Great Depression.

Today. Nearly 8 times more private-sector jobs per month than during the previous Administration (203,000 per month vs. 26,900 per month). [Source: Bureau of Labor Statistics]

Unemployment Is Down

In 1992. The unemployment rate was above 7 percent during every month -- above 7.5 percent in 6 months. [Source: Bureau of Labor Statistics]

Today. The unemployment rate is at 5.4 percent -- and has been below 6 percent for 20 consecutive months.

High-Wage Jobs Are Up

In 1992. Just 6 percent of the new jobs created were in high-wage industries. And the economy lost 200,000 jobs in high-wage industries during the previous Administration. [Source: Department of Treasury, based on Bureau of Labor Statistics data.]

Today. Nearly 60 percent of the new jobs in 1995 were in high-wage industries. The economy has added more than 3.5 million jobs in high-wage industries since President Clinton took office.

Jobs In Basic Industries Are Back Up

In 1992. The economy lost jobs in manufacturing and construction. More than two million jobs were lost in manufacturing and construction combined during the previous Administration. [Source: Bureau of Labor Statistics]

Today. The economy has added nearly one million new jobs in manufacturing and construction.

TURNING THE CORNER ON JOB GROWTH

***Washington Post*, 5/4/96:** "Job growth, which stagnated during the Bush Administration, has been vigorous under President Clinton... Since Clinton took office, 8.5 million payroll jobs have been added, and the Labor Department has said pending revisions likely will lift that figure to more than 9 million next month."

CUTTING TAXES

The Facts On The Economy Under President Clinton

May 6, 1996

Tax Cuts

- **President Clinton's Economic Plan Cut Taxes Benefitting 40 Million Americans**. Because of the President's 1993 economic plan, 40 million Americans (15 million workers and their families) benefit from the expansion of the Working Families Tax Credit, the EITC. [Treasury Department, Office of Tax Policy, 4/1/96]

- **Tax Cuts For Small Businesses.** Over 90% of small businesses are eligible for tax reductions through the increased Small Business Expensing Limit and the Capital Gains tax cut targeted to small business in President Clinton's 1993 Economic Plan. [Treasury Department, Office of Tax Analysis.]

1993 ECONOMIC PLAN CUT TAXES FOR 15 MILLION WORKING FAMILIES -- WHILE ONLY INCREASING TAX RATES ON TOP 1.2%

- **H&R Block Confirms.** Income tax rates were only raised on the "top 1.2% of all taxpayers." There was "no income tax increase for middle-income taxpayers...income tax rates are unchanged on middle incomes -- 82.2% of all tax payers." There is a tax cut for the other "16.6% of all taxpayers [who] benefit from Earned Income Tax Credit Expansion." [H&R Block Analysis of Income Tax Consequences of the Revenue Reconciliation Bill of 1993, pp. 21-24.]

- **Tax Cuts For Middle-Class Families**. President's balanced budget shows that we can balance the budget in 7 years without devastating cuts to Medicare, Medicaid, Education, and the Environment, while *still* providing for targeted Middle-Class Tax Cuts, including a $500 tax credit for children, a $10,000 tuition tax deduction, and expanded Individual Retirement Accounts (IRAs).

Tax Rates Are Down

- **The average federal income tax rate for the typical four-person family is lower today than when President Clinton took office, and is lower than in 7 of the 8 years when Ronald Reagan was President.** The average federal personal income tax rate for the typical four-person family will be lower in 1995 than in 1992 and lower than in 7 of the 8 years under Ronald Reagan. [Treasury Department, Office of Tax Policy, 4/18/95]

"The Largest Tax Increase In History?"
THEY'RE NOT TELLING THE TRUTH:

- **Wall Street Journal, 10/26/94:** "Contrary to Republican claims, the 1993 package...is not 'the largest tax increase in history.' The 1982 deficit reduction package of President Reagan and Sen. Robert Dole in a GOP-controlled Senate was a bigger tax bill, both in 1993-adjusted dollars and as a percentage of the overall economy."

- **Washington Post, 2/1/95:** "The biggest tax increase in history did not occur in the Omnibus Budget Reconciliation Act of 1993. The biggest tax increase in post-World War II history occurred in 1982 under President Ronald Reagan."

- **New York Times, 11/3/95:** "It is not true that the $240 billion tax increase approved by Congress in 1993 at Mr. Clinton's behest is the largest in American history. When adjusted for inflation -- the only way to make comparisons of dollar amounts from different years -- a tax increase engineered by Mr. Dole in 1982, when he was the Chairman of Senate Finance Committee, was larger."

- The attached chart from the ***Wall Street Journal*** (2/16/96) identifies 4 tax changes that were *larger* as a percentage of the economy than the 1993 plan -- and shows that Majority Leader Dole supported three of these tax changes.

THE WALL STREET JOURNAL

FRIDAY, FEBRUARY 16, 1996

Dole on Taxes

TAX CHANGE	COST AS % OF GDP*	VOTE
1968-1969 Vietnam War Income Tax Surcharge	2.1%	Support
1977 Social Security changes	0.9	Oppose
1981 Reagan tax cut	–4.1	Support
1982 Tax boost and Gas tax	1.0	Support
1983 Social Security changes and 1984 Budget Bill	0.9	Support
1990 Bush Deficit Reduction	0.4	Support
1993 Clinton Deficit Reduction	0.7	Oppose

*Cost in fiscal 1998

Sources: Citizens for Tax Justice, Congressional Quarterly Almanac

THE FACTS ON CUTTING THE SIZE OF GOVERNMENT AND BALANCING THE BUDGET

May 6, 1996

Cutting the Deficit In Half

1981-1992. The deficit quadrupled -- growing from $74 billion in 1980 to a record $290 billion in 1992.

1992. Bill Clinton promised to "cut the deficit in half within four years." [*Putting People First*]

Today. *Deficit cut in half within four years:* "The Congressional Budget Office (CBO) projects that *the deficit will decline for the fourth straight year* in fiscal year 1996, dipping to about $140 billion." That's half what it was in 1992: $290 billion. [CBO, *The Economic and Budget Outlook*, March 28, 1996, p. 1.]

PRESIDENT CLINTON'S 1993 ECONOMIC PLAN

- Deficit will be half of what it was when President Clinton took office.
- Deficit is now smallest as a share of the economy since 1979 and smallest as a share of GDP of any major economy in the world.
- President Clinton is the first President in 150 years to reduce the deficit four years in a row.
- Without President Clinton's 1993 deficit reduction plan -- which every Republican voted against -- the GOP budget would not even come close to reaching balance in 2002. That is why -- for all the talk -- they have chosen to adopt it, not repeal it.

Cutting Spending

1992. Spending as a share of the economy increased during the Bush Administration, rising from 22.1 percent to 23.3 percent of GDP.

Today. President's 1993 Economic Plan cut spending by $255 billion -- one of the largest spending cut packages in history. Spending as a share of the economy has declined from 23.3% to 21.7% of GDP and is lower than at any time during the previous two Administrations -- indeed, it's lower than any year since 1979. [OMB, Fiscal Year 1997 Budget: Supplement and Historical Tables.]

Reducing The Size of Government

1981-1992. The federal bureaucracy increased from when President Reagan took office to when President Bush left office. And non-defense federal employment reached its highest level in history in 1992 under President Bush. [OMB, Fiscal Year 1997 Budget: Supplement and Historical Tables.]

Today. President Clinton has more than kept his promise to reduce the federal workforce -- bringing it down by more than 200,000 workers to the smallest level in three decades. Closing over 2,000 unnecessary field offices, eliminating 16,000 pages of unneeded regulations, and proposed terminating over 400 programs and projects.

Balancing The Budget In A Way That Protects America's Values.

President Clinton is the first President in 17 years to submit a Balanced Budget using CBO estimates. President Clinton's balanced budget proves that you don't have to devastate Medicare, Medicaid, Education, and the Environment in order to balance the budget in 7 years.

"The President's budget proposes policies that CBO estimates would balance the budget by 2002."
-- Testimony of CBO Director June O'Neill, April 17, 1996

THE FACTS ON SPENDING UNDER PRESIDENT CLINTON

May 6, 1996

SPENDING IS LOWER TODAY THAN UNDER REAGAN OR BUSH:

Lower Total Spending Today Than Any Year Since 1979 as a Share of the Economy: Federal spending as a share of the economy was lower in 1995 than in any year under the Reagan and Bush Administrations -- it's now the lowest since 1979. [OMB, *FY97 Budget: Supplement and Historical Tables.*]

- **Lower Discretionary Spending Today Than Any Year on Record as a Share of the Economy -- While Investing More in People:** Total discretionary spending was lower in fiscal 1995 than any year since 1962 -- when official records first began being kept. [OMB, *FY97 Budget: Historical Tables*, p.112.]

- **Lower Domestic Discretionary Spending Today Than 4 of the 6 Years Under the Republican Controlled-Senate and White House as a Share of the Economy:** Domestic discretionary spending as a share of the economy was lower in fiscal 1995 than in 4 of the 6 years under the Republican-controlled Senate and White House (fiscal years 1982-1987). [OMB, *FY97 Budget: Historical Tables*, p.112.]

SPENDING GROWTH SLOWER TODAY THAN UNDER REAGAN OR BUSH

TOTAL SPENDING:

- **Slower Growth Than Under Reagan or Bush -- While Investing More in People.**

Reagan (FY81-89):	**Spending Grew by 6.7%**
Bush (FY89-93):	**Spending Grew by 5.4%**
Clinton (FY93-95):	**Spending Grew by 3.8%**

ENTITLEMENT SPENDING:

- **Slower Growth Than Under Reagan or Bush -- While Investing in People.**

Reagan (FY81-89):	**Spending Grew by 6.1%**
Bush (FY89-93):	**Spending Grew by 8.4%**
Clinton (FY93-95):	**Spending Grew by 5.3%**

DISCRETIONARY SPENDING:

- **Slower Growth Than Under Reagan or Bush -- While Investing in People.**

Reagan (FY81-89):	**Spending Grew by 6.0%**
Bush (FY89-93):	**Spending Grew by 2.6%**
Clinton (FY93-95):	**Spending Grew by 0.4% (-2.6% in real terms)**

[Source: Average annual nominal spending growth based on OMB, *FY97 Budget: Historical Tables*, Tables 8.1 & 8.2]

SPENDING REDUCTIONS $99 BILLION GREATER THAN PROJECTED IN 1993:

- **The President's 1993 Economic Plan was projected to cut spending by $255 billion** and cut the deficit by $505 billion over 5 years. CBO now projects that spending over the same five years will be **$354 billion lower** than projected when President Clinton took office -- $99 billion lower spending than expected. Over 7 years, CBO projects that spending will be **$599 billion lower**. [CBO, 1/93 and 4/96]

AMERICA'S ECONOMY IS BACK ON TOP -- #1 IN THE WORLD

The Facts On The Economy Under President Clinton

May 6, 1996

WHAT A DIFFERENCE 4 YEARS MAKES:

AMERICA'S ECONOMY IS BACK ON TOP OF THE WORLD

- **1992: Trailed Japan, Germany, Denmark, and Switzerland.** In 1992, the World Economic Forum found that Japan, Germany, Denmark, and Switzerland all had more competitive economies than the United States.

- **TODAY: Most Competitive Economy In The World.** For the first time in ten years, the World Economic Forum declared the U.S. the world's most competitive economy in 1994. The United States was ranked number one again in 1995, beating Japan and Germany by an even larger margin than the year before. And in 1996, America is going to be ranked the world's most competitive economy for a third year in a row.

THE WORLD'S JOBS LEADER

- **1989-1992: Weaker Job Growth.** From 1989-1992, the six other major economies of the world created over two-and-a-half times more jobs than the United States.

- **TODAY: Strongest Job Growth.** The United States has had the fastest rate of job growth among major economies since 1992 and created more new jobs than the other six major economies combined.

> **Washington Post, 4/2/96:** "[T]he U.S. economy has created more new jobs over the past several years than all the other G-7 economies combined...Since January 1993, 8.4 million new jobs, swelling the number of job holders by 7.7 percent. No other G-7 economy comes close to matching that performance."

THE WORLD'S AUTOMOBILE LEADER

- **1992: Trailed Japan for 13th Year In A Row.** In 1992 Japan produced 28 percent more automobiles than America -- trailing for the 13th year in a row.

- **TODAY: #1 in Auto Production.** In 1994 the United States surpassed Japan as the world leader in automobile production -- the last time the United States was number one was back in 1979. And in 1995, America retained its status as the world's largest car producer.

THE WORLD'S LEADER ON DEFICIT REDUCTION

- **1992: Bigger Deficit Than Japan, Germany, and France.** In 1992, the United States had a larger budget deficit as a share of the GDP than Japan, Germany, and France.

- **TODAY: Lowest Deficit.** The United States currently has the lowest deficit as a share of GDP of any major economy in the world.

THE WORLD'S LEADER IN SEMICONDUCTORS

- **1992: Trailed Japan for 7th Straight Year.** In 1992, the United States trailed Japan in semiconductor production for the seventh consecutive year.

- **TODAY: #1 in Semiconductors.** For the first time since 1985, America is leading the world in semiconductor production.

OPENING MARKETS TO EXPAND EXPORTS AND CREATE HIGH-WAGE JOBS

The Facts On The Economy Under President Clinton

May 6, 1996

EXPORTS ARE SURGING -- CREATING HIGH-WAGE JOBS

- **Exports Stronger Than Previous Administrations.** Under President Clinton, exports of American goods have grown by one-third -- up $150 billion. That's a better record than either President Bush or President Reagan.

- **Trade Policies Are Creating High-Wage Jobs.** Since President Clinton took office, over 200 trade agreements have been concluded, helping to create hundreds of thousands of new high-wage, export-related jobs; jobs related to goods exports pay 13 percent more than the average job.

- **High-Tech Exports Are Soaring.** Exports of semiconductors have grown 113 percent under President Clinton's leadership; telecommunications exports have grown 71 percent; and exports of computers and computer-related goods have grown 38 percent.

AMERICA IS ONCE AGAIN LEADING THE WORLD

- **The World's Most Competitive Economy.** The United States has now been ranked Number One on competitiveness for two years in a row -- and up from Number Five in 1992. And in 1996, America is going to be ranked the world's most competitive economy for a third year in a row.

  The World's Automobile Leader Once Again. The United States is the world's Number One producer of automobiles for the first time since the 1970's -- overtaking Japan.

- **The World's Semiconductor Leader Once Again.** The United States has regained its position as the world's Number One producer of semiconductors -- surpassing Japan.

PRESIDENT CLINTON STOOD UP FOR AMERICAN WORKERS AND COMPANIES AGAINST UNFAIR COMPETITION

- **Stood Up To The Japanese To Open Markets To America Goods.** The Clinton Administration has stood up for America's workers and forged 20 trade agreements with the Japanese in sectors ranging from cellular telephones to rice. Since President Clinton took office, exports of American goods to Japan in these sectors have grown 85 percent -- three times faster than other U.S. exports to Japan.

- **Stood Up To Japan To Open The Car Market.** Since the Clinton Administration secured an auto and auto parts agreement with Japan, American auto and auto parts exports to Japan have increased 35 percent.

- **President Clinton Fought For NAFTA -- Opening Markets And Cutting Tariffs.** Since NAFTA was signed, exports to Mexico and Canada have risen by over 20 percent, and the U.S. share of Mexico's imports has expanded to 74 percent. And under NAFTA, Mexico has cut its tariffs more than twice as much as the United States.

THE FACTS ON REPUBLICAN POLICIES & WORKING FAMILIES

Fighting For Policies That Would Have Squeezed Working Families

May 6, 1996

Republicans Fought For Policies That Would Have Squeezed Working Families.

- **They Refuse To Raise The Minimum Wage.** Republicans refuse to act on the President's proposal to raise the minimum wage and give 10 million workers a living wage.

- **They Passed Higher Taxes For Working Families.** Their budget cut the Working Family Tax Credit (EITC) for 12.6 million families -- and raised taxes by an average of $318 for nearly 8 million of them.

- **They Passed A Medicare Premium Increase On 37 Million Beneficiaries.** Their budget would have raised premiums by at least $1,700 per elderly couple over the next seven years.

- **They Passed A Corporate Raid On Workers' Pensions.** Their budget would have allowed corporations to raid pension funds, risking pensions for millions of workers.

- **They Passed A Repeal Of The Medicaid Guarantee Of Nursing Home Coverage.** Their budget would have put more and more working families at financial risk.

Republicans Fought For Policies That Would Deny Education & Training Opportunities.

- **155,000 Dislocated Workers Denied Assistance.** The Republican budget would have denied assistance to 155,000 workers who lost their jobs due to corporate downsizing or changes in the economy in 1996 alone.

- **2.5 Million Students Denied Direct Lending Opportunities.** Their budget would have denied the benefits of Direct Student Loan opportunities to 2.5 million students in 1,350 colleges and universities.

- **380,000 Students Denied Pell Grants.** Their budget would have made devastating cuts to the Pell grant program, denying Pell grants to 380,000 deserving students in 1996 alone.

- **180,000 Children Denied Head Start.** Their budget would have denied 180,000 children comprehensive Head Start education, health, and social services by the year 2002.

- **1 Million Children Denied Basic And Advanced Skill Training.** Their budget would have cut Title I by more than $1 billion -- cutting 1 million students from the program.

Clinton Presidential Records
Digital Records Marker

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

Divider Title: **B. STATE SPECIFIC DATA**

MAKING MICHIGAN A BETTER PLACE TO LIVE AND WORK

SAMPLE

MICHIGAN'S ECONOMY IS STRONGER

- **The Unemployment Rate Has Declined From 7.4% When Clinton Took Office To 4.8% Today.**
- **Consumer Confidence is up 84%** -- After dropping the previous four years.
- **6 1/2 Times as many New Private-Sector Jobs Per Year** -- 107,838 vs. 16,400 Average During the Previous 4 Years.
- **59,200 New Manufacturing Jobs** -- after 74,300 lost during the previous 4 years.
- **Business Failures Have Dropped 12% Per Year** -- after increasing 12% per year during the previous 12 years.
- **Over 4 1/2 Times as many New Jobs Per Year** -- 104,692 vs. 22,175 average during the previous 4 years.

HELPING MICHIGAN'S WORKING FAMILIES MEET AMERICA'S CHALLENGES

10 Times More Michigan Families Receive A Tax Cut Than A Tax Increase: As a result of the expanded Earned Income Tax Credit, 392,321 working families in Michigan will receive a tax cut. This compares to an increase in the income tax rate for only the 41,107 wealthiest taxpayers in Michigan.

- **Tax Cuts For 41,459 Small Businesses in Michigan:** The President helped entrepreneurs, proprietors, and other small businessmen and women by expanding the annual expensing allowance from $10,000 to $17,500. At least 41,459 small businesses in Michigan are likely to benefit from the expansion of the expensing allowance this year and many more will benefit over the coming years.
- **1,502,000 Workers Protected by Family and Medical Leave.** The Family and Medical Leave Act allows workers to take up to 12 weeks of unpaid leave for the birth of a child or to care for a sick family member. This law covers about 1,501,815 workers , and protects the jobs of 90,221 workers in Michigan, who are likely to use unpaid leave this year alone.
- **579,600 Million Students and Former Students in Michigan Able To Benefit From Student Loan Reforms:** Approximately 579,600 Michigan borrowers -- 405,700 current borrowers and 173,900 new borrowers in the next few years -- can take advantage of the new direct student loan program by participating directly in the program or by consolidating guaranteed loans into direct loans. Some will benefit from lower interest rates, and all will benefit from more repayment options, including income contingent repayment.

823 New Police Officers in Michigan. The President's Crime Bill has put 823 new police officers on the street, strengthens drug courts helping keep adult and juvenile offenders from cycling through the legal system, and helps protect women and children from domestic violence and sexual offenders.

NEW PROPOSALS TO HELP WORKING FAMILIES

THE PRESIDENT'S PROPOSAL TO RAISE THE MINIMUM WAGE

- **President Clinton Proposes to Raise the Minimum Wage By 90 Cents Over Two Years. This Proposal Would Give a Raise to 10 Million American Workers.**

- **In Michigan, 324,000 Workers Would Receive A Raise.** The President's proposal to increase the minimum wage by 90 cents over two years would directly benefit 324,000 workers in Michigan, representing 11.9 percent of all hourly workers in the state.

- **The President's Proposal Would Provide $1,800 to a Worker Who Works Full-time, Year Round.** That's enough money for the average family to pay for:
  - Over seven months of groceries;
  - Basic housing costs for almost four months (rent or mortgage);
  - One year of health care costs, including insurance premiums, prescription drugs, and out-of-pocket costs;
  - Nine months worth of utility bills;
  - More than a full-year's tuition at a 2-year college; or
  - Three months worth of total transportation costs, including gasoline, maintenance, and public transportation.

THE PRESIDENT'S RETIREMENT SAVINGS AND SECURITY ACT

- **President Clinton's Retirement Savings And Security Act:**
  - **Expands Pension Coverage** to help the 51 million working Americans -- nearly half of private-sector workers -- not currently covered by an employer-provided plan save for their retirement.
  - **Increases Portability** by removing the obstacle course facing many workers when they change or lose their job and want to bring their retirement savings with them and keep saving.
  - **Enhances Protections** so hard-working Americans do not have to worry whether their retirement savings will be there when they need them.

- **In Michigan, 360,000 Workers In Small Businesses Would Be Offered Expanded Opportunity For Pension Coverage.** Fewer than 1/4 of the workers in the over 167,000 small businesses in Michigan with under 100 employees have pension coverage. President Clinton's Retirement Savings and Security Act offers expanded opportunities for pension coverage to almost 360,000 workers at these small businesses in Michigan who have no pension plan today.

THE KASSEBAUM-KENNEDY HEALTH INSURANCE BILL

- **In Michigan As Many As 637,000 Americans in Families With a Worker Who Changed, Lost, Or Left A Job With Health Insurance, Would Be Guaranteed Continued Access To Health Insurance** under the Kassebaum-Kennedy Health Insurance Bill which President Clinton has fought for.

