

THE PRESIDENT'S TRANSMITTAL MESSAGE

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MESSAGE

FROM

**THE PRESIDENT OF THE UNITED STATES**

TRANSMITTING

HIS FY 2002 ECONOMIC OUTLOOK, HIGHLIGHTS FROM FY 1994 TO  
FY 2001, FY 2002 BASELINE PROJECTIONS



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U.S. GOVERNMENT PRINTING OFFICE



## I. THE PRESIDENT'S TRANSMITTAL MESSAGE

*To the Congress of the United States:*

I am pleased to submit my FY 2002 Economic Outlook, Highlights from FY 1994 to FY 2001, FY 2002 Baseline Projections. For the benefit of the new Administration and the public, this document includes an economic overview, a technical presentation of current services projections, a programmatic review of the Federal Government that details my Administration's actions over the last eight years, and pending policy proposals that I believe should be the starting point for a new Administration.

### THE OUTLOOK IN 1993

To appreciate what we have accomplished in the past eight years, we must take stock of where we were in 1993. When I took office in 1993, economic growth had averaged only 1.7 percent in the four previous years. In 1992, unemployment surged to 7.8 percent. In 1992, the budget deficit was \$290 billion, the largest in the history of our Nation. The debt held by the public quadrupled between 1980 and 1992 and threatened to keep mounting. The deficit was projected to reach \$390 billion by 1998 and \$639 billion by 2003.

I believed that by exercising fiscal responsibility and making strategic investments in our future, we could reverse this trend and spur the economy to robust growth. Eight years later, with deficits turned to surplus, with the mountain of debt receding, and with sustained economic growth at record level, we can say that we were able to achieve this goal through a steadfast commitment to fiscal discipline.

### THE CLINTON-GORE RECORD

Over the eight years of my Administration, our total deficit reduction totals \$1.2 trillion, more than double our original estimates. We have experienced four straight years of surplus, a stretch of prosperity last seen following World War I. For three years in a row, we have actually been able to pay off \$363 billion of this debt and expect to pay off \$600 billion by the end of this year. With a sustained commitment to fiscal discipline by continuing to use the surplus to pay down the debt, this Nation can be fully debt-free in this decade for the first time since 1835. We can eliminate the publicly held debt by the end of the decade and, by doing so, we can strengthen our economy and our Nation's prospects for the future.

FY 2002 Economic Outlook, Highlights from FY 1994 to FY 2001, FY 2002 Baseline Projections continues to project that the Federal budget will remain in surplus for many decades to come, if a re-

sponsible fiscal policy prevails and realistic assumptions and projections are used.

The Federal Government must continue to meet the needs of the American people in a Nation with a growing economy and a growing population. We take for granted the need to maintain critical functions like air traffic safety, law enforcement, the administration of Social Security and Medicare, and national security—both defense and diplomacy. Because I firmly believe that the American people demand and deserve a Government that meets their needs, this document reflects the progress we have made in serving the American people. These accomplishments include:

- Improving education, with initiatives focusing on accountability and school-system reforms; increased funding for Pell Grants and Work-Study Programs; and, initiatives to reduce class size, establish after-school programs, improve reading ability, expand mentoring and education technology, and renovate crumbling schools. The results are significant. For example, 29,000 teachers have been hired, on our way to the goal of hiring 100,000 new teachers to reduce class size, and there has been a six-fold increase in the number of Title I elementary schools with after-school programs. We have doubled funding for Head Start, and increased funding for higher education programs—the biggest increase since the G.I. Bill.

- Rewarding work and “ending welfare as we know it,” with incentives to States for moving welfare recipients into jobs, encouraging businesses to hire people from welfare rolls, expanding the Earned Income Tax Credit, tripling funding for dislocated worker training, and increasing funding for child care. Since January 1993, the welfare rolls have decreased from 14.1 million to 6.3 million, the fewest number of people on welfare since 1968.

- Making Social Security solvency a national priority, with the challenge to “save Social Security first,” ensuring that Social Security funds are used to pay for Social Security and strengthen our economic health.

- Achieving the longest Medicare Trust Fund solvency in a quarter century while improving Medicare’s benefits.

- Reversing the increase in the number of uninsured Americans through the Children’s Health Insurance Program (CHIP) and other policies. Over 3.3 million children have received health insurance through the CHIP.

