PROSPERITY FOR AMERICA'S FAMILIES

The Gore–Lieberman Economic Plan
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THE GORE-LIEBERMAN ECONOMIC PLAN

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INTRODUCTION

PROSPERITY FOR AMERICA’S FAMILIES:
BY AL GORE AND JOE LIEBERMAN

Eight years ago, a new team came to Washington facing serious economic dangers. America was barely emerging from recession. Our budget deficits were at record levels, and climbing. Investments in education, health care, and technology were lagging.

The Clinton-Gore Administration launched a new economic plan, and a new economic direction: fiscal discipline and deficit reduction; investments in critical priorities for the future and in our people; and opening markets around the world.

The results speak for themselves. Instead of recession and weak economic growth, we are now enjoying the longest economic expansion in American history with the strongest productivity growth in decades. Instead of the biggest deficits in history, we now have the biggest surpluses. We have the highest home ownership rate ever, and the lowest core inflation in a generation. Instead of losing jobs, we have 22 million new jobs.

But above all, this success has come from the American people themselves who have created the new businesses and new jobs, and turned around whole industries and entire communities.

However, we should never forget that eight years ago, Americans were also working hard. But that hard work was undone by a government that did not work, did not put people first, and was not fighting for working families. Together, we changed things to help unleash America’s potential, spark innovation, and spur investment in the private sector, the engine that drives our economic growth.

Our progress on the economy is a good chapter in our history. But now we turn the page and write a new chapter – or twelve new chapters, to be precise.

The prosperity and progress we have achieved over the past eight years are only the start of what we can achieve together. By combining the hard work of the American people with leadership willing to fight for American families, we can build a better, fairer, more prosperous nation for all our people.

That is why today, we are presenting our economic plan to the American people, “Prosperity for America’s Families,” because that is, in the end, our hope: to make America’s families more prosperous, make their burdens lighter, and make their futures brighter.
It is hard to quantify the economic potential of the American people. But we can – and we are – setting concrete economic goals for the country, goals that reflect our values and honor our commitment to the future. And we are proposing the specific policies to achieve them.

Our goals include:

- Eliminating all federal debt held by the public by 2012 – while extending the life of Social Security and Medicare;

- Doubling the share of families with significant retirement savings – on top of, not instead of – Social Security;

- Lowering the federal income tax burden on the typical family to its lowest level in 50 years;

- Bringing down the poverty rate to below 10 percent – and raising the level of homeownership to over 70 percent – both for the first time ever;

- Increasing the share of young people who attend – and complete – college, to record levels.

- Over the next decade, increasing family incomes by one-third.

- Cutting the gap between what men and women earn by 50 percent.

- Creating 10 million high-tech, high-skill jobs

We chose these goals not just because they reflect what matters to American families today, but also because they honor our commitment to the future, by securing Social Security and Medicare, paying off the debt so that it will not be a burden on our children, and training the next generation to carry on the prosperity.

Of course, goals without a means to reach them are merely hollow promises. That is why our plan backs these goals up with concrete policies to achieve them:

- We do not just call for an increase in the national savings rate; we offer new tax credits and tax deductions to make it easier for families to save.

- We do not just hope for an increase in college attendance; we are proposing new tax cuts and grant programs to encourage young people to go to college and make going to college – and staying there – more affordable.
• We do not just intend to see incomes climb; we have a specific plan to raise incomes for families at both the upper and the lower end of the middle class.

Most importantly, we implement all of these policies while also balancing the budget, saving Social Security and Medicare, and eliminating all federal debt by 2012. We want to keep interest rates down, tax burdens low, and federal spending under control.

The next chapter outlines our goals, as well as an overview of the policies needed to achieve them. The following 11 chapters provide the details of our economic plan. Some focus on our fiscal policy: our plans to balance the budget, pay down the debt, and keep interest rates low. Others focus on specific areas of economic policy: our support for the growing high technology sector and the manufacturing sector. And still others focus on strategic investments in priorities like education and training, energy and the environment, and health care.

Finally, this book concludes with a presentation of our ten-year budget and surplus plan: specific, detailed, and – above all – prudent. Our plan would yield balanced budgets every year, even under the conservative Office of Management and Budget estimates, resulting in twelve consecutive years of balanced budgets for the first time this century.

And yet, even that is not good enough. Ten-year budget figures are just projections, and budget plans based on unrealistic projections could mark a return to the failed deficit policies of the past. That is why we are also proposing – as a hedge against overspending based on “rosy estimates” – that before Congress spends money under its more optimistic projections, it set aside one-sixth of the non-Social Security, non-Medicare surplus. Simply put, we will place one dollar out of every six dollars of budget surplus into a surplus reserve – unspent, unallocated, and uncommitted.

This last idea may strike some as odd. It certainly is unusual for candidates not to promise to spend every dime available, and then some, on new programs or new tax cuts. But we think that the better course – the smarter, safer, and wiser course – is to refrain from committing all of the congressionally-projected surplus, and make sure that these new surpluses actually materialize before they are spent.

In the end, we know that what we are doing here defies conventional wisdom: putting out a detailed economic plan, full of specifics for our opponents to ridicule, attack, or belittle. But we think that the American people are entitled to know what we would do to grow our prosperity if we are elected. We would hope that Governor Bush and Secretary Cheney will match this plan with one of their own. We think the American people deserve no less.

The choice before our country is an important one. It is a choice between two very different directions, two very different paths, and two very different ideas of how to achieve prosperity and what to use that prosperity for. We want to put it to work for America’s hard-
working families, and do so in a way that not only keeps our prosperity, but broadens and deepens it.

This plan presents in detail what we believe we should do with the extraordinary opportunity that today’s prosperity presents us. We look forward to discussing this in detail with people all over the country in the coming months. Above all, we hope the American people find it an ambitious and exciting blueprint for growing our prosperity for all American families.
CHAPTER 1
GOALS: THE GORE-LIEBERMAN ECONOMIC PLAN

Al Gore and Joe Lieberman believe that we should use the opportunity that this historic prosperity has given us to set great goals for our country – and work actively to meet them. They believe that we should use this historic prosperity and surplus to help all American families live out their dreams with greater opportunity and economic security.

The hard work of the American people will be the most important element in achieving these goals. But sound economic policy is an indispensable factor, too. The decisions that we make in the coming years will shape the economy and society for decades to come. And the questions before us are as significant as they are substantial: How do we take advantage of this moment to extend the solvency of Social Security and Medicare without making damaging cuts in benefits? How do we ensure that more Americans can live out the American dream of owning a home, sending their children to college, and enjoying a secure retirement? How do we give those who have not yet benefited from the prosperity the tools and opportunities to work their way up?

The decisions we make over the coming years about fiscal discipline, about investing in people and technology, and about opening markets abroad will affect incomes and productivity growth for decades to come.

Al Gore and Joe Lieberman have an economic plan to make sure that the prosperity we are enjoying today is just the precursor for a greater, stronger, and broader prosperity in the future. At the heart of this plan are 10 ambitious goals that will provide a yardstick to measure our progress. For the Gore-Lieberman plan is not just about setting goals, it is about getting results. The 10 goals are:

Goal 1. Make America Debt Free by 2012

Goal 2. Protect Social Security and Medicare Surpluses for Solvency

Goal 3. Double the Number of Families With Savings in Excess of $50,000

Goal 4. Raise Family Incomes by One-third

Goal 5. Enable 7 out of every 10 American Families to Own Homes for the First Time in History

Goal 6. Raise College Attendance and Graduation Levels to a New Record: Three-Quarters of High School Graduates Complete Some College – and Half of College Age Students Have a Degree
Goal 7. By 2002, Ensure that the Typical Family Has the Lowest Federal Income Tax Burden in Over 50 Years

Goal 8. Reduce the Number of People in Poverty to Fewer than 1 in 10 for the First Time in Our History

Goal 9. Cut the Gap Between What Men and Women Earn by 50 Percent

Goal 10. Create 10 Million High-Tech, High-Skill Jobs

These goals are specific, concrete, and measurable. They also speak to the enduring American beliefs that we must strengthen families and ensure that we leave a stronger America for future generations. More importantly, they are all achievable under the policies set forth in this plan, and under the balanced budget that Al Gore and Joe Lieberman will send to the Congress. They are ambitious, and would lead America into the 21st century stronger, better off, and more prosperous.

The economic plan will have an immediate impact on some of the goals – like reducing the tax burden to the lowest level in over 50 years. But in other areas it will take years, or even decades, for our policies to have their full impact. Al Gore and Joe Lieberman, however, are committed to the future, putting in place an economic plan that will both deliver results today and for generations to come.

GOAL 1. MAKE AMERICA DEBT FREE BY 2012

Over the past eight years, we have made tremendous progress in stopping the debt from spiraling out of control and, in the last three years, in paying it down. Instead of a debt projected in 1993 to be $5.9 trillion by this year, we have a debt of $3.4 trillion – a $2.5 trillion improvement relative to forecast. Instead of being a projected 65 percent of GDP, the debt is projected to be 35 percent of GDP by the end of the year.

In fact, by the end of September, we will have paid back $360 billion of debt over three years – the largest three-year debt pay down in history. For the first time in generations, America is beginning to pay off its debt.
The Gore-Lieberman Plan to Pay Off the Debt

Al Gore and Joe Lieberman have a plan to keep paying down the debt, making America free of its publicly-held debt by 2012. Their plan devotes a substantial portion of the total budget surplus to debt reduction. Over the next ten years, the plan would pay down the debt by $3 trillion (based on CBO budget projections) by devoting:

- $2.3 trillion of Social Security surplus for debt reduction
- $450 billion of Medicare surplus and solvency transfers for debt reduction
- $300 billion in an additional Surplus Reserve Fund
- $3 trillion for total debt reduction

In contrast, the Bush-Cheney plan would bring America back into deficit and would even drain almost the entire unified surplus, at best leaving little for debt reduction. Bush and Cheney have proposed a massive tax cut and endorsed even more tax cuts that, together, including interest costs, would drain about $2 trillion from the surplus. Spending proposals – including health, prescription drugs, defense, missile defense, and domestic spending – would drain at least another $750 billion. Their plan to privatize Social Security would divert another $1.2 trillion from debt reduction. The result is that, little – if any – of the surplus is left to pay down the debt.
In the end, the difference between the two plans is clear: under the Gore-Lieberman plan, debt is steadily paid down to zero. Under the Bush-Cheney plan, America would be left with debts of at least $2.8 trillion.

What Paying Off the Debt Means for America

Paying off the debt will have benefits for all Americans. By doing so we can:

- **Meet the challenges of Social Security and Medicare.** By using today’s prosperity to pay down our debt, the Gore-Lieberman plan will help prepare America for the economic challenge posed by the retiring baby boomers. This is just commonsense: a family that has large credit card bills and knows it will soon have to pay for a child to go to college should start saving by paying off its credit card debt. This would improve its financial position and reduce interest payments, freeing up that income for other purposes like the cost of college. Similarly, paying off the debt will save money on interest payments. If these interest savings are transferred to Social Security and Medicare — as proposed under the Gore-Lieberman Plan — we will extend the solvency of Social Security and Medicare.
• **Keep interest rates low for American families.** Paying off the debt will help keep interest rates lower, enabling American families save on everything from home mortgages to student loans to credit card payments.

• **Continue to increase national saving, business investment, and economic growth.** After declining in the 1980’s and early 1990’s, the net national savings rate hit its lowest point on record in 1993. Since then, deficit reduction and growing surpluses have turned the situation around, nearly doubling the net national saving rate. If we continue to pay off the debt, that will keep national saving strong and thus lead to stronger business investment and faster economic growth – increasing the prosperity for everyone.

**GOAL 2. PROTECT SOCIAL SECURITY AND MEDICARE SURPLUSES FOR SOLVENCY**

Social Security and Medicare represent a fundamental American belief: those who worked hard and contributed their fair share to the system should be able to enjoy a secure and dignified retirement. The fruits of these two great steps have been profound: the poverty rate for seniors has fallen from 35.2 percent in 1959 to 10.5 percent in 1998 – the lowest rate on record. Before Medicare, 44 percent of the elderly were uninsured and millions more had substandard coverage. Today, virtually everyone 65 and older is covered by Medicare.

Currently, the Social Security and Medicare programs are running substantial surpluses as payroll tax revenues exceed benefit payments. But with Social Security projected to become insolvent in 2037 and Medicare in 2025, they face looming challenges that are just around the corner. For years, policy experts have assumed that the only way to address this challenge was to enact tax increases, benefit cuts, or a combination of both. Yet our historic budget surpluses – a record surplus of $232 billion in 2000 – have changed the terms of the debate. If we have the discipline and foresight to save the surplus, to pay off the debt and help Social Security and Medicare, we can go a long way toward saving Social Security and Medicare for the future. If we squander the surplus on expensive tax cuts, we will likely force unnecessary and painful solutions – or even worse we will pass these difficult choices onto our children and grandchildren.

**The Gore-Lieberman Plan to Protect the Social Security and Medicare Surpluses and Extend the Solvency of Social Security and Medicare**

Al Gore and Joe Lieberman have a two-step plan, described in more detail in Chapter 3, that would not just protect the Social Security and Medicare surpluses from being raided, but would also extend the life of Social Security to at least 2054 and Medicare to at least 2030:

• **Step 1: Protect the Social Security and Medicare surpluses for debt reduction.** Al Gore and Joe Lieberman want to protect the Social Security surplus for debt reduction and to
invest less than five percent of the surplus in modernizing benefits to reduce the number of elderly women in poverty. Furthermore, Al Gore and Joe Lieberman have called for us to go one step further, and take all surplus revenues from Medicare and use them to reduce the debt. Together these steps will pay down over $2.6 trillion of debt.

• **Step 2: Devote the interest savings to extend the life of Social Security and Medicare.** This is only the first step of the Gore-Lieberman plan. Paying down the debt produces interest savings for America. Al Gore and Joe Lieberman believe that we should take these interest savings and devote them to strengthening the solvency of Social Security and Medicare.

As a result of these steps, and our entire program of fiscal discipline, we will pay off the national debt. This will help strengthen our economy to prepare for the retiring baby boom generation. It will also eliminate the interest payments on the debt that are currently running at $224 billion annually, freeing up the resources for Social Security and Medicare benefits. As a result, we can extend the solvency of Social Security to at least 2054 and Medicare to at least 2030.

**GOAL 3. BY 2010, DOUBLE THE NUMBER OF FAMILIES WITH SAVINGS IN EXCESS OF $50,000**

Al Gore and Joe Lieberman have proposed a bold new retirement savings account plan that should double the number of families with over $50,000 in savings by 2010. This will put America on a path to Al Gore and Joe Lieberman’s ultimate goal, that families could retire with a $200,000 nest egg – enough to nearly double their Social Security benefit.

Today, too few Americans have accumulated meaningful wealth that could be used to buy a home, send a child to college, or to ensure a secure retirement. The bottom 90 percent of Americans, despite earning 59 percent of the country’s income, have only 20 percent of the net financial assets. At the same time, the top one percent of families earn 17 percent of the income but have 47 percent of the assets.⁴

In part this inequality results from the fact that the tax system provides fewer incentives for working and middle-class families – the same families that generally have less access to 401(k)s and other employer-provided savings plans through their jobs – to save.

Al Gore and Joe Lieberman have a way to increase family savings – without harming Social Security. It recognizes that there are three legs of the retirement stool: Social Security, employer-provided pensions, and personal savings. Their vision is that we should strengthen each of these legs.
Al Gore and Joe Lieberman believe that we should use the benefits of debt reduction to strengthen the solvency of Social Security, the only leg of the stool that provides a guaranteed benefit and protection against risks ranging from disability to the death of a spouse or parent, and then promote savings on top of the unshakeable foundation of Social Security.

Doubling the Number of Families with over $50,000 in Savings

Consider this: in 1998, only one-third of families had more than $50,000 in savings. For a family about to retire, this is only enough to buy an annuity of about $3,000 a year – which when combined with Social Security benefits is not nearly enough to enjoy the same standard of living that the family enjoyed in their working years. And even so, only about 33 million families in America had nest eggs of that size.

The Gore-Lieberman goal is to double the number of families with over $50,000 of financial assets, so that by 2010 two-thirds of American families have this level of assets. And if a family continues to save, then at the end of 35 years, they will accumulate a nest egg of $200,000 in inflation-adjusted dollars.

The Gore-Lieberman Retirement Savings Plus plan

In order to create incentives for American families to save, Al Gore and Joe Lieberman have proposed “Retirement Savings Plus” accounts. The principle behind these accounts is simple. We should give help to hard-working Americans who want to save. If a middle-class families saves one dollar, the government will match this with one dollar of savings. For poorer families – those most in need but with the least opportunity to save – the government will contribute three dollars to your savings account for every one dollar you contribute. (See Chapter 4 for further details.)

When fully phased in, the maximum annual account contribution – including the personal contribution and the government match – is $2,000 per person. For a couple, that is up to $4,000 of savings annually. Analysis suggests that an average family – given the incentives of tax credits and tax deductions provided by the Gore-Lieberman plan – would likely participate, on average, at about half of this maximum level over time. After 10 straight years of participation, and with investment in a mixture of stocks and bonds, that family would accumulate $26,000 in inflation-adjusted dollars.

Put another way, for a lower-income family, this would require savings of just $10 a week to have $26,000 at the end of a decade. Together with existing assets, this will mean that about two out of three families will have over $50,000 in inflation-adjusted dollars by 2010 – a doubling in the share of families with that level of savings.
And this is just a beginning. Under the Gore-Lieberman plan, families would continue to save. By 2037, someone that was 30 years old when the program began will be reaching retirement age. If they participated fully over their entire working life – and invested in a conservative mixture of stocks and bonds – then they would accumulate a nest egg of $200,000 in inflation-adjusted dollars.

**GOAL 4. INCREASE PRODUCTIVITY GROWTH TO RAISE FAMILY INCOMES BY ONE-THIRD OVER A DECADE**

In the end, any plan to grow the prosperity must include, as a goal, producing more prosperity for more families, including an increase in the average family’s income.

From 1993 to 1998, the most recent year for which data is available, family incomes have risen by $5,046 – and by $5,104 for African-American families. Incomes have risen strongly in all of the quintiles, with the growth at the bottom as strong as the growth at the top. As a result, families now find it easier to afford some of the basics, and to get ahead. But there are still too many American families for whom the word “prosperity” seems remote. Times are good. But incomes still seem tight.

Al Gore and Joe Lieberman want rapid income growth over the next ten years. Their goal: to raise family incomes so that, by 2010, the median family’s after-tax, inflation-adjusted income increases by one-third. For the median family making an estimated $50,000 in 2000, that would mean an increase to $67,000 by the end of the decade, adjusting for inflation (or $87,000 without adjusting for inflation).

**The Gore-Lieberman Plan to Raise Incomes**

Many factors contribute to family income growth. But specifically, the Gore-Lieberman plan would raise incomes by:

*Increasing productivity growth*

Sustained, strong productivity growth is the key to rising incomes. From 1973 to 1990, productivity only grew at a 1.4 percent annual rate. At this rate it takes 50 years to double the level of productivity. If we can increase productivity growth at 2.8 percent annually, then productivity would double in only one generation. While workers and businesses will be the leaders in productivity growth, the government can help foster innovation and productivity growth:
• **Continue to pay down the debt to keep investment growth strong.** The Gore-Lieberman plan to pay down the debt by 2012 will help keep interest rates lower and investment growth strong.

• **Investing in our people and technology.** Some investments, like advances in biomedical research or computer technology, can have a major impact in just a few years. Other investments – like early childhood education – will take over a decade before they could potentially impact overall productivity. That is why it is important to make choices today that establish a firm foundation for the future.

• **Commonsense deregulation to spur competition.** The Gore-Lieberman Administration will support commonsense deregulation to spur competition and productivity in many of America’s most high value-added industries while avoiding unnecessary, counterproductive regulation of the Internet and new information technologies.

• **Opening markets abroad for American goods.** A Gore-Lieberman Administration will open more markets abroad in order to boost America’s exports and strengthen our economy, while at the same time ensuring that free trade is also fair trade, including setting standards to end child labor, and to prevent the exploitation of workers and the poisoning of the environment.

**Cutting taxes**

Al Gore and Joe Lieberman believe that we can continue cutting taxes for middle-class families, so that by 2002 the typical family of four will face the lowest income taxes in fifty years (see Goal 7). This will, together with the middle-class tax cuts of the last eight years, help to increase after-tax incomes.

**Raising incomes for those at the bottom**

Income growth for lower-income families will be boosted by a minimum wage increase, targeted tax cuts like the EITC expansion, and an emphasis on the communities that have not fully shared in our prosperity.

The bottom line: by doing all these things, and much more, we can grow incomes faster than any ten year period ever recorded – allowing all families, not just a few, to enjoy greater prosperity. As a result, after-tax incomes would grow by one-third over the next decade.
GOAL 5. ENABLE 7 OUT OF 10 FAMILIES TO OWN THEIR OWN HOME BY 2004

Homeownership is at the heart of the American dream. It allows a family to be more independent and self-reliant. For many Americans, it is their largest asset and an important safety net of security.

During the 1980’s and early 1990’s with the debt quadrupling, mortgage rates skyrocketed and many families were priced out of the owning a home. By balancing the budget and turning record deficits into record surpluses, we lowered mortgage rates and helped contribute to the increase in homeownership to its highest level on record – as well as the highest levels on record for African Americans and Hispanics.  

Al Gore and Joe Lieberman believe we should set the ambitious goal of enabling 7 out of 10 families to own a home – the highest level of homeownership in our history. Their plan to achieve this ambitious goal, by keeping interest rates low, adopting programs to make the cost of buying a home more affordable, and helping first-time buyers make the move to home ownership.
The Gore-Lieberman Plan to Increase Homeownership

Al Gore and Joe Lieberman have a comprehensive plan to increase homeownership. The key elements are:

• **Keeping mortgage rates low through a commitment to debt reduction.** Each one-percentage point reduction in interest rates saves a typical family with a $100,000 home mortgage $850 annually on mortgage payments. Over a decade, the total mortgage savings for all homeowners is equivalent to a $250 billion tax cut.  

• **Allowing saving for first-time home purchases through Retirement Savings Plus accounts.** Families would be permitted to withdraw funds from the Gore-Lieberman Retirement Savings Plus accounts to buy a first home. The generous financial incentives provided by RSPs will ensure that more families save and that they can afford to accumulate more wealth. Since RSPs have a five-year vesting period before money could be withdrawn, they would not be able to contribute to meeting the goal of 7 out of 10 homeowners by 2004 – but they would contribute to higher homeownership rates in the years to come.

• **Ensuring expanded opportunities for home ownership through continued commitment to the Low-income Housing Tax Credit and Community Reinvestment Act.** Al Gore and Joe Lieberman will continue to expand our commitment to having a strong Low-income Housing Tax Credit and strong Community Reinvestment Act enforcement to ensure that America keeps its commitment not only to the production of low- and moderate-income housing, but that we continue to ensure access to the banking and mortgage services to Americans who live not only in our suburbs, but in our lower-income urban and rural communities as well.

With these policies in place we believe that six million more families can purchase homes in the next four years, raising the level of homeownership to 70 percent. Thus, for the first time in our history, 7 in 10 Americans would have a piece of the “American Dream:” owning their own home.

GOAL 6. RAISE COLLEGE ATTENDANCE AND GRADUATION LEVELS TO NEW RECORDS SO THAT IN A DECADE, THREE-QUARTERS OF HIGH SCHOOL GRADUATES COMPLETE SOME COLLEGE – AND HALF OF COLLEGE AGE STUDENTS HAVE A DEGREE

The doors of college are the gateways to the American Dream. Education is the ticket to economic prosperity and enriched lives. A college graduate earns $600,000 more over a lifetime,
on average, than a high school graduate. And jobs that require a college degree are growing twice as fast as others.

Today, two-thirds of high school graduates immediately enroll in college. College attendance rates—a widely-used barometer for college accessibility—have reached historic highs, up from 62 percent in 1992. Under the Clinton-Gore Administration, more Americans are also completing college than ever before: 36 percent of Americans between the ages of 25 and 29 have earned an associate’s or higher degree, up from 30 percent in 1992. For the first time, a majority of young African-Americans is enrolling in college.

But college enrollment statistics tell only part of the story. An estimated 37 percent of college students drop out before earning a certificate or a degree, and dropout rates are even higher among minorities. Americans should be proud that admission and completion rates are at historic levels, but we cannot rest when it comes to encouraging our young people to enter and complete college.

Increasing College Attendance and College Completion

Al Gore and Joe Lieberman are committed to raising the share of Americans who have attended some college to 75 percent of high school graduates by 2010. In addition, they want to increase the share of college-age Americans who finish their schooling, and earn their degrees to 50 percent, the first time in history.

The Gore-Lieberman plan offers a multi-faceted approach to achieving these ambitious goals:

- **Make college tuition more affordable by making it tax deductible.** Al Gore and Joe Lieberman’s College Opportunity Tax Cut would allow families to choose between a tax deduction and a 28 percent tax credit on up to $10,000 in tuition in order to make college, graduate school, and job training more affordable.

- **Make saving for college easier.** Al Gore and Joe Lieberman will establish Retirement Savings Plus accounts to supplement Social Security; families could withdraw from these accounts to pay for a child’s college education, purchase a first home, or cover catastrophic medical expenses. Al Gore and Joe Lieberman have also proposed new 401(j) accounts that allow individuals and their employers to put money away to save for job training, education and lifelong learning for themselves or their family, and let those savings grow tax-free.

- **Create a National College Tuition Savings plan.** Al Gore and Joe Lieberman have proposed a National Tuition Savings plan that will link existing state college savings and prepaid tuition plans. Al Gore and Joe Lieberman believe we should increase access to tax-free
college savings plans, allow every parent’s savings to be used in any participating state, and encourage states without programs to create them.

• **Make student loans more affordable by reducing interest rates.** Al Gore and Joe Lieberman’s economic plan would reduce interest rates by paying off the national debt by 2012, making student and parent loans for college more affordable.

• **Build on the Clinton-Gore College Opportunity Initiatives.** Al Gore and Joe Lieberman believe we must continue to expand financial aid including Pell grants. Because money is not enough for at-risk students, Al Gore and Joe Lieberman support greater efforts to help students prepare for and succeed in college through the GEAR UP and TRIO programs. As President, Al Gore will direct the U.S. Department of Education to ensure that all American middle school students understand the benefits of college, the steps necessary to get there, and have access to accurate information on college costs and financial aid. Finally, Al Gore will help at-risk children succeed in college through initiatives like the Clinton-Gore proposal for College Completion Challenge Grants.

Through these and the other measures detailed in Chapter 5, we believe we can achieve the goals that Al Gore and Joe Lieberman have set for getting young people into college — and helping them graduate.

**GOAL 7. ENSURE THAT, BY 2002, THE TYPICAL FAMILY PAYS THE SMALLEST PORTION OF ITS INCOME IN FEDERAL INCOME TAXES THAN IT HAS AT ANY POINT IN THE LAST FIFTY YEARS**

Al Gore and Joe Lieberman know that we can reduce taxes for working families while maintaining our fiscal discipline. The key is to offer those tax cuts to those who need them most.

In the last eight years, the typical couple with two children has seen the share of its income devoted to paying federal income taxes fall from 9.18 percent in 1992 to 7.46 percent in 1999.12

Still, that is not good enough. Working families are squeezed by the taxes they pay, and need help paying for costs like college, health care, retirement savings, and long-term care. Al Gore and Joe Lieberman have a strategy to continue to cut taxes for working families so that when all the tax cuts take effect, the federal income tax burden on the typical family will be the lowest it has been in 50 years, and we will still be able to invest in education, the environment, a prescription drug benefit for all seniors under Medicare, education, the environment, and other priorities.

In contrast, the Bush-Cheney plan reverses the successful approach of the last eight years, spending hundreds of billions of dollars to provide tens of thousands of dollars of tax breaks to
many of the wealthiest families. As the economist Paul Krugman wrote, “Mr. Bush’s proposed tax cuts aren’t just tilted toward high-income families; they target them with awesome precision.” As a result, the Bush-Cheney plan would plunge America back into deficit, making it impossible to strengthen Social Security and Medicare, make investments in key priorities like a Medicare prescription drug benefit or education, or pay off the national debt.

The Gore-Lieberman Tax Plan

The Gore-Lieberman tax plan includes several tax cuts that benefit working families, to help them lift the burdens of their most pressing expenses (see Chapter 7 for a more detailed discussion):

- **Eliminating the marriage penalty for millions of working families.** The Gore-Lieberman plan would set the standard deduction for married filers at twice the standard deduction for singles, eliminating the marriage penalty for millions of working families.

- **Providing incentives to save through Retirement Savings Plus accounts.** Retirement Savings Plus accounts provide a tax credit match to provide families with the incentives and resources to save for the future.

- **Helping to pay for college by making most college tuition tax deductible through the College Opportunity Tax Cut.** The College Opportunity Tax Cut would provide families with a choice of a 28 percent tax credit or a tax deduction on up to $10,000 of tuition – helping to pay for college, graduate work, or training courses.

- **Expanding the childcare tax credit and making it refundable.** The Gore-Lieberman plan makes the Child and Dependent Care Tax Credit more generous for moderate-income families, makes it refundable to help even the poorest parents afford work-related childcare, and provides a tax credit for stay-at-home parents of small children.

- **Helping families pay for long-term care needs.** Al Gore and Joe Lieberman have proposed a Long-term Care Tax Credit that would provide a $3,000 tax credit for families taking care of a relative with long-term care needs.

- **Expanding the Earned Income Tax Credit (EITC) to better reward work and family.** The Gore-Lieberman plan expands the EITC, increasing it for families with three or more children, married couples, lowering the highest phase-out rates, and simplifying the EITC to encourage more families to save.

- **Helping to ensure equity with a 25 percent refundable tax credit for health insurance.** In order to ensure equity and make health insurance more affordable, the Gore-Lieberman plan proposes a 25 percent refundable tax credit for families without employer-provided health insurance.
Under the Gore-Lieberman tax plan, a typical couple with two children could get a tax cut of $1,000 or more by 2002 – this would make their federal income taxes the lowest as a share of income that they have been in more than 50 years. In contrast, the Bush-Cheney plan would not achieve this goal by 2002 because none of their major tax proposals take full effect until 2006, forcing typical families to wait 5 years for their full tax cuts.

**GOAL 8. REDUCE POVERTY SO THAT BY 2004, FEWER THAN 1 IN 10 PEOPLE LIVE IN POVERTY FOR THE FIRST TIME IN OUR HISTORY**

Al Gore and Joe Lieberman believe that our nation’s values mandate an economic plan geared towards empowering more Americans to lift themselves out of poverty. That means that as we grow our prosperity, we must also do more to help those who have been left behind.

During the last eight years, as they fought for deficit and debt reduction, Al Gore and Joe Lieberman also successfully fought for a dramatic expansion in the Earned Income Tax Credit, an increase in the minimum wage, and for expanded funding for initiatives like health care, environmental protection, and education. Both the fiscal discipline that has helped produce the longest expansion in America’s history and these specific policies have helped ensure that low-income Americans have been able to make progress. But there is still much more to do.

From 1981 to 1993, the poverty rate rose from 14.0 percent to 15.1 percent. Under the Clinton-Gore Administration, the poverty rate has fallen to 12.7 percent – the lowest rate since 1979. The poverty rate for African Americans and single mothers has reached its lowest level in history. The child poverty rate has also declined from 22.7 percent to 18.9 percent, but the number of children in poverty and distress is still far too large for such a great nation to tolerate.

This decline in poverty is partly the result of the strongest economy in generations. Fiscal discipline has contributed to the longest economic expansion in history. The unemployment rate has fallen from 7.5 percent in 1992 to 4.0 percent today, and the rate for African Americans and Hispanics is the lowest on record. Strong productivity growth has enabled five consecutive years of real wage growth, the strongest sustained wage growth since the 1960s.

But while economic growth may be necessary to reduce poverty, it is not sufficient. Even in the period of growth in the mid-to-late 1980’s, the poverty rate was essentially unchanged. In contrast, in the mid to late 1990’s strong economic growth has translated into rising incomes across the board and sustained poverty reduction. An important difference is that we instituted policies that brought more Americans into the workforce, and made work itself more rewarding as well.
Expanding the Earned Income Tax Credit (EITC), for example, has made a major contribution to reducing poverty. In 1993, the EITC lifted 2.1 million people out of poverty. The Clinton-Gore Administration expanded the EITC to 15 million working families, and today the EITC lifts more than 4.3 million people out of poverty, including 2.3 million children.¹⁶

**The Gore-Lieberman Plan: Fewer than 1 in 10 People are in Poverty**

Al Gore and Joe Lieberman have set the ambitious goal that fewer than 1 in 10 people should be in poverty by 2004. Since the traditional Census poverty measure does not capture the benefits of the EITC and other policies, the basis for this goal should be lowering the Census after-tax poverty rate – which is currently 12.0 percent – to below 10 percent by 2004.

The key elements of the Gore-Lieberman plan are:

- **Maintaining our fiscal discipline.** By continuing to pay down the debt, we will keep interest rates lower and the economy stronger.

- **Reducing poverty by expanding the EITC, especially for families with three or more children.** Although the poverty rate for children in families with three or more children has fallen, it is still more than twice the percent poverty rate for children in families with one or two children. Currently the EITC provides the same benefit for families with two or more children. That is why Al Gore and Joe Lieberman have proposed a major expansion in the EITC, which especially targets families with three or more children, by providing them with an additional $500 per family. In addition, the Gore-Lieberman EITC policy reduces the marriage penalty, lowers the phase out rate, and simplifies the EITC. The total effect of these proposals will be a substantial increase in the reward of work for many families, which will further reduce poverty by encouraging greater labor force participation.

- **Increasing the minimum wage by $1.** Al Gore and Joe Lieberman call on Congress to further increase the reward for work by increasing the minimum wage by $1 in two equal steps, from $5.15 an hour to $6.15 an hour. This simple step, which restores the real purchasing power of the minimum wage to what it was in 1982, would raise the annual earnings of a full-time worker by about $2,000 a year. Together with the expanded EITC, it would contribute to substantial poverty reduction.

- **Expanding the Child and Dependent Care Tax Credit (CDCTC) to help more working parents more easily afford childcare.** A key part of the Gore-Lieberman plan is not just increasing the rewards for work but also increasing the opportunity to work. Helping a single parent pay for work-related childcare does not just provide a tax break to families that need it most, but can make the difference when it comes to balancing a full-time job and a family. The Gore-Lieberman plan will greatly expand the child care tax credit. For a single mother making $20,000, the credit would double from 25 percent of expenses to 50%.
percent of expenses. More importantly, the Gore-Lieberman plan makes the childcare tax credit refundable, ensuring that the millions of families that need the most help paying for child care will be able to get it.

- **Finish the job of welfare reform by cracking down on child support enforcement and promoting responsible fatherhood.** Although child support collections have doubled since 1992 to $16 billion, millions of poor children receive no support from an absent parent. The Gore-Lieberman plan will require fathers who owe child support to go to work and pay it off. It will also increase the amount of child support that is passed through directly to support children on welfare.

- **Strengthening Social Security benefits for elderly women living alone.** While the elderly poverty rate has fallen from 35.2 percent in 1959 to 10.5 percent in 1998, the lowest in history, this low poverty rate masks the female face of the elderly poor. Elderly women are twice as likely as men to be poor (13 percent versus 7 percent). Married elderly women have a poverty rate of 4.6 percent, but the poverty rate for elderly women living alone is about four times as high. Elderly widows have a poverty rate of 18 percent, women who were never married have a poverty rate of 20 percent, and divorced women have a poverty rate of 22.2 percent. That is why the Gore-Lieberman plan strengthens Social Security benefits for elderly women, particularly targeted at lower-income widows and eliminating the “motherhood penalty” for women who took time off to raise children. Together these policies would cut elderly female poverty by about 10 percent.

When taken together, these measures could achieve a further, dramatic reduction in poverty – namely, the first time in history when fewer than 1 in 10 Americans are in poverty.
GOAL 9. CUT THE GAP BETWEEN WHAT MEN AND WOMEN EARN IN AMERICA BY 50 PERCENT OVER THE NEXT DECADE

Growing prosperity is important, but making sure that all share in it is also critical. For too long, men and women have seen vast disparity in their earnings. Although the gap has closed in the last decades, the typical woman still earns only 73 percent of what the typical man earns. It is time to close that gap.

This gap reflects not just continued discrimination, but also the fact that fewer women go into the highest paying occupations. As a nation, we must tackle both problems.

The Gore-Lieberman Plan to Close the Pay Gap

Changing times and changing attitudes will help to close the pay gap. But that alone is not enough. The Gore-Lieberman plan would help close this gap by:

- **Fighting for paycheck fairness.** Al Gore and Joe Lieberman will fight for paycheck fairness. They will push to increase the Equal Pay Initiative to provide employers with information and resources to help them comply with equal pay requirements. At the same time, they will call for increased penalties for discrimination against women and improved remedies for women who have suffered discrimination.
• **Improving access to high-tech, high-wage jobs.** While information technology jobs are perhaps the leading source of high-wage job growth, women make up only 29 percent of these occupations, compared with nearly half of the workforce. Al Gore and Joe Lieberman believe that everyone from teachers to parents to colleges to community leaders need to take steps to encourage all underrepresented groups, including women, to gain the skills and access they need to benefit from the high-tech, high-wage jobs of the future.

• **Continue to expand efforts to strengthen women’s entrepreneurship.** Al Gore and Joe Lieberman will continue to expand and strengthen the efforts of the Small Business Administration to provide more credit, capital, and technical assistance for women entrepreneurs and women-owned businesses through the 7(A) program, microloans, and the women’s pre-qualified loan program.

**GOAL 10. CREATE 10 MILLION HIGH-TECH, HIGH-SKILL JOBS OVER THE NEXT DECADE**

One of the keys to continuing America’s prosperity for working families is the creation of high-tech, high-wage jobs. Al Gore and Joe Lieberman’s economic plan aims to create the conditions to allow American businesses and American families to live up to their full potential and create at least 10 million new high-tech, high-skill jobs over the next decade.

**The Gore-Lieberman Plan for High-Tech, High-Skill Jobs**

• **Pay off the debt to keep investment strong.** Moving from a record deficit in 1992 to a record surplus today has contributed to the huge increase in investment, with real investment in information technology more than tripling since 1992. Al Gore and Joe Lieberman’s plan to pay off the debt will fuel strong investment, helping to ensure that American companies can take advantage of the latest ideas and technologies to create high-tech, high-wage jobs.

