THE PRESIDENT'S 1993 ECONOMIC PLAN: WHAT THE REPUBLICANS SAID VS. WHAT ACTUALLY HAPPENED

On August 10, 1995, the nation marks the second anniversary of the passage of President Clinton's 1993 Economic Plan. Before that plan was passed by the Congress, many Republicans were highly critical, forecasting dire economic consequences if the plan passed. Here is what Republicans said about the plan two years ago, along with what the President said and the facts of what actually happened. It is important to recognize the innaccuracy of these previous Republican economic forecasts in order to assess the forecasts that underpin the budget plan the majority now is proposing.

JOB CREATION

What the President Said: *"[This plan] stimulates job growth and provides insurance that the current slow recovery will be lasting and strong."*
President Clinton, A Vision of Change for America, 2/17/93

What Republicans Said: *"The impact [of this plan] on job creation is going to be devastating..."*
Mr. Armey, CNN, 8/2/93

"I believe this program is going to make the economy weak. I believe hundreds of thousands of people are going to lose their jobs."
Mr. Gramm, New York Times, 8/7/93

"The Clinton plan is bad news for you and all other Americans. It's bad for your job and bad for your families."
Mr. Dole, New York Times, 8/4/93

What Actually Happened: 7.1 million new jobs since 1993. Unemployment is down nearly 1.5 percent since 1993.

ECONOMIC GROWTH

What the President Said: *"With this plan in place, the economy will grow, and more than 8 million new jobs will be created."*
President Clinton, Address to the Nation, 8/3/93

(more)

What Republicans Said: *"I believe this [plan] will lead to a recession next year. This is the Democrat machine's recession, and each one of them will be held personally accountable."*

Mr. Gingrich, House Gallery, 8/5/93

What Actually Happened: Real GDP growth under Clinton was 3.2 percent annually, compared to 1.5 percent annually under Bush.

DEFICIT

What the President Said: *"This program will begin to rein in the Federal budget deficit."*

President Clinton, A Vision of Change for America, 2/17/93

"If we take this important first step now, over the long run we will see deficits go down and jobs go up."

President Clinton, Address to the Nation, 8/3/93

What Republicans Said: *"We're going to find out whether we have higher deficits, we're going to find out whether we have a slower economy, we're going to find out what's going to happen to interest rates, and it's our bet that this [plan] is a job killer."*

Mr. Kasich, GOP Press Conference, 8/3/93

What Actually Happened: The deficit is down by nearly half since 1992, from $290 billion in 1992 to an estimated $160 billion in 1995. The deficit in 1995 is much smaller than the roughly $300 billion projected in early 1993 before the Clinton program was enacted.

Budget Notes
August 10. 1995

> "A survey of top economic forecasters...rates the 10-year U.S. economic growth projections from the White House as more likely to be right than the figures Congress is using in its balanced-budget plan."

Patrice Hill
The Washington Times
August 10, 1995

The Blue Chip Forecasters Favor Administration's Projections. Any doubts about the credibility of the Clinton Administration's OMB forecasts were laid to rest yesterday. The Blue Chip Forecasters, the top private sector and business economists in the country -- relied on by all of the top corporations in the country -- were asked which forecast for long term economic growth they thought was more accurate -- OMB's or that Congressional Budget Office? These 50 top Blue Chip forecasters found the Clinton OMB projections the most likely to be accurate.

> Blue Chip members were asked to rate the long-range projections for real economic growth between 1996 and 2005. OMB forecasts an average of 2.5% growth; CBO forecasts an average of 2.3%. The Blue Chip panel was asked to rate estimates in terms of probability on a scale of 1-10 with 10 being most probable. The OMB forecasts rated a 6.4 while CBO received a 6.1 rating.
>
> "The 2.5 percent growth estimate has a better chance of being more accurate," said Robert J. Eggert, Arizona economist and Blue Chip forecaster.

The Demise of Rosy Scenarios. In previous administrations, OMB calculations have been discredited for being "cooked" to make their deficit projections look better. That is why the President used CBO estimates in formulating his first budget. Now, President Clinton's OMB has restored credibility to the office, and shown that an Administration can use reliable, credible numbers. The Blue Chip endorsement of the White House forecast "represents a historic reversal for the group of 56 top economists, whose consensus forecasts have always been closer before to those of the Congressional Budget Office." [Hill, Washington Times, Aug. 10, 1995]

> Indeed, in another study, when the Federal Reserve Board of Philadelphia polled 59 top private sector economists, their growth estimates were above OMB's: in other words, if anything the Clinton Administration is being too conservative.

The Proof is in the Pudding: Look at the Clinton Administration record. The Clinton Administration has passed a real deficit plan with honest numbers and the proof is in the pudding: the deficit has actually come down faster than projected. The original OMB estimates were actually too conservative. For example, the Clinton OMB in February projected the 1995 deficit at $193 Billion and it is now likely to come in around $160 billion.

This Proves That We DO NOT Need to Make the Kind of Irrational Cuts In Medicare, Education, Environment, and Science And Technology that the Congressional Majority Proposes in Order To Balance The Budget. The truth is, were it not for their excessive tax cuts to the wealthiest Americans, none of these drastic cuts would be necessary.

More Than Two Years of Economic Progress

U.S. Department of Treasury

August 10, 1995

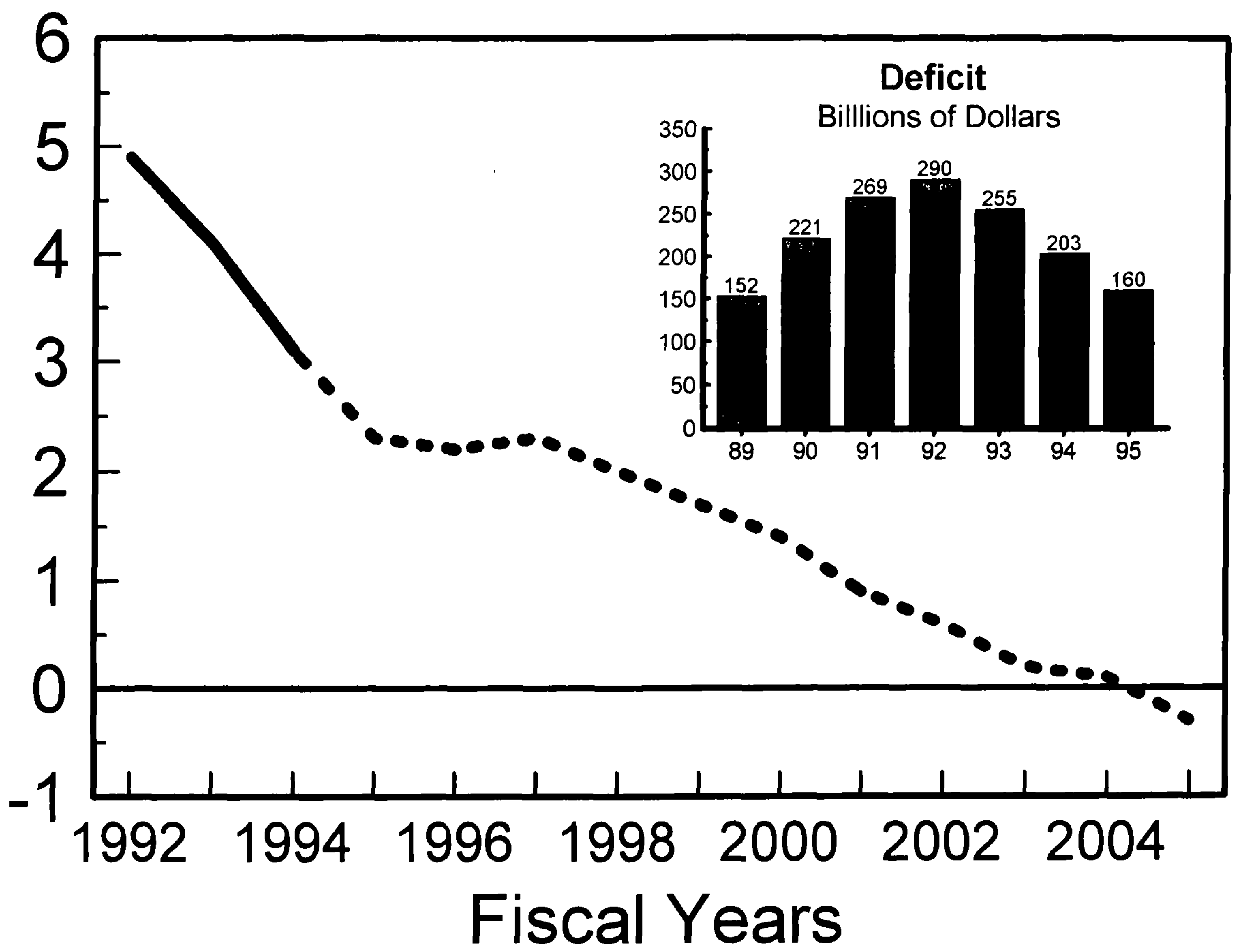
MORE THAN TWO YEARS OF ECONOMIC PROGRESS

