III. THE CLINTON-GORE ECONOMIC RECORD

- The Economy Then and Now
- Paying Off the Debt
- A Smaller, But More Progressive Government

THE CLINTON-GORE ECONOMIC RECORD: WHAT A DIFFERENCE SEVEN YEARS MAKES

After seven years, the results of President Clinton and Vice President Gore's economic leadership for the American people are clear. In 1992, when Bill Clinton was elected President, the American economy was barely creating jobs and wages were stagnant. His bold, three-part economic strategy focused on establishing fiscal discipline; investing in education, health care, science and technology; and opening foreign markets so that American workers have a fair chance to compete abroad. Seven years later the results of this strategy are clear:

Deficits Replace By Surpluses: Keeping Us On Track to Be Debt Free by 2013

- **1992.** The deficit was $290 billion – the highest dollar level in history. When President Clinton took office, the Congressional Budget Office projected the deficit would grow to $404 billion in 1999 and $455 billion in 2000.
- **Today.** In 1999, we had a budget surplus of $124 billion – the largest dollar surplus on record (even after adjusting for inflation) and the largest as a share of our economy since 1951. This year the Administration forecasts a surplus of $167 billion. With the President's plan, we are now on track to eliminate the nation's publicly held debt by 2013.

Government Spending: Lowest in Over Three Decades

- **1981-92.** Under Presidents Reagan and Bush, Federal government spending as a share of the economy increased from 21.6 percent in 1980 to 22.2 percent in 1992.
- **Today.** Under President Clinton, Federal government spending as a share of the economy has been cut from 22.2 percent in 1992 to 18.7 percent in 1999 – its lowest level since 1966.

Taxes for Typical Families: Lowest in Over Two Decades

- **1981-92.** The total Federal tax rate rises for middle-income families from 23.7 percent in 1980 to 24.5 percent in 1992. (Total tax rates include both the employer and employee portion of the Social Security and Medicare payroll taxes.)
- **Today.** Under President Clinton, the total Federal tax rate for middle-income families has dropped from 24.5 percent in 1992 to 22.8 percent in 1999 – that's the lowest tax rate since 1978. For families at one-half the median income, the effective Federal tax rate has been slashed from 19.8 percent in 1992 to 14.1 percent in 1999 – that's the lowest tax rate since 1968.

Jobs Are Up: Nearly 21 Million Created Since January 1993

- **1981-1992.** In their three terms combined, Presidents Reagan and Bush created only 18.5 million new jobs despite the growth of the labor force from the maturation of the baby boom. Only 2.5 million jobs were created under President Bush, with nearly half of them in the public sector.
- **Today.** The economy has created 20.8 million new jobs since January 1993. This is the most jobs ever created under a single President. There have been an average of 248,000 jobs created per month – a faster rate than any President. And 19.2 million – 92 percent – of the

new jobs were created in the private sector, the highest share since Harry Truman was President.

Faster Economic Growth: 3.9 Percent Per Year

- **1981-1992.** The economy grew an average 1.7 percent per year under President Bush and 2.8 percent per year during the Reagan-Bush years.
- **Today**. Since President Clinton took office, growth has averaged 3.9 percent per year.

Private-Sector Growth Is Up: 4.4 Percent Per Year

- **1981-1992.** The private sector of the economy grew 2.9 percent annually from 1981-1992.
- **Today.** The private sector of the economy has grown 4.4 percent annually since 1993.

Equipment and Software Investment Is Growing Faster Than Ever

- **1981-1992.** Real equipment and software investment rose just 3.8 percent annually during the previous Administration and only 4.7 percent annually for the entire Reagan-Bush period.
- **Today.** Real equipment and software investment is up 12.1 percent per year under President Clinton – faster than any Administration on record. We have seen seven consecutive years of double digit growth in equipment and software investment, for the first time on record.

Homeownership Is Up: The Highest in American History

- **1981-1992.** The homeownership rate *fell* from 65.4 percent in 1981 to 64.2 percent in 1992.
- **Today.** In 1999, the homeownership rate was 66.8 percent – the highest ever recorded.

Inflation is Down: The Lowest Core Rate In 35 Years

- **1981-1992.** The underlying core rate of inflation averaged 4.7 percent annually.
- **Today.** In 1999, the underlying core rate of inflation was 1.9 percent – the lowest since 1965.

Welfare Rolls Dropped Dramatically: Lowest Since 1969

- **1981-1992.** The number of welfare recipients increased by almost 2.5 million (a 22 percent increase) to 13.6 million people.
- **Today.** Between January 1993 and June 1999, the number of welfare recipients dropped by 7.2 million (a 51 percent decline) to 6.9 million – the lowest level since 1969.