PRESIDENT CLINTON IS THE FIRST PRESIDENT IN 17 YEARS TO SUBMIT A BALANCED BUDGET USING CBO ESTIMATES.

PRESIDENT CLINTON'S BALANCED BUDGET PROVES THAT YOU DON'T HAVE TO DEVASTATE MEDICARE, MEDICAID, EDUCATION, AND THE ENVIRONMENT IN ORDER TO BALANCE THE BUDGET IN 7 YEARS.

- **President Clinton said no to needless cuts to Medicare & Medicaid.** Republicans wanted him to sign a bill that cut Medicare & Medicaid by $433 billion -- even though it's not necessary to balance the budget.

- **President Clinton said no to needless Education and Environment Cuts.** Republicans wanted him to sign a bill that would result in a $31 billion cut in Education and Training and cut environmental enforcement by 25% -- even though it's not necessary to balance the budget.

- **President Clinton said no to needless Tax Increases**. Republicans wanted him to sign a bill that cut the EITC by $31 billion, raising taxes on 8 million families -- even though it's not necessary to balance the budget.

MEDICARE

Note: Analysis of the impact of Republican Medicare cuts is based on the $270 billion in Medicare cuts in the Republican Reconciliation Bill vetoed by President Clinton on December 6, 1995.

- **Republicans Wanted To Raise Medicare Premiums On Each of Michigan's More Than 1.3 Million Beneficiaries By At Least $850 Over Seven Years -- Costing Couples at least $1,700.** The Republican-passed $270 billion in Medicare cuts -- three times larger than any cut in history -- would have increased premiums on every Medicare beneficiary while making damaging structural changes to the Medicare program.

MEDICAID

Note: Analysis of the impact of Republican Medicaid cuts is based on the $163 billion in Medicaid cuts and the funding formula in the Republican Reconciliation Bill vetoed by President Clinton on December 6, 1995.

- **Republicans Wanted to Deny Medicaid to as Many as 123,500 People in Michigan, Including 57,900 Children, and 24,400 People With Disabilities.** The Republican budget's $163 billion cut in Medicaid could have forced states to deny coverage to nearly 8 million pregnant women, children, people with disabilities, and older Americans in 2002.

TAXES

- **Republicans Wanted To Raise Taxes On 429,500 Michigan Taxpayers.** The Senate-passed proposal to cut the Earned Income Tax Credit by $43 billion would have increased taxes in the year 2002 for 429,500 Michigan taxpayers. On average, each affected recipient would have seen a tax increase of more than $323 in the year 2002.

EDUCATION

Note: When President Clinton vetoed the Republican Reconciliation Bill in December 1995, the Senate Labor/HHS/Education Appropriations Bill remained stalled. The analysis of the Republican Education cuts that follows are based on the House-passed Labor/HHS/Education Appropriations Bill -- the only Appropriations for Education programs that had been voted on by every Member in one Chamber of Congress. [The sole exception to this note is funding for the AmeriCorps National Service program which was zeroed-out in the VA/HUD Appropriations Bill vetoed by President Clinton on December 18, 1995.]

- **Republicans Wanted To Deny Head Start to 7,456 Children in Michigan** and 180,000 children nationwide in 2002, compared with 1995.

- **Republicans Wanted To Deny 30,200 Michigan Children Basic and Advanced Skills** training in 1996. The Republican budget cuts Title I by $1.1 billion -- a 17% cut in 1996 -- denying Title I funding for 1.1 million disadvantaged students nationwide and 30,200 children in Michigan. Title I funds in Michigan will be cut by $51.5 million in 1996.

- **Republicans Wanted to Cut Funding For Safe and Drug Free Schools, which 559 out of 561 school districts in Michigan** use to keep crime, violence, and drugs away from 790,364 children, their schools, and their communities.

- **Republicans Wanted To Eliminate Goals 2000, Denying Improved Teaching and Learning for as Many as 203,300 School Children in Michigan** in 1996. By 2002, 485,500 children in Michigan would be denied improved education, compared with the President's balanced budget.

- **Republicans Wanted To Eliminate the AmeriCorps National Service program,** denying 1,323 young people in Michigan the opportunity to serve their communities in 1996.

- **Republicans Wanted To Eliminate Summer Jobs for 20,164 Youths in Michigan in 1996 and 141,148 Youths Over Seven Years.** The Republican budget eliminates the summer youth employment program which provides job experience and skills to approximately 600,000 youths each summer.

ENVIRONMENT

Note: Analysis of the impact of the Republican cuts on the environment are based on the Conference VA/HUD Appropriations Bill containing appropriations for the Environmental Protection Agency, vetoed by President Clinton on December 18, 1995.

- **Republicans Wanted To Cut By 25% Funding for Toxic Waste Cleanups -- Placing At Risk Cleanups Currently Underway At 15 Toxic Waste Sites In Michigan.** The Republican budget cut funding for the Superfund cleanup program by 25%, needlessly exposing citizens living near these sites to dangerous chemicals. One in four Americans -- and over 10 million children under the age of 12 -- live within four miles of a Superfund toxic dump site.

- **Republicans Wanted To Cut Environmental Enforcement By 25%.** Cutting fair and consistent enforcement would hurt families in Michigan who depend on clean air and water, and hurt Michigan's companies that already obey the law. Enforcement cuts would help only those companies who continue to evade environmental laws and pollute irresponsibly.

- **Republicans Wanted To Cuts Funds by 17% to Set Public Health Standards for Air Pollution, Pesticides, and Clean and Safe Water.**

- **Republicans Wanted To Cut By 45% Funds That Go Directly to States to Protect Communities' Drinking Water,** compared to the President's balanced budget. <u>But, In Michigan, 200,000 residents are served by drinking water systems that violated public health standards in 1995.</u> Republicans wanted to cut funds that are used by communities to upgrade facilities and better treat contaminants such as cryptosporidium, which in 1993 killed 100 people and sickened 400,000 others in Milwaukee.

- **Republicans wanted to cut by 30% efforts to keep raw sewage and other pollution off beaches and out of waterways**. Republicans wanted to cut funds used to construct and upgrade waste water treatment facilities that keep raw sewage from flowing into our rivers, lakes and streams.

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This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

Divider Title: C. RESPONSES: ECONOMY

ECONOMY:
Responses to False Claims

Table of Contents

CLAIM ON CLINTON INHERITED A STRONG ECONOMY AND TURNED IT INTO A WEAK ECONOMY

CLAIM: *The economy has been weaker in every year under Clinton than during the last year of the Bush Administration in 1992.*

THE FACTS: MOST AMERICANS WOULD NOT WANT TO GO BACK TO 1992.

DEFICIT:

In 1992, the deficit was $290 billion -- the highest dollar level in history.

Today, CBO projects the deficit to be $144 billion this year -- more than cut in half in just four years and the lowest as a share of the economy of any major economy in the world. [CBO, 4/17/96]

UNEMPLOYMENT:

In 1992, the unemployment rate was above 7 percent during every month and over 7.5 percent during five months.

Today, the unemployment rate is at 5.4 percent -- and has been below 6 percent for 20 consecutive months. [Source: Bureau of Labor Statistics, BLS Internet site: *www.bls.gov*.]

JOB GROWTH:

In 1992, the private sector was barely even creating jobs and had suffered from one of the worst 4-year periods of job growth in history.

Today, the economy has created 8.5 million new jobs -- nearly 8 times more private-sector jobs per month than during the previous Administration (203,000 per month vs. 26,900 per month). [Source: Bureau of Labor Statistics, BLS Internet site: *www.bls.gov*.]

ECONOMIC GROWTH:

In 1992, the economy grew 2.7 percent -- averaging just 1.3 percent during the Bush Administration.

Today, the economy has grown twice as fast as during the previous Administration, including 3.5 percent in 1994. Under President Clinton, the private sector of the economy has expanded 3.2 percent annually -- far stronger than either of the previous two Administrations. [Source: Department of Commerce, Bureau of Economic Analysis.]

It is important to note that their interpretation of the 1992 economy is deceptive. Growth for 1992 was boosted significantly by a strong fourth quarter that benefited from a fall in interest rates and rise in consumer confidence brought on by the election of President Clinton.

- ***New York Times*, 11/25/92:** "The post-election rebound in consumer spirits entirely reversed a string of monthly declines in the measure [consumer confidence] since June... analysts attributed most of the jump in consumer confidence to Governor Bill Clinton's victory in the Presidential election."

ꞁAIM ON 1995 & 1996 BEING THE SLOWEST 2 YEARS OF GROWTH SINCE 1956-1957

CLAIM: *A Wall Street Journal survey of economic forecasters predicts the overall growth rate for 1996 will be below 2%. That rate, together with the 1995 growth rate, will mark the slowest two-year period of growth (short of past recessions) since 1956-57.*

THE FACTS: THIS IS A BOGUS COMPARISON.

1. **The fact is the private sector of the economy has grown 3.2 percent annually since President Clinton took office -- that's stronger than either the Bush or Reagan Administrations.** [Source: Department of Commerce, Bureau of Economic Analysis, National Income and Product Accounts.]

2. **If you look at 1994 and 1995, the growth rate in the private sector was 3.1 percent -- again higher than the Bush or Reagan years.** [Source: Department of Commerce, Bureau of Economic Analysis, National Income and Product Accounts.]

3. **Indeed, even if the pessimistic assumption for 1996 came true, private-sector growth during President Clinton's first term would be stronger than the growth during the Reagan-Bush years.** [Source: Department of Commerce, Bureau of Economic Analysis, National Income and Product Accounts.]

4. **Even using this pessimistic assumption for 1996, overall economic growth during 1995 and 1996 would be stronger than the average rate during the previous Administration.** [Source: Department of Commerce, Bureau of Economic Analysis, National Income and Product Accounts.]

PRESIDENT CLINTON'S ECONOMIC RECORD IS FAR BETTER THAN EITHER OF THE PREVIOUS TWO ADMINISTRATIONS:

- **Stronger Job Growth.** More than 8.5 million new jobs added under President Clinton -- that's a faster annual rate of job growth than during any Republican Administration since the 1920s, including Ronald Reagan's terms in office. [Source: Bureau of Labor Statistics, BLS Internet site: *www.bls.gov*]

- **Stronger Private-Sector Job Growth.** Nearly 8 million new private-sector jobs created under President Clinton -- that's faster private-sector job growth than during any Republican Administration since the 1920s, including Ronald Reagan's terms in office. [Source: Bureau of Labor Statistics, BLS Internet site: *www.bls.gov*]

- **Turning The Corner on Jobs in High-Wage Industries.** After losing 200,000 jobs in high-wage industries during the previous Administration, the economy has added more than 3.5 million since President Clinton took office. [Source: Update to Department of Labor, *The Nature of Recent Employment Growth*, February, 1996.]

CLAIM ON THE CURRENT EXPANSION IS FAIRLY POOR

CLAIM: *The current expansion has been fairly poor compared to earlier expansions.*

THE FACTS: **The economy has performed better under President Clinton than during the comparable period during the Reagan economic recovery.**

- **The fact is 600,000 more private-sector jobs have been created during the economic expansion under President Clinton than during the comparable period in the Reagan economic recovery in the 1980s.** Since President Clinton took office, 7.9 million new private-sector jobs have been added to the economy. During the comparable period in the Reagan economic recovery, only 7.3 million new private-sector jobs were created. [Source: Bureau of Labor Statistics, BLS Internet site, *www.bls.gov*.]

- **The private sector of the economy has expanded 3.2 percent annually since President Clinton took office -- that's stronger than the comparable period during the Reagan economic recovery.** [Source: Department of Commerce, Bureau of Economic Analysis, National Income and Product Accounts.]

The current economic expansion -- which began in March 1991 and continues today -- is marked by two distinct periods: the exceptionally weak economy under President Bush and the strong economy under President Clinton:

- **Unemployment increased during the Bush-part of expansion, and dropped under President Clinton.** Under President Bush's watch, the unemployment rate increased from 6.8 percent to over 7 percent -- rising over 7.5 percent for five months. Since President Clinton took office, the unemployment rate has fallen from over 7 percent to 5.4 percent -- and has been below 6 percent for 20 straight months. [Source: Bureau of Labor Statistics, BLS Interest site, *www.bls.gov*.]

- **Stronger job growth under President Clinton.** Since President Clinton took office, the economy has created 219,000 per month -- that's nearly five times more than the 46,000 per month added from the end of the recession to the end of the previous Administration. [Source: Bureau of Labor Statistics, BLS Interest site, *www.bls.gov*.]

- **Stronger private-sector job growth under President Clinton**. Since President Clinton took office, the private sector of the economy has added 203,000 per month -- that's nearly 5 1/2 times the 37,000 per month added from the end of the recession to the end of the previous Administration. [Source: Bureau of Labor Statistics, BLS Interest site, www.bls.gov.]

- **Stronger private-sector economic growth under President Clinton**. The private sector of the economy has expanded far faster since President Clinton took office than it did from the bottom of the 1990-91 recession to the end of the previous Administration. [Source: Department of Commerce, Bureau of Economic Analysis, National Income and Product Accounts.]

CLAIM ON THE ECONOMY IS HARDLY THE HEALTHIEST IN 30 YEARS

CLAIM: *The healthiest in three decades? Back from the brink? For America's working men and women, this economy is anything but healthy; it's tottering.*

THE FACTS: HERE IS WHAT SEVERAL RESPECTED FINANCIAL AND ECONOMIC ORGANIZATIONS HAVE RECENTLY SAID ABOUT THE CLINTON ECONOMY:

Barron's, 3/18/96: "Clinton also rightfully boasted that, 'our economy is the healthiest that it has been in thirty years. We have the lowest combined rate of unemployment and inflation in 27 years. We have created eight million jobs, over a million of them in basic industries like construction and automobiles. America is selling more cars than Japan for the first time since the 1970s, and for three years in a row we've had a record number of new businesses started in our country.'"

DRI/McGraw-Hill, March 1996: "[T]he normal economic indicators suggest [the economy] is in its best shape in decades."

***Washington Post*, 4/2/96:** "[T]he U.S. economy has created more new jobs over the past several years than all the other G-7 economies combined...Since January 1993, 8.4 million new jobs [have been created], swelling the number of job holders by 7.7 percent. No other G-7 economy comes close to matching that performance."

"It is also true, as some have said, that our economy is the strongest it's been in 30 years."
Majority Leader Robert Dole,
Remarks at Concord, NH
February 20, 1996

CLAIM ON HERITAGE "STUDY" SAYING TAX INCREASE HURT ECONOMY

,AIM: *A Heritage Foundation study says that the President's tax increase cost the economy $111 billion in lost wages; $200 billion in growth and 1 million jobs.*

THE FACTS: THIS IS A COMPLETELY POLITICAL, METHODOLOGICALLY FLAWED "STUDY". IT WAS PROVIDED TO SENATOR DOLE TWO WEEKS BEFORE IT WAS RELEASED TO BE USED AS NOTHING MORE THAN A PARTISAN POLITICAL DOCUMENT.

- **The Heritage "study" -- provided to the Dole campaign two weeks before it was released -- builds fictional information about the 1993 Economic Plan into their analysis in order to get the political result they wanted to produce.** It assumes that marginal tax rates were raised on all tax payers when the clear fact is -- confirmed by H&R Block -- only the top 1.2 percent of tax payers saw their tax rates increased. This incorrect assumption is the crux of their whole study. Since it is flawed, their whole study is meaningless.

- The Heritage "study" was immediately disavowed by Laurence Meyer & Associates (LHM&A) -- the designers of the model used in Heritage's analysis. In a pointed letter to all their clients, LHM&A responded by writing: ***"[We] state unequivocally that we believe this work to be seriously flawed, having been produced through injudicious use of our model, against our advice and over our objections."*** [See attached letter]

THE FACTS -- NOT SUBJECT TO ANY "STUDY" BY HERITAGE -- ARE CLEAR:

- The unemployment rate was over 7 percent every month in 1992. It's now 5.4 percent. [Source: BLS]
- The deficit was $290 billion in 1992. It will be half that at the end of this year. [Source: CBO.]
- The economy was barely even creating jobs in 1992. Now, the economy has added more than 8.5 million new jobs -- that's a faster annual rate than any Republican Administration since the 1920s. [Source: BLS.]

THE FACTS AND THE EXPERTS AGREE THAT THE PRESIDENT'S 1993 ECONOMIC PLAN HELPED TURN THE ECONOMY AROUND AND FUEL A STRONG RECOVERY.

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

- ***Paul Volcker, Federal Reserve Board Chairman (1979-1987), in Audacity,* Fall 1994:** "The deficit has come down, and I give the Clinton Administration and President Clinton himself a lot of credit for that. [He] did something about it, fast. And I think we are seeing some benefits."

- **Alan Greenspan, 2/20/96**: The deficit reduction in President Clinton's 1993 Economic Plan was "an unquestioned factor in contributing to the improvement in economic activity that occurred thereafter."

- **Lehman Brothers, 1/10/94:** "Lower deficits, lower long-term rates and higher real growth was the overall promise. With the data now rolling in for December 1993, it seems clear that President Clinton delivered on all three counts..."

GOP BUDGET ONLY BALANCES BY ADOPTING PRESIDENT'S 1993 DEFICIT REDUCTION PLAN. Without President Clinton's 1993 deficit reduction plan -- which every Republican voted against -- the GOP budget would not even come close to reaching balance in 2002. That is why -- for all the talk -- the Republicans have chosen to adopt it, not repeal it.

MA

LAURENCE H. MEYER & ASSOCIATES, Ltd.

May 1, 1996

Dear

As a client of Laurence H. Meyer & Associates, the Heritage Foundation can use our model to simulate the effects of macroeconomic policies. Yesterday, Heritage published a study entitled "Is There A Clinton Crunch"? in which it concludes, based on simulations with our model, that the Omnibus Budget Reconciliation Act of 1993 (OBRA 93) caused a large, permanent decline in the labor force that, at full employment, spells a large decline in employment and potential output.

At our request, the study carries a disclaimer that the methodologies, assumptions and conclusions of the report are those of the Heritage Foundation. Nonetheless, we are concerned the study leaves an impression that LHM&A agrees with the conclusions. To dispel any such notion, we are writing this letter to all of our clients to state unequivocally that we believe this work to be seriously flawed, having been produced through injudicious use of our model, against our advice and over our objections.

In 1990, LHM&A authored a retrospective analysis of the Tax Reform Act of 1986 (TRA 86) for the Carnegie-Rochester Conference on Public Policy. To estimate the effects on employment of TRA 86, we first constructed an estimate of the economy-wide marginal tax rate on wages as an income-weighted average across workers in different tax brackets. This was then fed through the model's labor supply equation to gauge the resulting effects on the labor force. What made the procedure acceptable was that TRA 86 reduced *everyone's* marginal tax rates more or less proportionately.

When we re-did our calculations after OBRA 93 it was obvious that, this time, the computed change in our income-weighted tax rate should not be fed through the model to gauge the effects on labor supply. The reason: OBRA 93 did not raise everyone's taxes proportionately. Instead, it raised the tax rates of a small number of high-income workers who, given the distribution of income, received a disproportionately large weight in our updated calculations. In this case, an employment-weighted measure of the marginal tax rate would have been more appropriate, and would not have shown much rise. At the time, we recognized that if we rotely passed the income-weighted marginal tax rate through our model we would under-predict the labor force by a wide margin after 1993. This is even clearer today because the decline in labor supply that the model predicts using the income-weighted tax rate has, in fact, never materialized. Indeed, when the rise in the marginal tax rate is excluded from the model, it continues to track the labor force closely.

Our model -- any economic model -- is a tool. If used wisely, it can help generate useful insights about the economy's inner workings. If used injudiciously or unquestioningly, it can give the wrong result. This time, we think Heritage got it wrong.

Sincerely,

Joel L. Prakken
Vice President

Chris Varvares
Vice President

231 South Bemiston-Suite 775
St. Louis, Missouri 63105
Phone: (314) 721-4747 • FAX: (314) 721-6383

CLAIM ON INDUTRIAL OUTPUT HAS DROPPED DRAMATICALLY

CLAIM: *Industrial output averaged 4.2 percent from 1983-1989, but under Clinton, it dropped to a measly 1.2 percent last year.*

THE FACTS: **ANYONE CAN CHOSE SELECT TIME PERIODS TO MAKE THEIR CASE LOOK GOOD. BUT THE FACTS ARE THE FOLLOWING:**

- **Industrial production has grown faster under President Clinton than under President Reagan.** Since President Clinton took office, industrial production has grown 3.8 percent annually -- that's significantly faster than the 2.8 percent annual rate that Ronald Reagan achieved from January 1981 to January 1989. [Source: Federal Reserve Board data.]

- **Industrial production has grown more than four times faster under President Clinton than during the previous Administration.** Since the President was inaugurated, industrial production has increased 3.8 percent per year -- that's more than four times faster than the paltry 0.9 percent annual growth during the previous Administration. [Source: Federal Reserve Board data.]

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Divider Title: **D. RESPONSES: JOBS**

JOBS:
Responses to False Claims

Table of Contents

CLAIM ON JOB CREATION DURING 1980S WAS BEST EVER

CLAIM: *The U.S. economy in the 1980s was the world's greatest job creating machine ever.*

THE FACTS: **THIS IS NONSENSE. President Clinton's jobs record is better than that of any Republican President since the 1920s, including Ronald Reagan's two terms in office during the 1980s.**

1. **President Clinton has a better jobs record than any Republican Administration since the 1920s.** Since President Clinton took office, the economy has added more than 8.5 million new jobs -- that's a faster annual rate of job growth than any Republican Administration since the 1920s, including Ronald Reagan's terms in office during the 1980s. [Source: Bureau of Labor Statistics, BLS Internet site: *www.bls.gov*.]

2. **President Clinton has a better private-sector jobs record than any Republican Administration since the 1920s.** Nearly 8 million new private-sector jobs have been created -- that's a faster annual rate of private-sector job growth than any Republican Administration since the 1920s, including Ronald Reagan's terms in office during the 1980s. [Source: Bureau of Labor Statistics, BLS Internet site: *www.bls.gov*.]

