U. S. S E N A T E

Republican Policy Committee

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Clinton's Third Budget Doesn't Balance, CBO Says

Clinton Fails Balanced-Budget Taste Test for the Third Time this Year

For the third time this year, the White House's brand of budget elixir has failed to satisfy the discriminating consumer of the Congressional Budget Office in a blind taste test. According to CBO's preliminary analysis of December 13, 1995, even with the new packaging of more favorable economic assumptions, the Clinton Administration can't produce a budget that gets within $100 billion of balance in any of the next seven years. Clinton³ ("Clinton Cubed") still leaves America with that heavy deficit aftertaste for which it has become justifiably famous.

The reason that the Clinton White House keeps bottling these deficit-heavy impotables like Clinton³ is simple: They refuse to take out their not-so-secret ingredient of excess Washington spending. By refusing to control spending, they resign themselves to status quo deficits that barely move over five of the next seven years. In fact during those five years, the deficit would be the same or higher than it was in 1996, and from 1996 to 2000 it would have dropped by only 2 percent. In fact, CBO actually used the phrase, "save less or cost more" in its description! That translates into, "more filling, tastes terrible" to America's economic palate.

Clinton's product is surely showing America that if they want "the real thing" in balanced budget plans, there is only one place to go: Congress' seven-year balanced budget bill.

CBO December Baseline Deficit Estimate of The Real Thing: Congress' Balanced Budget Bill

(In billions of $'s)

1996	1997	1998	1999	2000	2001	2002
151	159	127	97	73	34	-3

In a half-hearted and belated, but failed, attempt to fulfill Clinton's promise to produce a balanced budget over seven years, the White House uncorked its third unbalanced budget this year.

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CBO December Baseline Deficit Estimate of Clinton³
(In billions of $'s)

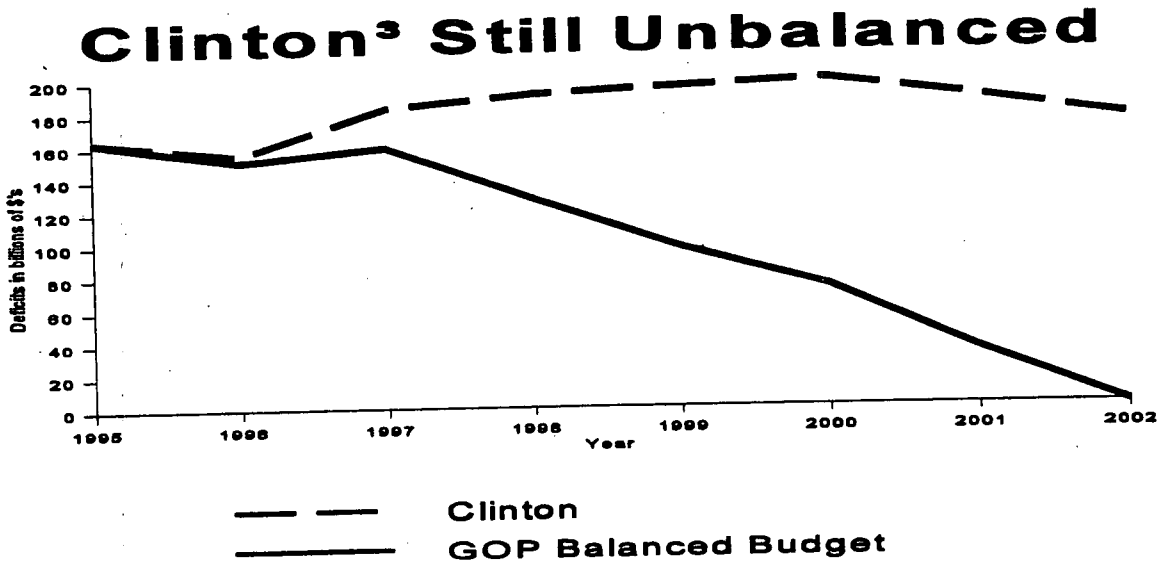
1996	1997	1998	1999	2000	2001	2002
148	162	155	148	145	130	115

Despite "New and Improved" Claims, CBO Wouldn't Swallow It

That's not to say that CBO didn't try hard to hold its stomach when determining its deficit estimate of Clinton³. In fact, CBO through its more favorable technical and economic assumptions even turned a blind eye to the fact that the Clinton budget never balances, and instead still gave them credit for the economic dividend that would result if it ever did:

> *"These figures however, include the full fiscal dividend from balancing the budget, even though CBO estimates that the Administration's plan would fall short of that goal."*
> [CBO Director June E. O'Neill, letter to Budget Chairman Domenici, 12/13/95]

What Director O'Neill is saying is that CBO has built the $282 billion dividend figure into their baseline and that they cannot now separate it from their assumptions — even if the policy that they are estimating does not meet the economic prerequisites (as Clinton³ does not) to achieve them. Without that little flavor enhancer, ***Clinton³ actually would have a deficit in 2002 as high as $175 billion — $178 billion higher than Congress' budget and $11 billion higher than the deficit is today!*** In fact, without the economic dividend, Clinton³ would have higher deficits than 1995's $164 billion in every year but 1996, and then would return to near the $200 billion range that they inhabited in Clinton's second budget.



CBO December Baseline Economic Dividend From A Balanced Budget

1996	1997	1998	1999	2000	2001	2002
7	21	36	47	54	58	60

CBO December Baseline Deficit Estimate of Clinton³
(without the economic dividend for balance)

1996	1997	1998	1999	2000	2001	2002
155	183	191	195	199	188	175

Of course, CBO's job was hard enough without having to tackle that issue because it was busy sifting through Clinton³'s gimmicks, a lack of specificity, and a specific laxity. As evidence:

- **Gimmick** — The spectrum auction: "CBO's estimate of lower receipts reflects an assumption that as more spectrum is made available through auctions, the average price paid will decline." In other words, Clinton's plan failed to apply a basic economic principle, that when supply increases, price decreases.

- **Lack of specificity** — Medicaid: "CBO believes that [the] Administration's proposal does not adequately specify how the additional savings would be achieved."

- **Lack of specificity** — Medicare: "In most instances, CBO finds that the Administration's Medicare proposals would save less or cost more than the Administration has estimated."

- **Specific laxity** — Welfare reform: "$4 billion less savings from poverty programs. Most of the difference involves the provisions limiting benefits to illegal aliens." In other words, Clinton's plan allows for billions more to be wasted on fraud and abuse.

Another Bad Vintage from "Chateau Blanc"

With Clinton³, the White House is just continuing to put out another bottle from the same bad vintage. Still heavy on deficits, it's the same old wine in new bottles. CBO couldn't swallow it and America shouldn't either:

- Even with its undeserved economic dividend, Clinton³ barely budges the deficit in its first five years — decreasing it just 2 percent from 1996 to 2000 and actually keeping it the same or higher than 1996 in three of the following four years.

- Without its unearned economic dividend, Clinton³ would put deficits over 1995's deficit of $164 billion in every year except 1996 and back into the $200 billion range of Clinton's second budget.

- Clinton³ excessive deficits are due to excessive spending. In fact, the plan depends on favorable economic and technical assumptions, not fiscal responsibility.

- Clinton³ only does half the job. Its seven-year deficit reduction is just $385 billion — that's just half of Congress' $750 billion.

- Only 27 percent of Clinton³'s deficit reduction comes from actual savings — the remaining three-quarters comes from a balanced budget dividend it does not earn.

After Clinton's third failure at deficit elimination one thing is still true: When it comes to the real thing in deficit elimination, the only thing in town remains Congress' balanced budget bill.

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