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The Economy Under President Clinton:

The First Twenty Months

October 7, 1994

THE WHITE HOUSE

WASHINGTON

October 7, 1994

Over the past twenty months, the Clinton Administration has had a serious, comprehensive economic strategy. We have sought to get our fiscal house in order, lay a foundation for a strong recovery, bring down trade barriers and empower America's youth, families and communities to prosper in today's economy.

Presented here are the facts on the performance of the economy during the first twenty months of this Administration, as well our fiscal and legislative accomplishments.

This document has been prepared with the cooperation of economists and policy analysts at the National Economic Council, the Council of Economic Advisers, the Office of Management and Budget, the Department of the Treasury, the Department of Commerce, the Department of Labor, the U.S. Trade Representative's Office and the Small Business Administration. If you have any questions, please contact Gene Sperling, Deputy Assistant to the President for Economic Policy, who has coordinated this project.

Sincerely,

Robert E. Rubin
Assistant to the President for
Economic Policy

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DEFICIT REDUCTION:

• The deficit is down two years in a row for the first time in two decades and is projected to decline for three years in a row for the first time since Harry Truman was in office.

• The deficit will now be $691.7 billion less over five years because of the Clinton deficit plan.

• The economic plan reduces the federal workforce and bureaucracy by 272,000 (bringing it down to the lowest level since the Kennedy Administration) and includes $255 billion in spending cuts, one of the largest spending cut packages in history.

• Because of the deficit reduction plan, the 1994 deficit as a percentage of GDP is now projected to be tied for lowest among the G–7 countries. (Source: IMF)

UNEMPLOYMENT:

• UNEMPLOYMENT RATE IS DOWN: The unemployment rate declined from 7.7% in January 1993 (based on the new, current, methodology) to 5.9% for September, 1994.

JOBS:

• MORE NEW JOBS OVERALL IN 20 MONTHS (4.619 MILLION) THAN IN THE PREVIOUS FOUR YEARS COMBINED (2.444 MILLION)

• OVER THREE TIMES MORE PRIVATE SECTOR JOBS CREATED IN 20 MONTHS THAN WERE CREATED UNDER ALL FOUR YEARS OF THE PREVIOUS ADMINISTRATION: (4.225 million vs. 1.311 million)

• NEARLY EIGHT TIMES MORE PRIVATE SECTOR JOBS PER MONTH THAN DURING THE PREVIOUS ADMINISTRATION (211,000 VS. 27,000)

• 2.5 MILLION JOBS IN THE FIRST 9 MONTHS OF 1994 -- MORE THAN IN THE ENTIRE PREVIOUS ADMINISTRATION: This year, we've had the best first half of the year in job growth in the past decade. (Forbes, August 1, 1994, p. 34)

JOB QUALITY:

• Thus far in 1994, over 70% of the net new jobs created have been in managerial and professional occupations –– a category where the median wage is 45% higher than the median wage paid to all full–time workers. (Source: BLS)

• Since December 1992, more than 1.5 million net jobs have been created in high–wage industries (i.e., industries with average wages above the median wage). And many other jobs are in high–paying occupations within low–wage industries. In the four years before the Clinton Administration, employment in high–wage industries *dropped* by 170,000 jobs.

• In the first three quarters of 1994, 816,000 new jobs have been created in high–wage industries -- that's more than were created in these industries during the five previous years combined.

• Manufacturing employment is up 139,000 jobs in 1994. Construction employment is up 441,000 jobs since January 1993 -- after declining by 664,000 jobs in the prior four years. Auto employment is up by 65,000 jobs over the 13 months since the passage of the President's economic passage. (Source: BLS)

TAXES:

• H&R Block and CBO confirm that the income tax rate increases will fall on only the top 1.2%, while 98.8% of American taxpayers paid the same or less taxes.

• Over 15 million families who work and make less than $27,000 received a tax cut to reward work.

• The plan made over 90% of small businesses eligible for a tax cut by increasing the equipment expensing provision and establishing the targeted capital gains tax preference.

PERSONAL INCOME:

• Real disposable income has increased by an annual 3.2% rate from the first quarter of 1993 to the second quarter of 1994. That's over 75% faster than the 1.8% annual rate of growth during the four years prior to President Clinton taking office.

INFLATION:

• INFLATION IS DOWN: Core CPI (excluding food and energy prices), over the past 12 months rose just 2.9% -- this means that core inflation under President Clinton's watch is still the lowest in over 21 years.

• The overall CPI has risen 2.9% over the last 12 months, meaning that, next to the oil collapse of 1986, inflation under the Clinton Administration is the lowest since 1965.

BUSINESS INCORPORATIONS:

• In 1993, there were more new business incorporations than any time since Dun & Bradstreet started keeping records, nearly 50 years ago at the end of World War II. (Dun & Bradstreet, May 5, 1994)

PROJECTED NATIONWIDE GROWTH:

• According to Fortune, for the first time since 1984, all 50 states are expected to expand next year. (Fortune, August 8, 1994).

• The U.S. economy is growing faster than any other G-7 economy. More than 75% of the total growth in the G-7 in 1993 and 1994 is accounted for by the United States, even though we are only 45 percent of its total size. (Sources: Undersecretary of the Treasury, Larry Summers, testimony to Senate Banking, Housing and Urban Affairs Committee, July 21, 1994 and Department of Treasury).

• ***GROWTH IS BEING GENERATED SOLELY BY THE PRIVATE SECTOR.*** Real GDP was up an annual rate of 3.3% for the 1st Quarter and 4.1% for the 2nd Quarter, even though government spending was down. In fact, federal government purchases were down 10.3% and 7.9%, respectively, for the two quarters. Overall government purchases were also down both quarters. In a previous comment on this trend, the New York Times stated:

> "The private sector is the only engine of growth in this recovery, unlike every other recovery in the last four decades, in which government spending accounted for at least part of the expansion."(New York Times, May 17, 1994)

CAR MANUFACTURING:

• **U.S. TO RETAKE WORLD LEAD AS TOP AUTO-MAKER FOR FIRST TIME IN OVER A DECADE:** The United States is projected to overtake Japan as the world's number one auto producer this year for the first time since before Ronald Reagan was President. The U.S. total is projected to top 11 million vehicles, while the Japanese total is expected to be about 10.3 million vehicles. (source: Nihon Keizai Shimbun, Japan's main financial daily as reported by Associated Press)

HOUSING STARTS AND SALES:

• **Existing home sales in 1994 are projected to be at second highest level ever and the highest level since 1978.** The National Association of Realtors projects that existing home sales will be 3.95 million units in 1994, just slightly below the record high of 3.98 million sales in 1978.

• Housing starts are up 16% in the 13 months since the Clinton Economic plan was passed and up 23% since President Clinton took office. During the four years of the previous administration, housing starts declined by about 28%.

CONSUMER CONFIDENCE:

• Consumer confidence on the Conference Board Index is up almost 50% since the passage of the economic growth plan in August, 1993. The levels of the past few months are the highest in four years. (source: The Conference Board)

BUSINESS CONFIDENCE:

• Fortune magazine's most recent quarterly survey finds that:

–Nearly 70% of business executives are confident about business conditions over the next few years. This level is about 10 percentage points higher than the 20-year average.

–90% of business executives are not going to change either capital spending or hiring plans because of interest rates. (Fortune, Sept. 5, 1994)

BUSINESS INVESTMENT:

- Investment in equipment -- shown to be closely associated with productivity gains -- has soared at an 18.2% annual rate since the Administration took office. Over the last four quarters, this investment has expanded by 16.9% and hit a postwar high relative to GDP. By comparison, business investment growth averaged only 2.1% over the four years prior to the Administration.

- Over the last six quarters, business investment in productive equipment has risen at the fastest pace (as a percentage of GDP) since 1950, and has registered the largest real increase in history.

- BIGGEST JUMP IN BUSINESS CAPITAL INVESTMENT SINCE 1989 PREDICTED: The Commerce Department's latest quarterly survey of planned business investment projects that business investment in new plants and equipment will increase by 8.8% this year. This would be the biggest jump in overall capital investment since 1989. Manufacturing industries plan to increase capital spending by 7.3% -- also the largest jump since 1989.

- Small business investment has increased. A Coopers & Lybrand study shows that 60% of all fast-growing small businesses plan to make major investments over the next year.

MISERY INDEX NEAR LOWEST LEVEL IN OVER 20 YEARS:

- The average level of the Misery Index thus far in the Clinton Administration is lower than the average during any Presidency since Lyndon B. Johnson. (The Misery Index is the sum of unemployment and inflation -- lower numbers indicate better performing economies.)

- In 1994 alone, the Misery Index is the lowest since 1973, with the exception of 1986, when the index was temporarily lowered due to a collapse in oil prices.

INVESTMENT IN PEOPLE:

- **WIC TO BE FULLY FUNDED:** WIC was put on a full-funding path and funding is projected to increase by $610 million from 1993 to 1995 -- a 21% gain. The new funding will enable the WIC program to increase the number of women, infants and children assisted from 5.9 million in 1993 to a projected 7.0 million in 1995.

- **HEAD START FUNDING WILL INCREASE 28%:** Head Start funding is projected to go up 28% from $2.77 billion in FY1993 to $3.54 billion in FY1995.

- **$21 BILLION TAX CREDIT FOR LOW INCOME FAMILIES:** The Earned Income Tax Credit was increased by $21 billion, benefitting 15 million working families, so that parents who work full-time and have a child at home would not be in poverty.

• **NATIONAL SERVICE PROGRAM CREATED:** This year, 20,000 AmeriCorps members (more than served during the largest year of the Peace Corps) will tutor students, immunize children, reclaim parks and patrol streets -- and in return receive education awards that make college or job training more affordable. AmeriCorps is scheduled to increase to 33,000 members in FY1995, with a total over the first three years of 100,000 Americans serving our country.

• **GOALS 2000 LEGISLATION PASSED** to spur education reform, while new school-to-work legislation passed to provide more avenues for young people who don't get four-year college degrees.

