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# It's The Budget, Stupid: A Policy Analysis Of Clinton's First Budget

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*This paper analyzes President Clinton's first budget. Clinton's budget is his public policy. The budget is compared to Clinton's three stated objectives of stimulating the economy, investing in the future and reducing the deficit. His proposed budget and subsequent modifications are also compared to the budgets of previous administrations. In contrast to Reagan's first budget, which was a radical modification of public policy, Clinton's budget is only an incremental change from the public policies of the Reagan/Bush years.*

This paper has two main objectives. The initial budget of a new administration sets the parameters of what can be accomplished during the term and sets the tone for subsequent policy development. We examine President Clinton's budget to ascertain if his policies indicate a major new direction in U. S. public policy. Second, we assess what impact, if any, Clinton's budget will have on improving the economy, overcoming Reaganomics, and redistributing economic benefits and taxes in a more equitable fashion.

Sociologists tend to consider federal budgetary decisions as unrelated to basic interests and concerns (Padgett, 1981). Yet, there is both longstanding (Goldscheid, 1917; Schumpeter, 1991 [1918]; O'Connor, 1973; Bell, 1976) and contemporary interest in fiscal sociology. Joseph Schumpeter (1991 [1918]: 100–101) may have said it best:

The fiscal history of a people is above all an essential part of its general history. An enormous influence on the fate of nations emanates from the economic bleeding which the needs of the state

necessitate, and from the use to which its results are put . . . But even greater than the *causal* is the *symptomatic* significance of fiscal history. The spirit of a people, its cultural level, its social structure, the deeds its policy may prepare—all this and more is written in its fiscal history, stripped of all phrases. He who knows how to listen to its message, here discerns the thunder of world history more clearly than anywhere else.

Fiscal sociology is the art and science of discovering the principles governing the volume and allocation of state finances and expenditures, and the distribution of the tax burden and benefits among various economic classes. Government spending accounts for about one third of the Gross Domestic Product (GDP) and the federal budget is by far the biggest component of government spending. Far from being a sterile or arid enterprise, the fiscal sociology of budgetary analysis can be extremely useful in understanding the direction and characteristics of the political economy of the modern welfare state. This is particularly true when the economy and electoral patterns are undergoing dynamic shifts.

When Presidents Carter's last and Reagan's first budgets were analyzed in an earlier study (Fendrich and St. Angelo, 1981), a number of important conclusions and accurate short-term predictions about the consequences of policy shifts were made. This occurred before a critical consensus emerged over the harmful consequences of Reaganomics (Phillips, 1990; Harrison and Bluestone, 1988). President Reagan defined and expanded his mandate, and used it effectively during his first 200 days in office to gain both Democratic and Republican support for his Economic Recovery Act. In comparing Reagan's 1982 budget to Carter's, spending outlays for almost all budgetary functions received substantial cuts—regulatory agencies and social programs were particularly hard hit (Fendrich and St. Angelo, 1981).

The most dramatic changes in the Reagan budget were in the area of taxes. Reagan's public policy altered the tax code to rapidly redistribute wealth upward. Congress slashed taxes \$749 billion. These cuts largely benefited the wealthy and/or corporate American, while the average citizen had her or his tax cut offset by increasing Social Security taxes. Although Reagan's

politically conservative rhetoric hyped the popular ideas of reducing the size and functions of government, the real political agenda was to use government authority and power to assist corporations and wealthy individuals. The tax cuts, deregulatory activities, and projected increases in defense spending clearly signified that class segments of the economic elite were using government policies to solve *their* problems and serve *their* interests. In 1988, the Congressional Budget Office reported that the bottom 80-percent of families in the United States lost income between the years 1977 to 1988. On the other hand, the top five percent of families experienced an income increase of 23.4-percent, and the top one percent of families experienced an income increase of 49.8-percent—in real dollar terms their incomes rose from \$270,053 to \$404,566 (Phillips, 1990). The budget figures demonstrated that the liberal spirit and thrust of “New Deal” and “Great Society” legislation was over.

### Clinton’s Budget

The Democratic victory in the 1992 presidential election provided an opportunity to reverse the public policy of the Reagan/Bush era. As *The New York Times* reported on the day after the election, “something approaching two-thirds of the electorate said it wanted to put an end to business as usual” (Apple, 1992:B3); in other words, there was a “mandate for change”. While an impressive amount (19-percent) of this pro-change vote went the Independent candidate Ross Perot, the majority of it went to Clinton. Throughout Clinton’s campaign, three themes of change surfaced: 1) restore the American economy through both private investment incentives and public investment; 2) restore fairness through a more equitable tax code and various transfer payments—in other words, make those who can afford it pay more while protecting those in need; and 3) reduce the deficit through a combination of spending cuts, expanded user fees for both businesses and consumers, and tax increases. In his first budgetary message to Congress, titled *A Vision of Change for America*, President Clinton (1993) roundly criticized the upward flow of wealth which occurred under Reaganomics, and promised to restore fairness by redistributing

benefits and opportunities. Was his message a real promise, a faint hope, or only political rhetoric?

