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THE WHITE HOUSE

WASHINGTON

February 1, 1996

MEMORANDUM TO THE PRESIDENT

CC: LAURA TYSON
DON BAER

FROM: GENE SPERLING
GABRIELLE BUSHMAN
JON ORSZAG

SUBJECT: Facts in the State of the Union

Despite the fact that several newspapers assigned people to scrutinize the statistics in your State of the Union, we have not seen a single article or analysis that focused primarily on challenging the factual accuracy of your address. Through good coordination of the NEC and Communications, we prepared a background paper documenting each fact in the speech (attached) that was ready by the start of the speech. We have offered this backup to anyone who has asked.

There were two articles, however, that disputed different facts in your speech. In both cases, Gene talked with the reporters. One reporter admitted our fact was correct. The other reporter stood by his critique but admitted that his contention was trivial and technical.

The two facts mentioned were the following:

1. Beth Belton of the *USA Today* wrote a story in which she disputed the claim that the combined rate of unemployment and inflation was at its lowest level in 27 years; she stated that the combined rate of unemployment and inflation was the lowest in nine years -- since 1986. While there are a variety of ways of calculating the index, virtually all show that our statement is correct.

If one looks at 1995, in terms of unemployment and inflation measured by year over year averages, we have the lowest combined rate of inflation and unemployment in 27 years. (This is the way the Blue Chip records yearly unemployment and inflation figures.) If, instead, you look at the last two years combined -- under any formulation -- we have the lowest combined rate of inflation and unemployment in 27 years. Moreover, the average Misery Index

during your Administration -- measured on any basis -- is the lowest since the Johnson Administration.

The *USA Today* number is only correct if you sum the unemployment rate (annual average) and the inflation rate (December-to-December). Under this calculation, the combined rate of inflation and unemployment is only the lowest since 1986 -- because of the aberrant drop in oil prices that year. Even under this calculation, the rate is the lowest since 1968 if the core rate of inflation -- excluding food and energy prices -- is used. In sum, we feel our claim is solid. Joe Stiglitz feels this way too. He has talked to the reporter, and has already written a letter to the editor.

2. Al Kamen and Warren Brown wrote in *The Washington Post* that you misstated the statistic that "America is selling more cars than Japan for the first time since the 1970s." *They argued that you should have said "producing", instead of "selling".*

This is an issue of semantics: in 1994, more American-produced cars were sold world-wide than Japanese-produced cars--for the first time since the 1970s. They, on the other hand, understood your statement to mean that American *car dealers* sold more cars than Japanese *car dealers*. This has always been true. Therefore, it would not be the first time since the 1970s. Gene has spoken with Al Kamen and Warren Brown and they agree that it was nit-picky and extremely technical.

We feel that "sold" is accurate (since we care more about American-produced cars that are then sold). However, to avoid any potential confusion, we suggest that you say either American workers are *making* more autos than Japanese workers for the first time since the 1970s or America is *making* more autos than Japan for the first time since the 1970s.

STATE OF THE UNION FACT SOURCES
JANUARY 23, 1996

INTRODUCTION

FACT: "Our economy is the healthiest it has been in three decades."

Source:

In 1995, the Misery Index--the combined rate of unemployment and inflation--reached its lowest level since 1968.

Over the last three years, mortgage rates have been at their lowest sustained levels in three decades.

The annual rate of inflation -- as measured by the core CPI -- during the last three years is lower than during any comparable period in three decades.

The Dow Jones Industrial Average increased over 33 percent in 1995 -- that's the second biggest increase since 1958, only 1975 was better.

Alan Greenspan, testimony to the House Budget Committee, 2/22/94, "The outlook, as a result of subdued inflation and still long-term interest rates, is the best we've seen in decades."

Alan Greenspan, 6/22/94, "The outlook for the U.S. economy is as bright as it has been in decades."

FACT: "We have the lowest combined rate of unemployment and inflation in 27 years."

Source:

Bureau of Labor Statistics, *Employment and Earnings*, Table A1, October 1995 and Bureau of Labor Statistics, *CPI Detailed Report*, Table 24, October 1995. Data on unemployment represent the average annual rate, while data on inflation represent the percentage change in the year-over-year Consumer Price Index for all urban consumers.

In 1995, the combined rate of unemployment and inflation was 8.2, down from 8.7 in 1994. In 1968, it was 7.8.

FACT: "We have created nearly 8 million new American jobs, over a million in basic industries like construction and automobiles."

Source:

Bureau of Labor Statistics, *Employment and Earnings*, October 1995, and Bureau of Labor Statistics, December Employment Situation, January 19, 1996.