• **Fostering innovation.** Al Gore and Joe Lieberman understand that it is America’s entrepreneurs and workers who are creating our prosperity. They are software programmers in Silicon Valley and web designers in Silicon Alley. But they are also steelworkers in modern plants in the Mon Valley; they are aerospace workers in Washington state; and they are autoworkers in Detroit using the latest manufacturing technology. Al Gore and Joe Lieberman understand what economic and technology policies are needed to help U.S. companies to compete and win in today’s global marketplace. These are described in more detail in Chapter 11. They include: making the tax code an agent of innovation by improving the Research and Experimentation tax credit and making it permanent, fostering competition in telecommunications and the spread of broadband networks, and making major government investments in research and technology.
• **Education and training for a technologically sophisticated workforce.** Greater investment and new technologies will help to create the new jobs, but we will only reach our goal if we have workers who are educated, trained, and ready for these new jobs. That is why Al Gore and Joe Lieberman make major investments in improving our schools, closing the digital divide, increasing college attendance, and continued lifelong training for our workers (see Chapter 5).

• **Opening foreign markets and growing our e-commerce sector.** Global electronic commerce could reach up to $7.3 trillion in sales within four years; American workers and American businesses in every sector can benefit enormously from this economic boom – if we follow the right policies. These include opening markets abroad and making international cyberspace a “duty free zone.”

CONCLUSION

These are the goals of the Gore-Lieberman economic plan. They are clear; they are achievable; and they provide assistance to those who need it most. These goals honor America’s most cherished values as well as the hard work of the American people. Taken together, they will usher in a fairer, better, more prosperous America for all of America’s families.
CHAPTER 2

FISCAL DISCIPLINE: A FOUNDATION FOR OUR PROSPERITY

Al Gore and Joe Lieberman have set an ambitious goal: to repay the entire federal debt by 2012. And they have proposed a responsible plan to meet this goal. Their plan will help keep interest rates lower, increasing the prosperity for America.

As America sets new records every day for job growth, investment and the length of our economic expansion, it is vital to understand the economic and fiscal policies that have helped lead to this remarkable economic turnaround. In the 1980’s and early 1990’s, America was caught in a vicious economic cycle in which exploding debt and deficits kept interest rates high, crowding out the private investment that is the engine of growth and jobs. Every time business tried to invest and expand, the deficit would put pressure on interest rates and the recovery would stall.

In 1993, we put in place an economic strategy that for the first time created an expectation in markets that the deficit was going down – not up. America’s leading financial stewards such as Federal Reserve Chairmen Alan Greenspan and Paul Volcker explicitly recognized the critical contribution the 1993 economic plan made in reducing pressure on interest rates and helping to spark our historic economic expansion. This fiscal discipline, combined with our commitment to open markets and investments in people, has replaced the previous vicious cycle with a virtuous cycle – higher savings, lower interest rates, more investment, more jobs, higher growth and productivity. You could call it the law of intended consequences.

This virtuous cycle has truly transformed America. Instead of having the largest deficits in history, we now have the largest surpluses in history.

These projected surpluses present America with a fundamental choice; do we pay down our debt – a choice that will keep interest rates low and investment high, or do we squander our surplus with a massive tax cut, and turn our back on fiscal discipline?

Al Gore and Joe Lieberman’s plan would choose the former, making America debt-free by 2012, clearing our nation of its debt for the first time since 1835. In contrast, Governor Bush and Secretary Cheney’s plan explicitly rejects this goal, and instead puts forward a plan that by design would keep America in more than $2.8 trillion in debt indefinitely.

1. A DEBT FREE AMERICA: CRITICAL FOR GROWING PROSPERITY

While progress has been made to reduce America’s debt, much work remains to be done. A reduced debt is not our goal; our goal is to make America debt free. Why is that goal an important one?
Lower Interest Rates by Maintaining Fiscal Discipline and Debt Reduction

The 1993 commitment to deficit reduction changed market expectations and had an almost instant impact on interest rates. Daily stories in the Wall Street Journal, the New York Times and other papers attributed the sharp decline in long-term interest rates to the introduction and passage of the deficit reduction package.¹

The continued commitment exhibited by the 1997 Balanced Budget Act and the commitment to save the surplus have all helped maintain this expectation. Deficit reduction has contributed to lower long-term interest rates and a national first: seven consecutive years of double-digit investment growth.

During periods of strong economic growth, interest rates tend to rise. But as a result of deficit and debt reduction, interest rates are lower than they would otherwise have been. Goldman-Sachs has estimated that “…the swing in the federal budget position from a deficit of $290 billion in 1992 to a surplus of $124 billion in 1999 – roughly matching the improvement in the general government position – has lowered equilibrium bond yields by a full 200 basis points [i.e., 2 percentage points].”²

For tens of millions of families, these lower interest rates have meant thousands of dollars of savings in mortgages and automobile and college loans. The Department of the Treasury has estimated that these lower interest rates save a typical family with a $100,000 home mortgage $2,000 annually on a home mortgage.³ Over a decade, a one-percentage point reduction in interest rates saves families $250 billion – the equivalent of a substantial tax cut.

Fiscal Discipline: America’s Best Strategy to Increase National Savings

Fiscal discipline is a key determinant of national savings, which is the funds available for businesses to invest in new equipment and factories, for entrepreneurs to develop new ideas and technologies, and for families to buy new homes and automobiles and borrow for college. In the 1980’s and early 1990’s, rising deficits contributed to declining national savings and slow investment growth. In contrast in the last eight years fiscal discipline has freed up more resources, fueling record private investment growth.

In the last eight years, despite America’s low personal saving rates, federal fiscal policy effectively increased national savings. Indeed, while the net national saving rate declined in the 1980s and early 1990s, reaching a record low in 1993, it has nearly doubled since – with the improvement more than explained by the transition from the record deficits to record surpluses (see box).
In the 1980’s and early 1990’s, the national saving rate declined. This happened because families were saving less and the federal government was borrowing more. The personal saving rate, as a share of GDP, fell from 7.4 percent in 1981 to 5.3 percent in 1993. At the same time, federal government dissaving (i.e., deficits) increased from -1.7 percent of GDP in 1981 to -4.1 percent of GDP in 1993. As a result, the net national saving rate fell from 8.4 percent in 1981 to 3.4 percent in 1993, the lowest rate on record.

Business investment in productive equipment can either be paid for by national savings or by borrowing from abroad. In the 1980’s and early 1990’s, as budget deficits mounted, national savings fell and interest rates rose, investment growth was sluggish, at only 4.7 percent annually.

During the Clinton-Gore Administration, the personal saving rate has continued to decline (in part because the booming stock market has increased net worth). But this has been more than offset by the government putting its fiscal house in order, going from a net dissaver in 1993 to a net saver in 1999 (i.e., a surplus). As a result, net national savings has nearly doubled to 6.0 percent. This has contributed to lower interest rates, helping to fuel seven consecutive years of double-digit investment growth for the first time on record, growth that averages 13.3 percent annually. Stronger investment has clearly played a role in stronger productivity growth, by increasing the amount of plant and equipment being used by each worker and by ensuring that modern technology is introduced into factories and offices as quickly as possible. With investment in both people and productive capital so strong, productivity growth has gone from 1.4 percent from the early 1970s to the early 1990s to 2.8 percent in the last 5 years and 5.1 percent in the last year.

### Net Savings (percent of GDP)

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<th>Federal</th>
<th>Other</th>
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<td>8.4</td>
<td>7.8</td>
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<td>1993</td>
<td>3.4</td>
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<tr>
<td>1999</td>
<td>6.0</td>
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**Change**

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<td>Other</td>
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This impact on national savings can be seen most tangibly by looking at how the change in fiscal policies has freed up a staggering $687 billion in capital for private sector investments in this year alone. Consider the following: in 1992, the government ran a record $290 billion deficit. That meant that the government was borrowing money that could have been more productively used by the private sector. At the beginning of 1993, the Congressional Budget Office projected that the deficit would rise to $455 billion in 2000. Instead, a commitment to fiscal discipline has turned the situation around, creating a projected $232 billion surplus in 2000. This means that instead of draining $455 billion of savings, the government is freeing up $232 billion of savings for productive investment by private sector entrepreneurs and businesses. That is an additional $687 billion freed up for productive private sector investment in one year alone.

If we stay on this course of debt reduction, we can pay off the entire $3.4 trillion publicly held debt by 2012. This will further increase national savings, allowing the private sector to invest more in technology and productive equipment. As a result, the worker of tomorrow will be better equipped and more able to help America meet the challenges it faces.

**GORE-LIEBERMAN PLAN ELIMINATES THE DEBT**

![Graph showing the budget projections comparing the pre-1993 economic plan projection with the Gore-Lieberman plan, demonstrating a significant reduction in national debt by 2012.]
A Vital Economic Cushion

Fiscal discipline provides a vital economic cushion against economic downturns both at home and abroad. Without the fiscal discipline of the previous seven years, the United States, and indeed the world economy, may not have come out of the Asian financial crisis nearly so strong. Fiscal discipline helped shield the American economy from slowdowns elsewhere, allowing the Federal Reserve vital flexibility in setting monetary policy. Continuing our commitment to fiscal discipline and debt reduction will continue to help keep interest rates low while providing us the flexibility to use all available tools to fight off any economic slowdowns that might occur.

Preparing for the Demographic Challenge of the Baby Boom Retirement

The long-term solvency of Social Security and Medicare is threatened by the impending retirement of the baby boom generation. Today, there are 3.4 workers contributing to support each one of the 35 million retirees. By 2035, there will be only two workers contributing to support each of the 71 million retirees. As a result, Social Security is projected to go insolvent in 2037 and Medicare in 2025.6

For years, policy experts have assumed that the only way to solve this dilemma was to enact tax increases, benefit cuts, or both. Yet the fiscal discipline of the last eight years has created an historic opportunity. Our move from record deficits to record surpluses has changed the terms of the debate. With the discipline and foresight to make the right decisions today, such as saving the surplus and paying off the debt, we can go a long way toward saving Social Security and Medicare for the future. If we squander the surplus on expensive tax cuts, we will likely force unnecessary and painful solutions — or, worse still, we will pass these difficult choices onto our children and grandchildren.

Every family has to use its resources today to plan for the future. If a person gets a big raise, it would not make sense to spend it on an expensive vacation if they still have a large mortgage and know that in just a few years they will have to send a child to college and care for an aging parent. Similarly, the federal government is currently running substantial surpluses — and these surpluses are projected to grow even larger over the next decade. But America also has a $3.4 trillion debt and the insolvency of Social Security and Medicare looming.

Al Gore and Joe Lieberman believe that the basic values of paying off your debts and meeting our obligations to our parents and our children should guide our surplus strategy. Although it is politically attractive to dissipate a large projected surplus on an election-year tax cut promise, Al Gore and Joe Lieberman believe that we must stay committed to an economic strategy that focuses on increasing national saving, paying off the debt, and using its benefits to strengthen the solvency of Social Security and Medicare.
II. THE GORE-LIEBERMAN PLAN FOR FISCAL DISCIPLINE

Al Gore and Joe Lieberman have a plan to eliminate all publicly-held debt by balancing the budget 12 years in a row for the first time this century, taking Social Security and Medicare off budget, and dedicating the interest savings in strengthening those programs. Specifically, Al Gore and Joe Lieberman have three proposals to maintain our fiscal discipline, keep interest rates low, and growth booming.

Paying Off the Debt

Al Gore and Joe Lieberman have a plan to keep paying down the debt and make America debt free by 2012. Their plan devotes a substantial fraction of the budget surplus to debt reduction. Over the next 10 years, based on baseline projections by the Congressional Budget Office (CBO), the plan would pay down the debt by a total of $3 trillion, by devoting:

- $2.3 trillion of Social Security surplus for debt reduction
- $450 billion of Medicare surplus and solvency transfers for debt reduction
- $300 billion in a Surplus Reserve Fund

Under the Gore-Lieberman plan, by 2012, the entire federal debt held by the public would be eliminated, for the first time this century.

In contrast, the Bush-Cheney plan would put us back into deficits. For them, debt reduction is an afterthought, not a priority. Governor Bush and Secretary Cheney have proposed a large tax cut and endorsed even more tax cuts that, together, would drain about $2 trillion from the surplus. Spending proposals – including health, missile defense, and domestic spending – would drain at least another $750 billion. Their plan to privatize Social Security would divert another $1.2 trillion from debt reduction. The result is that, little – if any – of the surplus is left to pay down the debt.

In the end, the difference between the two plans is clear: under the Gore-Lieberman plan, debt is steadily paid down to zero, while the Bush-Cheney plan would leave America with debts of at least $2.8 trillion – and growing.
Al Gore and Joe Lieberman believe that the basic values that lead millions of responsible families to first pay their debts and save for their family’s future should also be the values that guide our federal fiscal policies. The Bush-Cheney budget takes the opposite approach: it starts by draining about $2 trillion of the budget surplus in tax cuts and associated interest loss – driving America back into deficits and leaving nothing that will be realistically be available to add a prescription drug benefit to Medicare, invest in education, or strengthen Social Security.

A Gore-Lieberman budget first determines that America needs to be debt-free in order to save for Medicare and Social Security and to make key investments in our future. It also allows for a reasonable amount of money to be set aside for emergencies and unexpected contingencies, so that the tax cut offered is one that America can responsibly afford.

Balancing the Budget Every Year

America learned the hard way what happens when government does not follow the prudent principles that families live by. In 1981, the country had a $79 billion deficit. The Republican leadership promised that the country could have both an exploding tax cut and, by 1985, a budget surplus. This promise was based on the “rosy scenario” that of unrealistically strong economic growth – 40 percent higher than CBO projections. When instead the country fell into recession, the rosy scenario wilted. Instead of America going into surplus, the deficit worsened, reaching $211 billion in 1985. In 1992, the deficit reached $290 billion. During this period the debt more than quadrupled, from $710 billion in 1980 to $3.0 trillion in 1992. By
1992, simply paying interest on the debt was costing America more than Medicare, Medicaid, and all other health spending combined.  

America still suffers from the rosy scenarios of the early 1980’s. Currently, we pay $224 billion of interest on the debt each year. Two-thirds of this – $150 billion annually – is paid on the $2.3 trillion of debt that was accumulated between 1980 and 1992.

Al Gore and Joe Lieberman will balance the budget excluding Social Security and Medicare each and every year that they are in the White House. And they will do so with hard facts and hard figures, not rosy scenarios.

Whether one relies on the Office of Management and Budget or the Congressional Budget Office forecasts, Al Gore and Joe Lieberman believe it is crucial to use projections that are in line with or more conservative than those of the leading private-sector forecasters.

<table>
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Source: Clinton-Gore Administration’s FY1994 through FY2000 Budgets.


**Leadership That Will Acknowledge Likely Spending and Plan Accordingly**

No responsible family would go on a vacation with the plan of spending only five dollars a day on food and lodging. If a family did this, they would find their actual vacation costs much more than they planned – potentially pushing them into debt. Similarly, if we commit ourselves to large and exploding tax cuts today on the basis of plans for deep spending cuts tomorrow, the likely consequence would be to plunge America back into deficit.

Al Gore and Joe Lieberman’s balanced budget is based on the realistic assumption that core domestic services, like air traffic control and food safety, will continue to be provided at the same levels in the future. This means assuming that spending on domestic and international programs
will grow with inflation. Recent budget history has shown repeatedly that savings based on unspecified cuts below inflation on discretionary spending are illusory and cannot legitimately be seen as savings to pay for new initiatives. That is why Al Gore and Joe Lieberman’s balanced budget does not employ any such illusory savings. Instead, it is based on the realistic assumption that future government spending will be sufficient to meet our commitments.

This baseline makes the realistic and prudent assumption that, unfortunately, America will continue to face tragic natural disasters and unexpected emergencies that will drain federal funds. So far in the year 2000, there have been billions of dollars in emergencies, including the cost of Hurricane Floyd, peacekeeping in Kosovo, and implementing the Wye River accords. Although these same emergencies will presumably not recur, other unpredictable emergencies will likely arise in their place. Al Gore and Joe Lieberman’s budget baseline assumes that these annual costs recur, with inflation, over the next decade. This is a prudent and realistic way to plan for some of the emergencies that might actually happen over the next decade.

Within this framework, Al Gore and Joe Lieberman explicitly show how each of their promises will be paid. Today, for instance, seniors and those who love them, are clamoring for help to pay for prescription drugs. One approach is to make promises about prescription drugs without devoting any resources to pay for them. Al Gore and Joe Lieberman, however, have provided a detailed plan and explicitly show how the surplus will be used to pay for these costs. Similarly, Al Gore and Joe Lieberman have made a substantial commitment to priorities like education, environment and energy security, and health care – all of which are paid for in their budget.

**Not Spending All of the Surplus: A Surplus Reserve Fund**

There are two official estimates of the size of the surplus over the next ten years. The estimate prepared by the Congressional Budget Office is larger than the estimate prepared by the Office of Management and Budget. The Gore-Lieberman plan not only fits comfortably within both surplus estimates, it leaves room to face the unforeseen.

No matter how much one uses conservative forecasts and tries to plan ahead, one still faces the possibility of unexpected expenses. That is why Al Gore and Joe Lieberman believe that Congress should set aside $300 billion in a Surplus Reserve Fund. This money – nearly one dollar out of every six dollars of the non-Social Security/non-Medicare surplus – should not be spent; it should not be promised; and it should not be used for tax cuts.

Just as prudent families try to save extra for unforeseen events, Al Gore and Joe Lieberman believe that it is fiscally prudent to set aside a substantial portion of the surplus for unforeseen events whether they be major natural disasters, military conflicts, or weaker economic growth. Thus, they are proposing the creation of a Surplus Reserve Fund.
If everything turns out the way the budget forecasters now expect, this will allow an additional $300 billion in debt reduction. If unexpected costs materialize, this surplus reserve will prevent us from going back to the days of big deficits, high taxes, and deep spending cuts.

Such an approach is unprecedented for a Presidential candidate. Indeed, the common practice is to spend every penny available for new programs or new tax cuts – and then some. But Al Gore and Joe Lieberman want to make sure that they do not over promise, and this Congress does not overspend. They don’t want to bring us back to the days of high deficits, soaring debt, and high interest rates. And the only way to do that is to set aside some of the surplus, under the Congressional estimates, and not spend it all.

Such a surplus reserve fund sends a clear and crisp message both to global markets and the American people that the era of fiscal discipline will be strengthened, not weakened, under a Gore-Lieberman Administration. This reserve fund builds on the fiscally disciplined effort that Al Gore and Joe Lieberman have already called for in taking the Medicare surplus off-budget, something that would result more than $350 billion more of debt reduction over the next decade.
CHAPTER 3

USING TODAY’S PROSPERITY TO PREPARE FOR RETIREMENT

One of the greatest accomplishments of our government in the 20th century was ensuring that Americans who worked hard to raise and support their families would be able to retire with dignity. The Social Security legislation signed into law by President Franklin Roosevelt in 1935 established a social contract in America: those who worked hard and contributed their fair share to the system should have a guaranteed, rock-solid retirement benefit, one that they could always count on.

Three decades, later in 1965, another Democratic President, Lyndon Johnson, took another dramatic step toward making that dignified retirement a healthy retirement by signing into law legislation establishing the Medicare system. The results of these two great steps have been profound: the poverty rate for seniors has fallen from 35.2 percent in 1959 to 10.5 percent in 1998 – the lowest rate on record.1 Before Medicare, 44 percent of the elderly were uninsured and millions more had substandard coverage.2 Today, virtually everyone age 65 and older is covered by Medicare. Since 1965, the life expectancy of people who reach 65 has increased by nearly 25 percent – from 79 to 82.3 Access to health services has increased.4 And the prospect of illness is no longer accompanied by the fear of poverty.

The long-term solvency of Social Security and Medicare is threatened by the retirement of the baby boom generation. While today there 3.4 workers contributing to support each of the 35 million retirees, by 2035 there will be only 2.0 workers contributing to support each of the 71 million retirees. As a result, Social Security is projected to become insolvent in 2037 and Medicare in 2025.5

Al Gore and Joe Lieberman believe that the basic values of paying off debts and meeting obligations to our parents and our children should guide our surplus strategy for Social Security and Medicare. Although it is politically attractive to promise spending a large projected surplus on an election-year tax cut promise, Al Gore and Joe Lieberman believe that we must stay committed to an economic strategy that focuses on increasing national saving, paying off the debt, and using the benefits of debt reduction to strengthen Social Security and Medicare. That is why one of their 10 economic goals is protecting the Social Security and Medicare surpluses for debt reduction and solvency. To accomplish this goal, they have a four-part plan that entails:

• Increasing our national saving and strengthening our economy by making America debt free by 2012.

• Using the benefits of saving and debt reduction to secure guaranteed, rock-solid benefits for Social Security and Medicare.
• Strengthening and modernizing the benefits of Social Security and Medicare to meet today’s challenges.

• Creating new Retirement Savings Plus accounts to allow all Americans to save more and accumulate wealth for a new home, college tuition, or a more secure retirement.

This chapter discusses the first three parts of this plan. The next chapter discusses Al Gore and Joe Lieberman’s plan to provide working American families with greater opportunities and incentives to save.

I. SAVING TODAY TO PROTECT SOCIAL SECURITY GUARANTEED BENEFITS FOR TOMORROW

There are two different paths when it comes to paying retirement benefits for the retiring baby boom generation, and they end up in two different places:

• We could allow Social Security and Medicare to crowd out other important government investments like education and national defense.

• Or we could free up more resources for the government by making America debt free, eliminating the $224 billion we are currently paying each year in interest on the debt.

Again, the politically easy course would be to avoid these hard decisions, spend the entire projected surplus today, and worry about tomorrow when it comes. But Al Gore and Joe Lieberman believe that we should use the benefits of debt reduction today to extend the lives of Social Security and Medicare tomorrow in a manner that is fiscally responsible.

Protecting the Rock-Solid Social Security Benefit

Al Gore and Joe Lieberman believe that it is essential that debt reduction be devoted to securing the rock-solid guarantee of Social Security. Why is this so important? Ideally, a secure retirement is based on the three-legged stool of Social Security, employer-provide pensions, and personal savings. Of these, Social Security plays the vital role of being the only guaranteed benefit. It is one thing you can count on.

The basic principle of Social Security is a form of insurance. It is the one thing that a person can count on, regardless of the other risks he or she faces in life. Social Security does this in many ways. It provides a disability benefit to ensure that workers need not fear that an accident or illness will plunge them into poverty. Should a family tragedy occur, it provides a survivor’s benefit to help widows and widowers—and their young children—continue to receive a retirement income. While Americans who are lucky enough to live very long lives run the risk of exhausting their savings, Social Security is always there, with an inflation-protected benefit guaranteed for life.
Social Security also helps to insure people based on their fortunes in life, with the less fortunate still getting a meaningful benefit in retirement. In all these ways, Social Security is based on reducing the risks faced by individuals by spreading them across a larger group.

In contrast, risk is inevitable with employer-provided pensions and personal savings. Stock markets go up and they go down. Administrative fees can eat up earnings as can conversion to a lifetime annuity. None of these risks exist with Social Security. Al Gore and Joe Lieberman believe that we should secure that one guaranteed benefit that workers can count on without introducing greater risk. With this as a firm foundation, Al Gore and Joe Lieberman believe that we should then expand employer-provided pensions and personal savings, the two legs of the stool that involve some degree of risk, so that more workers can enjoy their benefits.

**Saving Social Security Surpluses for Debt Reduction and Strengthening Social Security**

The cornerstone of Al Gore and Joe Lieberman’s approach is a secure Social Security lockbox, one that protects the Social Security surpluses from being raided to pay for tax giveaways or other purposes. Because of today’s comparably more favorable demographic situation, Social Security is running a substantial surplus – projected to be $2.4 trillion over the next decade. These surpluses exist for a purpose; they are designed to be saved so that benefits can be paid in the future without raising taxes or cutting key services for our children.

Al Gore and Joe Lieberman have set a goal that goes one step further than just protecting the Social Security surplus. Paying down the debt produces interest savings for America. Al Gore and Joe Lieberman believe that we should take these interest savings and devote them to strengthening the solvency of Social Security.

This may seem complicated, but it is no different than a family with a huge credit card debt deciding they want to save more for their children’s education. Suppose the family is currently paying $1,000 a year in interest on their credit card debt. If they pay down that debt, it will be just like having an extra $1,000 a year to spend. By saving more now, they can be in a stronger position tomorrow. But there is another step. Instead of taking these added resources and using them to help pay for an expensive vacation, they can commit to using them to help pay for their children’s education in the future.

If we save the Social Security surplus, the benefits are enormous. Today, America pays $224 billion of interest every year on our $3.4 trillion debt. Devoting the Social Security surplus to debt reduction will pay down the debt by $2.3 trillion over the next ten years, saving over $100 billion in interest payments in 2011 alone. Al Gore and Joe Lieberman propose that rather than spending these interest savings on tax breaks or new government programs, we should use them to strengthen Social Security. The interest savings would grow to about $250 billion in 2016. If we devote these interest savings from 2011 to 2050 to extending the life of Social Security, its solvency...
would be extended to at least 2054, long enough to get us through the retirement of the baby boomers.

How Al Gore and Joe Lieberman’s Proposed Interest Savings Transfers Work

Al Gore and Joe Lieberman’s plan would begin today, when the government starts saving Social Security surpluses. After locking in a decade of debt reduction, the interest savings would be computed and transferred to the Social Security trust fund. Based on current projections, that would result in a transfer of over $100 billion in 2011. The interest savings and the transfers would grow to a projected $250 billion in 2016. From 2016 to 2050 transfers would stay at this level. In total, Al Gore’s plan would add – in Net Present Value terms – an additional $1.4 trillion to the Social Security trust fund.

When more than $100 billion in interest savings is transferred to the Social Security trust fund in 2011, that is not just a book-keeping transaction. It is a tough choice. The transfer would reduce the “on-budget surplus” that is generally considered available for tax cuts or spending increases. Every dollar that is transferred to the Social Security trust fund to extend its life is thus matched by an additional dollar of debt reduction.

Unlike some Republican plans, though, Al Gore and Joe Lieberman’s interest savings solvency transfers are based on actual resources that are freed up by devoting the Social Security surpluses to debt reduction. Furthermore, Al Gore and Joe Lieberman’s transfers are part of a budget that is fiscally responsible overall, helping to ensue that we will have the resources to extend the life of Social Security without driving America back into debt.

II. Modernizing Social Security’s Guaranteed Benefits: Promoting Fairness and Reducing Poverty for Women

When it comes to extending the solvency of Social Security, Al Gore and Joe Lieberman also want to make it fairer and reduce poverty among women. They are proposing targeted changes to make Social Security’s guaranteed benefit fairer for women, to reduce elderly poverty, and to increase the link between earnings and benefits for women in Social Security. This plan uses $97 billion of the Social Security surplus over the next decade (or $122 billion with interest) leaving the remaining $2.3 trillion surplus – 95 percent of the Social Security surplus – to pay down the debt.

Women represent 60 percent of all elderly Social Security beneficiaries and 72 percent of Americans age 85 or older. Social Security has several features that are important for women including benefits for spouses and survivors, a progressive structure, and inflation-protected benefits that disproportionately help women because women tend to live longer than men. At the same time, important challenges remain. While the elderly poverty rate has fallen from 35.2 percent in 1959 to 10.5 percent in 1998, the lowest in history, this low poverty rate conceals
disturbing challenges. Elderly women are twice as likely as men to be poor (13 percent versus 7 percent). Married elderly women have a poverty rate of 4.6 percent, but the poverty rate for elderly women living alone is about four times as high. Elderly widows have a poverty rate of 18 percent, women who were never married have a poverty rate of 20 percent, and divorced women have a poverty rate of 22.2 percent.\(^7\)

In part this is because Social Security has not been modernized to take into account current realities of women’s role in the family and workplace. When Social Security was established in 1935, it was based on the model of a single-earning couple that received benefits based on the husband’s work. In fact, only 32.7 percent of women worked outside the home in 1948. By 1999, that number had nearly doubled to 60 percent (compared to a 74.7 percent of men).\(^8\) At the same time, more women are single.

Al Gore and Joe Lieberman believe the Social Security system should be modernized to deal with these challenges. They have made two specific proposals:

**Eliminate the Motherhood Penalty**

The way Social Security calculates benefits penalizes some women who take time off to raise children. Al Gore and Joe Lieberman want to fix this by giving women credit for the years they spend raising a child. Specifically, Social Security benefits are computed by averaging the earnings for 35 years of work. While the typical man works 39 years, the typical women only works 27 years, in part because of years spent caring for children.\(^9\) This penalizes many women, resulting in lower benefits later in life. Al Gore proposes to address this challenge by giving parents credit for up to five years of raising children. This proposal will benefit up to 8 million Americans, most of them women, providing an average increase of $600 annually in their benefits. Lower-income women could see their Social Security benefits rise by as much as $2,100 per year.

**Increase the Widow Benefit**

Many women, who were enjoying a comfortable retirement when their husbands were alive, often see their Social Security benefits reduced dramatically when their husband dies. Many are plunged into poverty. We can and should fix this unjust policy by increasing the benefits for the widows and widowers who need the money most. Specifically, under current law, when a man dies, the widow receives one-half to two-thirds of the couple’s combined benefit. However, in the official Census poverty lines, the poverty threshold for an elderly single person is 79 percent of the poverty line for an elderly married couple. (Although a single person pays less for food than a couple, many costs, such as housing, usually remain about the same and caregiving costs can increase.) The fact that widows are getting far less than 79 percent of what they were getting as a couple helps account for the fact that the poverty rate for elderly widows is 18 percent, compared to 5 percent for elderly married women.
Al Gore is proposing to increase the size of the widow benefit to 75 percent of the combined couples’ benefit to ensure that the Social Security benefit reflects the real cost of living as a single person. In order to ensure that this proposal is progressive and targeted, this benefit would be capped at the average Social Security retirement benefit. This increase would benefit more than 3 million widows and widowers, increasing the benefit for those who are eligible by an average of $1,000. According to Harvard Professor Jeffrey Liebman, this proposal would cut elderly female poverty by about 10 percent.

**Increasing the Link Between Work and Social Security Benefits**

The basic social contract of Social Security is that workers who contribute for their entire lives should get a benefit based on their contributions. Currently only about 37 percent of women receive benefits based on their own earnings (rather than the spousal or survivor’s benefit). But with more women in the workforce, this number is expected to rise to 60 percent by 2060.

Al Gore and Joe Lieberman’s proposals would ensure that, for more women, their earnings during their working years contributed to their benefits during retirement. Al Gore and Joe Lieberman’s proposal to end the motherhood penalty will not only ensure that women’s benefits rise, but will also increase the number of women getting benefits based on their own work history rather than just getting 50 percent of their husband’s benefits. Furthermore, widows that earned less over the course of their lives than their husbands generally receive a benefit based on their husband’s earnings. By increasing the widow’s benefit to 75 percent of the combined benefit, the Gore-Lieberman proposal would ensure that more widows get benefits that at least partially reflect the benefits they earned by paying into the system.

These proposals will not just increase income and reduce poverty among those who need it most, they will also help Social Security fulfill its mission by improving the link between work and benefits.

**III. SAVING TODAY TO PROTECT MEDICARE GUARANTEED BENEFITS FOR TOMORROW**

Al Gore and Joe Lieberman’s plan goes one step further. Like Social Security, Medicare is currently enjoying favorable times, running substantial surpluses. But Medicare faces challenges that are just around the corner: the Medicare trustees project that Medicare will go insolvent in 2025. A 40-year-old today cannot be sure that Medicare will be there when he or she retires. Al Gore and Joe Lieberman believe that we need a strong Medicare lockbox that protects Medicare and helps to extend its life as well.

When the Bush-Quayle Administration left office, the Medicare trust fund was projected to become insolvent in 1999. As a result of strong management, reduced fraud, policies to make Medicare more efficient, and a strong economy, the Medicare trustees now project that the
Medicare trust fund will remain solvent through 2025. Its actuarial deficit—a measure of long-run solvency—has been reduced to 1.2 percent of taxable payroll, a 76 percent decline from 1993.\textsuperscript{10} This means Medicare has never been in better financial shape. As a consequence of the Clinton-Gore Administration’s stewardship of Medicare, the program’s Part B premiums, which cover doctors, are 20 percent below what was projected in 1993; its preventive benefits have been expanded; it now provides coverage of routine costs associated with clinical trials; and has more plan options.

As Medicare’s solvency has been extended its surpluses have grown, from $4 billion in 1993 to a record $25 billion in 2000.\textsuperscript{11} Over the next decade, these surpluses are projected to grow still further, totaling $360 billion. With these growing surpluses comes a growing temptation to use Medicare as a piggy bank to pay for tax cuts or spending increases. Al Gore and Joe Lieberman’s plan will prevent that by creating a Medicare lockbox, without trapdoors and with protections for Medicare solvency.

Devoting the Medicare surplus to debt reduction produces interest savings. In the same manner as their Social Security proposal, Al Gore and Joe Lieberman propose dedicating these interest savings to extending the life of Medicare. Over the next decade, these interest savings are projected to total $75 billion, and they continue to grow thereafter. Al Gore and Joe Lieberman propose to dedicate these interest savings to the Medicare trust fund, as part of their overall plan to make Medicare solvent to at least 2030.
Taking Medicare Off-budget

Taking Medicare off-budget is the key element of Al Gore’s Medicare lockbox. The budget surplus is currently divided into two parts: an “on-budget surplus” and an “off-budget surplus.” Under traditional accounting, the off-budget surplus comprises the Social Security surplus (and a trivial post office surplus) and the on-budget surplus includes everything else. A consensus has developed that only the on-budget surplus should be used to pay for tax cuts or spending increases.

Al Gore and Joe Lieberman’s plan builds on this consensus by taking the Medicare Part A Surplus, which covers Hospital Insurance, off-budget. This ensures that the $360 billion surplus from Medicare will not be counted as part of the total surplus and thus will not be available for tax cuts or spending increases. Taking Medicare off-budget, like taking Social Security off-budget, honors the solemn commitment of these programs. It ensures that the payroll taxes workers pay today are used to help ensure that Social Security and Medicare can pay benefits tomorrow.

### Surpluses from 2001-10 (CBO Projections)

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<tr>
<th>Unified Surplus: $4.6 trillion</th>
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<tr>
<td>- Social Security Surplus: -$2.4 trillion</td>
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<td>- Medicare Surplus: -$0.4 trillion</td>
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<td>= On-budget Surplus: $1.8 trillion</td>
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\[ $2.8 \text{ trillion off-budget surplus} \]

### IV. MODERNIZING MEDICARE’S BENEFITS FOR THE FUTURE

At a time when medical technological advances such as the mapping of the Human Genome and the development of cutting-edge pharmaceuticals are leading to the prevention and cure of major diseases, Medicare’s benefit package more closely resembles the typical health plan for 1965 than for 2000.

Its value is below 80 percent of most private plan’s benefits. And it does not cover key benefits that are especially important to seniors and people with disabilities: prescription drugs and the full range of preventive benefits.

This is why Al Gore and Joe Lieberman have made modernizing and strengthening Medicare one of their highest priorities.
Adding a Prescription Drug Benefit for All Seniors Under Medicare

Despite their prevalence in modern medicine and importance to seniors and people with disabilities, outpatient prescription drugs are not covered by Medicare. As a result, nearly half of beneficiaries go without coverage for all or part of the year—about the same percent as lacked hospital insurance when Medicare was created in 1965. Older Americans and people with disabilities without drug coverage typically pay 15 percent more than insurers who negotiate price discounts for the same prescription drug. As a result, uncovered Medicare beneficiaries purchase one-third fewer drugs but pay nearly twice as much out-of-pocket. The situation is even worse for rural Medicare beneficiaries, who are over 60 percent more likely to fail to get needed prescription drugs due to high cost. Medicare beneficiaries with disabilities face unique challenges, being less likely to have private coverage but needing more and different types of prescriptions than the elderly. Because people with disabilities need the drug benefits under Medicaid, the absence of prescription drug coverage is another barrier to returning to work.

To address this extraordinary challenge, Al Gore would establish a new voluntary Medicare prescription drug benefit that is affordable both to the program and to all of its beneficiaries. The drug benefit, which costs $253 billion over 10 years on the OMB baseline and $338 billion on the CBO baseline, is designed to be affordable, accessible, meaningful, and competitively administered. Al Gore and Joe Lieberman will take on the big drug companies to win passage of this benefit.

One of the central features of Gore’s prescription drug benefit is that it is accessible and voluntary for all Medicare beneficiaries. This Medicare drug benefit option would be integrated into beneficiaries’ health plan choices, so that eligible seniors could choose to get their prescriptions through the traditional program, managed care, or a retiree plan if available. Those who currently have employer-based coverage could keep that coverage.

For the first time in program history, Medicare managed care plans would receive direct payments for the provision of a prescription drug benefit. This should stabilize the Medicare managed care market and contribute towards making it more competitive. Enrollment would occur in the first year of the program, when a person becomes eligible for Medicare and at other, selected points. All participants would be guaranteed, in return for their premium, reliable, affordable coverage.

The costs of this benefit would be shared between participants and the program. Voluntary premiums would begin at $25 per month in 2002 with lower (or no premiums) for low-income beneficiaries. Premiums for participants would be paid just like the current Part B premium. By paying this premium, enrollees would receive a benefit that has no deductible and pays for half of total costs from the first prescription filled up to $5,000 in spending when fully phased in. Beneficiaries with catastrophic spending on prescription drugs would be protected through a $4,000 limit on out-of-pocket spending beginning in 2002. Low-income beneficiaries (those with incomes below 135 percent of poverty) would pay no cost sharing. In addition, all participants
would benefit from privately negotiated discounts, gained by pooling beneficiaries’ purchasing power, for all drug expenses. This discount would be at least 10 percent off the total cost of drugs. No wonder the big drug companies have fought this plan.

Prescription drug coverage would be administered for enrollees in managed care and retiree health plans in the same way that it is today – except that Medicare would now contribute towards drug costs. For traditional Medicare enrollees, Medicare would adopt the approach used by the best employers, health insurers, and managed care plans in the private sector today. It would create numerous public-private partnerships with pharmaceutical benefit managers (PBMs) that now manage prescriptions for more than 200 million Americans. Medicare would competitively contract out with PBMs in multiple regions across the country.

As is the case in the private sector today, PBMs would not bear the risk of providing prescription drugs (i.e., they would not be insurers). The private managers would use the latest, effective cost containment tools, drug utilization review programs, and meet quality and consumer access standards. This partnership would both provide beneficiaries with the same high-quality benefits that they expect from Medicare while allowing for more flexibility and innovation in program management over time. No price controls would be used, and are statutorily prohibited.

Regardless of their plan choice, all Medicare beneficiaries enrolled in the prescription drug option would have access to all medically necessary prescriptions, even if not on the plan’s formulary. In addition, the benefit managers would compete on and be required to use of state-of-the-art quality improvement tools. Finally, benefit managers would have to contract with qualified pharmacists since access to local, community pharmacists is particularly important to the elderly.

To encourage employers to choose to offer or continue retiree drug coverage, direct subsidies would be provided to help offset employers’ premium costs. Specifically, Medicare would contribute 67 percent of its premium subsidy for the Medicare benefit, less than what it would pay if the beneficiary enrolled in Medicare but more than what the employer receives today. Retirees would not have to do anything to keep their current coverage. Employers would apply for the incentive program. After providing assurance that their drug benefit is at least as good as the Medicare benefit, employers could get the assistance directly or have it sent to their health insurer. Retirees in employer plans that drop coverage or reduce it below the value of Medicare’s benefit would have a special opportunity to enroll in the Medicare drug benefit. This creates a win-win situation for employers and retirees, and saves the program money.