3. **After losing 2.2 million manufacturing jobs during the previous two Administrations, the economy has added 101,000 since President Clinton took office** -- that's a faster annual rate of job growth than any Republican Administration since the 1920s. [Source: Bureau of Labor Statistics, BLS Internet site: www.bls.gov.]

PRESIDENT CLINTON: A BETTER RECORD OF PRIVATE-SECTOR JOB GROWTH THAN ANY REPUBLICAN ADMINISTRATION SINCE THE 1920S

	Annual Percent Change	Number of New Jobs Per Year
CLINTON	2.6%	2.4 million
Bush (1989-1992)	0.4%	0.3 million
Reagan (1981-1988)	2.3%	1.8 million
Ford (1974-1975)	0.9%	0.6 million
Nixon (1969-1974)	2.1%	1.3 million
Eisenhower (1953-1960)	0.5%	0.2 million
Hoover (1929-1932)	-7.7%	-1.9 million
Coolidge (1923-1928)	2.3%	0.6 million
Harding (1921-1923)	8.6%	2.0 million

CLAIM ON THE 8.5 MILLION JOBS ARE ALL LOW-PAYING SERVICE JOBS

'LAIM: *Sure, 8.5 million new jobs have been created, but they are all in low-paying service jobs.*

THE FACTS: **HERE ARE THE FACTS ON THE JOB GROWTH UNDER PRESIDENT CLINTON:**

- **Over Two-Thirds Of The New Jobs Are High-Wage Jobs.** In the last two years, more than two-thirds (68 percent) of the new full-time jobs were high-wage jobs. More than half of the job growth occurred in the best-paying 30 percent of job categories. [Source: Council of Economic Advisers with Department of Labor's Office of the Chief Economist, *Job Creation and Employment Opportunities: The United States Labor Market, 1993-1996*, April 23, 1996.]

- **Turning The Corner on Jobs in High-Wage Industries.** After losing 200,000 jobs in high-wage industries during the Bush Administration, the economy has added more than 3.5 million since President Clinton took office. [Source: Department of Treasury, based on Bureau of Labor Statistics data.]

  - In 1992, just 6 percent of the new jobs created were in high-wage industries. In 1995 -- instead of 6 percent -- nearly 60 percent of the new jobs were in high-wage industries. [Source: Department of Treasury, based on Bureau of Labor Statistics data.]

- ***Los Angeles Times*, 3/14/96:** "Rather than jobs for hamburger flippers or retail clerks, statistics suggest, a growing share are in areas that tend to pay above average.... 'The occupations that pay the most are growing the fastest,' said Neal H. Rosenthal, the primary author of a new U.S. Bureau of Labor Statistics study on the nation's employment outlook through the year 2005."

- **Nearly all of the new jobs have been full-time jobs.** Since January 1993, the economy has added 7.8 million full-time equivalent jobs -- that's more than 90 percent of all the jobs added. [Source: Council of Economic Advisers.]

CLAIM ON MANY OF THE JOBS ARE PART-TIME JOBS

:LAIM: *While 7.5 million non-farm payroll jobs have been created since Clinton took office...many of these are part-time jobs. On the basis of the number of hours worked, the economy has created only 758,000 full-time jobs annually since 1992.*

The share of new jobs that are temporary instead of full-time, permanent jobs has nearly doubled on Clinton's watch.

THE FACTS: **THIS IS COMPLETE NONSENSE.**

1. **Nearly all of the new jobs have been full-time jobs.** Since January 1993, the economy has added 7.8 million full-time equivalent jobs -- that's more than 90 percent of all the jobs added. [Source: Council of Economic Advisers.]

2. **They claim that most of the new jobs were part-time jobs suggests that average hours should have fallen. HOWEVER, since President Clinton took office, average hours have ticked up.**

   - **Average hours are up slightly.** According to the Bureau of Labor Statistics, average weekly hours have increased slightly during the Clinton Administration; from 1992 to 1995, they have increased from 34.4 to 34.5 hours per week. [Source: Bureau of Labor Statistics, BLS Internet site: *www.bls.gov*.]

3. **Part-time employment is down under President Clinton.**

   - **While the economy is creating millions of jobs, part-time employment is down!** According to the Bureau of Labor Statistics, in the last two years, the number of people working part-time has dropped by half a million workers. [Source: Bureau of Labor Statistics, Current Population Survey.]

4. **The fact is over two-thirds of the new jobs are high-wage jobs.** In the last two years, more than two-thirds (68 percent) of the new full-time jobs were high-wage jobs. [Source: Council of Economic Advisers with Department of Labor's Office of the Chief Economist, *Job Creation and Employment Opportunities: The United States Labor Market, 1993-1996*, April 23, 1996.]

CLAIM ON 3 MILLION MORE JOBS SHOULD HAVE BEEN CREATED

:LAIM: *More than three million more new jobs would have been created had Clinton maintained the same rate of new job creation produced in previous economic expansion periods.*

THE FACTS: **THIS IS UNTRUE.**

- **The fact is 600,000 more private-sector jobs have been created during the economic expansion under President Clinton than during the comparable period in the Reagan economic recovery in the 1980s.** Since President Clinton took office, 7.9 million new private-sector jobs have been added to the economy. During the comparable period in the Reagan economic recovery, only 7.3 million new private-sector jobs were created. [Source: Bureau of Labor Statistics, BLS Internet site, *www.bls.gov*.]

If they want to talk about job growth, let's talk. President Clinton's jobs record is better than that of any Republican President since the 1920s:

1. **President Clinton Has A Better Jobs Record Than Any Republican Administration Since the 1920s.** Since President Clinton took office, the economy has added more than 8.5 million new jobs -- that's a faster annual rate of job growth than any Republican Administration since the 1920s. [Source: Bureau of Labor Statistics, BLS Internet site: *www.bls.gov*.]

2. **President Clinton Has A Better Private-Sector Jobs Record Than Any Republican Administration Since the 1920s.** Nearly 8 million new private-sector jobs have been created -- that's a faster annual rate of private-sector job growth than any Republican Administration since the 1920s. [Source: Bureau of Labor Statistics, BLS Internet site: *www.bls.gov*.]

3. **President Clinton Has A Better Construction Jobs Record Than Any Other President Since Harry S Truman.** After losing 665,000 jobs in construction during the previous four years, 860,000 new construction jobs have been added since January 1993 -- that's a faster annual rate of construction job growth than any other Administration since Harry S Truman was President. [Source: Bureau of Labor Statistics, BLS Internet site: *www.bls.gov*.]

4. **The Combined Rate of Unemployment And Inflation Is At Its Lowest Level Since 1968.**

5. **President Clinton Has A Better Auto Jobs Record Than Any Other President Since Lyndon B. Johnson.** After losing 49,000 jobs in the automobile industry during the previous four years, 76,000 new auto jobs have been added under President Clinton's leadership -- that's a faster annual rate of auto job growth than any other Administration since Lyndon B. Johnson was President. [Source: Bureau of Labor Statistics, BLS Internet site: *www.bls.gov*.]

CLAIM ON JOB CREATION WEAKER DURING CLINTON RECOVERY

:LAIM: *Job creation during the Clinton Administration lags far behind that of the Reagan recovery--on average, Reagan had 300,000 more jobs per year than are currently being created.*

THE FACTS: THIS IS NOT TRUE.

1. **The fact is 600,000 more private-sector jobs have been created during the economic expansion under President Clinton than during the comparable period in the Reagan economic recovery in the 1980s.** Since President Clinton took office, 7.9 million new private-sector jobs have been added to the economy. During the comparable period in the Reagan economic recovery, only 7.3 million new private-sector jobs were created. [Source: Bureau of Labor Statistics, BLS Internet site, *www.bls.gov*.]

2. **President Clinton has a better record on job growth than any Republican Administration since the 1920s, including Ronald Reagan.** Since President Clinton took office, the economy has added 8.5 million new jobs -- that's a faster annual rate of job growth than any Republican Administration since the 1920s. [Source: Bureau of Labor Statistics, BLS Internet site, *www.bls.gov*.]

3. **President Clinton has a better private-sector jobs record than any Republican Administration since the 1920s, including Ronald Reagan.** Nearly 8 million new private-sector jobs have been created -- that's a faster annual rate of private-sector job growth than any Republican Administration since the 1920s. [Source: Bureau of Labor Statistics, BLS Internet site, *www.bls.gov*.]

4. **After losing 2.2 million during the previous two Administrations, the economy has added 101,000 new manufacturing jobs since President Clinton took office** -- that's a faster annual rate of job growth than any Republican Administration since the 1920s. [Source: Bureau of Labor Statistics, BLS Internet site: www.bls.gov.]

CLAIM ON BETTER JOBS RECORD DURING LAST 6 MONTHS OF BUSH

.LAIM: *More jobs were added in the last six months of the Bush Administration than were created in the last six months of the Clinton Administration.*

THE FACTS: **THIS IS 100% FALSE.**

- **The fact is more new jobs were added in the last six months of the Clinton Administration -- more than one million -- than in the last six months of the Bush Administration (826,000).**

And if they want to talk about job growth, then let's talk. President Clinton's jobs record is better than that of any Republican President since the 1920s.

1. **President Clinton Has A Better Jobs Record Than Any Republican Administration Since the 1920s.** Since President Clinton took office, the economy has added more than 8.5 million new jobs -- that's a faster annual rate of job growth than any Republican Administration since the 1920s. [Source: Bureau of Labor Statistics, BLS Internet site: *www.bls.gov*.]

2. **President Clinton Has A Better Private-Sector Jobs Record Than Any Republican Administration Since the 1920s.** Nearly 8 million new private-sector jobs have been created -- that's a faster annual rate of private-sector job growth than any Republican Administration since the 1920s. [Source: Bureau of Labor Statistics, BLS Internet site: *www.bls.gov*.]

3. **Nearly 8 Times More Private-Sector Jobs Per Month Than Bush.** Since the President was inaugurated, the private sector has created 203,000 jobs per month, nearly 8 times as many jobs per month as were created under the Bush Administration (26,900). [Source: Bureau of Labor Statistics, BLS Internet site: *www.bls.gov*.]

4. **Turning The Corner on Jobs in High-Wage Industries.** After losing 200,000 jobs in high-wage industries during the Bush Administration, the economy has added more than 3.5 million since President Clinton took office. [Source: Update of Department of Labor, *The Nature of Recent Employment Growth*, October 7, 1994.]

5. **Over Two-Thirds Of The New Jobs Are High-Wage Jobs.** In the last two years, more than two-thirds (68 percent) of the new full-time jobs were high-wage jobs. [Source: Council of Economic Advisers, *Job Creation and Employment Opportunities: The United States Labor Market, 1993-1996*, April 23, 1996.]

CLAIM ON 319,000 MANUFACTURING JOBS LOST IN THE PAST YEAR

:LAIM: *From April 1995 to April 1996, the economy lost 319,000 high-paying manufacturing jobs.*

THE FACTS: **Manufacturing jobs are UP under President Clinton -- after losing 2.2 million during the previous two Administrations.**

1. **Since President Clinton took office -- even counting recent losses -- the economy has added 101,000 new manufacturing jobs, after losing 2.2 million during the previous two Administrations.** [Source: Bureau of Labor Statistics, BLS Internet site: www.bls.gov.]

2. **President Clinton has a better record of manufacturing job growth than any Republican Administration since before the Great Depression.** [Source: Bureau of Labor Statistics, BLS Internet site: *www.bls.gov.*]

3. **Under President Reagan alone, the economy lost 752,000 manufacturing jobs.** [Source: Bureau of Labor Statistics, BLS Internet site: *www.bls.gov.*]

CLAIM ON NO PRIVATE-SECTOR JOB GROWTH IN APRIL

CLAIM: *There was no net gain in private-sector employment in April -- the pitiful 2,000 job pickup was the result of government growth.*

THE FACTS: **Monthly employment growth has been rather erratic so far this year, but job growth has averaged 166,000 per month in 1996, with 155,000 in the private-sector -- that's more than enough to provide jobs for people coming into the labor market and keep the unemployment rate low.**

If they want to talk about job growth, let's talk. President Clinton's jobs record is better than that of any Republican President since the 1920s:

1. **President Clinton has a better jobs record than any Republican Administration since the 1920s.** Since President Clinton took office, the economy has added more than 8.5 million new jobs -- that's a faster annual rate of job growth than any Republican Administration since the 1920s, including Ronald Reagan's terms in office. [Source: Bureau of Labor Statistics, BLS Internet site: *www.bls.gov*.]

2. **President Clinton has a better private-sector jobs record than any Republican Administration since the 1920s.** Nearly 8 million new private-sector jobs have been created -- that's a faster annual rate of private-sector job growth than any Republican Administration since the 1920s, including Ronald Reagan's terms in office. [Source: Bureau of Labor Statistics, BLS Internet site: *www.bls.gov*.]

3. **After losing 2.2 million manufacturing jobs during the previous two Administrations, the economy has added 101,000 since President Clinton took office** -- that's a faster annual rate of job growth than any Republican Administration since the 1920s. [Source: Bureau of Labor Statistics, BLS Internet site: www.bls.gov.]

4. **President Clinton has a better construction jobs record than any other President since Harry S Truman.** After losing 665,000 jobs in construction during the previous four years, 860,000 new construction jobs have been added since January 1993-- that's a faster annual rate of construction job growth than any other Administration since Harry S Truman was President. [Source: Bureau of Labor Statistics, BLS Internet site: www.bls.gov.]

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Divider Title: **E. RESPONSES: WAGES**

WAGES, INCOMES, AND POVERTY:
Responses To False Claims

Table of Contents

CLAIM ON CLINTON CRUNCH ON WAGES

CLAIM: *Working Americans are being squeezed by the 'Clinton Crunch' of lower wages.*

THE FACTS: **THIS IS FALSE. Real wages are up slightly since President Clinton took office, after falling during both the Reagan and Bush Administrations. But, wage stagnation is a 20-year problem that will not be fixed overnight. Despite the recent progress, there is still more work to be done.**

- **Under Presidents Reagan and Bush, real average hourly earnings fell 79 cents, from $12.34 in January 1981 to $11.55 in January 1993.** [Source: Bureau of Labor Statistics (adjusted to December 1995 dollars using the CPI-U).]

- **Since President Clinton took office, real average hourly earnings have increased slightly.** Since President Clinton took office, average hourly earnings have increased slightly from $11.55 in January 1993 to $11.62 in December 1995. [Source: Bureau of Labor Statistics (adjusted to December 1995 dollars using the CPI-U).]

> ***Business Week*, 3/11/96:** "Real hourly wages are rising, for the first time in 10 years."

- **Since President Clinton took office, real median family income has increased.** After falling 4 percent during the previous Administration, real median family income is up since President Clinton took office. Indeed, it increased 2.3 percent in 1994 alone. [Source: Bureau of the Census, *Income, Poverty, and Valuation of Noncash Benefits: 1994*.]

- **Over two-thirds of the new jobs are high-wage jobs.** In the last two years, more than two-thirds (68 percent) of the new full-time jobs were high-wage jobs. [Source: Council of Economic Advisers with the Department of Labor's Office of the Chief Economist, *Job Creation and Employment Opportunities: The United States Labor Market, 1993-1996*, April 23, 1996.]

CLAIM ON AVERAGE HOURLY EARNINGS ARE 5% LOWER THAN A DECADE AGO

¬LAIM: *Average hourly earnings are 5 percent lower than a decade ago.*

THE FACTS: **THEY'RE BLAMING THE WRONG FOLKS. All of the drop occurred on the watch of Presidents Reagan and Bush. Wages have improved slightly under President Clinton.**

- **All of the decline in average hourly earnings they refer to happened under Presidents Reagan and Bush.** In fact, hourly wages have improved slightly since President Clinton took office, so that wages are down 4.5 percent, instead of 4.6 percent, over the last decade. [Source: Bureau of Labor Statistics, BLS Internet site: *www.bls.gov*, (adjusted to December 1995 dollars using CPI-U).]

- **In today's dollars, this means that under Presidents Reagan and Bush, real average hourly earnings fell 79 cents, from $12.34 in January 1981 to $11.55 in January 1993.** [Source: Bureau of Labor Statistics, BLS Internet site: *www.bls.gov*, (adjusted to December 1995 dollars using CPI-U).]

- **Since President Clinton took office, real average hourly earnings have increased slightly.** As *Business Week* reported on March 11, 1996: "Real hourly wages are rising, for the first time in 10 years."

  - **Since President Clinton took office, real average hourly earnings have increased slightly from $11.55 in January 1993 to $11.62 in December 1995.** [Source: Bureau of Labor Statistics, BLS Internet site: *www.bls.gov*, (adjusted to December 1995 dollars using CPI-U).]

CLAIM ON FAMILY INCOMES DOWN EVERY YEAR UNDER CLINTON -- LOWER THAN WHEN CLINTON TOOK OFFICE

CLAIM: *In each and every year of the Clinton presidency, the typical American family had less real income than when President Clinton took office. Last year alone, the typical family earned $790 less than in 1992.*

THE FACTS: **THIS IS SIMPLY UNTRUE. Family incomes fell under the previous Administration. They have increased since President Clinton took office.**

1. **Median family income is higher now than in 1992.** Median family income in 1994 was higher than the year before President Clinton took office. In 1994, median family income was $38,782, up from $38,632 in 1992. (1994 is the most recent data available) [Source: Bureau of the Census, *Income, Poverty, and Valuation of Noncash Benefits: 1994*, Series P-60-189, Supplemental Tables: Families, By Total Money Income.]

2. **Median family income increased in 1994.** According to the Bureau of the Census, real median family income increased 2.3 percent in 1994 -- the first year following President Clinton's Economic Plan -- for the first time since 1989. [Source: Bureau of the Census, *Income, Poverty, and Valuation of Noncash Benefits: 1994*, Series P-60-189, Supplemental Tables: Families, By Total Money Income.]

3. **It's impossible to make a three-year estimate.** It is impossible to even make a three-year estimate since the Bureau of the Census hasn't released the data for the third year!

4. **Family incomes declined under the previous Administration.** It was during the previous Administration when family incomes slipped. From 1989 to 1992, median family income declined 4 percent. [Source: Bureau of the Census, *Income, Poverty, and Valuation of Noncash Benefits: 1994*, Series P-60-189, Supplemental Tables: Families, By Total Money Income.]

CLAIM ON WAGES AND INCOMES REBOUNDED DURING THE REAGAN YEARS

CLAIM: *But wages and incomes rebounded during the Reagan years.*

THE FACTS: THIS ISN'T TRUE. Wages declined under President Reagan and then fell even more under President Bush.

1. <u>WAGES FELL UNDER REAGAN</u>:

- Under President Reagan, real average hourly earnings fell 29 cents, from \$12.34 in January 1981 to \$12.05 in January 1989. [Source: Bureau of Labor Statistics, BLS Internet site: *www.bls.gov*, (adjusted to December 1995 dollars using CPI-U).]

2. <u>WAGES FELL EVEN MORE UNDER REAGAN AND BUSH</u>:

- Under Presidents Reagan and Bush, real average hourly earnings fell 79 cents, from \$12.34 in January 1981 to \$11.55 in January 1993. [Source: Bureau of Labor Statistics, BLS Internet site: *www.bls.gov*, (adjusted to December 1995 dollars using CPI-U).]

3. <u>WHILE WAGES ARE BEGINNING TO REBOUND UNDER PRESIDENT CLINTON.</u>

- Since President Clinton took office, average hourly earnings have increased slightly from \$11.55 in January 1993 to \$11.62 in December 1995. [Source: Bureau of Labor Statistics, BLS Internet site: *www.bls.gov*, (adjusted to December 1995 dollars using CPI-U).]

CLAIM ON WAGES OF MALES WITH A HIGH SCHOOL EDUCATION HAVE DROPPED

CLAIM: *From 1979 to 1994, the inflation-adjusted hourly wage of men with a high school education fell from $13.84 to $11.57, a 16.4 percent drop... Any American whose income has fallen 16 percent has good reason to be angry.*

THE FACTS: THE ENTIRE DECLINE HAPPENED BEFORE PRESIDENT CLINTON TOOK OFFICE.

Since President Clinton took office, the downward slide in hourly wages for men with a high school degree has stopped:

- 100 percent of the 16.4 percent drop they refer to occurred between 1979 and 1992 -- before President Clinton took office. Since then, real hourly wages for men with a high school degree has stayed flat. [Source: Economic Policy Institute.]

- In other words, real average hourly earnings of men with a high school education fell from $13.84 in 1979 to $11.57 in 1992 -- a 16.4 percent drop. And since President Clinton took office, the decline has stopped, remaining steady at $11.57 in 1994. [Source: Economic Policy Institute.]

Average hourly earnings of men with only a high school degree went down under Reagan, down under Bush, and remain steady under Clinton.

Average Hourly Earnings Of
Men With High School Education

Reagan		
1980	$13.38	
1988	$12.41	***Down $0.97***
Bush		
1988	$12.41	
1992	$11.57	***Down $0.84***
Clinton		
1992	$11.57	
1994	$11.57	***Holding Steady***

Source: Economic Policy Institute. Adjusted to 1994 dollars.

CLAIM ON WAGES AND BENEFITS UP 2.9% IN 1995 -- SMALLEST INCREASE IN 14 YEARS

CLAIM: *In 1995, wages and benefits advanced 2.9 percent -- their smallest increase in 14 years.*

THE FACTS: **This is simply not true when you take into account the current, historically low inflation.**

1. **Over the last three years, inflation has been lower than during any other three-year period in three decades. After adjusting for inflation, <u>wages and benefits have grown two times faster under President Clinton than they did during the previous Administration.</u>** [Source: Bureau of Labor Statistics, Employment Cost Index, adjusted to December 1995 dollars using the CPI-U.]

2. **In 1995 alone, the inflation-adjusted increase in wages and benefit -- while not as strong as the Administration would have liked -- was faster than the average growth during the previous Administration.** [Source: Bureau of Labor Statistics, Employment Cost Index, adjusted to December 1995 dollars using the CPI-U.]