Since January 1993, the economy has created more than 7.8 million net new jobs; non-farm payroll employment increased from 109.477 million to 117.315 million in December 1995.

Basic industries are manufacturing, construction, and the automobile industry. Since President Clinton took office, employment has increased by 1.022 million in these key industries (from 22.604 million in January 1993 to 23.626 million in December 1995).

FACT: "America is selling more cars than Japan for the first time since the 1970s."

Source:

1. American Automobile Manufacturers Association

Between 1985 and 1987, annual motor vehicle production in the United States declined from 11.65 million to 10.93 million.

In 1994, the United States produced 12.26 million motor vehicles, while Japan produced 10.55 million. That was the first time the U.S. had out-produced Japan since 1979, when the U.S. produced 11.48 million motor vehicles and Japan produced 9.63 million.

2. Yomiuri Shimbun, "Nov. Car Output Falls 9.1%," *The Daily Yomiuri*, December 26, 1995.

"The drop means that Japan will fall short of the United States for the second year in a row in terms of total auto production for 1995, the Japan Automobile Manufacturers Association said... During the January-to-November period, Japan produced a total of 9,423,306 automobiles, down 2.8 percent from the same period last year. For calendar 1995, the country is expected to produce slightly more than 10 million cars. The United States produced 11,158,072 cars over the same 11-month period. Last year, it knocked Japan from its perch as the world's top car maker for the first time in fifteen years."

FACT: "And for three years in a row, we have had a record number of new businesses started in our country."

Source:

Dun and Bradstreet.

In 1995, the new business incorporations increased at a rate of 769,248 per year. This broke the old record of 741,657 per year in 1994, which broke the previous record of 706,537 in 1993.

FACT: The crime rate, the welfare and food stamp rate, the poverty rate, the teen pregnancy rate are all down.

Source:

Crime:

FBI press release, December 17, 1995

"The number of crime index offenses reported to law enforcement agencies throughout the U.S. decreased 1% during the first six months of 1995."

Welfare:

March 1994: 14,361 million recipients

August 1995: 13,210 million recipients

These figures represent an 8% decline.

Food stamps:

U.S. Department of Agriculture Release, January 23, 1996.

Since August 1994, Food Stamp Program participation has dropped consistently each month compared to the same month a year earlier. In October, 1995 (the most recent month for which data exists) participation dropped by nearly one million people compared to October 1994. The decline in participation between August 1994 and October 1995 has resulted in a cumulative savings to taxpayers of over \$800 million.

Poverty:

Bureau of the Census, *Income, Poverty, and the Valuation of Non-Cash Benefits*, 1994.

There were 38.1 million Americans in poverty in 1994, or 1.2 million fewer than in 1993.

Teen pregnancy:
HHS Press Release, 9/21/95

CDC's Advance Report of Final Natality Statistics

Teen births are down nationwide and teen pregnancy declined in a majority of states, according to two new studies from the Centers of Disease Control and Prevention. Teen pregnancy rates (including both births and abortions) were down in a majority of states, as reported in "State-Specific Pregnancy and Birth Rates Among Teenagers -- United States, 1991-1992, in the September 22 Morbidity and Mortality Weekly Report.

FACT: "And I thank the Democrats for passing the largest deficit reduction plan in history in 1993, which has cut the deficit nearly in half in just three years.

Source:

Office of Management of Budget, *Mid-Session Review of the 1996 Budget*, July 28, 1995, p.3, and Department of Treasury, *Final Monthly Treasury Statement of Receipts and Outlays of the United States Government*, October 27, 1995, Table 2, page 3.

In Fiscal Year 1992, the federal budget deficit as percentage of GDP was 4.9 percent. In Fiscal Year 1995, it was 2.3 percent.

FACT: "We all have the seen the benefits of deficit reduction. Lower interest rates have made it easier for business to create new jobs. Lower interest rates have brought down the cost of home mortgages, car and credit card rates to ordinary citizens."

Source:

Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, 1/31/94: "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."

Business Week, 2/7/94: "Both Clinton and the economy head into 1994 on the momentum from a strong showing at the end of 1993. Lower long-term interest rates, for which the White House can take partial credit, helped to rev up spending for cars, homes, and durable goods generally, boosting factory orders and production, while better growth in jobs and incomes kept people happy."

Department of the Treasury and Haver Analytics:

The 30-year Treasury bond fell from 7.34% in January 1993 to 6.06% in December 1995. The effective interest rate on new average-fixed mortgages dropped from 8.26% in January 1993 to 7.74% in November 1995.