**Making Preventive Benefits More Accessible**

As medical science discovers new ways to manage serious disease at early states, it is more important than ever that Medicare shifts its focus towards early detection and prevention. As a Member of Congress, Al Gore cosponsored legislation to examine preventative health care programs for the elderly and to fund primary pediatric care for disadvantaged children. The
Clinton-Gore Administration added a number of new preventive benefits to Medicare with bipartisan support (e.g., colorectal cancer screening and diabetes self-management training). However, according to recent studies, Medicare preventive services are underutilized. For example, the 1999 Dartmouth Atlas of Health Care found that only one in four women in their sixties were tested as often as recommended for breast cancer. In the first two years that Medicare covered screening mammography, only 14 percent of eligible women without supplemental insurance received a mammogram.

To reduce financial barriers to these critical preventive services, Al Gore and Joe Lieberman's plan will waive the Part B deductible and the 20 percent coinsurance rate for preventive services for which cost sharing is not already waived under current law. The deductible will be waived for hepatitis B vaccinations, colorectal cancer screening, bone mass measurements, prostate cancer screening and diabetes self-management benefits. Coinsurance would be waived for screening mammography, pelvic exams, hepatitis B vaccinations, colorectal screening, bone mass measurements, prostate cancer screening and diabetes self-management benefits. This brings these services in line with the rest of the preventive services covered by Medicare for which cost sharing is already waived.

In addition, Al Gore and Joe Lieberman support a new “fast-track” Medicare coverage proposal which will have an expedited approval for cutting-edge prevention and detection benefits. After determining medical efficacy and cost effectiveness, the Department of Health and Human Services would submit to the Congress a notice of intent to cover a new preventive service. If Congress does not act within 90 days of receipt of the recommendation, the coverage would automatically go into effect.

V. MAKING MEDICARE MORE EFFECTIVE

As we preserve and protect Medicare, we must also modernize it.

**Improve Price Competition in Medicare Managed Care**

Under today’s system, where prescription drug coverage can be otherwise unaffordable or inaccessible for many beneficiaries, managed care may be the only way to get this coverage. However, in recent years, plans have been cutting back on prescription drug benefits, and those in areas without managed care options continue to have no options. Moreover, the nonstandardized, additional benefits offered by managed care plans make it difficult for an “apples-to-apples” comparison that is needed for true price and quality competition.

For example, it is not clear whether an uncapped drug benefit with a $50 premium is more valuable than a capped benefit, with no premium and extensive preventive services. Under current rules, managed care plans also have incentives to discourage sick beneficiaries from enrolling. Managed care plans can currently offer benefits like coverage of medical emergencies when
traveling abroad or prevention that may be attractive to healthier seniors, but not services like personal assistance needed by people with chronic illness.

Al Gore and Joe Lieberman’s Medicare plan would, for the first time, inject true price and quality competition into Medicare. While keeping the same Part B premium for those remaining in the traditional program, the policy would allow beneficiaries to pay lower premiums for choosing efficient private plans. Specifically, beneficiaries would have their Part B premium reduced by 75 cents of every dollar of savings that the private plan generates. Price competition would make it easier for beneficiaries to make informed choices about their plan options and would, over time, save money for both beneficiaries and the program. The ability of this competition to work effectively is linked to the Gore-Lieberman plan to add a Medicare prescription drug benefit which creates a level playing field between traditional Medicare and managed care plans, and frees beneficiaries from seeking out managed care plans only because they need drug coverage.

Advantages of this plan include:

• **Savings through competition, not through legislated rate reductions.** By aligning beneficiary incentives to choose low-price plans with Medicare payment rates, Medicare spending would be lowered as a result of beneficiaries’ choices, not due to legislated rate reductions. In the long-run, it would make Medicare more efficient – without pressuring seniors into HMOs, as other reform plans do.

• **Maintaining a strong, viable, competitive traditional Medicare program.** Al Gore and Joe Lieberman are committed to strengthening and improving the traditional program, which serves over 80 percent of all Medicare beneficiaries. The premium for traditional Medicare would be set as it is currently and, in fact, would be lower than current law due to the savings in the proposal. This keeps traditional Medicare as an affordable option in this system.

• **Promoting fair competition between managed care and traditional Medicare.** This proposal bases its price competition on a central concept: beneficiaries choosing more expensive plans would pay more than traditional Medicare, and those choosing less expensive plans would pay less. This encourages fair competition between managed care and traditional Medicare, but does not penalize beneficiaries that believe that traditional Medicare best fits their needs, or force them into HMOs.

**Building on Success in Combating Fraud, Waste, and Abuse**

Building on his leadership in cracking down on fraudulent and wasteful billing to Medicare, Al Gore and Joe Lieberman would propose a number of anti-fraud, waste and abuse proposals, following the recommendations of the Office of the Inspector General and the General Accounting Office.
• **Giving traditional Medicare private purchasing and quality improvement tools.**
In the past decade, private purchasers of health care have developed effective techniques that target both beneficiaries with special health care needs (recognizing that they account for a large share of costs and could benefit from care management) and high-quality, efficient providers (to provide an incentive to improve care and reduce costs). Currently, Medicare has little statutory authority to implement these types of strategies, and little ability to reward providers of high-quality, cost-effective care. The National Academy for Social Insurance has called for Health Care Financing Administration (HCFA) to be given greater flexibility to use these types of private sector tools in Medicare. In addition, HCFA, through demonstrations, has been exploring for several years flexible arrangements for paying providers and health plans to encourage high-quality care.

This proposal would build on this work and would authorize a broader use of these best practices from the private sector where applicable and feasible. The proposal would make the traditional fee-for-service program more competitive through the use of market-oriented purchasing and quality improvement tools to improve care and constrain costs. It would provide new, broader authority for competitive pricing for current Medicare services, use of private disease management services that have demonstrated higher quality, coordinated care for beneficiaries with chronic illnesses, and other best-practice private sector tools.

• **Rationalizing cost sharing.** The Gore-Lieberman plan would rationalize cost sharing requirements for Medicare by reinstating 20 percent coinsurance and the Part B deductible for clinical laboratory services. The modest lab copayment would help prevent overuse and reduce fraud. It would also index the Part B deductible for inflation. The deductible has been $100 since 1991 and has only been raised three times since Medicare was created. Compared to average annual Part B per capita costs, the deductible has fallen from 28 percent in 1967 to about three percent in 2000. The deductible would keep pace with inflation under this plan.

• **Reforming Medigap.** The Gore-Lieberman plan would reform private insurance policies that supplement Medicare (Medigap) by: (1) working with the National Association of Insurance Commissioners to add a new option with low copayments and to revise existing plans to conform with the President’s proposals; (2) directing the Secretary of HHS to determine the feasibility and advisability of reforms to improve supplemental cost sharing in Medicare; (3) providing easier access to Medigap if a beneficiary is in an HMO that withdraws from Medicare; and (4) including people with disabilities and end stage renal disease (ESRD) in the initial six-month open enrollment.

• **Assuring Adequate Provider Payment Rates.** Al Gore and Joe Lieberman dedicate $40 billion over 10 years on the OMB baseline ($42 billion over 10 years on the CBO baseline) to ensure that Medicare and Medicaid provider payments are adequate to ensure high-quality care. Some of the policies included in the Balanced Budget Act of 1997 need modification, including payment policies affecting hospitals, rural providers, teaching facilities, home health care
agencies, nursing homes, managed care plans, and other providers. This would be done in a targeted way that balances the need for adequate reimbursement with the goal of keeping Medicare’s overall per capita cost growth in line with that of the private sector.

VI. CONCLUSION

Individuals have an important responsibility to save and prepare for the future. But government plays an important role in helping to guarantee a secure and healthy retirement. The next President and Vice President have to be prepared to take on the drug companies and the HMOs to fight for seniors. Al Gore and Joe Lieberman will do just that.

Al Gore and Joe Lieberman’s plans for Social Security and Medicare not only honor that commitment, they build on our current prosperity, making the tough choices to ensure that we use our historic budget surpluses to pay down the debt and extend the life of Social Security and Medicare. This, in turn, will help maintain our prosperity, making it easier to confront the challenges posed by the retiring baby boom.
CHAPTER 4
HELPING FAMILIES SAVE FOR THE FUTURE

Social Security is the cornerstone of America’s retirement system. It provides a guaranteed benefit, and is essential for retirement security for millions of Americans. Yet as Franklin Roosevelt explained upon signing Social Security into law 65 years ago, “Social Security can furnish only a base upon which each one of our citizens may build his individual security through his own individual efforts.” On top of this base are the other components of Americans’ retirement – employer-provided pensions and personal savings.

The Bush-Cheney plan would undermine Social Security, the bedrock guarantee that families can always count on. They argue that we should privatize Social Security, and replace it with a system that exposes individuals to greater risks. This raises many concerns:

• With no money dedicated to the trust fund, how would Social Security stay solvent? If payroll taxes now paying for the Social Security benefits of 35 million Seniors are directed to privatized accounts, how will those resources be made up? Will Social Security go insolvent sooner?

• Will benefits be cut? Most experts agree that guaranteed benefits would need to be cut in order to pay for individual accounts while maintaining or extending the life of Social Security. Whose benefits would be cut, and by how much?

• What happens to people who retire right after a fall in the market? For instance, because of the large decline in the market in the early 1970’s, a worker retiring in 1974 could have gotten an individual account that was 43 percent smaller than someone who retired in 1972. Would these people get a smaller benefit for life?

• If an individual does badly, would the government bail them out? If the market declines just when millions of people are retiring, would the government bail out the entire system? And who would pay for these bailouts?

Al Gore and Joe Lieberman believe there is a better way. They believe we should maintain Social Security as unshakeable foundation, and provide new savings opportunities on top of its guaranteed benefit – private accounts, not “government” accounts. Not only should we save the surplus, pay down the debt, and strengthen the guaranteed benefit, Al Gore and Joe Lieberman believe that we should also go one step further and establish Retirement Savings Plus accounts. These will ensure that all working families will have the tools to save, to create wealth, and build a nest egg for themselves and their children. To this end, Al Gore and Joe Lieberman will establish a specific, national goal of doubling of the number of families with savings over $50,000, from one-third of all families to two-thirds of all families.
I. WHY ARE RETIREMENT SAVINGS PLUS ACCOUNTS NEEDED?

The current system of Social Security, private savings, and employer-provided pensions has worked successfully for millions of families. For most seniors, Social Security is their principal source of income. Millions more are saving on top of Social Security. In 1989, only 37.0 percent of families had retirement accounts, including IRAs, Keoghs, and 401(k)s. By 1998, that number rose to 48.8 percent. The number of families with stock holdings – directly or indirectly – has risen from 31.6 percent in 1989 to 48.8 percent in 1998.¹

But millions of families fall through the cracks of the current system. Seventy-three million Americans, workers and their spouses, are not covered by any employer-sponsored retirement plan.² They lack the opportunities and incentives to save and to ensure that they accumulate wealth and enjoy a dignified retirement. While 77.3 percent of families making over $50,000 have a retirement account (including IRAs, Keoghs, and 401(k)s), only 34.3 percent of families making under $50,000 have one.³ Less than one-quarter of families making under $40,000 a year own an IRA.⁴

The result is a massive divide in both wealth and in realizing the American dream. The bottom 90 percent of Americans, despite earning 59 percent of the country’s income, have only 20 percent of the net financial assets. At the same time, the top 1 percent of families earn 17 percent of the income but have 47 percent of the assets.⁵

A System Skewed Against Working Families

Middle class and working families save less than higher-income families in large part due to the lack of convenient savings options and tax incentives prompting them to save. Al Gore and Joe Lieberman are proposing a series of incentives to increase family savings, and double the number of families with savings over $50,000.
How Much Does It Cost to Buy a $2,000 IRA?

The current tax system rewards saving by allowing individuals who make qualified contributions to pensions or IRAs effectively to take a deduction on these contributions from their taxes. The value of this deduction depends on your income. The following examples consider a typical married couple with two children that is eligible for deductible IRAs and makes a $2,000 deposit.

- If the family makes $25,000 then they have no federal income tax liability. As a result, they do not receive any tax reduction from contributing to an IRA. It costs this family $2,000 to buy a $2,000 IRA.

- If the family makes $50,000 they are most likely in the 15 percent tax bracket. This means that their IRA deposit will reduce their taxes by 15 percent of $2,000 – or a $300 tax cut. Thus, it effectively costs this family $1,700 in post-tax dollars to buy a $2,000 IRA.

- If the family makes $75,000 they are most likely in the 28 percent tax bracket. If they are eligible to contribute to a traditional IRA, the deduction is worth 28 percent of $2,000 – or a $560 tax cut. Thus it effectively costs this family $1,440 in post-tax dollars to buy a $2,000 IRA.

Thus the lower the family’s income, the more it costs them to save for retirement.

The combination of more scarce pensions and lower incentives to save contributes to a massive skewing in the tax incentives for saving. As shown in Table 1, the Federal government spends the equivalent of $99.5 billion annually on tax incentives for IRAs, 401(k)s, and other retirement savings – the single largest annual tax expenditure. Of this, only $11.6 billion goes to the bottom 60 percent of families – families making up to $59,000. In contrast, $66 billion goes to the top quintile of families – those making over $101,000.
II. HOW DO RETIREMENT SAVINGS ACCOUNTS WORK?

In order to create incentives for American families to save, Al Gore and Joe Lieberman have proposed “Retirement Savings Plus” accounts, a proposal that would cost an estimated $200 billion over 10 years. This is how they would work: if a middle-class family saves one dollar, the government will match this with one dollar of savings. For poorer families – those most in need but with the least opportunity to save – the government will contribute three dollars to your savings account for every one dollar you contribute. The key features of this plan are:

- **Private-sector based accounts.** They would be based in the private sector, building on IRAs, while offering an important new choice for millions of families.

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### TABLE 1. VALUE OF TAX INCENTIVES FOR SAVINGS

<table>
<thead>
<tr>
<th>Family Economic Income (thousands)</th>
<th>Percent of Total</th>
<th>Average Tax Expenditure</th>
<th>Total in billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest Quintile</td>
<td>18</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Second Quintile</td>
<td>18-35</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Third Quintile</td>
<td>35-59</td>
<td>9.5</td>
<td>9.4</td>
</tr>
<tr>
<td>Fourth Quintile</td>
<td>59-101</td>
<td>22.0</td>
<td>21.9</td>
</tr>
<tr>
<td>Highest Quintile</td>
<td>101 +</td>
<td>66.4</td>
<td>66.0</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>864</td>
<td>99.5</td>
</tr>
</tbody>
</table>

| Top 10 percent                    | 141 +            | 43.0                    | 42.8             |
| Top 5 percent                     | 190 +            | 26.7                    | 26.6             |
| Top 1 percent                     | 462 +            | 10.1                    | 10.0             |

Source: Department of the Treasury, March 1999.

This makes no sense. The families that are living paycheck to paycheck, and need the most help saving for the future, get the least amount of benefits from the current system. For the government to, in effect, spend $100 billion annually to promote savings and investment, while doing so little for tens of millions of hard-working American families to save is not just wrong, it is bad for America. It means less saving. It means fewer people who can afford to pay for an education for their children. And it risks increasing the income disparity at a time we should be working to narrow it.
• **Voluntary.** Contributions to the accounts would be voluntary. No one would be forced to join, and no one’s Social Security money would be diverted to the accounts.

• **Up to $4,000 a year for families.** When fully phased in, those who choose to participate can have up to $2,000 a year in their accounts; $4,000 for a couple. Refundable tax credits would match an individual’s savings, and help it grow even faster. The match would be progressive, creating the greatest rewards to saving by lower-income people.

Some examples:

<table>
<thead>
<tr>
<th>Individual Contribution</th>
<th>Tax Credit Match</th>
<th>Total Account</th>
<th>Nest Egg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Couple making $25,000</td>
<td>$500</td>
<td>$1,500</td>
<td>$2,000</td>
</tr>
<tr>
<td>Couple making $50,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>Couple making $75,000</td>
<td>$1,500</td>
<td>$500</td>
<td>$2,000</td>
</tr>
</tbody>
</table>

Similar to traditional IRAs and 401(k)s, contributions to accounts would be tax deductible, accounts would grow tax-free, and withdrawals would be taxable.

**How Much Does It Cost to Buy a $2,000 Retirement Savings Plus Account?**

Contributors to Retirement Savings Plus accounts can get the benefit of both the current law deduction and the new matching credit Al Gore has proposed. So a family making $50,000 would be able to take a 15 percent tax deduction on their $1,000 contribution. For this family, it would cost just $850 to buy a $2,000 account.

The result is that everyone will have more incentives to save. But unlike our current system, the largest incentives will be for the lowest income people, not those at the top. See figure.
Retirement Savings Plus accounts would not be “government” accounts; like IRA accounts, they would be offered and administered by private financial institutions. Financial institutions would establish Retirement Savings Plus accounts and provide a menu of options for individual savers. In order to keep down administrative costs for savers (and financial institutions), avoid day trading, protect participants from scams, and reduce high risk investments, financial institutions would be limited to offering investment options based on broad-based mutual funds for equities, bonds, and government securities.

While the primary goal of Retirement Savings Plus would be to create a vehicle to supplement Social Security, they could be used for other purposes. Like IRA accounts, participants in this plan could withdraw their savings to pay for a child’s college education; to help purchase a first-home; or to pay for catastrophic medical expenses. Participants would, however, be required to maintain a sum in their accounts for five years before it could be withdrawn.

Not only would Retirement Savings Plus make saving for retirement more affordable, it would make it easier too. Al Gore and Joe Lieberman would direct the IRS to establish a mechanism to allow taxpayers to choose to direct deposit a share of their refund to these accounts,

*If eligible to contribute to a traditional IRA.
and the IRS would direct deposit their tax credit at the same time. With a simple check-off on your tax return, workers could see up to $2,000 deposited in their Retirement Savings Plus account each year.

III. WHAT WOULD RETIREMENT SAVINGS PLUS ACCOUNTS MEAN FOR FAMILIES?

Retirement Savings Accounts Would Allow a Family to Accumulate a Retirement Nest Egg of $200,000

With Retirement Savings Plus accounts, if an individual contributed and these funds were invested in a balanced portfolio of equities and bonds with the conservative assumption of a real rate of return of 5.3 percent (net of administrative costs), over 35 years of contributions of that individual would accumulate a retirement nest egg of $202,000 (adjusted for inflation). This is almost six times the current median wealth at retirement. Similarly, a couple contributing half of the annual maximum would retire with a $202,000 nest egg.

A person, or couple, could use this money to buy an inflation-protected annuity of $12,345 to supplement their retirement income. If a worker making $23,000 a year retires after thirty-five years of full participation, this individual account would, in effect, more than double their Social Security benefit.

RETIREMENT SAVINGS ACCOUNT PROVIDES A $400,000 NEST EGG FOR RETIREMENT

Retirement wealth assuming full participation by a couple for 35 years
Improved Incentives Would Encourage More Families To Save

Through improved incentives, Retirement Savings Plus accounts will help tens of millions of Americans build a nest egg to buy a home, send a child to college, and enjoy a more secure and dignified retirement.

The evidence is clear: if you offer people the chance to save, they will. When workers of any income are offered a chance to participate in 401(k)’s, they generally do. As shown in Table 2, only 18 percent of workers making between $20,000 and $30,000 participate in 401(k)s. But this is because most of these workers are not offered 401(k) plans. When they are offered one, 62 percent participate. And the match in the typical 401(k) plan is less generous than the maximum 3:1 match from Retirement Savings Plus accounts.
<table>
<thead>
<tr>
<th>Income</th>
<th>Participation Rate</th>
<th>Participation if Covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $10,000</td>
<td>5</td>
<td>71</td>
</tr>
<tr>
<td>$10,000 - $20,000</td>
<td>11</td>
<td>63</td>
</tr>
<tr>
<td>$20,000 - $30,000</td>
<td>18</td>
<td>62</td>
</tr>
<tr>
<td>$30,000 - $40,000</td>
<td>26</td>
<td>67</td>
</tr>
<tr>
<td>$40,000 - $50,000</td>
<td>32</td>
<td>73</td>
</tr>
<tr>
<td>$50,000 - $75,000</td>
<td>39</td>
<td>73</td>
</tr>
<tr>
<td>&gt; $75,000</td>
<td>41</td>
<td>86</td>
</tr>
<tr>
<td>All</td>
<td>25</td>
<td>71</td>
</tr>
</tbody>
</table>


**Spreading the Culture of Savings**

In the end, savings is about more than just tax incentives. It is about spreading the culture of savings in our country. Exposing families to the everyday miracle of compound interest will only lead them to save and invest more today to build a better life for themselves and their children tomorrow.

Today, a person might be reluctant to open an IRA to save only $200. Increasingly few banks emphasize IRAs, and they are barely marketed toward more moderate-income families. Most of this person’s neighbors and friends probably do not buy IRAs, so there would be little experience. Moreover, administrative fees charged by banks would take away much of the incentive to establish an account this small.

Retirement Savings Plus accounts changes all of this. For lower-income workers, a $200 contribution gets turned into an $800 account – a much greater reason to save with less worry about the administrative fees. With these incentives and larger accounts, banks and other financial institutions would be more aggressive about marketing Retirement Savings Plus accounts, helping to provide both financial education and improved services. With easier ways in which to invest through one’s tax return, saving would be almost effortless. And, as more people save, it reinforces that ethos throughout the community.

In addition, Al Gore has made a series of explicit, detailed proposals to encourage more small businesses to establish pensions, to simplify pensions, and to make them more portable for workers who switch jobs.
IV. WHAT WOULD RETirement SavINGS PLUS ACCOUNTS MEAN FOR AMERICA?

The benefits of Retirement Savings Plus accounts go beyond the benefits to individuals. The benefits will also be enjoyed by the entire American economy, as the national savings rate increase. This, in turn, would increase the pool of national savings available for productive investment, resulting in lower interest rates, stronger business investment, and higher productivity growth.

The $200 billion of the on-budget surplus that Al Gore and Joe Lieberman devote to Retirement Savings Plus accounts would go directly into personal savings and thus into national savings. Furthermore, unlike Social Security individual accounts plans, Retirement Savings Plus accounts are designed not simply to have the government save for people but to encourage people to save more for themselves. Retirement Savings Plus accounts are designed to bring more people into the habit of savings, and encourage existing savers to save more. This means that the ultimate contribution to national savings would exceed the $200 billion government contribution, to include the new private savings that were stimulated by the accounts.

An incentive that provides the most help for the hardest working families is also the most likely to increase net national savings. Well-off families will often just shift savings to take advantage of tax incentives. But many hard-working families are not saving at all. For them, the 3-to-1 match provided by Retirement Savings Plus accounts would bring them into the culture of savings for the first time, thereby resulting in higher net national savings.

V. CONCLUSION

Al Gore and Joe Lieberman have a comprehensive and responsible plan to keep the prosperity going and enhance retirement security. But for it to work, everyone must play their part. The government plays its part by securing Social Security and Medicare and helping to give people the tools and the opportunities to save.

Families need to play their part by putting money away today for a brighter future tomorrow. This will not only help families build a nest egg or rainy day fund. Pensions and savings are also essential to continued strong national savings, investment, and a healthy economy. That is why Al Gore and Joe Lieberman propose to strengthen Social Security and establish Retirement Savings Plus accounts that add to, not subtract from, Social Security.
APPENDIX
DETAILED BACKGROUND ON RETIREMENT SAVINGS PLUS ACCOUNTS

Eligibility. To be eligible, a taxpayer must have at least $5,000 of earnings (which can be combined earnings on a joint return) and must not be the dependent of another taxpayer. Like IRAs, age is restricted to 18 to 70½. Full-time college students would not be eligible.

Match. The match rate would be 300 percent for a married couple with an adjusted gross income (AGI) up to $30,000. The match rate would be 100 percent for a married couple with an AGI between $30,000 and $60,000. The match rate would be 33.33 percent for married couples with an AGI between $60,000 and $100,000. (Income thresholds for singles is half that of married couples; head of households are three-quarters that of married couples.)

Account size. The maximum annual account – including both the individual contribution and the tax credit match – is $2,000 when fully phased in. (Accounts would be $1,000 per person from 2002-06, $1,500 per person from 2007-08 and $2,000 per person from 2009-10. They would be indexed to inflation thereafter.) The minimum annual contribution would be enough to ensure that the total account deposit was $200 (i.e., the lowest bracket would have to contribute at least $50, the middle bracket would have to contribute at least $100 and the upper bracket at least $150.)

Tax treatment of accounts. Similar to traditional IRAs and 401(k)s, contributions would be tax deductible, accounts would grow tax-free, and withdrawals would be taxable. Like IRAs, individuals have until the original due date on their tax returns to make contributions to their RSPs.

Withdrawal rules. Withdrawal rules are based on the rules for qualified withdrawals under IRAs. Individuals can withdraw after retirement, or for catastrophic medical expenses, qualified higher education expenses, and first-time homebuyer expenses. Participants would, however, be required to maintain a sum in their accounts for five years before it could be withdrawn. To prevent churning, individuals could not make contributions and withdrawals in the same tax year. Once withdrawals commence after retirement, no additional contributions could be made to the account. RSPs will be subject to appropriate prohibitions on alienation, diversion, or borrowing similar to the anti-alienation and prohibited transaction rules that apply to IRAs.

Qualified plans. Qualified RSPs would be established by private financial institutions. Contributors to RSPs would be able to choose among a limited number of broad-based investment options. These options would be limited to broad-based mutual funds for equities, bonds, and government securities.

Marital rules. Provided a couple has a combined AGI of at least $5,000, a non-working spouse can make matched contributions to his or her own RSP. As with traditional IRAs, the transfer to an
RSP upon divorce will not create immediate tax consequences for the transferor, and the transferred interest will be treated as held by the transferee.

**Mechanism for contributions.** There are three mechanisms for contributions that will be developed: (1) Individuals could contribute money into an account, just like an IRA. They would list these contributions on their tax form and get a refundable tax credit. (For example, for a person eligible for the 100 percent match could contribute $2,000 into his or her account and be eligible for a $1,000 tax credit.) (2) A system with the IRS would be developed so that a person could direct a portion of their refund (or tax payment) into their RSP. The IRS would also directly deposit this match into the account. (For example, if a person eligible for the 100 percent match designated that $1,000 of his or her refund be deposited into an RSP; the IRS would then make a $2,000 contribution to the RSP.) (3) The Treasury Department would also study options to allow people to have portions of their pay checks deposited directly into their accounts.

**Coordination with IRAs.** Contributions to RSPs will not be counted against the IRA limits. The Treasury Department would study rules to allow individuals to roll over existing IRAs into RSPs. Treasury also would study the possibility of rolling RSPs into Roth IRAs. This would be useful for individuals whose incomes rose above the RSP contribution limit. These rules would have to ensure that this mechanism could not be used to make early withdrawals without a qualified purpose.

**Coordination with 401(k)s.** Individuals will also receive a government matching contribution if they deposited money into a 401(k)-type plan. The government match supplements any employer matching contributions. Therefore, Retirement Savings Plus will complement and strengthen existing pension plans.
CHAPTER 5

EDUCATION AND TRAINING: PREPARING THE NEXT GENERATION

Al Gore and Joe Lieberman believe that education has to be our number-one national priority. At a time when there is more computer power in a Palm Pilot than in the spacecraft that took Neil Armstrong to the moon, we must offer all our people the lifelong learning and new skills for the higher-paying jobs of the future. At a time when the amount of human knowledge is doubling every five years and science and technology is advancing so rapidly, we need to take bold steps to make our schools the best in the world. We need to invest more, and demand more.

As a nation, we face historic choices about whether we will open the doors of opportunity to all our people by giving them the education and training they deserve and need in this New Economy. Will we provide all of our children with high-quality preschool? Will we insist on the dramatic steps needed to improve the public schools serving nearly 90 percent of America’s children? Will we establish high standards for all of our students, teachers, and schools and will we make the bold national investments needed to help them succeed? Will we expand opportunities for college and job-training for all Americans?

A century ago, little if any formal education was needed to get most jobs and raise a family. Fewer than one in seven Americans completed high school and fewer than one in 33 earned a bachelor’s degree. Almost 40 percent of Americans worked in farming, forestry, or fishing. Job choices were limited for women, minorities, and people with disabilities.

Our economy has changed profoundly. Today, nearly 90 percent of Americans earn a high school diploma, 27 percent of us earn a four-year college degree, and only three percent work in farming, forestry, or fishing. And we have made great progress in promoting equal economic opportunities for all Americans—although we still have a lot of work left to do.

The changes are striking, but so are the similarities. Then, as now, our economy was undergoing a period of rapid change. As we entered the Industrial Age, new jobs demanded new skills and knowledge from our workers, who in turn demanded more from our schools. Today, it is the Information Age that is placing a high premium on skills and knowledge, many of which were unknown a generation ago.

But our schools are not yet prepared to meet the challenges of the Information Age. The facts are alarming: While American fourth-graders are near the top of the world in math and science achievement, our twelfth-graders lag behind their peers in nearly all other industrialized countries. Drop-out rates have improved somewhat overall and for African-American youth, but 30 percent of Latino youth still do not graduate from high school. And because our workforce is becoming more diverse – by 2050, minority groups will make up nearly half the population – we must do a better job teaching all students.
The stakes are high. Global trade will create new jobs in the United States for the highly skilled, but also leave many behind who do not have those skills. Technological innovation holds the promise of higher productivity and improved standards of living, but also the threat of leaving some behind if we do not make significant strides in educating all Americans.

The good news is that we now have the research and experience to know what works in education. We know the value of high-quality preschool and early childhood education for our children’s future school success. We know that the states making the most progress improving student performance—such as North Carolina and Connecticut—have established high standards for all students, boosted teacher quality, and invested in helping students reach high standards. We know that the quality of our children’s teachers is the most important in-school factor to student achievement. And we know that reducing class size can boost student achievement, especially in the early grades and for disadvantaged children.

It is time to take the next step and bring about revolutionary improvement in education. Al Gore and Joe Lieberman’s comprehensive education plan will:

• Make high-quality preschool available to every child in every community all across the United States;

• Create new and higher quality learning opportunities during the elementary and secondary years by improving teacher quality, reducing class sizes, modernizing schools, and increasing access to after school programs;

• Help two-thirds of high school graduates attend college and half of Americans earn their degrees, which are more important economically than ever before; and

• Expand opportunities for lifelong learning because workers will have to regularly update their skills.

I. THE RIGHT START: UNIVERSAL PRESCHOOL

Al Gore and Joe Lieberman believe that every child should get the right start to prepare for success in school and life. Emerging scientific research has taught us how critical a child’s earliest years are to healthy development. Scientists have identified a window in time when the brain is more malleable and children are best able to learn. If children are deprived of stimulation, their brains may not fully develop. For example, the brains of children who don’t play much or are rarely touched are only about three-quarters the size of normal brains.

These findings confirm that early childhood is vitally important for our children. Early learning programs can provide the foundation for learning through language development, early reading, and socialization. In fact, disadvantaged children who attend pre-school benefit the most;
they repeat fewer grades and learn at a higher level. And other studies have found that Head Start improves children’s cognitive development, improves health, raises test scores for some children and reduces the probability of being held back in school.

Al Gore and Joe Lieberman are committed to making sure that all children go to school ready to read and ready to learn. A Gore-Lieberman Administration will:

- **Make high quality preschool universally available.** Al Gore and Joe Lieberman have proposed a $50 billion plan to make high-quality, voluntary preschool available to all four-year-olds and a growing number of three-year-olds. Under the Gore-Lieberman plan no four-year-old will go without preschool because of family income. After a state has made preschool universally available for four-year-olds, the federal funds could be devoted to children aged three and younger or to create year-round, full-day, or multi-year programs.

- **Creating public preschool systems based on high standards and parental choice.** This preschool initiative emphasizes flexibility for states and offers choice for parents, while holding providers accountable for results. States could create public preschool programs in public schools, recreation centers, child care centers, and Head Start centers. States will identify developmentally appropriate curricula that prepare children for success in school. They also must set high educational, safety, and quality standards and hold providers accountable for results.

- **Increase the number of well-trained early childhood educators.** Al Gore will set aside resources for a “Preschool Quality Fund” to offer professional development and promote high-quality preschools. The Gore-Lieberman education plan will help talented people become fully certified preschool teachers by targeting a portion of his 21st Century Teacher Corps to early childhood education. The plan will also target work-study funding to recruit an army of well-trained college students as tutors to help preschool children get ready to read.

- **Expand funding for Head Start.** Al Gore and Joe Lieberman support the investment of an additional $1 billion in Head Start this year—the largest single funding increase ever proposed for the program—to serve 950,000 children.

- **Prepare young children for reading success.** The research is clear: preschool and high-quality child care programs can make a big difference in getting children ready to read. The Gore-Lieberman plan includes a comprehensive effort to ensure that child care programs help prepare children to begin school. States will receive Ready-to-Learn funds to establish early reading programs in child care centers, support literacy training for child care staff, and provide bonuses to child care staff that complete training. The fund will also help ensure that there are sufficient number of books per child at every child care program in the country.
II. INVESTING MORE, DEMANDING MORE

Al Gore and Joe Lieberman have a bold, comprehensive education plan to invest more in, and demand more from our public schools.

Al Gore and Joe Lieberman’s education plan will: (1) make the single greatest commitment to education since the G.I. Bill in order to reduce class sizes, hire qualified teachers, modernize our schools, and provide access to high-quality after-school programs; (2) insist on high standards and accountability for students, teachers, schools, and states while turning around every failing school in America; (3) ensure there is a qualified teacher in every classroom, with rigorous testing of all new teachers, incentives to recruit one million outstanding new teachers, and better teacher pay in exchange for higher standards.

Al Gore and Joe Lieberman believe that we must give all of our children, teachers, and schools the extra help they need to succeed. They want to give our children the world-class schools that they deserve. Al Gore and Joe Lieberman want to invest $115 billion of the surplus in an Education Reform Trust Fund dedicated solely to education. They reject private school voucher plans that would siphon needed resources away from our public schools just when they need it most.

The Gore-Lieberman plan will invest in reducing class size, building and modernizing public schools, expanding high-quality after-school programs; and expanding and improving education technology, and keeping schools safe and drug-free.

Building and Modernizing America’s Schools

We cannot ask our students and teachers to redouble their efforts to raise achievement and then turn a blind eye to the millions of students attending class in crumbling schools, temporary trailers, gymnasiums, and even converted bathrooms.

The average public school is 42 years old, built far before today’s needs were anticipated. The Department of Education estimates that 3.5 million students attend schools needing major repairs or replacement and our schools nationwide need $127 billion in repairs. One-fifth of American schools have inadequate life safety systems, such as fire alarms and sprinkler systems.

This fall, 53 million children will enroll in school, the most ever, and enrollments are expected to continue to rise for the foreseeable future. Moreover, due to information technology, we need school facilities that can support electrical wiring or Internet connections needed to support learning technology. The Gore-Lieberman plan will:
• **Build and modernize 6,000 schools.** Al Gore and Joe Lieberman will fight for School Modernization Bonds to allow states and communities to borrow interest-free to modernize 6,000 public schools.

• **Repair 25,000 schools.** Al Gore and Joe Lieberman will create grants and interest-free loans for urgent repairs at 25,000 schools, at a cost of $1.3 billion. Emergency repairs include roofs, heating and cooling systems, and electrical wiring.

**Reducing Class Size and School Size**

Smaller classes in the early grades lead to higher student achievement, especially in the basics like reading and math. Classes of 15 to 20 students help every child get more personal attention, improve discipline in classrooms, raise student achievement and help give our young people a solid foundation for further learning. Small classes are particularly important for disadvantaged children. Students, teachers, and parents all report positive effects of small classes on classroom instruction.

Research also confirms that students do better in smaller schools or schools-within-schools, where they can get more individualized attention and where their achievements are more likely to be recognized. Students in smaller schools tend to have better attendance records, lower drop-out rates, and fewer discipline problems than their peers in larger schools.

Al Gore and Joe Lieberman’s plan will:

• **Reduce class sizes in the early grades to a national average of 18.** The Gore-Lieberman plan will reduce class size to an average of 18 students in the early grades to help children learn to read and master the basics for future academic success. All teachers hired under this initiative will be qualified and well-prepared to teach in smaller classes.

• **Help reduce class sizes and provide students with more individualized attention in later grades.** Al Gore and Joe Lieberman will also fund high schools that reduce class size, school size (including breaking down large schools into small schools-within-schools), and provide students with more individualized attention to help them reach high standards.

**Harnessing the Potential of Education Technology**

In the New Economy, basic literacy is no longer enough. Our schools need all of what Al Gore has called the “four pillars” of education technology: trained teachers, engaging software and on-line resources, access to modern computers for all teachers and students, and an Internet connection in every classroom. The Gore-Lieberman Administration will ensure that our country continues to move forward in these critical areas.
Education technology also has the potential to transform how teachers teach and students learn traditional material. In some classrooms, students are tapping into the Library of Congress to conduct research for a history project, taking “virtual field trips” to the bottom of the ocean, or using a remote supercomputer to model the energy efficiency of their home. Parents can communicate more frequently with teachers using e-mail, and teachers can keep up with the latest developments in their field and exchange effective lesson plans. Used creatively, technology can help get children excited about learning and improve student performance in all academic subjects.

However, we must address the persistent “digital divide” that shuts out millions of Americans from the promise of new technology. Eighty percent of households with an income of $75,000 or above have computers, compared to 16 percent of households earning from $10,000 to $15,000. Forty-seven percent of white households have computers, compared to 23 percent of African-American and 26 percent of Hispanic households. The digital divide threatens to keep all of our children from realizing the promise of technology to improve education.

Al Gore and Joe Lieberman will:

• **Complete the national goal of connecting every classroom to the Internet.** As Vice President, Al Gore has worked hard to ensure that all of our children have access to educational technology. He fought for the “e-rate,” which is providing $2.25 billion in discounts to connect schools and libraries to the Internet. About 95 percent of our schools and 63 percent of our classrooms are now connected to the Internet, compared to 35 percent and three percent in 1994. As President, Al Gore will continue his strong support for the e-rate and Net Day to finish the job and connect every classroom and library to the Internet.

• **Establish 2,000 Community Technology Learning Centers by the year 2002.** These Centers make educational technology available to low-income families through public housing facilities, community centers, and libraries and help people learn how to use computers and the Internet. A national network of 2,000 centers will help close the digital divide and allow young adults modern resources to help them find jobs.

• **Make sure all schools have one modern multimedia computer for every five students.** Experts believe that no more than five students should share one computer. The student-to-computer ratio improved from 12:1 in 1998 to 9:1 last year, but we are not there yet. Al Gore and Joe Lieberman will fight to make sure that all schools have one modern multimedia computer connected to the Internet for every five students.