• **COLLEGE MADE MORE AFFORDABLE:** Borrowers will be able to take advantage of the new direct student loan program by consolidating their guaranteed loans into direct loans. Approximately 20 million borrowers will benefit in the next two years -- 14 million current borrowers and 3 million new ones each year. Some of these borrowers will benefit from lower interest rates and all will benefit from a greater range of repayment options, including income contingent repayment. Plus, changes in the student loan programs will save taxpayers $4.3 billion over five years.

• **FUNDING FOR DISPLACED WORKERS MORE THAN DOUBLED TO $1.3 BILLION -- OVER TWICE AS MANY WORKERS WILL BENEFIT:** Funding for training displaced workers (the Economic Dislocation and Worker Adjustment Assistance Act - EDWAA) is expected to be doubled, from $602 million in FY1993 to $1.296 billion in FY1995. The Administration's investment means that 750,000 workers can receive reemployment services during 1995, more than twice the 350,000 in 1993. Most dislocated workers rely on this program for reemployment services to help them find new jobs. The increased funding also will enable the Administration to provide more services to all dislocated workers in such areas as basic readjustment services, labor market information, and occupational skills training.

• *JOBS -- MORE THAN 4.6 MILLION JOBS ADDED*

- GROWING 4-1/2 TIMES FASTER THAN DURING PREVIOUS ADMINISTRATION

- The economy has created 89% more jobs in 20 months under President Clinton (4.619 million) than were created in the previous four years combined (2.444 million).

• *PRIVATE SECTOR JOBS -- MORE THAN 4.2 MILLION JOBS ADDED*

- GROWING 7 TIMES FASTER THAN DURING PREVIOUS ADMINISTRATION
The economy has created 211,000 private sector jobs per month in the first 20 months of the Clinton Administration -- more than 7 times the 27,000 private sector jobs per month created in the previous four years. While 91% of the jobs created during the Clinton Administration's tenure have been in the private sector, only 54% of the jobs created during the previous four years were in the private sector.

- 3 TIMES MORE PRIVATE SECTOR JOBS THAN PREVIOUS 4 YEARS COMBINED
There are over 3 times more new private sector jobs than were created under all four years of the previous administration. Under the four-year period of the previous Administration only 1.311 million private sector jobs were created (1/89-1/93). In the first 20 months of the Clinton Administration, 4.225 million private sector jobs were created.

• *JOB QUALITY -- OVER 1.5 MILLION JOBS ADDED IN HIGH-WAGE INDUSTRIES*

- Since December 1992, more than 1.5 million net jobs have been created in high-wage industries (i.e., industries with average wages above the median wage). And many other jobs are in high-paying occupations within low-wage industries. In the four years before the Clinton Administration, employment in high-wage industries *dropped* by 170,000 jobs.

- In the first three quarters of 1994, 816,000 new jobs have been created in high-wage industries -- that's more than were created in these industries during the five previous years combined.

• *UNEMPLOYMENT RATE -- DOWN 23% SINCE JANUARY 1993*
The unemployment rate (based on the new, current methodology) declined from 7.7% in January 1993, to 5.9% for September 1994.

• *DEFICIT -- CUT DRAMATICALLY AFTER DOUBLING DURING PREVIOUS 4 YEARS*
The deficit nearly doubled during the four years before President Clinton took office, rising from $152.5 billion to $290.4 billion. Under the Clinton Administration, the deficit is on a downward path -- *cut in half as a percent of GDP and half of what it was projected to be by 1998 had the President's economic plan not been passed.*

• *PRODUCTIVITY GROWTH -- TWICE AS HIGH AS PREVIOUS FOUR YEARS*
Annual productivity growth has been 2.3% over the last four quarters, more than twice as high as the 1.1% annual average from 1989 to 1992.

• *PERSONAL INCOME GROWTH -- 75% HIGHER THAN DURING PREVIOUS FOUR YEARS*
Real disposable income has increased by an annual 3.2% rate from the first quarter of 1993 to the second quarter of 1994. That's over 75% faster than the 1.8% annual rate of growth during the four years prior to President Clinton taking office. (Source: Bureau of Economic Analysis, Commerce Department)

• *INFLATION -- DOWN 31% FROM AVERAGE OF PREVIOUS ADMINISTRATION*
In 1994, the overall CPI has increased at an annual rate of only 2.9%. This is lower than 1993's 3.0% increase and much lower than the annual 4.2% CPI inflation during 1989–1992.

• *INTEREST RATES -- DOWN FROM AVERAGE OF PREVIOUS ADMINISTRATION*
Even though growth has been stronger under the Clinton Administration, long-term interest rates today are still well below the 8.22% average from 1989 to 1992, while mortgage rates are also below the 9.44% average of the same period.

• *HOUSING STARTS -- UP 23% SINCE PRESIDENT CLINTON TOOK OFFICE*
Housing starts are up 16% in the 13 months since the Clinton Economic Plan was passed and up 23% since President Clinton took office. During the previous administration, housing starts ***had declined*** by about 28%.

• *BUSINESS INVESTMENT -- GROWTH RATE OVER 7 TIMES FASTER THAN THAT UNDER PREVIOUS ADMINISTRATION*
Investment in equipment -- shown to be most closely associated with productivity gains -- has soared at an 18.2% annual rate since the Administration came to office. Over the last four quarters, this investment has expanded by 16.9% and hit a postwar high relative to GDP. Equipment investment under this Administration has grown over 7 times faster than the 2.1% growth rate during the four years prior to the beginning of the Clinton Administration.

Data updated through October 7, 1994.

THE ECONOMY SINCE THE BUDGET PLAN WAS PASSED

Many of the benefits of the Clinton budget plan occurred due to the presentation of the President's initial budget in February 1993. Yet, even if one judges the path of the economy only since the passage of the budget, that path has been strong, contrary to the dire predictions of the budget's critics during the debate on passage.

BUDGET WAS PASSED ON AUGUST 6, 1993. SINCE THAT TIME:

- ***EMPLOYMENT HAS INCREASED BY NEARLY 3.4 MILLION JOBS.***
  The robust economy has meant more jobs for U.S. workers. Employment on nonfarm payrolls has increased by 3.395 million since last August and 3.096 million of those jobs -- 91% -- were in the private sector.

- ***MANUFACTURING JOBS HAVE INCREASED BY OVER 100,000.***
  After experiencing over 4 years of declines, manufacturing jobs have increased by 135,000 since the budget plan was passed. For the first time in over a decade, manufacturing employment has increased for eight consecutive months.

- ***UNEMPLOYMENT RATE HAS DECLINED BY 21%.***
  The unemployment rate (based on the new, current, methodology) has dropped from 7.5% in August 1993 to 5.9% in September 1994.

- ***REAL OUTPUT HAS INCREASED BY 4.1%.***
  Real GDP increased by 4.1% between the second quarter of 1993 and the second quarter of 1994, even as federal purchases declined by 6.5%.

- ***BUSINESS INVESTMENT HAS EXPANDED AT NEAR RECORD PACE.***
  Over the same time span, business investment in equipment (the component of investment most closely tied to productivity growth) expanded by 17.0% and hit a postwar high relative to GDP.

- ***HOUSING STARTS HAVE ADVANCED 16%.***
  Housing starts are up 16% in the 13 months since the Clinton Economic Plan was passed.

- ***CONSUMER CONFIDENCE INDEX HAS IMPROVED BY OVER 50%.***
  According to the Conference Board survey, consumer confidence surged by over 29 points, from 59.3 in August 1993 to 88.4 in September 1994, including a four-year high in June.

- ***INFLATION HAS DECLINED TO 2.9%.***
  Inflation over the 12 months ending in August 1994 was 2.9%, meaning that, next to the oil collapse of 1986, inflation under the Clinton Administration is the lowest since 1965.

Data updated through October 7, 1994.

• *BECAUSE OF PRESIDENT CLINTON'S PLAN, ECONOMISTS SEE BRIGHTER FUTURE.*

- ***CONTROLLED GROWTH WITH LOW INFLATION EXPECTED.***
  The Blue Chip Forecast for September 1994 predicts growth of 3.6% in 1994 and 2.7% in 1995. It also projects low inflation (2.7% in 1994 and 3.3% in 1995).

- ***IMPROVEMENTS IN BLUE CHIP FORECAST SINCE PLAN ENACTED.***
  The current projections represent improvements over projections before the economic plan was enacted. In August 1993, growth for 1994 was projected to be 2.8% (as opposed to the current 3.6% projection) and inflation was projected at 3.3% for 1994 (as opposed to the current 2.7% projection).

Data updated through October 7, 1994.

Paul Volcker, Chairman, Board of Governors of the Federal Reserve System (1979–1987): "The deficit has come down, and I give the Clinton Administration and President Clinton himself a lot of credit for that. ... (W)hat's important is that he acknowledged that it was a big problem and did something about it, fast. And I think we're seeing some benefits." (quoted in Audacity, Fall 1994)

Robert D. Reischauer, Director, Congressional Budget Office: "The deficit picture is significantly brighter than it appeared one year ago when the Congressional Budget Office projected that the deficit would soar above $350 billion by fiscal year 1998. The dramatic improvement since last January is largely the result of the enactment in August of a major package of tax increases and spending-cuts--the Omnibus Budget Reconciliation Act of 1993." (1/27/94)

I. HISTORIC DEFICIT REDUCTION

- ***THREE CONSECUTIVE YEARS FOR THE FIRST TIME SINCE TRUMAN:***
  This year will mark the first time in two decades that the deficit has declined two years in a row. If we stay on course, 1995 will be the first time there have been three consecutive declines since Harry Truman was in the White House.

- ***NEARLY $700 BILLION REDUCTION TO THE PROJECTED NATIONAL DEBT:***
  The President's five-year, deficit reduction plan is largely responsible for trimming a projected $691.7 billion from the deficit from 1994 to 1998. While the policy changes in the deficit reduction plan accounted for approximately $500 billion in deficit reduction, the strength of the economy and technical improvements have helped increase the overall deficit reduction to nearly $700 billion.