CHALLENGE: TO CHERISH OUR CHILDREN AND STRENGTHEN THE AMERICAN FAMILY

FACT: "Every year, a million children take up smoking, even though it is against the law. Three hundred thousand of them will have their lives shortened as a result."

Source: Centers for Disease Control and Prevention

FACT: "To strengthen the family we must do everything we can to keep the teen pregnancy rate going down."

Source:

HHS Press Release, 9/21/95

CDC's *Advance Report of Final Natality Statistics*

Teen births are down nationwide and teen pregnancy declined in a majority of states, according to two new studies from the Centers of Disease Control and Prevention. Teen pregnancy rates (including both births and abortions) were down in a majority of states, as reported in "State-Specific Pregnancy and Birth Rates Among Teenagers -- United States, 1991-1992, in the September 22 Morbidity and Mortality Weekly Report.

CHALLENGE: TO PROVIDE AMERICANS WITH THE EDUCATIONAL OPPORTUNITIES WE NEED FOR A NEW CENTURY

FACT: "We are working with the telecommunications industry, educators and parents to connect 20% of California's classrooms by this spring, and every classroom and library in America by the year 2000."

Source:

Office of the Vice President press release, September 17, 1995

FACT: "We've created a new student loan program that's made it easier to borrow and repay those loans."

Source:

The direct loan program was created by OBRA '93.

The Student Loan Reform Act of 1993, a part of OBRA '93, redressed many of the problems that had grown out of the old student loan program--specifically, the complexity for schools and borrowers and its cost to the taxpayer.

FACT: "...and we have dramatically lowered the student loan default rate."

Source:

Department of Education press release, 1/22/96

From 22.4% three years ago to 11.6% in the most recent year, due in part to Department of Education's aggressive accountability and collection efforts. The new default rate is from FY 1993, the most current data available.

FACT: "Through AmeriCorps, our national service program, this year 25,000 students will earn college money by serving their communities."

Source:

Corporation for National Service Advisory, 10/95

In its second year, AmeriCorps will involve some 25,000 members in service to more than 400 community programs throughout the country. In FY 1994, more than 20,000 individuals served in AmeriCorps, in 350 programs.

CHALLENGE: HELP EVERY AMERICAN ACHIEVE ECONOMIC SECURITY

FACT: **"Within the year, the minimum wage will fall to a 40-year low in purchasing power."**

Source:

Department of Labor, Office of the Chief Economist.

Depending upon the rate of inflation, the real value of the minimum wage will reach its 40-year low sometime near the end of 1996 or at the beginning of 1997.

FACT: **"In 1993, Congress cut the taxes of 15 million hard-pressed working families to make sure that no parents who work full-time would have to raise their children in poverty."**

Source:

Department of the Treasury, Office of Tax Analysis.

In 1996, 15 million families received a tax cut.

FACT: **"This expanded Earned Income Tax Credit is now worth about \$1,800 to a family of four living on \$20,000."**

Source:

Department of the Treasury, Office of Tax Analysis.

In 1996, a family of four earning \$20,000 would receive \$1,795 from the EITC.

FACT: **"The budget bill I vetoed would have reversed this achievement, and raised taxes on nearly 8 million of these people."**

Source:

Department of the Treasury, *Distributional Effects of the Congressional Tax Plan*, November 22, 1995.

"After accounting for the fully phased-in \$500 child credit and the increase in the standard deduction for married couples, about 7.7 million families who earn under \$30,000 a year would face a net income tax increase, on average, of \$318 under the proposal."

FACT: "Two years ago, with bipartisan support that was almost unanimous on both sides of the aisle, we moved to protect the pensions of eight million working people and stabilize the pensions of 32 million more."

Source:

Pension Benefit Guaranty Corporation, press release, November 29, 1995, and Update to Pension and Welfare Benefits Administration, *Private Pension Plan Bulletin*, Abstract of 1991, Form 5500 Annual Reports, Winter 1995.

"An estimated 8 million people are covered by about 10,000 underfunded plans..." These 8 million people all had their pensions protected

The remaining 32 million Americans in defined benefit plans had their pensions stabilized.

FACT: "Over the past two years, over one million Americans in working families lost their health insurance."

Source:

Historical projections based on Department of Commerce, Bureau of Census, Current Population Survey data.

In 1993, 38.6 million Americans did not have health insurance; in 1995, 39.7 million were uninsured.

FACT: "I challenge you to pass the bipartisan bill offered by Senators Kassebaum and Kennedy to require insurance companies to stop dropping people for switching jobs or denying coverage for pre-existing conditions."

