

II. BUILDING ON THE SUCCESS OF OUR FISCAL DISCIPLINE

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We made the tough choices to reduce the deficit and balance the budget the right way. Year in and year out, we have resisted politically attractive, but economically unwise tax cuts that would have abandoned this commitment and taken us in the wrong direction... And in the last two years alone, we had paid down our Nation's debt by \$140 billion, the largest debt reduction in our Nation's history. We have closed the book on deficits and opened the door on a new era of economic opportunity... Debt reduction really means a tax cut, and a sizeable one, for America's families. It proves that putting our fiscal house in order helps every American household.

President Clinton
October 1999

The dawn of this new century has brought with it extraordinary opportunities for the American people. Today, our economic success is unparalleled and we are poised to enter the longest economic expansion in our Nation's history. From the largest Federal budget deficit in history only seven years ago we have produced the largest surplus in history. Moreover, with our fiscal house in order, we have started to pay down the national debt held by the public, and if we maintain sound fiscal policy, we can eliminate the debt in the next 13 years, making the United States debt free for the first time since 1835.

When President Clinton took office seven years ago, the Federal budget deficit had exploded. It dominated the Government's ability to make policy and imposed an insidious burden on our economy. In 1992, the \$290 billion deficit—the largest in American history—was projected to continue spiraling upward without restraint. The economy suffered, interest rates were high, and job creation stalled. Capital that should have been used for productive investments to create new jobs instead was used to finance the Government's massive deficit-driven borrowing.

We can now look back with pride at our progress and ahead with confidence as we consider the success of our fiscal discipline

and the opportunity we have to build upon it. Today, we have lower interest rates, a higher level of investment, and unprecedented prosperity. Our economy has added more than 20 million new jobs. The unemployment rate is the lowest in 30 years, the welfare rolls are down by more than 50 percent since 1993, the core inflation rate is the lowest in 35 years, and more Americans own their own homes than at any time in our history.

Tomorrow holds even greater promise. The President's deficit reduction policy has produced historic surpluses and has put us on a path to pay down and eliminate the debt. Compare that to the record of the past. In the 12 years before the President came to office, the debt had quadrupled and equaled nearly 50 percent of the Nation's annual production, draining funds that could have been devoted to other uses in order to pay the interest costs on the debt. If the President had not adopted the policy of aggressive deficit reduction the debt was projected to double again, nearing 70 percent of the Nation's economy by 2001 and imposing nearly \$400 billion in interest costs next year. Instead, as the debt begins to reverse course and head downward, we have an extraordinary opportunity to make America debt free by 2013.

The President's plan to save Social Security would protect the entire Social Security surplus and dedicate it to debt reduction, and would extend the solvency of the program to mid-century. The President also proposes to extend the solvency of Medicare until at least 2025, and to modernize the program with a needed prescription drug benefit. Paying down the debt will improve the Nation's ability to uphold existing commitments to Social Security, freeing resources that would have gone to interest costs and devoting them instead to extending the solvency of the program. The President's sustained commitment to saving Social Security already has produced agreement that it is essential to protect the Social Security trust fund. It is time to meet the challenges of this new century to ensure that we extend the solvency of Social Security and uphold our commitments to generations to come by investing in the future.

The President's Agenda: The Path to Prosperity

The President has achieved one of his first and most important goals: to get the economy moving again. He did this by spearheading a controversial and courageous program to revive the Nation's economy. His economic strategy was built upon three elements: fiscal discipline; investing in policies that strengthen the American people; and, engaging in the international economy, including expanding global trade.

The President's 1993 economic plan, which he worked with the Congress to enact, was the centerpiece of this strategy. It cut spending, slowed the growth of entitlements, and raised taxes on only the very wealthiest Americans. At the same time, this plan cut taxes for 15 million working families and made 90 percent of small businesses eligible for tax relief. And, it began an ongoing effort to invest in education and training and in research to boost productivity and, thus, promote higher living standards.

His three-pronged plan of deficit reduction, international engagement, and targeted investments provided resources for the American people. The plan both ensured that key investments for the American people strength-

ened their prospects for the future, and took broader fiscal measures to put the Nation's economy on the right track.