- ***FUTURE DEFICITS PROJECTED TO BE SIGNIFICANTLY LOWER:***
  Compared to the projected deficits prior to the passage of the economic plan, the deficit is projected to be $85 billion less in 1994, $135 billion less in 1995 and nearly **$200 billion less** by 1998.

- ***CUT THE DEFICIT IN HALF AS A PERCENTAGE OF NATIONAL INCOME:***
  Deficits as a percentage of GDP, a key measure of the real economic impact of those deficits, are being cut by more than one-half, from 4.9% in 1992 to 2.4% in 1995. This percentage is lower than at any time since 1979. Also, in absolute terms, in 1998, the deficit is projected to be cut in half from where it was projected in the absence of passage of the economic plan.

- ***DEFICIT NOW TIED FOR LOWEST AMONG G-7 NATIONS:***
  According to the IMF, the 1994 deficit as a percentage of GDP is now projected to be tied for lowest among the G-7 countries.

II. SPENDING CUTS

- ***FEDERAL SPENDING RELATIVE TO ECONOMY AT LOWEST AMOUNT IN 15 YEARS***
  Total Federal spending as a share of the economy will drop from 23.3% in FY1992 to 21.6% in FY1995. This will be the lowest percentage since 1979.

- ***FEDERAL SPENDING IS GROWING LESS RAPIDLY THAN UNDER PREVIOUS TWO ADMINISTRATIONS:***
  Federal spending under the Clinton Economic plan will grow at a 1.3% pace, slower than spending growth under the Bush Administration and about one-half the 2.5% growth during the Reagan Administration. Federal spending is also on the decline as a percentage of GDP and is projected to be lower as a percentage of GDP during the Clinton Administration than during either the Bush or Reagan Administrations.

- ***SMALLEST FEDERAL WORKFORCE SINCE KENNEDY:***
  As part of the spending reductions, the Administration has reduced the size of government substantially. By the second full year of the Clinton economic plan, the size of the federal government will reach its lowest level since the 1960s and by the end of the five-year Clinton plan, the federal civilian workforce will have been reduced by at least 272,000 employees, bringing the number below 2 million for the first time since 1965 and to its lowest size since the Kennedy Administration.

- ***$255 BILLION IN SPENDING CUTS:***
  The deficit reduction program had $255 billion in spending cuts, including nearly $100 billion from entitlement reductions. Over 300 different programs were cut.

- ***UNDER CLINTON DOMESTIC SPENDING WILL BE LOWEST PROPORTION IN OVER 30 YEARS:***
  The Clinton economic plan funds key investments, while still keeping overall domestic spending low. The Clinton economic plan brings domestic discretionary spending as a percentage of GDP down to 3.255% by 1998 -- the lowest level since the Kennedy Administration.

SPENDING LESS IN THE PUBLIC SECTOR -- GROWING MORE IN THE PRIVATE SECTOR

The Economy Under President Clinton

I. THE CLINTON ADMINISTRATION HAS MADE HISTORIC CUTS IN THE SIZE OF THE FEDERAL GOVERNMENT:

- **272,000 Positions To Be Cut From the Federal Government:** President Clinton's budget plan cuts 272,000 positions from the federal bureaucracy over the next five years. These reductions stem from recommendations in the National Performance Review's plan to streamline the federal government and improve its services while reducing the size of the workforce.

- **Smaller Bureaucracy than Under Reagan and Lowest Since Kennedy:** By the second full year of the Clinton economic plan, the size of the federal government will reach its lowest level since the 1960s and by the end of the five-year Clinton plan, the federal workforce will be at its lowest size since the Kennedy Administration. By 1995, Clinton will have reduced the civilian federal bureaucracy to 2.04 million -- lower than any year under Ronald Reagan! By 1997, the workforce will be less than 2 million for the first time since 1965.

II. BRINGING SPENDING DOWN

- **Spending Growth Less Under President Clinton than Under Ronald Reagan and George Bush:** Under President Clinton's economic plan, spending is projected to increase by 1.3% in real terms, less than under George Bush, and at nearly half the pace of spending growth -- 2.5% -- as under Ronald Reagan. In nominal terms, overall spending growth is still lower under Clinton than under either Bush or Reagan.

- **Domestic Spending as Percentage of GDP Will Be Lowest in 30 Years under Clinton:** The Clinton economic plan funds key investments, while still keep overall domestic spending low. The Clinton economic plan brings domestic discretionary spending as a percentage of GDP down to 3.255% -- the lowest since Kennedy and lower than any year of the Reagan Administration. Indeed, domestic discretionary spending as a percentage of GDP averaged 3.75% during the Reagan Administration, while it averages only 3.5% under the Clinton economic plan.

- **Clinton Cuts $255 billion In Spending:** The Clinton budget plan reduces the federal government's spending by $255 billion over the next five years--one of the largest spending cut packages in history. During the Clinton presidency, over 300 different programs have had their budgets cut, including every major entitlement program. In addition, the President called for the elimination of over 100 domestic programs.

- **Clinton Economic Plan Slashes Deficit to Lowest Since Before Reagan:** This year will mark the first time in two decades that the deficit has been reduced two years in a row, and 1995 will be the first time there have been three consecutive declines since Harry Truman was in the White House. In addition, the deficit as a percentage of GDP, will be cut by more than one-half, from 4.9 percent in 1992 to 2.4 percent in 1995. Notably, this level is lower than at any time since 1979, just before Ronald Reagan gained control of the White House.

• **National Performance Review ("NPR") Will Save Billions:** The Administration's promise to create a government that "works better and costs less" is being fulfilled. Approximately $47 billion of the NPR's $108 billion in proposed savings are already enacted. Some examples: $695 million is being saved by ending federal subsidies for wool and mohair; a new Dept. of Defense travel process will save $1 billion over 5 years; and Government's use of a Visa card for small purchases is saving $50 million this year.

III. GROWTH AND JOBS ARE BEING GENERATED OVERWHELMINGLY FROM THE PRIVATE SECTOR, NOT THE PUBLIC SECTOR:

• ***GROWTH IS BEING GENERATED SOLELY BY THE PRIVATE SECTOR.*** Real GDP was up an annual rate of 3.3% for the 1st Quarter and 4.1% for the 2nd Quarter, even though government spending was down. In fact, federal government purchases were down 10.3% and 7.9%, respectively, for the two quarters. Overall government purchases were also down both quarters. In a previous comment on this trend, the New York Times stated:

> "The private sector is the only engine of growth in this recovery, unlike every other recovery in the last four decades, in which government spending accounted for at least part of the expansion."(New York Times, May 17, 1994)

• **Job Creation in the Private Sector:** During the four years preceding President Clinton's election, only 46% of the jobs created were in the private sector. In contrast, in the first 20 months of the Clinton Administration, 91% of the 4.619 million new jobs created under President Clinton's watch have been in the private sector.

• **Three Times More Private Sector Jobs in Less than Half the Time:** The economy has created 4.23 million private sector jobs under President Clinton in only 20 months -- over three times more than the 1.311 million jobs created under the past Administration in its entire term.

The President's economic plan shifted federal priorities while bringing the deficit down in a fair and balanced manner. By including over $250 billion in spending cuts and nearly as much deficit reduction from revenue increases, the plan required tough choices.

THE PRESIDENT'S PLAN REDUCED THE DEFICIT IN THE MOST FAIR WAY POSSIBLE: BY RAISING RATES ON ONLY THE TOP 1.2% -- HOUSEHOLDS MAKING OVER $180,000:

- The Congressional Budget Office has found "only a sliver of tax filers -- 1.2% will a face higher income tax bill on April 15 because of the Clinton Administration's economic program". The "income tax applies only to taxable income in excess of...gross income of roughly $185,000." ("GOP Tax Issue May Fade Away: Only 1.2% of Filers will face Increase, CBO study Finds," Washington Post 1/13/94 p.A8)

MIDDLE CLASS WORKING FAMILIES ARE UNTOUCHED -- 98.8% OF ALL AMERICANS WILL NOT SEE THEIR TAX RATES INCREASE:

H&R BLOCK SAYS:

- Income tax rates are raised only on the "top 1.2% of all taxpayers"

- There is "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 the Income Tax Consequences of the Revenue Reconciliation Bill of 1993" pp. 21-24.

15 MILLION FAMILIES -- OVER 15% OF ALL TAXPAYERS WHO WORK -- WILL RECEIVE A TAX CREDIT TO REWARD WORK:

- The President's plan expanded the Earned Income Tax Credit so that 15 million more families and households will get a tax cut to ensure the President's commitment that if you work full-time and have a child at home, you should not have to raise that child in poverty.

- This expansion helps working families with low-incomes get ahead, and is a first building block in the President's plan to reward work over welfare.

OVER 90% OF SMALL BUSINESSES ARE ELIGIBLE FOR TAX CUTS:

- Only about 4% of small business owners make over $180,000 in adjusted gross income and therefore are affected by the increase in the highest tax rates, while over 90% of small businesses will be eligible for tax reductions through increases in expensing and a new capital gains tax cut targeted to small business. As the Wall Street Journal writes: "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 tax rates." "Foes of Clinton's Tax Boost Proposals Mislead Public and Firms on the Small Business Aspects," Wall Street Journal, July 20, 1993

- Small businesses are now allowed to expense 75% more due to the President's economic plan -- going from $10,000 to $17,500.

- There is a new capital gains tax cut targeted to 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.

- The plan also continued the 25% deduction for health premiums for the self-employed.

TAXES ON THE TOP 1.2% HAVE NOT HAD A NEGATIVE EFFECT ON THE ECONOMY:

- While all agree that the deficit reduction package has helped strengthen our long-term economic prospects, some had warned that the modest increase on taxes on those in the top 1% of individual and corporate filers could have a negative impact on the economy. Yet, growth has been 4.1% since the plan and the second quarter of 1994 also produced 4.1% growth and nearly 1 million jobs. The Blue Chip Forecast for growth also improved between passage of the economic plan and the current forecast: In August 1993, growth for 1994 was projected to be 2.8%; this projection has climbed to 3.6% in the most recent forecast.