CLAIM ON INCOME INEQUALITY IS INCREASING UNDER PRESIDENT CLINTON

CLAIM: *The rich have gotten richer and the poor have gotten poorer, despite the Administration's class warfare rhetoric.*

THE FACTS: **THEY HAVE THEIR FACTS BACKWARDS. Under President Clinton, every family income group, from the rich to the poor, has grown together. It was during the 12 years the Republicans were in the White House, the poor got poorer and the rich got richer.**

- **Under President Clinton, We Are Growing Together Again.** Between 1992 and 1994 -- the most recent year data are available -- every family group, from the richest to the poorest, has experienced an increase in income, adjusted for inflation. [Source: Bureau of the Census, *Income, Poverty, and Valuation of Noncash Benefits: 1994*, Series P-60-189.]

- **Under Reagan and Bush, The Rich Grew Richer and The Poor Grew Poorer.** From 1981 to 1992, the poorest 20 percent of families experienced an 8 percent decline in real income, while the wealthiest 5 percent saw their real incomes increase 25 percent. [Source: Bureau of the Census, *Income, Poverty, and Valuation of Noncash Benefits: 1994*, Series P-60-189.]

CLAIM ON POVERTY IS UP UNDER PRESIDENT CLINTON

CLAIM: *More people live in poverty today than at any time during the Reagan and Bush Administrations.*

THE FACTS: **1. The Poverty Rate Down Under Clinton.**

- The poverty rate has declined from 14.8 percent in 1992 to 14.5 percent in 1994.
- Under President Clinton, the child poverty rate has declined from 22.3 percent to 21.8 percent. In fact, in 1994 -- the first year following the President's Economic Plan -- the child poverty rate dropped more than in any other year since 1976. [Source: Bureau of the Census, *Income, Poverty, and Valuation of Noncash Benefits: 1994*, Series P-60-189.]
- It is misleading to look at the number of people in poverty because when the population grows, the number of people in poverty increases. Therefore, comparisons of the number of people in poverty over time are deceptive. The proper way to look at poverty across years is to compare the poverty rate.

2. The Poverty Rate Was Up During Previous Administration.

- From 1988 to 1992, the poverty rate increased from 13.0 to 14.8 percent.
- The child poverty rate increased from 19.5 percent in 1988 to 22.3 percent in 1992. [Source: Bureau of the Census, *Income, Poverty, and Valuation of Noncash Benefits: 1994*, Series P-60-189.]

CLAIM ON POVERTY RATE HIGHER THAN END OF REAGAN ECONOMIC EXPANSION

CLAIM: *The poverty rate is higher now -- the 14.5 percent poverty rate recorded in 1994 remains well above the 12.8 percent level at the end of the Reagan economic expansion period.*

THE FACTS: **Poverty rate has come down under President Clinton. The poverty rate is up since President Reagan only because it went up so much under the Bush Administration.**

- **<u>Poverty Up During Previous Administration.</u>**
  - During the Bush Administration, the poverty rate increased from 13.0 to 14.8 percent.
  - The child poverty rate increased from 19.5 percent in 1988 to 22.3 percent in 1992. (Source: Bureau of the Census, *Income, Poverty, and Valuation of Noncash Benefits: 1994*, Series P-60-189.)

- **<u>Poverty Down Under Clinton.</u>**
  - The poverty rate has declined from 14.8 percent in 1992 to 14.5 percent in 1994.
  - Under President Clinton, the child poverty rate has declined from 22.3 percent to 21.8 percent. (Source: Bureau of the Census, *Income, Poverty, and Valuation of Noncash Benefits: 1994*, Series P-60-189,.)

CLAIM ON POVERTY AMONG FEMALE-HEADED FAMILIES IS UP

CLAIM: *The number of female-headed families in poverty has grown by 175,000 since Bill Clinton took office.*

THE FACTS: POVERTY RATE AMONG FEMALE-HEADED FAMILIES:

- **Poverty Rate Among Female-Headed Families Down Under Clinton.** The fact is the poverty rate of female-headed families has fallen from 39.0 percent in 1992 to 38.6 percent in 1994 -- the most recent year data are available. [Source: Bureau of the Census, *Income, Poverty, and Valuation of Noncash Benefits: 1994*, Series P-60-189.]

- **Poverty Rate Among Female-Headed Families Up Under Both Reagan and Bush.** Under President Reagan, the poverty rate among female-headed families increased from 36.7 percent to 37.2 percent. Under President Bush the continued poverty rate continued to increased, hitting 39.0 percent in 1992. [Source: Bureau of the Census, *Income, Poverty, and Valuation of Noncash Benefits: 1994*, Series P-60-189.]

- **Looking At The Number Of People In Poverty Is Misleading.** It is misleading to look at the number of people in poverty because when the population grows, the number of people in poverty increases. Therefore, comparisons of the number of people in poverty over time are deceptive. The proper way to look at poverty across years is to compare the poverty rate.

OVERALL POVERTY RATE:

- **Poverty Rate Down Under President Clinton.** The poverty rate has declined from 14.8 percent in 1992 to 14.5 percent in 1994. Under President Clinton, the child poverty rate has declined from 22.3 percent to 21.8 percent. In fact, in 1994 -- the first year following the President's Economic Plan -- the child poverty rate dropped more than in any other year since 1976. [Source: Bureau of the Census, *Income, Poverty, and Valuation of Noncash Benefits: 1994*, Series P-60-189.]

- **Poverty Rate Up During Previous Administration.** The poverty rate increased during the Bush Administration. From 1988 to 1992, the poverty rate increased from 13.0 to 14.8 percent. The child poverty rate increased from 19.5 percent in 1988 to 22.3 percent in 1992. [Source: Bureau of the Census, *Income, Poverty, and Valuation of Noncash Benefits: 1994*, Series P-60-189.]

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Divider Title: **F. TAXES**

TAXES:
Responses to False Claims

Table of Contents

CLAIM ON LARGEST TAX INCREASE IN HISTORY

CLAIM: *The 1993 Economic Plan contained the biggest tax increases in history.*

THE FACTS: 1. **THIS IS JUST NOT TRUE.** The attached chart from the *Wall Street Journal* identifies four tax changes that were *larger* as a percentage of the economy than the 1993 plan.

- ***Wall Street Journal*, 10/26/94:** "Contrary to Republican claims, the 1993 package ... is not 'the largest tax increase in history.' The 1982 deficit reduction package of President Reagan and Sen. Robert Dole in a GOP-controlled Senate was a bigger tax bill, both in 1993-adjusted dollars and as a percentage of the overall economy."

- ***Washington Post*, 2/1/95:** "The biggest tax increase in history did not occur in the Omnibus Budget Reconciliation Act of 1993. The biggest tax increase in post-World War II history occurred in 1982 under President Ronald Reagan."

- ***New York Times*, 11/3/95:** "It is not true that the $240 billion tax increase approved by Congress in 1993 at Mr. Clinton's behest is the largest in American history. When adjusted for inflation -- the only way to make comparisons of dollar amounts from different years -- a tax increase engineered by Mr. Dole in 1982, when he was the chairman of Senate Finance Committee, was larger."

2. **The 1993 Economic Plan raised income tax rates on only the top 1.2% of taxpayers -- and expanded the Working Families Tax Credit, cutting taxes for 15 million workers and their families.**

- **H&R Block** confirms that the 1993 Economic Plan only increased income tax rates for the top 1.2 percent, while cutting taxes for "16.6% of all taxpayers [who] benefit from the Earned Income Tax Credit Expansion." [Source: "H&R Block Analysis of the Income Tax Consequences of the Revenue Reconciliation Bill of 1993," August 1993.]

- **CBO** found that "only a sliver of tax filers -- about 1.2 percent -- will face a higher income tax bill on April 15 because of the Clinton administration's economic program." ["GOP Tax Issue May Fade Away: Only 1.2% of Filers Will Face Increase, CBO Study Finds," *Washington Post*, 1/13/94.]

3. **The average federal income tax rate for the typical four-person family is lower today than when President Clinton took office, and is lower than in 7 of the 8 years when Ronald Reagan was President.** The average federal personal income tax rate for the typical four-person family will be lower in 1995 than in 1992 and lower than in 7 of the 8 years under Ronald Reagan. [Source: Treasury Department Office of Tax Analysis, based on Census Bureau data, 4/18/95.]

CLINTON CRUNCH ON TAXES

CLAIM: *Working Americans are being squeezed by the 'Clinton Crunch' of higher taxes.*

THE FACTS: THIS IS FALSE. The fact is tax rates are lower for the typical family.

- **The average federal income tax rate for the typical four-person family is <u>lower</u> today than when President Clinton took office, and is <u>lower</u> than in 7 of the 8 years when Ronald Reagan was President.** The average federal personal income tax rate for the typical four-person family will be lower in 1995 than in 1992 and lower than in 7 of the 8 years under Ronald Reagan. [Treasury Department, Office of Tax Policy, 4/18/95]

- **President Clinton's Economic Plan cut taxes benefitting 40 million Americans**. Because of the President's 1993 economic plan, 40 million Americans (15 million workers and their families) benefit from the expansion of the Working Families Tax Credit, the EITC. [Treasury Department, Office of Tax Policy, 4/1/96]

- **For lower-income families, average tax rates will be at a 28-year low.** For a four-person family with an income one-half of the typical family's income, the average federal income tax rate will be lower in 1995 than when President Clinton took office. It will also be at its lowest level since 1977 -- largely because of the expansion of the EITC in President Clinton's 1993 Economic Plan. [Treasury Department, Office of Tax Policy, 4/18/95]

CLAIM ON FAMILY DEVOTING HIGHER SHARE OF INCOME TO TAXES

CLAIM: *The typical family now devotes 24.5 percent of its income to federal taxes -- a greater share of income than at any time in America's peacetime history.*

THE FACTS: **THIS IS SIMPLY WRONG.**

1. **The average personal income tax rate on the typical four-person family is 9.16% -- *lower* than the year before President Clinton took office, and lower than in 7 of the 8 years Ronald Reagan was President.** [Source: Treasury Department Office of Tax Analysis, based on Census Bureau data, 4/18/95]

2. **Even if you add the worker's share of payroll taxes, the typical family's tax rate is 16.81% -- *lower* than the year before President Clinton took office, and the same or *lower* than 7 of the 8 years when Ronald Reagan was President.** [Source: Treasury Department Office of Tax Analysis, based on Census Bureau data, 4/18/95]

3. **In their claim that the average rate is 24.5%, they are not just counting people's federal income taxes, they have also thrown in employee *and* employer Social Security and Medicare payroll taxes. *Even using this calculation, the average tax rate in 1995 is still lower than it was in 1992, the year before President Clinton took office.*** [Source: Treasury Department Office of Tax Analysis, based on Census Bureau data, 4/18/95]

CLAIM ON HAVING TO WORK 2 HOURS AND 47 MINUTES A DAY TO PAY TAXES

CLAIM: *The Tax Foundation claims the average American spends 2 hours and 47 minutes of each work day to pay their taxes for all levels of the government -- up from 1 hour and 59 minutes in 1945. Americans now work longer to pay taxes than they do to pay for food, tobacco, housing and clothing combined.*

THE FACTS: **THIS IS HIGHLY MISLEADING.** The *Washington Post* found that many tax experts say these "numbers are wrong." ["Tax Foundation Has an Unusual Way to Weigh the Burden, *Washington Post*, April 25, 1996.]

1. **It takes the typical four-person family just under <u>44 minutes</u> of the workday to pay their federal income taxes today -- slightly <u>less time</u> than when President Clinton took office, and <u>less time</u> than in 7 of the 8 years that Ronald Reagan was President.**

   - It took this typical four-person family just <u>under 44 minutes</u> of the workday to pay their federal individual income tax in 1995. In 1992, it took this family just over 44 minutes. [Based on data from the Treasury Department Office of Tax Analysis, based on Census Bureau data, 4/18/95.]

   - In 1986, after 6 years of a Republican President and a Republican-controlled Senate, it took this typical four-person family an estimated 50 minutes to pay their federal individual income taxes.

   - Even including employee Social Security and Medicare payroll taxes as well as the federal income tax, it takes this typical four-person family <u>less time</u> to pay these taxes in 1995 than when President Clinton took office and the same or less time that it took in 7 of the 8 years that Ronald Reagan was President. It took this typical family an estimated 81 minutes to pay their federal income and payroll taxes in 1995. [Based on data from the Treasury Department Office of Tax Analysis, based on Census Bureau data, 4/18/95.]

2. **The average federal income tax rate for the typical four-person family is <u>lower</u> today than when President Clinton took office, and is <u>lower</u> than in 7 of the 8 years when Ronald Reagan was President.** The average federal individual income tax rate for the typical four-person family will be lower in 1995 than in 1992 and lower than in 7 of the 8 years under Ronald Reagan. [Source: Treasury Department Office of Tax Analysis, based on Census Bureau data, 4/18/95.]

3. **The Tax Foundation's 2 hour and 47 minute figure reflects <u>all</u> taxes -- including state, local, payroll, and excise -- and it averages in the taxes paid by billionaires.** It includes federal, state, and local income, payroll, and excise taxes, and not just the income tax that is paid to the federal government on April 15. In addition, it is based on average tax rates rather than the taxes paid by the typical (median) taxpayer. By using the average tax rate equal to total taxes divided by total income, the Tax Foundation averages Bill Gates and Ross Perot with everyone else, thereby greatly overstating the typical American's taxes and the time it takes to pay them. [Source: Center on Budget and Policy Priorities, April 1996]

CLAIM ON RAISING TAXES ON MIDDLE CLASS SMALL BUSINESS OWNERS

CLAIM: *Clinton says he only raised taxes on the wealthy, but according to recently released IRS data from 1993, nearly 87 percent of the returns showing $200,000 or more in income were filed by small businesses and family businesses.*

THE FACTS:

1. **Only 4% of Small Business Owners Were Affected by The Individual Rate Increase and Over 90% of Small Businesses Eligible for Tax Cuts.** The Treasury Department estimates that the 1993 Economic Plan's increase in the individual income tax rate affected only 4% of small business owners -- sole proprietorships, partnerships, farms or S corporations. *These business owners have an average income well over $500,000.*

   And of the 4% of small business owners who will pay more, many are well-off doctors, law partners, investment bankers, and consultants with lucrative practices -- not traditional small businesses. 63% of the increased revenue from small business owners came from those with adjusted gross income over $1 million. [Source: Treasury Department, Office of Tax Analysis, 4/96]

> ***Wall Street Journal*:** "Only 4% of those taxpayers who report some business income on their tax returns -- and that includes partners in law firms and investment bankers as well as owners of small manufacturing companies -- make sufficient money to be hit by the higher rates." ["Foes of Clinton's Tax Boost Proposals Mislead Public and Firms on the Small Business Aspects," *Wall Street Journal*, July 20, 1993.]

2. **President Clinton's Economic Plan Helped Small Business.** It contained targeted pro-business investment incentives to promote small businesses:
   - **Small Business Expensing.** Increased the small business expensing limit by 75% -- from $10,000 to $17,500.
   - **Capital Gains.** Provided a targeted capital gains tax cut to promote the expansion and creation of small businesses. Investors who invest for more than 5 years in small businesses can get a 50% cut in their capital gains rate.
   - **Empowerment Zones.** Created empowerment zones that give businesses incentives to invest and create jobs in distressed economic communities.

3. ***Record Number of Businesses Created, Business Failures Have Declined.*** Since the President's Economic Plan went into effect, a record number of new businesses have been created each year and business failures have declined each year. [Source: Dun & Bradstreet.]

4. **President Clinton's Balanced Budget Provides Additional Assistance to Small Business.**
   - **Small Business Expensing.** *Further* increases the expensing limit to $25,000.
   - **Estate Tax Relief.** Provides estate tax relief by allowing more small businesses and farmers to pay the estate tax in installments at favorable interest rates.
   - **Self-Employed Health Tax Deduction.** Gradually increases the self-employed tax deduction from 30 percent to 50 percent in 2002.
   - **New Small Business 401(k) Plan.** Creates a simple small business 401(k) plan to make it easier for small businesses to provide pension coverage to their workers.

CLAIM ON SMALL BUSINESSES HAVING TO PAY 44.5% TAX RATE

CLAIM: *President's Clinton's tax increase forces small businesses to pay individual rates of up to 44.5% -- more than the 35% corporate tax rate for big business.*

THE FACTS: The 1993 Economic Plan included a millionaires surtax which can be seen as effectively raising the top marginal income tax rate to 39.6% for those with incomes over $264,000. This affects only the top 0.5% -- 1/2 of one percent.

This is the highest marginal income tax rate that resulted from the 1993 plan. Of course, people can add in other taxes -- payroll, excise, state and local -- but 39.6% is the highest marginal income tax rate and it affects only the top 0.5%.

1. **The Top Rate Is 39.6% and It Applies To Only The Top <u>0.5%</u> of Taxpayers.** The 1993 Plan's 10% "millionaire's surtax," brings the top rate up to 39.6%. It applies only to taxpayers with taxable incomes over $264,000 -- the top 0.5%. [Source: Treasury Department, Office of Tax Analysis, 4/96]

2. **Only 4% of Small Business Owners Were Affected At All By The Individual Rate Increase.** The Treasury Department estimates that the 1993 Economic Plan's increase in the individual income tax rate affected only 4% of small business owners -- sole proprietorships, partnerships, farms or S corporations. *These business owners have an average income well over $500,000.* [Source: Treasury Department, Office of Tax Analysis, 4/96]

3. **Over 90% of Small Businesses Eligible for Tax Cuts Under The 1993 Plan's Increased Small Business Expensing Limit and the Capital Gains Tax Cut Targeted to Small Businesses.**

4. **A Record Number of Businesses Have Been Created and Business Failures Have Dropped.** Since the higher rates went into effect, a record number of new businesses have been created each year and business failures have declined each year. [Source: Dun & Bradstreet.]

CLAIM ON SOCIAL SECURITY TAX

CLAIM: *Senior citizens making as little as $34,000 a year found their taxes hiked as a result of Clinton's 70% increase in the taxable portion of their Social Security benefits. The revenues from taxing Social Security benefits do not even go into the Social Security Trust Fund.*

THE FACTS: The President's historic deficit reduction package asked the top 13% of Social Security recipients to count more of their Social Security benefits as income for tax purposes. *Every penny of the revenue from this provision went to strengthen the Medicare Trust Fund.*

1. **87% of Social Security Recipients Have Not Paid a Penny More.** Only the top 13% of Social Security recipients were affected by this provision in 1995. These beneficiaries live in households with an *average net worth of over $1 million.*

2. **Ronald Reagan's Social Security Provision Affects 69% More Older Americans -- Who Have Lower Incomes.** Social Security benefits were first made subject to taxation in 1984 when Ronald Reagan was President, Howard Baker was Senate Majority Leader, and Bob Dole was Chairman of the Senate Finance Committee.

   - **The Reagan-signed law asked millions of seniors to pay taxes on their benefits for the first time.** *The 1993 change did not ask any additional seniors to pay taxes on their benefits.*

   - **The Reagan-signed law affects 69% more Social Security recipients than the 1993 provision.** The 1984 law affected 22% of Social Security recipients in 1995 while the 1993 provision affected only the top 13%.

3. **Every Penny from the 1993 Change Went to Strengthen the Medicare Trust Fund.** All of the revenue from the Social Security provision in the 1993 Plan goes to the Medicare Trust Fund. It helped extend the life of the Trust Fund by 3 years, from 1999 to 2002. That's why the National Council of Senior Citizens and other seniors organizations supported the President's 1993 Economic Plan.

FIVE REASONS IT IS <u>HYPOCRITICAL</u> FOR REPUBLICANS TO CRITICIZE THE 1993 PROVISION

- **Republicans Enacted the First Provision Taxing Social Security Benefits.**
- **The Republican Provision Affects 69% More Social Security Recipients**
- **After Initial Protests, Republicans Accepted This Provision and Continued It As Part of Their Budget.**
- **They Claim to Want to Strengthen the Medicare Trust Fund, and This Provision Helped Extend the Life of the Trust Fund by 3 Years.**
- **The Republican Budget Would Have Forced All 37 Million Medicare Beneficiaries to Pay Higher Premiums.** Elderly couples would have had to pay at least $1,700 more in Medicare premiums over 7 years, compared to President Clinton's balanced budget.

CLAIM ON SOCIAL SECURITY INDEXING

CLAIM: *The income levels were not indexed so each year more elderly get taxed.*

THE FACTS: Republicans can't get their story straight on indexation.

1. **Republicans Did Not Index the Social Security Income Levels Set in 1984.** It was It was Ronald Reagan and the Republican-controlled Senate that first taxed Social Security benefits. They did NOT index the income levels. Under the law enacted in 1984, up to 50% of the benefits of single Social Security recipients with incomes over $25,000 and couples with incomes over $32,000 are subject to income taxation. These income levels were NOT indexed and have not been changed since 1984.

2. **Republicans NEVER Proposed Indexing the 1984 Social Security Income Limits in Their Budget Last Year.**

3. **This is Pure Politics.**

   - **Senate Republicans Effectively Tried to Eliminate the Indexing of a Large Part of the Earned Income Tax Credit -- Raising Taxes on Millions of Struggling Working Families.** The Senate Republican reconciliation bill effectively deindexed part of the EITC, allowing inflation to raise taxes on millions of working families with incomes over $11,630 each year.

   - **Republicans Are Opposing Raising the Minimum Wage to Offset the Effects of Inflation.** Because the minimum wage is not indexed for inflation, its value is now near a 40 year low. Yet the Republican leadership is objecting to the President's proposal to raise the minimum wage to offset the effects of inflation and give 10 million working Americans a raise.