### *Restoring the Economy*

Clinton's plan to get the economy back on its feet consisted of a stimulus package for immediate growth and investment proposals to foster long term growth. Both sides of this approach consisted of selective spending and tax incentives. The goal of the economic Stimulus Package was to give the economy a jump start by providing immediate public investment, decreasing unemployment, increasing private incentives. To accomplish these goals, Clinton initially proposed a \$16.3 billion Stimulus Package (*Vision of Change*). Of this amount, \$8.3 billion would actually be spent in 1993 with the remainder earmarked for future years. In Clinton's first official budget proposal (referred to as the April budget), stimulus spending for the late 90's was increased; however, spending for 1993 and 1994 remained virtually unchanged. Furthermore, nearly \$6.5 billion in tax incentives—particularly an Investment Tax Credit—were proposed. This plan met many of Clinton's campaign promises—such as putting 100,000 new police officers on the streets, extending unemployment compensation, increasing spending on transportation, accelerating the HOME Investment Partnerships program, providing funds for environmental cleanup, and providing tax credits for small business investment. The Stimulus Package also signalled that other campaign promises might well be fulfilled in the future—such as a fully-funded Head Start; Women, Infants, and Children (WIC); Immunization; Technology investments; and other programs. Overall, it appeared to represent an early attempt on Clinton's part to transform public policy.

However, the inability of Clinton and the Senate Democrats to break a Republican filibuster led to the death of the Stimulus Package. Only the \$4 billion extension of unemployment benefits was passed. Later attempts at passing a scaled-down version of the package also failed, until supplemental appropriations—which contained remnants of the Stimulus bill—were passed by both Houses. This supplemental included \$220 million for summer jobs (originally \$1 billion in *Vision of Change*), \$341

million in financial aid for students (originally over \$2 billion), \$150 million for more Law Enforcement, and \$175 million for a Small Business Administration loan program (originally a \$3.3 billion). All of these were a far cry from the original \$16.3 billion package.

Building upon the Stimulus Package, the Investment Proposals were intended to continue the economic recovery and guarantee a growing and productive economy through increased public and private investment. These investment proposals constitute the key campaign promises made by Clinton to restore the economy. But what, or how much, constitutes the fulfillment of a promise? Is any spending increase enough to fulfill a campaign promise? Given Clinton's "mandate for change", it would be inappropriate to consider minor incremental changes as evidence of a fulfilled promise. Although the theory of incremental budgeting and policy making has been widely criticized (Axelrod, 1988; Schullman, 1975), it is still useful to examine the budget to determine whether the Clinton administration was proposing only incremental changes or whether his budget represented significant policy shifts.

Following conventional incremental budgetary analysis, we have decided that a nonincremental increase of greater than 5-percent beyond Bush's 1992 budget (which provides the baseline) constitutes a serious policy change. In making these comparisons, it is necessary to account for inflation from one fiscal year to the next. While the Consumer Price Index is commonly used to account for inflation, we have decided to use the Gross Domestic Product (GDP) deflator as a more conservative estimate. According to Clinton's budget, the GDP deflator is 2.8-percent for 1993. Thus, accounting for inflation, a nonincremental change is defined as greater than a 7.8-percent increase over Bush's budget.

Given that the 1993 budget only represents adjustments to Bush's already existing budget policy, it would be unfair to judge Clinton solely on this criteria. The FY1994 budget proposals represent Clinton's first "real" budget. So in addition, Clinton's FY1994 proposals will be compared to the FY1993 adjustments to see if his promises are introduced, retained, or dropped in this subsequent year. If a 1993 budget figure

already represents a significant (i.e. nonincremental) departure from the FY1992 budget figure, then we can expect that figure to stay relatively level through FY1994. To accurately identify a constant level of spending between budgets, we must again account for inflation, which is estimated to be 2.9-percent (the 1994 GDP deflator estimate). For spending in any given budget category to have remained steady, spending must increase by at least 2.9-percent between FY1993 and FY1994. On the other hand, spending must increase by 7.9-percent between the FY93 and FY94 budgets for us to identify a significant change.