Analysts have recognized this:

- "mainstream economists say it [the tax rise] poses no serious threat to the economy." ("Higher Taxes Unlikely to Hurt Recovery: Economists See Minor Impact on Consumer Spending," Wall Street Journal, December 22, 1993)

- "fears about the increase of a modest tax increase were overblown." ("The Tax Hike Won't Derail the Recovery," by Howard Gleckman, Business Week, January 31, 1994)

• ***THE ECONOMY HAS CREATED OVER THREE TIMES MORE PRIVATE SECTOR JOBS IN 20 MONTHS THAN WERE CREATED UNDER ALL FOUR YEARS OF THE PREVIOUS ADMINISTRATION***

- Under the four-year period of the previous Administration only 1.311 million private sector jobs were created (1/89–1/93). In the first 20 months of the Clinton Administration, 4.225 million private sector jobs were created.

- While 91% of the jobs created during the Clinton Administration's tenure have been in the private sector, only 54% of the jobs created during the previous four years were in the private sector.

• ***UNDER CLINTON, RECOVERY YIELDS HIGHEST PROPORTION OF PRIVATE SECTOR JOB GROWTH EVER:***

The percentage of job growth in the private sector under President Clinton -- 91% -- is the highest concentration of private sector job growth ever recorded during this portion of a recovery. It's just another indicator that this recovery is being generated by the private sector and not by an increase in government spending. (source: Department of Labor)

• ***NEARLY EIGHT TIMES MORE PRIVATE SECTOR JOBS PER MONTH***

The economy has created 211,000 private sector jobs per month in the first 20 months of the Clinton Administration -- nearly 8 times the 27,000 private sector jobs per month created in the previous four years.

• ***89% MORE JOBS OVERALL IN 20 MONTHS (4.619 MILLION) THAN IN THE PREVIOUS FOUR YEARS COMBINED (2.444 MILLION)***

• ***MORE JOBS IN THE FIRST NINE MONTHS OF 1994 THAN DURING THE ENTIRE PREVIOUS ADMINISTRATION (2.5 MILLION vs. 2.4 MILLION)***

This year, we've had the best first six months of job growth in the past decade. (Forbes, August 1, 1994, p. 34)

• ***AHEAD OF SCHEDULE TO CREATE 8 MILLION JOBS IN FOUR YEARS***

• ***HIGH QUALITY JOBS ARE BEING CREATED***

- Thus far in 1994, over 70% of the net new jobs created have been in managerial and professional occupations -- a category where the median wage is 45% higher than the median wage paid to all full-time workers. (Source: BLS)

- Since December 1992, more than 1.5 million net jobs have been created in high-wage industries (i.e., industries with average wages above the median wage). And many other jobs are in high-paying occupations within low-wage industries. In the four years before the Clinton Administration, employment in high-wage industries *dropped* by 170,000 jobs.

- In the first three quarters of 1994, 816,000 new jobs have been created in high-wage industries -- that's more than were created in these industries during the five previous years combined.

• ***MANUFACTURING JOBS HAVE RISEN 139,000 JOBS SO FAR IN 1994***
After serious declines for several years, manufacturing jobs were up 139,000 jobs in the first nine months of 1994.

• ***CONSTRUCTION EMPLOYMENT UP MORE THAN 440,000 JOBS DURING CLINTON ADMINISTRATION***
After declining by 664,000 jobs during the Bush Administration, construction jobs are up 441,000 since January 1993. Construction employment has risen in 14 out of the last 15 months.

• ***AUTO JOBS ARE UP BY 65,000***
Auto employment has increased by 65,000 jobs over the 13 months since the passage of the President's budget plan.

• ***UNEMPLOYMENT RATE HAS DECLINED 23%***
The unemployment rate (based on the new, current, methodology) declined from 7.7% in January 1993 to 5.9% for September 1994.

• ***HELP-WANTED ADS AT HIGHEST LEVEL SINCE 1990 -- A SIGN THAT EMPLOYERS ARE SEEKING MORE WORKERS***
The rate of help-wanted advertising has climbed 14% in 1994 and is 23% higher than it was in 1992. The last time year in which help-wanted advertising exceeded the current rate was 1990. (source: The Conference Board, reported in Business Week, August 29, 1994)

Data updated through October 7, 1994.

FAMILY AND MEDICAL LEAVE ACT ENACTED:

- 42 MILLION WORKERS PROTECTED BY FAMILY AND MEDICAL LEAVE ACT: The Family and Medical Leave Act allows workers to take up to 12 weeks of unpaid leave for the birth of a child, to care for a sick family member, or if they become too sick at work. This law covers approximately 42 million American workers and protects the jobs of over 2.5 million workers who are likely to use unpaid leave this year alone.

COLLEGE OPPORTUNITIES:

- COLLEGE MADE MORE AFFORDABLE: Borrowers will be able to take advantage of the new direct student loan program by consolidating their guaranteed loans into direct loans. Approximately 20 million borrowers will benefit in the next two years -- 14 million current borrowers and 3 million new ones each year. Some of these borrowers will benefit from lower interest rates, and all will benefit from a greater range of repayment options, including income contingent repayment. Plus, the new student loan program will save taxpayers $4.3 billion over five years.

TAXES DECREASED FOR 15 MILLION FAMILIES WHO WORK AND MAKE UP TO $27,000

- The President's economic plan expanded the Earned Income Tax Credit so that 15 million more families and households will get a tax cut to ensure the President's commitment that if you work full-time and have a child at home, you should not have to raise that child in poverty.

MIDDLE CLASS UNTOUCHED BY INCOME TAX RISE -- NO INCOME TAX RATE INCREASES: 98.8% OF ALL AMERICANS WILL NOT SEE THEIR TAX RATES INCREASE.

AS H&R BLOCK STATED IN ITS REVIEW OF THE PRESIDENT'S ECONOMIC PLAN:

- Income tax rates are raised only on the "top 1.2% of all taxpayers"

- There is "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 the Income Tax Consequences of the Revenue Reconciliation Bill of 1993" pp. 21-24.

FAMILIES ARE SAVING ON MORTGAGES:

• Over 5.75 million families were able to refinance their homes at average savings of over $1000 a year, and 75% of them are still reaping those savings even as interest rates have moved up, because they refinanced at fixed rates.

FUNDING PROVIDED FOR DISLOCATED WORKERS

• SERVICES FOR THE UNEMPLOYED EXPANDED: The Economic Dislocation and Worker Adjustment Assistance Act (EDWAA) is the program most dislocated workers rely on for reemployment services to help them find new jobs. Our FY 1994 budget increased funding for this program so that 500,000 workers could receive reemployment services during 1994, up from 350,000 the previous year. Additionally, we will be able to provide more services to all these workers in such areas as basic readjustment services, labor market information, and occupational skills training.

SCHOOL-TO-WORK LEGISLATION ENACTED

• SCHOOL-TO-WORK PROGRAM WILL HELP STUDENTS GET JOBS: President Clinton signed into law the School-to-Work Opportunities Act, a crucial element of the Administration's lifelong learning agenda. With this landmark legislation, the federal government will provide venture capital to spark a nationwide system for moving America's young people smoothly from the classroom to a job with a future. This year, all states, plus the District of Columbia and Puerto Rico, have received funds for planning their school-to-work programs and eight states and 15 localities will receive grants to implement their programs.

HISTORIC NATIONAL SERVICE PROGRAM CREATED

• This year, 20,000 AmeriCorps members (more than served during the largest year of the Peace Corps) will tutor students, immunize children, reclaim parks and patrol streets -- and in return receive education awards that make college or job training more affordable. AmeriCorps is scheduled to increase to 33,000 members in FY1995, with a total over the first three years of 100,000 Americans serving our country.

OPENING MARKETS:

The United States has experienced the best year and a half in international trade in two decades. Working with Congress, the Administration is positioning American workers to reap the economic benefits of open trade.

NAFTA: The Administration forged a bipartisan coalition to pass the NAFTA, after concluding tough negotiations on side agreements covering workers' rights, the environment and import surges.

- Exports to Mexico are up 19% so far this year, and are growing over three times as fast as U.S. exports to the rest of the world.

- Autos: Big Three auto and light truck exports to Mexico are up 500% in the first six months of this year (to 23,275 during the first six months of this year from 3,791 during the first six months of last year). The Big Three estimate that by the end of 1994 they will have exported at least 55,000 of these vehicles to Mexico, compared to just 10,000 in the whole of 1993.

- Agriculture: The Washington State Apple Commission reported that Washington apple exports to Mexico this year reached 4.1 million boxes, as of the end of April, compared to 2.7 million boxes for all of 1993.

- Services: Union Pacific Railroad has added 550 jobs in Laredo, Texas to accommodate post-NAFTA traffic between the U.S. and Mexico.

Uruguay Round (UR): After seven years of negotiations, this Administration's leadership brought the negotiations to a successful conclusion, with enactment expected this year.

- Biggest tax cut in history: The agreement is the biggest tax cut in history -- a world-wide $744 billion cut in tariffs over ten years.

- It will cut foreign tariffs on manufactured products by over one-third overall and eliminate tariffs in major markets in a number of sectors in which the U.S. is particularly competitive.

- When fully implemented in 2004, the Uruguay Round agreement will add $100 to $200 billion per year to the U.S. GDP and create hundreds of thousands of well-paying U.S. jobs.

Japan: An aggressive strategy toward opening Japan's markets.

- Under the Framework Agreement, the Administration reached five important market opening agreements with Japan -- in government procurement of telecommunications, NTT procurement, medical technology procurement, insurance, and an agreement in principal on flat glass.

- These agreements will open up Japan's markets to industries that employ 2.7 million American workers.

• Additional recent openings for U.S. exports: we have reached important agreements on cellular telephones, construction services, apples (pending final inspections) and, through the UR, on rice, copper and chemicals. The Administration is committed to progress on other issues as well.