- Setting the highest level of environmental standards ever. More land in the lower 48 States has been protected under the Antiquities Act than by any other Administration; 58.5 million acres of national forest will be protected from road building and logging; unprecedented legislation will provide \$12 billion over six years in dedicated funding for the conservation of America’s land and coastal resources; climate change and clean water funding was increased; and, efforts to fight budget riders that would have sacrificed hard-won environmental safeguards to special-interests succeeded.

- Increasing investments in science and technology, as the keys to economic growth. Funding for medical research at the National Institutes of Health doubled, allowing for breakthroughs such as

the complete sequencing of the human genome and new therapies to prevent breast cancer.

- Securing funding to hire over 100,000 additional community police officers, making our streets safer. My Administration's initiatives to reduce crime contributed to the lowest annual serious crime count since 1985.

- Giving Americans confidence that when natural disasters occur, such as the Northridge Earthquake, Hurricane Floyd, and the Midwest Floods, their Government will help them return to prosperity.

- Implementing the Uruguay Round, the North American Free Trade Agreement, and other major agreements, to liberalize trade and financial markets, aid construction of a new global economic architecture, and promote growth.

- Fighting transnational threats, such as HIV/AIDS, terrorism, and environmental destruction, as well as securing historic debt relief for countries in crisis and resources to fight child abuse at home and abroad.

- Improving the security of Americans at home and abroad, through increased funding for embassy security.

- Strengthening our national security by promoting stability in responding to natural disasters in Central America and Africa, as well as man-made crises in Kosovo, Bosnia, and Indonesia.

- Maintaining the Nation's security, with the best-equipped, best-trained, and best-prepared military in the world.

This document also highlights the dramatic improvements in the management of the Federal Government we have made over the last eight years. We have used information technology to create a Government that is more accessible and responsive to citizens. The Federal Government has reinvented the way it buys goods and services, focusing on customer satisfaction and results. We have transformed the Federal financial management system. Eight years ago, only a few agencies routinely prepared and issued audited financial statements. Now virtually all agencies issue annual audited financial statements. More than half of the 24 largest agencies received clean audits in 1999. In addition, significant strides have been made to advance the transparency and underpinnings of the regulatory process and improve the Nation's statistics. These management functions are the essentials of governmental operations. Doing them very well rarely garners attention. Failing to do them can undermine program and policy effectiveness as certainly as bad policy decisions or inadequate program implementation.

As the Nation looks to the future, there are several important areas where additional work is needed. Examples include:

- Providing prescription drug coverage for Medicare beneficiaries;
- Passing legislation to stiffen penalties for hate crimes;
- Ensuring equity for legal immigrants;
- Increasing the minimum wage to support millions of working families;
- Providing a Medicaid buy-in option for children with disabilities in working families;
- Ensuring stability in the Middle East peace process;
- Increasing our embassy security;

- Funding diplomacy as an alternative to crises and violence;
- Striving to hire 100,000 new teachers to reduce class size;
- Helping school districts to obtain financing to construct and modernize schools; and,
- Expanding and improving the quality of the Head Start program.

#### MY HOPES FOR THE NATION

This is a rare moment in American history. Never before has our Nation enjoyed so much prosperity, at a time when social progress continues to advance and our position as the global leader is secure. Today, we are well prepared to make the choices that will shape the future of our Nation for decades to come.

By reversing the earlier trend of fiscal irresponsibility, using conservative economic estimates, balancing the budget, and producing an historic surplus, we have helped restore our national spirit and produced the resources to help opportunity and prosperity reach all corners of this Nation. We have it within our reach today, by making the right choices, to offer the promise of prosperity to generations of Americans to come. If we keep to the path of fiscal discipline, we can build a foundation of prosperity for the future of the Nation.

Over the last eight years, I have sought to provide the fiscal discipline necessary to ensure the continuing growth of our economy while making essential investments in the future of our people—especially those who are less fortunate. The results are evident. I present this document with pride in our accomplishments, and the hope that this progress will continue and grow for all Americans.

In the past eight years, we have enjoyed extraordinary economic performance because our fiscal policy was responsible and sound. To continue the Nation's strong economic performance, we must maintain our commitment to a sound fiscal policy. Experience over the last twenty years clearly shows how perilous it is to create conditions for budgetary problems. We are now enjoying the benefits of a virtuous cycle of surplus and debt reduction and must not return to the vicious cycle of red ink.

The challenge now, in this era of surplus, is to make balanced choices to use our resources to meet both the evident, pressing needs of today, and the more distant, but no less crucial, needs of generations to come.

WILLIAM J. CLINTON.