With this guideline, it is clear that there were no substantial changes in public investment policy. Only a few of the programs slated for investment increases represented nonincremental shifts. Such shifts took place in spending for Community Block Grants (an increase in spending of 23.3-percent between 1992 and 1993, and up 30.8-percent between 1993 and 1994), Environmental Clean-Up (up 20.5-percent in 1993 and 10.4-percent in 1994), and WIC (up 14.2-percent in 1993 and 12.4-percent in 1994). Other programs received only "symbolic" support, i.e. they were provided with increased spending in nonincremental terms, but, in real dollar terms, received rather small increases of under half a billion dollars. The establishment of Community Development Banks and the National Service Initiative, and funding for the HOME program and Energy Conservation fell within this category of symbolic increases. Other "symbolic" programs were those in which spending increased in 1993, but then dropped again in 1994. The increased funding promised for job training programs suffered this fallback; funding for these programs in FY1994 will fall below the FY1993 levels. Most of these programs were underfunded because the Stimulus Package was not approved by Congress. In more general terms, Clinton promised to invest \$20 billion a year to rebuild America's infrastructure. But as President, he only proposed \$34.7 and \$35.8 billion in outlays over *four* years (in *Vision of Change* and the April Budget respectively), less than half the amount promised.

One of the real opportunities for shifting public investment policy was provided by the end of the Cold War. Shifting from "military Keynesianism" and the centrality of the defense indus-

try to an economy centered around non-defense public spending was a key component of Clinton's proposals for "Defense Conversion". While it is true that funding was proposed in this area (a total of \$19.5 billion over the next five years), it fell well short of the \$60 billion Clinton promised as a candidate. Indicative of this, Clinton failed to shift federal funding on research and development from defense to non-defense programs. In both his FY1993 adjustments and his FY1994 budget the percentage of total federal funding for non-defense research remained virtually unchanged (increasing from 41-percent to 42-percent). The total federal spending proposed for research and development represented only an incremental increase, rather than the significant increase promised. Public investment policy remains oriented towards the defense industry.

Furthermore, Clinton massively scaled back many of his Investment Proposals following the April budget. Clinton only asked Congress for an additional \$16.7 billion in budget authority for investment proposals which would result in only \$5.9 billion in FY1994 outlays. This was \$2 billion less than the authority initially planned in the April Budget. Of this, House appropriators only provided \$8.8 billion in authority (excluding defense) or about 53-percent of what was requested (*CQ Weekly Report*, 1993e:1717).

According to *Vision of Change* and carried forward in Clinton's April budget, most of these investment proposals were back-loaded, i.e. full-funding was withheld until some future date. Slated to receive full-funding in the latter part of Clinton's term, these programs receive anywhere from two to ten times as much funding in 1997 than they did in 1994. For example, Clinton proposed to fully fund Head Start, but this will not occur until 1999, and 38-percent of funding for WIC is scheduled for after 1997. Over one-third (40.4-percent) of the total investment proposal spending occurs in 1997. At this time, Clinton's figures show the deficit beginning to rise again. Thus, when Clinton's investment programs are scheduled to receive full-funding, "the president and Congress would . . . face the difficult choice of fully funding his initiatives or holding down increases in the deficit" (Judis, 1993b:16). This back-loading of programs, combined with Congress' reluctance to provide even



half of what Clinton originally proposed, makes it unlikely that any of these investment proposals will receive full-funding in the future, much less meet Clinton's campaign promises for public investment.

The second part of Clinton's investment plan consisted of private incentives through tax breaks. Unlike the failure to change public investment policy, Clinton had some success in implementing his private incentive policy. Table 1 provides Clinton's key campaign promises in the area of private incentives. Clinton's proposals reflected his promises for a Small Business Investment Tax Credit and a Research and Experimentation Tax Credit. But for the other promises listed, Clinton provided only symbolic fulfillment. The Low-Income Housing Tax Credit and the Enterprise Zone credit are both small programs composed of little more than a quarter billion dollars combined in FY1994. Backing away from his innovative proposal to require corporations to *pay* for continuing education and training, Clinton instead proposed to provide corporations with a tax break, however small, for these activities.

Clinton's non-incremental private incentive proposals, did not make it through Congress unscathed. The budget proposal presented by the Joint Conference Committee revealed numerous changes to the April budget. They eliminated the Small Business Investment Tax credit proposed by Clinton, and the expansion of the Research and Experimentation credit was limited to only about 6 months. Both of the private investment promises fulfilled by Clinton were cut by the Committee, while other, more symbolic, proposals were only slightly altered.