Despite critics' predictions that this strategy would fail, causing recession and even larger deficits, the President's plan built the foundation for the great prosperity that is America's today. In the summer of 1997, the President and the Congress joined together in an historic agreement to finish the job of balancing the budget. The results of this bipartisan action, the Balanced Budget Act (BBA), provided the final push, bringing the budget to balance a full four years earlier than projected. Like the President's 1993 plan, the BBA also provided for strategic investments in the American people.

The Record of Fiscal Discipline and Targeted Investments

The 2000 Budget maintained fiscal discipline, protected the surplus, forged a path of debt reduction, and did so while providing resources for a strategy of targeted investments to maintain economic growth and provide for the future needs of the Nation. The President worked with Congress to establish and build upon significant investments in education and training, the environment, law enforcement, and other priorities. For example, last year the President's commitment has:

- Provided the second year's investment to reduce class size by hiring 100,000 new teachers. Smaller classes ensure that students receive more individual attention, a solid foundation in the basics, and greater discipline in the classroom. In its second year, the class size initiative has already reduced class size in participating schools by an average of five students. The proposed investments in this area will reduce class size in the early grades to a national average of 18 students.
- Increased Head Start's ability to provide greater opportunities for disadvantaged children to participate in a program which prepares them for grade school. In 2000, a boost in Head Start funding will put 880,000 children into the program, making further progress toward the President's

goal of putting a million children in Head Start by 2002.

- Established the 21st Century Policing Initiative, which builds upon the success of the President's Community Oriented Policing Services (COPS), that added 100,000 police officers to local beats and has contributed to the Nation's lowest crime rate in 25 years. The 21st Century Policing Initiative provides funding for up to an additional 50,000 officers by 2005, provides significant funds for the latest anti-crime technologies, and engages communities in fighting crime by funding new community-based prosecutors and partnerships with parole officers, school officials, and faith based organizations.
- Created Lands Legacy, an historic inter-agency initiative, which strengthens efforts at the local, State, and Federal levels to preserve our national heritage by protecting the Nation's natural treasures and historic places for Americans today and tomorrow. Funding for Federal land acquisition will protect for future generations precious natural and historic sites, including parks, forests, wildlife refuges, and environmentally sensitive lands throughout the Nation.
- Protected and restored some of the Nation's most treasured lands, such as Yellowstone National Park, the Everglades, and California's redwoods, provided the funds to conserve many others, and accelerated toxic waste clean-ups.
- Advanced cutting-edge research with an increase last year for the National Institutes of Health of \$2.3 billion—a total of \$7.5 billion since 1993—an increase of 73 percent by 2000, to support a portfolio of research including intensified work on diabetes, cancer, genetic medicine, and the development of an AIDS vaccine.

Last year, the President also proposed a budget that respected fiscal discipline, met the Nation's needs of today, and planned to uphold our commitments for the future. In his 2001 Budget, the President maintains the course of fiscal discipline, proposes a

plan to extend the solvency of Social Security and Medicare and provides the resources for targeted investments to keep our Nation's economy and its people strong. The budget offers balanced tax relief and provides for the pressing needs of today, including expanding health care coverage for America's hard pressed working families. The budget does so in a way that balances these essential needs, and upholds fiscal discipline now and in the future.

Improving Performance Through Better Management

A key element in the Administration's ability to expand strategic investments and keep the budget balanced is improving performance through better management. Improved stewardship of the Government can help it better achieve its mission and improve the quality of life for all Americans. To this end, the President and Vice President have streamlined Government, reducing its work force by 377,000, and eliminated obsolete or duplicative programs.

The Administration, however, is working to create not just a smaller Government—but a better one, a Government that provides services and benefits to its ultimate customers, the American people. When Government works for the people—when citizens receive good basic services and have faith in the Government that provides them—their trust in Government can be restored.

Therefore, the Administration is forging ahead with new and additional efforts to improve the quality of the service that the Government offers its customers. It has identified its highest priorities—24 Priority Management Objectives (PMOs) that will receive heightened attention to ensure positive changes in the way Government works. These PMOs include modernizing student aid delivery, implementing IRS reforms, and strengthening the management capacity of the Health Care Financing Administration, which oversees Medicare. (For a full discussion of the Administration's management agenda, see Section V, "Improving Government Performance.")