• **Train all teachers to use technology and the Internet effectively and safely.** According to a recent study, only 33 percent of teachers reported feeling well prepared or very well prepared to integrate educational technology into classroom instruction. Al Gore and Joe Lieberman support the Preparing Tomorrow’s Teachers to Use Technology initiative to educate all new teachers. In addition, they will work to expand funding for teacher training...
and technology to provide professional development to existing teachers, including through their teacher quality initiative.

- **Ensure that all Americans have the assistive technologies they need to complete their education and participate in the workforce.** Al Gore and Joe Lieberman will work to make information and communications technologies more accessible for people with disabilities by challenging the private sector to adopt “universal design” principles and increasing research and development in assistive technologies such as voice and gesture recognition and text-to-speech. They will also work to make assistive technology more affordable for people with disabilities.

- **Support education research.** Al Gore and Joe Lieberman will support funding for rigorous research on what educational strategies work and why, and R&D that will advance the state-of-the-art in educational technology. Examples of next-generation educational technologies include powerful simulations that allow students to “learn by doing,” intelligent tutoring systems that respond to individual learning styles and recognize student mistakes, and information visualization that makes it easier for students to understand difficult concepts in math and science.

- **Make the Internet as universal as the telephone.** Al Gore and Joe Lieberman will encourage public-private partnerships to bring affordable Internet access to the hardest-to-reach urban and rural communities. They will help more Americans get “information literacy” skills. And they will promote applications of information technology that will help empower low-income Americans, such as high-quality adult literacy.

**High-Quality After-School Programs**

Every day, millions of families face the same dilemma: what will their do between the end of the school day and the end of the workday?

School schedules were designed when two-income families were rare. Today, three out of four mothers work, and millions of parents are struggling to be both good parents and good workers. It is estimated that there are over five million “latch-key” children who every day return home to an empty house. Their parents may have no choice but to leave them alone and unsupervised for as many as 20 to 25 hours a week while working. It is during these hours that children are most likely to commit crimes and acts of vandalism, as well as be victimized by them. After-school programs keep students off the streets and out of trouble.

But after-school programs are more than babysitting: After-school and summer programs offer valuable opportunities for “extra help” to aid all students in reaching high academic standards. Research shows that extended learning time is a key strategy widely used by schools that have boosted student achievement in reading and math.
Yet there is still a chronic shortage of after-school programs. Nationwide, parents demand twice as many slots as are available, and in some areas after-school programs are expected to be able to accommodate only one-fifth of requests within two years.

Al Gore and Joe Lieberman’s plan will create high-quality after-school programs and help provide up to 10 million children with a safe place to learn in the after-school hours. It will:

- **Offer high-quality, after-school programs.** The Gore-Lieberman plan will dramatically increase funding for 21st Century Learning Centers, an innovative initiative that enables communities to provide extra help to students through after-school and summer school programs. Schools will work with parents and community-based organizations to develop after-school programs and provide parents the ability to help choose the right after-school programs for that school. A portion of the funding would be reserved for local community organizations offering high-quality after-school programs outside of the school building.

- **Provide an after-school tax credit for millions of working families.** Al Gore and Joe Lieberman will offer a new, refundable After-School Tax Credit (ASTC) to build upon the existing Child and Dependent Care Tax Credit (CDCTC)—which is non-refundable and limited to children up to age 12—and help up to five million children access after-school programs. The ASTC would provide a tax credit of up to 50 percent (depending on income) of the cost of after-school programs for children age 16 and under.

- **Help schools offer high-quality after-school programs and distance learning.** This plan will require states to establish one system of clear facility standards for school buildings during the school day and after school. Al Gore and Joe Lieberman will also provide funds to school districts to make minor repairs and modifications of school space to enable appropriate use of school buildings after school hours. The Gore-Lieberman plan will establish an After-School Quality Fund to recruit and train qualified after-school staff, and it will support and expand high-quality after-school and mentoring programs with proven track records such as the YMCA, Big Brothers/Big Sisters, and special reading or arts programs. In areas where technology and foreign language training resources are difficult to find, the Gore-Lieberman plan will help students access such training through distance learning via the Internet.

**Treating Teachers Like the Professionals That They Are**

Research confirms what parents and teachers already know: the greatest in-school factor affecting student achievement is the quality of teaching. Because of record-breaking student enrollments and rising retirements from an aging teaching force, we must hire more than two million teachers over the next 10 years. Shortages will be particularly severe in high-poverty schools and in subject areas like math and science. Already, one-quarter of secondary school teachers lack even a minor in the subject they teach. Students in schools with the highest minority enrollment have less than a 50-50 chance of having a math or science teacher with a license and
degree in the field. Al Gore and Joe Lieberman have proposed a comprehensive $16 billion, 10-year plan to recruit one million new teachers, demand the best from them, and give them the salaries that professionals like them deserve.

The Gore-Lieberman plan will:

- **Place a fully qualified teacher in every classroom by 2004.** Al Gore and Joe Lieberman believe it is time to focus on results and measured competency. Al Gore and Joe Lieberman will require that states receiving federal funding under Title I guarantee that 100 percent of their teachers are fully certified by 2004. This can include high-quality alternative routes to certification or people working quickly toward full certification. States will also be required to ensure that 100 percent of secondary and middle school teachers have a major, a minor, or demonstrated competence in their primary subject area.

- **Create a 21st Century National Teachers Corps.** The Teacher Corps will attract talented young people and mid-career professionals to teach in high-need schools and shortage subject areas. This teacher corps will provide up to $10,000 in college aid for talented young people who commit to teach in a high-need school for at least four years, and up to $10,000 in signing bonuses for professionals who switch careers to become teachers. Partnerships involving school districts and non-profit organizations would receive federal grants to design and administer local chapters of a national teacher corps and ensure that new teachers receive initial training and help needed to make a successful transition into teaching.

- **Expand loan forgiveness for teachers in high-need areas or subjects.** The Gore-Lieberman plan will also make it easier for more people going into teaching to repay their college loans. It will expand loan forgiveness for students that agree to teach for five years in high-need schools or subject areas with a shortage of teachers like math and science. Loan forgiveness will encourage more young people to enter teacher and help veteran teachers return to school to improve their skills.

- **Test all new teachers to make sure they meet a national standard.** States will require all new teachers to pass rigorous assessments, including tests of their subject-matter knowledge and teaching proficiency. New high school and middle school teachers will be tested in the subject they teach and elementary school teachers will have to demonstrate mastery of research-based practices for teaching children to read.

- **Boost teacher quality through partnerships.** Partnerships of school districts, local businesses and community leaders, and teachers would agree on effective strategies to recruit qualified new teachers; provide mentors and other support to help new teachers succeed; set clear, high standards for tenure based on a thorough evaluation of each teacher’s performance and the academic progress of his or her students; offer high-quality professional development
and institute regular, rigorous evaluations for all teachers; and ensure fast, fair ways to identify, improve or remove low-performing teachers.

- **Raise teacher salaries, including a $5,000 raise for all qualified teachers and a $10,000 raise for master teachers.** Qualified teachers in participating districts would receive a $5,000 raise. Outstanding teachers who meet advanced professional standards would get up to a $10,000 salary increase. Higher salaries will help attract and retain good teachers in low-income areas, which typically offer lower salaries than more affluent areas, and reward highly accomplished teachers such as those certified by the National Board for Professional Teaching Standards.

  - **Provide extra rewards for teachers that demonstrate special skills or knowledge, take on special roles, or improve student performance.** Al Gore and Joe Lieberman will encourage districts to move away from the tradition of providing higher salaries based simply on years of experience rather than performance, skill, and role. School districts, teacher unions, and community leaders would work together to develop innovative, fair plans to reward schools and teachers who go the extra mile to help students succeed.

**Turning Around Failure and Rewarding Success**

Al Gore and Joe Lieberman will ensure strict accountability for helping students from all backgrounds reach high academic standards, and their education plan demands more from states, schools, teachers, and students. Their accountability plan will reform every failing school in America, reward states that are making progress according to national benchmarks in reading and math, and apply fiscal sanctions to states that do not.

Al Gore and Joe Lieberman will use rigorous standards and assessments to reward success, stop subsidizing failure, and accelerate reforms to help all children succeed.

- **Immediately intervene in failing schools.** Once a school has been identified as failing, every child in that school would immediately get after-school help so they can keep up academically or receive the opportunity to transfer to a better-performing public school. States and districts will be required to implement corrective action by immediately putting a reform plan in place and providing support and expertise to turn the school around.

- **If there is no improvement after one year, overhaul the school’s curriculum.** The state and district will be required to overhaul its curriculum, conduct a full evaluation of every teacher, provide intensive professional development for all teachers, and ensure fast and fair ways to improve or remove low-performing teachers.
• **If there is no improvement after two years, close down the school and reopen it under new leadership.** A new principal with a proven record of success would be offered incentives of up to $20,000, and outstanding teachers will be offered incentives of up to $10,000 each, to come turn that school around. The team will be given the authority to manage budgets and hire staff. The Gore-Lieberman plan will also allow states to shut down failing schools and reopen them as charter schools.

• **Invest in what works to turn these schools around.** The Gore-Lieberman plan includes $500 million a year for an Accountability Fund to implement proven reform strategies, provide extra support to students while their school is being turned around, and help overhaul the curriculum with professional development for all teachers. Schools with approved reform plans would also receive top priority for the Gore-Lieberman Administration’s initiatives to provide smaller classes and well-trained teachers.

**Increasing Accountability**

Al Gore and Joe Lieberman will hold states and school districts responsible for progress in reading and math and preventing drop-outs. A Gore-Lieberman Administration will:

• **Withdraw funding from states that fail to improve student performance.** States failing to meet their targets for improving student performance and substantially closing the achievement gap between disadvantaged students and their peers, based on performance on the respected National Assessment of Educational Progress (NAEP), will lose federal administrative funds under federal formula grant programs including Title I. These funds will be redirected to support local efforts to turn around low-performing schools by investing in proven reforms through the Accountability Fund. Under the Gore-Lieberman plan, states failing to make progress in reducing high drop-out rates could also lose federal administrative funding.

• **Provide bonuses for states that make progress.** Al Gore and Joe Lieberman will provide bonuses to states that demonstrate significant progress in boosting overall student achievement and closing the achievement gap (based on reading and math NAEP scores in fourth, eighth, and twelfth grade) and reducing high school dropout rates. Al Gore and Joe Lieberman believe that every state can and must make this kind of progress by investing in what works, refusing to subsidize failure, and rewarding success.

• **Hold states and schools to national benchmarks of progress.** The Gore-Lieberman plan calls for all states to participate in NAEP, known as the Nation’s Report Card, for reading and math in fourth, eight, and twelfth grades. These results will be used as the basis for rewarding or sanctioning states based on whether they improve academic achievement and close the gap between the academic performance of low-income and minority children and others. While 39 states currently participate in NAEP, other states will be given until 2004 to
participate in NAEP or to develop measures to equate results on state test scores with NAEP standards. Under the Gore-Lieberman plan, NAEP tests will be given in reading and math in these three grades every two years.

- **Establish voluntary national tests.** Voluntary national tests in fourth-grade reading and eighth-grade math will make certain every student masters the basics. Unlike the NAEP tests, which only test a representative sample of students on each state and do not show individual results, these voluntary national assessments will help parents understand how their own child is doing compared to national standards.

**Fostering Innovation and Choice in Our Public Schools**

Al Gore and Joe Lieberman believe that every family should be able to choose the right public school for their children. That’s why they are calling for a sweeping agenda to boost choice and competition in public education. Al Gore and Joe Lieberman want to triple the number of charter schools by 2005, promote universal public school choice in 100 of the nation’s lowest performing school districts, and provide all public schools with more decision-making authority to help children achieve and meet parental needs. The Gore-Lieberman plan will:

- **Expand start-up funds to help launch high-quality charter schools.** Al Gore and Joe Lieberman will provide planning and start-up grants, help successful charter schools share their successes with other public schools, and help charter schools establish performance benchmarks and become models of accountability.

- **Create incubators for successful new charter schools.** Al Gore and Joe Lieberman will help communities create a physical site where charter schools can operate and provide start-up assistance until they have attracted sufficient students and financing to move into permanent space.

- **Help ensure that charter schools have facilities in which to operate.** The Gore-Lieberman school modernization plan will cover charter schools to help finance facilities costs. Charter schools are also eligible to participate in the Gore-Lieberman initiative to provide loans and grants for emergency repairs to existing school facilities.

- **Help turn around 100 of the lowest-performing school districts in America through raising standards and promoting universal public school choice.** Al Gore and Joe Lieberman will help 100 of the lowest-performing school districts adopt standards-based reforms, convert every public school into a school of choice, allow all parents to choose the right public school for their child, and provide principals—advised by teams of teachers—greater freedom over their own resources and staffing. To receive competitive funding, districts would outline aggressive plans to ensure quality teachers and principals in every school, with appropriate professional development and training for all. Schools will adopt
instructional approaches geared to help all students reach high standards. Schools will enter into contracts outlining performance standards and consequences for failure and students could enroll in the school of their choice.

Educating Children with Disabilities

America’s legal and moral commitment to providing a free and appropriate education to students with disabilities has opened the doors of public schools to millions of students over the past two decades. Al Gore and Joe Lieberman believe that we must substantially increase the federal investment to support states and school districts in guaranteeing this essential right, while ensuring adequate support to help all children get a high-quality education.

While enactment of the Individuals with Disabilities Education Act (IDEA) in 1975 authorized federal funding to help states uphold this commitment, the federal government still pays only around 12 percent of the costs of special education which are rising rapidly. The federal government must become a stronger partner to help states and school districts uphold this important obligation, while maintaining the investments needed to provide all of our children with a high-quality education.

Al Gore and Joe Lieberman will reaffirm and strengthen the nation’s commitment to providing students with disabilities access to a free and appropriate public education while also investing in the needs of all children. Their plan will:

• **Provide the largest ever increase in federal funding for IDEA.** This investment will be an important down payment toward the federal government’s goal of paying its fair share. And Al Gore will veto any spending plan that does not include funding to help communities provide a quality public education to all children, including those with disabilities. Al Gore and Joe Lieberman are committed to this plan while being fiscally responsible and increasing, rather than shortchanging, other education investments like class size and after school programs.

• **Defray local school district expenses to educate students with very high-cost special needs.** The Gore-Lieberman plan will work with states to establish or expand funding pools under the IDEA that would be managed by the states. School districts could apply to these pools for extra funds to help them cover the costs of educating the relatively few children with disabilities requiring extraordinarily expensive services.

• **Fund early identification and intervention efforts.** This early identification and intervention fund that will reduce the long term costs of special education by helping school districts adopt proven methods of identifying and assisting children with reading or behavioral problems in kindergarten or 1st grade.
• **Support teacher training to help all teachers learn how to effectively meet the needs of children with disabilities.** A high percentage of students with disabilities spend much of their day in regular classrooms. Training both special education and regular teachers to address the needs of these students will ensure a better education for all our children.

**Safety and Discipline**

To achieve high standards, our students need to be safe and instilled with discipline. Al Gore and Joe Lieberman will not rest until every student attends a safe school. That is why we need civic and character education as well as community service to foster students’ citizenship skills and character development. We should also enforce strict discipline, give troubled students a second chance elsewhere, and protect our children from guns.

Al Gore and Joe Lieberman will:

• **Double the commitment to keep our schools safe and drug-free.** Al Gore and Joe Lieberman will double funding for the Safe and Drug-Free Schools program. Safe and Drug-Free Schools are the federal government’s primary investment in promoting safe and healthy places to learn.

• **Enforce strict discipline while offering troubled students a chance.** Al Gore and Joe Lieberman will make schools safer and better learning environments by promoting zero-tolerance policies for guns, fair and firm discipline policies, and alternative educational settings for children expelled from school. Al Gore and Joe Lieberman will create competitive grants to districts enforcing these policies to help create “second chance schools” where kids expelled from school, and those headed for trouble, could get the intensive help and services they need to succeed.

• **Create learning communities and safe places to go outside of school hours.** A Gore-Lieberman Administration will promote smaller classes and smaller schools, which are linked to stronger relationships with caring adults and firmer discipline. After-school programs provide a safe place for students to spend the high-risk afternoon hours.

• **Strengthen good citizenship and character education.** One of the most important jobs of an American school is to promote good citizenship. Al Gore and Joe Lieberman will expand existing efforts to support character education programs in every state. They will create a national clearinghouse of the best ideas in character education. Finally, they will increase federal support for civic education including “Project Citizen,” a promising initiative that is giving thousands of middle school students a hands-on experience in democracy and good citizenship.
• **Promote volunteer participation.** Community service – such as helping the truly needy, aging or disabled, cleaning-up public parks, building homes for those without them, or mentoring younger students – can be one of the most rewarding educational experiences. Al Gore and Joe Lieberman will encourage schools to promote community service and service learning for their students.

• **Protect our children from guns.** Al Gore and Joe Lieberman will fight to protect children from gun violence by insisting on a policy of zero tolerance towards guns in our schools, toughening enforcement of gun laws, requiring child safety locks on handguns, and closing the gun show loophole for underage children that allows underage children to purchase handguns from unlicensed dealers. They will also extend the Brady Law to violent juveniles, which would permanently ban juveniles convicted of serious violent crimes in juvenile court from ever owning a gun again.

III. EXPANDING COLLEGE OPPORTUNITY

In an era of advanced technology, global competition, and lifelong learning, we must help more Americans attend college. Al Gore and Joe Lieberman are calling for a national effort to help three-quarters of high school graduates attend college and half of all college-age Americans earn their degrees by 2010.

Over the course of a lifetime, an associate’s degree is worth $240,000 more than a high school diploma, according to the Census Bureau. College graduates will earn $600,000 more than high school graduates.

As the demand for skilled workers increases, there is evidence that the “education premium” is growing. Jobs that require a college degree are growing twice as fast as others. Young men with a bachelor’s degree earn 56 percent more than their peers with only a high school diploma, up from 19 percent in 1980. Women earn 100 percent more, up from 52 percent.

That’s why, even with college enrollment and completion rates at record highs, Al Gore and Joe Lieberman believe we have to aim higher. That means making college more affordable; doing more to see that, once students start college, they finish; and working to close the opportunity gap and prepare all children for college.

Al Gore and Joe Lieberman will:

• **Make most college tuition tax-deductible.** Al Gore and Joe Lieberman will give families a College Opportunity Tax Cut to make most college tuition tax deductible for 10 million families. Families will be able to choose between a tax deduction and a 28 percent tax credit on up to $10,000 in tuition. The plan would give individuals up to $2,800 annually in tax relief per family and would give individuals in lower tax brackets the same amount of relief.
as those in higher brackets. The College Opportunity Tax Cut will make college, graduate school, and job training more affordable for working Americans.

• **Create 401(j) and Retirement Savings Plus accounts to help families save for college.** Al Gore and Joe Lieberman have proposed new 401(j) accounts that would work like 401(k) accounts many people have at work. They would allow families or employers to put up to $2,500 per year in a savings account to be used for job training, higher education and lifelong learning. Invested earnings can be used by any family member and may be withdrawn tax free if they are used for qualified educational experiences. The Gore-Lieberman Administration will also create Retirement Savings Plus accounts; families could withdraw from these accounts to pay for a child’s college education, purchase a first home, or cover catastrophic medical expenses.

• **Establish a National Tuition Savings plan.** Al Gore and Joe Lieberman will create a National Tuition Savings Plan, bringing together programs in more than 30 states, and helping the other 20 states create them for the first time. Many of these programs let families invest their money in special accounts which grow tax-free. A Gore-Lieberman Administration will allow each parent’s savings to be used in any participating state, and use incentives to encourage states that do not have the programs to create them. Under this plan, these accounts will enable to save for college tax-free and inflation-free.

• **Reduce interest rates on student loans by paying off the national debt.** Al Gore and Joe Lieberman’s economic plan will reduce interest rates by paying off the national debt by 2012, making student and parent loans for college more affordable.

• **Expand Pell grants for low-income students.** Al Gore and Joe Lieberman believe that Pell grants are the foundation of student aid. They will fight for strong increases in Pell grants each and every year of their Administration.

• **Strengthen student aid programs.** A Gore-Lieberman Administration will push for reform to the student aid system to make it stronger and give it more funding so that more Americans can afford college.

• **Reach disadvantaged children early and raise their expectations for college.** Too many children rule out college at an early age, unaware of the resources available to help them succeed. Al Gore and Joe Lieberman are committed to efforts, such as the GEAR UP and TRIO initiatives, to provide mentoring, college preparation, and academic enrichment to 750,000 at-risk middle school students. They will also direct the Department of Education to ensure that all middle school students understand the benefits of college, know what steps are necessary to get there, and have accurate information on college costs and financial aid.
• **Help students succeed in college.** Although college completion rates are the highest ever, 37 percent of students who enroll in college drop out before completion. The problem is worse among minorities: 29 percent of African Americans and 31 percent of Hispanics drop out of college after less than one year. Al Gore and Joe Lieberman will work with universities and student groups to help at-risk children succeed in college through proven strategies.

IV. LIFELONG LEARNING AND JOB TRAINING

Today’s economy is a changing economy. We are now in the early stages of an information revolution—not just in our high-tech industries, but in our core industries and manufacturing as well. With all that change comes a significant challenge: how do we make sure everyone has the chance to compete and win in this new knowledge-based economy?

A central answer must be a good education, and the ability to keep learning for a lifetime. Education can no longer stop after high school or even college. Workplaces, and the skills needed to thrive in them, are changing quickly. With 75 percent of the people who will be working in the year 2010 already in the workforce, it is crucial that they have an opportunity to constantly update their skills. This is the only way for working men and women to keep up with new technologies, advance in their jobs, and find a new job if necessary. Job-training must also be convenient with workers able to learn at the job, in the home, and from significant distances.

Al Gore and Joe Lieberman will:

• **Create new learning opportunities for America’s workers.** To make it easier for firms to upgrade the skills of their workers or to move into a community with a skilled labor force, Al Gore and Joe Lieberman are proposing to help states develop worker skills. These competitive matching grants will be offered to communities who partner with local workforce boards, industry, and labor groups as well as Regional Skill Alliances to develop meaningful, accredited learning opportunities for workers to meet the skills needed in their communities. This will help employers who want to expand their technology and assure workers have the training they need.

• **Expand the availability of support for dislocated workers to continue training.** Under current law, only workers who are eligible for trade adjustment assistance automatically receive benefits beyond the initial 26 weeks of unemployment insurance. Al Gore and Joe Lieberman are proposing a new initiative to provide matching challenge grants to states that provide a training allowance to all unemployed workers in approved training programs. Under this proposal, the federal government will match state money in those states that choose to give employed workers an additional 13 weeks of training allowance benefits if it is necessary to complete their training.
• **Provide up to a $6,000 tax credit for employers who provide worker training.** To make it easier for workers to succeed in the new economy, the Gore-Lieberman plan will offer employers up to a $6,000 tax credit per employee for worker training in information technology and other technology skills. The credits will be limited to programs accredited by a local workforce board and would be targeted to frontline workers.

• **Make lifelong learning more affordable for individuals by making most tuition deductible.** Al Gore and Joe Lieberman’s College Opportunity Tax Cut will make $10,000 of tuition and fees for post-secondary education and training tax deductible. In addition, the Gore-Lieberman Administration will help workers save for lifelong learning through new tax-free 401(j) accounts and new Retirement Savings Plus accounts.

• **Make dislocated worker training universal.** Despite the expansion of training for dislocated workers over the past eight years, it is not yet truly universal for all dislocated workers. The Gore-Lieberman plan calls for continuing expansions of dislocated worker funding until we can reach the following universal goals:

  - By 2004, every dislocated worker who needs job-training will get it.
  - Every person who loses their job due to no fault of their own should receive job search and re-employment services.
  - Every American who loses a job should have access to a one-stop career center.

V. CONCLUSION

More than 50 years ago, when the greatest generation came home after making the world safe for freedom, they turned their efforts to creating an educational system worthy of the nation they defended. They built schools, opened the doors to college, and laid the foundation for a generation of children to grow up in prosperity and realize their dreams.

Now at the beginning of this new century, at a time of peace and prosperity, our challenge is no less. In this Information Age economy, it is imperative for the success of our children and the strength of our nation that we give all our people – from the tiniest of tots to the worker on the assembly line – the education and training they need to seize the promise of the New Economy.

The Gore-Lieberman plan is a comprehensive approach that will demand more of our schools, teachers, and students and will make the bold investments needed to help all our people succeed. This plan will bring revolutionary improvements to our schools. It will open the doors to college and job-training for all Americans, and keep them open for workers to update their skills later in their careers. Al Gore and Joe Lieberman know that providing all of our young people with
an outstanding education is a top national priority requiring national leadership. The time for decisive action on behalf of children and families all across America is now.
CHAPTER 6
THE GLOBAL ECONOMY

Trade has been an important part of our economic expansion. Indeed, exports sustain about one in five American factory jobs — jobs that pay more than jobs not tied to the global economy. Open markets spur innovation, speed the growth of new industries, and make our businesses more competitive. Al Gore and Joe Lieberman believe, without a doubt, that with trade — and with investments in giving American workers the skills they need — we can out-compete workers anywhere in the world.

It's clear we live in a globalized world — and that there is no turning back. But globalization is neither good nor evil. It is a fact — and we, as a nation, have to deal with it. Al Gore and Joe Lieberman want America to lead in the new global economy, not follow. But they believe that globalization will work for all Americans only if there are rules of the road, as in the domestic economy, that promote both a strong economy and our basic American values.

First, a U.S. national security and foreign policy of “forward engagement” of the sort offered by Al Gore and Joe Lieberman is necessary to combat the threats to global commerce and therefore, our own prosperity. Moving to the matters covered in this chapter, we need to make the global economy work for all. That means making sure that all trade agreements contain provisions that will protect the environment and labor standards, as well as open markets in other countries. Al Gore and Joe Lieberman will insist on and use their authority to enforce worker rights, human rights, and environmental protections in those agreements. We should use trade to lift up standards around the world, not drag down standards here at home.

Furthermore, we must also confront some of the profound challenges of the global age. These include: the breakdown of social order and consequent human suffering in too many struggling, developing societies; the devastation of millions by HIV/AIDS — especially in Sub-Saharan Africa; the adding of roughly a billion people to the world’s population every decade — 95 percent of whom are in the world’s poorest countries; the changes we are causing in the global environment, which threaten to disrupt the relatively stable climatic balance we have known since before the agricultural revolution. Al Gore and Joe Lieberman believe that we can meet all of these challenges successfully if we clearly understand the effects of new developments on our global economic order and harness them for the betterment of the world’s population.

The overarching aim of a Gore-Lieberman Administration is to aggressively open markets, while having thoughtful strategies to address the new and complex challenges the world faces. This means that we must ensure that increased globalization and trade lead not to a race to the bottom for worker rights and environmental conditions, but to a lifting of living standards for all.
I. GROWTH THROUGH OPEN TRADE

The United States is currently enjoying the longest and largest economic expansion in our nation’s history. Our nation’s commitment to open markets have played an important role in fueling this growth. As the largest trading nation in the world, the United States is the number-one exporting country, garnering more than 12 percent of the world’s exports. The opening of world markets has helped spark a 72 percent increase in U.S. exports since 1992, to a total of $990.2 billion last year. In fact, the record economic expansion the United States continues to enjoy has been driven in large part by exports. This is especially true in the manufacturing sector, where nearly 60 percent export growth has helped create a 28 percent rise in real industrial production. And most importantly, jobs supported by exports pay 13 to 16 percent higher than the American average.

Al Gore and Joe Lieberman will continue this export-driven growth through international trade policies that open markets for our products and raise standards for health, safety, working conditions, and the environment.

Continued Efforts to Open Foreign Markets to U.S. Exports

Al Gore and Joe Lieberman share a vision of America’s economic future that rests on expanding U.S. exports, including free-flowing electronic commerce. Given that 96 percent of all consumers live outside our borders, we must continue to trade with the rest of the world.

Ratifying and implementing new agreements

Al Gore and Joe Lieberman will secure the ratification of and fully implement important new trade agreements. They support prompt passage of Permanent Normal Trade Relations with China and will ensure that the final terms of China’s accession to the World Trade Organization are fully consistent with China’s commitments to the United States. These include: product specific safeguards that allows the U.S. to take measures focused directly on China in the case of an import surge that threatens a particular industry; strong anti-dumping protections that allows the U.S. to apply our current non-market economy methodology in cases involving China for 15 years; and requirements that China eliminate barriers to U.S. companies including forced tech transfers and offsets. Moreover, Al Gore and Joe Lieberman will continue to press China to improve its human rights record.

Al Gore and Joe Lieberman will forge the necessary consensus to pass traditional trade negotiating authority legislation. And a Gore-Lieberman Administration will insist that in all appropriate trade agreements negotiated, labor and environmental standards will be addressed in the agreement itself.
Strengthening global trade arrangements

Through the international trade system, which is centered in the World Trade Organization (WTO), we strengthen our own economy, promote respect for the rule of law, maintain and advance our values around the world, help developing countries find their rightful place in the world economy, and use trade as a way to strengthen international relationships that cement peace. But, the WTO is a young institution that can and must be improved. As we apply and enforce existing agreements, we must move on to the negotiating agenda of the next decade. We must work to build international support for an inclusive and balanced new round of trade negotiations — a round that lowers trade barriers while also recognizing the inter-connection between trade and the environment and worker rights.

Al Gore and Joe Lieberman believe that the core elements of new negotiations should be expanded market access for agriculture, services, and industrial products. Agriculture and services are the sectors in which markets remain most distorted and closed, and in which the opening of trade will mean perhaps most to future prospects for rising living standards, technological progress, and sustainable development. In each of these areas, we must set ambitious goals.

- **Agriculture.** With regard to agriculture negotiations, Al Gore and Joe Lieberman will seek: substantial reductions or elimination of tariffs, expansion of remaining tariff-rate quotas, elimination of export subsidies, disciplines on the use of export restrictions on agricultural products, disciplines on state-trading enterprises, simplification of rules applying to domestic support, and the establishment of a ceiling on trade-distorting support that applies equally to all countries.

- **Automobiles.** Al Gore and Joe Lieberman will negotiate tough agreements to reduce our persistent automotive trade imbalances with our major trading partners. They believe that we must continue to monitor imports and, consistent with the World Trade Organization, ensure that the United States utilizes all of its trade laws and other mechanisms, including product specific safeguards, to stop quickly and effectively any import surges when they threaten our workers and communities.

- **Services.** A Gore-Lieberman Administration will expand the types of services that are subject to WTO market access commitments — especially for high-tech-related services — and will eliminate exceptions that in the past have undermined the value of such commitments. Al Gore and Joe Lieberman will press for market access commitments in a wide range of service sectors, including financial services, energy, the environment, audiovisual, express delivery, the professions, private education and training, private healthcare, travel and tourism, and others.
• **Traditional trade barriers.** Beyond agriculture and services negotiations, we must continue to address market access concerns for industrial products, including tariff elimination in appropriate sectors. Al Gore and Joe Lieberman will support advanced tariff liberalization efforts that would lead to sectoral elimination of tariffs even before a new round has been concluded. They will take into account how tariff reduction could impact natural resources, and will develop innovative responses.

• **Greater openness and public access.** Al Gore and Joe Lieberman will advocate reforms to the trading system to make it more democratic, more open, and more sensitive and responsive to the concerns of workers, citizens, and civil society in general. They believe that the WTO and other international bodies should be more transparent, opening their meetings and dispute-settlement proceedings to the public.

• **Labor and the environment.** Finally, but no less importantly, Al Gore and Joe Lieberman will work to secure an appropriate place in the WTO for trade-related labor and environmental issues. This includes Permanent Entity status for labor and giving a broader mandate to the WTO’s committee on the environment. They want the WTO to cast aside its resistance to take up labor issues – including child labor, slave labor, and the freedom of association – and establish a standing committee or working group for dealing with such issues.

**A bold high-tech agenda**

Al Gore and Joe Lieberman will put expansion of trade in high-tech sectors at the heart of their trade policies. Al Gore and Joe Lieberman will promote a coherent set of trade agreements and principles to be accepted worldwide. These agreements and principles will facilitate trade, spark demand for new services, and promote technological progress. They will help ensure low-cost access to telecommunications and the Internet, enabling developing countries and impoverished regions to gain the full advantages of the networked economy. This agenda consists of several key elements:

• **Expand the Information Technology Agreement.** Al Gore and Joe Lieberman are dedicated to expanding the groundbreaking Information Technology Agreement, which eliminates all tariffs on semiconductors, computers, computer equipment, integrated circuits, telecommunications equipment and many related manufactured goods – the equipment almost every business needs to access the Internet, find customers, and make its factories more productive.

• **Seek additional market opening commitments for telecommunications.** Al Gore and Joe Lieberman will build on the Agreement on Basic Telecommunications. They will urge both current and new WTO members to participate in the Basic Telecom Agreement. A Gore-Lieberman Administration will also pursue additional market access commitments through new negotiations. And, stepped-up efforts must be made to enforce existing commitments in this
area. The rapidly evolving nature of telecommunications and the newness of trade rules in this sector require strong action to ensure that the United States receives the full benefit of the bargains we make.

• **Eliminate barriers to high-tech trade.** Al Gore and Joe Lieberman will also work to ensure cyberspace is duty-free, so that all electronic transmissions over the Internet are free from tariffs. Al Gore and Joe Lieberman also will work to ensure that our trading partners avoid new measures that unduly restrict development of electronic commerce; that WTO rules do not discriminate against new technologies and methods of trade; that WTO rules apply to trade in digital products; and that intellectual property rights are properly accorded to the Internet.

A Gore-Lieberman Administration will fight for increased market access for the electronic services that underpin e-commerce — advertising, computer and information services, distribution, financial services, telecommunications and other similar areas — and work with America’s trading partners to prevent the creation of unnecessary new barriers to e-commerce, to ensure strong consumer protection for Internet users, and to expand existing trade rules to apply fully to e-commerce.

**Promoting Development Abroad Through Increased Trade**

While our trade policies will promote U.S. exports and create jobs here at home, it is important to remember that open markets have been a necessary, though not sufficient factor, in reducing poverty and raising living standards in developing countries as well. Al Gore and Joe Lieberman will continue to pursue policies that uplift our friends as well as ourselves.

**Africa**

Our historic legislation to deepen trade ties with Africa, coupled with broader development efforts (including initiatives to help combat the spread of HIV/AIDS and other infectious diseases), will lead to better relationships with African nations and thereby increase U.S. exports to Africa. Al Gore and Joe Lieberman will work with African leaders to help alleviate poverty and, in doing so, make African nations even better trading partners.

**Caribbean Basin**

Al Gore and Joe Lieberman support efforts to aid Caribbean Basin countries more fully enjoy the benefits of trade. Al Gore and Joe Lieberman will fully implement the recently enacted Caribbean Basin Initiative and the renewed Generalized System of Preferences. These programs will allow Caribbean and Latin American countries join with the United States in expanding opportunity through trade.
Protecting workers and the environment

There is no need to sacrifice the rights of workers or the environment in order to expand trade. Both can move forward together. With this in mind, Al Gore and Joe Lieberman will set a course on trade that is good for the economy and that includes strong safeguards for workers, health and safety, and the environment. They believe that the President’s normal trading authority should include the authority to negotiate protections related to workers’ rights and the environment. With that authority, Al Gore and Joe Lieberman will work to lift standards on labor and the environment upwards around the world. They will resist any attempt to limit the ability of the United States to set its own level of health, safety, environmental, or labor protections.

Enforcement of International Agreements and U.S. Trade Laws

Al Gore and Joe Lieberman are committed to maximum enforcement of our international trade agreements and U.S. trade laws. Our trading partners should know that, in a Gore-Lieberman Administration, a promise made to the United States will indeed be a promise kept.

• **More enforcement.** A Gore-Lieberman Administration will expand the personnel and resources dedicated to enforcing our trade agreements, and we will facilitate the means by which small businesses and individuals can petition for relief.

• **International dispute settlement.** The United States has been the most active user of international dispute-settlement procedures, and Al Gore and Joe Lieberman will continue to bring cases wherever U.S. rights are violated.

• **Keeping our laws strong.** Al Gore and Joe Lieberman will ensure that the United States will continue to be able to take action to protect our rights under international agreements and will oppose efforts to dilute the strength of our antidumping, countervailing duty, safeguard, Section 301, carousel retaliation, and other trade laws.

• **Fighting for America’s interests.** Al Gore and Joe Lieberman will continue to fight for U.S. interests in longstanding disputes. We also will fight to put an end to foreign subsidies that have the effect of unfairly impeding U.S. export opportunities; for example, European aircraft subsidies.

• **Watch for unfair trade practices.** Al Gore and Joe Lieberman will carefully monitor countries that maintain a persistent trade surplus with the United States to make certain that such surpluses are not the result of unfair trade practices. Thus, they will press Japan to honor past commitments or make additional ones with regard to automobiles, insurance, film, flat glass, and other sectors. A Gore-Lieberman Administration will also place the greatest emphasis on China abiding by its commitments under our recently concluded bilateral agreement.
Science-Based Biotechnology Policy

Al Gore and Joe Lieberman are committed to ensuring that the world’s agricultural producers can use safe, scientifically proven biotechnology — without fear of trade discrimination. The world now has at its disposal remarkable new technologies that can help us feed millions of hungry families and grow crops in a way that will reduce harmful effects on our air, water, and soil. These advances should be promoted.

Al Gore and Joe Lieberman believe that all governments should be able to act to protect health, safety and the environment. Governments should impose restrictions where there is an appropriately founded risk of harm, not to veil trade barriers in the cloak of bogus science.

The European Union and other governments have failed to adopt sound scientific methods for determining whether there are genuine risks associated with products derived from biotechnology. The E.U. for several years has refused to approve new products where there is no scientific basis for withholding approval. Indeed, in some instances, the EU has simply refused to make a decision on product applications. This is not a proper approach to a revolutionary technology that can provide enormous benefits to the way we treat our earth and environment and that can help developing countries leapfrog the worst aspects of industrialization and move straight to an information-based economy.

Al Gore and Joe Lieberman will fight for the right balance between promoting science-based risk assessments and opposing disguised restrictions on trade. The adoption of proper regulations, testing methods, and appropriate responses to legitimate environmental risks around the world is an essential first step.

II. STRENGTHENING THE GLOBAL FINANCIAL ARCHITECTURE

To prevent and contain future financial crises, we need to develop the right kind of financial architecture. Our international institutions must become as modern as our markets — transparent and accountable to their members. They must make core labor standards, human rights, and environmental protection integral to their policies and practices. The global financial market itself needs more information, more openness, more cooperation, and stronger safeguards against crises. At home, this means keeping American restraint with the soundest economic and financial policy management and clear, straightforward budget management.

Forget the gold standard, today’s economy operates on the information standard. Credibility is the currency of economic power. A nation’s economic power comes from votes of confidence cast constantly in markets around the world that evaluate every government’s policies every day, through billions of transactions. If investors think that a nation is playing fiscal games —
or if a nation’s financial standing is hidden in a dense fog of secrecy or confusion, or distorted by corruption – then interest rates can climb almost instantly.