### *Restoring Fairness*

Taxation was one of the most important issues of the 1992 campaign. Candidate Clinton spoke countless times of restoring fairness to the tax code, with an eye towards relieving some of the tax burden of the middle and working classes. Early in the campaign, Clinton promised to reduce payroll taxes, which would have given a tax cut or credit of \$300-\$350 a year for families with adjusted gross incomes of less than \$80,000 (equivalent to \$60,000 taxable income). He also advocated an Earned Income Tax Credit (EITC), which would have amounted to \$22.5 billion

Table 1

*Private Investment Promises (Incentives)*

<i>As Candidate</i>	<i>As President</i>	<i>Joint Conference</i>	<i>Promise Kept</i>
A 50% Capital Gains Exclusion for long-term investments in small business.	Proposed a 50% capital gains tax break on new stock held for five years issued by small businesses (with paid-in capital of \$25 million or less)	No investment Tax Credit	No
Permanently extend the Research and Experimentation tax credit	Permanently extended	Extended six-months.	No
Require Corporations to spend 1.5% of their payroll on continuing education and training.	Proposes a permanent tax credit for employer-provided education assistance and proposes credits for certain jobs and youth apprenticeships		Symbolic
Tax Incentives for Businesses that relocate to Urban Enterprise Zones	Provide tax credits for businesses that locate in needy urban areas (10 Empowerment zones with several tax incentives and 100 more Enterprise communities with fewer incentives)	Designate nine empowerment zones, and 100 enterprise communities	Symbolic
Investment tax-credit for Businesses to encourage investments in new plants and equipment	Provide investment tax-credits, temporary for large firms and permanent for small firms	Allow small businesses to write off \$17,500 in equipment purchases. Effective 1/1/93	No

in tax relief over four years. Later, as the issue of the deficit took center stage, Clinton revised his plan; families could take either a reduction in payroll taxes OR a credit for children, but not both. Finally, as the election neared and the projected deficit figure continued to grow, Clinton further distanced himself from the middle class tax cuts by focusing on the size of the deficit and the uncertainty of the future. In a Presidential Debate on October 19, he hedged on the tax issue, saying, "You can't say 'read my lips' because you can't know what emergencies might come up" (CQ *Weekly Report*, 1993a:386). But barring any emergencies, Clinton promised that he would not raise taxes on the middle (or working) class.

As President, Clinton scaled back the EITC request to \$19.8 billion over four years. The House reintroduced a more generous tax credit, proposing to increase funding by \$28.2 billion over *five* years in what was an \$11 billion per year program. Under this provision, low-income families with two or more children would have received up to \$2,685 in 1994, and \$3,371 thereafter. Low-income individuals with no children would have received up to \$306. However, the Senate cut this program considerably, proposing \$10 billion less. Under this provision, the EITC would have gradually increased to \$3,315 in 1996 for families with two or more children. The Senate made no provision for individuals with no children (CQ *Weekly Report*, 1993d:1637; NYT, 1993g:A1). The administration and some House members had vowed to restore the EITC cutbacks because the credit was "a crucial component of Clinton's larger goal of expanding incentives for the poor to avoid welfare" (CQ *Weekly Report*, 1993d:1637). However, the Joint Conference Committee did not restore all that much; their compromise expanded the EITC by \$20.8 billion over five years, although individuals without children are eligible (*Wall Street Journal*, 1993:A9). Even if Clinton's proposal had made it into the budget intact, it would still have "stop[ped] short of the campaign pledge he made that all families with a full-time worker be guaranteed enough money to live above the poverty line" (Verhovek, 1993:A1).

As another promise to restore fairness, Clinton opposed a gas tax as being unfair to middle class taxpayers. As President, he proposed an alternative broad energy tax based on the BTU

content of different fuels. Different kinds of fuel could be taxed differently, or not taxed at all (as with solar and other renewable energy sources, and oil used to make plastics, chemicals, and tires) (*NYT*, 1993a:3). The plan would have brought in nearly \$72 billion in revenues over five years, and would raise the average family's annual combined bills for gasoline, home heat, and electricity by only \$100-\$150. Lobbyists from a wide variety of industries began working to kill Clinton's energy tax before he was even officially the President (*NYT*, 1993d:A1). The House, which voted on their version of the budget in late May, retained the \$72 billion, broad-based BTU tax in a show of support for the President. However, by the second week in June,

... after the proposed tax on coal was lowered; after aluminum smelters and barge operators got a break; after farmers and city dwellers won exemptions for the diesel that heats homes and runs turbines; after oil refiners and gas and electric companies moved the tax off their backs and onto consumers'; after grain merchants won and then lost a battle to exempt ethanol; after chemical and glass makers secured protection against untaxed foreign competitors ... after all that and more, the White House gave up on enacting a tax on the heat content of fuels ... (Wines, 1993a:A1).

This energy tax would have provided the essential revenue needed to fund the variety of social programs supported by the House (EITC, empowerment zones, etc.). Both the House and Senate supported Clinton's proposal to extend the 2.5 cent increase in the gas tax through September 30, 1999. But conservative Democrats and moderates in the Senate forced the drop of the BTU tax, and substituted for it a 4.3 cent increase in the tax on gasoline and other transportation fuels. This plan would only bring in about \$24.2 billion in revenues over the next five years. The final resolution of the energy tax debate in the Joint Conference Committee upheld the modest 4.3 cent gas tax proposed by the Senate (*WSJ*, 1993:A9).