Investing in the Future to Save Social Security and Medicare

President Clinton, through his sustained commitment to save Social Security, has lead the way and has built support for general agreement that it is essential to protect the Social Security trust fund. The next challenge in saving Social Security is to secure and dedicate resources to extending the solvency of Social Security. The President has proposed a framework for saving Social Security; it builds upon our successful fiscal discipline and the resources it has provided to the Nation. The President proposes to devote the entire Social Security surplus to paying down and eliminating more than \$3 trillion of debt held by the public by 2013. This will produce substantial interest savings that can be used to strengthen and extend the solvency of the program. The President's plan commits a portion of the benefits that have resulted from the successful strategy of fiscal discipline by dedicating the interest savings to the Social Security trust fund, extending its solvency to the middle of the century.

It is essential that the Nation uphold its existing commitments to the Medicare program, upon which elderly Americans depend, while modernizing its prescription drug benefits. The President's plan extends the solvency of the Medicare program by relying on the benefits of debt reduction to strengthen and extend the life of the program, and dedicates \$299 billion of the budget surplus over 10 years. This will extend the solvency of Medicare to at least 2025, preserving access to, and quality of, the program's benefits that are an essential part of our Nation's commitment to aged Americans.

While preparing for the demographic changes of the future, this budget also builds upon efforts to invest in the American people, to meet the pressing needs of today, and to lay the foundation to meet those of the future. The budget continues this policy of helping working families with their basic needs—raising their children, sending them to college, and expanding access to health care. It also invests in education and training, the environment, science and technology, law enforcement, and other priorities to help

raise the standard of living and quality of life of Americans.

The President is proposing major initiatives that will continue his investments in high-priority areas—from expanding access to health care for more low-income children and their hard working parents through the SCHIP health insurance program; to allowing Americans from 55 to 65 to buy into Medicare; to expanding the Earned Income Tax Credit for hard working, low-wage families and helping with their child care expenses, to helping States and school districts recruit and prepare thousands more teachers and build thousands more classrooms; and, to making every effort to fight gun violence in our society.

Families and Children: For seven years, the President has sought to help working families balance the demands of work and family. In this budget he proposes a major effort to expand the Earned Income Tax Credit to help lift up hard working, low-wage families, to make child care more affordable, accessible, and safe by expanding child care tax credits for middle-income families and for businesses to expand their child care resources, and increasing funds with which the Child Care and Development Block Grant can help more poor and near-poor children. The budget proposes to create the Early Learning Fund, which would provide grants to communities for activities that improve early childhood education and the quality of child care for those under age five. It also promotes responsible fatherhood both with measures to encourage child support and to help fathers enter and stay in the work force to meet their responsibility to their families.

Health Care: The President has worked hard to expand health care coverage and improve the Nation's health. His budget proposes a plan to extend the solvency of Medicare to 2025, while modernizing the program with a needed prescription drug benefit. The budget gives new insurance options to hundreds of thousands of Americans aged 55 to 65. In addition, it proposes an expansion of the successful SCHIP program to reach additional low-income children and their hard working parents.

The President's budget proposes initiatives to help patients, families, and care givers cope with the burdens of long-term care.

The budget also enables more Medicare recipients to receive promising cancer treatments by participating more easily in clinical trials.

Education: The President has worked to enhance access to, and the quality of, education and training. The budget takes the next steps by continuing to help States and school districts reduce class size by recruiting and preparing thousands more teachers and building and repairing thousands more classrooms. The President proposes improving school accountability and supporting student achievement by promoting high standards and providing the support to meet them, including funding additional education hours through programs like the 21st Century Community Learning Centers. The budget also proposes further increases in the maximum Pell Grant to help low-income undergraduates complete their college education.