	Then	Now
The Deficit Has Been Cut Sharply as a Share of GDP FY-1992 Actual vs. FY-1995 Projected	**4.9%**	**2.3%**
Economic Growth Has Returned to a Healthy Pace Annual rate of real GDP growth: 1989-92 vs. 1993 to present	**1.4%**	**3.2%**
92 Percent of the 7.1 Million New Jobs Have Been in the Private Sector Total payroll job growth: January '89 to January '93 vs. since January '93	**2.4 Million** (four years)	**7.1 Million** (thirty months)
Eight Times More Private Sector Jobs per Month than in the Previous Four Years Average monthly increase: January '89 to January '93 vs. since January '93	**27,000**	**218,000**
Unemployment Has Fallen Civilian unemployment rate: January '93 (old survey basis) vs. July '95	**7.1%**	**5.7%**
Inflation Has Fallen to a Near 30-Year Low CPI growth at an annual rate: January '89 to January '93 vs. since January '93	**4.2%**	**2.8%**
Income Growth Is Three Times Faster Real per capita disposable personal income growth at an annual rate: January '89 to January '93 vs. since January '93	**0.6%**	**1.9%**
Consumer Confidence Has Rebounded University of Michigan index: 1992 vs. 1995 year-to-date	**77.3**	**93.2**
Mortgage Rates Are Still Low by Historical Standards Average conventional fixed mortgage: February '89 to January '93 vs. since January '93	**9.5%**	**7.9%**
Interest-Sensitive Sectors Are Revitalized:		
Housing Starts Average annual rate: February '89 to January '93 vs. since January '93	**1.19 Million**	**1.36 Million**
Sales of Cars and Light Trucks Average annual rate: February '89 to January '93 vs. since January '93	**13.35 Million**	**14.50 Million**
Industrial Production Is Growing Again Annual rate of growth: January '89 to January '93 vs. since January '93	**0.9%**	**3.8%**
Business Investment Has Surged Annual rate of growth in real equipment investment: 1989-1992 vs. 1993 to present	**2.1%**	**18.4%**
Business Incorporations Have Reached a New Peak 1992 vs. 1994-1995 to-date at an annual rate	**670,000**	**745,000**
Bank Lending Is Strengthening Annual rate of growth in commercial bank loans: January '89 to January '93 vs. since January '93	**2.9%**	**7.5%**