Candidate Clinton also promised to make the wealthy and large corporations pay their "fair share" of taxes. For the wealthy, he proposed to raise the top income tax rate from 31-percent to 36-percent, which would apply to gross adjusted

incomes above \$200,000 for couples filing jointly, and \$150,000 for single filers. As President, he changed the lower end of the bracket for which this tax would apply to include adjusted gross incomes in excess of \$180,000 for joint filers and \$140,000 for single filers (*CQ Weekly Report*, 1993a:385). These figures correspond to \$140,000 and \$115,000 in taxable income, respectively. Furthermore, candidate Clinton sought to impose a 10-percent "millionaire's surtax" on taxable income in excess of \$1 million (excluding capital gains), creating an effective top rate of 39.6-percent for those affected. As President, Clinton was forced to revise this proposal downward, such that taxable incomes greater than \$250,000 would be subject to the 10-percent surtax. Conflict between the House and Senate on these issues arose over when the new tax should be implemented, what the top capital gains tax rate should be, and whether capital gains should be subject to the 10% surtax (*CQ Weekly Report*, 1993b:1280; 1993d:1637). After negotiating these differences, the Joint Conference Committee decided to uphold the House position that the new tax rate be retroactive to January 1, 1993, and deleted the 10-percent surtax on capital gains suggested by the Senate (*NYT*, 1993h:A10).

As President, Clinton initially proposed to increase the top tax rate on corporations from 34-percent to 36-percent on taxable income and net capital gains in excess of \$10 million. However, both the House and Senate voted to limit that increase to 35-percent. In the Joint Conference Committee, Representative Charles Rangel and others advocated Clinton's initial proposal to raise the top corporate tax rate to 36-percent to help pay for social programs; however, in a clear turn around, Clinton opposed it (*NYT*, 1993f:A14). Clinton also promised to cap corporate deductions for CEO salaries at \$1 million, and totally eliminate deductions for lobbying expenses. Again the House and Senate were agreeable to Clinton's proposals, but they determined that something loosely defined as "performance-based compensation" would be exempt from the cap (*CQ Weekly Report*, 1993b:1280; 1993c:1546). As many executive pay packages are tied to some measure of company performance, this exemption provides a considerable loophole for corporations (*NYT*, 1993a:3).

In another bid to restore fairness, Clinton proposed to completely eliminate tax deductions for business-related meals and entertainment. These used to be 100-percent deductible, until Congress, in 1986, scaled it back to 80-percent, calling the tax break "a write-off for rich businessmen who dined at overpriced restaurants" (Wines, 1993b:A8). But instead of completely eliminating the deductible in 1993, the House and Senate reduced it to 50-percent (*CQ Weekly Report*, 1993b:1280; 1993c:1546). Then, after a skillful lobbying campaign by the restaurant industry, members of Congress were "seriously considering restoring a chunk of the deduction, at a cost of perhaps \$7 billion in lost revenues, even as they haggle over the size of tax increases and cuts in social programs" (Wines, 1993b:A8). However, the Joint Conference Committee concluded that such an action would indeed be too costly, and opted instead to add a credit for restaurateurs. This compromise convinced another Democratic senator, Richard Bryan of Nevada, to switch his vote in support of the bill (NYT, 1993h:A3).

In a bid to tax the more affluent elderly, the House gave Clinton their full support regarding his proposal to tax 85-percent (up from 50-percent) of Social Security benefits for recipients with incomes in excess of \$32,000 for couples and \$25,000 for individuals. The Senate approved the increase, but those affected would be couples and individuals with incomes exceeding \$40,000 and \$32,000, respectively (*CQ Weekly Report*, 1993d:1637). The numbers changed again in the Joint Conference Committee, which decided to apply the new tax rate to couples and individuals with incomes in excess of \$44,000 and \$34,000, respectively. Delayed implementation of this tax and the higher income figures were made to capture the vote of Senator Dennis DeConcini of Arizona, one of six Democrats who voted against the Senate bill (NYT, 1993h:A3).