CLAIM ON CUTTING TAXES INCREASES TAX REVENUE

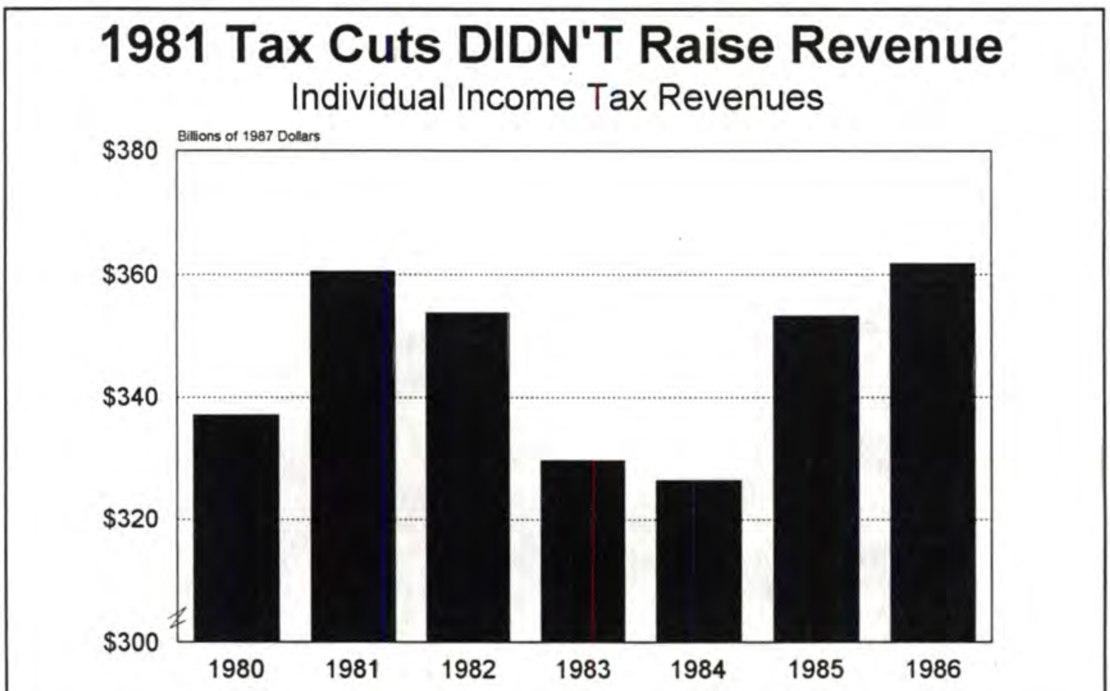
CLAIM: *The amazing thing about cutting taxes in the early 1980s was that it increased revenues.*

THE FACTS: **THIS IS FLAT WRONG. The idea that you can cut taxes and increase government revenues is the equivalent of a diet schemes where you eat all you want and still lose weight. It would be nice if it worked, but nearly all non-partisan observers of the deficits on the 1980s know that it didn't.**

- **The fact is the 1981 Reagan tax cut never even came close to paying for itself.** In real terms, individual income tax revenues did not recover to their 1981 level until 1986. That is, for 5 years after Reagan's 1981 tax cut, individual income tax revenue were below their 1981 level. [Source: Department of the Treasury.]

- **The loss in tax revenue in the early 1980s helped explode the deficit.** In Ronald Reagan's first three years in office, the deficit nearly tripled, increasing from $74 billion in Fiscal Year 1980 to $208 billion in Fiscal Year 1983. [Source: Office of Management and Budget.]

- **To the degree that overall tax revenues went up, it was due to increases in the Social Security payroll tax rate in 1981, 1982, 1984, 1985, and 1986, which increased Social Security tax revenues.** This increase in Social Security revenues more than offset the loss in individual tax revenues from the 1981 supply-side tax cut.



Source: Department of the Treasury.

CLAIM ON ESTATE TAX PROVISION IN THE 1993 ECONOMIC PLAN

CLAIM: *The President's 1993 Economic Plan reinstated the 55% top estate tax rate that frequently forces families to liquidate or sell their businesses or farms just to pay the tax collector.*

THE FACTS: **THE 1993 PLAN DID NOT INCREASE THE ESTATE TAX ONE PENNY -- it just extended the top rates on estates over $2.5 Million - the top 0.2% of estates.**

THE PRESIDENT'S PLAN DID NOT CONTAIN ANY NEW TAXES ON ESTATES. NONE.

THE ONLY PROVISION AFFECTING ESTATES WAS AN EXTENSION OF AN ESTATE TAX RATE THAT WAS MAINTAINED AND EXTENDED IN 1984 AND 1987 IN BIPARTISAN BILLS SUPPORTED BY REPUBLICANS. The <u>Republican-controlled Senate and White House</u> maintained and extended the top 53% and 55% rates in 1984.

LESS THAN 0.2% OF ESTATES ARE AFFECTED BY THE EXTENSION. The rates apply only to estates over $2.5 million in value. The average worth of these estates is $7.5 million. The rates affect the estates of only 4,200 out of the 2.2 million individuals who die each year -- or less than two-tenths of one percent (0.2%) of estates. [Treasury Department, Office of Tax Analysis, 4/96]

ESTATE PLANNERS EXPECTED IT WOULD BE EXTENDED. Congress had passed an extension of the top estate tax in 1992, so estate planners around the country were well aware that the law would likely be extended in 1993.

PRESIDENT CLINTON'S BALANCED BUDGET PROVIDES ESTATE TAX RELIEF FOR <u>FAMILY BUSINESSES AND FARMERS.</u> The President's balanced budget provides estate tax relief to family farmers and small business owners that makes it easier to pass a family business or farm on to one's children. The proposal addresses the liquidity problems that can arise on the death of a small business owner of family farmer by making more taxpayers eligible to pay the estate tax in installments at favorable interest rates.

CLAIM ON RETROACTIVE TAX INCREASE

CLAIM: *President Clinton not only raised your taxes, he raised them retroactively.*

THE FACTS:

1. **The President was always clear and direct on raising taxes on the top 1% of taxpayers.** The President said clearly throughout the campaign, the transition, and in his original proposal on February 17, 1993 (which had a January 1, 1993 effective date), that he would push for a modest tax increase on the top 1.2% of Americans, those making over $180,000 as part of a significant deficit reduction plan.

2. **Over 90% of small business will benefit from the retroactive timing of the tax changes:**

   - **Only the richest 4 percent of business owners will be affected by the retroactive income tax rate change.**

   - **BUT, retroactivity goes both ways. Well over 90% of small businesses <u>BENEFITTED</u> from a menu of tax cuts that started retroactively.** Increased expensing started retroactively. <u>In addition, small and larger companies will be eligible for other additional tax cuts that were retroactive to June 30, 1992</u>.

     - These include (1) the research and development tax credit; (2) the low-income housing tax credit; (3) employer-provided education assistance; (4) the Targeted Jobs Tax Credit; and (5) the 25 percent health insurance deduction for the self-employed.

3. **There have been recent tax provisions enacted into law which were retroactive and supported by Republicans and signed by Republican Presidents.** Despite claims that retroactive tax increases are unheard of, the fact is that Ronald Reagan signed retroactive tax increases in 1982, 1984, and 1986 that were supported by Republicans.

   - **In 1982 -- in the midst of the worst recession since the Great Depression -- Congress retroactively raised income taxes on people who had lost their jobs and were receiving unemployment benefits.** This provision -- part of the 1982 tax bill ushered through Congress by then-Senate Finance Chairman Bob Dole -- was signed into law by President Reagan on September 3, 1982, but raised taxes going back to January 1, 1982.

   - **27 retroactive tax increase in history, so they are not rare**. There are at least 27 times that retroactive taxes have been passed. The list includes various types of tax increases including retroactive rate increases on both individuals and corporations. (See Attached List)

4. **Retroactive tax <u>relief</u> was provided for victims of the San Francisco earthquake and other Presidentially declared disasters, including the victims of the Midwest floods.**

CLAIM ON EITC BEING OUT OF CONTROL

CLAIM: *The EITC is out of control.*

RESPONSE: The Earned Income Tax Credit Is *Not* Out Of Control.

- **The EITC expansion was designed to help raise working families above the poverty line.** Presidents Reagan, Bush and Clinton *intentionally* expanded this working family tax credit to help families work their way out of poverty. The 1993 expansion is essential to achieving President Clinton's goal of ensuring that families that work full-time will not have to live in poverty.

- **Once the expansion is complete, EITC spending will merely keep pace with inflation and population growth, and will *decline* as a percentage of the economy after 1997.**

- **Contrary to Republican claims, the EITC is growing more slowly than the average entitlement program.** From fiscal year 1995 to 2005, CBO projects that the EITC will grow at a slower rate than the average entitlement program. After the expansion is fully phased-in in 1996, CBO projects that the EITC will grow more slowly than 8 of the major entitlement programs.

- **Compliance Has Increased.** Like all portions of the tax code, there is room for reducing errors. The Clinton Administration has taken 12 steps to improve EITC compliance and targeting. With these actions, CBO says that EITC spending will be nearly $18 billion lower over the next seven years than projected in January 1995.

- **The EITC Expansion Does Not Even Make Up for the Decline in Wages and Weakening of Policies Assisting the Working Poor.**

  The EITC expansions were designed in part to offset increases in payroll and excise taxes on working families. Payroll taxes have increased five times since 1984.

  The EITC expansions help counteract -- but do not fully offset -- the weakening of other policies to assist the working poor:

  - Inflation has eroded the value of the minimum wage. The minimum wage will reach its lowest real level in four decades next year if it is not increased.

  - According to the Department of Health and Human Services, when the EITC expansion is fully implemented, the disposable incomes of mothers with two children who work either half time or full time at the minimum wage will still be *$1,600 to $2,900 lower*, after adjusting for inflation, than in 1972, before the EITC was created.

SPEAKER GINGRICH ON THE EITC: The increase in the Earned Income Tax Credit "is essential to insure that the tax burden on low income Americans doesn't force them to accept welfare as an alternative to working." [Press release, October 9, 1985.]

SENATOR DOMENICI ON THE EITC: "The EITC is a great way to help low income families with the costs of raising their children. It sends assistance to those in need; to those who work hard and yet struggle to make a living and provide for their children." [October 27, 1990]

CLAIM ON CAPITAL GAINS TAX CUTS BENEFITING MIDDLE CLASS

CLAIM: *The lower and middle class would benefit most from a capital gains tax cut.*

THE FACTS: **FALSE. The very wealthy would get most of the benefits from a capital gains tax cut.**

"...I do find laughable the attempts to show that the chief beneficiaries of a cut in the capital gains tax would be middle-income homeowners and under-class residents of ghettoes."

-- Herbert Stein, Senior Fellow, American Enterprise Institute, and Chair of the President's Council of Economic Advisers under President Nixon, Testimony before the House Ways and Means Committee, December 17, 1991.

Most Middle Class Families Do Not Pay Any Capital Gains on The Sale of Their Home

- Most middle class families do not pay any capital gains on the sale of their home because current law allows taxpayers to defer gains from the sale of a home if they buy another home of equal or greater value. In addition, under current law, taxpayers age 55 and older can exclude up to $125,000 of gains from a personal residence.

Families With Incomes Over $100,000 Would Have Gotten 75% of the Benefits from the Capital Gains Tax Cut in the Vetoed Republican Budget. [Source: Treasury Department, Office of Tax Analysis]

The President's Balanced Budget Provides <u>True</u> Middle Class Tax Relief: a $500 child tax credit, a $10,000 tuition tax deduction, and expanded IRAs that allow tax-free withdrawals for first time homes, education, and major medical expenses and during long-term unemployment.

The Republican Capital Gains Tax Cut Would Not Have Spurred the Economy. The vetoed Republican budget would have provided $13 billion in retroactive capital gains relief, a huge windfall for past investments with no conceivable economic purpose.

- This $13 billion windfall provided a windfall to the wealthy at the same time that the Republican budget would have <u>increased</u> <u>taxes on nearly 8 million working families</u> with incomes under $30,000. [Source: Treasury Department, Office of Tax Analysis, 11/22/95]

CLAIM ON CLINTON SIGNING 4.3 CENT PER GALLON INCREASE IN GAS TAX

CLAIM: *President Clinton signed 4.3-cent gas tax, hitting just about every middle-class family.*

THE FACTS: **In 1993, President Clinton signed one of the largest deficit reduction packages in history.** This plan has helped to cut the deficit in half, lower interest rates, and create 8.5 million new jobs.

President Clinton's Economic Plan cut taxes benefitting 40 million Americans. Because of the President's 1993 economic plan, 40 million Americans (15 million workers and their families) benefit from the expansion of the Working Families Tax Credit, the EITC. [Treasury Department, Office of Tax Policy, 4/1/96]

The only tax on working families was a 4.3 cents-per-gallon tax increase on gasoline.

- **Gas tax costs the average family just $3 per month.** According to the Congressional Budget Office, the 1993 gas tax increase costs an average family about $36 per year--or $3 per month. [Source: Congressional Budget Office.]

It is unbelievably hypocritical for the Republicans to criticize President Clinton for raising the federal gas tax. Between 1959 and 1982, the federal gas tax remained unchanged. Then the Republican party took over both the White House and the Senate. In the next eight years, the federal gas tax tripled, increasing it from 4 cents to 14.1 cents per gallon; the first increase took place in 1982 when the Republicans controlled both the Senate and the White House and the second took place when the GOP controlled just the White House.

- In 1982, many prominent Republicans -- including President Ronald Reagan and then-Senate Finance Committee Chairman Robert Dole -- supported a 5-cent per gallon federal gas tax hike -- that's **BIGGER** than the one signed by President Clinton.

- In 1990 -- once again -- many prominent Republicans -- including President George Bush and then-Senate Minority Leader Robert Dole -- supported a 5-cent per gallon federal gas tax increase -- yet again, that's **BIGGER** than the one signed by President Clinton.

Clinton Presidential Records
Digital Records Marker

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This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

Divider Title: **G. BUDGET**

BUDGET:
Responses to False Claims

Table of Contents

CLAIM ON NOT DESERVING CREDIT FOR DEFICIT REDUCTION

CLAIM: *The Clinton deficit reduction plan does not deserve credit for bringing down the deficit: it was the result of technical or unrelated economic factors.*

THE FACTS: **1. DEFICITS WERE RISING WHEN PRESIDENT CLINTON TOOK OFFICE.** As President Clinton took office in January 1993, CBO reported that "the federal budget deficit is stuck near $300 billion for the next few years and will move even higher in the second half of the 1990s." CBO projected the deficit would soar to $455 billion in FY2000 and to $579 billion in FY2002.

2. DEFICIT IS LOWER WITH PRESIDENT CLINTON'S ECONOMIC PLAN:

- **President Clinton Has Cut the Deficit in Half in 4 Years.** When President Clinton took office, the deficit was a record $290 billion. Today CBO projects the fiscal 1996 deficit will be $144 billion -- half the size it was when President Clinton took office. [CBO, April 1996]

- **Reduced The Deficit 4 Years in a Row For The First Time Since Truman was President.** President Clinton has reduced the deficit from the record $290 billion in fiscal 1992 to $255 billion in 1993, to $203 billion in 1994, to $164 billion in 1995 to CBO's projected $144 billion in fiscal 1996.

- **Because of President Clinton's 1993 Economic Plan, the FY1995 budget would have had a $14 billion *surplus* but for the interest on the debt accumulated during the Reagan and Bush Administrations.**

- **Deficits $1.4 Trillion Lower Than Projected Over the Next 7 years.** Even without the much-needed passage of the President's balanced budget plan, CBO projects the deficit will be $1.4 trillion lower over the next seven years than projected when President Clinton took office. [CBO, January 1993 and April 1996]

3. ASK THE EXPERTS: They Acknowledge That the President's Economic Plan Reduced the Deficit, Lowered Interest Rates, and Spurred Economic Growth.

- **Paul Volcker,** Federal Reserve Board Chairman (1979-1987), quoted in *Audacity,* Fall 1994: "The deficit has come down, and I give the Clinton Administration and President Clinton himself a lot of credit for that....and I think we're seeing some benefits."

- **Congressional Budget Office,** *Economic and Budget Outlook,* January 1994, p. xiii: "The dramatic improvement [in the deficit] since last January is largely the result of the enactment in August of...the Omnibus Budget Reconciliation Act of 1993."

CLAIM THAT DEFICIT WOULD BE LOWER WITHOUT TAX INCREASES

CLAIM: *The deficit would be lower without the tax increases contained in the 1993 Economic Plan.*

THE FACTS:

1. **The Clinton Economic Plan has reduced the deficit more than the Administration projected.** Actual deficits in fiscal years 1993 to 1995 were *$123 billion lower* than the Administration projected right after enactment of the 1993 Economic Plan. [Source: Based on OMB *Midsession Review* of the 1994 Budget; and actual budget deficits FY93-95.]

2. **According to their logic, the top 1.2% of American taxpayers -- the only taxpayers who saw their income-tax rates go up -- would work dramatically less because of the tax increase, driving revenues down -- even though capital gains taxes were unchanged.**

   - **The Clinton plan only raised income tax rates on the top 1.2% of all taxpayers -- but, the top U.S. income tax rate is *still lower* than any of the major economies in the world.** According to Ernst & Young, the United States had a lower top federal income tax rate in 1994 than any other major economy, including Japan, Germany, and Canada. [Source: Ernst & Young, *Worldwide Personal Tax Guide*, based on 1994 tax rates.]

   - **Do they really want to claim that America's top earners wouldn't work as hard as their foreign competitors, even when our top tax rate is lower and capital gains taxes were left unchanged?**

3. **The Feldstein/Feenberg study that concluded that the tax increase on the top 1.2 percent raised much less than predicted is seriously flawed.** The study's methodology ignores that taxpayers shifted at least $20 billion in income from early 1993 to late 1992 in anticipation of higher rates in 1993. Income shifting explains most of the study's findings. [Source: Eric Toder, Deputy Assistant Secretary for Tax Analysis, written comments on "The Effect of Increased Tax Rates on Taxable Income and Economic Efficiency: A Preliminary Analysis of the 1993 Tax Rate Increase" by Martin Feldstein and Daniel Feenberg, National Bureau of Economic Research conference, 11/7/95.]

CLAIM ON CLINTON NOT HELPING TO BRING DOWN INTEREST RATES

CLAIM: *The President's 1993 Economic Plan did not bring interest rates down; they were already coming down.*

THE FACTS: Top financial experts all agree that the election of President Clinton *and* the presentation of his economic plan in mid-February 1993 were responsible for bringing down interest rates. *Indeed, mortgage rates have been lower under President Clinton than under any Administration since the 1960s.*

1. **Interest rates fell from 7.76% at the beginning of November 1992 to 7.26% by inauguration because of confidence in the incoming Clinton Administration:**

   ***New York Times*, 12/7/92:** "The sharp rally in the bond market....seems to show a surprising comfort among market players with President-elect Bill Clinton, a Democrat who will govern with a Democratic-controlled Congress."

	11/6/92	1/26/93	2/19/93	4/23/93
30 YR. BOND	7.76%	7.26%	7.13%	6.79%

2. **Experts recognize interest rates fell further after the presentation of the President's deficit reduction plan by Secretary Bentsen:**

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

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

3. **After passage of the President's 1993 Economic Plan, experts recognized its further positive impact on interest rates and economic growth:**

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

   Lehman Brothers, 1/10/94: "Lower deficits, lower long-term rates and higher real growth was the overall promise. With the data now rolling in for December 1993, it seems clear that President Clinton delivered on all three counts over the second half of the year."

   Alan Greenspan, Federal Reserve Board Chairman, in 1994 and 1996: "The actions taken last year to reduce the federal budget deficit have been instrumental in creating the basis for declining inflation expectations and easing pressures on long-term interest rates." 1/31/94

   "The deficit reduction [from 1993]...was an unquestioned factor in contributing to the improvement in economic activity that occurred thereafter." 2/20/96

CLAIM ON NOT KEEPING PROMISE TO PUT PEOPLE FIRST

CLAIM: *President Clinton has not kept his promise to put people first.*

THE FACTS: **President Clinton has cut the deficit in half while investing in people.**

President Clinton has kept his promise to cut the deficit in half in 4 years while investing in people, education, creating opportunity, and rewarding work.

- **Cut the Deficit in Half:** President Clinton has cut the deficit in half in 4 years -- from the record $290 billion in fiscal 1992 to the $144 billion CBO projects for this year.

- **While Investing in People:** By fiscal 1995 the Clinton Administration had already invested heavily in people and lifelong learning -- while cutting lower priority spending and reducing the deficit:

  - <u>27% increase in Head Start</u> funding
  - <u>Nearly 25% increase in WIC</u> participation, serving about 1.4 million more people -- with FY '97 proposed increase will meet promise to fully fund in four years.
  - <u>Doubled assistance to dislocated workers</u>, helping another 300,000 workers a year
  - <u>Cut taxes and rewarded work for 15 million working families</u> by expanding the Earned Income Tax Credit
  - <u>Created the School-to-Work</u> program
  - <u>Created the AmeriCorps</u> national service program, providing 25,000 young people this year the opportunity to serve their communities while earning money for college
  - <u>Created the Direct Student Loan</u> Program to make it easier to borrow and repay college loans, letting students repay their loans as a share of their income
  - <u>Created Empowerment Zones</u> and Enterprise Communities Act -- Awards to 105 communities
  - <u>Created Community Development Financial Institutions</u> (CDFI) fund

THE PRESIDENT'S BALANCED BUDGET CONTINUES TO INVEST IN PEOPLE:

- **Continues Investments In Education, Training, and Technology:**
  - 24% increase in major education and training programs in 1997 over 1993 levels.
  - $61 billion more for education and training over 7 years than the Republican budget.
  - $10,000 Tuition Tax Deduction to help middle-class families afford college.

- **Major Expansion of Head Start:** New commitment to fund 1 million Head Start opportunities for preschool children by 2002. Provides a $1.2 billion increase in 1997 over 1993 levels, supporting nearly 800,000 Head Start opportunities in 1997.

- **Fully Funds WIC:** Serves 7.5 million individuals, fulfilling commitment to fully fund WIC.

- **Continues Commitment To National Service:** Funds 30,000 AmeriCorps members in 1997 -- 5,000 more than this year.

- **More Assistance For Dislocated Workers:** Double the funding from when President Clinton took office to $1.3 billion in FY97, assisting an estimated 646,000 dislocated workers in FY97, up from 307,000 in 1993.

CLAIM ON VETOING THE FIRST BALANCED BUDGET IN 27 YEARS

CLAIM: *President Clinton vetoed the first balanced budget to reach a President's desk in 27 years.*

THE FACTS:

1. **President Clinton did not veto the Republican Budget because it balanced the budget -- he strongly supports a balanced budget and has presented his own CBO-certified balanced budget plan.** *The President's FY1997 budget is the first official budget presented by a President that balances based on CBO numbers in 17 years.*

2. **President Clinton vetoed the extreme Republican Budget because it included extreme cuts in Medicare, Medicaid, Education, the Environment as well as a large tax increase on the hardest pressed working families.** President Clinton vetoed their budget because their policies would squeeze working families and deny them and their children needed opportunities.