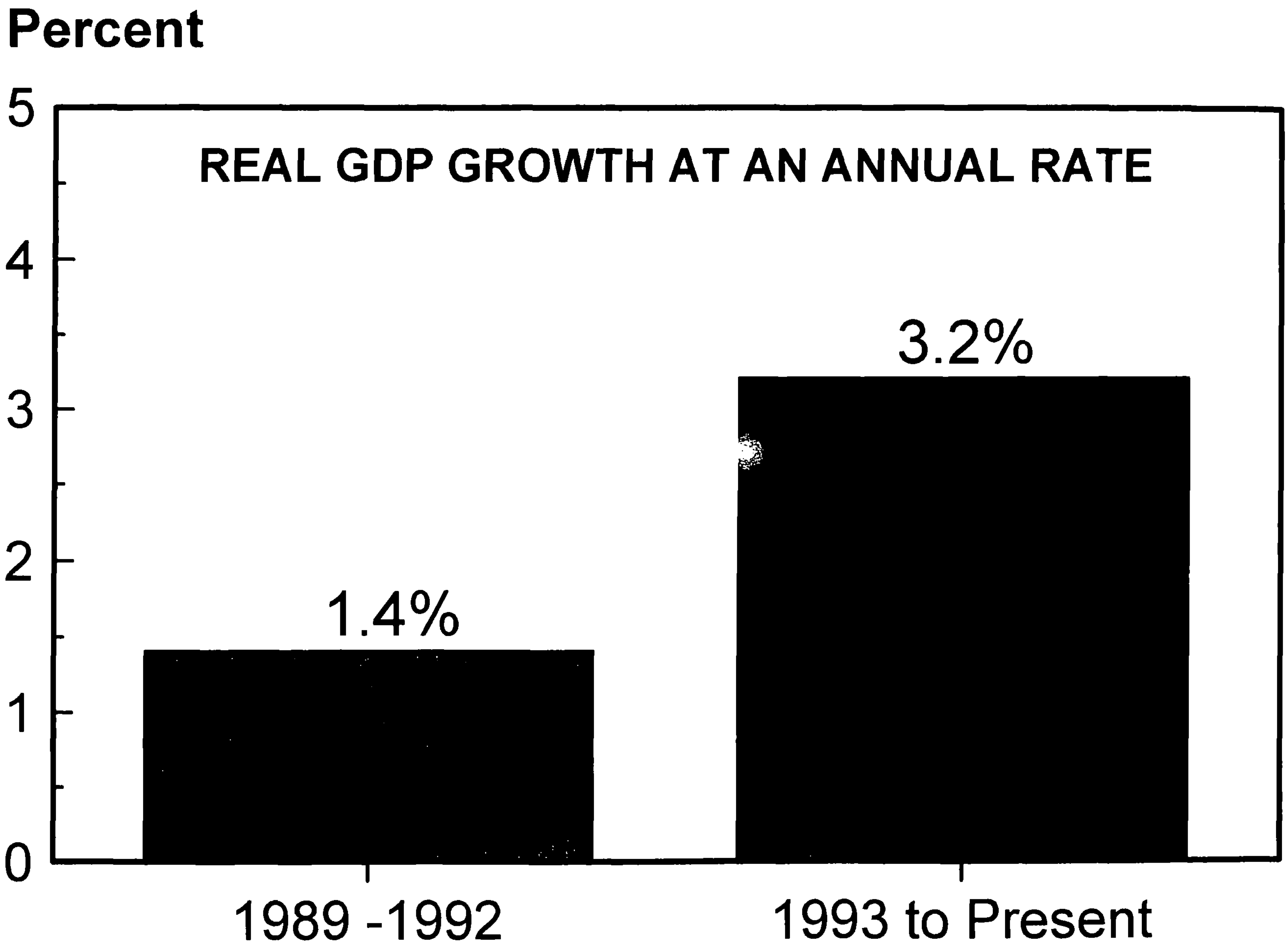
August 4, 1995

PRESIDENT'S TEN YEAR ECONOMIC PLAN ELIMINATES THE DEFICIT

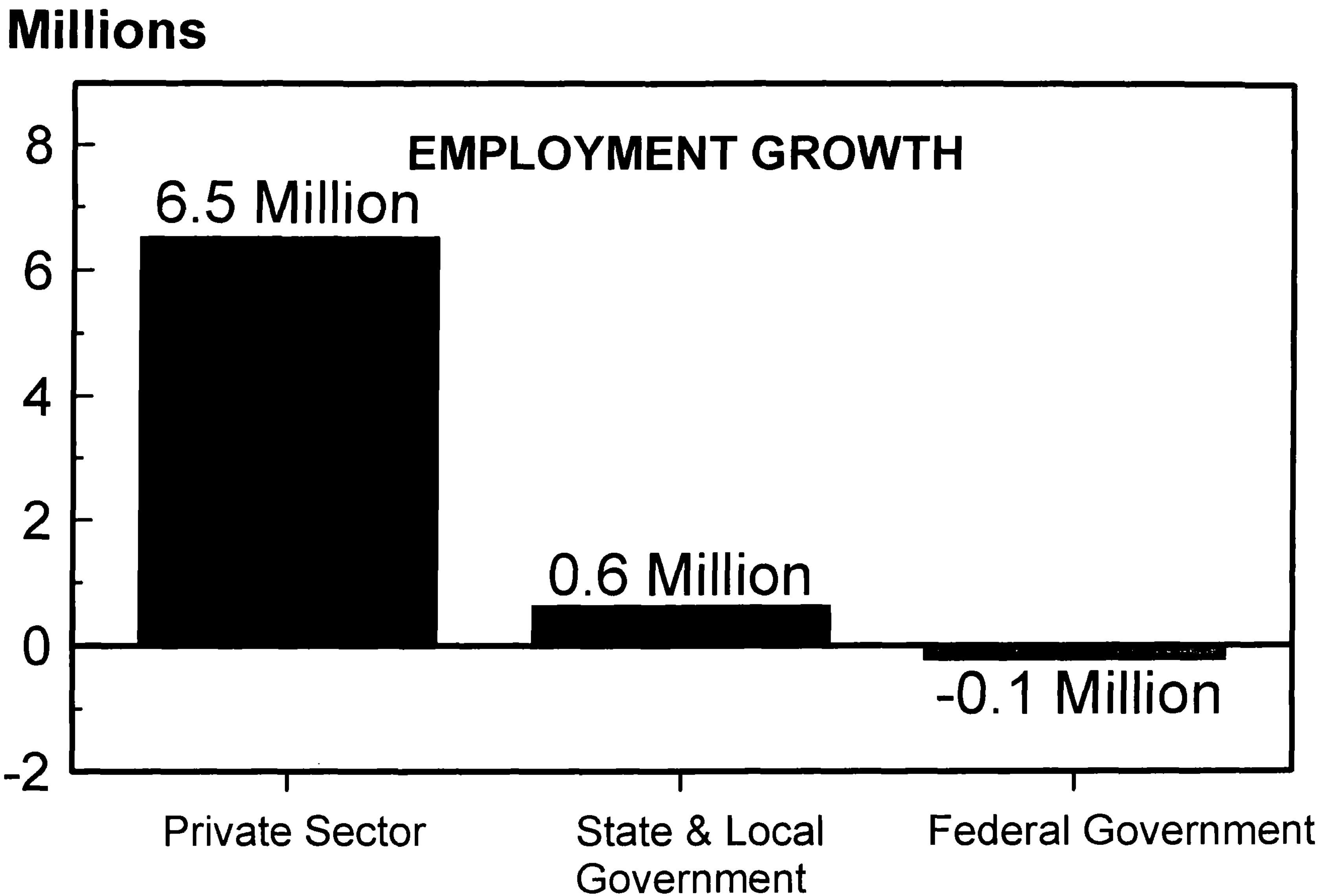
DEFICIT AS A SHARE OF GDP



ECONOMIC GROWTH HAS RETURNED TO A HEALTHY PACE