The international reforms we have worked on over the last several years have helped to make the international financial system that is stronger, more resilient and less vulnerable to crisis and contagion and more sensitive to the needs of the most economically vulnerable. Yet we must do more to ensure a more stable global economy, reduce the harm to US farmers and workers from economic crisis overseas, and reduce the human costs for all workers in families in rich and poor countries alike when crisis does occur.

Among the reforms a Gore-Lieberman Administration will advocate for include the following:

**Global Standards for Transparency**

Al Gore and Joe Lieberman believe that we need to put in place strong global standards for transparency and disclosure. We need to monitor progress on the advances in the emerging market to ensure that they are making available the type of information — such as reserves and related liabilities — that could have helped markets prevent some of the Asian financial crisis. We need to make the publication of basic financial information regular, transparent, and predictable.

**Making Emerging Economies Less Vulnerable to Crisis**

The international financial community needs to continue to work with emerging economies to ensure they have the tools to better manage external shocks, with stronger financial systems, more sustainable exchange rate policies, better debt management, and more sound fiscal and monetary policies.

**Further Strategies to Reduce the Social Costs of Crisis**

During the Asian financial crisis the world witnessed millions of people who had spent decades fighting their way into the middle class, threatened with being plunged into poverty. After so many years of remarkable growth, many nations were unprepared for the human cost of economic contraction. International Financial Institutions need to make social safety net protection an integral part of their work with emerging markets, and the Al Gore and Joe Lieberman will support the expansion of the role of the World Bank and other Multilateral Development Banks in strengthening social support nets. A Gore-Lieberman Administration will support reasonable bilateral assistance, technical assistance and micro-credit — so that we can help ease human suffering, and build the kind of stability and shared prosperity that are essential to free market economy.
Aggressive Efforts to Combat Money Laundering and Corruption

Recent events in Russia only reinforce the importance of strong money laundering prevention efforts and a rigorous anti-corruption stance in all forms for International Financial Institutions and in our bilateral relations. Al Gore and Joe Lieberman believe that the United States should continue to provide leadership as it did when we hosted scores of countries in global conferences focusing on reinventing government and organizing a new global effort against corruption.

Ensure Private Investors their Appropriate Responsibility for Crisis Resolution

As part of our efforts to prevent future crisis, we need to reduce the risk that private sector investors take excessive gambles, because they believed some governmental institutions will bail them out. Economists call this “moral hazard.” Al Gore and Joe Lieberman believe that we need carefully designed ways to bail investors in, instead of bailing them out, because international assistance can never match the scale of global capital flows.

Commonsense Reforms of the International Monetary Fund (IMF)

The Gore-Lieberman Administration will use its influence to push for commonsense reform of the IMF that strengthens, not undermine its core mission. Such measures include: more active efforts at crisis prevention with emphasis in solid and sustainable exchange rate policies; more accountability and openness at the IMF; and greater focus on financing that encourages countries to take early preventative action, discourages unnecessary reported use of the IMF, and encourages countries that are back on track to make good on their loans as quickly as possible.

Reforms of the Multilateral Development Banks

Al Gore and Joe Lieberman believe that we need to increase MDB’s focus on wiping out corruption, good governance and accountability, with greater financial commitments to key challenges such as sustainable and strong environmental policies, basic education, fighting infectious diseases and closing the digital divide. A Gore-Lieberman Administration will pay close attention to make sure these reforms are implemented.

III. WIDENING THE GLOBAL CIRCLE OF HUMAN DIGNITY

Open markets are a necessary but not sufficient condition for truly addressing the broad economic and humanitarian challenges of the twenty-first century. Free markets, after all, are sustained by something deeper: the human freedoms and shared prosperity that support a consensus for engagement and reform. That is why a sound economic agenda must include fairness and opportunity, investment in our children, the empowerment of women, and care for the sick and aging. Ultimately, people’s faith in their own self-government – their belief that they can share in
an ever-widening circle of human dignity and self-sufficiency – is one of the most powerful economic tools we know.

**Responsible Debt Relief for the Poorest Countries**

One of the most important priorities on the globalization agenda is the global effort to provide debt relief to the world’s poorest nations, provided they institute both government accountability reforms and a plan to use the freed-up resources for poverty reductions – including addressing primary education and HIV/AIDS protection and treatment. Al Gore and Joe Lieberman will fight to ensure that the United States meets its full obligation to the Heavily Indebted Poorest Country (HIPC) Trust Fund.

**Fighting Abusive Child Labor and Supporting Universal Education**

We must make a global reality out of ILO Convention 182 to stop the most abusive forms of child labor. Al Gore and Joe Lieberman will continue to support strong IPEC funding, restriction on federal procurement of products made by child labor, and increased bilateral education funding to support the Dakar goal of universal education for all – with a special emphasis on girls education – by the year 2015.

**HIV/AIDS and Infectious Diseases**

The spread of HIV/AIDS and infectious disease may be the most significant global crisis – a crisis some now see as a national security issue for many countries. More people die in developing countries of infectious disease every year than all of the soldiers who fought in World War I. Al Gore and Joe Lieberman will step up the fight on HIV/AIDS by supporting debt relief, the Global Alliance for Vaccines (GAVI), expanded HIV/AIDS funding and greater incentive for pharmaceutical companies to create a market incentive to develop the new vaccines that could potentially save millions of lives.

**Closing the Global Digital Divide and Creating Digital Opportunity**

As Vice President, Al Gore set the agenda for global telecommunications policy with his call for a “Global Information Infrastructure” in 1994. Al Gore and Joe Lieberman believe that the Internet and other information technologies can be powerful tools for poverty reduction and economic and social development. Microenterprises can sell their products around the world using the Internet, rural farmers can get higher prices for their crops merely by gaining access to market prices in the city, and doctors in developing countries can tap into the latest medical discoveries.

Although information technology is only one component of an overall development strategy that must also include fighting deadly diseases such as HIV/AIDS, debt relief, and expanding access to primary education, it is difficult to see how developing countries will prosper
in the 21st century without embracing the Internet and information technology. Bridging the digital divide will also help keep the global economy growing. Al Gore and Joe Lieberman will continue to work with the private sector, non-governmental organizations and developing countries to help bridge the digital divide by:

- Encouraging developing countries to adopt policies that will allow the Internet and electronic commerce to grow, such as competition and privatization of their telecommunications sector;

- Helping developing countries expand their information technology workforce;

- Promoting access to information technology through mechanisms such as community technology centers and the deployment of networks to rural communities; and

- Promoting applications that will foster economic and social development, such as e-commerce, distance learning, and telemedicine.

IV. CONCLUSION

True open trade is not just about profits, but about people; not a race to the bottom, but a dash to the top. It’s about a rising tide lifting the boats of workers here and abroad; it’s about reinforcing the values of freedom and liberty and the rule of law in the hearts and minds of people everywhere. The test of open trade in the years ahead is whether it empowers the many and not just the few, whether its blessings are widely shared, whether it helps to lift the poor out of poverty; and whether it works for working families.

Al Gore and Joe Lieberman want to continue to open foreign markets for American goods and services. Their goal is to double America’s exports by the year 2008. But they will do so in a way that honors our most deeply-held beliefs about the rights of working people, and the role we have in protecting our environment. This way trade and globalization can be shaped into being a positive force in the lives of families here in the United States and around the globe.
CHAPTER 7
TAX CUTS FOR WORKING FAMILIES

Al Gore and Joe Lieberman believe that America can reduce taxes for working families while maintaining our fiscal discipline. The key is to target those tax cuts to the working families.

Over the last eight years the typical couple with two children has seen the share of their income devoted to paying federal income taxes fall from 9.18 percent in 1992 to 7.46 percent in 1999. As a result, income taxes today are smaller as a share of income than during any year since 1965.1

Still, that is not good enough. Too many working families still feel squeezed by the need to pay for college, health care, save for retirement, and meet their own long-term care needs or those of a loved one. Al Gore and Joe Lieberman have a plan to cut taxes to help working families afford these vital costs while still leaving the resources necessary to pay for a voluntary Medicare prescription drug benefit, education, the environment, and other priorities. As a result, once the Gore-Lieberman tax cuts take effect, the federal income tax burden on the typical family will be the lowest it has been in 50 years.

In contrast, the Bush-Cheney plan reverses the successful approach of the last eight years, spending hundreds of billions of dollars to provide tens of thousands of dollars of tax breaks to the wealthiest families who need it least. As Massachusetts Institute of Technology economist Paul Krugman wrote, “Mr. Bush’s proposed tax cuts aren’t just tilted toward high-income families; they target them with awesome precision.”2 As a result, the Bush-Cheney plan would plunge America back into deficit, draining the resources needed to strengthen Social Security and Medicare, make investments in key priorities like a Medicare prescription drug benefit or education, or pay off the national debt.

I. FISCALLY RESPONSIBLE, TARGETED TAX CUTS

Al Gore and Joe Lieberman have proposed $500 billion in tax cuts. These tax cuts are part of a fiscally responsible plan that meets our commitments to the future by paying down the debt and strengthening Social Security and Medicare, and invests in key priorities like a Medicare prescription drug benefit, education, health care, and the environment.

In contrast, the Bush-Cheney plan explicitly calls for tax cuts that would cost $1.3 trillion over 9 years, draining $1.6 trillion from the surplus. In addition, Governor Bush has said he would sign additional tax cuts that would bring the total drain from the surplus to about $2 trillion.

Millions of moderate and middle-income families will benefit substantially more from the Gore-Lieberman tax cuts than the Bush-Cheney proposals. The reason is because much of the
Bush-Cheney tax cuts goes to the wealthiest Americans. In fact, the Bush-Cheney tax plan is even more regressive than the tax cuts proposed by Newt Gingrich. According to the Citizens for Tax Justice, the top one percent of families get 43 percent of the benefits of the Bush-Cheney tax plan. This is significantly more than the share going to the top one percent in the Gingrich tax cut vetoed by the President in 1995 (31 percent); Senator Lott’s 1997 tax bill which was passed by the Senate (34 percent); or the 10 percent across-the-board cut proposed by the Republican Congress in January 1999 (32 percent).¹

In contrast, the Gore-Lieberman tax plan builds on the successful approach of the last eight years. Al Gore and Joe Lieberman have fought for and voted for tax cuts targeted at helping working families pay for college, raise their children, or save for the future. Theirs is a tax package that delivers its largest benefits to families that most need the help. As a result, Al Gore and Joe Lieberman can deliver more tax relief for working families at much less cost than the Bush-Cheney proposal. This is not only more fair, but it also allows us to maintain fiscal discipline and have the resources to make investments in key priorities.

There is another significant way in which the Gore-Lieberman economic plan will put more money in the pockets of working families. Their economic plan will pay off the Federal debt by 2012, keeping interest rates lower. Each percentage point reduction in interest rates is like a tax cut for American families, saving them $850 a year in payments on a $100,000 home mortgage. Over a decade, this results in a total savings of $250 billion for American families. The Bush-Cheney plan explicitly disavows the goal of paying off the debt, and would result in debts of $2.8 trillion and higher – as far as the eye can see. As a result, any tax cut for middle-income families could be more than offset by higher mortgage payments, student loans, and credit card payments.

II. TAX CUTS AND THE GORE-LIEBERMAN ECONOMIC PLAN

The Gore-Lieberman tax cuts are a key part of their economic plan. They will build on the success of targeted tax cuts in recent years and help keep the economy strong. The Gore-Lieberman tax cuts can be grouped under seven economic rationales (more details about the tax cuts are in the Appendix of this chapter):

1. Increasing the Reward to Work, Encouraging More People to Enter the Workforce and Get Jobs

At a time of strong growth and low unemployment, the Gore-Lieberman tax plans will encourage more people to enter the workforce and get jobs, increasing the supply of labor and keeping the economy from overheating. In particular, several rigorous academic studies have documented that the Earned Income Tax Credit will provide a strong incentive for greater labor force participation, especially by single moms.⁴
• **Expanding the EITC.** The Gore-Lieberman plan improves the EITC by better rewarding work and family by increasing the credit for families with three or more children and married couples. It also lowers the highest phase out rates, and simplifies the EITC to encourage more families to save.

2. **Helping More Families with Child Care**

   One of the biggest constraints on the ability of many parents to seek full-time work is the cost of child care. The current Child and Dependent Care Tax Credit only pays up to 30 percent of expenses, and usually even less. A married couple with two children making $25,000 a year gets no help whatsoever from the existing credit because it is not refundable. The Gore-Lieberman proposal will make the child care tax credit substantially more generous – up to 50 percent of expenses – while also making it refundable. That means families would get help with their work-related childcare expenses, alleviating the choice between going to work and being forced to stay home because of the high cost of childcare.

• **Increasing the Child Care Tax Credit.** The Gore-Lieberman plan makes the Child and Dependent Care Tax Credit more generous for moderate-income families, makes it refundable to help even the poorest parents afford work-related childcare, and provides a tax credit for stay-at-home parents of small children.

3. **Increasing Savings**

   In the last eight years the federal government has contributed to national savings by moving from record deficits to record surpluses. This shift has more than offset the continued decline in personal savings. Al Gore and Joe Lieberman will continue to pay down the debt, but they believe we should have an ambitious pro-private savings plan, too. The Gore-Lieberman Retirement Savings Plus accounts will provide tax incentives for families to save. The especially generous incentives for the lowest-income families are designed to draw more families into the culture of savings. This will increase national savings, helping to keep interest rates lower and investment growth stronger.

• **Providing incentives to save through Retirement Savings Plus accounts.** Retirement Savings Plus accounts provide a tax credit match to provide families with the incentives and resources to save for the future.

• **Improving pensions.** Al Gore and Joe Lieberman will work to simplify pensions, make them more portable, and encourage more small businesses to offer pension plans.
4. **Encouraging Innovation and Ensuring that Technological Progress and Environmental Improvements Go Together**

   Government can play a role in both encouraging innovation and in creating incentives to spark the type of innovation that is good for the environment and the economy. Al Gore and Joe Lieberman propose:

   - **Extending and enhancing the Research and Experimentation tax credit.** The Gore-Lieberman tax plan helps to encourage innovation by making the Research and Experimentation tax credit permanent, and expanding it for small businesses.

   - **Providing tax credits for energy efficient homes, vehicles, and business equipment.** The Gore-Lieberman plan will provide incentives for consumers and businesses to buy energy efficient homes, vehicles, and business equipment. This will create more incentives for businesses to find innovative solutions to our environmental challenges.

5. **Encouraging Education and Training at a Time when Skills are at a Premium**

   In today’s increasingly high-tech, high-wage economy, the payoff of a college education has never been higher. At the same time, training is essential to ensure that workers are prepared for the challenges of the rapidly changing workplace. Al Gore and Joe Lieberman’s tax plan addresses these challenges by:

   - **Making college tuition tax deductible through the College Opportunity Tax Cut.** The College Opportunity Tax Cut will provide families with a choice of a 28 percent tax credit or a tax deduction on up to $10,000 of tuition – helping to pay for college, graduate work, or training courses.

   - **Encouraging after-school programs with a new tax credit.** This will help parents pay for after-school programs, keeping their children on track to college.

   - **Tax credits for school construction and modernization.** Tax credits for bonds to modernize up to 6,000 schools.

   - **National Tuition Savings Plan.** This will help families save for college tax-free and inflation-free.

   - **401(j) accounts for life-long learning.** These will work like the 401(k) accounts that many people have at work. These will allow families or employers to put up to $2,500 per year in a savings account to be used for job training, higher education, and lifelong learning.
• **Tax credits for training.** This is a $6,000 tax credit for employers who provide training to their employees in information technology and other technology skills.

6. **Realizing the Potential of Communities That Have Not Fully Shared in the Prosperity**

Many communities have not fully shared in our current period of prosperity. Al Gore and Joe Lieberman will expand Empowerment Zones and provide a New Markets Tax Credit to stimulate private investment and growth in these areas, helping them to produce at their full potential.

• **Third round of Empowerment Zones.** Create a third round of this program that provides tax incentives and seed money to underserved communities.

• **Low-Income Housing Tax Credit.** To expand and improve the quality of available low-income housing, Al Gore and Joe Lieberman support raising the allocation of low-income housing tax credits to states.

• **Technology Bonds.** Using a Technology Bond, or other financial support, local communities will be able to develop the infrastructure necessary to compete for economic growth.

• **Make the Brownfields Cleanup Tax Incentive permanent.** This will help rejuvenate communities by turning abandoned industrial sites into areas of manufacturing.

• **Tax cuts for conservation.** Al Gore and Joe Lieberman have proposed a series of new measures to help communities and private landowners create parks and conserve lands.

• **Better America Bonds.** The interest on these bonds would be a tax credit. The bonds can be used to preserve green space, create or restore urban parks, protect water quality, and cleanup brownfields.

7. **Increasing Fairness and Helping American Families**

Although incomes have grown strongly across-the-board, many families are still struggling to pay for expensive needs. In addition, taxes can impose a penalty on a couple because they are married, or on working families because they purchase health insurance on their own, rather than through their employer. Al Gore and Joe Lieberman would change this by:
• **Eliminating the marriage penalty for millions of working families.** The Gore-Lieberman plan will eliminate the marriage penalty for millions of working families by setting the standard deduction for married filers at twice the standard deduction for singles.

  - **Helping families pay for long-term care.** Al Gore and Joe Lieberman have proposed a Long-term Care Tax Credit that would provide a $3,000 tax credit for families taking care of relative with long-term care needs.

  - **Helping to ensure equity with a 25 percent refundable tax credit for health insurance.** In order to ensure equity and make health insurance more affordable, the Gore-Lieberman plan proposes a 25 percent refundable tax credit for families without employer-provided health insurance.

• **Making health insurance more accessible and affordable for small businesses.** Al Gore and Joe Lieberman will make health insurance more affordable and accessible for small businesses by proposing a 25 percent tax credit for premium costs for each employee of a small business that decides to join a purchasing coalition (where businesses join together to negotiate for affordable health insurance options for employees).

### III. WHAT THE GORE-LIEBERMAN TAX CUTS MEAN FOR WORKING FAMILIES

As soon as it is implemented, the Gore-Lieberman tax plan will cut the income tax burden on the typical middle-class family to the lowest it has been in over 50 years. The Gore-Lieberman plan will make America fairer by providing help for families with the greatest burdens in paying for health care or childcare.

Millions of families who need help paying for college or childcare, saving for retirement, or caring for an sick relative will get a larger tax cut from the Gore-Lieberman plan than the Bush-Cheney plan. Take the following three examples:
Example 1: A single mother with two children making $22,000

Millions of women are working to make ends meet with significant costs, particularly for child care. A single mother from Missouri making $30,000 is a waitress who has two children ages three and one. Her children spend time at a local day care center so that she can work. She pays $100 per month for childcare. In order to save for college, she puts away five dollars a week in a savings account. She receives a $1,528 tax cut under Gore and $0 under Bush – $1,528 more under the Gore plan.

Gore-Lieberman plan

- $178 for EITC expansion (reduced phaseout rate)
- $600 for childcare tax credit (from making it refundable and raising it to 50 percent of expenses)
- $750 for the 3:1 Retirement Savings Plus accounts match
- $1,528 TOTAL TAX CUT

Bush-Cheney plan

- $0 TOTAL TAX CUT (she has no federal income tax liability and thus does not get any tax cut from the Bush-Cheney plan)

Example 2: A Working Couple with a Child in College

A couple from Pennsylvania with two children ages 16 and 19 earns $60,000 per year. The husband manages a small business earning $40,000 and his wife makes $20,000 as a nurse. One child is in college – where tuition and costs are $11,000 per year – and the other is in high school. They are working hard to pay for college, but they are worried about saving for their retirement as well. Today, together they save $2,000 per year for their retirement. They receive a $3,025 tax cut under Al Gore and $1,400 under George Bush – $1,625 more under Gore.

Gore-Lieberman plan

- $225 from the increase in the standard deduction for the marriage penalty;
- $800 from the expansion in the tax credit for college from 20% to 28%
- $2,000 for the 1:1 tax credit match from Retirement Savings Plus accounts
- $3,025 TOTAL TAX CUT

Bush-Cheney plan

- $300 for an added exemption for marriage penalty relief
- $500 from the increase in the child tax credit
- $600 from the reduction in the 15 percent rate for the first $12,000 of income
- $1,400 TOTAL TAX CUT
Example 3: A Working Couple Caring for an Elderly Parent

Millions of families care for aging parents. A woman from New Jersey works part-time as a freelance writer making $15,000 per year but spends significant time caring for her mother who has Alzheimer’s and lives with the family. Her husband makes $55,000 per year as a principal of a school. They currently save $1,500 per year for their retirement.

Gore-Lieberman Plan

- $420 for marriage penalty tax relief
- $500 for the 1:3 tax credit match from Retirement Savings Plus Accounts
- $3,000 for long-term care tax credit
  $3,920 TOTAL TAX CUT

Bush-Cheney Plan

- $420 for marriage penalty
- $678 from rate reduction
- $812 for additional exemption for long-term care
  $1,910 TOTAL TAX CUT

IV. CONCLUSION

During this time of unprecedented prosperity, Al Gore and Joe Lieberman believe that it’s time to give American families a break. Although times are good, they need help in meeting their most fundamental, and often costly, obligations: health insurance, child care, taking care of an elderly or ill loved one, paying for college, and saving for retirement. Al Gore and Joe Lieberman are calling for a $500 billion package of targeted, middle-class tax cuts. These are tax cuts we can afford, and that will benefit millions of hard-working families and the entire nation well into the future. What they are not is a massive tax giveaway to the wealthiest. That is not just unfair; it is unsound for our economic future. The Gore-Lieberman tax cut package is based on real numbers and is based on families’ real needs. With it, it will be that much easier for hard-pressed families to live out their dreams.
APPENDIX

DETAILED DESCRIPTION OF THE TAX CUTS

Investing in Education and Learning

• The College Opportunity Tax Cut, helping families pay for college by making most tuition tax deductible. Al Gore and Joe Lieberman will provide families with a tax deduction or a 28 percent tax credit on up to $10,000 of tuition and fees for any post-secondary education, including college, training and graduate school. The proposal would provide up to $2,800 annually in tax relief per eligible families -- $800 more than under current law. This tax cut would be phased out for married filers with an AGI between $100,000 and $120,000. This proposal would be effective immediately.

• Create 401(j) accounts for life-long learning. No American should be denied a chance to succeed in the Information Age. This proposal allows families and employers to contribute up to $2,500 a year into a 401(j) account to save for lifelong learning accounts. Invested earnings can be withdrawn and used tax-free if they are used for education or qualified life-long learning. Both grandparents and employers can contribute to a 401(j) account.

• National Tuition Savings plan. Under this proposal, Americans will be able to save money for education with a National Tuition Savings plan. This proposal would make tax-free and inflation-free savings accounts for college more accessible and transferable as families move from state to state.

• Tax credits for training This credit will assist workers, up to $6,000, in obtaining training courses, or certification programs, that improve information technology skills. Importantly, this proposal would double the tax credit for businesses that focus on training individuals in designated enterprise zones or empowerment communities -- rural or urban.

• Tax credits for school construction and modernization. Last year, the National Center for Education Statistics reported that school buildings begin rapid deterioration after 40 years -- and that the average public school in America is 42 years old. Moreover, rising student enrollment means that communities around the country have to build an additional 2,400 schools by 2003. To address this critical need, Al Gore and Joe Lieberman are renewing their commitment to provide tax credits School Modernization Bonds and Qualified Zone Academy Bonds over two years to modernize up to 6,000 schools.

• Giving parents a new after-school tax credit. Al Gore and Joe Lieberman will help working families across America pay for the after-school programs of their choice through a new refundable After-School Tax Credit (ASTC) for children up to age 16. This credit will
build on Al Gore and Joe Lieberman’s proposed expansion of the Child and Dependent Care Tax Credit (CDCTC), which is limited to children under 13. This new credit will help the parents of five million young people ages 13 to 16 pay for quality after-school care. The ASTC would provide a credit of up to 50 percent, depending on income, for after-school expenses. The credit rates and phase ins would be the same as the expanded Dependent and Child Care Tax Credit described below.

Helping Families Afford Health Care

• **Assuring tax equity through a new tax credit for individual health insurance.** While people receiving health insurance through their employers receive tax breaks, those without access to job-based health insurance receive no tax benefits. To fix this inequity, Al Gore and Joe Lieberman are proposing a 25 percent refundable tax credit for people lacking access to employer-based health insurance who purchase coverage in the individual market. The principle behind this tax credit is similar to the principle behind the recent law that expanded health insurance deductibility for the self-employed. The Gore-Lieberman plan will also allow Americans 55 to 65 to buy into Medicare, making it more affordable through this tax cut. Also, children who are above 250 percent of poverty, but without health coverage, could also use this credit to buy into CHIP.

• **Making health insurance more affordable and more accessible for small businesses.** Small businesses typically pay higher premiums for health care benefits. Administrative costs may consume as much as 40 percent of premium dollars. Al Gore and Joe Lieberman will make health insurance more affordable and accessible for small businesses by proposing a 25 percent tax credit for premium costs for each employee of a small business that decides to join a purchasing coalition (where businesses join together to negotiate for affordable health insurance options for employees).

• **Supporting families with long-term care needs through a $3,000 tax credit.** This initiative, for the first time, acknowledges and supports millions of Americans with long-term care needs and the family members who care for and house their ill or disabled relatives through a $3,000 tax credit. This tax credit compensates a wide range of formal and informal long-term care for people of all ages with three or more limitations of activities in their daily living (ADLs) or a comparable cognitive impairment. This proposal would help about two million Americans, who either need long-term care or provide care for those in need. This tax credit would be phased out for taxpayers who have a modified AGI above $110,000, and the $3,000 credit would phase in and be fully effective by 2005.
• **Enact a $1,000 tax credit for work-related expenses.** Al Gore and Joe Lieberman would make it easier for people with disabilities to succeed in the workplace by providing a $1,000 tax credit for disabled individuals that had earned income. This tax credit would be phased out for married filers with AGIs above $110,000 and would be effective immediately.

**Rewarding Family, Reducing Poverty and Empowering Communities**

• **Marriage penalty tax relief by raising the standard deduction.** Al Gore and Joe Lieberman support marriage penalty tax relief by increasing the standard deduction, so that a married couple will get the same standard deduction as if they remained single. Raising the standard deduction for married couples filing joint returns to twice that of a single taxpayer would deliver substantial marriage tax relief to middle-class families. Middle class families, especially will benefit from the tax relief. This proposal would be effective immediately.

• **Making child care more affordable for working families.** Al Gore and Joe Lieberman are proposing to make the Child and Dependent Care Tax Credit (CDCTC) refundable for the first time, so that all working families can receive up to $2,400 to help offset the cost of child care. For families earning up to $30,000, Al Gore and Joe Lieberman propose to increase the maximum level of the CDCTC from 30 percent to 50 percent. This credit would phase down to 20 percent for families making $60,000 or more. This increase is phased in and would be fully effective in 2005. In addition the Gore-Lieberman plan makes this tax credit refundable starting in 2003.

• **Provide tax relief for stay-at-home-parents.** Al Gore and Joe Lieberman will provide tax relief for parents who stay at home to care for their babies and expand family leave for those working outside the home. The Gore-Lieberman plan will allow parents who stay at home with children under the age of one to use the child care tax credit by claiming assumed child care expenses of $500 – which would provide a tax credit at the CDCTC credit rate. This proposal would be effective immediately.

• **Expanding the Earned Income Tax Credit (EITC).** Al Gore and Joe Lieberman are proposing to expand the EITC for families with three or more children, provide marriage penalty relief, and make the EITC better reward work. According to estimates by the Department of the Treasury, this proposed EITC expansion would deliver tax relief for more than 6.8 million families. The Gore-Lieberman initiative builds on the 1993 expansion signed into law by President Clinton, which provided a tax cut for 15 million families. The increase includes four provisions that are all effective immediately:

  - An increase in the phase-in rate for families with three or more children from 40 percent to 45 percent; for most families with three of more children, this will increase their EITC by $500.
- Reducing the marriage penalty by extending the plateau phase-out for married couples by $2,500.

- Increasing the reward to work by reducing the phase-out rate for families with two or more children by 2 percentage points.

- Simplifying the EITC by not counting nontaxable income in the calculation of the EITC.

- **Low-Income Housing Tax Credit.** To expand and improve the quality of available low-income housing, Al Gore and Joe Lieberman support raising the allocation of low-income housing tax credits to states. This proposal would raise the state per capita cap from $1.25 to $1.75 beginning in 2001 and index it for inflation thereafter. This proposal would provide incentives to build and make an additional 180,000 units of affordable housing available to working families over the next five years.

- **Third round of Empowerment Zones.** This program provides tax incentives and seed money to underserved communities. Under Al Gore’s leadership, the Empowerment Zone/Enterprise Community program, which supports community-based, comprehensive revitalization strategies, has leveraged over $10 billion in private, non-profit, and public sector investment. Under a Gore-Lieberman Administration, they will create a third round of Empowerment Zones to promote economic growth in underserved areas.

- **Opening New Markets.** Al Gore and Joe Lieberman support the New Markets Initiative to bring needed equity capital to America’s low-income communities and to tap into America’s emerging markets here at home in rural areas, in cities, and in Native American communities. This initiative will encourage investment, community empowerment, and job creation in some of our most depressed areas.

- **Bridging the digital divide.** This would provide tax incentives to encourage private sector activities such as computer donations, sponsorship of Community Technology Centers, and improved training.

- **Technology Bonds:** Based on the success of Empowerment Zones and Enterprise Communities, this approach will offer a combination of assistance through: interest subsidies for Technology Community bonds, or competitive grants and loans to underserved communities. The program will focus especially on small town and rural America and underserved areas in our cities, to make sure that these communities are not left behind in the digital revolution. Using a Technology Bond, or other financial support, local communities will be able to develop the infrastructure necessary to compete for economic growth. In addition to stimulating the creation of a local strategy for developing an information infrastructure, this program will offer targeted grants on a partially matching basis to communities for Internet build-out, and technology training for students.
Cleaning Up the Environment and Enhancing Energy Security

- **Tax cuts for conservation.** Al Gore and Joe Lieberman have proposed a series of new measures to help communities and private landowners create parks and conserve lands. These include a 50 percent reduction in capital gains taxes on the transfer of farms or other private property when they are placed under a conservation or agricultural easement; expansion of a current estate tax deduction for landowners who transfer properties near cities, parks, or wilderness areas to conservation; and an increase in the tax incentives for reforestation on private lands.

- **Better America Bonds.** Al Gore and Joe Lieberman support providing tax credits to pay the interest on bonds for investments by state, local, and tribal governments. The bonds can be used to preserve green space, create or restore urban parks, protect water quality, and cleanup brownfields (abandoned industrial sites).

- **Make the Brownfields Cleanup Tax Incentive permanent.** Al Gore has led the effort to cleanup brownfield sites in our communities. In 1997, a proposal to allow the immediate expensing of costs associated with the cleanup brownfields was enacted as a temporary tax incentive. Al Gore and Joe Lieberman support making the brownfields tax incentive permanent.

- **Tax incentives to increase energy efficiency and improve our environment.** Al Gore and Joe Lieberman believe that we can both grow our economy, protect our environment, and free American families from dependence on big oil. They will enact tax cuts that will encourage businesses to bring new environmental technologies – such as energy-efficient cars, homes, and appliances – to market and spur individuals to buy them.

Making Retirement More Secure by Encouraging Savings

- **Retirement Savings Plus accounts.** Al Gore and Joe Lieberman are calling for the creation of Retirement Savings Plus accounts, new independent savings accounts, that will enable families to save on top of Social Security’s guaranteed benefit. These tax-free, voluntary accounts with its progressive match will encourage individuals to save and invest more for their retirement. The policy details are discussed in Chapter 4.

- **Tax incentives to encourage small businesses to pension plans.** In an effort to encourage more small businesses to offer pensions for their employees, a Gore-Lieberman Administration will provide a tax credit for the expenses of setting up a new pension plan. This credit would cover 50 percent of the administrative and retirement-education expenses of establishing a qualified plan, up to $2,000 of expenses in the first year of the plan and $1,000 in
the second and third years. This credit would be available for qualified businesses with fewer than 100 employees. Al Gore and Joe Lieberman will also reduce Internal Revenue Service (IRS) fees for small businesses choosing to begin to offer pension plans to its employees.

- **Improving and simplifying pensions.** Al Gore and Joe Lieberman have a number of proposals to simplify and improve pensions, including securing workers rights by improving and enhancing disclosure rules, protecting benefits for firms that convert to cash balance plans, and making pensions easier to administer and understand.

**Encouraging the Development of New Technologies and Other Proposals**

- **Making the Research and Experimentation Tax Credit (R&E) permanent.** Al Gore and Joe Lieberman believe the R&E Tax Credit has been critical to our nation's stunning economic growth. It has provided incentives for private-sector investment in research and innovation that has helped increase America's economic competitiveness and enhance U.S. productivity. However, under current law, the credit expires for qualified research expenses paid or incurred after June 30, 2000. This on-again, off-again nature creates uncertainty and makes it so that companies cannot rely on the full benefits that the credit provides. That is why Al Gore and Joe Lieberman want to make the R&E Tax Credit permanent. Al Gore and Joe Lieberman also believe that the R&E Tax Credit needs to be reformed, especially with respect to small businesses. They believe that a partially refundable credit for a small business is a sound investment.

- **Relieving the burden of estate taxes for family-owned businesses and farms.** In order to help heirs continue to run family-owned businesses and farms without having to worry about the burden of the estate tax, Al Gore and Joe Lieberman propose to increase the Qualified Family Owned Business Interest (QFOBI) from $1.3 million to $2.5 million. In addition, to simplify estate planning they make this exemption portable, so that married couples can exempt up to $5 million of small business and family farm assets from the estate tax. Under this proposal more than 70 percent of small businesses and more than 95 percent of family farms would be eligible to have their estate taxes eliminated immediately. This proposal would be fully effective immediately.

- **Improving our democracy with a new Democracy Endowment.** In order to establish a Democracy Endowment to improve our democracy, Al Gore and Joe Lieberman would propose a tax deduction for any individual or corporation that makes contributions to their proposed Democracy Endowment.
CHAPTER 8
BROADENING PROSPERITY’S REACH

At the heart of the Gore-Lieberman economic plan is the desire to put prosperity to work for America’s families. Al Gore and Joe Lieberman want to help not just the few, but all of our nation’s hard-working families enjoy our prosperity. They want to make sure that all our families enjoy income growth. They want to help low-income families lift themselves out of poverty so that they can provide a dignified and secure living for their families. Simply, Al Gore and Joe Lieberman want to make sure that as we grow our prosperity, no one is left behind.

A key part of the Gore-Lieberman economic plan is expansion - growing the size of the pie, so that all families can have more. As we have seen in the last eight years, deficit and debt reduction are one of the most effective policies for increasing incomes across the board and reducing poverty. Lower interest rates have fueled record investment and job growth, contributing to the longest expansion in history.

Fiscal discipline and macroeconomic health are necessary, but not sufficient to improve the standard of living for America’s families. From the 1970’s to the early 1990’s, America experienced a slowdown in growth and a widening of economic inequality. As a result, incomes for the bottom 60 percent of Americans declined after adjusting for inflation, and more families lived in poverty. Even throughout the economic expansion of the 1980’s, the poverty rate rose and incomes at the bottom fell. This trend hit African-American and Hispanic families especially hard.

Over the past few years, the long-standing relationship between economic growth, income growth, and poverty reduction has returned. Reducing the deficit and the debt has helped create the conditions for an exceptionally strong, steady, and long economic expansion. In turn, businesses have sought out more and more Americans who had traditionally been on the fringe of the labor market.

But deficit and debt reduction does not preclude major investments for families. As the expansion of the 1980’s proved, one cannot count on economic growth alone to produce rising wages and incomes for middle-class and working families. Al Gore and Joe Lieberman know that not only can one maintain fiscal discipline while making major investments for working families, but that this is essential to ensuring that all families share in the prosperity.

That is why Al Gore and Joe Lieberman have always insisted on fiscal discipline while fighting for a dramatic expansion in the Earned Income Tax Credit, an increase in the minimum wage, and for other supports such as health care and child-care. Together these policies have helped produce what is now the longest expansion in America’s history, ensuring that all Americans, and especially low-income Americans, have been able to make progress. But there is still much more to do.
Al Gore and Joe Lieberman have set two ambitious goals for working families:

- **Raise Family Incomes by One-third Over a Decade.** Al Gore and Joe Lieberman want to accelerate income growth over the next eight years. Their goal: to raise inflation-adjusted, after-tax family incomes by one-third over a decade.

- **Fewer than one in ten people in poverty, for the first time in our history, by 2004.** Since the official poverty measure does not capture the benefits of the EITC and other policies, the basis for this goal is lowering the poverty rate after taxes – which is currently 12 percent – to below 10 percent by 2004.

A special focus of the Gore-Lieberman goal is reducing the child poverty rate, which, although it has fallen recently, is still far too high for such a great Nation to tolerate.

Al Gore and Joe Lieberman will fight to ensure that the next Administration has the tools, incentives and opportunities so that all working families can benefit from, and contribute to, the strong economy. The Gore-Lieberman economic plan embraces economic strategies proven to
help working families – including policies to reward work and raise family income, help families 
balance responsibilities both at work and at home, and expand access to affordable health insurance.

I. MAKING WORK PAY AND RAISING FAMILY INCOMES

In 1992, a full-time working parent earning the minimum wage to support a family of four 
was well-below poverty. Today, as a result of the expansion of the Earned Income Tax Credit in 
1993 and the increase in the minimum wage, working parents do not have to raise their families in 
poverty. A working parent with two children earning the minimum wage in 1993 made $10,559 
with the EITC (in 1998 inflation-adjusted dollars) – well below the poverty line. With the 1993 
increase in the EITC and the 90 cent increase in the minimum wage in 1996 and 1997, the same 
family in 1998 was above the poverty line – making $13,268 – a 26 percent inflation-adjusted 
increase in their standard of living.

To continue the longest economic expansion in our nation’s history and make it work for 
the families of this nation, Al Gore and Joe Lieberman will work to raise family incomes and to 
bring more of our people into the workforce.

Raising the Minimum Wage

The minimum wage has played a critical role in increasing the return to work and 
expanding labor force participation. The experience since the last minimum wage increase has 
strongly rebutted the critics who warned of job losses and higher inflation. Since the last minimum 
-wage increase there have been over 11 million jobs created, with strong job growth in traditional 
minimum wage sectors like retail sales. The core inflation rate has fallen while real wages have 
risen across-the-board.