Where did all this leave Clinton's promise to restore fairness? In the same murky waters as his other campaign promises. Again Clinton did little to convert his promises of change into policy, and what he did do was undone by Congress. Clinton proposed to place most of the increased burden on the wealthy, but his proposals ignored the restructuring of the tax code throughout the 1980s. The changes made when Reagan first

took office resulted in a net increase in the tax burden for all income groups below \$75,000, while those at the upper end of the scale enjoyed reductions in their tax burden. Spending cuts further impacted upon these regressive changes in the tax code. Edsall (1984) reports that according to the Congressional Budget Office, during his first two and half years in office, Reagan cut domestic spending on human resources by \$101.1 billion, with \$65.4 billion of those cuts coming from programs that provided cash or in-kind benefits that went directly to families (205). These changes were such that a household with an income of less than \$10,000 paid \$95 more in net taxes between 1980 and 1984 and lost \$1,340 in benefits between fiscal year 1982 and 1985. Households making more than \$200,000 experienced a net cut in taxes of \$17,403 over the same period, with any household of \$80,000 or more losing only \$490 in benefits (205–206).

Another shift in the tax structure took place with the Tax Reform Act of 1986. In this case, all income groups experienced savings on their tax returns; but, the wealthiest benefitted disproportionately from these breaks (Phillips, 1993: 113). Overall, from 1977 to 1989 the top quintile of income groups experienced a 5.8-percent decline in their federal taxes (the top 1-percent of all families experienced a 24.7-percent decrease) while the bottom two quintiles have experienced increases in their taxes (112). Clearly, even Clinton's early proposals were modest in light of the 1980's tax restructuring.

### *Reducing the Deficit*

The last major theme of Clinton's campaign and plan for restoring the economy centered around reducing the massive Reagan/Bush deficit which developed from 1980–1992. When Reagan took office, the debt was \$1 trillion and when Bush left office it was \$4.6 trillion. During this period, the amount the government owed per every \$100 of the nation's income rose from \$26 to \$53 (Friedmann, 1993). Clinton was critical of the growing deficit during his campaign, and he pledged to reduce the deficit by half during his term. This reduction was to take place through a combination of tax increases and spending cuts.

Table 2 reports the highlights of Clinton's Deficit Reduction plan. In Clinton's detailed budget proposal, he outlined a

variety of spending cuts under the categories of defense cuts, eliminating unnecessary programs, reducing subsidies and increasing user fees, managing government for cost-effectiveness, streamlining government, and controlling health care costs. These cuts, which include increased revenues which have been designated as spending cuts by the Administration, represent a total of \$13 billion in 1994 and a total of \$217 billion from 1994 to 1998 in non-defense spending cuts. Combined with the \$112 billion in discretionary Defense spending cuts and the reduction in the Debt Service of \$46 billion, this plan provided for \$375 billion in total savings over four years.

As a total package, Clinton's proposals would have reduced the deficit not by half as he promised, but by a little more than a quarter. Again, like the Stimulus Package and the Investment proposals, the deficit reduction plan experienced difficulties in its adoption by Congress. Clinton indicated his willingness to sell out early when he abandoned certain fees within the category of eliminating subsidies and increased user fees (slated to save \$1.5 billion in 1994 and nearly \$27 billion through 1998). For example, under pressure from various interest groups, the proposed fees for mining, grazing, and timber were deleted. Interior Secretary Bruce Babbitt was able to get grazing fees restored to satisfy environmentalists, however, when Clinton needed Montana Senator Max Baucus's vote for NAFTA, the fees for grazing on Federal lands were reduced. Furthermore, many of the programs Clinton targeted for cuts have been traditional pork barrel programs supported by Congress, which historically have been placed under the deficit reduction axe only to wiggle out again.

Clinton's proposed budget for the Central Intelligence Agency is another example of his failure to implement significant changes. The Cold War is over, yet Clinton proposed to fund the CIA at nearly \$30 billion, up from \$27 billion (NYT, 1993e:A7). In short, the CIA budget increased despite the fact that the CIA does not have to fight the "Evil Empire", nor does it have a significant new mission consistent with the national interest.

Even without the changes to the Deficit Reduction plan made by the Joint Conference Committee (which called for more



Table 2  
Clinton's Deficit Reduction Plan (all numbers in billions of dollars)

Area	1994	1995	1996	1997	1998	1994-1998
Spending Cuts:						
Defense	-6.7	-11.7	-19.7	-37.4	-36.3	-111.8
Programs That Don't Work or Are No Longer Needed	-0.3	-1.1	-2.2	-2.9	-3.2	-9.7
Eliminating Subsidies	-1.5	-3.0	-6.9	-8.8	-6.8	-26.9
Managing Govt. for Cost-Effectiveness	-5.9	-10.9	-15.2	-20.1	-23.8	-75.8
Streamlining Govt.	-0.6	-1.6	-2.5	-3.3	-4.2	-12.1
Controlling Health Care Costs	-3.1	-6.5	-11.6	-17.2	-21.9	-60.3
Shared Contribution	-2.9	-6.2	-8.9	-10.6	-11.7	-40.4
Technical Adjustments	1.1	1.2	1.2	1.0	1.0	5.4
Total Spending Cuts (Not including Debt Service Reduction)	-19.8	-39.8	-65.9	-99.3	-106.8	-331.7

Source: *A Vision of Change for America*.

spending cuts and fewer tax increases), Clinton failed to deliver a plan for deficit reduction that matched his campaign promises. In fact, Clinton's budget proposal *would not have reduced the deficit any more than the proposal put forward by Bush in 1990*. The Congressional Budget Office reported that Bush's budget and the spending caps agreed to in the 1990 Budget Enforcement Act would have cut the deficit by \$496 billion over five years (Friedmann, 1993; NYT, 1993c:A8).