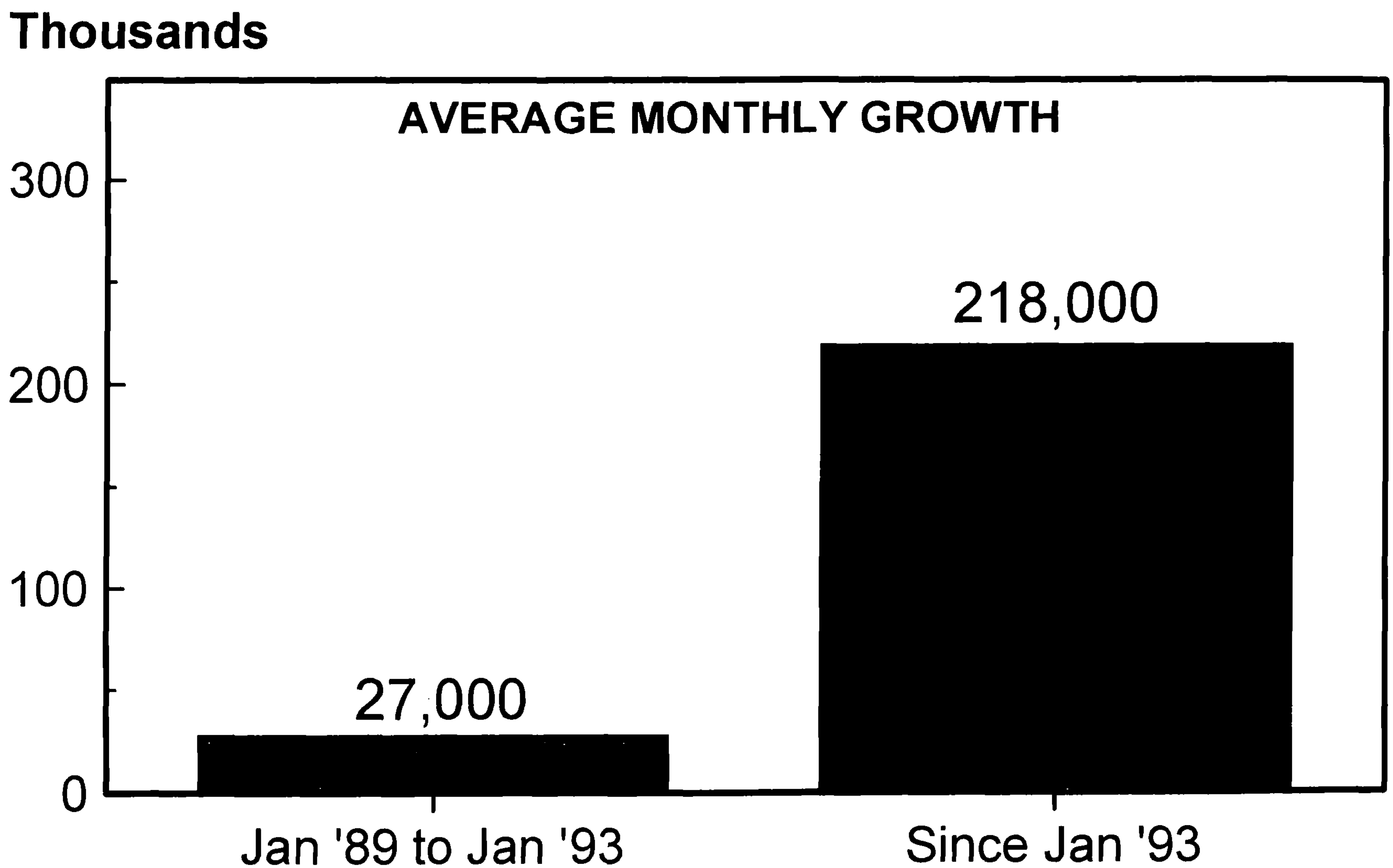


92 PERCENT OF THE 7.1 MILLION NEW JOBS HAVE BEEN IN THE PRIVATE SECTOR

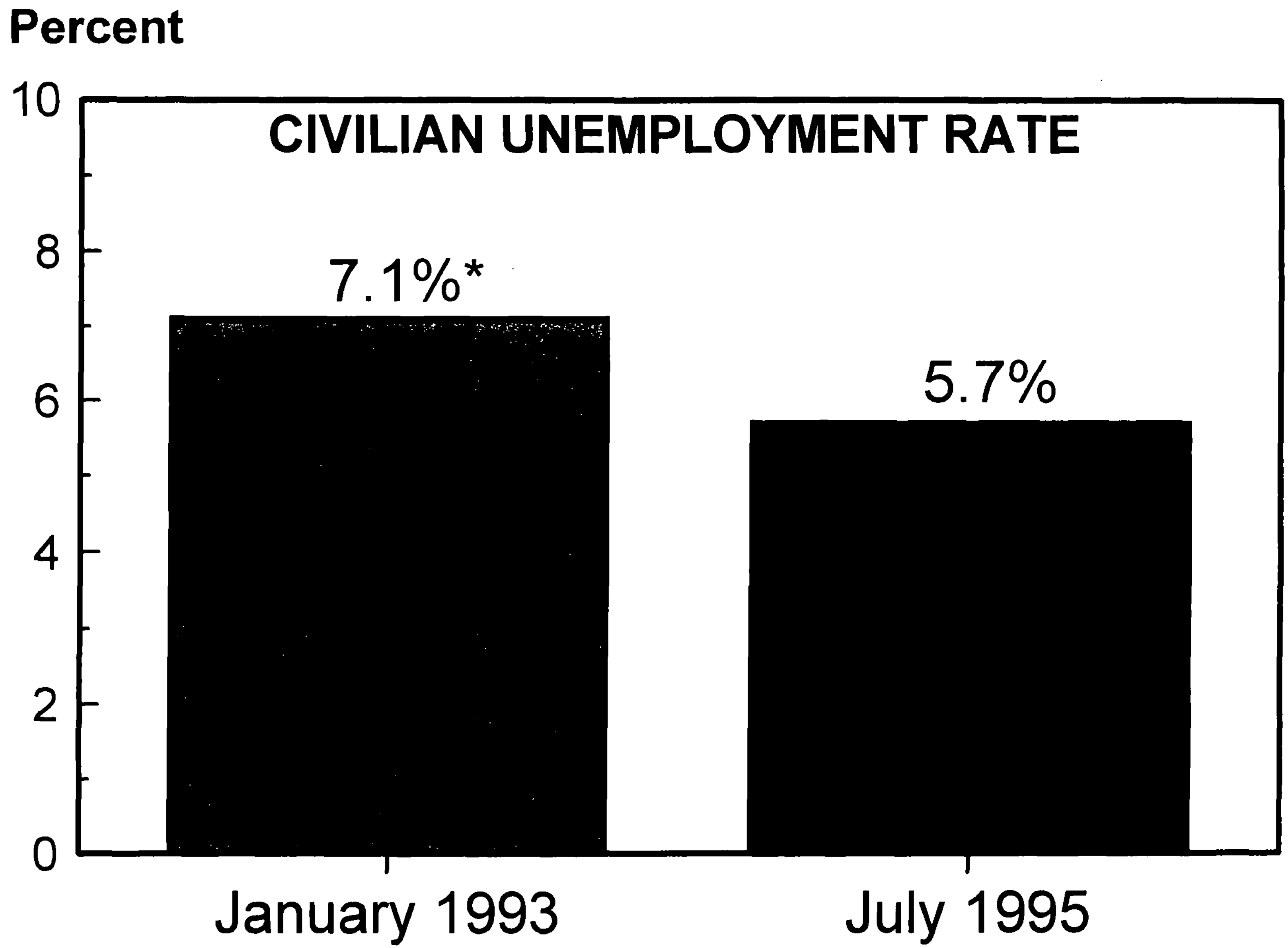


Note: Figures may not sum to total due to rounding.