The academic evidence confirms this anecdotal experience, debunking the myth that that 
moderate increases in the minimum wage cost jobs. Instead, careful studies have found that a 
higher minimum wage increases incomes and may even increase employment. Furthermore, the 
evidence shows that the increase in the minimum wage can explain 10 to 16 percent of the decline 

Al Gore and Joe Lieberman will call on Congress this fall to pass a one dollar increase in 
the minimum wage over two years, raising it from $5.15 an hour to $6.15 an hour. This will 
simply restore its real value to what it was in 1982. For a full-time worker at the minimum wage, 
this would provide a $2,000 raise – enough for a typical family of four to buy groceries for 
7 months or pay rent for 5 months. More than 10 million workers would benefit under this 
proposal, 69 percent of them adults (age 20 and over) and the majority of them women.
Expanding the Earned Income Tax Credit

Al Gore cast the tie-breaking vote for expanding the Earned Income Tax Credit (EITC) in 1993, the largest expansion ever to provide a tax cut to make work pay for 15 million working families. Today, 19 million families claim the EITC and the success of the EITC in reducing poverty and encouraging work is clear. The EITC was directly responsible for lifting 4.3 million Americans out of poverty in 1998 – more than double the number in 1993. In 1998 alone, 2.3 million children were lifted out of poverty by the EITC. The percentage of single mothers who work and receive no welfare has risen from 60.9 percent in 1992 to 75.0 percent in 1998. Studies show that the EITC significantly increases labor force participation especially among single mothers and less educated women. According to one study, more than 60 percent of the increase in the employment of single mothers has been due to EITC expansions.

To further reward work and family, Al Gore and Joe Lieberman are seeking to expand the EITC to provide up to $1,400 in additional tax relief to over 7 million working families. Currently the EITC provides the same amount for families with two or more children. Their proposal is particularly targeted for families with three or more children, who are disproportionately likely to be in poverty. Although the poverty rate for children in families with three or more related children has fallen from 32.3 percent in 1993 to 28.5 percent in 1998, this is still more than twice the 11.9 percent poverty rate for children in families with one or two related children. Nearly eight million children in families with three or more children were growing up in poverty in 1998. That is why Al Gore and Joe Lieberman have proposed a major expansion in the EITC, which especially targets families with three or more children, by providing them with an additional $500.

In addition, the Gore-Lieberman EITC policy reduces the marriage penalty, lowers the phase out rate, and simplifies the EITC. The total effect of these proposals will be a substantial increase in the reward to work and family, which will further reduce poverty by encouraging greater labor force participation. (For an example of how this would affect a working family see Chapter 7)

Moving Families from Welfare to Work

In 1992, welfare rolls were near an all-time high. From speaking to the people of his state in open public meetings across Tennessee, Al Gore knew the complaints about the welfare system, and knew something needed to be done. Al Gore and Joe Lieberman led the effort for a welfare reform plan that transformed the nation’s welfare system into one that requires work in exchange for time-limited assistance. The plan contains strong work requirements, performance bonuses to reward states for moving welfare recipients into jobs and reducing out-of-wedlock births, state maintenance of effort requirements, comprehensive child support enforcement, and supports for families moving from welfare to work.
Four years later, the results are in: welfare reform has been a success. Millions of people have moved from the dependency of welfare to the dignity of work. In fact, more than 1.3 million people left welfare for work in 1998 alone. Welfare caseloads have been cut by more than half (56 percent), down to the fewest number of people on welfare since 1968 – from 14.1 million in 1993 to 6.6 million in 1999. The first three years of work data since welfare reform show that all 50 states have met the law’s overall work requirement. Not only are people off welfare and working, they are also earning more: states report an average of 23 percent more in the third quarter of employment than the first quarter.

Numerous independent studies also confirm that more people are moving from welfare to work. A national survey released by the Urban Institute found 69 percent of recipients had left welfare for work. A recent General Accounting Office report found that between 63 and 87 percent of adults have worked since leaving the welfare rolls. Only 2.3 percent of Americans now remain on welfare, the lowest level since 1965. These families still on welfare are five times more likely to work than in 1992.

But there is still more work to do. The next step is to help these new workers move into the economic mainstream so that they can support their families. Al Gore and Joe Lieberman are committed to helping new workers and those still on the rolls with child care, health care, child support and other support to ensure that anyone who can work, does work. To help more long-
term welfare recipients go to work, the Gore-Lieberman plan will give state, local, and
community- and faith-based grantees an additional two years to spend Welfare-to-Work funds,
ensuring that existing resources continue to help those most in need. In addition, Al Gore and Joe
Lieberman also support the Welfare-to-Work and Work Opportunity Tax Credits to encourage
more employers to hire welfare recipients.

**Promote Responsible Fatherhood**

Al Gore and Joe Lieberman envision a second phase of welfare reform: promoting
responsible fatherhood. Just as we have asked for more responsibility from mothers, it is time to
ask it of fathers. Every father should provide financial support, spend time with his children, and
treat the mother of his children with respect. Studies show children with absent fathers are more
likely to turn to drugs. They are more likely to become troubled and take their own lives. They
are twice as likely to drop out of school; twice as likely to end up in jail; and five times more
likely to grow-up in poverty than are children who are living with two parents.

Since child support makes up about one quarter (or nearly $2,000) of the income of those
poor families who receive it, helping low-income fathers work to support their children is essential.
Custodial parents who receive child support were more than 1.5 times likely to be poor than those
who did not have a child support award and did not receive a child support payment. Al Gore and
Joe Lieberman have proposed a series of proposals to help strengthen families, promote responsible
fatherhood, and make sure that fatherhood programs include domestic violence counseling and
education. The Gore-Lieberman plan will:

- **Require work from fathers who owe child support.** Fathers who owe child support
  should go to work to pay it off. Al Gore and Joe Lieberman would create a new $50 million
  performance bonus for states that do the best job of moving “deadbroke dads” into jobs and
  helping them meet their child support responsibilities. They support the Fathers
  Work/Families Win Initiative to help low-income non-custodial parents and low-income
  working families work and support their children.

- **Increase child support payments.** Despite record increases in child support collections
  since 1992, only one in four parents who owe child support actually pay it. Millions of
  children on welfare do not receive any child support from a non-custodial parent. Al Gore and
  Joe Lieberman want to increase the amount of child support that is “passed through” directly to
  support children. Additional amounts paid by the father would go into a Parental
  Responsibility Account that would be available to children once they leave welfare – either in a
  lump sum or monthly payments.
• **Strengthen child support enforcement.** Millions of deadbeat parents owe substantial amounts of child support. Al Gore and Joe Lieberman will challenge credit card companies to deny new credit cards or additional lines of credit to parents who owe a substantial amount of child support.

• **Improve the child support system.** Al Gore and Joe Lieberman want programs that receive federal funds offer voluntary paternity establishment services to families. In addition, they will work to streamline the process for establishing child support orders, recommending states have simple administrative processes with strong due process protections.

**Equal Pay**

Growing prosperity is important, but making sure that all share in it is also critical. For too long, men and women have seen vast disparity in their earnings. Although the gap has closed in the last decades, the typical woman still earns only 73 percent of what the typical man earns. It is time to close that gap. This continuing gap reflects not just continued discrimination, but also the fact that fewer women go into the highest paying occupations. Changing times and changing attitudes will contribute to our work to close the pay gap. But that alone is not enough. The Gore-Lieberman plan would cut this gap in half over the next decade by:

• **Fighting for paycheck fairness.** Al Gore and Joe Lieberman will fight for paycheck fairness. They will push to increase the Equal Pay Initiative to provide employers with information and resources to help them comply with equal pay requirements. At the same time, they will call for increased penalties for discrimination against women and improved remedies for women that have suffered discrimination.

• **Improving access to high-tech, high-wage jobs.** While information technology jobs are perhaps the leading source of high-wage job growth, women make up only 29 percent of these occupations, compared with nearly half of the workforce. The Gore-Lieberman plan will fund increases in key federal initiatives such as the WISE (Women in Science and Engineering) programs at NASA and EPA, as well as the National Science Foundation’s initiative for gender equity in science, mathematics, engineering, and technology, and the ADVANCE (Advancing Women in Academic Science and Engineering Careers).

• **Expand efforts to strengthen women’s entrepreneurship.** Al Gore and Joe Lieberman will expand and strengthen the efforts of the Small Business Administration to provide more credit, capital, and technical assistance for women entrepreneurs and women-owned businesses through the 7(a) program, microloans, and the women’s pre-qualified loan program.
Defending the Right to Organize

From the Industrial Age to the Information Age, unions have given working people the chance to improve their living standards and have a voice on the job. Al Gore and Joe Lieberman will fight to ensure that working men and women share in wage gains and productivity growth by doing more not just to defend, but also to strengthen the right to organize.

They will fight for a new national law banning permanent striker replacement workers – so that workers’ right to organize into a union and bargain with their employers are never compromised. A Gore-Lieberman Administration also will reform labor laws to protect workers’ rights to organize into unions by providing for a more level playing field between management and labor during organizing drives, and facilitating the ability of workers to organize and to bargain collectively. In addition to giving workers a voice at work, Al Gore and Joe Lieberman will fight to protect their health and safety on the job with commonsense rulemaking to prevent repetitive motion injuries and health risks, as well as stepped up enforcement and compliance assistance.

Fighting for Fairness and Equality

Al Gore and Joe Lieberman believe that for our nation to prosper and succeed, we need the talents of all Americans. We can only build a strong economy if we have equal opportunity and fairness for all our people. That is why Al Gore and Joe Lieberman will vigorously enforce our civil rights laws in order to prevent discrimination before it occurs and to punish those who discriminate. Al Gore and Joe Lieberman will fight for a tough law against hate crimes, and will fight to end racial profiling.

To open the gates of opportunity for all Americans, Al Gore and Joe Lieberman support affirmative action in education, contracting and employment. And a Gore-Lieberman Administration will set an example and work to ensure that our federal government workforce is as diverse as the nation it serves.

II. BALANCING WORK AND FAMILY

For many families now enjoying our prosperity, there is still something missing in their lives. They find it increasingly difficult to raise a family, to instill their children with their values, and find the balance between the job they need and the family they love. Al Gore and Joe Lieberman are dedicated to investing part of our surplus to make it easier for America’s hard-working families to not just live their dreams, but also get through a normal harried day.
Eliminate the Marriage Penalty for Millions of Working Families

Al Gore and Joe Lieberman will end the marriage penalty – the right way, the fair way – because we should not force couples to pay more in income taxes just because they are married. They will eliminate the marriage penalty for millions of working families by increasing the standard deduction for married couples to twice that of singles, fully effective immediately. This would increase the standard deduction for married couples by $1,500 annually, providing a tax cut for 25 million families. Everyone who claims the standard deduction would benefit from the tax relief, especially middle-class families.

Help Families Take Time Off to Care for Their Loved Ones

In 1993, Al Gore and Joe Lieberman fought for the Family and Medical Leave Act – the first bill President Clinton signed into law – which enabled working men and women to take time off for a new child or to care for a sick loved one. Since then, about 71 percent of the 91 million American workers covered by the act have taken advantage of it.

Al Gore and Joe Lieberman will expand family medical leave to businesses with 25 or more workers – reaching an additional 12 million American workers. They will explore ways to make it more affordable for parents to take time off after the birth or adoption of a child, and to expand family medical leave even further.

Increase Access to Quality and Affordable Child Care

For more and more families, one of the biggest challenges they face is finding high-quality, affordable child care. The number of children with parents who work outside of the home is higher than ever before, and they are paying more and more for child care – care that is often sub par.

Though no government can raise a child, Al Gore and Joe Lieberman can make easier for working families to raise a child. The Gore-Lieberman economic plan will make child care more affordable, by giving families a tax cut to pay for it. Al Gore and Joe Lieberman will increase the Child and Dependent Care Tax Credit (CDCTC) to a maximum 50 percent of work-related child care expenses, make it refundable, and provide relief to parents of small children who stay at home. In addition, the Gore-Lieberman plan would help working families pay for the after-school programs of their choice through a new refundable After-school Tax Credit.

The Gore-Lieberman plan will also increase the availability of quality, affordable child care. The Ready-to-Learn initiative will provide grants to states to that improve standards (including background checks and other health and safety standards), accountability, and teacher and staffing quality to assure that child care centers and family child care homes prepare kids to learn and succeed in school.
Help People With Long-Term Care Needs and the Families Who Care for Them

Providing high-quality, long-term care is a challenge today, and will only become more so as our nation ages. At least five million Americans, more than two-thirds of whom are elderly, require long-term care because they cannot perform multiple basic activities without help. In addition, millions more have lesser but still serious chronic health conditions or disabilities that require long-term care— including a growing number of children. As the baby boom becomes the senior boom, providing long-term care will become an increasingly formidable task. The number of Americans age 65 years or older will double, from one in eight Americans today to one in five by 2030 (from 34.8 to 70.3 million). Moreover, the number of people over age 85—those most likely to require long-term care—will triple by 2038. The Congressional Budget Office projects that national spending on formal long-term care will rise from $123 to $207 billion between 2000 and 2030.

While nearly two million people requiring long-term care live in nursing homes, the majority live in community settings—and can do so mostly because of the irreplaceable and uncompensated care from relatives and friends. Although difficult to quantify, one study found that the economic value of care giving for families ranges from $4,800 to $10,400 per caregiver, with the aggregate amount nationwide worth billions of dollars. On top of actual spending on items like medicines and food, there is the foregone wages of people who take time off or reduce their hours at work to care for their relatives, reduced savings for children’s education, and other indirect costs. Two-thirds of working caregivers report experiencing conflicts that cause them to rearrange their work schedules, work fewer hours, or take an unpaid leave of absence from work. And, although providing informal long-term care can be the most valuable and rewarding work that a relative may do, research shows that it causes significant stress among caregivers, particularly those that have relatives with Alzheimer’s and other dementias.

The Gore-Lieberman plan has a four-pronged strategy to improve the ability of people with long-term care needs to remain in their communities.

- **Tax cuts for long-term care.** To support families with long-term care needs, Al Gore and Joe Lieberman will provide Americans with long-term care needs or the family members who care for and house them a phased-in $3,000 tax credit. This tax credit, which has bipartisan support in Congress, will compensate for a wide range of formal and informal long-term care for people of all ages with three or more limitations in activities of daily living or a comparable cognitive impairment. It will provide needed financial support to about 2 million Americans, including 1.2 million older Americans, over 500,000 non-elderly adults, and approximately 250,000 children per year.

- **Support for families providing long-term care.** Second, the Gore-Lieberman plan will create a new, nationwide, state-run program to support families who care for elderly relatives with chronic illnesses or disabilities. This program, called the Family Caregivers program,
which has bipartisan Congressional support, would be administered under the Older Americans Act through state and local aging networks. States could use the funding to provide: quality respite care and other support services; critical information about community-based long-term services that best meet a families’ needs; and counseling and support, such as teaching model approaches for caregivers that are coping with new responsibilities and offering training for complex care needs, such as techniques to manage wandering and agitated behavior in late-stage Alzheimer’s Disease. This program, which has bipartisan Congressional support, would assist approximately 250,000 families nationwide.

- **Allow people to be cared for in the community and at home under Medicaid.** Third, the Gore-Lieberman plan improves equity in Medicaid eligibility for people in home- and community-based care settings. Historically, Medicaid policy and practice has inadvertently discriminated against people with long-term care needs who want to live in the community by making it easier to provide coverage in nursing homes than in the community. This proposal will enable states to provide services to nursing-home qualified beneficiaries at 300 percent of the Supplemental Security Income (SSI) limit (about $15,000) without requiring a complicated and frequently time-consuming federal waiver. This proposal contributes towards this goal of giving people with long-term care needs the choice of remaining in their homes and communities.

- **Higher nursing home standards.** Finally, Al Gore and Joe Lieberman will build on the Administration’s long-standing commitment to protecting and strengthening federal nursing home standards that ensure high-quality care in long-term care settings. As part of their $40 billion commitment to Medicare/Medicaid provider payment increases, the Gore-Lieberman plan will create a new Medicaid state grant program to reward nursing homes who have long-standing quality records and have appropriate provider-to-patient staffing ratios.

### III. EXPANDING ACCESS TO AFFORDABLE HEALTH INSURANCE

In addition to Al Gore and Joe Lieberman’s longstanding commitment to assuring quality care and accountability through a Patients’ Bill of Rights, new medical privacy protections, mental health parity for children, and providing a prescription drug benefit for the nearly 40 million people on Medicare (see Chapter 3 for more details), they plan to use today’s prosperity to expand affordable health care coverage to millions of working families.

Health coverage is an essential both from a health and economic perspective. Nearly seven in ten uninsured adults went without needed health care due to costs or were unable to pay their medical bills according to one study. Uninsured children are 70 percent more likely to not receive medical care for common conditions like ear infections that can limit learning — and are 30 percent less likely to get care when injured. This has economic consequences as well. Uninsured families are four times as likely to report that medical bills have a major impact on their families, and it is the number one reason for personal bankruptcy.
Al Gore and Joe Lieberman will build upon successful, well-targeted programs to provide new, affordable, efficient health insurance options to working families. The Gore-Lieberman plan will continue to expand access to affordable health care.

**Ensure That All Children Have Access to Affordable Health Insurance by 2005**

Affordability and accessibility of health insurance remain barriers to families who want to provide health insurance to their children. Although enrollment in CHIP is steadily increasing and the program has been an unqualified success, not all states have taken full advantage of CHIP (20 states have not extended eligibility to 200 percent of poverty\(^26\)) and, even in those that have, uninsured children remain out of the system due to lack of awareness or challenges in signing up. In addition, several million uninsured children are in families with income too high to qualify for CHIP – mostly because their parents work in firms that do not offer any or affordable insurance.

The Gore-Lieberman plan will guarantee that every single uninsured child in the nation has access to affordable health insurance coverage by 2005. First, the proposal expands CHIP eligibility to children in families with income up to 250 percent of the federal poverty level (about $41,000 for a family of four). States taking advantage of this new option would receive both the higher CHIP matching rate and an increase in their CHIP funding, based on the number of uninsured children in the newly eligible group.

In addition, the Gore-Lieberman proposal takes strong new steps to ensure that the children eligible for CHIP or Medicaid are enrolled in those programs. It provides financial bonuses to states that meet enrollment targets and reduces state CHIP enhanced matching rates if they do not meet these targets. Linking financing to performance provides strong incentives to improve enrollment. In addition, the plan develops a school-based strategy for enrollment, which has proven successful in states that have used it [cite]. This combination of increased eligibility, funding, accountability and school-based enrollment has the potential to insure about two-thirds of uninsured children today.

The Gore-Lieberman proposal would also ensure that all middle class families with income above 250 percent of the poverty level have access to an affordable children’s health policy by allowing them to buy into CHIP for their children. Families would pay the full premium for this coverage, but the premium itself will be more affordable than most individual insurance options. In addition, to ensure even greater affordability, families could use the new 25 percent tax credit (discussed below) proposed by the Gore-Lieberman campaign towards this coverage.

**Extend CHIP Health Care Coverage to Families**

Parents of the children that have been enrolled in Medicaid or CHIP usually remain uninsured because they are not themselves eligible for these programs. Over 80 percent of parents
of uninsured children with income below 200 percent of poverty (about $33,000 for a family of four) are uninsured. Not only does this reduce access to care for the family – since a young mother is more likely to have her child get a check-up if she herself is getting one – but it makes the family less likely to know about or sign up their children for insurance. A recent study found that Medicaid enrollment of young, low-income children was 25 percent higher in states that extended coverage to their parents than in states where parents were not covered. In addition, states have found that expanding coverage to parents has extremely low implementation and administrative costs since the families are already filling out applications for their children, and families would be insured in the same health plan.

The Gore-Lieberman plan proposes the common-sense policy of expanding affordable health insurance to parents of children enrolling in Medicaid and CHIP. Participating states would receive additional funding to extend health insurance coverage from their current Medicaid eligibility limit to a state-defined upper income eligibility limit, but, under any circumstances, would cover at least all parents with incomes below 100 percent of the poverty level. The plan, which has already received strong bipartisan support, would also encourage states to use this funding to help families afford employer-based insurance. A recent study found that one in seven workers declined job-based insurance because of the cost. Allowing families to use CHIP dollars to make this insurance more affordable will improve coverage and reduce “crowd out” of private coverage.

Provide Affordable Health Care Options for Americans Ages 55 to 65

In 1998, Americans aged 55 to 65 had the fastest growing rate of uninsured people in the country – and the number of uninsured in this age group will rise rapidly as the baby boom generation begins to turn age 55. This mostly results because people ages 55 to 65 lose job-based health insurance as they retire, their spouses retire, they reduce their hours at work or they move to “bridge jobs” – e.g., consulting and other self-employment. While they could turn to the individual health insurance market, they typically face high premiums because their health status is typically twice as bad as that of younger people. A recent survey found that 63 percent of people ages 50 to 64 would be interested in early Medicare enrollment, and an even higher percent (69 percent) would favor allowing uninsured people in this age group to buy into Medicare.

The Gore-Lieberman proposal allows Americans aged 55 to 65 to access affordable health care options by buying into Medicare. Premiums would be set based on the actual cost of participants to Medicare, but would be made more affordable in two ways. First, the premium for most participants would be divided into two parts – an up-front premium paid at the time of participation and an additional small monthly payment added to their Medicare premium after they turn age 65. This two part “payment plan” enables these older Americans to buy into Medicare at a more affordable premium, while ensuring that the financing for the buy-in option is sustainable in the long run. Second, participants could apply their 25 percent, refundable tax credit for individual
insurance to this Medicare buy-in, reducing even more the monthly premiums. This is significantly less than the average premium of $7,147 for a 60-year old in the individual insurance market.\textsuperscript{34}

**Make Health Insurance More Affordable and More Accessible for Small Businesses**

Nearly half of uninsured workers are in firms with fewer than 25 employees. The likelihood of being uninsured is greater for workers in small firms – nearly three times higher than that of workers in large firms.\textsuperscript{35} The proportion of small businesses offering health insurance declined between 1996 and 1998 – from 53 to 49 percent for firms with 3 to 9 workers and from 78 to 71 percent for firms with 10 to 24 workers.\textsuperscript{16} Businesses blame the high cost of premiums for this problem. Small businesses typically pay higher premiums for the same benefits and administrative costs may consume as much as 40 percent of premium dollars.

Al Gore would make health insurance more affordable for small businesses with a 25 percent tax credit for the premium costs of each employee in a small business that joins a purchasing coalition – in which businesses join together to negotiate for affordable health insurance options for their employees. The proposal would encourage such coalitions to develop by allowing foundations to make charitable contributions for their start-up and providing states with seed money to establish these coalitions.

**Offer a New Tax Credit for Individuals Who Buy Their Own Health Insurance**

While people who are insured through their employers receive tax breaks, those without access to job-based health insurance receive no tax benefits. To fix this inequity, Al Gore and Joe Lieberman are proposing a 25 percent refundable tax credit for people lacking access to employer-based health insurance who purchase quality coverage in the individual health insurance market. The principle behind this tax credit is similar to the principle behind the recent law that expanded health the insurance deductibility for the self-employed. A Gore-Lieberman Administration will also work to improve the individual insurance market to help make it a more affordable, accessible and reliable option.

**Maintain and Strengthen Health Care Delivery Systems Serving the Uninsured**

Public hospitals, clinics, and thousands of health care providers provide free and reduced-price care to millions of uninsured Americans. About 6 percent of all hospitals and 26 percent of safety net hospitals annual costs are estimated to be uncompensated, and 2,500 community health center sites serve an estimated 4 million uninsured.\textsuperscript{37} The Gore-Lieberman plan will strengthen community health centers, public hospitals, academic medical centers and other safety-net providers that treat millions of Americans. In addition to providing adequate Medicare and Medicaid reimbursement, the plan supports the expansion of the Community Access Program that allows communities and providers to develop comprehensive systems of care, to link financial and telecommunications
systems, and to fill the service gaps that exist in their communities – especially in the areas of primary health care, mental health services and substance abuse services.

IV. EMPOWER AMERICANS WITH DISABILITIES TO WORK AND LIVE INDEPENDENTLY

If America is going to live up to its full potential in the 21st century, we cannot be satisfied when so many people with disabilities are not working. Despite record-low unemployment nationwide, three-fourths of people with severe disabilities were unemployed in the late 1990s, in part because they lose access to needed health service when they return to work. An original Senate co-sponsor of the Americans With Disabilities Act, Al Gore is committed to ensuring that all Americans - including the 30 million working-age adults with disabilities - have the chance to become full partners in the American Dream.

Al Gore and Joe Lieberman will increase home and community-based care, expand opportunities for people with disabilities to work and learn, ensure that they have access to quality health care as they move into work, and preserve and strengthen Social Security and Medicare. Together with his wife Tipper, a tireless advocate for people with mental illness, Al Gore will work to ensure that persons with disabilities can participate fully and equally in this country.

Al Gore and Joe Lieberman will fight to:

• **Enable people with disabilities to enter the workforce and keep health insurance.** The Gore-Lieberman Administration will aggressively implement the historic, bipartisan Jeffords-Kennedy Work Incentives Improvement Act, which allows people with disabilities to buy into Medicaid when they return to work, by ensuring that every state takes advantage of this important new option. Al Gore and Joe Lieberman will also build upon it by making permanent the eligibility for Medicare coverage for individuals returning to work. The plan also provides a new $1,000 tax credit to offset some of the formal and informal costs associated with employment for people with disabilities.

• **Enact a new $1,000 tax credit to help cover the costs associated with employment.** The credit will help workers with significant disabilities cover the formal and informal costs that are associated with employment, such as specialized transportation and technology. Like the Ticket-to-Work and Work Incentives Improvement Act, it will help ensure that people with disabilities have the tools they need to return to work by recognizing the extra costs associated with working such as special transportation and technology needs and would help approximately 200,000 to 300,000 eligible workers with disabilities.

• **Increase the hiring of people with disabilities.** Al Gore and Joe Lieberman will launch a partnership to mobilize the nonprofit and private sectors to increase their hiring efforts, building on the path-breaking work of the Presidential Task Force on the Employment of
Adults with Disabilities. They will also ensure that the federal government does its fair share in moving people with disabilities to work.

- **Prepare youth with disabilities for work.** Al Gore and Joe Lieberman will work with non-profit technology resource centers and businesses to provide students the assistive technology they need to be prepared for the workforce. They will also work to ensure that school-to-work transition services target youth with disabilities.

- **Double the budget for investment in accessible technology to help people with disabilities work.** New technologies such as speech and gesture recognition and text-to-speech are enabling more people with disabilities to use information technology and participate in the workforce. Al Gore and Joe Lieberman will increase R&D in these areas, and provide expanded funding for state programs to make these technologies more affordable for people with disabilities.

**Help Workers with Disabilities by Assuring Access to Quality Health Care and Affordable Medicare**

Medicare beneficiaries with disabilities without drug coverage fill 40 percent more prescriptions and have 50 percent higher total spending on prescription drugs than those with drug coverage. Al Gore and Joe Lieberman’s voluntary Medicare prescription drug benefit will help workers with disabilities eligible for Medicare access the medications necessary for people with disabilities to best function in the workplace. And finally, because many people with disabilities need more specialty care and immediate access to physicians, this population will receive long overdue assistance with the passage of the type of a strong, enforceable Patients’ Bill of Rights that Al Gore and Joe Lieberman advocate.

- **Assure home-and-community-based alternatives to institutions.** Al Gore and Joe Lieberman also support the rapid and broad-based implementation of a new multi-million dollar grant program to help states develop comprehensive plans to care for persons with disabilities in their homes and communities where appropriate. The new grants will be used to conduct intensive outreach efforts to educate people with disabilities about the home-and-community-based options currently available to them; create one-stop-shopping centers that streamline application and eligibility processes for home-and-community-based care services; and identify, develop, and implement strategies to modify state policy resulting in the unnecessary institutionalization of people with disabilities.

- **Protect the rights of individuals with disabilities.** To ensure that Americans with disabilities do not face barriers of discrimination in seeking education, housing and employment opportunities, a Gore-Lieberman Administration toughen enforcement of ADA, IDEA, and the Fair Housing Act.
V. CONCLUSION

To Al Gore and Joe Lieberman, the true measure of a society is how it honors the families that are its heart and soul. That is why in this time of unprecedented prosperity, they want to implement an economic strategy that will strengthen families, honor their hard work, and enable them to put their values into action. The Gore-Lieberman economic plan is a strategy that works to support families, not lavish benefits on the wealthiest few.

By raising the minimum wage and reducing the wage gap between sexes, a Gore-Lieberman Administration will promote the value of work. And to that end, they will move aggressively to institute a second generation of welfare reform, promoting responsible fatherhood, and move millions more into the dignity of work. Al Gore and Joe Lieberman will also pursue a strategy of targeted middle class tax cuts to help families afford health insurance, long-term care, and child care. In a Gore-Lieberman Administration, families will always come first.
CHAPTER 9
STRENGTHENING OUR COMMUNITIES

This is an extraordinary time for America. But it is not a time to rest, rather it is a time to make sure that all our families and communities share in this prosperity. America needs to be a place where cities and rural towns are alive with new investment and jobs; and where we build up our rich assets, rather than just cataloging neglect and decay.

If America is to be strong, our cities and rural communities have to be strong. Although the world is more connected than ever before, it is the health of our communities here at home that matter most, because now more than ever, we need the talent and skill of every single American. We simply can’t afford to leave anybody behind.

Al Gore and Joe Lieberman believe that a powerful community empowerment agenda is a critical component in building a better, fairer, more prosperous America. It is an important part of reaching the ambitious goals of a Gore-Lieberman Administration: reducing poverty below 10 percent for the first time in our history; and empowering 7 of 10 Americans to own their own home. Al Gore and Joe Lieberman believe that government needs to take an active role in creating incentives for private sector capital investment, individual entrepreneurship, and in bringing communities together to create comprehensive solutions to their specific challenges.

Over the past eight years, Al Gore has seen this approach work as he led the Community Empowerment effort, that created 31 Empowerment Zones and more than 100 Enterprise Communities which have helped bring jobs and investment to American cities and rural communities. Now, Al Gore and Joe Lieberman want to bring America to new heights, and rejuvenate all our communities to give our families a place to pursue their share of the American dream.

I. THE COMMUNITY EMPOWERMENT AGENDA: SPURRING PRIVATE SECTOR INVESTMENT ENTREPRENEURSHIP AND JOB CREATION

We cannot afford to return to the days when unemployment and crime were rampant and people felt powerless to fix the problems facing our distressed communities. We need to dramatically increase our efforts to help communities help themselves. We need to encourage more private investment, spur the entrepreneurial spirit, and tap into often overlooked potential of markets right here in our cities and rural towns.

Al Gore and Joe Lieberman will pursue a strong community empowerment agenda to unlock the creativity and ingenuity found in our cities and towns. This agenda will include:

• **Strengthen and expand Empowerment Zones.** Al Gore and Joe Lieberman seek to strengthen the existing Empowerment Zone initiative by starting a third round of
Empowerment Zones; fully funding the twenty Empowerment Zones of the second round; and providing these second round EZs with wage tax credits and other tax relief.

- **Implement the New Markets Initiative.** Al Gore and Joe Lieberman support the New Markets Initiative to bring needed equity capital to America’s low-income communities and to tap into America’s emerging markets here at home in rural areas, in cities, and in Native American communities. This initiative will encourage investment, community empowerment, and job creation in some of our most depressed areas. The New Markets Initiative has merged with bipartisan legislation that Joe Lieberman co-sponsored to create Renewal Communities – a new version of Empowerment Zones. Al Gore and Joe Lieberman support passage of bipartisan Empowerment Zone/New Markets/Renewal Community legislation as soon as possible.

- **Technology bonds.** Al Gore and Joe Lieberman want to help small town and rural America as well as underserved areas in our cities reap the benefits of the digital revolution. They want to use interest subsidies, competitive grants, and loans to help local communities develop an information infrastructure.

- **Make the Brownfields Cleanup Tax Incentive permanent.** Al Gore and Joe Lieberman want to make the Brownfields Tax Incentive permanent in order to support clean up of abandoned industrial sites and return them to productive use. This effort will be coordinated through the Brownfields National Partnership, which streamlines resources from 20 federal agencies to address brownfields cleanup and redevelopment. This project alone will create more than 28,000 new jobs in urban areas.

- **Livable Communities Initiative.** Al Gore and Joe Lieberman support a Livable Communities Initiative that offers communities the tools they need to preserve and enhance open space, create or restore parks, and improve water quality. The initiative includes the Better America Bonds proposal, an innovative tax credit that promises to generate more than $9.5 billion in new resources to help communities preserve green space, create or restore urban parks, protect water quality, and cleanup brownfields (abandoned industrial sites). The program also includes nearly $600 million in grants and loans to communities under the Lands Legacy Initiative to help protect local green spaces and improve air and water quality. The Community Parks Initiative provides technical assistance and funding to help city and suburban neighborhoods address their park and recreation needs.

**Promoting Access to Capital**

Al Gore and Joe Lieberman have no doubt that when given the right tools, Americans can accomplish great things. They can build new businesses, create new jobs, and build true communities for their families. Too often, it is difficult for entrepreneurs, families, and storeowners in our most distressed communities to get the capital they need to build a better life. A
Gore-Lieberman Administration will work to break down barriers and bring capital to the families and communities that need it most.

• **Encouraging more BusinessLINC business-to-business partnerships to strengthen small firms in distressed areas.** Smaller firms in poor urban and rural communities are often cut off from access to the expertise and contract opportunities they need to thrive. In 1998, Vice President Gore launched the BusinessLINC initiative with local coalitions in six cities and rural areas. BusinessLINC is private-sector led, but requires seed funding to reach firms in the most distressed communities so that they can hire local residents. A healthy small business community is part of a strong community fabric. BusinessLINC fosters these connections, and Al Gore and Joe Lieberman will continue to encourage firms to participate and will support its seed funding.

• **Improving access to capital through the Community Reinvestment Act.** The Gore-Lieberman team will aggressively enforce the Community Reinvestment Act (CRA) to emphasize bank and thrifts' actual achievements in meeting the credit needs of their communities to make sure that they meet the letter and spirit of the law. A Gore-Lieberman Administration will encourage depositories to apply this market-oriented innovation to the other elements of CRA performance, CRA investing and the provision of basic retail banking services to make access to credit as widely available as possible.

• **Helping low income people build their savings.** Al Gore and Joe Lieberman will create financial instruments that help working and middle-class families accumulate personal savings. They will create Retirement Savings Plus accounts to help families build a nest egg for retirement on top of the unshakeable foundation of Social Security, and will encourage all employers, even small businesses, to offer savings programs as well.

• **Discouraging “predatory lending” practices, while welcoming the broadest access to home credit.** As a record number of Americans have become homeowners, a small number of “predatory lenders” have taken advantage of some unsuspecting homeowners by pushing home equity loans on borrowers who either did not need them or did not fully understand the loan terms they were signing. They have, in particular, targeted vulnerable communities, such as the elderly and residents of low-income or minority neighborhoods.

   To combat these abusive practices, Al Gore and Joe Lieberman will take new action to protect consumers, encourage healthy market competition and improve the information available to mortgage borrowers. Al Gore and Joe Lieberman want to improve consumers’ access to financial education and to the basic disclosures they need on loan costs and terms in order to make informed borrowing decisions. They want to prohibit harmful sales practices, control inherently abusive terms and conditions on high-cost loans, and improve the structure for these loans by encouraging responsible lending and secondary market activity.
• **Providing basic financial services for low-income people.** About 22 percent of families earning under $25,000 have no bank account at all, and one in four nonwhite and Hispanic families did not have a bank account. This is a fundamental obstacle to building savings and wealth. Al Gore and Joe Lieberman will work to bring low-cost, easy-to-use financial services to this population. To make the most of our more sophisticated economy, basic banking is as fundamental as basic telephone service.

**Improving Access to Quality Housing**

A central part of the American dream is owning a home. A home is more than an investment; it is an anchor for families, for neighborhoods, and for communities. In essence, homes are the building blocks of America. Al Gore and Joe Lieberman are dedicated to giving more families the opportunity to have and to own their own home.

• **Low-Income Housing Tax Credit.** Al Gore and Joe Lieberman will expand and improve the quality of available low-income housing by increasing the allocation of low-income housing tax credits to states. This proposal will provide incentives to build and make available an additional 180,000 units of affordable housing to working families over the next five years.

• **Increasing the number of incremental housing vouchers.** Al Gore and Joe Lieberman want to create 120,000 new housing vouchers to help America's hard-pressed working families move closer to job opportunities.

• **Expanding homeownership.** Al Gore and Joe Lieberman will work with the nation's homebuilders so that they can build one million new homes in urban America over the next ten years.

• **Encourage mixed-income and other innovative public housing programs.** Al Gore and Joe Lieberman want to expand the Home Investment Partnership Program (HOME) which funds a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership.

• **Reducing Homelessness.** Al Gore and Joe Lieberman are committed to addressing homelessness in America through a “continuum of care” approach that addresses the complete needs of people who are homeless: shelter, food, counseling, job training, and more. They are committed to alleviating homelessness among our nation’s veterans, who deserve our special concern given their service to our nation. A Gore-Lieberman Administration will also increase support to treat mental illness and drug addiction among the homeless.
II. SAFE CITIES, SAFE COMMUNITIES

Government’s most basic duty is to ensure law and order and keep citizens safe from crime. Over the last eight years, we have put in place a tough, comprehensive crime-fighting strategy in communities across the country. That strategy is working. The violent crime rate is at its lowest level in a generation, and for eight consecutive years, the crime rate in the United States has decreased, marking the longest continuous drop in crime on record. But crime still strikes fear in the hearts of too many families. Violence still threatens too many communities.

Crime is not only a moral issue, and it is not only a family issue. It is also an economic issue. Businesses will not thrive in communities that are not safe. Consumers will not patronize stores in neighborhoods plagued with crime. Communities will not grow if fear rules the streets. That is why to grow our prosperity, we must ensure that all our communities are safe from violence. Al Gore and Joe Lieberman believe this strongly. That is why they are committed to the ambitious goal of reducing crime each year of their Administration.

Making Our Communities Even Safer

If all our communities are to continue to prosper, we must ensure that communities are safe from fear and violence. Al Gore and Joe Lieberman have a comprehensive crime-fighting plan.

• **Putting 50,000 more police officers on the streets.** Al Gore and Joe Lieberman will enable communities hire an additional 50,000 more police officers to protect families in cities and towns across the nation. And a Gore-Lieberman Administration will help communities hire 10,000 local and state prosecutors to ensure that criminals are tried without delay and put behind bars. Their plan would provide competitive grants to communities and states that match federal investments.

• **Cooling off crime “hot spots.”** Al Gore and Joe Lieberman will establish a fund to target investments in high crime areas. This fund would provide resources to hire more police, pay officers overtime in troubled crime areas, equip neighborhoods with the latest crime prevention technologies, and help local law enforcement work in cooperation with federal authorities.

• **Commonsense gun safety measures.** Al Gore and Joe Lieberman respect the rights of hunters and sportsmen to purchase and own guns, but understand that we need commonsense measures to ensure that guns are kept away from our children and out of the hands of criminals. A Gore-Lieberman Administration will establish a nationally mandated, state-run system of photo licensing for all potential handgun purchasers. Al Gore and Joe Lieberman will ban so-called “junk guns,” the cheap handguns so often used in violent crimes, and will increase penalties for knowingly selling a gun to someone ineligible to purchase one. They will close the gun show loophole, and require child-safety locks on hand guns.
• **Breaking the cycle of drugs and crime.** Al Gore and Joe Lieberman believe that we need tough enforcement, tough penalties, and tough prevention efforts to fight the scourge of drugs. They support a national campaign to deter illegal drug use and provide funds for comprehensive drug education programs in the schools. A Gore-Lieberman Administration will also establish a “Get Clean to Get Out and Stay Clean to Stay Out” policy that will enforce zero tolerance drug supervision for probationers, prisoners, and parolees.