• Progress on export growth: U.S. exports to Japan are up 7.5% so far this year, compared to virtually no growth in 1993. Excluding industrial supplies, a category particularly hard hit by Japan's recession, U.S. exports are up 14%, including a 34% increase in U.S. automotive products.

• The Administration hosted the first APEC leaders meeting in Seattle where leaders defined a vision for economic growth, trade commitments, finance and investment initiatives with the fastest growing economies of the world.

PROMOTING EXPORTS:

The Administration has actively sought to promote U.S. exports to these newly opened markets in order to create and support hundreds of thousands of U.S. domestic jobs. Thus far, the Administration has lent its support to at least 70 successful projects, totaling over $17 billion in exports.

• **Conducting High-level Trade Missions:** Since January 1993, Commerce Secretary Ron Brown has completed trade missions to South Africa, the Middle East, Russia and the NIS, China and Hong Kong and South America. In addition, he has trade missions planned for India, Indonesia and Korea. With the conclusion of the China mission, over 100 CEOs have participated in these visits, which include meetings with top business and government leaders from the host nations, as well as advocacy work for US products in general.

• **Establishing Trade Advocacy Unit:** The Trade Promotion Coordinating Committee, chaired by Secretary Brown, established an advocacy center in September 1993, to assist U.S. businesses competing for major projects and contracts worldwide. Over 30 contracts with an estimated value of $21 billion have been awarded to U.S. businesses using the Advocacy Center's resources.

• **Creating Ex-Im Bank One-Stop Shops:** The Department of Commerce, the Ex-Im Bank and the Small Business Administration have opened the first four Export Assistance Centers in Baltimore, Miami, Chicago and Long Beach -- with eleven additional centers planned as part of a nationwide network of export assistance offices -- to provide the streamlined and focused support that smaller businesses need to compete effectively in export markets.

• **Liberalizing Export Controls:** The Administration has liberalized export controls on $37 billion in exports within the computer and telecommunications industries. It has eliminated controls on virtually all telecommunications exports to Russia, China, Eastern Europe and former Communist countries.

China:

• The Clinton Administration negotiated a new textile agreement, backed by tough penalties, to end fraudulent trans-shipments of textile products to the U.S. and initiated a "Special 301" investigation of China's failure to enforce protection of U.S. intellectual property rights.

Shipbuilding:

- In July we entered into an agreement with countries accounting for 80% of world shipyard production to eliminate subsidies and other unfair trade practices.

Other Achievements:

- The Clinton Administration has put in place **40 bilateral textile and apparel** agreements, over 30 of which it negotiated in the last 18 months (almost 2 a month). These agreements assure stability in our textile and apparel markets, while easing the transition to freer and fairer trade.

- The Administration reached agreement with Canada on **Canadian wheat imports**, including limitation of imports for one year, a one-year "peace clause" and a joint U.S./Canada commission on grains to examine all aspects of marketing and support systems.

Fortune, October 3, 1994: "[President Clinton's] economic plan helped bring interest rates down, spurring the recovery."

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. Although we may not all agree on the specifics of the deficit reduction measures, the financial markets are apparently inferring that, on balance, the federal government will be competing less vigorously for private saving in the years ahead. Partly because of these structural adjustments, the foundations of the economic expansion are looking increasingly well-entrenched."

THE DEFICIT REDUCTION PLAN HELPED LOWER INTEREST RATES AND SPARK AND SOLIDIFY THE RECOVERY. The introduction of the strong deficit reduction plan by the President and his economic team had a positive effect on lowering long-term interest rates. Following outlines of the plan by Secretary Bentsen as well as the formal announcement of the plan, long-term interest rates fell and continued to fall in the immediate aftermath of the passage of the deficit reduction program. The introduction and passage of a serious deficit reduction plan has clearly helped eliminate a "deficit premium" borrowers were requesting due to projected rising deficits. As hoped for, the deficit reduction plan's effect on lowering interest rates helped jump start and solidify what had been a weak recovery, by helping to fuel the interest-sensitive sectors of the economy.

INTEREST RATES HAVE RISEN AS A RESULT OF A GROWING ECONOMY -- NOT AN EXPECTED DEFICIT INCREASE: As the economy picked up and there was more demand for capital, interest rates rose moderately. Yet, the key is that they rose not because of a projected rising public deficit, but because of a strengthening private economy. Indeed, long-term interest rates are about where they were when the President was elected, even though unemployment has dropped from 7.7% to 6.1%, there has been 4.1% growth over the last four quarters and investment as a percentage of GDP has risen to an all-times level. The fact that interest rates are at nearly the same level they were 18 months before, despite such strong growth, indicates that the deficit reduction is still keeping long-term interest rates below where they would be in the absence of the deficit reduction plan.

LOWER MORTGAGE COSTS: Last year, 5 1/2 million homeowners refinanced their mortgages and are still benefiting from the savings. According to Mortgage Bankers Association data, more than three-quarters of all mortgage loans placed last year were at low fixed ratios. A family that was able to lower its interest rate on a $100,000 conventional 30-year mortgage to the 7 1/2 percent average during the Clinton Administration from the 9 1/2 percent average during the previous four years reduced its mortgage payments by $142 a month and by $1700 annually.

INTEREST RATES STILL LOWER THAN HISTORICAL TRENDS: Current interest rates have risen moderately in response to economic growth. They are still lower than the 8.29% 30-year rate at the bottom of the recession, and far lower than the 9.9% 30-year rates and 11% mortgage rates that were the average rates during the previous 12 years.

HOUSING PERFORMING ABOVE HISTORICAL NORMS: The National Association of Realtors projects that existing home sales will be 3.95 million units in 1994 -- the second highest ever and just slightly below the record high of 3.98 million sales in 1978. Housing starts are up 23% since President Clinton took office (after declining by about 28% during the prior four years). In addition, new home sales are up 6.9% in the first eight months of 1994 compared to the level of the first eight months of 1993.

TOP FINANCIAL PAPERS AND JOURNALISTS NOTED THE IMPACT OF THE INTRODUCTION OF THE CLINTON PLAN ON LOWERING INTEREST RATES:

When the Clinton economic plan was announced several top newspapers noted that the fall in long-term interest rates was in reaction to the introduction of the President's deficit reduction plan.

Financial Times, (January 26, 1993:) "US Treasury price roared ahead at the long end of the market yesterday on the growing hopes that the Clinton Administration will take a tough line on tackling the budget deficit... 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."

Wall Street Journal (February 24, 1993): "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."

Merrill Lynch: "The stunning bond rally that greeted the President's budget proposal will provide far more economic stimulus in 1993 than his short-term fiscal stimulus... Indeed, Clinton tests a favored hypothesis of Fed officials and Wall Streeters: that a program of fiscal restraint, can under the right circumstances actually stimulate the economic beneficial effects on interest rates. By coming up with a credible deficit reduction plan, the Clinton Administration may ultimately provide far more stimulus to the economy via lower interest rates that it could have done by proposing a more traditional tax and spend plan."

MONTHS AFTER PASSAGE OF THE ECONOMIC PLAN, EXPERTS CONFIRM THE ROLE THE DEFICIT REDUCTION PLAN HAS HAD IN LOWERING INTEREST RATES:

In 1994, many top commentators also noted that the expansion that was occurring was in many ways linked to the lower interest rates that had occurred in part because of the Clinton deficit reduction plan.

Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System: 1/31/94: Alan Greenspan: "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. Although we may not all agree on the specifics of the deficit reduction measures, the financial markets are apparently inferring that, *on balance, the federal government will be competing less vigorously for private saving in the years ahead. Partly because of these structural adjustments, the foundations of the economic expansion are looking increasingly well-entrenched.*"

David Jones, Executive Vice President and Chief Economist at government securities firm Aubrey G. Lanston, 8/10/94:"The bottom line is we had a significant drop in long term interest rates that I would argue was a direct result of the emphasis on deficit cutting."

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."

Lehman Brothers, 1/10/94: *"Clinton's blueprint for economic revival had as its centerpiece a multi-year program of deficit reduction, but it promised higher growth in the short run. A move to restrain deficit spending, he wagered, would both lower U.S. long-term interest rates and energize U.S. interest sensitive sectors. 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."*

U.S. News & World Report, 2/14/94: "The danger is that Washington's ideological clamor will drown out a quiet economic truth: *Last year's budget package changed fiscal policy significantly, and the economy is already responding....* Clinton's budget for fiscal 1995 will project a deficit of roughly $178 billion – a dramatic improvement over the $230 billion shortfall that economists predicted just one year ago."

Washington Post, 2/14/94: "Next year the CBO calculates, the budget deficit will be smaller in proportion to the size of the economy than in any year since 1979. As a result of those two things, interest rates are low, and business investment is rising powerfully."

THE CLINTON ADMINISTRATION HAS:

1. Created Incentives to Grow Small Businesses

- Increased by 75% (from $10,000 to $17,500) the amount a small business can deduct as expenses for equipment purchases.

- Established tax preferences to encourage investment in small businesses: the targeted capital gains tax preference.

- The Empowerment Zone/Enterprise Community program will provide significant tax incentives (a 20% wage credit, an additional $20,000 in expensing, and tax-exempt facility bonds) for firms within the Zones.

- The Extended Research and Experimentation Tax Credit fosters economic growth through a 20% credit for qualified research expenditures.

2. Increased Access to Capital

- The Administration's credit-crunch initiative revised bank regulatory policies to encourage commercial lending, particularly to smaller firms. Commercial and industrial lending is estimated to have increased by over 8%.

- The President's budget expanded the Small Business Administration's §7(a) program by 40% over 1993 levels. In 1995, SBA will guarantee $9 billion in loans to small businesses.

- Proposed FDIC regulations will increase the appraisal threshold for commercial lending from $100,000 to $250,000.

- Under the revised SBIC program, a group of new venture capital firms will make available several billion dollars in equity financing for start-ups and growing firms.