EIGHT TIMES MORE PRIVATE SECTOR JOBS PER MONTH THAN IN THE PREVIOUS FOUR YEARS

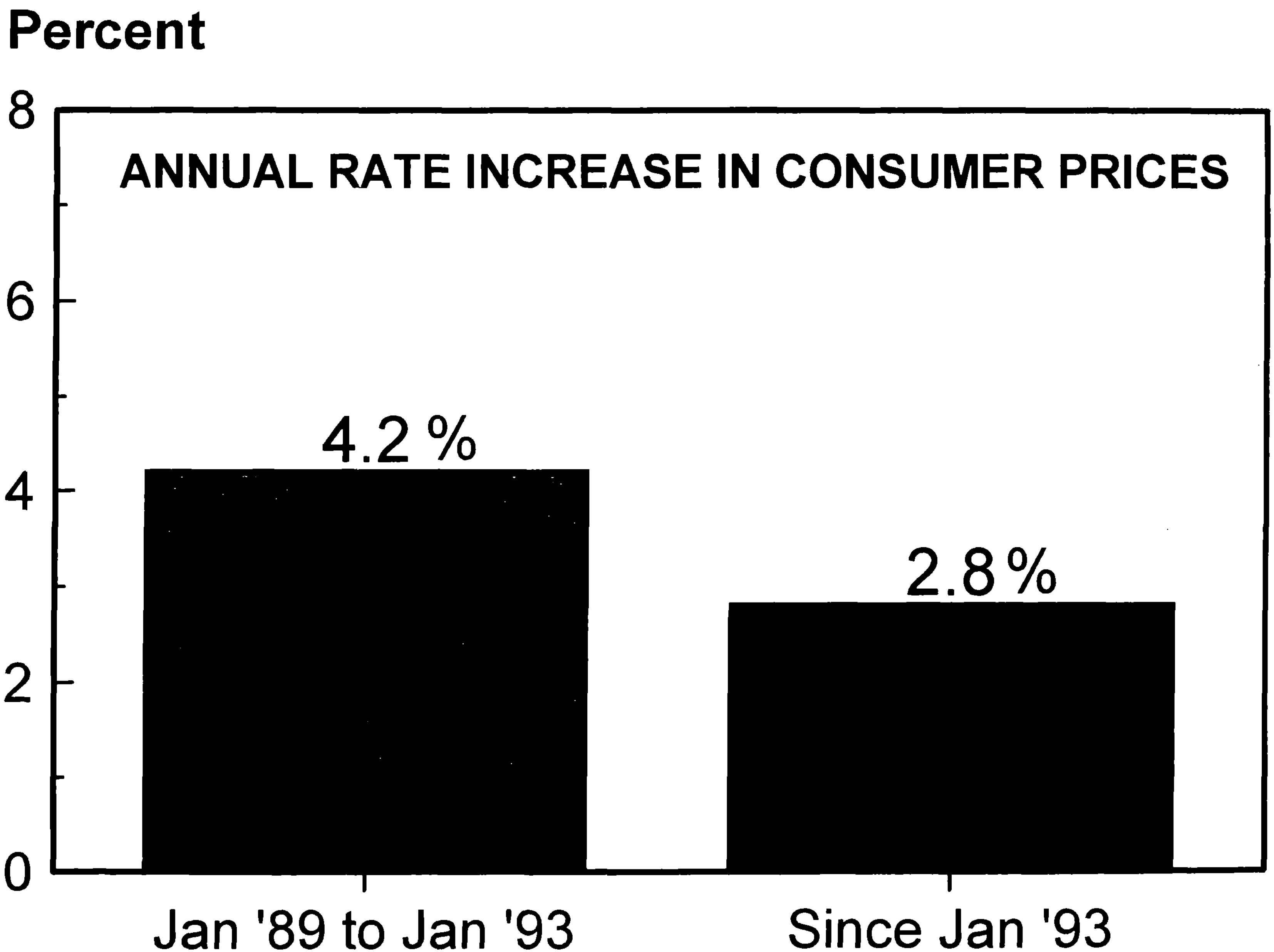


UNEMPLOYMENT HAS FALLEN

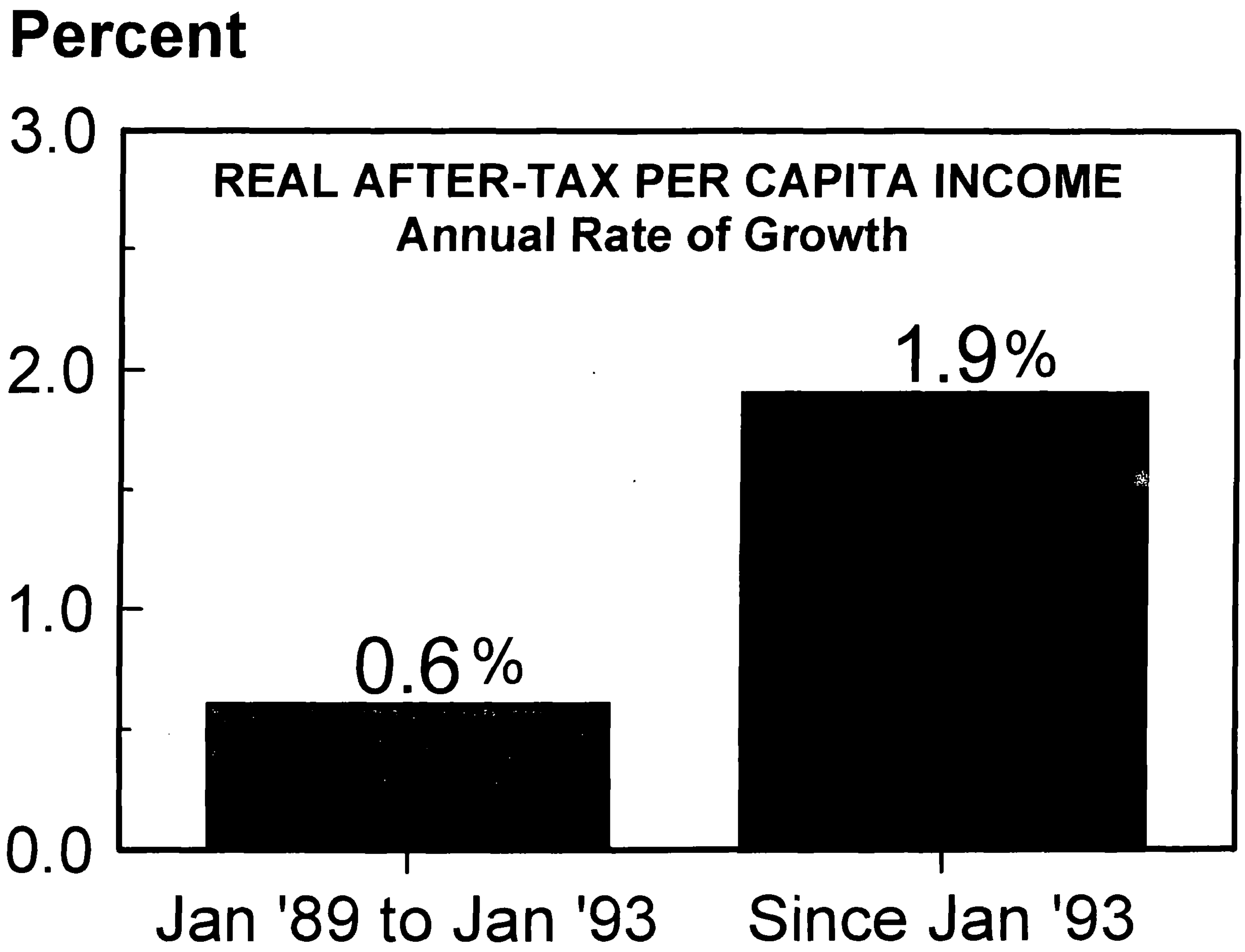


*Old survey basis. Could be somewhat higher under the new survey.

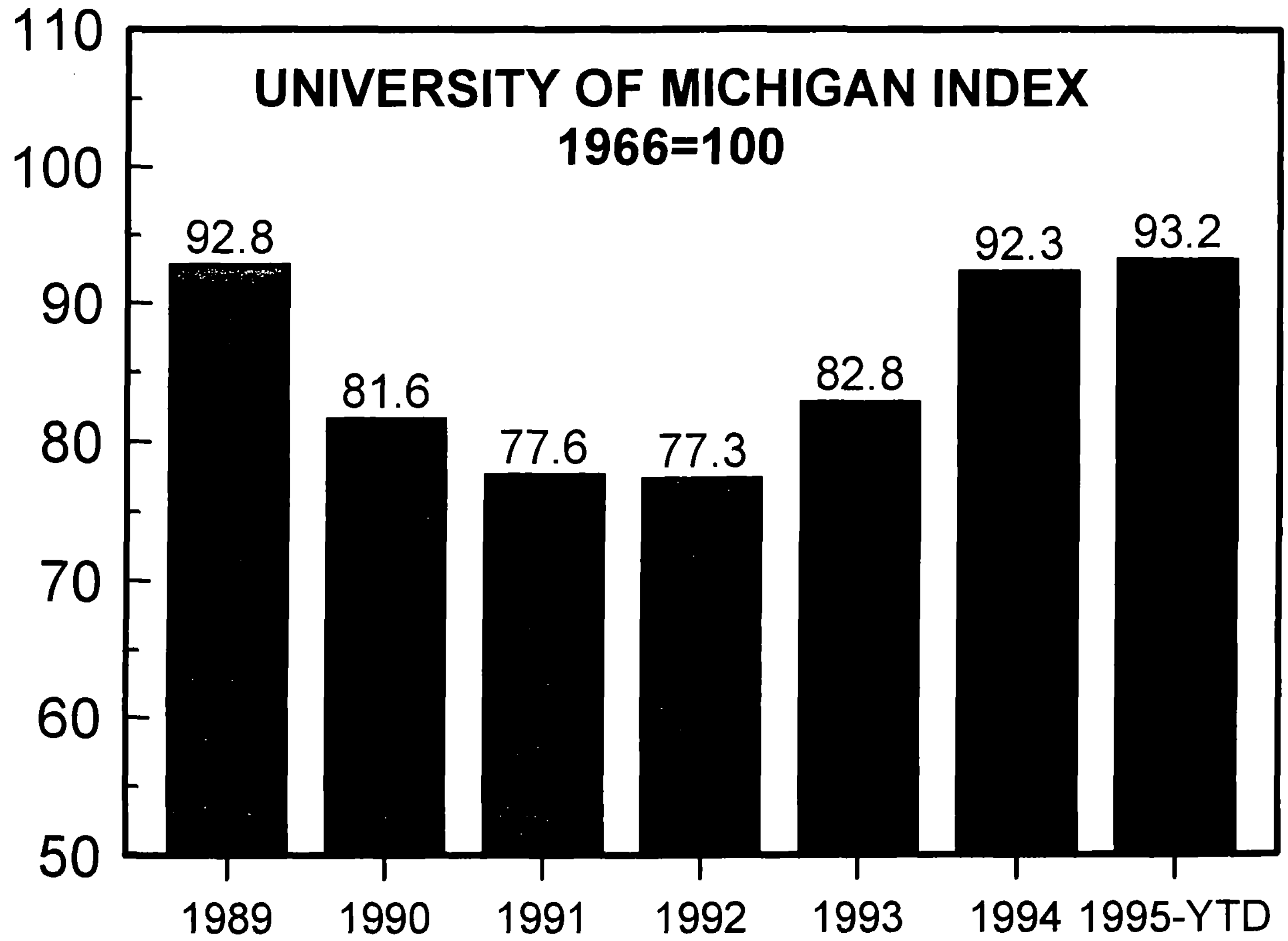
INFLATION HAS FALLEN TO A NEAR 30-YEAR LOW