**IV. CLOSING THE DIGITAL DIVIDE AND CREATING DIGITAL OPPORTUNITY**

Every child in America – regardless of income, geography, race, or disability – should be able to reach across a computer keyboard, and reach the vast new worlds of knowledge, commerce, and communication that are available at the touch of a fingertip.

Our children will live and work in a society driven by information technology. The information technology sector has accounted for almost one-third of U.S. economic growth, and is generating jobs that pay 85 percent more than the private sector average. Some have estimated that within seven years, almost half our workforce will be employed by industries that are major producers or users of information technology. Increasingly, people are using the Internet to look for work, acquire new skills, get lower prices on goods and services, and make more informed decisions about their health care needs. The ability to use information technology effectively is becoming a “new basic.”

We can all see that innovation and technology are fueling faster growth, and new jobs. We also need to ensure that they widen the circle of opportunity.

We have a long way to go. The digital divide is still too wide – between rich and poor, and between urban and rural America. Sixty percent of households with incomes of $75,000 or above have Internet access, compared to only twelve percent earning $20,000 - $25,000. Black and Hispanic families at home are now only two-fifths as likely to have computers at home as white families. Those who live in rural areas are less likely to own computers and be connected to the Internet – even though they stand to benefit from it more.

Al Gore and Joe Lieberman believe that we need clear, national goals to close the digital divide. America was the pioneer of universal education; now America must become the pioneer of universal technological literacy. We know that civil rights ring hollow without economic opportunity. We must now recognize that in the Information Age, technological literacy is critical to achieving that economic opportunity.

Al Gore and Joe Lieberman want every American to have the ABC’s of the Internet: Access, Basic skills, and high-quality Content. They have an ambitious plan to bridge the digital divide, and to ensure that all Americans have the opportunity to be full participants in the
Information Society. Al Gore and Joe Lieberman will:

- **Support the e-rate.** The e-rate provides over $2 billion in discounts to connect schools, libraries and rural health care clinics to the Internet.

- **Launch a Home Internet Access initiative.** Al Gore and Joe Lieberman want to make the Internet as universal as the telephone. They will support locally-based partnerships between the private sector and non-profit organizations to make computers and Internet access affordable for all Americans. These partnerships would also provide training, and promote uses of the Internet such as strengthening the school-to-home connection between parents and teachers.

- **Create 2,000 Community Technology Centers in low-income neighborhoods by 2002.** Community technology centers can provide hands-on training for children and adults that lack IT skills. They can bring computer skills training directly to the people who need it most.

- **Expand tax incentives to encourage private sector efforts to bridge the digital divide.** The Gore-Lieberman plan will provide tax incentives for companies that make contributions and donate computers to schools, libraries and Community Technology Centers.

- **Create an “E-corps” of Americorps volunteers with technical skills.** The “E-corps” will help staff community technology centers and provide technical assistance to schools and libraries.

  - **Ensure that all new teachers can use technology effectively in the classroom.** Studies show that technology does not improve student performance unless teachers can integrate technology effectively into the classroom. Al Gore and Joe Lieberman will work to ensure that all new teachers are prepared to teach using technology.

  - **Expand access to “information literacy” skills for all Americans.** The ability to turn on a computer and browse the World Wide Web is not enough. Increasingly, Americans will need the ability to locate, retrieve, evaluate and synthesize information from multiple sources. Al Gore and Joe Lieberman will work to expand information literacy. They will begin by setting a goal of having every child computer literate by the eighth grade.

  - **Promote applications that help empower low-income families and communities.** Technology is a tool, not an end in itself. Al Gore and Joe Lieberman will promote applications of information technology that empower low-income Americans, such as high-quality software for adult basic education or English as a Second Language.
- **Provide incentives for private sector investment in high-speed networks to rural communities.** Some rural communities are in danger of being left behind in the Information Age. Al Gore and Joe Lieberman will provide incentives for telecommunications companies that are willing to invest in broadband networks for the isolated rural communities that need it most.

- **Ensure that Americans with disabilities have access to assistive technology.** New technologies can enable more people with disabilities to work and to lead richer, more independent lives. Al Gore and Joe Lieberman will work to ensure that all Americans have access to assistive technology.

- **Closing the Digital Divide in Indian Country.** Al Gore and Joe Lieberman are committed to helping to bridge the digital divide that exists in Indian Country. Rural Native American households’ access to computers (26.8 percent) is lower than the national average. On top of other efforts, they will especially work with tribal governments and colleges to assist in extending the information infrastructure to Indian Country. A Gore-Lieberman Administration will institute a three-year, $900 million plan to eliminate the backlog of repair and construction in BIA’s schools to modernize them for the 21st century.

V. CONCLUSION

Broadening prosperity’s reach means bringing its promise to hard-working families in communities all over America. Al Gore and Joe Lieberman will stand up for communities in our rural areas and in our cities that for too long have been left behind. They will fight to empower communities with the tools they need to unleash their full potential. A Gore-Lieberman Administration will work to attract businesses, jobs, and capital to distressed communities; to connect all communities to the Internet and the opportunities that information technology present; and to make sure that all families can live free from the fear of crime and violence.
CHAPTER 10
ENERGY AND THE ENVIRONMENT: MAKING PROSPERITY SUSTAINABLE

From his earliest days in Congress, Al Gore has been a national leader on the environment. In the 1970’s, Al Gore held some of the first hearings on cleaning up toxic waste. When few wanted to face up to the danger, Al Gore stood up to promote early research into global warming and to phase-out the chemicals that threaten the ozone layer. Al Gore has been a leader of the most pro-environment Administration in a generation, working for cleaner air and water and protecting more land in the lower 48 states than any Administration since Teddy Roosevelt’s.

Joe Lieberman has shown a similar commitment. As Connecticut’s Attorney General, he worked to create wildlife refuges and establish Connecticut’s first national park, and fought to clean up Long Island Sound. In Congress, he helped to craft the Clean Air Act Amendments of 1990, worked to prevent the release of toxic chemicals and clean up toxic waste sites, and sponsored legislation to enforce environmental protection.

Al Gore and Joe Lieberman reject the false choice between growing the economy and protecting the environment. They believe that we can grow the economy and protect the environment. The past eight years prove that this is the case. Today, we have cleaner air, cleaner water, and a safer food supply; a record number of toxic waste dumps cleaned up; new clean air protections so that children with asthma and the elderly will be able to live better lives; and a strong international treaty to begin combating global warming. All of this has occurred without economic cooling. We now have the strongest economy in our history and the cleanest environment in a generation.

Al Gore and Joe Lieberman believe that the power of American creativity can build not just a better product, but also a healthier planet. That is why they have challenged America to make the next 10 years the environmental decade. This means not only redoubling our commitment to clean air, clean water, and our natural heritage, but also meeting the environmental challenges of the future.

To that end, they are proposing a series of initiatives that will ensure our energy independence and revitalize our communities while cleaning up our environment.

As part of a balanced budget, they have proposed an environmental agenda that will clean up pollution, make our power and transportation systems more efficient and more reliable, and free American families from dependence on big oil and foreign oil – all with no new taxes and no new bureaucracies. In fact, their plan will cut taxes to help families and businesses buy the clean technology of the future, while making America the leader in the global market for new energy technology that is expected to reach $10 trillion in the next two decades. The Gore-Lieberman proposal will harness the power of the market with comprehensive performance standards so that
businesses save money even while meeting superior environmental performance standards.

I. ENERGY INDEPENDENCE FOR AMERICA’S FAMILIES

Every time leaders have challenged the minds of Americans, there were those who said it couldn’t be done. Every time, American ingenuity has overcome entrenched doubt. At a time when smog was increasingly shadowing our cities, American set tough new standards for automobile emissions. There were some who said those standards could not be met. The solution was the invention of a device called a catalytic converter, now put into every car. Today, as a result, automobiles produce 90 percent less pollution. It has dramatically reduced smog and its related health effects, and America now leads the world in yet another industry – exporting billions of dollars worth of catalytic converters.

Al Gore and Joe Lieberman believe we can meet our environmental challenges with that same type of creativity and innovation. The Gore-Lieberman environmental agenda is based on an enduring American principle: independence. Al Gore and Joe Lieberman believe our nation’s energy resources should not be so overly reliant on others, so subject to shortages, or so vulnerable to big oil and foreign oil.

The Gore-Lieberman plan calls for market-based, enforceable, and comprehensive pollution standards. It will promote the development of new market-based solutions to address the environmental and energy challenges posed by old power plants, transmission facilities, and large industrial energy users. And it seeks to accomplish these things in a framework that will encourage innovation, making America the world’s number one producer of clean technologies.

This will be accomplished through the creation of the National Energy Security and Environment Trust Fund. The trust will be funded by part of the budget surplus, and will support private and public efforts to develop and deploy the technologies that can reduce our dependence on big oil companies and on foreign energy, and to clean up our environment and create new jobs.

Stimulating the Development of Technologies That Improve the Environment

The Gore-Lieberman environmental and energy plan for the country includes a $68 billion investment for the “Technologies for Tomorrow’s Challenge” program. This program will fund a variety of projects, including promising projects in power plants and industries to develop the technologies that reduce climate and health threatening pollution.

An example of this type of innovation is the currently available technology that reduces pollution by gasifying coal, allowing us to use coal in cleaner and more efficient ways, while diversifying our energy sources. Another is wind energy which is available on a commercial scale and ready to be deployed even further. And solar power is a reality; in fact, a portion of the energy utilized at the Democratic convention in Los Angeles was powered by the sun. This program will
include financial mechanisms such as tax incentives, loans, grants and bonds to accelerate and expand the deployment of these technologies in every sector of our economy.

**Tax Cuts for Energy Efficiency**

Al Gore and Joe Lieberman believe that as we invest in innovation and industry, we must cut taxes so families and small businesses can afford to buy the cars and products of the future. This will boost demand for these energy-efficient products, thereby spurring engineers and manufactures to develop and bring to market better, cheaper, cleaner goods.

America has seen the success of energy-efficient consumer goods. For example, Maytag has produced a washing machine that conserves energy and saves nearly 7,000 gallons of water every year, more water than the average person drinks in a lifetime. That washing machine is not only an environmental innovation, it is a success on the market, helping to increase Maytag’s home appliance sales by 25 percent.

To encourage even more of the type of environmental innovation that will also promote economic leadership, Al Gore and Joe Lieberman are proposing $45 billion in tax incentives to help families buy energy-saving vehicles, homes, appliances, and equipment. These include:

- **A tax cut to buy energy efficient cars.** Al Gore and Joe Lieberman will offer a tax credit of up to $6,000 to purchase cars or SUVs that can provide double or even triple the gasoline efficiency – up to 80 miles per gallon – of most current vehicles.

- **A tax cut for energy-efficient homes.** Al Gore and Joe Lieberman will offer a tax credit of up $2,000 for families to purchase energy efficient new homes or upgrade the energy-efficiency of their current homes. Low-income families would receive tax assistance to help them insulate their homes. For every one dollar invested, the Weatherization Assistance Program returns $1.80 in energy savings. These tax credits would not just encourage consumers to make energy-efficient purchases, but they would also stimulate greater demand and thus greater investment by countries in these technologies.

- **A tax cut for solar energy systems.** Under current law, a 10 percent investment tax credit is provided to homes and businesses for qualifying equipment that uses solar energy to generate electricity, to heat or cool hot water, or to provide solar process heat. Al Gore and Joe Lieberman are proposing to expand this tax credit. Under this proposal, the credit will be equal to 20 percent of qualified investment up to a maximum of $1,000 for solar water heating systems and $2,000 for rooftop photovoltaic systems.

- **Consumer tax cuts for clean power.** In some states, consumers have the option to choose cleaner energy sources. However, utilities often charge a higher rate for these cleaner sources of energy. To ensure that individuals and families have a real choice of energy sources, Al Gore
will provide a tax credit that would partially reimburse consumers on a per-kilowatt-hour basis, for the cost of purchasing a cleaner energy alternative.

- **Assistance to state and local government efforts to help families and businesses cut energy bills and save money.** Some 20 states have launched efforts aimed at helping families and businesses cut their energy bills by reducing their energy use. Al Gore and Joe Lieberman will match state investments in electric energy efficiency dollar for dollar. A Gore-Lieberman Administration will also provide additional resources to support natural gas, fuel oil and liquid propane gas users in addition to electric energy.

**Tax Cuts For Investment in Energy Efficient Building Equipment and Technologies**

Al Gore and Joe Lieberman will promote more diverse and energy-efficient technologies by extending and improving the tax credit for producing electricity from renewable and alternative sources:

- **A tax cut for energy-efficient building equipment.** Al Gore and Joe Lieberman will provide a 20 percent tax credit for the purchase of energy-efficient building equipment, including electric heat pump hot water heaters and natural gas heat pumps to help consumers purchase more energy-efficient heat pumps, hot water heaters and other equipment.

- **A tax cut to promote alternative energy sources.** Al Gore and Joe Lieberman will double the tax credit for operating costs associated with generating electrical energy through wind, biomass and landfill methane methods.

- **Promote natural gas exploration.** Al Gore and Joe Lieberman will extend the incentives for natural gas exploration in the deep waters of the Gulf of Mexico.

**Enhancing the Reliability and Competitiveness of the U.S. Electricity System**

Al Gore and Joe Lieberman support making the U.S. electricity system more competitive and reliable. Already, they have supported a measure to save consumers $20 billion by introducing more competition into sales of electricity.

A Gore-Lieberman Administration will move to protect the steady transmission of power to businesses and consumers. They will promote legislation creating an organization that would set mandatory standards for utilities and penalties for violations that endanger the reliability of people’s power. They will also help upgrade antiquated parts of the nation’s energy transmission grid through the new “Technologies for Tomorrow Challenge Program,” providing financial support for steps to make transmission infrastructure more efficient.
Promoting Safer and Cleaner Public Transportation Systems

By improving transportation systems, they will connect people to jobs and economic opportunity, while also reducing the environmental threats posed by the current system. Through their “Keep America Moving” program, Al Gore and Joe Lieberman will make the country’s public transportation systems cleaner and safer. They are committed to reducing traffic, smog and our dependence on foreign oil by supporting investments in clean buses, light rail and subways, in modernizing existing rail systems and building new high-speed trains along the nation’s major corridors. Al Gore’s initiatives in this area also include new grants to Amtrak and to cities and small towns across the nation to improve their rail stations.

Research and Development Into More Advanced Technologies

Al Gore and Joe Lieberman believe that as we cut taxes for the use of energy-efficient products, we must also will ensure that America retains the cutting edge in developing new energy and transportation technologies and that industries replace old and inefficient power systems with more efficient and environmentally-friendly new technologies. Al Gore and Joe Lieberman will expand federal efforts, in the Small Business Innovation Research Program and the Advance Technology Program, to support private R&D in new energy-efficient and environmental technologies, and to reinvest a portion of any royalties from these new technologies in more R&D support.

Improving Our Domestic Energy Supply

Al Gore and Joe Lieberman believe that one way to give American families energy independence is to expand our domestic exploration of oil and natural gas. They support expanded exploration in environmentally appropriate areas and by the most modern and environmentally responsible means. A Gore-Lieberman Administration supports cutting-edge clean coal technologies so that America can utilize this vast resource in the cleanest way possible. In addition, Al Gore and Joe Lieberman believe in expanded research and development into fossil energy to enhance domestic production including: expanded work on Ultra Clean Fuels, clean coal technology, high efficiency turbines, and combined heat and power systems.

II. SAFEGUARDING OUR AIR, WATER, AND LAND

Al Gore and Joe Lieberman believe that our children should not have to draw the breath of life in cities awash in pollution. Every child in America, anywhere in America, ought to be able to turn on the faucet and get a glass of safe, clean drinking water. And we must protect our shores, coasts, and lands that we enjoy for recreation and farm for sustenance from the pollution that would render them harmful.
Curtailing Global Warming and Ensuring Clean Air

Al Gore and Joe Lieberman’s tax cuts to promote energy efficient products, choices in energy sources, and new environmental technology will not only help clean up the environment – they will also make American families less dependent on foreign oil and big oil will. However, this is only a first, yet important, step.

Al Gore and Joe Lieberman recognize that we need international efforts to control emissions into the air in order to ensure that the air our children breathe is clean, and to curtail climate change and global warming. The challenge of clean air demands this type of cooperation.

Advocating the ratification of the Kyoto Protocol

Al Gore and Joe Lieberman strongly advocate the ratification of the Kyoto Protocol – the climate change treaty that Al Gore helped negotiate in Kyoto, Japan. The Protocol includes a legally-binding emission reduction target for the United States of 7 percent below 1990 levels by the years 2008-2012. That target represents a significant reduction in emissions from where we otherwise would be, on the order of a 25 percent cut. Since climate change is a global challenge, however, Al Gore and Lieberman believe that all countries, including developing nations, must participate. They will work to put creative mechanisms in place that foster partnerships between countries and that promise significant pollution reductions at substantially reduced cost.

Fighting for strong environmental standards

Al Gore and Joe Lieberman will seek to overturn a recent U.S. Circuit Court decision that would block the implementation of the Administration’s 1997 comprehensive standards to reduce soot and smog levels. These standards would prevent up to 15,000 premature deaths a year and improve the lives of millions with respiratory illnesses. An adverse ruling on this case could have a profound impact on both air quality and the entire structure of environmental regulation for years to come.

Protecting the ozone layer

As Al Gore wrote in Earth in the Balance, the depletion of the ozone layer poses a strategic threat to the ecological fabric upon which we depend and to people directly through exposure to harmful ultraviolet rays. That is why Gore has worked to promote United States leadership with regard to implementing the Montreal Protocol, one of the most successful environmental treaties ever signed. Over the past eight years, the United States has tripled its funding for the Montreal Protocol Fund. The Protocol, and our work to implement and expand it both at home and abroad, are beginning to heal the delicate stratospheric ozone layer. A Gore-Lieberman
Administration will increase funding for the Montreal Protocol Fund to continue the phase out and transition away from ozone-depleting chemicals.

**Preserving Our Public Lands and National Treasures**

We have a sacred duty to act as responsible stewards of our public lands. Al Gore and Joe Lieberman will increase the diversity of lands held in trust for future generations, ensure that wilderness areas and other national treasures receive appropriate designation and protection, strengthen partnerships with state and local governments in oversight of public lands, and demonstrate that the lands now under public ownership are being managed to the highest standards of natural resource stewardship.

This vision can be achieved while honoring the historical connection that communities in the West have had with federal lands and strengthening our partnerships with the communities in the West and across the nation whose future prosperity will directly depend on our improved stewardship of these federal lands.

**Protecting our lands**

Over the past eight years, we have extended historic new preservation for open spaces and protection for natural treasures, by for example, creating new national monuments to protect spectacular red rock canyon lands in Utah, giant Sequoia forests and fragile desert lands in California, and critical wildlife habitat and biodiversity in Oregon and Washington. We created and improved national parks, trails, rivers, and historical sites. By pioneering the use of government-landowner partnerships, and then balancing protection for natural resources with private property rights and economic development, we ensured sound stewardship and conservation of millions of acres of private land. Al Gore and Joe Lieberman will add to this proud record of achievement while fighting Republican efforts to roll back the environmental progress we have made.

**Maintaining our national parks**

While we expand protections to new lands, Al Gore and Joe Lieberman know that we cannot neglect places already in the national trust. Our national parks are invaluable ecologically. They are also a shining achievement of our democracy, welcoming some 270 million visitors every year. A Gore-Lieberman Administration will marshal the resources needed to address the pressing repair and maintenance issues facing our parks.

**Stopping commercial exploitation of environmentally sensitive land**

Al Gore and Joe Lieberman believe that certain sensitive public lands must be free from commercial exploitation. They strongly oppose drilling in the Arctic National Wildlife Refuge. Tapping the Arctic Refuge would not only be environmentally damaging, but also shortsighted –
only deferring the real need to address this nation's long-term energy security, while forever despoiling an irreplaceable national treasure. A Gore-Lieberman Administration will do everything in its power to ensure that the Arctic Refuge remains undisturbed. Al Gore and Joe Lieberman will also fight to expand the moratorium on oil and gas drilling off the coasts of Florida and California - making sure that no new drilling takes place in these sensitive areas.

**Expanding protected wilderness areas**

Al Gore and Joe Lieberman will seek to expand protections for threatened ecosystems on federal landholdings through wilderness and national monument designation in sensitive federal areas that are now unprotected. They will also increase funding to acquire new lands for protection under the Antiquities Act and Lands Legacy initiative, as well as support full funding for the Land and Water Conservation Fund. And a Gore-Lieberman Administration will ensure that all such areas are managed for the benefit of future generations.

**Protecting our forests**

For the past eight years, Al Gore has worked to reform the U.S. Forest Service and to ensure that our forests are protected. He helped lead the Administration’s effort to implement the Pacific Northwest Forest plan, which protected millions of acres of priceless old growth forests, even while putting hard-pressed logging communities back to work. Al Gore and Joe Lieberman want to preserve our nation’s forest areas for their naturalness, for old growth forests and ancient groves, for clean water and wildlife, and for outdoor recreation including fishing and hunting.

- **Preserving roadless areas.** Al Gore and Joe Lieberman both strongly supported the interim moratorium on new road construction on 43 million acres of roadless areas in America’s National Forests. Al Gore and Joe Lieberman will fight Republican efforts on behalf of special interests to block the roadless initiative. A Gore-Lieberman Administration will dramatically expand the roadless initiative by prohibiting all timber sales and road building in these last remaining roadless areas in the lower 48 states and Alaska.

- **Protecting forest lands.** Commercial logging of forest lands is not the only threat to the integrity of our National Forests. Logging and development of private lands within our forests can threaten the ecological integrity of federal lands. That is why Al Gore and Joe Lieberman support the Lands Legacy initiative to help provide funding to bring threatened tracts of private lands within National Forests. They call on Congress to fully fund the Land and Water Conservation Fund to acquire key in-holdings in our National Forests.

**Protecting Wildlife**

The rate of species loss after the enactment of the Endangered Species Act (ESA) in 1973 speaks both to the importance of the law's goals and the need to improve and strengthen our efforts
to administer the law. Al Gore has helped initiate the most concerted effort in the history of the ESA to make the law work. After years of neglect and a host of legislative efforts to undermine the law, we have begun to achieve the recovery of major species, such as the bald eagle and peregrine falcon. Just as importantly, we have protected millions of acres of habitat needed to save species from the brink of extinction, while enlisting the voluntary participation of private landowners in habitat protection measures under ESA.

• **Promoting Habitat Conservation Plans (HCPs).** Al Gore and Joe Lieberman will ensure comprehensive ecosystem protection for habitats that support threatened and endangered species. That requires responsible stewardship of federal lands, and importantly, it requires partnerships with private land owners as well. Al Gore is proud of the nearly 200 habitat conservation plan partnerships that are underway with private landowners. A Gore-Lieberman Administration will press hard to expand these efforts further still.

• **Finding a solution the salmon crisis.** Al Gore and Joe Lieberman are committed to finding a solution that will save and restore salmon stocks in the Pacific Northwest. Al Gore and Joe Lieberman will ensure that the federal government works with states, local governments, tribes, and private landowners to develop a balanced approach to restoring the salmon runs – ensuring that any plan to restore salmon has broad regional support, is fair to the area's taxpayers, and balances the environment and the economy. To Al Gore and Joe Lieberman, neither the extinction of the Pacific salmon nor severe economic dislocation are options.

• **Protecting and Expanding the National Wildlife Refuge System.** Al Gore and Joe Lieberman will fight to protect and expand the National Wildlife Refuge System. These refuges are the world's greatest system of lands dedicated to the conservation of fish and wildlife. The opportunity for compatible recreational uses are among the important benefits that flow from this purpose. A Gore- Lieberman Administration will continue to work with sportsmen and environmentalists to protect and strengthen the possibilities for “priority public uses” of the refuge system - including hunting, fishing, wildlife observation, photography, and environmental education.

**Promoting Balanced Use of Public Lands**

Al Gore and Joe Lieberman will work to secure a reasonable return to the public when private mining, grazing, and other activities take place on public lands, while ensuring strong environmental standards for commercial operations and requiring adequate reclamation of mining sites.
**Florida Everglades**

Saving the Everglades is an ecological imperative and is also essential to ensuring adequate water supplies for the people of South Florida. For the last seven years, Al Gore has championed efforts to protect and preserve Everglades National Park and the other valuable natural resources of South Florida in the nation’s largest ecosystem restoration project. He has led the Administration’s fight to secure substantial funding for historic partnerships to protect critical lands, ensure increased fresh water flows to the Everglades, and improve water quality through the use of sound science. As part of this effort, Gore announced last summer a comprehensive plan to restore the Everglades ecosystem. Just this year, the Administration proposed legislation to authorize the plan as part of the Water Resources Development Act. Al Gore and Joe Lieberman will continue to work with Congress to help pass and implement the best possible Everglades protection legislation.

**Promoting land conservation and environmentally sound agricultural practices**

Productive agriculture goes together with good stewardship – the two are not in conflict. Successful farmers know that protecting and conserving their soil and water are the keys to sustainable profits. That is why Al Gore has worked to increase funding for incentives to farmers who voluntarily adopt comprehensive plans to curb erosion and protect water supplies from pesticide and nutrient runoff, to expand the Conservation Reserve Program that establishes protective buffer strips along waterways, and to assist farmers with conservation and environmental efforts. Al Gore and Joe Lieberman believe that these initiatives will provide needed financial support to our family farmers as well as tremendous environmental benefits for the American people. They also support providing estate tax relief for landowners who transfer properties near cities, parks, or wilderness areas to conservation uses.

**Protecting Our Water, Our Oceans, and Our Coastlines**

Al Gore and Joe Lieberman are committed to making sure that the water that comes out of our taps, the streams and lakes our children swim in, and the beaches and coastlines we now enjoy are clean and protected for generations to come.

**Making our water clean**

Throughout his career, Al Gore has supported efforts to improve the quality of our nation’s waters. As a Congressman and as a Senator, Gore voted for clean water legislation and supported funding for the federal clean water program. More recently, he has fought attempts to weaken the Clean Water Act and initiated the Clean Water Action Plan to increase funding for clean water programs, tighten standards, and ensure a more comprehensive watershed approach to improve water quality. Al Gore and Joe Lieberman will fight any efforts to weaken our clean water laws.
Safeguarding our oceans and coasts

- **Prohibiting oil and gas drilling off the coasts of Florida and California.** Al Gore and Joe Lieberman will fight to expand the moratorium on oil and gas drilling off the coasts of Florida and California - making sure that no new drilling takes place in these sensitive areas.

- **Providing coastal and reef protections.** Al Gore and Joe Lieberman will uphold the moratorium on new offshore leasing through 2012 and continue the ban on new leasing in existing national marine sanctuaries. They will work to continue the successes in reversing the dramatic declines in many marine mammal species such as the gray whale, humpback whale, California sea lion, and Atlantic and Pacific harbor seals. A Gore-Lieberman Administration will expand research into the major causes and consequences of coral reef damage and strengthen efforts to protect and restore reefs.

- **Rebuilding depleted fisheries.** Al Gore and Joe Lieberman believe that we must rebuild declining fisheries and require that all fisheries be managed in a sustainable manner. Long-term economic and environmental interests require prudent measures to ensure the long-term sustainability of our fisheries. They believe that we should seek the full participation of fishing communities in meeting our conservation objectives and minimize adverse impacts on those communities. If necessary management measures adversely affect communities, then Al Gore and Joe Lieberman believe that we must provide economic assistance to those communities to help them make a successful transition to sustainable fisheries management, and that we must work with other nations to ensure that foreign competitors are not defeating the steps we take domestically.

III. MAKING AMERICA’S COMMUNITIES MORE LIVABLE

Al Gore and Joe Lieberman believe that America’s communities need to be able to grow according to their best values. They have put forward an initiative that will help America build more livable communities in which to raise families, making them places where young and old can walk, bike, and play together; places where we not only protect historic old neighborhoods, but where farms, green spaces, and forests can add life and beauty to the newest of suburbs; places where we can work competitively, and still spend less time in traffic and more time— that most precious of commodities for families — with our children, our spouses, our friends.

**Smart Growth and Livable Communities**

In some communities, unplanned sprawl and poor development decisions have compromised the American tradition of development that enhances civic life and family well-being. Al Gore and Joe Lieberman will work to help communities meet this challenge — not through a top-down federal role, but by giving communities more choices and more of the tools and resources
they need to preserve green spaces, ease traffic congestion, promote regional cooperation, improve schools, and enhance economic competitiveness:

“Better America Bonds” to preserve green space for future generations

Al Gore and Joe Lieberman are proposing Better America Bonds - to preserve green space and provide attractive settings for economic development. The proposal would provide the authority to state, local, and tribal governments to issue $10.8 billion in Better America Bonds to clean up brownfields, protect water quality, preserve open spaces, and create parks in communities across America. Investors in these 15-year bonds will receive federal tax credits in lieu of interest payments to state, local and tribal governments, thereby significantly reducing the cost to communities of preserving green spaces.

New support for more parks and open spaces

Al Gore and Joe Lieberman are proposing a $2 billion series of new measures to help communities and private landowners create parks and conserve lands. This includes a 50 percent reduction in capital gains taxes on the transfer of farms or other private property when they are placed under a conservation or agricultural easement, expansion of a current estate tax deduction for landowners who transfer properties near cities, parks, or wilderness areas to conservation, and an increase in the tax incentives for reforestation on private lands.

Smart growth through transportation

Al Gore and Joe Lieberman’s Keep America Moving Initiative will build provide additional federal grants to build, extend, and modernize light rail, subway, and other mass transit systems, and to support a fleet of cleaner and safer buses in our communities. Al Gore and Joe Lieberman will also continue to support state and local efforts to ease congestion and reduce air pollution through high-occupancy vehicle lanes, improved mass transit, bicycle and pedestrian paths, and other measures.

Supporting regional cooperation for smarter growth

Issues like traffic, air pollution, and jobs do not recognize defined borders, and neither should our solutions. Al Gore and Joe Lieberman will continue working to bring communities together by providing new planning and mapping tools to help them grow cooperatively, according to local values and shared goals.

Protecting Families from Industrial and Toxic Waste

When our land is despoiled by toxic and industrial waste, the repercussions are felt throughout the community. It leaves valuable land unusable for productive means, hurts property
values, and depresses whole neighborhoods. More than that, the health problems linked to toxic waste have an incalculable impact on families in the form of lost work days, diminished potential, and even loss of life.

**Cleaning up and redeveloping brownfields**

Al Gore and Joe Lieberman believe that abandoned industrial sites contaminated by waste are not rusted eyesores from days gone by, they are potential gold mines just waiting to create the jobs of the future.

Al Gore and Joe Lieberman have long championed efforts to clean up and redevelop these brownfields, challenging Congress to pass bipartisan legislation that would build on the Clinton-Gore Administration’s successful brownfields program and increase the number of brownfield sites that would be cleaned up and redeveloped.

- **Make the Brownfields Cleanup Tax Incentive permanent.** Al Gore and Joe Lieberman want to make the brownfields tax incentive permanent in order to support the effort to clean up abandoned industrial sites and return them to productive use. This effort will be coordinated through the Brownfields National Partnership, which streamlines resources from 20 federal agencies to address brownfields cleanup and redevelopment. This project alone will create more than 28,000 new jobs in urban areas.

**Cleaning up Superfund sites**

As a member of Congress, Al Gore was an early leader in the fight to clean up toxic waste. In his freshman term in Congress, he called one of the first hearings on toxic waste cleanup. The hearing was the first of a long series of hearings that helped lead to the passage of the original “Superfund” law, that has helped clean up the worst environmental problems in the country. Cleanup (other than long-term groundwater treatment) is complete at over 500 of the nation’s 1,300 Superfund sites and is underway at more than 500 others. As a result of reforms recently put in place with Al Gore and Joe Lieberman’s support, the EPA has been able to complete cleanup at three times as many sites during the Administration tenure as were cleaned up in the entire 12 years of the Reagan and Bush Administrations.

**Supporting communities’ right to know**

Al Gore and Joe Lieberman strongly support community right to know provisions. Under the Toxic Release Inventory, we have expanded the number of chemicals that have to be reported and the number of businesses that have to report in the U.S. A Gore-Lieberman Administration will widen public access to environmental data. The Environmental Protection Agency’s web site alone is now being accessed by 600,000 people a year. In the years ahead, we have to expand the right to know in every area where pollution of any kind threatens public health.
Environmental justice

As a Senator, Al Gore introduced legislation that recognized the problem of “environmental high-impact areas,” and called for action to ensure environmental justice for all citizens. The Clinton-Gore Administration went to work on this problem with a path-breaking executive order calling on all federal agencies to help ensure that none of our communities bear a disproportionate pollution burden. Al Gore and Joe Lieberman will build on this work. By engaging low-income and minority communities and in the decision-making processes that affect their lives, and by taking comprehensive account of the cumulative pollution burden these communities often face, Al Gore and Joe Lieberman will empower all of our citizens to build clean, healthy, and productive neighborhoods.

Assistance to communities that come together to solve environmental problems

Using the highly successful empowerment zone legislation as a model, Al Gore and Joe Lieberman will create a competition to provide $100 million in financial incentives to each of 20 communities that develop comprehensive strategic plans to reduce pollution and greenhouse gas emissions, while promoting economic development and jobs. One of the goals of this initiative will be to bring together industry, local organizations and governments in order to address the unique environmental and energy needs of each community.

IV. CONCLUSION

Our environment sustains us physically, supports us economically, and inspires us spiritually. Al Gore and Joe Lieberman will protect and defend our environment in a way that continues to strengthen our economy, spark innovation, and put America in a position to lead the world in the technology that protects the environment.

Al Gore and Joe Lieberman’s plan recognizes that promoting energy independence through new and more efficient sources of energy not only promises a cleaner future, but also protects America from the vagaries of big oil and foreign oil. The Gore-Lieberman plan recognizes that more livable communities not only protect and conserve environmental resources, they make those communities more productive and economically successful. And the Gore-Lieberman plan recognizes that safeguarding our air, water, and land are vital to our nation’s physical and economic health.

When it comes to our environment, a Gore-Lieberman Administration will show that, indeed, environmental stewardship and economic success go hand in hand – and America will be the better for it.
CHAPTER 11

INNOVATION, TECHNOLOGY, AND AMERICA’S PROSPERITY

Al Gore and Joe Lieberman understand that the Internet and other new technologies are revolutionizing the way we work, live, and learn. These technologies are creating unprecedented opportunities for faster economic growth, higher wages, longer, healthier lives for all Americans, and a cleaner environment. Al Gore and Joe Lieberman want to ensure that America continues to be the best place in the world to start and expand a high-tech, high-wage company, that all Americans have the opportunity to enjoy the benefits of the Information Revolution, and that our newest technologies support our oldest and most cherished values.

Al Gore and Joe Lieberman believe that government policy towards the Internet and electronic commerce must be guided by a high-tech Hippocratic oath: “First, do no harm.” That’s why Al Gore has promoted an e-commerce policy that relies on private sector leadership and self-regulation, as opposed to outmoded, top-down government regulation. He has also worked to get other countries to embrace this approach. Al Gore recognizes that entrepreneurs and workers are the source of innovation and economic growth, and that the role of government is to create the environment that will allow firms to succeed in the global marketplace. Al Gore and Joe Lieberman will continue to work closely with the private sector to move on “Internet time” to reduce government regulations that burden our high-tech companies.

For decades, Al Gore and Joe Lieberman have worked to foster economic growth through technological innovation. As Vice President, Al Gore has been at the forefront of the Administration’s efforts to ensure that the United States leads the world in the Information Revolution. Al Gore fought for the passage of the Telecommunications Act of 1996, which promotes private investment and competition in the telecommunications industry. He has supported a permanent extension of the R&D tax credit. He launched a public-private effort to give our children access to the best learning tools possible by connecting every classroom to the Internet and training every teacher to use technology effectively in the classroom. And he called for the creation of a Global Information Infrastructure – a network of networks that will send messages and images at the speed of light to every community on the planet.

America is still at the dawn of revolutions in information technology and biotechnology. American researchers and companies are on the brink of making, and capitalizing on, amazing breakthroughs in science and technology. Soon we will have supercomputers that will be able to do in one second what would take a person with a hand-held calculator 10 million years to complete. This will enable us to use these supercomputers to more accurately predict tornadoes, design safer cars, and accelerate the pace of scientific discovery. We will have broadband wireless networks that will be able to carry voice, video and data, making it easier to provide world-class education and medical care to all of America’s rural communities. Nanotechnology will enable us to detect cancerous tumors when they are only a few cells in size, or store the equivalent of the Library of Congress in a device the size of a sugar cube. And we will see “personalized medicine” that takes
advantage of our new knowledge of the human genome and will greatly reduce adverse reactions from drugs.

Al Gore and Joe Lieberman have a deep understanding of the role that technology and innovation can play in creating jobs, fostering economic growth and higher standards of living, curing diseases, and preserving our environment for future generations.

Moreover, they know how technology can create new opportunities, improve the quality of life, and enrich all of our people. The Gore-Lieberman economic plan will put in place a comprehensive approach for making the most of these opportunities.

I. CREATING THE HIGH-TECH, HIGH-WAGE JOBS OF THE 21ST CENTURY

In recent years, technology has become the engine of America’s economic growth. The information technology sector has accounted for almost one-third of America’s economic growth between 1995 and 1999, and is generating jobs that pay 85 percent more than the private sector wage. Within the last five years alone, productivity growth has almost doubled, from an average of 1.4 percent per year from 1973 to 1995, to 2.9 percent from 1995 to the present. This growth, in turn, is the key to higher standards of living and will enable us to double our standard of living every generation, as opposed to every other generation.

New information technologies have also helped produce more stable economic growth. For example, these technologies have allowed businesses to adopt “just-in-time inventory systems,” reducing the amount of inventories they must maintain and the time required to source, produce and distribute goods. As Alan Greenspan has noted, “the dramatic changes in information technology that have enabled businesses to embrace the techniques of just-in-time inventory management appear to have reduced that part of the business cycle that is attributable to inventory fluctuations.”

As technology spreads, all firms are increasingly becoming “e-businesses.” Firms are using IT to deliver “e-learning” to their employees, sell their products, manage their relationships with partners, suppliers, and customers, reduce the time required to develop new products, and harness the knowledge and expertise of their employees. Most importantly, consumers are also benefiting from the Internet and electronic commerce. They are able to choose from a wider range of products and services, name the price that they are willing to pay for a mortgage or family vacation, participate in consumer-to-consumer auctions, pool their purchasing power to get volume discounts, learn from the experiences of other consumers, and order customized products and services.
Explaining the Recent Increase in Productivity Growth

From the early 1970’s to the early 1990’s, productivity grew slowly – at a 1.4 percent annual rate – resulting in slow economic growth and stagnant real wages. Since 1995, productivity growth has more than doubled to 2.9 percent. What explains this improvement and what lessons can we learn for policy?