   - **Higher Taxes For Working Families.** Their budget would have reduced the EITC for 12.6 million workers and raised taxes on some 7.7 million of our most hard-pressed families by an average of $318 in 1996 alone.

   - **Medicare Premium Increase On 37 Million Beneficiaries.** Their budget would have raised premiums for an elderly couple by $264 in 1996 alone, and by at least $1,700 over 7 years.

   - **Corporate Raid On Workers' Pensions.** Their budget would have allowed corporations to raid pension funds, risking pensions for millions of workers.

   - **Repeal Of The Medicaid Guarantee Of Nursing Home Coverage.** Their budget would have put more and more working families at financial risk.

   - **2.5 Million Students Denied Direct Student Loans.** Their budget would deny the benefits of Direct Student Loan opportunities -- including pay as you earn repayments -- for 2.5 million students in 1,350 colleges and universities.

   - **380,000 Students Denied Pell Grants.** Their initial budget would have deeply cut the Pell grant program, denying Pell grants to 380,000 deserving students in 1996 alone.

   - **180,000 Children Denied Head Start.** Their initial budget would have denied 180,000 children Head Start education, health, and social services by the year 2002.

   - **1 Million Children Denied Basic And Advanced Skill Training.** Their initial budget would have cut Title I by more than $1 billion -- denying assistance to 1 million students in 1996 alone.

3. **President Clinton has continually called for passing the common savings in both plans so that we can have a balanced budget and modest tax cut *without* the harmful Medicare, Medicaid, Education and Environmental cuts.** After more than 50 hours of negotiations, both sides now have more than enough savings in common to balance the budget in 7 years while providing tax relief for middle-class families. President Clinton's door remains open. He urges the Republicans to come back to the table and work with him to get the job done.

CLAIM ON 26 YEARS OF DEFICITS & CONTENT TO HAVE 26 MORE

CLAIM: *The deficit has not been balanced in 26 years and Bill Clinton was content to run deficits for another 26 years.*

THE FACTS:

THE RECORD SHOWS THAT BILL CLINTON IS THE PRESIDENT WHO HAS BEEN COMMITTED TO LIVING WITHIN OUR MEANS AND BALANCING THE BUDGET.

- **President Clinton Will Have Cut the Deficit in Half.** President Clinton's economic policies have cut the deficit from $290 billion in FY1992 to $164 billion in FY1995. And CBO now projects the FY1996 deficit will be $144 billion -- half the fiscal 1992 level -- fulfilling the President's commitment to cut the deficit in half in four years. [Source: CBO, *Economic and Budget Outlook,* March and April 1996]

- **Because of President Clinton's 1993 Economic Plan, the FY1995 budget would have had a $14 billion *surplus* but for the interest on the debt accumulated during the Reagan and Bush Administrations.**

- **The deficit exploded between 1981 and 1986 under a Republican-controlled White House and Senate.** The main dramatic increase in the deficit occurred under a Republican-controlled White House and Senate -- the deficit nearly *tripled* in just three years, from $74 billion in FY1980 to $208 billion in FY1983.

- **First President in 150 Years to Reduce the Deficit 4 Years in a Row.** President Clinton is the first President since John Tyler was President in the 1840s to reduce the deficit 4 years in a row. President Clinton has reduced the deficit from the record $290 billion in fiscal 1992 to $255 billion, to $203 billion, to $164 billion to a projected $144 billion in fiscal 1996.

  "The Congressional Budget Office (CBO) projects that *the deficit will decline for the fourth straight year* in fiscal year 1996, dipping to about $140 billion." [CBO, *The Economic and Budget Outlook,, 1996, p. 1.]*

- **CBO Today Projects That Deficits Will Be $1.4 Trillion Lower** over the next 7 years than CBO projected as President Clinton took office in January 1993. [Source: CBO, *Economic and Budget Outlook,* January 1993 and April 1996]

- **The Republican balanced proposal would not come near reaching balance without the President's 1993 deficit reduction plan which was enacted without a single Republican vote.** While Republicans criticize it rhetorically, they have chosen to adopt virtually all of the 1993 deficit reduction plan.

CLAIM ON BALANCING THE BUDGET IN 5 YEARS

CLAIM: *In 1992, Bill Clinton said he would balance the budget in 5 years.*

THE FACTS:

PRESIDENT CLINTON'S PROMISE IN HIS ECONOMIC PLAN, *PUTTING PEOPLE FIRST*, WAS TO CUT THE DEFICIT IN HALF WITHIN FOUR YEARS -- AND HE HAS KEPT HIS PROMISE. He repeated this promise across the nation and in debates. And he has kept this promise.

- **President Clinton Has Cut the Deficit in Half in 4 years.** When President Clinton took office, the deficit was a record $290 billion. Today CBO projects the fiscal 1996 deficit will be $144 billion -- half the size it was when President Clinton took office. [CBO, April 1996]

- **First President in <u>150 Years</u> to Reduce the Deficit 4 Years in a Row.** President Clinton is the first President since Tyler was President in the 1840s to reduce the deficit 4 years in a row. President Clinton has reduced the deficit from the record $290 billion in fiscal 1992 to $255 billion, to $203 billion, to $164 billion to a projected $144 billion in fiscal 1996.

  "The Congressional Budget Office (CBO) projects that *the deficit will decline for the fourth straight year* in fiscal year 1996, dipping to about $140 billion." [CBO, *The Economic and Budget Outlook,* March 28, 1996, p. 1.]

- **Deficits $1.4 Trillion Lower Than Projected Over the Next 7 Years.** Even without the much-needed passage of the President's balanced budget plan, CBO projects the deficit will be $1.4 trillion lower over the next seven years than projected when President Clinton took office. [CBO, January 1993 and April 1996]

ONCE OR TWICE IN 1992, BILL CLINTON TALKED ABOUT BALANCING THE BUDGET IN A SHORTER TIME FRAME: He was talking about balancing the <u>consumption portion of the budget</u>. In 1992 -- prior to the general election when President Clinton spoke of balancing the budget in a shorter time frame, he was talking about dividing the budget between consumption and investment and <u>balancing the consumption portion of the budget</u> while increasing investments in people. In his Economic Plan, *Putting People First,* the President used traditional budget accounting and on that basis promised to cut the deficit in half in four years, while still investing in people and rewarding work. And he has.

PRESIDENT CLINTON IS THE FIRST PRESIDENT IN 17 YEARS TO PUT FORWARD A BUDGET THAT BALANCES BASED ON CBO NUMBERS. It balances the budget while upholding our values and staying true to our commitment to education, the environment, and health care. *Principles and values determine the President's policies, not arbitrary dates.*

CLAIM ON TIME FRAME FOR BALANCING THE BUDGET

CLAIM: *President Clinton said he could balance the budget in 10 years. Then he said 9 years, then 8 years, and then finally 7 years.*

THE FACTS:

PRINCIPLES AND VALUES DETERMINE THE PRESIDENT'S POLICIES, NOT ARBITRARY DATES. The President made clear that he was open to compromise on timing, but not on values and principles.

THE PRESIDENT COMMITTED TO BALANCE THE BUDGET SO LONG AS IT UPHELD OUR VALUES, PROTECTED MEDICARE, MEDICAID, EDUCATION, AND THE ENVIRONMENT, AND DID NOT RAISE TAXES ON WORKING FAMILIES.

- In a good faith effort to find common ground, the President committed to balancing the budget in 7 years using CBO numbers, so long as it protected Medicaid, Medicaid, Education, and the Environment and Tax Fairness.

- The President has kept that commitment and shown that it is possible to balance the budget in 7 years without devastating Medicare, Medicaid, Education, and the Environment, and without Raising Taxes on Working Families.

  - **President Clinton said no to needless cuts to Medicare & Medicaid.** Republicans wanted him to sign a bill that cut Medicare & Medicaid by $433 billion -- even though it's not necessary to balance the budget.

  - **President Clinton said no to needless Education and Environment Cuts.** Republicans wanted him to sign a bill that would result in a $31 billion cut in Education and Training and cut environmental enforcement by 25% -- even though it's not necessary to balance the budget.

  - **President Clinton said no to needless Tax Increases**. Republicans wanted him to sign a bill that cut the EITC by $31 billion, lowering the EITC for 12.6 million households with 14.5 million children, while giving a net tax increase to nearly 8 million households -- even though it's not necessary to balance the budget.

CLAIM ON DEFICIT STILL HIGHER THAN REAGAN'S LAST YEAR

CLAIM: *President Clinton's 1995 deficit was still more than $10 billion higher than the deficit in President Reagan's last year in office.*

THE FACTS: **Reagan inherited a $74 billion deficit and more than doubled it to $155 billion in FY88.**

Clinton inherited a $290 billion deficit and is cutting it in half to $144 billion in FY96 -- <u>$11 billion lower than Reagan's last year.</u>

Ronald Reagan More Than Doubled the Deficit; President Clinton Cut it in Half.

- During the Reagan Administration, the *deficit more than doubled* from $74 billion in fiscal 1980 to $155 billion in fiscal 1988.

- During the Clinton Administration, the deficit will have been *cut in half,* from $290 billion in fiscal 1992 to an estimated $144 billion in fiscal 1996.

  - "The Congressional Budget Office (CBO) projects that *the deficit will decline for the fourth straight year* in fiscal year 1996, dipping to about $140 billion." [CBO, *The Economic and Budget Outlook,* March 28, 1996, p. 1.]

In His First 3 Years, Ronald Reagan Nearly Tripled the Deficit with a Republican Senate; President Clinton Nearly Cut It In Half.

- In President Clinton's first 3 years, he cut the deficit nearly *cut the deficit in half,* from $290 billion in fiscal 1992 to $164 billion in fiscal 1995.

- In 3 years, President Reagan and a Republican-controlled Senate *nearly tripled* the deficit, from $74 billion in fiscal 1980 to $208 billion in fiscal 1983. During the six years that Republicans controlled both the White House and the Senate, the deficit *tripled* from $74 billion in fiscal 1980 to $221 billion in fiscal 1986.

The Fiscal 1995 Deficit as a Share of the Economy was <u>Lower</u> Than Every Year Under the Reagan or Bush Administrations and <u>Lower</u> Than Any Year Since 1979.

- The fiscal 1995 deficit was 2.3% of the economy -- lower than any year under the Reagan or Bush Administrations and lower than any year since 1979.

- Even in nominal terms, the fiscal 1995 deficit was lower than 6 of the 8 years under Ronald Reagan.

CLAIM THAT BUDGET IS STILL NOT GOOD ENOUGH

CLAIM: *The President's balanced budget only balances on paper -- it is does not call for true fundamental change.*

THE FACTS:

THE CBO CERTIFIED THAT THE PRESIDENT'S FY1997 BUDGET BALANCES. It is the first budget submitted by a President in 17 years that would reach balance using Congressional Budget Office numbers.

"The President's budget proposes policies that CBO estimates would balance the budget by 2002."

-- Testimony of CBO Director June O'Neill, April 17, 1996

FOR MONTHS, REPUBLICAN MEMBERS OF CONGRESS PROCLAIMED THAT ALL THEY ASKED FOR WAS A 7-YEAR CBO-SCORED BALANCED BUDGET:

- SEN. DOMENICI: "You will find, Mr. President, you will find that we have only one goal in mind. Everything else is on the table, Mr. President, but not the one thing that is sacred to our commitment, and that's a balanced budget in seven years...using the new Congressional Budget Office as our economic source." [Gingrich, Kasich, Dole, Dominici Press Conference, *Federal News Service*, December 15, 1995]

- REP. GINGRICH: "They owe the country a CBO-scored, seven year balanced budget." [Rep. Gingrich, *Los Angeles Times*, December 13, 1995]

- REP. KASICH: "Frankly, we don't ask for a lot. We ask for nothing more than a commitment to do this in a seven-year period. The priorities within that seven-year plan are negotiable." [Kasich & Dominici Press Conference, *Federal News Service*, November 14, 1995.]

CLAIM THAT THE BUDGET DOES NOT BALANCE

CLAIM: *CBO found that the President's budget does not balance in 2002 -- it would result in a $80 billion deficit.*

THE FACTS: **WRONG. CBO Clearly Certified that the President's Fiscal 1997 Budget Balances in 7 Years.**

"The President's budget proposes policies that CBO estimates would balance by 2002."
-- Testimony of CBO Director June O'Neill, April 17, 1996

- **CBO estimates that the President's budget not only balances the budget, it produces a $3 billion *surplus* in 2002.**

- **It is the first budget submitted by a President in 17 years that balances based on both Administration and Congressional estimates.**

CBO Analyzed a Scenario the President Never Proposed. CBO gratuitously estimated that there would be an $81 billion deficit in 2002 *if one ignores the President's actual budget submission and estimates a budget the President never submitted.* The analysis ignores the full cut in discretionary spending and the triggering-off of tax cuts that the President explicitly included to reach balance under CBO assumptions. The President's budget specifically states that additional tax cuts and discretionary spending in 2001 and 2002 would *only* go into effect if stronger economic conditions permit them without making the budget go out of balance.

> **President's FY1997 Budget:** "*The budget also includes a "trigger" to ensure that the budget reaches balance under either CBO or OMB assumptions.* Under the trigger, most of the tax cuts end after 2000 if the deficit is not at least $20 billion below CBO's initial estimate for that year." (p. 14)

Now that CBO Has Certified that the President's Budget Balances, There Is No Reason for Delay. Republicans said their goal was a 7-year, CBO-certified budget. If that is their goal, we can balance the budget tomorrow and provide a middle class tax cut by passing the President's budget. The President's budget shows you can balance the budget in 7 years while maintaining our values, protecting Medicare, Medicaid, Education, and the Environment, and without passing any new tax increases affecting hard-pressed working families.

None of the Current Budget Proposals Would Balance Without the President's 1993 Deficit Reduction Plan -- which was enacted without a single Republican vote. Rather than repeal the plan, Republicans now accept it and build upon it. Indeed, but for 1993 deficit reduction plan, Republicans would now face a deficit more than twice as high and their current budget plan would be hundreds of billions of dollars away from balance. (In January 1993, CBO projected deficits of $319 billion in FY1997 and $455 billion in FY2000.)

CLAIM THAT BALANCED BUDGET IS BACKLOADED

CLAIM: *Clinton's budget calls for making 85 percent of the spending cuts and 90 percent of the deficit reduction after the year 2000.*

THE FACTS: NOT TRUE.

THE PRESIDENT'S AND REPUBLICAN BUDGET PLANS FOLLOW NEARLY IDENTICAL DEFICIT REDUCTION PATHS.

Share of the Deficit Reduction after the Year 2000

President Clinton FY97 Balanced Budget	Latest Republican Budget Offer (1/6/96)
62.6%	61.0%

EVEN IF ONE LOOKS JUST AT SPENDING CUTS, NEARLY THE SAME SHARE COME AFTER THE YEAR 2000. The President's plan balances the budget through a combination of deep discretionary cuts, entitlement savings, and closing corporate loopholes. Even if one looks only at the President's spending cuts and ignores the savings from closing corporate loopholes, only 59 percent of the spending cuts come after the year 2000, compared with 51% under the latest Republican budget offer.

- CNN's Brooks Jackson confirms that 59 percent of the spending cuts, not 85 percent, come after the year 2000. [CNN's *Inside Politics Extra,* April 10, 1996.]

(Percentages were calculated using the CBO December baseline. The Republican offer has only been estimated using the December CBO baseline. Using Administration numbers, *even less* (56%) of the spending cuts in the President's plan come after the year 2000. Calculations are based on the President's FY97 Budget and the Republican January 6 budget offer. Spending cuts include cuts in discretionary, mandatory, and net interest spending.)

THERE ARE GOOD REASONS WHY THE SAVINGS GROW EACH YEAR:

- **Slowing the Rate of Growth of Spending.** The President's plan slows the rate of growth of entitlement programs, including Medicare and Medicaid. Because of the effect of compounding, the savings naturally grow with time. In addition, as the deficit is reduced, the net interest savings also grow.

- **People Need Time to Adjust Significant Program Changes.** Because States and others need time to adjust to the significant program changes, many changes are phased-in over time. As a result, the savings also increase with time.

CLAIM ON BUDGET'S TAX TRIGGER

CLAIM: *The President's budget does not really balance. It assumes that the tax cuts will trigger off and cuts expire in 2000 -- an election year.*

THE FACTS: **CBO certified that the President budget would balance. The President's budget was specifically designed to ensure that it would reach balance by 2002.**

The President's Fiscal 1997 Budget Is the First Budget Submitted by a President in 17 Years to Reach Balance Based on both the Administration and Congress Numbers.

"The President's budget proposes policies that CBO estimates would balance the budget by 2002."

-- Testimony of CBO Director June O'Neill, April 17, 1996

The President's Budget Includes a Trigger Mechanism to Ensure That It Will Balance. The President's budget specifically states that additional tax cuts and discretionary spending in 2001 and 2002 would *only* go into effect if stronger economic conditions permit them without making the budget go out of balance. The additional tax cuts and spending would *not* be allowed if it would put the budget out of balance.

- **President's Fiscal Year 1997 Budget:** *"The budget also includes a "trigger" to ensure that the budget reaches balance under either CBO or OMB assumptions.* Under the trigger, most of the tax cuts end after 2000 if the deficit is not at least $20 billion below CBO's initial estimate for that year." (p. 14)

<u>Republicans Are Being Hypocritical</u>: Their Last Budget Had Tax Provisions Expiring.

- Senator Domenici confirmed that the Republican $177 billion tax package had tax provisions that expired after four or five years. The *Daily Tax Report* reports that Domenici "added that the Republican offer of a $177 billion tax cut package had several provisions that would expire after four or five years." [BNA, *Daily Tax Report*, 2/5/96.]

- An April 11 memo from Senator Domenici's staff director confirms that the last Republican offer sunset the $500 child tax credit after the year 2000: "We still have to sunset the family tax credit in 2000 to remain in balance in 2002." A March 27 House Budget Committee staff memo to the Republican Leadership says "such sunsetting [of tax cuts] will likely be needed to reach balance in FY 2002."

The Tax Trigger Is Similar to Tax Extenders. Currently many tax provisions regularly expire, such as the targeted jobs tax credit, requiring Congress to reassess them in light of current conditions and to determine whether they should continue. If Congress decides to extend these tax provisions, it must find offsets to make them revenue neutral. The Administration's proposed tax trigger would work the same way -- if the economy does not perform as expected, the taxes would trigger off unless Congress found an offset.

CLAIM ON DEMOCRATS NOT REALLY PROTECTING MEDICARE

CLAIM: *Democrats wrongly claim they are protecting Medicare. They also cut Medicare.*

THE FACTS:

REPUBLICANS STILL WANT TO CHARGE ELDERLY COUPLES MORE -- FOR SECOND CLASS MEDICARE -- TO PAY FOR TAX CUTS TARGETED AT THE WEALTHY.

- **HIGHER PREMIUMS.** Republicans still insist on increasing Medicare premiums. The Republican budget the President vetoed *would have increased Medicare premiums by at least $1,700 per elderly couple* over 7 years compared to the President's balanced budget.

- **EXCESSIVE CUTS.** Republicans still insist on a $168 billion Medicare cut that is not necessary to balance the budget -- in order to pay for their excessive tax cuts targeted at the wealthy.

MORE THAN DOLLARS ARE AT STAKE -- THEIR DAMAGING STRUCTURAL CHANGES WOULD FORCE MEDICARE TO "WITHER ON THE VINE." Republicans still insist on the damaging structural changes that President Clinton vetoed last year. These changes would segment the Medicare population, leaving the traditional program with fewer dollars and sicker beneficiaries.

- **MEDICAL SAVINGS ACCOUNTS (MSAs).** Republicans insist on the immediate adoption of untested changes to the Medicare program, such as MSAs, that appeal to the healthiest and wealthiest beneficiaries, leaving the sickest and most costly beneficiaries in a weakened fee-for-service program. CBO projects that MSAs will *increase* Medicare costs by more than $4 billion over seven years; Lewin-VHI puts the price tag at $15-20 billion.

  ***New York Times*:** "But many experts fear the balkanization of healthy and sick. A 1993 study of Medicare recipients who had joined health maintenance organizations found that healthier people disproportionately were attracted to [MSAs], causing the Government to lose rather than save money....If some experts worry that managed care plans would skim healthy recipients from the conventional Medicare program, many of the large plans are *concerned that the healthy would be skimmed from them by medical savings accounts*." [11/18/95]

- **OVER-CHARGING IN PRIVATE PLANS.** Republican proposals permit physicians to charge beneficiaries extra -- or "balance billing" -- in private Medicare plans, increasing out-of-pocket costs for beneficiaries and slowly draining the fee-for-service system of both doctors and dollars.

- **HARD SPENDING CAP.** Republicans impose a hard cap on Medicare spending. For the first time in history, the Medicare program would no longer adjust for changes in demographics, general inflation, and costs due to new technology.

  Wall Street Journal: "The Republican plan includes a hard ceiling on how much can be spent on Medicare." According to Marilyn Moon, health care expert at the Urban Institute, " 'If the growth rate is higher than anticipated,' Republicans are saying, 'lots of luck.' " [12/27/95]

PRESIDENT CLINTON'S BUDGET SHOWS THAT THEIR PREMIUM HIKES, DEEP CUTS, AND DAMAGING STRUCTURAL CHANGES ARE <u>NOT NECESSARY</u> TO BALANCE THE BUDGET AND GUARANTEE THE LIFE OF THE MEDICARE TRUST FUND FOR AT LEAST 10 YEARS. The President's budget would make the Trust Fund stronger than it's been in 9 of the last 14 years. It builds on his 1993 deficit reduction package, which extended the life of the Trust Fund by 3 years -- without a single Republican vote.