3. Improved Regulations and the Regulatory Environment

- The SBA has reduced the documentation required for many guaranteed loans from a one-and-one-half-inch stack of forms and attachments to a single, two-sided sheet.

- The President's Executive Order on Regulatory Review has established processes to ensure more rational regulation.

- The Regulatory Reform Forum for Small Business has brought regulated businesses and regulatory agencies together to develop comprehensive proposals for reducing regulatory burdens on small businesses.

- The Administration supported a small–business exemption to the Nutrition Labeling Act, which reduces burdens on small food processors.

- The Administration's Superfund legislation provides relief for smaller firms that contributed limited amounts of hazardous wastes, freeing those businesses from lengthy and expensive litigation.

- The Administration has supported judicial review under the Regulatory Flexibility Act, which will ensure that the interests of small firms are adequately considered in the regulatory process.

4. Assisted Women and Minority Businesses

- The Administration has instituted a six–part plan to improve guaranteed lending to women– and minority–owned firms. The initiative includes: an outreach–and–marketing guide for lenders, new outreach efforts by SBA, public disclosure of lenders' §7(a) lending to women– and minority–owned firms, and a demonstration project that provides women–owned businesses with prompt pre–approval of their lending applications.

- The Administration worked with Congress to ensure that a goal for procurement contracts with women–owned business was included in the recent procurement–reform legislation.

- The bank regulatory agencies have proposed reforms to the enforcement of the Community Reinvestment Act that will focus on a bank's performance––on how much a bank lends to and invests in traditionally underserved firms and individuals.

5. The Results:

- **The number of new firms has increased.** In 1993, more than 706,000 new businesses were incorporated––the largest number ever recorded in one year. (Dun & Bradstreet)

- **Small business investment has increased.** A Coopers & Lybrand study shows that 60% of all fast–growing small businesses plan to make major investments over the next year.

INVESTMENT IN FAMILIES AND CHILDREN

• **WIC TO BE FULLY FUNDED:** WIC was put on a full-funding path and funding is projected to increase by $610 million from 1993 to 1995 -- a 21% gain. The new funding will enable the WIC program to increase the number of women, infants and children assisted from 5.9 million in 1993 to a projected 7.0 million in 1995.

• **HEAD START FUNDING WILL INCREASE 28%:** Head Start funding is projected to go up 28% from $2.77 billion in FY1993 to $3.54 billion in FY1995. The new funding will enable thousands more children to enroll in 1995, while also moving many students from part-time to full-time enrollment and improving the quality of the program.

• **$21 BILLION TAX CREDIT FOR LOW INCOME FAMILIES:** The Earned Income Tax Credit was increased by $21 billion, benefitting 15 million working families, so that parents who work full-time and have a child at home would not be in poverty.

• **RELIEF PROVIDED FOR WORKING FAMILIES:** This year, the Department of Labor began implementing the Family and Medical Leave Act, an historic effort to allow working Americans unpaid time off work to care for a sick relative or a new child. Over 42 million workers are covered by the new law and it is estimated that as many as 2.5 million workers will take advantage of it annually.

INVESTMENT IN YOUNG PEOPLE

• **COLLEGE MADE MORE AFFORDABLE:** Borrowers will be able to take advantage of the new direct student loan program by consolidating their guaranteed loans into direct loans. Approximately 20 million borrowers will benefit in the next two years -- 14 million current borrowers and 3 million new ones each year. Some of these borrowers will benefit from lower interest rates, and all will benefit from a greater range of repayment options, including income contingent repayment. Plus, the new student loan program will save taxpayers $4.3 billion over five years.

• **K-12 EDUCATION IMPROVED BY GOALS 2000:** The Goals 2000 bill codifies the National Education Goals and offers grants to states that commit themselves to specific plans for systemic reform of K-12 education. *By school year 1996-97, 20,000 schools will participate in the fundamental school reform that GOALS 2000 is promoting.* 34 states and territories have already received federal grants. Funding for Goals 2000 in FY1995 will be $403 million.

• **FUNDING FOR DISADVANTAGED STUDENTS EXPECTED TO INCREASE BY $532 MILLION FROM FY1993 TO FY1995:** Funding under Title 1 of the Elementary and Secondary Education Act is expected to increase from $6.7 billion in FY1993 to $7.232 billion for FY1995. Title 1 provides assistance to local school districts to help disadvantaged students.

• **HISTORIC NATIONAL SERVICE PROGRAM CREATED -- FUNDING UP ALMOST $500 MILLION -- A 600% INCREASE:** This year, 20,000 AmeriCorps members (more than served during the largest year of the Peace Corps) will tutor students, immunize children, reclaim parks and patrol streets -- and in return receive education awards that make college or job training more affordable. AmeriCorps is scheduled to increase to 33,000 members in FY1995, with a total over the first three years of 100,000 Americans serving our country. Funding is expected to increase to over $550 million in FY1995, from $77 million in FY1993.

• **SCHOOL-TO-WORK PROGRAM WILL HELP STUDENTS GET JOBS -- FUNDING INCREASED FROM $50 MILLION TO $250 MILLION:** President Clinton signed into law the School-to-Work Opportunities Act, a crucial element of the Administration's lifelong learning agenda. With this landmark legislation, the federal government will provide venture capital to spark a nationwide system for moving America's young people smoothly from the classroom to a job with a future. This year, all states, plus the District of Columbia and Puerto Rico, have received funds for planning their school-to-work programs and eight states and 15 localities will receive grants to implement their programs.

INVESTMENT IN WORKERS

• **FUNDING FOR DISPLACED WORKERS DOUBLES TO $1.3 BILLION -- OVER TWICE AS MANY WORKERS WILL BENEFIT:** Funding for training displaced workers (the Economic Dislocation and Worker Adjustment Assistance Act - EDWAA) is expected to be doubled, from $602 million in FY1993 to $1.296 billion in FY1995. The Administration's investment means that 750,000 workers can receive reemployment services during 1995 -- more than double the 1993 level of 350,000. Most dislocated workers rely on this program for reemployment services to help them find new jobs. The increased funding also will enable the Administration to provide more services to all dislocated workers in such areas as basic readjustment services, labor market information, and occupational skills training.

-EARLY HELP PROVIDED TO JOBLESS AMERICANS: Administration legislation enacted last year requires unemployment insurance offices to use demographic and work-history data to determine which of the newly jobless are at risk of long-term unemployment and provide them job search and other reemployment services.

-A NEW GENERATION OF ENTREPRENEURS ALLOWED TO GROW: The Clinton Administration changed the law so that states can allow laid-off workers to start their own businesses without losing their eligibility for unemployment insurance. Under this program, jobless workers can get the training and support they need to create new jobs themselves.

-SKILLS STANDARDS SET SO WORKERS CAN BETTER MARKET ABILITIES: The Goals 2000 initiative will create a national system of voluntary skills standards to certify that workers have the skills necessary for good jobs. Workers whose jobs are covered by the standards will have an objective set of credentials to demonstrate their qualifications.

–ONE–STOP CAREER CENTERS: The Clinton Administration is providing $120 million to assist states that already have one–stop career centers -- which combine job counseling, computerized job information, and sources of training in new skills -- and to help other states build systems that meets the needs of their workforces.

INVESTMENT IN BUSINESS

• **SMALL BUSINESS LOAN GUARANTEES INCREASED BY $2.1 BILLION -- A 33% JUMP:** The amount of funding for the SBA 7A loan guarantee program for small businesses is expected to increase from $6.4 billion in FY1993 to $8.5 billion in FY1995 -- a 33% increase. The additional funding will enable 36% more small businesses to get loans in 1995 than in 1993.

• **SMALL BUSINESS EXPENSING PROVISION INCREASED:** The Administration increased by 75% (from $10,000 to $17,500) the amount a small business can deduct as expenses for equipment purchases. About 1.3 million small businesses are likely to benefit from the expansion of the expensing allowance this year alone *and many more will benefit over the coming years.*

INVESTMENT IN TECHNOLOGY

• **ADMINISTRATION LAUNCHED THE TECHNOLOGY REINVESTMENT PROJECT (TRP) -- FUNDING UP TO $625 MILLION IN FY1995:** The largest multiagency technology program ever conducted by the Federal Government, the TRP was launched by the Clinton Administration to promote commercial–military technology integration. Funding has increased every year and the Administration expects a $625 million investment for 1995.

• **NIST R&D FUNDING MORE THAN DOUBLED TO $855 MILLION IN 1995.** The National Institute for Standards and Technology (NIST) conducts important R&D to support manufacturers and also aids manufacturers in tapping into new sources of information and improved technology. Funding has been increased from $381 million in FY1993 to an expected $855 million in FY1995.

INVESTMENT IN COMMUNITIES

• **FUNDING FOR COMMUNITY POLICING INCREASED BY OVER $1 BILLION:** The Administration has increased funding for community policing from $150 million in FY1993 to $1.3 billion in FY1995. This increased investment is part of the President's program to put an additional 100,000 police officers on the streets over the next five years. Community policing is part of a nationwide police reform effort that increases the contact police officers on the beat have with the community they serve.

• **FUNDING FOR RYAN WHITE AIDS PROGRAM UP 82% TO $633 MILLION:** Funding for the Ryan White AIDS program is expected to increase from $348 million in FY1993 to $633 million in FY1995.

• **FUNDING FOR INCREMENTAL HOUSING VOUCHERS MORE THAN DOUBLED:** Funding for new housing vouchers is expected to increase from $1.3 billion in FY1993 to $2.8 billion in FY1995 -- a 115% increase. ($400 million of this increase may go for investments as part of the Secretary of HUD's initiative, pending Congressional authorization.)

• **FUNDING FOR HOMELESSNESS PROGRAMS ALMOST DOUBLES:** Funding for homelessness programs is expected to increase from $572 million in FY1993 to $1.12 billion in FY1995.

NOTE: FY1995 estimates are based on the status of Appropriations bills through September 27, 1994. Amounts may vary slightly due to Conference Committee adjustments.