Overall, Clinton's self-proclaimed "mandate for change" and the obvious electoral support for change was not realized in fiscal policy. There is little in the federal budget which suggests any major shift in public policy. When extended out to 1997, the proposed budgets of Clinton and Bush (*Budget of the United States Government, FY1994 and FY1993* respectively) are nearly identical. Clinton's total proposed spending during this period would actually be three-tenths of a percent lower than that of Bush, while total receipts (as a percentage of GDP) would only increase by 1.5-percent over those proposed by Bush. Clinton's fiscal policy represents "business as usual".

### Discussion

Clinton claimed a mandate for change, but his fiscal policy does not include many of his promised changes, and overall it does not represent a significant change from the policy of the Bush administration. Why the failure to carry forth the mandate? Part of the fault is Clinton's. Part of the troubles stem from a fractured Democratic party under the misguided direction of the Democratic Leadership Council. Part of the problem lies with the Republican Party. Part of the fault lies with the influence-peddling in the U. S. Congress. Finally, and most importantly, the major reason for the continuing gridlock in Washington, D.C. is an evolving political system dominated by corporate America.

Traditionally, the Republican party has been viewed as the party of big business, while the Democratic party has been viewed as representing smaller businesses, developers, and a variety of nonbusiness "special interest" groups like organized labor. This view, however, is thoroughly outdated. Analyses of

who gives substantial money to political campaigns (Domhoff, 1990; Stern, 1988), who has the largest and best organized lobbying efforts (Lapham, 1993; Reagan, 1987), who controls major Congressional Committees (Domhoff, 1990; Greider, 1992; Sherrill, 1990), who becomes the chief staff aides and appointments of presidents (Greider, 1992; Judis, 1993a), and who controls major Federal agencies like the Federal Reserve Board (Greider, 1987) all reveal the overwhelming dominance of corporate interests in both the Republican and Democratic party. While not always united or ruled by a consensus, corporate America dictates the shape of the federal budget and the distribution of benefits (Bartlett and Steele, 1992; Domhoff, 1990; Dye, 1984; Greider, 1992). This statement does not deny the importance of class fractions among the economic elite, as there are often fierce struggles within and among these segments. The important point is that these groups are the real political players. Other political interest groups and constituents are either ignored, or placated by symbolic legislation which lacks any real power to challenge and change the very policies most Americans are concerned about.

In the United States, capitalism was reconstituted because of internal and external threats that emerged during the 1970s. International competition for market shares grew as world-wide production created the classic problem of overproduction and underconsumption. For example, Greider (1992) noted that 45 million cars could be manufactured world-wide annually, but only 35 million could be purchased. Across different economic sectors there has been a mad scramble to cut labor and other production costs (Harrison and Bluestone, 1988), and competition for market shares has grown increasingly fierce (*Business Week*, August 1993). The renewed trade talks with Western Europe and Japan have had less to do with "free trade" than they have with protecting domestic and international firms which are either based in the United States, or able to purchase political influence through Washington K-Street lobbying and consulting firms.

The formation of OPEC, rising energy costs, and the ensuing inflation it produced served as a wake-up call for U. S. corporate interests, who suddenly found that they were dependent on international events. The Tri-lateral Commission failed to

develop rules for orderly international competition in a world economy. As a result, the major task of governments controlled by corporate interests has been to expropriate the wages and resources of ordinary citizens both at home and abroad. In the United States, minimum wages are exceptionally low; new jobs are largely filled by temporary workers and full time jobs have been and continue to be changed to part time; white-collar employees have been and continue to be dismissed and occasionally rehired as consultants; the social wage has been and continues to be eroded; and young people have not been able to advance their careers or standards of living at the same rate or to the same degree as their parents. Corporations explain that they cannot raise prices in a weak economy, and therefore, they must cut employees and wages to maintain profits. Cutting jobs in the 1990s has become as popular as takeovers and mergers were in the 1980s. Gans (1993) notes that one of the fastest ways to increase the price of a company's stock on Wall Street is to announce the firing of workers. However, because of reduced per capita consumption, economists worry that permanent job loss will have a negative effect on an already weak economy (NYT, 1993g:A1).