Unemployment Is Down: The Lowest Rate in 30 Years

- **1981-1992.** The unemployment rate averaged 7.1 percent and rose to more than 10 percent in 1982 and 1983.
- **Today.** In January 2000, the unemployment rate was 4.0 percent – the lowest rate in 30 years. The unemployment rate has been below 5 percent for 31 consecutive months.

Unemployment for African Americans the Lowest on Record

- **1981-1992:** African American unemployment reached 21.2 percent in January 1983– a record high, and never dropped below 10 percent.
- **Today.** The African-American unemployment rate has fallen from 14.2 percent in 1992 to 8.0 percent in 1999 – the lowest rate on record.

Unemployment for Hispanics Recovered From Record Highs to Achieve Record Lows

- **1981-1992.** Hispanic unemployment hit a record high of 15.7 percent in December 1982.
- **Today.** The Hispanic unemployment rate has dropped from 11.6 percent in 1992 to 6.4 percent in 1999 – the lowest rate on record.

Real Wages Rising Again: Fastest Growth in Two Decades

- **1981-1992.** Real average hourly earnings *fell* 4.3 percent under Presidents Reagan and Bush.
- **Today.** Real wages have grown 6.6 percent under President Clinton. Real wages have grown for five consecutive years – for the first time since the 1960s.

Poverty For African-Americans Dropped to Lowest On Record

- **1981-1992.** Between 1980 and 1992, the poverty rate for African American remained at 30 percent or more.
- **Today.** Since 1993, the African-American poverty rate has dropped from 33.1 percent to 26.1 percent in 1998 – the lowest level recorded, and the largest five-year drop in African-American poverty since 1967-1972.

Poverty For Hispanics Dropped to Lowest Since 1979

- **1981-1992.** Between 1980 and 1992, the poverty rate for Hispanics increased from 25.7 percent to 29.6 percent.
- **Today.** Since 1993, the Hispanic poverty has dropped to 25.6 percent—the lowest since 1979.

Poverty For Single Mothers is the Lowest On Record

- **1981-1992.** Between 1980 and 1992, an additional 2.1 million families with single mothers were pushed into poverty.
- **Today.** Under President Clinton, the poverty rate for families with single mothers has fallen from 46.1 percent in 1993 to 38.7 percent in 1998 – the lowest level on record.

Family Income Up More Than $5,000 Since 1993

- **1988-1992.** Median family income, adjusted for inflation, *fell* by $1,864, dropping from $44,354 in 1988 to $42,490 in 1992.
- **Today.** Since 1993, real median family income has increased by $5,046, rising to $46,737 in 1998.

THE CLINTON-GORE ADMINISTRATION:
PAYING OFF THE DEBT BY 2013

The Clinton-Gore Administrations' FY2001 budget proposes a plan to keep America on track to pay off the debt by 2013. An era of deficits has given way to an era of surpluses, with the unified budget surplus projected to rise to $167 billion this year – the largest surplus ever and the third unified surplus in a row. The budget also projects the on-budget surplus, which excludes Social Security, to be $19 billion in FY2000 – the second consecutive on-budget surplus. The President's budget builds on this historic fiscal strength with a plan to invest in key priorities like education and health, strengthen Social Security and Medicare, and pay down the debt by 2013.

LARGEST UNIFIED SURPLUS EVER

- **Instead of a $455 billion deficit, a $167 billion surplus this year – the largest ever.** In 1992, the deficit was $290 billion – the largest dollar deficit in American history. In January 1993, the Congressional Budget Office projected that the deficit would grow to $455 billion by 2000. Today, the Office of Management and Budget (OMB) is projecting a $167 billion surplus – the third consecutive surplus and the largest surplus ever, even after adjusting for inflation. *Compared with original projections, that is $622 billion less in government drain on the economy and $622 billion more available for private investment in one year alone.*

- **Largest surplus as a share of the economy since 1951**. The 2000 surplus is projected to be 1.7 percent of GDP – the largest surplus as a share of GDP since 1951.

- **Three surpluses in a row – for the first time in over 50 years.** The $167 billion projected surplus in FY2000 follows a surplus of $124 billion in FY 1999 and $69 billion in FY 1998. The last time America had three surpluses in a row was over fifty years ago in 1947-49. *The FY2000 surplus marks the eight consecutive year of fiscal improvement, for the first time in American history – surpassing the pre-Clinton best of five straight years.*

- **A projected on-budget surplus of $19 billion in 2000 – the second consecutive on-budget surplus.** OMB projects that the on-budget surplus, which excludes Social Security, will be $19 billion in 2000. This follows an on-budget surplus of $0.7 billion in 1999. The last time America balanced the budget without using Social Security funds was in 1960. The President is committed to continuing to ensure that the entire Social Security surplus is protected for debt reduction.