Environment: The Administration proposes building upon the historic interagency Lands Legacy initiative to both preserve the Nation's natural and historic treasures and advance preservation of open spaces in every community. This budget provides significantly increased funding for this effort, and establishes a dedicated and protected source of funding to continue these efforts in the years ahead. This initiative will give State and local governments tools for orderly growth while protecting and enhancing green spaces, clean water, wildlife habitats, and outdoor recreation. The Administration also proposes a Livable Communities initiative to further creation of open spaces in urban and suburban areas, ease traffic congestion, improve water quality, and clean up abandoned industrial sites. In addition, the budget proposes funding to accelerate efforts to address the threat of global warming, including energy-efficient technologies and tax credits for the purchase of energy-efficient cars; to restore and rehabilitate national parks, forests, wildlife refuges, and other public lands and facilities; to expand efforts to restore farmland and protect the water quality of rivers and lakes; to continue efforts to increase the number of Superfund cleanups; and, to protect endangered species.

International Affairs and Defense: The President has worked to bring peace to troubled parts of the world. He stood firm in the

fight against the vicious campaign of ethnic cleansing in Kosovo, and now is working to restore peace, stability, and democracy there. The United States has played a leadership role in Northern Ireland, Bosnia, and the Middle East. This budget also provides critical assistance to the people of Colombia whose democratically elected Government has developed a multi-year strategy to fight narcotics traffickers.

The 2001 Budget also supports debt relief as a way to help lift up the poorest nations of the world, thereby advancing stability, economic growth and, in turn, promoting global trade. Attacks on U.S. embassies abroad have shown there are inherent dangers in the work of diplomacy. This budget builds on last year's multi-year plan, with increased funding to ensure the continued protection of American embassies, consulates and other facilities, and the valuable employees who work there. It also supports significant increases in funding for State Department programs to address the threats posed by weapons of mass destruction. The budget also increases funding for programs that support U.S. manufacturing exports and continues our long standing policy of opening foreign markets.

The mission of our Armed Forces has changed in this post-Cold War era, and in many ways it is more complex. Today, the U.S. military must guard against major threats to the Nation's security, including regional dangers like cross-border aggression, the proliferation of the technology of weapons of mass destruction, transnational dangers like the spread of drugs and terrorism, and direct attacks on the U.S. homeland from intercontinental ballistic missiles or other weapons of mass destruction. The U.S. Armed Forces are well prepared to meet this mission. This budget builds upon last year's sustained increase in funding for military readiness by providing additional resources, and builds for the future through programs for weapons modernization, and to support military personnel and their families by enhancing the quality of life, thereby increasing retention and recruitment.

Looking Ahead

At the start of this new century, the Nation is blessed with prosperity and a renewed spirit of confidence. There is much to be proud of in America today. We have not simply put our fiscal house in order by balancing the budget; we have left behind an era in which the budget deficit constrained the Government's ability to make wise choices about the future.

Today, our prosperity, purpose, and renewed confidence have prepared us to meet new challenges—spreading opportunity to all corners of our Nation, continuing to invest in the American people, and holding fast to the strategy of fiscal discipline that has been critical to our success. We must make efforts to reach those who have not yet been touched by this current wave of prosperity, giving all Americans the chance to share the values of community, opportunity, and responsibility. We must continue to invest in the American people—by preparing them through education and training to compete in the global economy, by funding the research that will lead to the technological tools of the next generation, by helping working parents balance the twin demands of work and family, and by providing investment to our distressed communities in order to bridge the opportunity gap. And, while we pursue and meet these challenges, we must

not lose sight of the critical element that has been the source of so much success—our firm commitment to fiscal discipline.

We now have an opportunity to meet the pressing needs of today and provide for the needs of the future. Our strategy of fiscal discipline means that with a continuation of sound fiscal policy, we will be able to eliminate the debt and extend the solvency of Social Security and Medicare while modernizing the Medicare program with a needed prescription drug benefit. We can do so while meeting the need for targeted investments to keep our economy growing in the future and while addressing the pressing needs of today. We are prepared to keep the Nation strong by continuing to invest in the American people.

This is truly an exceptional moment in America—the economy is prosperous, the budget is in balance, and we have a unique opportunity to plan for the future. Seven years ago, at the start of this Administration, few would have imagined that our Nation would enjoy such prosperity and opportunity. Today, as we measure and acknowledge the remarkable progress of the past seven years, it is our obligation to look forward to future generations and to make the best choices possible so that they too can share in the extraordinary opportunity and prosperity of America.