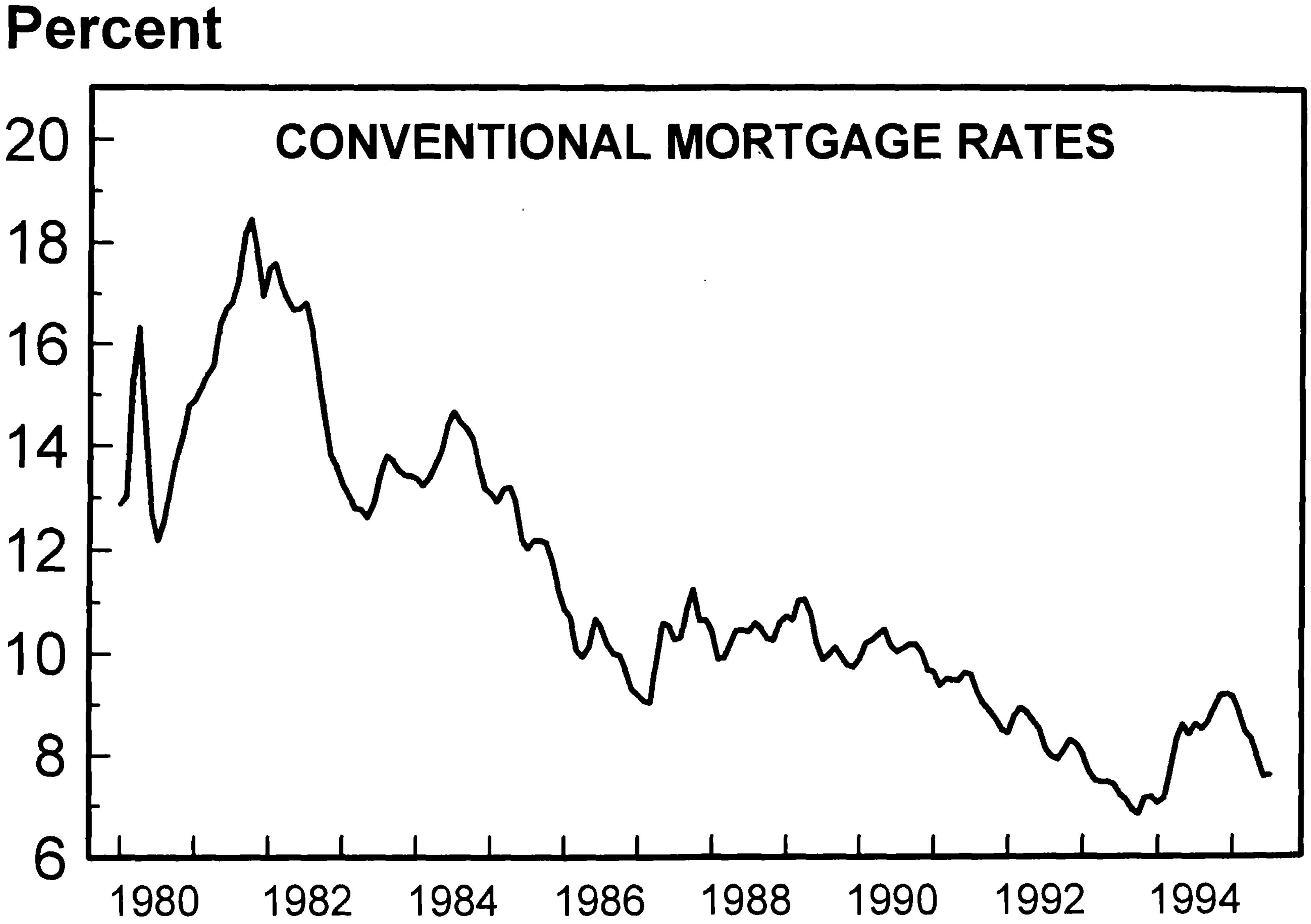
INCOME GROWTH IS THREE TIMES FASTER



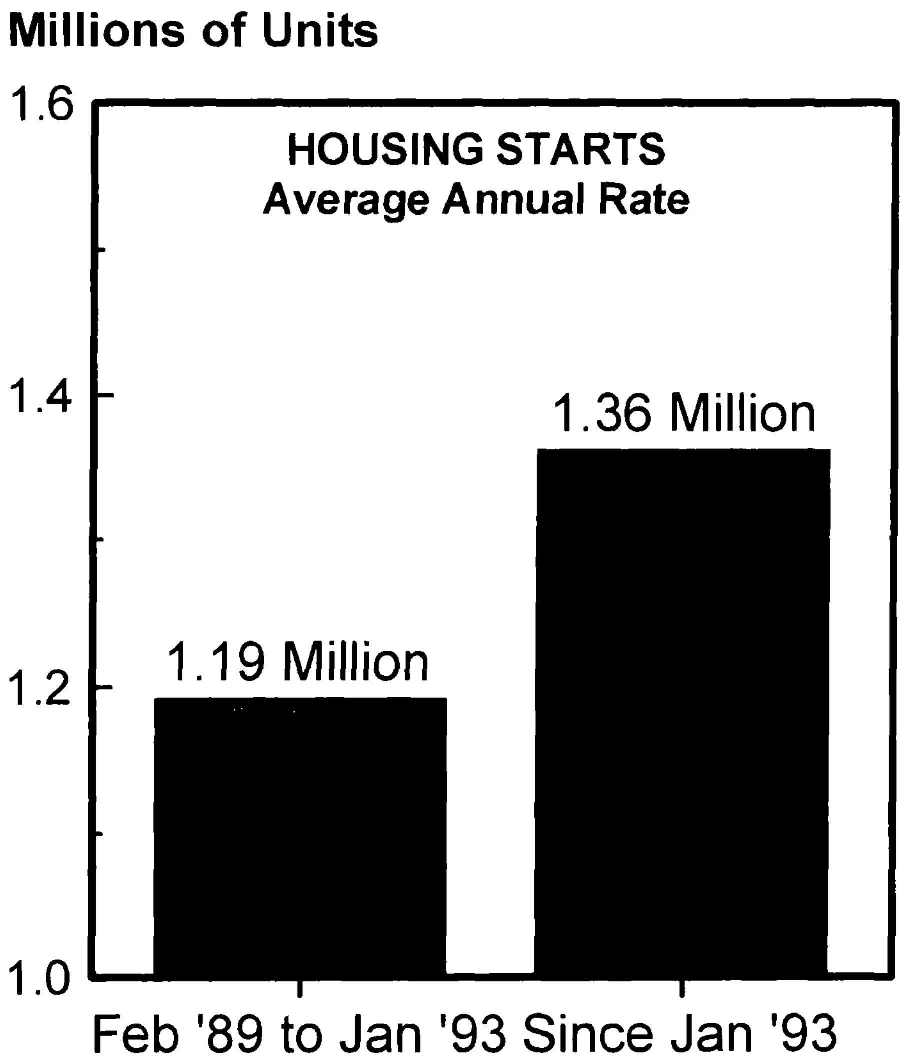
CONSUMER CONFIDENCE HAS REBOUNDED

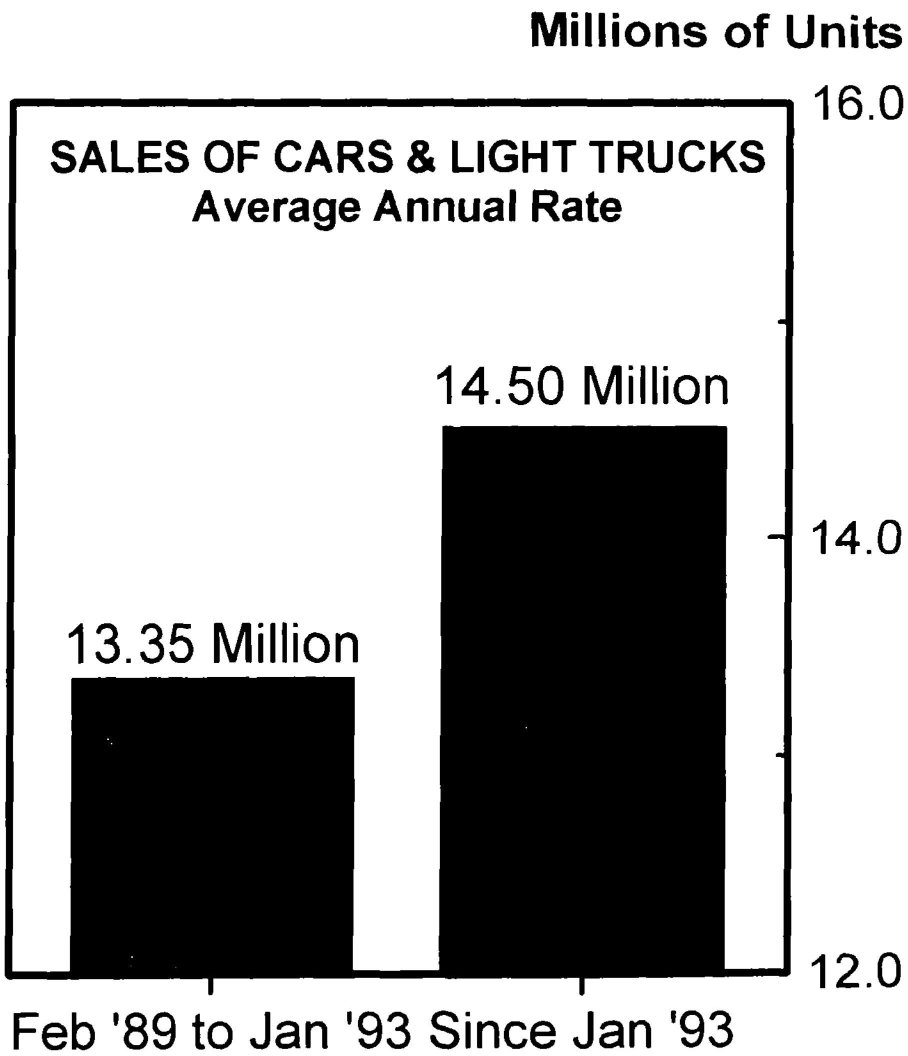


MORTGAGE RATES STILL LOW BY HISTORICAL STANDARDS