Aggressive and increased corporate dominance of U.S. politics was a response to the political insurgency of the 1960s. Beginning with the civil rights movement, the political insurgency of the 1960s generated significant challenges to government policy. Citizens were mobilized around a variety of issues and demanded that government provide increased regulation and protection (Fendrich, 1993; Domhoff, 1990; McAdam, 1982). There was a substantial increase in the type and volume of federal regulations. However, as Domhoff wisely observed, "People won, but the power structure did not lose" (Domhoff, 1990:276). Corporate executives and their aides descended on Washington in their Lear jets. They bought academic talent and established Think Tanks (Phillips, 1993). They created business PACs and devised other creative ways to influence and change regulatory mandates. They put Ronald Reagan in the White House and bought enough influence in Congress to protect their interests. Clinton's fiscal policy does not represent a significant shift from these same interests.

As a whole, Clinton's presidency has failed to carry forward the "mandate for change". The Economic Stimulus package was reduced to little more than a shadow of its early incarnation, the investment proposals were cut by more than half, and the restoration of fairness and a "fair" deficit reduction has not occurred. Clinton did not adequately address the pressing economic problems that are part of the hangover from more than a decade of Reaganomics. Japan, for instance, had a much larger stimulus package to rebuild its faltering economy (NYT, 1993b:C2), and the Western European community was also working on a comparatively larger stimulus package. Liberal outsiders recognized that Clinton's stimulus package was inadequate for the country's needs. Jesse Jackson (1993) warned about the deepening job crisis and Clinton's mania for budget cuts. Felix Rohatyn argued in favor of a \$25 billion a year, 10 year public works program to provide an adequate stimulus to the economy (Rowen, 1993:5).

What sounded good in Clinton's campaign, rather than being crystallized into sound and effective economic policy, will remain a distant dream. His major changes and promises are projected to be implemented only in the distant future, and the tax proposals will hardly soak the rich. Over the next five years they will recover only \$241 billion, or 23-percent of the revenues lost during the first five years of the Reagan Administration. In fact, by applying the percent change in the Consumer Price Index to Reagan's \$749 billion cut every year from 1984 to 1997, it shows that it would take an amazing \$1.1 trillion in tax increases during Clinton's first term to replace those lost revenues. Although conservatives howled about the largest tax increase in U.S. history, Clinton's proposed tax increases were really quite modest compared to the outrageous tax cuts of Reaganomics. His tax package essentially leaves Reagan's tax breaks for the wealthy and corporations in place. As a Democrat, Clinton is the strongest probusiness president in this century and his first budget is "worthy" of former president Bush.

Because of the lack of any major fiscal policy shifts, we are likely to witness continued economic stagnation. The major problems of unemployment and the replacement of full time year-round workers with permanent, temporary workers

will lead to continued stagnation and structural unemployment. Continued Defense cuts without retooling industries and jobs will contribute to a sluggish economy. The harmful effects of the NAFTA treaty on U. S. manufacturing jobs will surface long before any conceivable gains. As we reported above there is no stimulus package. Moreover, Clinton's modest investment proposals were severely reduced and underfunded. Welfare recipients, particularly women and children, are going to be worse off as they are removed from the welfare rolls and pushed in the so-called "no man's land" of part time, minimum wage jobs with no benefits.

Because of a sluggish economy, tax revenues will fall short of projections. The federal deficit is not likely to be reduced by the margins expected without adequate revenues. More spending cuts will be required to maintain the same level of deficit reduction, and if the past is any indication, social programs and tax breaks for the working classes and the poor will be cut to make up for the difference. In general, spending cuts are more harmful to the economy than tax increases. The reason for this, Paul Samuelson argues, is that spending cuts "go directly to the jugular of the current employment, production and re-spending stream" (Hilzenrath, 1993:8A). Allen Sinai, a managing director for Lehman Brothers, notes that his forecasts assume that over a two-year period a spending cut of \$1 shrinks the economy by \$1.10; while a tax increase of \$1 shrinks the economy by only 70 cents (Hilzenrath, 1993).

Informed voters are likely to remember Clinton as the Neville Chamberlain of U. S. domestic policy. Despite being in tune with American voters and offering campaign promises with economic substance, Clinton can be considered the great appeaser. The actions of Clinton and Congress in 1993 do not signal a significant attempt to put the country on a sound economic footing. In contrast to Roosevelt's or Johnson's initiatives early in their administrations, Clinton's success was extremely limited. Indeed, in the course of this research we may have found Clinton's political epitaph:

No wonder Americans hate politics when, year in and year out, they hear politicians make promises that won't come true because

they don't even mean them—campaign fantasies that win elections but don't get nations moving again.

—Bill Clinton in a campaign speech to the  
Detroit Economics Club,  
August 21, 1992

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