LARGEST DEBT REDUCTION EVER

- **The President's plan would eliminate the debt by 2013 – 2 years earlier than planned.** The President's plan to use the entire Social Security surplus for debt reduction, to devote the interest savings from this debt reduction to extend the life of Social Security to at least 2050. The President's plan also uses nearly half of the non-Social Security surplus over the next decade for debt reduction and to extend the life of Medicare by shoring up the Hospital

Insurance trust fund, would put America on the path to eliminate the debt in 2013. This is two years earlier than projected in the President's June 1999 plan.

- **Interest payments would be eliminated**. Currently we spend 13 cents of every Federal dollar on interest payments. These payments, which were once projected to grow to 26 percent of all federal spending in 2013, would be eliminated under the President's plan.

- **On track to pay down $297 billion in debt held by the public over three years.** In 1998 and 1999, the debt held by the public was reduced by a combined $140 billion. OMB is projecting that the United States will pay down an additional $157 billion in debt held by the public this fiscal year. That will bring the total debt pay down to $297 billion – the largest three-year debt pay down in American history.

- **The debt held by the public is on track to be $2.4 trillion lower in 2000 than was projected when the President took office**. In 1993, the debt held by the public was projected by the Office of Management and Budget to balloon to $5.9 trillion by 2000. Instead, shrinking deficits and surpluses in the last three years are projected to bring the debt down to $3.5 trillion in 2000 – $2.4 trillion better than expected. In 1993, the debt held by the public was 49.5 percent of GDP and projected to rise to 64.7 percent of GDP in 2000. Instead, it has been slashed to a projected 36.3 percent of GDP.

- **As a result, interest payments on the debt in 2000 are $128 billion lower than projected.** In 1993, the net interest payments on the debt held by the public were projected to grow to $348 billion in 2000. Fiscal discipline has slashed this figure to a projected $220 billion – a $128 billion improvement *for one year alone.*

REDUCING SPENDING WHILE CUTTING TAXES FOR MIDDLE-INCOME FAMILIES

- **Federal spending as a share of the economy is the lowest since 1966.** The spending restraint under President Clinton has brought spending down from 22.2 percent of GDP in 1992 to 18.7 percent of GDP in 1999 – the lowest in over thirty years. At the same time, President Clinton has increased investments in education, technology and other areas that are vital to growth.

- **While balancing the budget and paying down the debt, President Clinton has provided tax relief for working families.** The tax cuts signed into law by the President in 1993 and 1997 – for example, the expanded Earned Income Tax Credit, the $500 child tax credit, the $1,500 HOPE Scholarship Tax Credit, and the expanded IRAs have reduced taxes for American families. The total Federal tax rate for middle-income families has dropped from 24.5 percent in 1992 to 22.8 percent in 1999 – that's the lowest tax rate since 1978. For families at one-half the median income, the effective Federal tax rate has been slashed from 19.8 percent in 1992 to 14.1 percent in 1999 – that's the lowest tax rate since 1968.

WHAT FISCAL DISCIPLINE MEANS FOR AMERICA

- **Lower interest rates have already cut mortgage payments by $2,000 for families with a $100,000 mortgage**. Because of the policy of deficit and debt reduction, it is estimated that a family taking out a home mortgage of $100,000 expects to save roughly $2,000 per year in mortgage payments. *This has helped raise the homeownership rate to 66.8 percent in 1999 – the highest rate on record.*
    - Lower interest rates cut car payments by $200 annually for families taking out a typical car loan.
    - Lower interest rates cut student loan payments by $200 annually for a person with a typical student loan.

- **Lower debt will help maintain strong economic growth**. With the government no longer draining resources out of capital markets, businesses have more funds for productive investment. This has helped to fuel a 12.1 percent real annual increase in productive equipment and software investment since 1993 – the seventh consecutive year of double digit growth, the strongest period of growth on record. This compares to 4.7 percent annual growth from 1981-92, a period that saw the debt held by the public quadruple.

- **Rising investment has contributed to a pickup in productivity growth**. Non-farm business productivity has grown at a 2.7 percent average annual rate for the last four years. This compares to 1.5 percent growth from the 1970s through the early 1990s.

WHAT THE EXPERTS SAY

Experts agree that President Clinton's 1993 economic plan helped reduce the deficit, lower interest rates, spur business investment, and strengthen the economy. The economy and the budget are now working in a virtuous circle – lower deficits have led to lower interest rates which have led to faster business investment which led to faster growth which led to even lower deficits. Experts agree that the President's 1993 Economic Plan helped create this virtuous circle:

- **Alan Greenspan**, **Federal Reserve Board Chairman, 1/04/00 with President Clinton at Chairman Greenspan's re-nomination announcement**: "My colleagues and I have been very appreciative of your [President Clinton's] support of the Fed over the years, and your commitment to fiscal discipline… has been instrumental in achieving what in a few weeks… will be the longest economic expansion in the nation's history."