Source:

Health Insurance Reform Act S. 1028

FACT: "In the past three years, we've saved \$15 billion by fighting health care fraud and abuse."

Source:

Department of Health and Human Services
Michael Mangano, letter to Jennifer O'Connor.

"In fiscal years 1993 through 1995, our Office of Inspector General accounted for \$14.71 billion in Medicare and Medicaid program savings..."

CHALLENGE: TAKE BACK OUR STREETS FROM CRIME AND DRUGS

FACT: "In New York City, murders are down 25%; St. Louis, 18%; Seattle, 32%."

Source:

Time magazine, 1/15/96, page 56. (*Time* cites local police departments).
DOJ's Bureau of Justice Statistics also independently confirmed with each city's police department.

FACT: "It provides funds for 100,000 new police in communities of all sizes. We're already a third of the way there."

Source:

All Programs Master Summary, COPS Office, Department of Justice.

As of 1/16/96, 31,395 new officers have been funded.

FACT: "The Brady Bill has already stopped 44,000 people with criminal records from buying guns."

Source:

44,274 felons have been denied access to handguns by Brady Bill checks from March to December, 1994. *Bureau of Alcohol, Tobacco & Firearms, "Felons Denied Access to Handguns by Brady Law", 1/18/96.*

FACT: "The assault weapons ban is keeping 19 kinds of assault weapons out of the hands of violent gangs."

Source:

Title 11, Section 110102 of the Crime Bill.

CHALLENGE: PRESERVE OUR ENVIRONMENT FOR FUTURE

FACT: "Because of a generation of bipartisan effort, we do have cleaner water and air."

Source:

President Nixon created the EPA in 1970. The Clean Water Act was bipartisan. Both vetoes by Nixon and Reagan were easily overridden. The Safe Drinking Water Act was passed in 1974 by voice vote in the Senate and 296-84 in the House, and then signed by President Ford. President Bush championed and then signed the last reauthorization of the Clean Air Act in 1990

FACT: "...lead levels in our children's blood have been cut by 70 percent."

Source:

National Health and Nutrition Examination Survey, HHS. Survey was published in The Journal of American Medical Association, July 27, 1994.

Mean blood levels of children between the ages of 1-5 years declined 77% during the time period 1976-1991.

FACT: "...toxic emissions from factories are cut in half."

Source:

US EPA 1993 Toxic Release Inventory data

Total percentage decrease in total releases for ten industries from 1988-1993 was 47.9%

FACT: "Lake Erie was dead, and now it's a thriving resource."

Source:

Clean Water: A Memorial Day Perspective, US EPA Office of Water, May 1994, pages 12-14)

Water quality improvements and increased lakeside development have caused people to return to the shore of Lake Erie to enjoy boating, fishing, swimming and other activities.

FACT: "But ten million children under 12 live within four miles of a toxic waste dump."

Source:

US EPA Superfund database, US Census Bureau data, 12/14/95.

The population data of children under 10 living within four miles of Superfund National Priority List sites was generated using LandView, a computer program that presents selected population/demographic information from the 1990 census and from five EPA databases. Using LandView, EPA was able to determine that 9.8 children under the age of 10 live within four miles of a Superfund National Priority List site.

FACT: "A third of us breathe air which endangers our health."

Source:

US EPA National Ambient Air Quality Trends Report (11/6/95)

"Based on air quality data from 1992-1994, 93 million people were living in counties that did not meet the air quality standard for ozone pollution."

FACT: "Congress has voted to cut environmental enforcement by 25%."

Source:

Statement of Administration Policy, OMB, Dec. 14, 1995

H.R. 2099 -- The appropriations bill for the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies for FY 1996 includes a 25 percent cut in enforcement and a 22 percent cut in requested funding for the EPA

CHALLENGE: PERSONAL RESPONSIBILITY FOR THE FUTURE

FACT: "We are eliminating 16,000 pages of unnecessary rules and regulations."

Source:

National Performance Review, *Common Sense Government*, page 3

"Agencies are sending 16,000 pages to the scrap heap, of 86,000 pages of regulations reviewed."

FACT: "We are increasing border controls by 50%."

Source:

Immigration and Nationalization Service, release on January 23, 1996.

"Working with Congress, we are working to strengthen our border control force -- including Border Patrol agents, INS inspectors and other enforcement personnel -- by over 50 percent since President Clinton took office."

FACT: "Today our federal government is 200,000 employees smaller than the day I took office. Our federal government is the smallest it has been in 30 years, and it's getting smaller every day."

Source:

Office of Management and Budget, January 23, 1996.