CLAIM ON DEMOCRATS NOT REALLY PROTECTING MEDICAID

CLAIM: *Democrats falsely claim they are protecting children from Medicaid cuts. Democrats and Republicans are not that far apart.*

THE FACTS: Absolutely wrong.

TOTAL MEDICAID CUTS COULD STILL FAR EXCEED $200 BILLION. If the Republicans propose $60-$85 billion in Federal Medicaid savings, the Center on Budget and Policy Priorities estimates that the total Medicaid cuts could still greatly exceed $200 billion over 7 years if States spend only the minimum required to receive their full block grant allocation. This is because all of the Republican proposals would reduce State matching requirements.

MORE THAN DOLLARS ARE AT STAKE -- THEY ARE STILL INSISTING ON A BLOCK GRANT. *None of the Republican proposals so far contain the Governors' principle that funding must automatically adjust for changes in enrollment and other factors.* They would leave states and the people they serve vulnerable to factors beyond their control--even though it's not necessary to balance the budget.

MEDICAID GUARANTEE TO MEANINGFUL BENEFITS NO LONGER SECURE FOR MILLIONS OF CHILDREN, PEOPLE WITH DISABILITIES, AND OLDER AMERICANS. All the Republican Medicaid plans to date still eliminate the law guaranteeing Medicaid for 2.5 million children and let States define the disabilities eligible for Medicaid. With total cuts exceeding $200 billion, States could be forced to deny health benefits to these children, people with disabilities, and older Americans.

- **Children.** Even after President Clinton vetoed their budget for denying health benefits for children, Republicans still insist on eliminating the law guaranteeing coverage for 2.5 million children aged 13-18.

- **People with Disabilities.** The Republican Medicaid plan is still likely to jeopardize the Medicaid guarantee for the over 6 million people with disabilities who currently receive Medicaid by allowing states to define the eligible disabilities. With total cuts exceeding $200 billion, States may be forced to restrict the scope of eligible disabilities, deny coverage entirely, or cut back on benefits.

- **Older Americans.** Many of the Medicaid benefits critical to older Americans and people with disabilities are optional -- including prescription drugs, home and community-based care, and assistive devices such as wheelchairs and communication devices -- and cuts in excess of $200 billion could force States to cut back on these optional benefits.

THEY REPEAL FEDERAL ENFORCEMENT OF NURSING HOME QUALITY STANDARDS. Republicans still seem to insist on repealing Federal enforcement of the nursing home quality standards that have dramatically improved the quality of nursing home care -- even though it is not necessary to balance the budget. Total Medicaid cuts exceeding $200 billion, combined with the elimination of Federal enforcement of nursing home quality standards, may lead to inadequate and inconsistent enforcement of quality.

CLAIM ON CUTTING HEAD START

CLAIM: *Democrats wrongly accuse Republicans of cutting Head Start.*

THE FACTS: **PRESIDENT CLINTON HAS PROTECTED HEAD START. Head Start enrollment has increased this year <u>in spite of</u> Republican attempts to cut the program.**

- **The Republican Budget Resolution Conference Agreement** passed by Republicans in both Chambers of Congress, assumed at most a freeze in Head Start funding at FY1995 levels. A spending freeze would have cut services for an estimated 150,000 children in 2002.

- **The House-passed Labor/HHS Appropriations Bill went beyond the Budget Resolution and cut $137 million from Head Start in 1996 -- $535 million below the President's request for 1996.** If they froze spending at this level, more than 180,000 children would have been denied services in 2002.

- ***The House-passed cuts would have denied Head Start services to about 20,000 children this year, compared to 1995.***

THE PRESIDENT AND DEMOCRATIC MEMBERS OF CONGRESS SUCCESSFULLY RESTORED FUNDING TO FY1995 LEVELS -- AND EVEN ADDED A $36 MILLION INCREASE.

PRESIDENT CLINTON'S BALANCED BUDGET <u>INCREASES</u> HEAD START. President Clinton's FY 1997 balanced budget includes a new commitment to Head Start funding for 1 million children a year by 2002 and provides $1.2 billion more in 1997 than in 1993.

CLAIM ON DEMOCRATS DEMAGOGUING SCHOOL LUNCHES

CLAIM: *Democrats are demagoguing school lunch cuts. Republicans did not cut school lunches.*

THE FACTS: **PRESIDENT CLINTON HAS PROTECTED SCHOOL LUNCHES. The number of children served has increased in spite of Republican attempts to cut the program.**

- **The Personal Responsibility Act, a key component of the Contract With America,** proposed in January 1995, would have repealed the School Lunch Act and would have cut federal support for nutrition assistance by $5 billion in FY 1996 and $31 billion over 5 years, combined all USDA food assistance programs into a single discretionary block grant to states, and eliminated all national standards for school lunches.

- **President Clinton, key Administration officials, and Democratic Members of Congress voiced immediate opposition to these cuts in school lunches.** "School lunches have always been seen by both Democrats and Republicans as an essential part of student education. ...Unfortunately, this year, some Members of the new Congress have decided that cutting this program would be a good way of cutting government spending and financing tax cuts for upper-income Americans." -- President Clinton, March 9, 1995.

- **The Personal Responsibility Act, passed by the House on March 24, 1995,** cut school lunches and breakfast funding by $1.4 billion over 5 years. Funding for child care meal service would have been cut by nearly $1 billion in FY 1996 and by $5.3 billion over 5 years. The Act converted national child nutrition and WIC into two block grants, one for school-based programs and another for child care and WIC. The Act also eliminated all national standards for school lunches.

- **The Personal Responsibility Act, passed by the Senate on September 19, 1995**, cut funding for the child nutrition programs and WIC by $140 million in FY 1996, $2.7 billion over 5 years and $4.4 billion over seven years.

- **The Personal Responsibility Act Conference Bill President Clinton vetoed on January 9, 1996,** would have cut child nutrition funding by $124 million in FY 1996, $3.7 billion over 5 years, and $6.4 billion over 7 years. It would have weakened national nutrition standards for school meals and jeopardized the long-term health of America's children.

- ***The Republican Budget President Clinton vetoed on December 6, 1995, cut child nutrition and the school lunch program by $5 billion over 7 years.***

THE NUMBER OF CHILDREN SERVED THIS YEAR INCREASED BECAUSE THE PROGRAM HAS NOT CHANGED SINCE THE NATIONAL SCHOOL LUNCH ACT WAS REAUTHORIZED IN 1994. THE REPUBLICAN CUTS WERE BLOCKED BY PRESIDENT CLINTON.

CLAIM THAT THE PRESIDENT IS A BIG SPENDER

CLAIM: *President Clinton fights every effort to cut spending.*

THE FACTS: NOT TRUE.

SPENDING IS LOWER TODAY THAN UNDER REAGAN OR BUSH:

- **Lower Total Spending Today Than Any Year Since 1979 as a Share of the Economy:** Federal spending as a share of the economy was lower in 1995 than in any year under the Reagan and Bush Administrations -- it's now the lowest since 1979. [OMB, *FY97 Budget: Supplement and Historical Tables.*]
- **Lower Discretionary Spending Today Than Any Year on Record as a Share of the Economy -- While Investing More in People:** Total discretionary spending was lower in fiscal 1995 than any year since 1962 -- when official records first began being kept. [OMB, *FY97 Budget: Historical Tables.* p.112.]
- **Lower Domestic Discretionary Spending Today Than 4 of the 6 Years Under the Republican Controlled-Senate and White House as a Share of the Economy.** [FY95 vs. 82-87. *FY97 Budget: Historical Tables*]

SPENDING GROWTH SLOWER TODAY THAN UNDER REAGAN OR BUSH

TOTAL SPENDING:

- **Slower Growth Than Under Reagan or Bush -- While Investing More in People.**

Reagan (FY81-89):	**Spending Grew by 6.7%**
Bush (FY89-93):	**Spending Grew by 5.4%**
Clinton (FY93-95):	**Spending Grew by 3.8%**

ENTITLEMENT SPENDING:

- **Slower Growth Than Under Reagan or Bush -- While Investing in People.**

Reagan (FY81-89):	**Spending Grew by 6.1%**
Bush (FY89-93):	**Spending Grew by 8.4%**
Clinton (FY93-95):	**Spending Grew by 5.3%**

DISCRETIONARY SPENDING:

- **Slower Growth Than Under Reagan or Bush -- While Investing in People.**

Reagan (FY81-89):	**Spending Grew by 6.0%**
Bush (FY89-93):	**Spending Grew by 2.6%**
Clinton (FY93-95):	**Spending Grew by 0.4% (-2.6% in real terms)**

[Source: Average annual nominal spending growth based on OMB, *FY97 Budget: Historical Tables*, Tables 8.1 & 8.2]

SPENDING REDUCTIONS $98 BILLION GREATER THAN PROJECTED IN 1993:

The President's 1993 Economic Plan was projected to cut spending by $255 billion and cut the eficit by $505 billion over 5 years. CBO now projects that spending over the same five years will be **$353 billion lower** than projected when President Clinton took office -- $98 billion lower spending than expected. Over 7 years, CBO projects that spending will be **$598 billion lower**. [CBO, 1/93 and 4/96]

CLAIM ON WANTING $8 BILLION MORE FOR PET PROGRAMS

CLAIM: *President Clinton threatened to shutdown the government if he didn't get another $8 billion more to spend on his liberal agenda and pet programs.*

THE FACTS: **The $8 billion would have restored the most egregious Republican cuts in education and the environment *without increasing the deficit one dime -- the President provided offsets.***

- **Everyone Knows Republicans Shutdown The Government -- Twice.** It was Republicans who twice shutdown the government to try to force President Clinton to accept their extreme and unnecessary cuts in Medicare, Medicaid, education, and the environment, and their tax increase on millions of hard-pressed working families.

- **President Clinton's CBO-certified balanced budget proves you can balance the budget while protecting Medicare, Medicaid, education, and the environment and providing a targeted middle class tax cut.** Yet Republicans still insisted on their egregious cuts in education, the environment, technology and other important investments.

- **President Clinton was willing to compromise, and moved two-thirds of the way towards them by asking that they reduce their cuts by only $8 billion in 1996.**

    - **We were $22 billion apart** -- by asking that only $8 billion of the cuts be restored, the President went two-thirds of the way towards them.

    - ***The President offset each dollar with a dollar of cuts. We provided offsets for the addbacks so they do not increase the deficit one penny.***

- **The $8 billion would reduce some of the most egregious Republican cuts.** *It reduces their cuts -- it is not higher spending and it would not increase the deficit because it is paid for with offsets.* Republicans wanted unacceptable cuts in education, the environment, technology, and other important investments:

    - **1.1 Million Denied Basic Skills Training.** Under the House-passed Republican plan, 1.1 million children would have been denied Title I assistance to help them achieve basic and advanced skills in 1996 alone.

    - **8 Million Denied Improved Education.** Under the House-passed Republican plan, 8 million children would have been denied improved education because of elimination of Goals 2000.

    - **2.5 Million Students Denied Direct Student Loan Opportunities.** Under the House-passed Republican plan, 1,350 colleges with 2.5 million students would have been cut off the Direct Student Lending program. Direct Student Loans allow students to repay their student loans as a percentage of their income over time -- lowering default rates, helping students make the transition into the workforce, and ensuring that the cost of education is not a barrier to success.

CLAIM THAT BUDGET DOES NOT TERMINATE ANY PROGRAMS

CLAIM: *President Clinton's FY97 budget does not cut or terminate any programs.*

THE FACTS: **NOT TRUE.**

PRESIDENT CLINTON'S FISCAL 1997 BALANCED BUDGET TERMINATES AND CUTS OVER 200 UNNECESSARY PROGRAMS AND PROJECTS IN FISCAL 1997 ALONE. It terminates over 100 programs and projects and cuts over 100 more, for a combined savings of at least $10 billion in budget authority in 1997 alone. [Source: OMB]

- **Terminates Over 100 Programs and Projects in 1997.** In fiscal 1997 alone, the President's balanced budget terminates over 100 unnecessary programs and projects in fiscal 1997 alone, including programs at the Agriculture, Commerce, Defense, Education, HHS, HUD, Interior, and Labor Departments. [Source: OMB]

- **Proposed Terminating Over 400 Programs and Projects.** In four years, President Clinton has proposed terminating over 400 low-priority federal government programs and projects, and consolidating many more. [Source: OMB and the Third Report of the National Performance Review.]

PRESIDENT CLINTON IS THE FIRST PRESIDENT IN 17 YEARS TO PUT FORWARD A BUDGET THAT BALANCES BASED ON CBO NUMBERS. It balances the budget in 7 years by reducing discretionary and entitlement spending and closing corporate loopholes, while protecting Medicare, Medicaid, education and the environment, and providing a targeted middle class tax cut.

CLAIM ON SPENDING APPROACHING 22% OF GDP

CLAIM: *Today, federal spending approaches 22 percent of the economy.*

THE FACTS: **It is true that spending is between 21% and 22% of the economy, but this is *lower than any year under the Reagan and Bush Administrations* -- *the lowest in 16 years.***

- Federal spending in fiscal year 1995 was 21.7 percent of the economy -- the lowest of any year since 1979. [OMB, *Fiscal Year 1997 Budget of the U.S. Government: Historical Tables*.]

- Ironically, the study that Rep. Armey cites to make this claim shows that spending as a share of the economy was *lower in fiscal year 1995 than in 1980 or 1990.* [Table 2, "Impact of the Welfare State on the American Economy," prepared at the request of Reps. Saxton and Armey by Lowell Gallaway and Richard Vedder, December 1995.]

- Federal spending as a share of the economy will continue to decline each year under President Clinton's fiscal 1997 budget until the budget is balanced in 2002. [OMB, *Fiscal Year 1997 Budget of the U.S. Government: Historical Tables*.]

CLAIM ON THE DEMOCRATS FOR BEING FOR BIG GOVERNMENT

CLAIM: *President Clinton is for big government.*

THE FACTS:

1. **Government Spending Is Lower Today Than Under the Reagan or Bush Administrations as a Share of the Economy:** Federal government spending as a share of the economy was lower in fiscal year 1995 than in any year under the Reagan and Bush Administrations -- the lowest of any year since 1979. [OMB, *Fiscal Year 1997 Budget: Supplement and Historical Tables*.]

2. **Because of President Clinton, the Era of Big Government is Over:**

   - Reduced the federal workforce by more than 200,000 workers -- the smallest in three decades.
   - Proposed terminating more than 400 federal government programs and projects, and consolidating many others. [Source: OMB]
   - Closing more than 2,000 unnecessary government field offices.
   - Eliminating 16,000 pages of unneeded rules and regulations.

3. **President Clinton Has Cut the Deficit in <u>Half</u> in Four Years.**

   - **Because of President Clinton's 1993 Economic Plan, the FY1995 budget would have had a $14 billion *surplus* but for the interest on the debt accumulated during the Reagan and Bush Administrations.**
   - **Deficits $1.4 Trillion Lower Than Projected Over the Next 7 Years:** Even without the President's much-needed balanced budget plan, CBO projects the deficit will be $1.4 trillion lower over the next 7 years than projected when President Clinton took office.

4. **Reduced The Deficit 4 Years in a Row For The First Time Since Truman was President.** President Clinton has reduced the deficit from the record $290 billion in fiscal 1992 to $255 billion in 1993, to $203 billion in 1994, to $164 billion in 1995, to a projected $144 billion in fiscal 1996.

5. **President Clinton Is the First President in 17 Years to Submit a Budget That Balances Based on CBO Numbers.** The President's balanced budget upholds America's values, protects Medicare, Medicaid, Education and the Environment, and provides targeted tax relief.

6. **President Clinton's Balanced Budget Provides <u>Less</u> Discretionary Funding for the Agriculture, Energy, Defense, State, Housing, and Transportation Departments in 1997 <u>Than 4 Years Earlier In Nominal Terms</u>.** (Nominal discretionary BA FY97 vs. FY93)

CLAIM ON GOVERNMENT EMPLOYMENT INCREASING

CLAIM: *Combined federal, state, and local government employment has risen 616,000 since January 1993.*

THE FACTS: **The Federal workforce has cut its payroll since President Clinton took office, while State and local governments continue to expand them.**

- **Since President Clinton took office, the Federal workforce has been cut -- to its lowest level in 30 years.** Since government employment is up and Federal employment is down, this means that State and local governments have added 786,000 workers to their payrolls. [Source: Bureau of Labor Statistics.]

- **For comparison, during the 12 years the Republicans ran the White House, the entire government grew, from the Federal bureaucracy to State and local governments.**

CLAIM ON NON-DEFENSE FEDERAL EMPLOYMENT RISING

CLAIM: *The White House excluded all Postal Service employees in its figures. If they are included, non-defense federal employment is actually up 37,300.*

THE FACTS: **THIS IS MISLEADING.**

- **Even Congress agrees that we shouldn't include the Postal Service -- an independent government corporation -- in calculating the number of federal workers.** In the Federal Workforce Restructuring Act of 1994, the Congress legislated that Postal Service employment -- which the President has no control over -- not be included in the overall size of the federal workforce.

- **Under President Clinton's leadership, every Cabinet Department -- except for the law enforcement functions in Justice -- has cut the size of their workforce. That's something that Presidents Reagan and Bush can't say.**

- **Since President Clinton took office, the size of the Federal workforce has been reduced by more than 200,000.** As a share of the economy, the federal government is smaller than any other time since the Great Depression.

- **For comparison purposes, the Federal bureaucracy increased in size under the Reagan and Bush Administrations.**

CLAIM ON 90% OF EMPLOYMENT REDUCTIONS FROM DEFENSE

CLAIM: *More than 90 percent of all reductions [in the federal work force] come from the closing of Resolution Trust Corp. and the firing of tens of thousands of civilian military employees -- on orders from the base-closing commission.*

THE FACTS: **THIS IS FLAT WRONG.**

- **More than 40 percent of the reductions are non-Defense**. More than 40 percent of the reductions in the federal workforce come from departments and agencies other than defense. Virtually every department and agency has reduced their number of employees. [Source: Office of Management and Budget data, as presented in the National Performance Review Report: President Clinton's Record In Reducing The Federal Workforce, February 8, 1996.]

- **Defense had a buy-out program earlier than other agencies.** The civilian Defense Department made up slightly less than half of the federal workforce (44%) and has contributed somewhat more than half of the workforce reductions (59%). This modest additional contribution to workforce reduction from the Defense Department is not surprising given that the Defense Department began downsizing and had a buy-out program earlier than other agencies. [Source: Office of Management and Budget data, as presented in the National Performance Review Report: President Clinton's Record In Reducing The Federal Workforce, February 8, 1996.]

- **RTC closing has done little to reduce workforce.** The closing of the RTC has done little to reduce the federal workforce. Thousands of the former RTC workers have moved to the FDIC, having little effect on the level of federal employment.

CLAIM ON EXCESSIVE REGULATIONS

CLAIM: *President Clinton placed excessive and unproductive regulatory burdens on the American people -- totaling $600-700 billion per year.*

THE FACTS:

1. **THIS IS SIMPLY THE SAME OLD HOSTILE VIEW TO ENVIRONMENTAL PROTECTION AND PUBLIC SAFETY: Exaggerated costs and no calculation of benefits.**

2. **THE ADMINISTRATION'S COMMON SENSE REGULATIONS WORK: Eliminating needless and burdensome regulations while protecting the environment, growing the economy, and creating jobs.**

   - President Clinton is strongly committed to reforming our regulatory system so that it is more flexible, costs less, and imposes fewer rigid rules on the American economy. *The Administration is <u>eliminating 16,000 pages of needless regulations, and is streamlining another 31,000.</u>*

   - **Significant steps include:**
     - Reducing an SBA loan application form from an inch thick to one page.
     - Rewarding results, not red tape, by changing performance measurement systems to focus on ultimate goals (e.g., cleaner air and safer workplaces).
     - Enacting interstate banking deregulation and intrastate trucking deregulation.
     - Dramatically simplifying bank regulations issued by the Comptroller of the Currency, and radically reducing the regulatory burden placed on exporters.

   - **A Stronger Economy.** Over the last 3 years, the economy has grown faster than any major economy in the world -- twice as fast as during the previous Administration.

   - **Stronger Job Growth.** More than 8 million new jobs added in 3 years -- a better record than either of the previous two Administrations.

3 **THIS COMPLAINT IS FROM THE SAME FOLKS WHO TRIED TO PUSH THROUGH EXTREME ENVIRONMENTAL CUTS AND POLICIES THIS YEAR, INCLUDING:**

   - Halting new standards for meat inspections.
   - Cutting EPA's enforcement budget by 50 percent.
   - Eliminating all clean drinking water state loan funds.
   - Halting EPA action to keep storm water pollution out of the nation's waterways.
   - Prohibiting EPA enforcement to keep raw sewage off beaches and out of waterways.
   - Eliminating EPA's ability to set standards to prevent industrial water pollution.
   - Curtailing protection from toxic air pollutants by all oil refineries.

Clinton Presidential Records
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This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

Divider Title: **H. MINIMUM WAGE / PENSIONS**

MINIMUM WAGE / PENSIONS:
Responses to False Claims

Table of Contents

CLAIM ON MINIMUM WAGE INCREASE WILL COST JOBS

CLAIM: *The evidence is persuasive that a boost in the minimum wage will increase unemployment.*

THE FACTS: **The majority of recent studies show that a modest minimum wage increase -- like a 90-cent raise -- would not cost jobs. And nearly every recent study that comes to a different conclusion is in some way connected with the restaurant lobby.**

- As the *Wall Street Journal* reported, 4/11/96: "[E]conomists, who once considered that the price for increasing the minimum wage was lost jobs, have lately come around to the view that a boost nationally ***would lead to little or no job loss***."

101 economists including 3 Nobel Prize winners agree that a minimum wage increase won't cost jobs. In the fall of 1995, 101 economists -- including 3 Nobel Prize-winners Kenneth Arrow, Lawrence Klein, and James Tobin -- signed a letter supporting the President's proposal to raise the minimum wage and affirming that it would not have a significant effect on employment. The letter concluded that ***"overall effects [of a minimum wage increase] on the labor market, affected workers, and the economy would be positive."*** [Center on Budget and Policy Priorities and the Economic Policy Institute, Statement of Support for A Minimum Wage Increase, October 2, 1995.]