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

- ***Business Week*, 5/19/97:** "Clinton's 1993 budget cuts, which reduced projected red ink by more than $400 billion over five years, sparked a major drop in interest rates that helped boost investment in all the equipment and systems that brought forth the New Age economy of technological innovation and rising productivity."

- **Goldman Sachs, March 1998:** One of the reasons Goldman Sachs cites for the "best economy ever" is that "on the policy side, trade, fiscal, and monetary policies have been excellent, working in ways that have facilitated growth without inflation. The Clinton Administration has worked to liberalize trade and has used any revenue windfalls to reduce the federal budget deficit."

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

A SMALLER BUT MORE PROGRESSIVE GOVERNMENT

President Clinton and Vice President Gore have cut Federal spending and cut the Federal workforce, reversing twelve years when the Republicans exploded the deficit and more than quadrupled the debt. At the same time, the Clinton-Gore Administration has made investments in everything from education to science and technology to health care to tax relief for working families.

PAYING OFF THE DEBT BY 2013

- **The debt quadrupled under President's Reagan and Bush.** The debt held by the public increased from $712 billion in 1980 to $3.0 trillion in 1992. In early 1993, the debt was projected to rise to $5.9 trillion in 2000. The President's fiscal discipline has slashed that to a projected $3.5 trillion in 2000. *That is $2.4 trillion less in debt than was projected seven years ago.*

- **On track to pay-down $297 billion in debt held by the public over three years.** In 1998 and 1999, the debt held by the public was reduced by $140 billion. The Office of Management and Budget (OMB) is projecting that the United States will pay-down an additional $157 billion in debt held by the public this fiscal year. That will bring the total debt pay-down to $297 billion – the largest three-year debt pay down in American history. *This keeps us on track to pay off the debt held by the public by 2013 – two years ahead of the President's previous projection.*

LOWEST GOVERNMENT SPENDING IN OVER THREE DECADES

- **Federal spending as a share of the economy is the lowest since 1966.** The fiscal restraint under President Clinton has brought spending down from 22.2 percent of GDP in 1992 to 18.7 percent of GDP in 1999 – the lowest since 1966. At the same time, President Clinton has increased investments that are vital for future growth, including nearly doubling education and training. Under Presidents Reagan and Bush, Federal government spending as a share of the economy increased from 21.6 percent in 1980 to 22.2 percent in 1992.

- **Non-defense discretionary Federal spending as a share of the economy is the lowest on record.** Since President Clinton took office, non-defense discretionary spending has fallen from 3.7 percent of GDP in 1992 to 3.3 percent of GDP in 1999 – the lowest as a share of the economy on record. Over this period, total discretionary spending fell from 8.6 percent of GDP to 6.3 percent of GDP, also the lowest on record. (Comparable data for these categories goes back to 1962.)

- **Discretionary spending <u>down</u> under President Clinton and <u>up</u> under the previous two Administrations.** Real discretionary spending has *fallen* by 1.1 percent per year under President Clinton; from 1980 to 1992, real discretionary spending *increased* 1.0 percent per year.

- **Lower general government spending – as a share of GDP – than any major economy in the world.** According to the OECD, the U.S. has lower total government spending – Federal, state, and local – as a share of GDP than any major economy in the world.

SMALLEST FEDERAL WORKFORCE IN 40 YEARS

- **The smallest Federal civilian workforce in 40 years.** The Federal civilian workforce increased from when President Reagan took office to when President Bush left office. Since President Clinton took office, the Federal workforce has been cut by 377,000 – nearly a fifth – and is now lower than any time since 1960.

LOWEST TAXES FOR MIDDLE-INCOME FAMILIES IN OVER TWO DECADES

- **While balancing the budget and paying down the debt, President Clinton has provided tax relief for working families.** The tax cuts signed into law by the President in 1993 and 1997 – for example, the expanded Earned Income Tax Credit, the $500 child tax credit, the $1,500 HOPE Scholarship Tax Credit, and expanded IRAs, have reduced taxes for American families. The total Federal tax rate for middle-income families has dropped from 24.5 percent in 1992 to 22.8 percent in 1999 – that's the lowest tax rate since 1978. For families at one-half the median income, the effective Federal tax rate has been slashed from 19.8 percent in 1992 to 14.1 percent in 1999 – that's the lowest tax rate since 1968.