MAJOR LEGISLATIVE VICTORIES:

Below is a list of some of the most important legislation the Clinton Administration has passed:

- **Family and Medical Leave Act, February 5, 1993.**
  This is an historic effort to allow working Americans unpaid time off work to care for a sick relative or a new child. Over 42 million workers are covered by the new law and it is estimated that as many as 2.5 million workers will take advantage of it annually.

- **Economic Package, August 10, 1993.**
  Evenly balanced between spending cuts and revenue increases, the President's five-year deficit reduction plan is largely responsible for reducing the deficit by $691.7 billion -- $500 billion from policy changes and the rest from strengthening the economy and technical improvements. The greater economic security has caused interest rates to drop, stimulating the economic recovery. *One of the largest deficit reduction plans ever, the Clinton deficit reduction will halve the deficit as a percentage of GDP by 1995.*

- **Student Loan Reform Act, August 10, 1993.**
  New program will enable 20 million borrowers to consolidate their guaranteed loans into direct loans. Borrowers will benefit from lower fees and the option of income contingent repayment -- taxpayers will save at least $4.3 billion over five years.

- **Empowerment Zones and Enterprise Communities, August 10, 1993.**
  After a decade of failed attempts, President Clinton championed the passage of this legislation, which uses tax incentives and flexible grants to promote economic empowerment and private-sector job creation in 104 distressed communities across America. Over 500 communities have taken up the "EZ" challenge, developing comprehensive strategies and forging unprecedented partnerships for community renewal that have made all applicants winners.

- **National Service Act, September 21, 1993.**
  This year, 20,000 AmeriCorps members (more than served during the largest year of the Peace Corps) will tutor students, immunize children, reclaim parks and patrol streets -- and in return receive education awards that make college or job training more affordable. AmeriCorps is scheduled to increase to 33,000 members in FY1995, with a total over the first three years of 100,000 Americans serving our country.

- **NAFTA, December 8, 1993.**
  The Administration forged a bipartisan coalition to pass the NAFTA, after concluding tough negotiations on side agreements covering workers' rights, the environment and import surges. Exports to Mexico have risen 19% thus far this year.

- **Federal Workforce Restructuring Act, March 30, 1994.**
  As a component of the National Performance Review, this act is part of a process that will help streamline the federal government and improve the quality of federal government services. When the President and Vice President's plan to reinvent government is fully implemented, the federal workforce will have been reduced by over 272,000 workers and will be at its lowest level since the Kennedy Administration.

- **Goals 2000: Educate America Act, March 31, 1994.**
  The Goals 2000 bill codifies the National Education Goals and offers grants to states that commit themselves to specific plans for systemic reform of K-12 education. Already 34 states and territories have received federal grants. Funding for Goals 2000 in FY1995 will be $403 million.

- **School-to-Work Act, May 4, 1994.**
  A crucial element of the Administration's lifelong learning agenda, this landmark legislation will provide venture capital to spark a nationwide system for moving America's young people smoothly from the classroom to a job with a future. This year, all states, plus the District of Columbia and Puerto Rico, have received funds for planning their school-to-work programs and eight states and 15 localities will receive grants to implement their programs.

- **The Crime Bill, September 13, 1994.**
  The $30 billion Crime Bill attacks crime by adding 100,000 police officers, funding comprehensive prevention programs and building more prisons. The legislation also includes strong punishment for criminals by expanding the number of offenses eligible for the death penalty and implementing "three-strikes and your out" for repeat violent offenders.

- **Assault Weapons Ban, September 13, 1994.**
  President Clinton successfully challenged gun interests to ban 19 specific types of deadly assault weapons while simultaneously protecting hunters rights by exempting over 650 hunting riles.

- **Community Development Banking and Financial Institutions Act, September 23, 1994.**
  The legislation creates a national network of non-traditional grassroots community lending institutions and will inject $4.8 billion of capital into economically distressed urban and rural areas.

- **Interstate Banking Act, September 29, 1994.**
  This legislation, which had been languishing in Congress for more than a decade before the Clinton Administration made it a priority, will eliminate most of the remaining barriers to efficient nation-wide banking. By allowing banks to locate branches across state boundaries, it will make banking more efficient and increase the convenience of banking for private consumers.

EXPERTS AGREE THAT PRESIDENT CLINTON'S *DEFICIT REDUCTION* PLAN HAS LOWERED THE DEFICIT AND IMPROVED ECONOMIC CONDITIONS:

Paul Volcker, Chairman, Board of Governors of the Federal Reserve System (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. ... (W)hat's important is that he acknowledged that it was a big problem and did something about it, fast. And I think we're seeing some benefits."

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. Although we may not all agree on the specifics of the deficit reduction measures, the financial markets are apparently inferring that, *on balance, the federal government will be competing less vigorously for private saving in the years ahead. Partly because of these structural adjustments, the foundations of the economic expansion are looking increasingly well-entrenched.*"

Robert D. Reischauer, Director, Congressional Budget Office, 1/27/94:

> "The deficit picture is significantly brighter than it appeared one year ago when the Congressional Budget Office projected that the deficit would soar above $350 billion by fiscal year 1998. CBO now projects that the federal budget deficit will fall from $223 billion in the current fiscal year to below $170 billion in 1996, then creep up to $200 billion in 1999. *The dramatic improvement since last January is largely the result of the enactment in August of a major package of tax increases and spending-cuts--the Omnibus Budget Reconciliation Act of 1993.*"

Lehman Brothers, 1/10/94:

> "To President Clinton's credit, early last year he rejected an either/or construction for U.S. growth versus deficit reduction. Clinton's blueprint for economic revival had as its centerpiece a multi-year program of deficit reduction, but it promised higher growth in the short run. A move to restrain deficit spending, he wagered, would both lower U.S. long-term interest rates and energize U.S. interest sensitive sectors. 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."

EFFECT OF LOWER INTEREST RATES:

Fortune, October 3, 1994:

"[President Clinton's] economic plan helped bring interest rates down, spurring the recovery."

David Jones, Executive Vice President and Chief Economist at government securities firm Aubrey G. Lanston, 8/10/94:

"The bottom line is we had a significant drop in long term interest rates that I would argue was a direct result of the emphasis on deficit cutting."

Paul W. Boltz, Chief Economist for T. Rowe Price Associates, quoted in Business Week, August 29, 1994:

"The low interest rates of '93 have clearly given this economy powerful momentum."

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. The good news for the first quarter is that the fundamentals that lifted the economy at the end of last year remain in place, ready to support job growth this quarter."

U.S. News & World Report, 2/14/94:

"The danger is that Washington's ideological clamor will drown out a quiet economic truth: *Last year's budget package changed fiscal policy significantly, and the economy is already responding.* The yield on a 10-year Treasury note averaged just 5.9 percent in 1993, compared with the 6.7 percent forecast by CBO one year ago and consumer spending moderated to 2.7 percent down from 3 percent that CBO had predicted. Clinton's budget for fiscal 1995 will project a deficit of roughly $178 billion – a dramatic improvement over the $230 billion shortfall that economists predicted just one year ago. Clinton will propose freezing or cutting budgets at 10 of 14 cabinet agencies and eliminating perhaps 115 separate federal programs."

FUNDAMENTAL ECONOMIC CONDITIONS:

Allen Sinai of Lehman Brothers as Reported by the Washington Post, 3/2/94

"This is the healthiest the American economy has been in 30 years."

Washington Post, 2/14/94

"Slowly, but successfully, the American economy seems at last to have worked through the past two decades' accumulated policy errors and resulting disasters. For the first time in years, official Washington's midwinter forecasts speak of strong performance ahead. One reason for it is the decline in the federal deficit, an achievement being loudly celebrated by the Clinton administration....But there is more, and the optimism goes well beyond the White House. The most cautious of observers, Federal Reserve Board Chairman Alan Greenspan, concedes that the foundations of economic growth "are looking increasingly well-entrenched." Robert Reischauer of the Congressional Budget Office, whom one senator described as "somewhat of a dark messenger in the pasts, sees years of steady growth ahead. Mr. Greenspan points out that core inflation rate is now lower than at any time since the early 1970s .... Next year the CBO calculates, the budget deficit will be smaller in proportion to the size of the economy than in any year since 1979. As a result of those two things, interest rates are low, and business investment is rising powerfully."

OPTIMISM ABOUT EXPECTED ECONOMIC CONDITIONS:

Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, 2/22/94

"The outlook, as a result of subdued inflation and still low long-term interest rates, is the best we've seen in decades."

"The outlook for the U.S. economy is as bright as it has been in decades. Economic activity has strengthened, unemployment is down, and price trends are subdued. In addition, unlike some earlier periods, business spending on new plant and equipment has been an important contributor to growth. This strength in investment will enhance economic efficiency and lay the foundation for the production gains that will bolster the economic welfare of our nation." (Testimony to the House Budget Committee, 6/22/94)

Stephen Roach, Senior Economist at Morgan Stanley (Wall Street Journal, 6/6/94):

"The forces of moderation are now intact. We could grow at 2.5% to 3.0% for two or three years or longer without a major glitch."

Business Week, 7/4/94:

"Indeed a new Business Week/Harris poll shows that top managers are far from fearful of the economic future. Fully 90% of the 401 senior executives surveyed were optimistic about the outlook for the U.S. economy in the next year, up from 83% in a similar query last December. Likewise only half of the executives polled expect long-term interest rates to increase over the next 12 months compares with two-thirds of the respondents six months ago."

David Stockman as Reported by David Broder, 2/8/94:

"The most upbeat analysis of what lies ahead for America, under his (President Clinton's) policies, comes from none other than David Stockman, the architect of the Reagan administration budgets that the Democrats loved to hate. Stockman, now a New York investment banker, showed up in Washington last week with an economic forecast that he acknowledged is brighter and shinier even than those he produced as Reagan's budget director in the early '80s, which Democrats derided as "Rosy Scenario." At a conference here, Stockman drew a picture of: Steady economic growth through the end of the decade, with little or no threat of inflation. A budget deficit sinking to a "comfortable" and infinitesimal fraction of the nation's annual economic output. Health care costs under control, especially if Congress passes a stripped-down version of the Clinton plan."