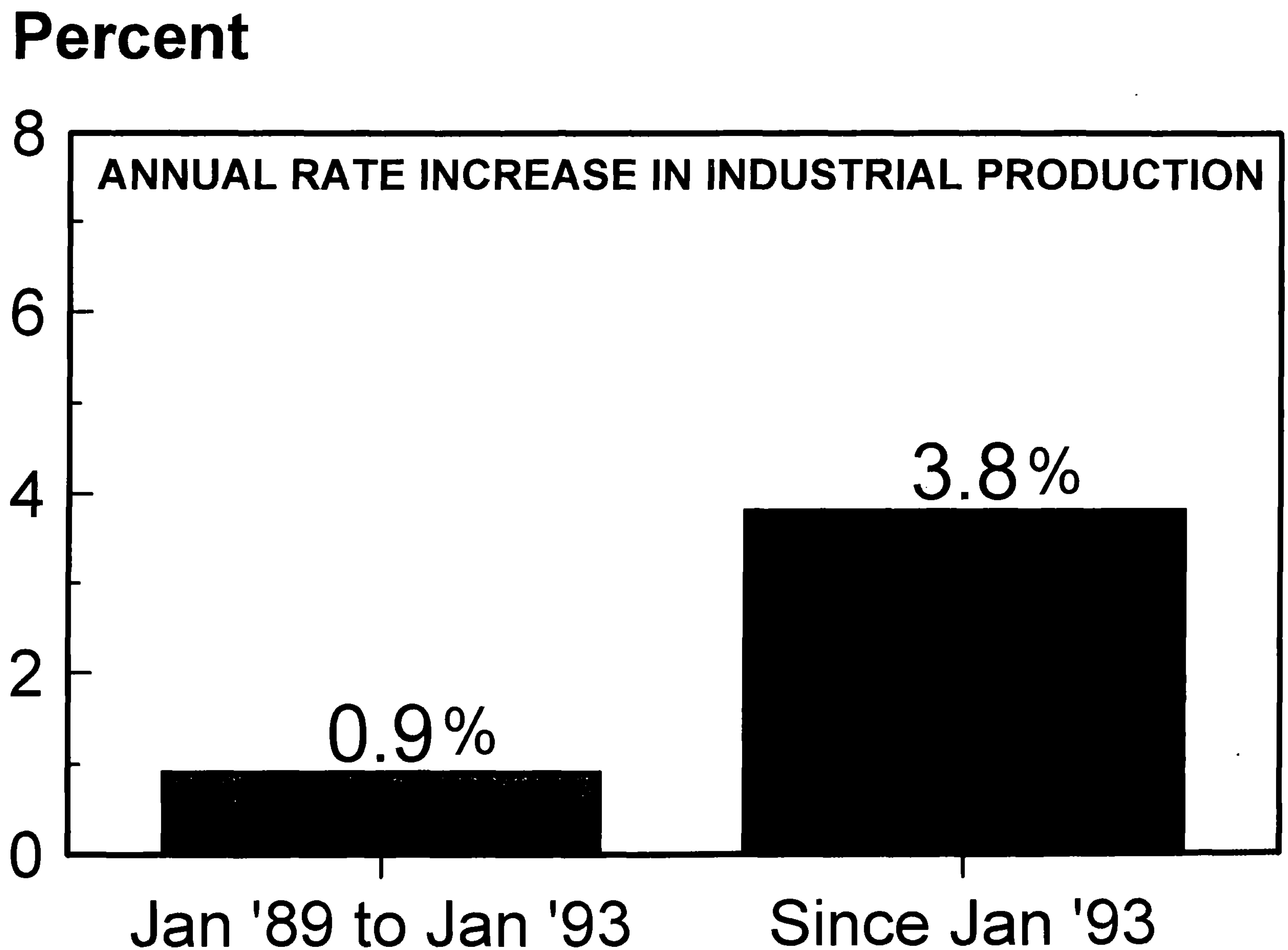


INTEREST-SENSITIVE SECTORS ARE REVITALIZED

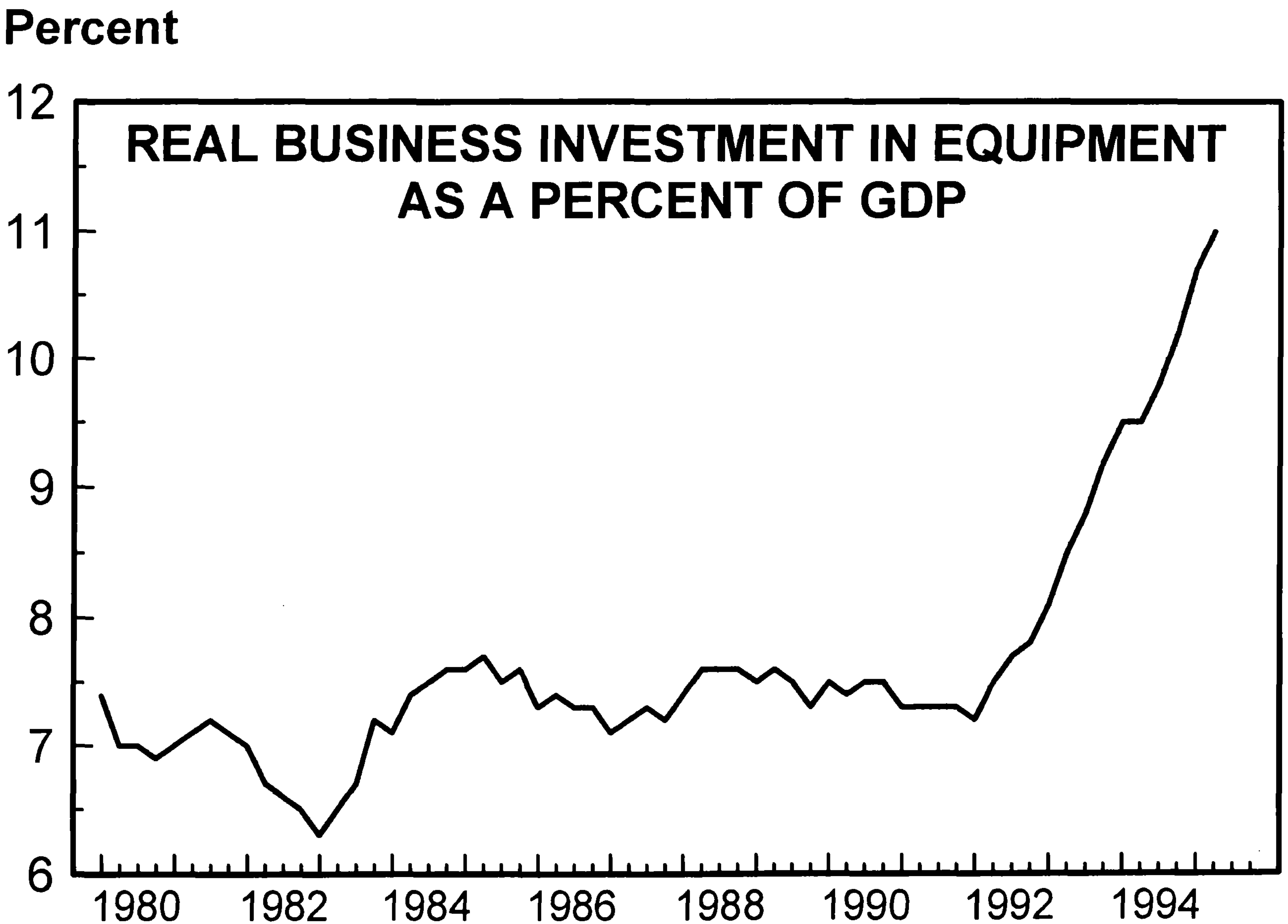




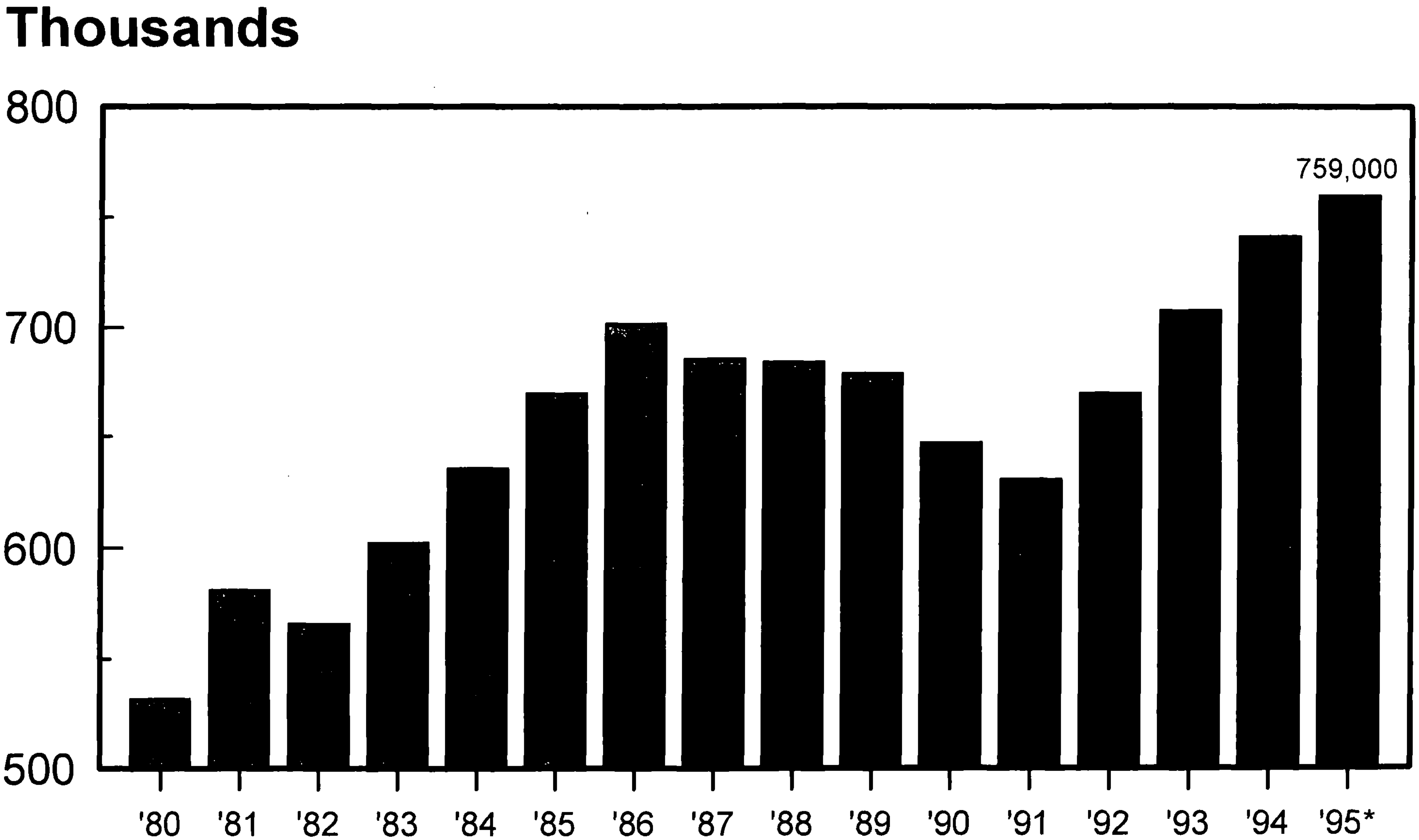
INDUSTRIAL PRODUCTION IS GROWING AGAIN



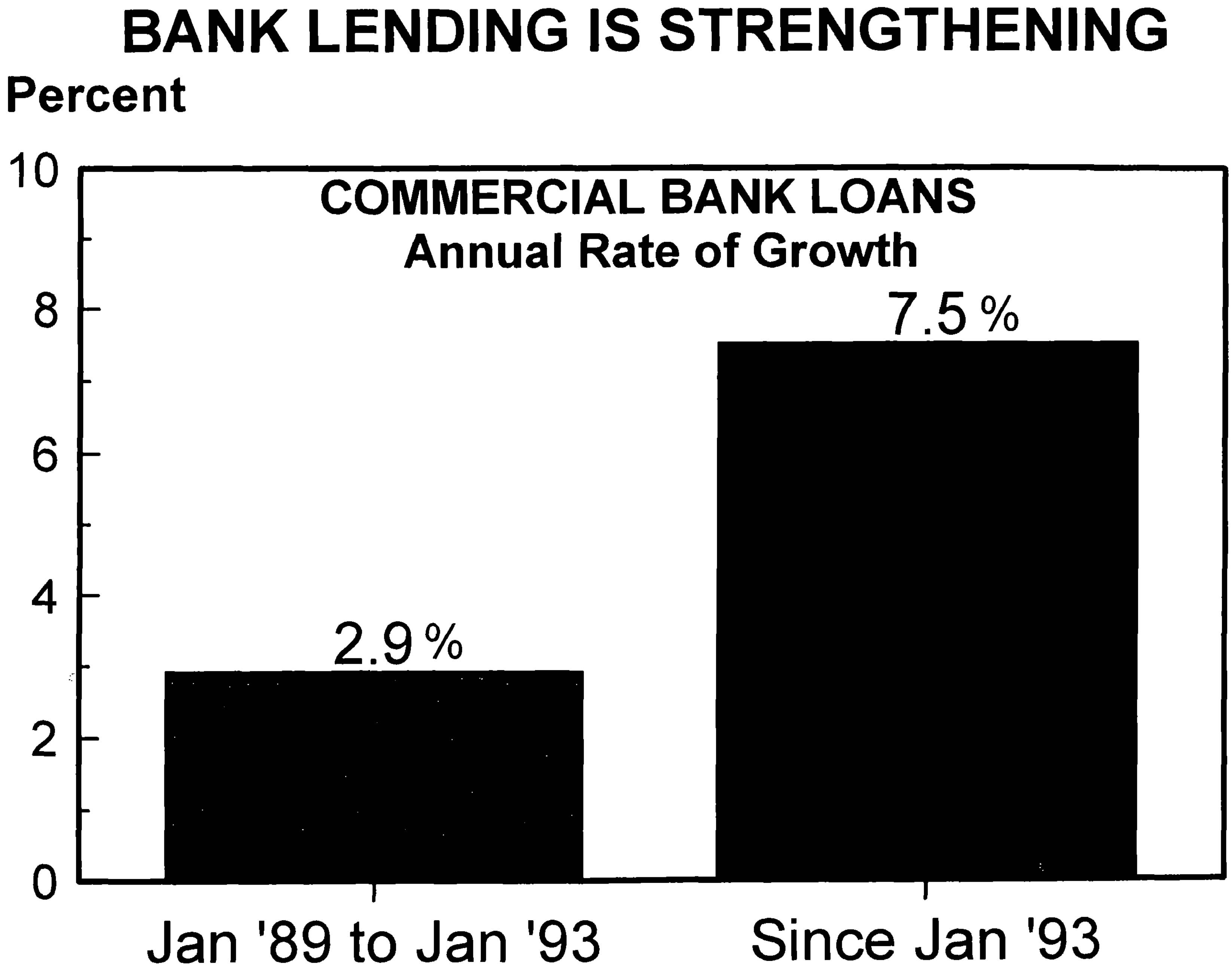
BUSINESS INVESTMENT HAS SURGED



NEW BUSINESS INCORPORATIONS HAVE REACHED A NEW PEAK



*January, annualized


BANK LENDING IS STRENGTHENING
Percent
COMMERCIAL BANK LOANS
Annual Rate of Growth
10
8
6
4
2
0
2.9 %
7.5 %
Jan '89 to Jan '93
Since Jan '93