Empirical evidence shows the President's proposal can increase wages without costing jobs. Nearly two dozen empirical studies have found that moderate increases in the minimum wage would not cost jobs. As Nobel Laureate Robert Solow stated: "[T]he employment effect of a moderate increase in the minimum wage would be very, very small."

- In a study for the restaurant-funded Employment Policies Institute -- which vigorously opposes a minimum wage increase -- Kevin Lang, a professor at Boston University, stated: ***"...this author can find little effect on employment levels from changes in the minimum."***

CLAIM ON MINIMUM WAGE INCREASE WILL MAKE AMERICAN DREAM HARDER TO REACH FOR UNSKILLED WORKERS

CLAIM: *The President even wants to add new obstacles like a minimum wage hike -- putting the bottom rung of the economic ladder of success out of reach for millions of unskilled workers*

THE FACTS: **AND REPUBLICANS CLAIM TO BE FOR RAISING WORKERS' WAGES?**

1. **Between 10 million and 13 million workers would benefit from the President's proposal to increase the minimum wage.** An estimated 10 million hourly workers earn between $4.25 and $5.14 and would directly benefit from the President's proposal. Research indicates that an increase in the minimum wage to $5.15 could have a "ripple" effect on the more than 3 million workers who earn within 60 cents of the new minimum wage.

2. **Within a year, if the minimum wage is not increased, it will fall to its lowest real level in 40 years.** Indeed, the value of the minimum wage is now 29 percent lower than it was in 1979, and has fallen nearly 65 cents in real value since its last increase in April of 1991. The first half of the President's 90-cent proposal doesn't even restore the minimum wage to its value from the last increase.

3. **Raising the minimum wage primarily helps adult workers -- most of whom rely on their minimum wage jobs to support their families:** Over two-thirds of the workers who would benefit from the President's proposal are adults (69%); almost two-fifths (39%) are the sole breadwinners in their households; and the average minimum wage worker brought home half of his or her family's earnings. Thus, a 90-cent rise in the minimum wage means an extra $1,800 to a full-time minimum wage worker -- *that's enough for the average family to pay for over 7 months of groceries.*

4. **Empirical evidence shows the President's proposal can increase wages without costing jobs:** Nearly two dozen empirical studies -- a majority of those published in peer-reviewed journals in the last five years -- have found that moderate increases in the minimum wage would not cost jobs. As Nobel Laureate Robert Solow stated: "[T]he evidence of job loss is weak. And the fact that the evidence is weak suggests that the impact on jobs is small."

   - One widely cited independent study found that when New Jersey raised their minimum wage, employment in New Jersey fast-food restaurants -- which generally pay the minimum wage -- fared no worse than fast-food restaurants just across the state line in Pennsylvania.

5. **The last minimum wage increase -- also 90 cents -- garnered strong bipartisan support.** In 1989, the minimum wage was passed by votes of 382 to 37 (135 Republicans) in the House, and 89 to 8 in the Senate (36 Republicans) and was supported by Senator Dole and Rep. Gingrich.

CLAIM ON PRESIDENT CLINTON OPPOSED MINIMUM WAGE INCREASE IN 1993

CLAIM: Time *magazine quotes President Clinton as saying the minimum wage "is the wrong way to raise the incomes of low-wage earners."*

THE FACTS:

1. **THE 10-WORD *TIME* MAGAZINE QUOTE DOES NOT EXIST. The President never said that the minimum wage is an ineffective tool to raise wages. The statement *Time* refers to does not appear in any transcript, tape, or speech text.**

2. **PRESIDENT CLINTON HAS ALWAYS SUPPORTED RAISING THE MINIMUM WAGE -- FROM THE CAMPAIGN IN 1992 TO THE PRESENT. He specifically proposed a 90-cent increase 14 months ago.**

   - For four years, President Clinton has fought for provisions that would raise the standard of living of hard-working families, including raising the minimum wage, expanding the Earned Income Tax Credit, and providing health care coverage for working families.

THE CLINTON RECORD ON THE MINIMUM WAGE

President Clinton supported minimum wage hikes as governor. As Governor of Arkansas, Bill Clinton supported two increases in the state minimum wage. And he changed state minimum wage law to cover more workers.

Candidate Clinton called for expanding the eitc and raising minimum wage to make work pay. In 1992, Candidate Clinton proposed expanding the EITC and raising the minimum wage to keep pace with inflation in order to ensure that no parent who was willing to work full-time would have to raise their children in poverty.

- **In *Putting People First,*** Presidential Candidate Clinton and Vice-Presidential Candidate Gore proposed to "increase the minimum wage to keep pace with inflation." (p. 127)

President Clinton's plan for raising incomes and security for low-income workers always included the Earned Income Tax Credit, health care reform, and the minimum wage. In his first two years in office, he focused his legislative agenda on expanding the Earned Income Tax Credit and health care reform -- which would have been an effective minimum wage increase -- but he always supported a minimum wage increase.

President Clinton proposed minimum wage increase to fulfill commitment to make work pay. On February 3, 1995, President Clinton put forward his proposal to increase the minimum wage from $4.25 to $5.15 over two years in two equal steps. This proposal would directly benefit 10 million American workers.

CLAIM ON PRESIDENTIAL ECONOMIC ADVISER SAYING MINIMUM WAGE INCREASE WOULD COST JOBS

CLAIM: *Joe Stiglitz--the President's Chief Economist--wrote in his textbook that "There are others, who might have been employed at the lower market equilibrium wage, who cannot find employment and are worse off."*

THE FACTS: **JOE STIGLITZ SUPPORTS A MINIMUM WAGE INCREASE BECAUSE THE MAJORITY OF RECENT STUDIES SHOW THAT A MODEST MINIMUM WAGE INCREASE -- LIKE A 90-CENT RAISE -- WOULD NOT COST JOBS.**

- **Joe Stiglitz argued in his textbook -- in cases where the minimum wage was low in real terms -- moderate increases would have little effect on unemployment.** (p. 131) Since the real value of the minimum wage is approaching a 40-year low, it is not surprising that the President's proposal to increase the minimum wage wouldn't cost jobs.

- As the *Wall Street Journal* reported, 4/11/96: "[E]conomists, who once considered that the price for increasing the minimum wage was lost jobs, have lately come around to the view that a boost nationally ***would lead to little or no job loss***."

- **101 economists including 3 Nobel Prize winners** agree with Joe Stiglitz' position that a minimum wage increase would not have a significant effect on employment. They signed a letter in favor of raising the minimum wage, saying that the "overall effects on the labor market, affected workers, and the economy would be positive." [Center on Budget and Policy Priorities and the Economic Policy Institute, Statement of Support for A Minimum Wage Increase, October 2, 1995.]

- **Empirical evidence shows the President's proposal can increase wages without costing jobs.** Nearly two dozen empirical studies -- a majority of those published in peer-reviewed journals in the last five years -- have found that moderate increases in the minimum wage would not cost jobs. As Nobel Laureate Robert Solow stated: "[T]he employment effect of a moderate increase in the minimum wage would be very, very small."

CLAIM ON MINIMUM WAGE INCREASE AS PAY BACK TO THE UNIONS

CLAIM: *The only reason the President is pushing for a minimum wage increase is because the unions are going to contribute $35 million to defeating Republicans -- this is just a proposal to score political points.*

THE FACTS: **PRESIDENT CLINTON IS FIGHTING FOR A MINIMUM WAGE INCREASE SO THAT EVERY PARENT WHO IS WILLING TO WORK HARD AND PLAY BY THE RULES CAN RAISE A FAMILY OUT OF POVERTY.**

1. **President Clinton has always supported the minimum wage -- from the campaign in 1992 to the present. He specifically proposed a 90-cent increase 14 months ago.**

2. **President Clinton is proposing a minimum wage increase because it is the right thing to do.** You can't raise a family on $4.25. If we value work and family, we ought to raise the value of the minimum wage. President Clinton's proposal to raise the minimum wage from $4.25 to $5.15 an hour -- along with the expanded Earned Income Tax Credit -- would ensure that no parent who works full-time would have to bring up their children in poverty.

3. **Between 10 million and 13 million workers would benefit from the President's proposal to increase the minimum wage:** An estimated 10 million hourly workers earn between $4.25 and $5.14 and would directly benefit from the President's proposal. Research indicates that an increase in the minimum wage to $5.15 could have a "ripple" effect on the more than 3 million workers who earn within 60 cents of the new minimum wage.

4. **Raising the minimum wage primarily helps adult workers -- most of whom rely on their minimum wage jobs to support their families.** Over two-thirds of the workers who would benefit from the President's proposal are adults (69%); almost two-fifths (39%) are the sole wage earner in their households; and the average minimum wage worker brings home half of his or her family's earnings. Thus, a 90-cent rise in the minimum wage means an extra $1,800 to a full-time minimum wage worker -- *that's enough for the average family to pay for over 7 months of groceries.*

5. **Within a year, if the minimum wage is not increased, it will fall to its lowest real level in 40 years.** Indeed, the value of the minimum wage is now 29 percent lower than it was in 1979, and has fallen nearly 50 cents in real value since its last increase in April of 1991. The first half of the President's 90-cent proposal doesn't even restore the minimum wage to its value from the last increase.

CLAIM ON MINIMUM WAGE INCREASE MOSTLY BENEFITS TEENS

CLAIM: *Most people who would benefit from the President's minimum wage proposal are teenagers.*

THE FACTS: **THIS IS FLAT WRONG.**

- **10 million American workers would benefit from the President's proposal to increase the minimum wage from $4.25 to $5.15 an hour over two years.** [Source: Bureau of Labor Statistics.]

- **Over two-thirds (69%) of these workers are adults, age 20 or over.** [Source: Bureau of Labor Statistics.]

- **Six out of 10 (59%) of the workers who would benefit from the President's minimum wage proposal are women.** [Source: Bureau of Labor Statistics.]

- **Almost two-fifths (39%) of the workers who would benefit from the President's minimum wage increase are the sole breadwinners in their households.** [Source: Economic Policy Institute.]

- **The average minimum-wage earner brings home half of his or her family's earnings.** [Source: Economic Policy Institute.]

- **Nearly half (47%) of workers who would benefit from the President's minimum wage increase are in the poorest 20 percent of all working families -- families earning less than $360 per week.** [Source: Economic Policy Institute.]

- **A 90-cent rise in the minimum wage would mean an extra $1,800 to a full-time minimum wage worker -- *that's enough for the average family to pay for over 7 months of groceries.***

- **The President's minimum wage increase will ensure that no parent who works full-time would have to raise their children in poverty.** You can't raise a family on $4.25. If you value work and family, we ought to raise the value of the minimum wage. Together with his EITC expansion, the President's minimum wage increase would ensure that no parent would have to raise their children in poverty.

CLAIM ON WHY THE PRESIDENT DIDN'T PROPOSE A MINIMUM WAGE INCREASE IN 1993 OR 1994

CLAIM: *The President did not propose a minimum wage increase in 1993 and 1994 when the Democrats controlled Congress.*

THE FACTS: **For four years now President Clinton has fought for provisions that would raise the standard of living of hard working families.** These provisions include: increasing the minimum wage, expanding the Earned Income Tax Credit, and providing health care coverage for working families.

- **Star Tribune, 10/30/92:** Candidate Clinton wants to "increase the minimum wage to keep pace with inflation and expand the earned income tax credit guarantee no full-time workers lives in poverty."

President Clinton pursued a comprehensive strategy aimed at raising workers' incomes and increasing economic security. The first step focused on an expansion of the Earned Income Tax Credit and health care reform.

1. **President Clinton expanded the EITC as a first step to make work pay during his first year as President:**

   - *Washington Post,* 4/20/93: "Mr. Clinton's goal is ambitious: to make sure that in households with children where at least one person works full-time, the family won't fall below the poverty line. Under current law, the maximum EITC benefit for a family with two or more children was scheduled to rise to $2,000 next year; Mr. Clinton would boost the maximum to $3,370 by 1995. He would also raise the benefits for families with one child and establish a small new credit for workers without children...***On top of this, Mr. Clinton would try to boost the earnings of the working poor by hiking the minimum wage.***" [emphasis added]

2. **The President maintained his support for a minimum wage increase even as he was fighting for health care reform:**

   - ***Washington Post,* 6/26/94**: "From health-care reform to ***a higher minimum wage*** to more training opportunities to increased earned-income tax credits to mandatory fringe benefits, the Clinton administration wants to increase dramatically the income security of the more than 6 million American adults whom it classifies as the 'working poor'." [emphasis added]

3. **President Clinton proposed minimum wage increase to fulfill commitment to make work pay and ensure that no parent who works full-time has to bring up their children in poverty.**

   - On February 3, 1995, President Clinton put forward his proposal to increase the minimum wage from $4.25 to $5.15 over two years. This proposal would directly benefit 10 million American workers.

CLAIM ON PRESIDENT'S PENSION PROPOSAL BEING RECYCLED REPUBLICAN IDEAS

CLAIM: *The President's pension proposals are just repackaged Republican ideas.*

THE FACTS: THIS IS LUDICROUS.

1. **THE PRESIDENT'S PORTABILITY PROPOSALS ARE NEW.** New portability proposals include:

   - **Taking Away the 1-Year Wait to Save at a New Job.** Changes a law that encourages private employers to impose a 1-year waiting requirement for new employees to enter the employer's retirement plan.

   - **Eliminating Wait for New Federal Employees to Begin Saving.** Eliminates the current six to 12-month wait for new federal government employees to make pre-tax contributions to the Thrift Savings Plan, allowing them to contribute from their first day on the job.

   - **Green Light for Employers to Accept Rollovers.** Today, 50% of workers in 401(k) plans are in plans that do not accept rollovers from new employees. The Treasury will issue new rules to make it easier for employers to accept rollovers into their plans.

2. **SENATOR DOLE OFFERED HIS SMALL BUSINESS PLAN <u>AFTER</u> PRESIDENT CLINTON.** While both President Clinton and Senator Dole have proposals to create a simpler small business pension plan that makes it easier and cheaper for small businesses to offer their workers pensions, Senator Dole proposed his plan <u>after</u> President Clinton. President Clinton proposed his small business "401(k) plan" in <u>June 1995</u>. Senator Dole did not offer a plan until the fall.

   - **The President's proposal would spur more pension participation for average workers in small businesses than the Republican plan.**

3. **REPUBLICANS PROPOSED PENSION <u>RAIDS</u> -- THE PRESIDENT'S PROPOSALS <u>PROTECT</u> PENSIONS.** The Republican budget would have let corporations raid their workers pensions. Based on their own numbers, they were expecting corporations to take $15 billion out of their workers' pension plans, affecting almost 4 million workers' pensions. This was one of the reasons the President vetoed their budget. The President's new pension package builds on his strong record on protecting pensions.

   - **Report on Pension Reversions.** The President proposes that the Labor Department report regularly on activity in this area to ensure that current laws are working.

   - **Requires Prompt Action on Misuse of Funds:** Requires prompt action on the misuse of 401(k) funds by requiring plan administrators and accountants to report promptly any serious misuse of pension funds, with fines of up to $100,000.

   - **Protects Government Employees' Savings from Orange County-Style Fiascos:** Requires state and local government pension plans be held in trust so that employees do not lose their savings if the government declares bankruptcy, as Orange County did.

4. **IF REPUBLICANS TRULY BELIEVE THESE PROPOSALS ARE ALL THEIRS, THEY SHOULD NOT OBJECT TO PASSING THEM NOW.** The Administration would welcome prompt bipartisan action on these proposals to enhance pension coverage, portability, and security.

CLAIM ON NEW JERSEY MINIMUM WAGE STUDY IS "FATALLY FLAWED"

CLAIM: *The study that found when New Jersey raised their minimum wage and it didn't cost jobs in the fast food sector is fatally flawed.*

THE FACTS: **THIS IS NONSENSE. The restaurant lobby's vitriolic attacks on the New Jersey minimum wage study have rarely been based on facts.**

The results in the New Jersey minimum wage study are consistent with a majority of the recent studies on the minimum wage which show that a moderate increase -- in the range of the President's proposal -- would not cost jobs.

- The New Jersey minimum wage study -- conducted by David Card and Alan Krueger, both highly regarded labor economists at Princeton University -- found that when New Jersey raised their minimum wage to $5.05 an hour, employment in New Jersey fast-food restaurant fared no worse than restaurants just across the state line in Pennsylvania -- where the minimum wage was unchanged.

- Card and Krueger's work has been called "the most professional work done on this highly controversial subject" by noted labor economist Richard Layard. And it was called "extraordinarily important" by Ronald Ehrenberg, an economics professor at Cornell University.

Non-Partisan, Independent Data Confirm New Jersey Results.

- According to Unemployment Insurance records from the Bureau of Labor Statistics, New Jersey employment in the restaurant industry increased by 5.9 percent during the period surrounding the minimum wage increase. For comparison, employment in the restaurant industry in Pennsylvania counties bordering New Jersey grew just 3.6 percent. <u>In other words, employment in the restaurant industry grew faster in New Jersey following the minimum wage increase than it did in the counties just across the state line in Pennsylvania</u>.

- The restaurant lobby tried to attack the credibility of the Card/Krueger study by collecting their own data and then providing it to outsider researchers. The problem is that when researchers connected with the restaurant lobby collected their own independent data, they found that the minimum wage increase in New Jersey did <u>not</u> cost jobs. <u>Indeed, the study found that people kept their jobs, they were paid more, and they worked slightly fewer hours</u>.

101 economists including 3 Nobel Prize winners agree that a minimum wage increase won't cost jobs. In the fall of 1995, 101 economists -- including 3 Nobel Prize-winners Kenneth Arrow, Lawrence Klein, and James Tobin -- signed a letter supporting the President's proposal to raise the minimum wage and affirming that it would not have a significant effect on employment. The letter concluded that ***"overall effects [of a minimum wage increase] on the labor market, affected workers, and the economy would be positive."*** [Center on Budget and Policy Priorities and the Economic Policy Institute, Statement of Support for A Minimum Wage Increase, October 2, 1995.]

CLAIM ON USING PENSION FUNDS FOR SOCIAL PURPOSES

CLAIM: *He wants...the government to choose "winners" and "losers" by redirecting pension funds into "social investment."*

THE FACTS:

1. **President Clinton Kept Ronald Reagan's Policies!** The Clinton Administration has done absolutely nothing new in this area. The Interpretive Bulletin the Labor Department put out last summer (No. 94-1) merely brings together 20 years of Labor Department opinions on the subject:

    - **Robert Monks, who was responsible for ERISA in the Reagan Administration,** confirmed that, in Monks' words, "Interpretive Bulletin 94-1 sets forth a policy that is consistent with the policies announced by DOL during the years that I had principal responsibility for the ERISA program."

    - The ETI Clearinghouse that the Saxton bill proposes to defund was the outgrowth of the November 1992 Report of the Work Group on Pension Investments, appointed by the Bush Labor Department, that found that *"economically targeted investments (ETIs) exist which constitute prudent investments under traditional financial criteria, but which also create collateral economic benefits."*

2. **This Is The Same Group That Passed A Corporate Raid On Workers' Pensions.** Their budget would have allowed corporations to raid pension funds, risking pensions for millions of workers.

CLAIM ON SECRETARY RUBIN RAIDING PENSIONS

CLAIM: *Secretary Rubin broke the law and raided the pensions of federal employees in order to circumvent the federal debt limit and spend more taxpayers dollars.*

THE FACTS: **COMPLETELY UNTRUE. HE DID NOT RAID ANYONE'S PENSION. It is the Republicans who wanted to let companies raid pension funds and who threatened the nation's credit worthiness.**

REPUBLICANS THREATENED TO THROW OUR NATION INTO DEFAULT FOR THE FIRST TIME IN OUR NATION'S HISTORY. Republicans tried to use the threat of default to force President Clinton into accepting their extreme and unnecessary cuts in Medicare, Medicaid, education and the environment and their tax increases on hard-pressed working families.

THE REPUBLICAN RECKLESS FAILURE TO ACT FORCED THE TREASURY SECRETARY TO USE HIS STATUTORY AUTHORITY TO MANAGE THE NATION'S FINANCES TO AVOID DEFAULT. Federal law specifically authorizes the Treasury Secretary to use certain federal government employee retirement funds (the Thrift Savings Plan G-Fund and CSRDF) for debt management purposes.

- The Republican-controlled Senate in 1986 passed the law giving the Treasury Secretary the authority to manage the investments of the CSRDF during a debt limit impasse. Congress gave the Treasury Secretary authority to use the G-Fund in 1987.

NOT ONE CENT OF THE FUND'S PRINCIPAL WAS TOUCHED. And the law provides for full restoration of suspended interest after a debt limit impasse, fully protecting these funds and their beneficiaries.

100% OF THE FUNDS HAVE NOW BEEN RESTORED. Now that Republicans have finally dropped their failed blackmail strategy and sent the President an appropriate debt limit bill, 100% of the funds have been restored to the funds.

REPUBLICANS WOULD HAVE LET CORPORATIONS RAID THEIR WORKERS' PENSIONS. One of the reasons President vetoed the Republican budget is that, under the guise of reducing corporate subsidies, Republicans would have let corporations withdraw over $15 billion from their workers' pension funds, affecting almost 4 million workers and retirees over the next five years. The Republican proposal would have taken us back to the 1980s when companies raided more than $20 billion from over 2,000 pension plans covering 2.5 million workers and retirees. President Clinton will continue to oppose any legislation that would give corporations the green light to raid their workers pensions.

PRESIDENT CLINTON HAS A STRONG RECORD OF PROTECTING PENSIONS.

- **Won Enactment of the Retirement Protection Act.** President Clinton proposed the Retirement Protection Act in 1993 and signed it into law in 1994. The Act has helped reduce underfunding for the first time in a decade, protecting the benefits of over 40 million workers and retirees in traditional pension plans.

- **Cracking Down on 401(k) Fraud.** In 1995 the Labor Department launched an initiative to protect savings in 401(k) plans, from misuse, recovering over $7 million for approximately 9,000 workers.

- **Retirement Savings and Security Act.** President Clinton has put forward a comprehensive plan to expand pension coverage, increase portability, and enhance pension protection.