HEALTH CARE REFORM

"Our families will never be secure, our businesses will never be strong, and our government will never again be fully solvent until we tackle the health-care crisis."
[President Clinton, Joint Session of Congress, 2/17/93]

Actions To Date

- In November 1993, the President sent Congress a comprehensive health care reform proposal. The proposal would have preserved the high quality medical care that is the hallmark of the health care system in this country, while controlling skyrocketing health costs, increasing choice, and reducing bureaucracy and paperwork for patients, doctors and hospitals. And, most importantly, it would have guaranteed private insurance to all Americans -- rewarding hard-working American families by extending coverage to millions of uninsured Americans and giving millions more the security of knowing that they would never again risk losing coverage.

- The President remains firmly committed to providing insurance coverage for every American and containing health care costs for families, businesses, and governments. He has asked both Democrats and Republicans in the new Congress to work with him to take the first steps toward achieving these goals.

Background

Nearly sixty years ago, President Franklin Delano Roosevelt proposed to reform the health care system as part of his Administration's groundbreaking Social Security legislation. His efforts failed, however, when powerful special interests mobilized to defeat the health care reform portion of his legislation.

Since FDR, every President -- Democrat and Republican -- has pledged to address the problems in the American health care system. A proposal for comprehensive health reform has been introduced in every Congress since 1943. But every time a President or Congress has tried to make the health care system work for ordinary Americans, powerful special interests have defeated the effort. As far back as fifty years ago, wealthy opponents of President Truman's health reform legislation spent the equivalent of $30 million in today's dollars on efforts to defeat reform. Last year, special interests spent over $100 million to defeat President Clinton's efforts to enact comprehensive health care reform legislation.

And while the efforts to strengthen the system and improve access and affordability have gone unrealized, the twin problems of rising health costs and increasing insecurity keep growing.

Millions of Americans are at risk of losing health insurance if they lose their jobs or losing their savings if they get sick. Up to 30 percent of all workers are locked into the jobs they have now because they fear losing their health insurance -- often because they or someone in their family has been sick and have what insurers call a preexisting condition. And on any given day, nearly 40 million Americans, most of them working people and their children, have no health insurance at all.

Even though so many Americans have no coverage at all, medical costs continue to grow at over twice the rate of inflation, and the United States spends over a third more of its income -- 14 percent of GDP -- on health care than any other nation. Rampant medical inflation is eating away at our wages, our savings, our investment capital, and our ability to create new jobs in the private sector. Hard working Americans keep spending more and more on the same health care benefits, while their take-home wages stay the same. And American companies trying to compete in global markets are severely disadvantaged.

Rising costs are particularly troublesome for small businesses -- the engine of entrepreneurship and job creation in America today. Administrative costs for health care premiums for small businesses are often 8 times higher than they are for large businesses today. And many small businesses cannot find insurers that will offer them coverage at any price.

We have not only the costliest, but the most wasteful system in the world. Today we have more than 1,500 insurers, with hundreds and hundreds of different forms. No other nation has a system riddled with paperwork like ours. In recent years, the number of administrators in the hospitals in this country has grown by 4 times the rate that the number of doctors has gown. Our nation's health care dollars often go to those who push paper, not those who provide care.

"And let me say again: the most expensive thing we can do is nothing. The present system we have is the most complex, the most bureaucratic, the most mind-boggling system imposed on any people on the face of the earth. The present system we have has the highest rate of inflation with the lowest rate of return." [Transmittal to Congress, 10/27/93]

Initiative

"[Health care reform is] part of a plan to create a high-wage, high-growth, high-opportunity society in America, to educate and train our people, to develop new energy policies, new environmental policies, to promote both personal responsibility and family security. And in that context, we have to do what we all agree we should do: promote control of costs, access to health care, and maintain quality." [President Clinton, Campaign Speech at Merck Pharmaceuticals, 9/24/92]

1993-1994

In November 1993, the President sent Congress a comprehensive health care reform proposal. The proposal would have preserved the high quality medical care that is the hallmark of the health care system in this country, while controlling skyrocketing health costs, increasing choice, and reducing bureaucracy and paperwork for patients, doctors and hospitals. And, most importantly, it would have guaranteed private insurance to all Americans -- rewarding hard-working American families by extending coverage to millions of uninsured Americans and giving millions more the security of knowing that they would never again risk losing coverage.

The President's bill spurred an unprecedented debate as Congress and Americans across the country began to widely discuss the problems facing the health care system. This debate produced a consensus on several key points. Almost all of the health reform proposals -- Democrat and Republican -- introduced last year contained comprehensive insurance market reforms, including provisions that would have: prevented insurers from denying coverage to people who change jobs or lose their job; stopped insurers from turning people away just because they were sick or old; prohibited insurers from dropping people from coverage when they got sick; and prevented insurers from jacking up prices for small businesses or sick individuals.

Many bills also expanded coverage to low- and middle-income Americans, especially children. This would have made health care available to those who today have no insurance and must wait until their illnesses are serious and costly before seeking care -- which, in turn, would reduce cost-shifting onto private premiums. The bills also included various market-based solutions to address the problem of escalating growth in health care costs by increasing competition and choice.

Congressional committees held nearly 200 hearing on various issues, including market reforms, coverage, and long-term care. After several months of debate, and for the first time in history, a congressional committee voted for comprehensive health reform legislation -- in fact, five Committees did so. And for the first time in history, the Senate brought a comprehensive health reform bill to the floor for debate in August 1994. In the end, however, Congress did not pass legislation.

Current Initiative

While Congress could not agree upon a solution, the problems have not disappeared. Without action, American families, businesses and governments will continue to pay the price:

- *Health costs per person will rise by more than 50 percent by the end of the decade*, from about $3,300 in 1993 to over $5,000 by the year 2000.

- *More Americans will lose coverage, including many working Americans*. The number of uninsured Americans rose by more than one million in 1993. Eighty-four percent of the uninsured in 1993 were in working families, and more than 55 percent lived in families headed by full-time workers.

- *People will continue to be locked into current jobs out of fear of losing coverage*, even when faced with opportunities to move to better jobs. Up to one-third of workers surveyed are afraid to leave their jobs for fear of losing health coverage.

- *Businesses will continue to face rising health costs*. Total health benefit costs per employee rose 8 percent in 1993, nearly three times the rate of general inflation. Small firms, in particular, suffer under the current system; insurers charge them up to eight times more than large firms for administrative costs. Many small firms pay exorbitant amounts for insurance or cannot get it at all, and many often cannot afford to provide any choice of health plans to their employees.

- *Health care will continue to consume a larger share of federal, state, and local government budgets*, leaving fewer resources for such other priorities as education and job training, transportation and telecommunications infrastructure, and research and development. In fact, over the next five years, almost 40 percent of the growth in total federal spending will come from health care spending.

That is why the President remains committed to health care reforms that will guarantee insurance coverage to every American and contain health care costs for families, businesses and Federal, State and local governments. The President has asked Democrats and Republicans in Congress -- in both a letter to the Congressional Leadership in December and the State of the Union Address in January -- to work with him to take the first steps toward achieving these goals. This year, the President believes Republicans and Democrats can:

- *Reform the insurance market.* Americans should no longer risk losing coverage when they change or lose a job, or a family member falls ill. Small businesses should have access to affordable insurance that is currently only available to large businesses -- and Congress should provide assistance to states to establish voluntary purchasing pools to help small businesses purchase affordable insurance.

- *Make coverage affordable for and available to children.* The United States should act responsibly -- as its major competitors already do -- and ensure that its children have access to health care when they need it. Nearly 10 million American children are without health insurance today -- many of them in working families. When these children get sick or hurt, their parents cannot always afford to take them to get the proper care. Quite often, they do not get treatment until their illnesses become serious and even more expensive.

- *Help workers who lose their jobs keep their health insurance.* Workers should not have to risk losing their health insurance when they are temporarily out of work. In today's economy, when hard-working Americans lose their jobs, they often lose their health insurance. Even workers who are allowed to keep the coverage they had when they were working have to pay the full cost of that insurance policy when they lose their jobs.

- *Level the playing field for the self-employed by giving them the same tax treatment as other businesses.* The self-employed should be able to deduct their health care expenditures from their taxable income, just as other businesses do. Other businesses can deduct all their expenditures on health insurance from their taxable income. Today, self-employed individuals not only often pay more for health insurance, but also have to pay for most of their health care costs with after-tax dollars, putting them at a significant disadvantage against other business owners.

- *Help families provide long-term care for a sick parent or a disabled child.* Millions of middle-class American families who provide long-term care for family members at home -- frequently at enormous costs -- should get some assistance through tax incentives and expanded State-administered programs. In the current system, only the poor have access to long-term care, often in institutions, while middle-class families struggling to care sick parents or disabled children at home often bear the full burden of the costs on their own.

CASE STUDIES

Case Study: Jessica Wright, McCall, SC

Seven year old Jessica worries about getting sick and not being able to afford to see a doctor. Her mother, Beth, worries that her third shift job as a temporary employee will not cover the costs of medical care for her or her daughter, neither of whom have health insurance. Beth works hard and refuses public assistance that would give her daughter health benefits. Instead, Beth as gotten quite good at providing home remedies for most of Jessica's ailments.

Case Study: Lynn Hicks, Dilltown, Pennsylvania

Lynn Hicks, her husband and five teenage children live in Dilltown, Pennsylvania. Last year, Lynn's husband was laid off from his manufacturing job of 16 years, and their health care coverage was discontinued. Although she worked part time, she received no benefits, and the family was unable to afford insurance on their own. After putting off doctor's visits, Ms. Hicks eventually was diagnosed with breast cancer. Because she was unable to afford treatment, she was forced to quit her job and go on public assistance in order to receive care. Lynn says, "In May of 1993, my husband lost his job and with his job, our health insurance. Until that time, we never realized how vulnerable our family was to falling between the cracks in our health care system."