The table below shows estimates of the contribution of investment, education and training, and overall total factor productivity to the growth of labor productivity.¹

- **Investment.** Increased investment means that workers are better equipped, and able to produce more. An important factor has been higher investment, which accounts for 32 percent of the improvement in productivity growth. Moving from record deficits to record surpluses has freed up the resources to fuel double-digit investment growth for seven consecutive years, compared to only 4.7 percent annual growth from 1981 to 1992.

- **Education and training.** The impact of the major education and training investments in the Clinton-Gore Administration are only starting to be felt – an investment in Head Start, for instance, will not have any economic impact for over a decade, the length of time it takes a Head Start child to grow up and join the labor force.

- **Technology.** The most important source of improvement in productivity growth is technology itself. Overall improvements in total factor productivity have gone from being negligible in the years from 1975 to 1995 to being a major source of economic growth in the last several years. Overall, faster technological growth accounts for 64 percent of the overall improvement in productivity growth.

All three sources of productivity growth are complementary. Improved information technology, for instance, will only benefit productivity if there are high levels of investment as well as workers that are well-trained. This is the basis for the Gore-Lieberman economic plan which emphasizes fiscal discipline to keep investment strong while also fostering technological improvements.

<table>
<thead>
<tr>
<th>Sources of Labor Productivity Growth</th>
<th>Annual Growth</th>
<th>Sources of the increase</th>
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<tbody>
<tr>
<td>Investment</td>
<td>1.06%</td>
<td>1.53%</td>
</tr>
<tr>
<td>+ Education and Training</td>
<td>0.26%</td>
<td>0.31%</td>
</tr>
<tr>
<td>+ Total Factor Productivity</td>
<td>0.10%</td>
<td>1.04%</td>
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<tr>
<td>= Labor Productivity</td>
<td>1.4%</td>
<td>2.9%</td>
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¹Sources computed using the Council of Economic Advisers.
Al Gore and Joe Lieberman know that it is America’s entrepreneurs and workers who are creating the New Economy. But they also understand that the right economic and technology policies are needed to unleash the full potential of American workers and businesses. Only then can they effectively compete and win in today’s global marketplace.

The Gore-Lieberman economic plan will take the following steps to foster economic growth, innovation, and heighten America’s competitiveness:

**Make the Federal Tax Code an Agent for Innovation**

Al Gore and Joe Lieberman have been long-time supporters of tax incentives aimed at spurring investment in research and development. This includes:

- **Making the Research and Experimentation Tax Credit permanent.** This will help so that companies make investments for the future.

- **Expanding the Research and Experimentation Tax Credit.** This will make the credit partially refundable so that small businesses can take better advantage of it.

- **Updating the Tax Code.** We need to ensure that the tax code accurately reflects the rapid obsolescence of high-tech equipment.

**Educate and Train the Workforce of Tomorrow**

We must work not only to foster innovation, but also to ensure that all Americans have the opportunity to benefit from the high-tech jobs that the New Economy is creating in record numbers. That is why Al Gore and Joe Lieberman have an aggressive agenda for ensuring that all Americans have the skills they need for the 21st century (see Chapter 5). In addition the Gore-Lieberman economic plan will finish connecting every classroom and library in the country to the Internet. It will also increase investment in training to teachers and students to ensure they know how to use the Internet safely and effectively; support the development of “digital libraries” for K-12 education; and make sure that every child has access to modern, multimedia computers.

**Open Global Markets in Cyberspace for U.S. Companies**

Global electronic commerce could reach up to $7.3 trillion in sales within the next four years. American workers and American businesses can benefit enormously from this economic boom – if we follow the right policies.

The Gore-Lieberman economic plan will pursue an international agreement to make “cyberspace” a permanent “duty-free zone”; encourage other countries to adopt U.S. principles on global electronic commerce of private sector leadership and self-regulation; insist that other
countries apply their trade obligations under WTO in a way that does not discriminate against electronic commerce; eliminate trade barriers to U.S. high-tech products through trade agreements such as ITA-II (Information Technology Agreement), building on an agreement that has already covered $600 billion in high-tech trade; insist that other countries refrain from enacting trade-related measures that could impede e-commerce; and crack down on foreign piracy of U.S. intellectual property.

**Ensure that U.S. Export Controls Reflect Marketplace Realities**

Al Gore and Joe Lieberman will work to ensure that U.S. export controls concentrate on those technologies that pose the greatest risk to our national security and can be effectively controlled. They will support reform of our export controls to avoid unnecessary restrictions on high-tech exports in sectors such as computers, telecommunications equipment, semiconductors, and encryption software.

**Promote and Encourage Entrepreneurship**

One of the primary reasons for the U.S. strength in technology industries is its world-class infrastructure for entrepreneurship and innovation. This includes well-developed venture capital markets, angel investors, strong research universities, financial rewards for successful entrepreneurs in the form of equity and stock options, and a culture that encourages risk and tolerates failure. Al Gore and Joe Lieberman will work with entrepreneurs to determine what policies would further strengthen America’s position as the best place in the world to start and grow a high-tech business – such as an emphasis on entrepreneurial education and expanded access to capital markets.

Foster competition in telecommunications and the widespread deployment of broadband networks

Both established and new telecommunications companies are building the high-speed, always-on networks that represent the next stage in the evolution of the Internet. The Gore-Lieberman economic plan will:

- **Aggressively promote competition in the telecommunications sector.** This is so that any company can provide any service to any customer, and so that market forces rather than government regulation can prevent anti-competitive and anti-consumer behavior;

- **Foster deployment of broadband networks in rural communities.** They will use loan guarantees and pilot projects to bring high-speed data networks to rural America.

- **Ensure that adequate spectrum is available for “third generation” wireless services.** These services will be capable of providing voice, video and high-speed data.
• **Support efforts of the research community to develop cutting-edge applications.**
  Al Gore and Joe Lieberman support initiatives such as the Next Generation Internet that will accelerate the development of the latest technologies.

II. **INVESTING IN SCIENCE AND TECHNOLOGY FOR OUR FUTURE**

Al Gore and Joe Lieberman will fight for robust investments in science and technology to encourage innovation and foster prosperity. Many of the technologies that are driving today’s economy (the Internet, microprocessors, the first graphical Web browser, advanced wireless technologies, biotechnology) were supported with government research investments. Increased investment in S&T can also strengthen U.S. national security, protect the environment, allow Americans to lead longer, healthier lives, and help train the next generation of scientists, engineers and entrepreneurs.

Al Gore and Joe Lieberman believe that the federal government should make sustained increases in its overall R&D investment, and provide for tax incentives that will increase private sector investment as well. This will maintain America’s scientific, technological and economic leadership. In this, priority should be given to university-based research, since universities help prepare the next generation of scientists, engineers, and entrepreneurs. America’s world-class research universities give the United States an important source of competitive advantage in the global economy – and help create “regional clusters” of high-tech activity such as in Silicon Valley, San Diego, Research Triangle Park, and Boston.

Al Gore and Joe Lieberman recognize that the research enterprise is becoming increasingly interdependent. Advances in computer science, the physical sciences and engineering are increasingly important to biomedical research. Research in physics led to breakthroughs in medical imaging, and computing is becoming increasingly important to the development of new, life-saving drugs. That is why the federal government needs to maintain a balanced research portfolio that supports all areas of science and engineering. Moreover, the research portfolio needs to be balanced between research that is designed to meet particular national and societal objectives and fundamental, “curiosity-driven” research such as investigations into the fundamental nature of matter, the origin of life on Earth, and the eventual destiny of the universe.

Since the federal government now accounts for only one-third of the nation’s overall R&D expenditures, government needs to develop new, innovative mechanisms for partnering with the private sector and encouraging university-industry partnerships. Mission-oriented agencies, such as the Defense Department, need to develop “dual-use” strategies that allow them to foster and adapt commercial innovations for defense purposes.

Al Gore and Joe Lieberman will support expanded research and development in the following high-priority areas:
• **Biomedical research.** Launching a new campaign in the fight against diseases, Al Gore and Joe Lieberman will double our investment over five years in cancer research— as part of a larger commitment to all medical research. This investment includes an increase of $18 billion over ten years for cancer and other medical research, that will help ensure scientists have the resources to develop new cutting edge treatments, prevention, and detection tools. Al Gore and Joe Lieberman will increase basic research specifically to find more efficient pre-clinical testing protocols, because many of the breakthroughs in the years ahead will rely on insights from genomics. And a Gore-Lieberman Administration will make similar increases in funding for biomedical research to fight other diseases – from Alzheimer’s and Parkinson’s to diabetes and HIV/AIDS.

• **Bioinformatics and bioengineering.** Al Gore and Joe Lieberman recognize the growing interdependence and convergence of biological science and information science. For example, with the initial sequencing of the full human genome now complete, we now have the potential to produce new treatments, diagnostics and personalized medicine. But this will require new advances in bioinformatics to help discover the function of genes. To take advantage of the promise of this research, Al Gore and Joe Lieberman will propose the creation of 20 centers of excellence in biomedical computing on the campuses of our finest universities. They will also call for an increased emphasis in biomedical engineering by creating a new institute at NIH, which could lead to breakthroughs such as artificial kidneys, artificial retinas, and a cure for spinal cord injuries.

• **Information technology research.** Al Gore and Joe Lieberman will double IT research funding over a five-year period. They also want to create centers that will focus on advancing the state-of-the-art of particular applications of IT, such as digital government and crisis management, and for research in the ethical, legal, and social dimensions of the Information Revolution.

• **Nanotechnology.** Al Gore and Joe Lieberman support expansion of the National Nanotechnology Initiative. A nanometer is one-billionth of a meter – and nanotechnology is the ability to manipulate matter one atom or molecule at a time. It could lead to amazing breakthroughs – materials that are 10 times stronger that steel and a fraction of the weight, “molecular computers” that could store the equivalent of the Library of Congress in a device the size of a sugar cube, “nanoparticles” for more efficient delivery of drugs, and filters that remove even the smallest contaminants from our air and water.

• **Support for undergraduate and graduate education in science and engineering.** To help meet the rising demand for workers with technical skills, Al Gore and Joe Lieberman support the Clinton-Gore Administration’s increase funding for scholarships, fellowships and traineeships for students pursuing careers in science and engineering. Currently, the U.S. lags
behind most other industrialized countries in terms of the percentage of 24-year-olds that hold a degree in natural sciences and engineering.

- **America’s space program.** Al Gore and Joe Lieberman understand that America’s space program has always been about pushing the envelope in science, technology, exploration and discovery as a means of learning more about ourselves and the universe in which we live. Al Gore and Joe Lieberman are committed to a space program that will complete the International Space Station; invest in safety upgrades to the Space Shuttle, and develop new space transportation technologies to meet the challenges of tomorrow. It will also create telescopes so powerful that they will allow us to see the planets of other solar systems and help us determine the origin, evolution, and destiny of the universe and help us understand our planet using space-based observation technology.

- **Energy and the environment.** As discussed in Chapter 10, Al Gore and Joe Lieberman will increase investment in technologies that will develop cleaner sources of energy, reduce our dependence on foreign oil, increase energy efficiency, and protect the environment. These technologies include fuel cells that emit only water, solar and other renewable forms of energy, bioenergy, energy-efficient housing, and “green” manufacturing technologies.

- **Education research.** Al Gore and Joe Lieberman support funding for rigorous research on what educational strategies work and why, and R&D that will advance the state-of-the-art in educational technology. These include powerful simulations that allow students to “learn by doing,” intelligent tutoring systems that respond to individual learning styles and recognize student mistakes, and information visualization that makes it easier for students to understand difficult concepts in math and science.

- **Defense research.** Al Gore and Joe Lieberman recognize the important role that technology plays in ensuring America’s military superiority. U.S. military strategy calls for new capabilities such as critical infrastructure protection, biological warfare defense, new materials for lighter armor, unmanned aerial vehicles, and information technology that allows American military commanders to have “information superiority.” The Gore-Lieberman economic plan will increase investment in defense research, especially in DARPA’s budget for long-term, high-risk, breakthrough technologies.

**III. PROTECTING OUR VALUES IN A TECHNOLOGICAL ERA**

With rapid advancements in technology, we must work hard to ensure our newest technologies support our oldest and most cherished values. That is why Al Gore has called for an Electronic Bill of Rights for privacy and that is why he worked with 25 of the largest Internet companies to develop a parents’ protection page where parents can go to protect children from material that they believe is inappropriate.
Privacy

Al Gore has focused on the challenge of protecting personal privacy online. That is why he has called for an Electronic Bill of Rights for Privacy. Al Gore and Joe Lieberman believe that consumers should have the right to know how and why their personal information is being collected, the right to block the transfer of that information to third parties, and the ability to verify the accuracy of their personal information.

They want legislation on protecting the privacy of medical records, financial information, and genetic information. In addition, a Gore-Lieberman Administration will pursue new legislation to prevent people from profiting from personal information by selling Social Security numbers.

Al Gore and Joe Lieberman also support efforts to protect privacy on the Internet. Specifically, they support effective industry self-regulation on the Internet, but are demanding that the Internet industry offer better and more comprehensive privacy protection efforts. Al Gore and Joe Lieberman also back new technologies that can put privacy protection in the hands of Internet users, by, for example, allowing them to browse the Internet anonymously.

Protecting Children from Inappropriate Material

Al Gore and Joe Lieberman believe we need to give parents the tools they need to protect children from inappropriate material, in a way that is consistent with the Constitution and that builds on industry self-regulation. Al Gore and Joe Lieberman support an approach that gives parents and teachers the tools they need – such as blocking and filtering software – so they can make the choice about how best to prevent children from getting access to inappropriate material. They want to increase law enforcement resources to crack down on material on the Internet that is clearly illegal. And a Gore-Lieberman Administration will encourage parents to play a role too – to explore the Internet with their children, and make it easier for them to find the exciting educational content that is on the Internet.

IV. CREATING AN E-GOVERNMENT FOR THE 21ST CENTURY

Al Gore and Joe Lieberman have proposed creating an E-Government where citizens are on-line, not in line; an open government that is always open. By providing information and the ability to do business over the Net with government, the American people can get what they need from government, when they need it, with fewer hassles, headaches, and delays. It will bring government closer to the people, and reinvigorate our democracy. Al Gore and Joe Lieberman are committed to:

- Put virtually every federal government service on-line by 2003. Under the Gore-Lieberman plan, Americans will be able to, for example, check the purity of their drinking water, find new job opportunities, or determine the quality of nursing home care for an aging
parent or loved one. They will be able to apply for a Social Security number, ask to participate in a clinical medical trial, or pay their student loan online. Under this proposal, a virtual government field office will be available to all Americans – 24 hours a day, seven days a week at the convenience of the citizen.

• **Create a more accountable and effective federal government.** The Gore-Lieberman plan will require agencies to put progress reports on-line, so every American can see what has been achieved, and where government has fallen short. This “Interactive Town Square” will empower Americans to respond with suggestions on what actions need to be taken to improve the effectiveness and quality of government services. Armed with this information, citizens will also be able to work directly with others who share the same interest, for example, in their neighborhood veteran’s health care clinic or planning their community’s disaster preparation strategy.

• **Make the federal government more efficient and less expensive.** Under the Gore-Lieberman plan, the government will save the taxpayers tens of billions of dollars by letting all buyers compete for government business on the Internet in “real time” auctions. In addition, the Gore-Lieberman plan will create a new on-line government auction site to sell off equipment the government no longer needs. The savings will be used to produce even greater efficiency, more savings, and better services for the taxpayers.

• **Ensure that E-Government is accessible, easy for families to use, and protects Americans privacy.** Under the Gore-Lieberman plan, the federal government will work in partnership with the private sector to provide a free “digital certificate” to any citizen who wants to connect with the government on-line. Americans will be able to use this technology to gain information about their Social Security benefits, apply for a home loan, or report a crime in their neighborhood, all while protecting their privacy. Al Gore and Joe Lieberman will protect Americans’ privacy – because it must remain a fundamental right as we enter the Information Age.

V. CONCLUSION

We are living during a time of amazing change. From the mapping of the Human Genome to the spread of wireless communications, technological advances are affecting every aspect of our lives. Al Gore and Joe Lieberman not only understand these changes, they are also committed to making sure that all Americans enjoy their benefits. They will invest scientific research and work to keep the United States as the world’s high-tech leader. They will work tirelessly to make sure that all Americans have the skills needed to seize the high-tech, high-wage jobs of the future.

Al Gore and Joe Lieberman will fight to make sure that these new technologies honor our oldest values, especially privacy. Finally, a Gore-Lieberman Administration will itself take advantage of these technological advances to create an E-government that is easy to use, closer to
the people, and more responsive to their needs. The New Economy holds great promise, and Al Gore and Joe Lieberman will fight so that all our families can take part of it.
CHAPTER 12
CRITICAL SECTORS: AGRICULTURE, SMALL BUSINESS, AND MANUFACTURING

Although information technology and other new industries are becoming increasingly important in our economy, Al Gore and Joe Lieberman believe that you cannot grow prosperity without a major contribution from key sectors that have been so important to the American economy and society for most of our history: agriculture, small business, and manufacturing.

Al Gore and Joe Lieberman are committed to making sure that these sectors of our economy are able to thrive, creating jobs and supporting communities all over our nation. Agriculture, small business, and manufacturing all present different problems and challenges. However, there are some issues that are of concern to them all, as well as to the entire economy. One of these is making sure that markets are free and competitive. When monopolies, cartels, or unfair practices stifle competition, artificially inflate prices, and hurt consumers, the entire American economy – and all Americans – suffer. Al Gore and Joe Lieberman believe in an antitrust policy that is supported with effective enforcement and that maintains the line between market power legally and fairly obtained and that gained illicitly.

Keeping markets free and competitive is just one of many issues that affect these sectors of our economy. Al Gore and Joe Lieberman will work to make sure that our latest technological and scientific advances are available for farmers, factory workers, and small business owners to compete effectively, and win in the global economy. And they will work to make sure that working men and women in these sectors have the skills and support – from health care to access to capital – to succeed.

I. AGRICULTURE AND RURAL COMMUNITIES

America’s farms are a cherished part of our way of life, and are essential to keeping America independent, well-nourished, and healthy. Al Gore and Joe Lieberman will work to make American agriculture – and the family farms that are its heart and soul – strong. They will shore up the agriculture safety net that protects farmers when crop prices or yields fall unexpectedly; open foreign markets to American livestock and crops; reduce concentration in agribusiness; and expand non-traditional uses for agricultural products, such as ethanol and bio-based energy and products. A Gore-Lieberman Administration will also work to protect farmland and conserve natural resources and environmentally-sensitive land.

But rural America extends beyond its farms. Al Gore and Joe Lieberman want to create opportunity for everyone in rural America, both inside and outside the agricultural economy. Rural Americans deserve the same chance as all Americans to enjoy world-class education and health care, safer communities, efficient transportation, and quality, affordable housing.
Promoting Agricultural Development

Al Gore and Joe Lieberman believe that a strong America needs a strong and healthy farm economy.

Promoting better farm income and improving farming opportunities

The “Freedom to Farm” Act has failed. Over the last few years, agricultural prices and farm incomes have remained low and billions of dollars of assistance have been approved on an *ad hoc* basis. This policy must be changed. A Gore-Lieberman Administration will ensure that long-term farm policy is based on counter-cyclical income assistance that attempts to stabilize farm income on a year-to-year basis, and complementary federally-backed insurance policies that attempt to achieve revenue stability within the growing year.

Al Gore and Joe Lieberman’s approach will establish a firm but flexible safety net for farm income by basing payments on net farm income measured against commodity-specific five-year averages. These payments would help farmers pay off their production costs when crop prices fall or farmers suffer unusually low yields. In addition, the Gore-Lieberman plan will increase U.S. Department of Agriculture (USDA) direct and guaranteed farm loans, end the practice of subjecting loan rates to artificial caps, and encouraging farmer-owned storage to reduce commodity price volatility.

Reform crop insurance

Al Gore and Joe Lieberman will work to make crop insurance more effective and affordable by increasing federal support for insurance, expanding insurance to new crops and livestock, modifying production history rules and aiding farmers who suffer multi-year disasters. Their proposal will enhance the coverage for catastrophic protection and non-insured assistance to at least 60 percent of approved yield and 70 percent of expected price.

Reduce concentration in agribusiness

Al Gore and Joe Lieberman believe the American people stand to lose if we allow the current crisis to drive thousands of family farmers and ranchers into bankruptcy and off the farm, leaving an industry that is even more dominated by large, corporate enterprises. Al Gore and Joe Lieberman will stand up to big agribusiness and support efforts to bring greater transparency to the marketplace in order to stop price discrimination against independent, family-size farms. Al Gore and Joe Lieberman will bolster the resources for the USDA and Justice Department to fight anti-competitive practices by enforcing antitrust laws and the Packers and Stockyards Act; expand the Packers and Stockyards Act to include poultry and feedlots; and support a Special Counsel for Agriculture within the Department of Justice to focus more attention on agribusiness mergers.
Al Gore and Joe Lieberman support farmer-owned cooperatives. Co-ops help farmers gain market power as purchasers of goods and sellers of products. The Gore-Lieberman plan will help a new generation of co-ops engage in value-added processing, earning farmers a greater share of the consumer dollar. It will assist pork, corn, soybean, and other cooperatives. And a Gore-Lieberman Administration will work to fashion incentives for cooperative arrangements that work for specific sectors of the rural economy and geographic areas.

Conserve farmland and natural resources

Al Gore and Joe Lieberman believe that providing assistance to farmers and ranchers who voluntarily practice environmentally-sound land management is a crucial part of the farm safety net, one which yields benefits to all Americans. In addition to providing the public with better natural resources – such as productive soil, clean waterways, pure drinking water, and healthy air – these programs also stabilize farm income for farmers suffering from low commodity prices. Al Gore and Joe Lieberman will help farmers voluntarily conserve fragile land. Their plan will provide funding to expand the Conservation Reserve Program to at least 40 million acres and increase funding levels and acreage for the EQIP program and the Wetlands Reserve Program. They also support incentives to farmers to retire land that has been adversely affected by natural disasters.

Expand trade in agriculture on terms fair to farmers and workers

The American economy leads the world in agricultural exports. This is true despite the fact that our exporters face tariffs that average over 40 percent, continued widespread use of quotas, and heavy subsidies that have the effect of closing markets to our products. Al Gore and Joe Lieberman will pursue new negotiations on agriculture to lower tariff disparities, accelerate the elimination of quotas, and end the use of agricultural export subsidies.

Al Gore and Joe Lieberman will work to build international support for an inclusive and balanced new round of trade negotiations – a round that lowers trade barriers while also recognizing the connection between trade and the environment and worker rights. One of the crucial areas for this new round will be agriculture. In the area of agriculture, Al Gore and Joe Lieberman will seek substantial reductions or elimination of tariffs, expansion of remaining tariff-rate quotas, elimination of export subsidies, disciplines on the use of export restrictions on agricultural products, disciplines on state-trading enterprises, simplification of rules applying to domestic support, and establishment of a ceiling on trade-distorting support that applies equally to all countries.
Support biotechnology while responding to consumers and protecting the environment

Biotechnology, the development of new crops and new ways to grow existing crops, holds tremendous promise for producers at home and consumers here and abroad. Biotech products can improve yields, help avoid some diseases and reduce the need for pesticides, fertilizer and other inputs. Al Gore and Joe Lieberman believe that reducing world hunger and ensuring America’s and the world’s future food security depends on its development. Biotechnology also promises new, higher-value crops for specific food and non-food uses. That will lead to better farm income and to jobs and economic growth in rural America.

Al Gore and Joe Lieberman will continue to fight for agriculture research funding, and will battle against foreign trade barriers based on fear and protectionism. Our approval process, and those of our trading partners, must be based on scientific principles, free of political influence, and applied consistently. While European restrictions on biotechnology-related products are a major issue in our relations with Europe, concrete steps have already been taken by this Administration to respond to the refusal of the Europeans to admit these products. The Gore-Lieberman Administration will use our trade laws as appropriate while working with European and other foreign leaders to help countries improve their regulatory systems.

Estate tax relief for family farms

Al Gore and Joe Lieberman recognize that family farms play a special part in many American families, and are often passed from generation to generation. For some farms, the estate tax can present a burden to an heir who wants to continue to operate the family farm. That is why Al Gore and Joe Lieberman have proposed increasing the Qualified Family Owned Business Interest (QFOBI) from $1.3 million per person to $2.5 million per person, and to simplify it so that a couple gets a $5 million exemption. More than 95 percent of the family farms currently subject to the estate tax would be eligible to have their estate taxes entirely eliminated by this proposal, allowing their heirs to continue to operate the business.

Promoting rural economic development

Economic opportunity in the rural economy is heavily dependent on sound agricultural policies, and Al Gore and Joe Lieberman have a plan to help America’s farmers and ranchers. But their agenda for our nation’s smaller cities and towns goes well beyond that, creating opportunity for everyone in rural America, both inside and outside the agricultural economy.

Improving rural transportation and infrastructure

Linking rural America to the world through improved transportation networks is essential for a vibrant rural economy. Al Gore and Joe Lieberman will support the Essential Air Service programs that help ensure service to the smaller, more isolated communities in America’s
heartland. A Gore-Lieberman Administration will expand rural road construction and seek new ways to use 21st century technology to build and maintain quality roads. Al Gore and Joe Lieberman will also provide the tools needed to revitalize rural rail systems.

Rural communities – and the rural economy – cannot grow or prosper without reliable and affordable electricity, water, and sewer access. Al Gore and Joe Lieberman believe that electricity deregulation offers great opportunities to America’s rural consumers, but only if it is done in the right way. Al Gore and Joe Lieberman’s approach to rural infrastructure will place an emphasis on public-private partnerships.

Improving access to capital in rural America

Financing is as important in today’s global economy as it was when the hometown banker made loans to farmers and Main Street businesspeople acted on a handshake and trust. Today, rural Americans need reliable and affordable access to capital to diversify the economy and help businesses survive and thrive. As Chairman of the Community Empowerment Board, Al Gore helped design and implement Rural Empowerment Zone and Enterprise Community programs. The Gore-Lieberman Administration will help rural financial institutions grow, seeking out new ways to encourage community-based financing. As part of that effort, Al Gore and Joe Lieberman will:

• Ensure that the new financial services reform legislation is implemented in a way that does not harm rural financial institutions.

• Maintain and expand USDA rural business programs, which include loan guarantees, intermediate lending, and cooperative development.

• Make Small Business Administration loan programs more available in rural areas.

• Create new micro-loan programs to help rural businesses take advantage of the E-Commerce boom.

• Extend the EZ/EC program into new areas of rural America by asking Congress to fund additional zones and communities. Support reduced-rate financing for young farmers.

• Help food and fiber producers form cooperatives to capture more value-added profits and allow small farmers to compete with large agribusinesses.

• Engage cooperative lenders in rural economic development initiatives.
• Reform America’s farm programs to create a “Rural Safety Net” to restore stability to family farm income making it easier for banks to extend production credit to farmers.

**Bringing the benefits of technology to rural America**

There is a growing “digital divide” between urban and rural Americans. We need to bring the boundless opportunities of electronic commerce to every corner of this country. Al Gore and Joe Lieberman will lead an all-out campaign to close that divide before it gets any wider. To do this, Al Gore and Joe Lieberman will work to expand the Rural Utilities Service telecommunications loans to include financing for all broadband services.

**Bringing quality, affordable health care to rural Americans**

Rural Americans face unique challenges in accessing high quality health care. They are more likely to self-employed, work for small businesses, or work part-time – making it harder for them to access affordable health insurance. In addition, seniors and people with disabilities living in rural communities pay more for prescription drugs than urban beneficiaries and are over 60 percent more likely to go without needed medication because of cost concerns. In fact, 57 percent of rural Medicare beneficiaries do not have prescription drug coverage for all or part of the year, compared to 44 percent of urban beneficiaries. And because rural communities are often isolated from specialists and other tertiary health care providers, those with insurance often have difficulty accessing the specialty care they need.

Al Gore and Joe Lieberman will expand our efforts to cover the over 2 million uninsured children in rural America who have no health insurance by expanding the Children’s Health Insurance Program to cover uninsured families below 250 percent of the poverty level ($42,625 for a family of four). They will create a new 25 percent refundable tax credit for individuals purchasing health insurance to eliminate tax inequities and make health insurance more affordable and accessible for small businesses through purchasing coalitions. In addition, the Gore-Lieberman plan includes a new investment of $1 billion over 5 years in comprehensive health care delivery systems that address the health care needs of the uninsured. These new grants will provide funds to assist community based providers in the development and expansion of integrated systems, including telemedicine networks, that will coordinate the delivery of care to uninsured and provide a greater number of uninsured people access to a continuum of core health care services.

And finally, the Gore-Lieberman plan provides an accessible, affordable prescription drug benefit for the over 9 million rural Medicare beneficiaries nationwide without prescription drug coverage and the millions more with unaffordable or meaningless coverage. It also invests $40 billion over the next 10 years to ensure adequate reimbursement to rural health care providers, including hospitals, nursing homes, and home health care agencies.
Keeping rural communities safe

Al Gore and Joe Lieberman understand that the issues of crime and illegal drugs are as important to American families living in rural communities as they are to families in our cities and suburbs. That is why Al Gore and Joe Lieberman have proposed a comprehensive Rural Anti-Crime Agenda. Specific programs targeted at rural areas include cracking down on methamphetamine, providing technology to fight rural crime, targeting police to high need, high crime rural areas, and providing grants to rural communities to support a faster, firmer, and fairer judicial system.

II. KEEPING MANUFACTURING STRONG IN THE 21ST CENTURY

Al Gore and Joe Lieberman believe that keeping America’s manufacturing sector prosperous in the 21st century is vital to ensuring that America’s economy continues to grow rapidly in the next century.

But manufacturing has not always been at the core of America’s economic strategy. During the Reagan-Bush years, America lost more than two million manufacturing jobs. Many believed that America’s economy could prosper without a vibrant manufacturing sector. Many worried that the New Economy would work only for high-tech start-ups – not for the region they wrote off as the Rust Belt. Many thought that manufacturing was down, and on its way out.

Despite the impact of the recent Asian financial crisis – which hurt manufacturing exports – America’s manufacturing sector has rebounded. Over the past seven and a half years, the American economy has created hundreds of thousands of new manufacturing jobs. As a result, manufacturing remains at the heart of the American economy.

- **Manufacturing is a critical part of the American economy.** Today, the manufacturing sector accounts for approximately one-sixth (17 percent) of the nation’s Gross Domestic Product (GDP), and employs more than 18 million workers. Manufacturing sales provide a bigger boost to the economy relative to other sectors: every $1 million in manufacturing sales supports ten jobs, while every $1 million in sales in other sectors – such as services or construction – supports six jobs.

- **Manufacturing is a source of high-wage, middle-class jobs.** While over half of manufacturing workers have not attended college, manufacturing jobs are generally high paying and are more likely to include employee benefits, such as health care, retirement plans, and vacation and sick leave. For example, in 1998, the compensation package of an average full-time manufacturing worker was 20 percent higher than the compensation package of the average worker.
• Manufacturing is an engine of productivity growth – the key determinant of how fast living standards rise. Over the past three years, productivity growth in the manufacturing sector has been more than double the overall productivity growth rate. In addition, manufacturing industries account for more than half the total research and development (R&D) performed. This tremendous creation – and the resulting dissemination – of R&D have been an essential component of America’s productivity growth.

• Manufacturing drives America’s exports. America’s manufacturing sector has grown increasingly international over the past decade and a half. In 1997, manufacturing exports made up nearly 70 percent of America’s export value of $563 billion. Nearly 15 percent of the dollar value of U.S. manufacturing products are exported – more than double the percentage exported in 1985.

Strengthening American Manufacturing

Al Gore and Joe Lieberman’s plan to strengthen American manufacturers, workers, and communities is based on the simple premise that the manufacturing sector plays an integral role in the U.S. economy. They will:

• Increase research and development that can advance manufacturing. A critical component of a Gore-Lieberman manufacturing agenda is major support for research and development in manufacturing related areas. Such initiatives include:

  ▪ Nanotechnology Research. Nanotechnology Research could lead to materials that are ten times stronger than steal at a fraction of the weight and other advances that could strengthen future manufacturing.

  ▪ Information Technology Research. Gore-Lieberman will support current efforts for a major increase in information technology research that could lead to faster super computers that could speed up the development of new manufacturing products, and new technologies that would make it easier for large manufacturers and their suppliers to collaborate with each other over the Internet.

  ▪ Defense Research. Al Gore and Joe Lieberman have both been leading supporters of DARPA – the Defense Department’s technology research branch because they have realized its historic contribution not only to our strategic military superiority, but to dual-use research that has lead to economic progress as well.

• Cut taxes to spur investment in R&D. Al Gore and Joe Lieberman will make the Research and Experimentation Tax Credit permanent – not subject to the annual battle over renewal on the current credit – so that companies can make investments for the future. Al
Gore and Joe Lieberman will also expand the Research and Experimentation Tax Credit, making the credit partially refundable so that small businesses can take better advantage of it.

- **Upgrade the skills of the manufacturing workforce.** Al Gore and Joe Lieberman will seek to make training and job search assistance universal for any worker who faces dislocation. They will create 401(j) accounts to enable workers to save for job-training tax-free, as well as Retirement Savings Plus accounts which also provide incentives for education savings. They will also institute a College Opportunity tax cut that would provide a 28 percent tax credit for training courses.

- **Defending the right to organize.** Al Gore and Joe Lieberman will fight to ensure that working men and women share in wage gains and productivity growth by doing more not just to defend, but also to strengthen the right to organize. They will fight for a new national law banning permanent striker replacement workers — so that workers’ right to organize a union and bargain with their employers are never compromised. A Gore-Lieberman Administration will also reform labor laws to protect workers’ rights to organize into unions by providing for a more level playing field between management and labor during organizing drives, and facilitating the ability of workers to organize and bargain collectively.

- **Support new grants for incumbent worker training.** This initiative would support innovative approaches to increase training of non-management workers while they are still on the job.

- **Support Internet-export and e-commerce assistance to small manufacturers.** A Gore-Lieberman Commerce Department will further streamline the export process and increase the use of the Internet as a tool for more small manufacturers to expand through exports. They will also support innovative efforts at the Commerce Department’s Manufacturing Extension Partnership to help small manufacturers adopt electronic commerce.

- **Strengthen monitoring and enforcement of trade agreements.** In their first budget, Al Gore and Joe Lieberman will strengthen manufacturing by increasing trade enforcement and monitoring by:
  - Tripling the number of personnel committed to ensuring China’s compliance with trade agreements.
  - Doubling the number of personnel dedicated to monitoring and investigating import surges.
  - Doubling the number of personnel dedicated to ensuring Japan’s compliance with trade agreements.
• **Comprehensive Community Economic Adjustment Office modeled after base-closing efforts.** Al Gore and Joe Lieberman support creating a Community Economic Adjustment office so when a community suffers a major factory closing they can get the same on-site comprehensive services and strategy that the Department of Defense provides a community when there is a base closing.

• **Monitor surges and take early action against illegal dumping.** Drawing on the lessons learned from the steel crisis in 1998, a Gore-Lieberman Administration will vigilantly monitor import trends to determine when a troubling import surge is occurring. They will also continue the precedent started with steel of making critical circumstance determinations early in trade cases as a deterrent to dumping.

• **Support a new Information Technology Agreement (ITA-II).** Since the historic Information Technology Agreement, there are over 100 new information technology products that should also be added to the zero-tariff ITA regime. Seeing how American technology manufacturers can compete with anyone, such an agreement would be a further boost to high-wage manufacturing jobs.

### III. SMALL BUSINESS

Al Gore and Joe Lieberman understand that small businesses and entrepreneurs have been the engines of our economy – generating a substantial fraction of our growth and employing over half of our private workforce. Al Gore and Joe Lieberman will work to strengthen and create new opportunities for small businesses and entrepreneurs. To help small businesses prosper, Al Gore and Joe Lieberman will provide new tax relief, expand access to capital, credit and technical assistance, streamline the regulatory process, and fight to strengthen technology and access to foreign markets for small businesses.

Many of the manufacturing initiatives discussed in the previous section on manufacturing are specifically directed at helping small businesses innovate and grow.

**Tax Relief for Small Business**

Al Gore and Joe Lieberman have proposed tax relief to help small businesses innovate, grow, and compete in the modern economy:

• **Making the research and experimentation tax credit permanent and improving it for small business.** In addition to permanently extending the Research and Experimentation tax credit, Al Gore and Joe Lieberman have proposed making it partially refundable for small businesses in order to ensure that these vital businesses can take better advantage of this credit.
• **Estate tax relief.** Al Gore and Joe Lieberman have proposed to nearly double the value of a small business that can be left to an heir without having to pay estate taxes. More than 70 percent of the small businesses currently subject to the estate tax would be eligible to have their estate taxes eliminated under this proposal.

• **Simplifying pensions for small businesses, and providing tax incentives to start new plans.** Small businesses are much more likely not to offer a pension for their employees. In part this is because of the cost of starting a new plan and the complexity of operating a plan. This puts small businesses at a disadvantage in attracting talented labor. Al Gore and Joe Lieberman have a series of proposals that will simplify pensions for small businesses. Also, in order to encourage more pension coverage, they have proposed a tax credit for the expenses incurred by small businesses in starting a pension plan.

• **Making health insurance more affordable and more accessible for small businesses.** Small businesses typically pay higher premiums for health care benefits. Administrative costs may consume as much as 40 percent of premium dollars. Al Gore and Joe Lieberman will make health insurance more affordable and accessible for small businesses by proposing a 25 percent tax credit for premium costs for each employee of a small business that decides to join a purchasing coalition (where businesses join together to negotiate for affordable health insurance options for employees).

**Expand Access to Capital, Credit, and Technical Assistance**

The economic evidence suggests that new and small firms can face great difficulties in raising capital. Productive investments and innovations planned and developed by small firms are often not developed because they lack well-established reputations, collateral, or access to financial markets.

To expand access to capital, credit, and technical assistance, Al Gore and Joe Lieberman propose to:

• **Protect the effectiveness of the Community Reinvestment Act (CRA).** Readily available bank credit is the basic lifeblood of small businesses. Although CRA has been on the books since 1977, until the Clinton-Gore Administration reformed the regulations to measure banks’ actual lending, investing and retail services, the CRA required mostly paperwork compliance. As a result, since 1992 banks have pledged more than $1 trillion in CRA lending and investing – more than 98 percent of banks’ CRA commitments since 1977. Al Gore and Joe Lieberman will make sure that CRA becomes even more vital and will work to ensure that bank regulators implement the financial modernization law fully and fairly, so that access to small business credit continues to expand.
• **Spur more investment capital for small businesses.** Small businesses also need equity capital and industry-specific consulting assistance. The New Markets Tax Credit will attract $15 billion in new private capital for small businesses by providing a credit equal to 30 percent of the amount contributed in a fund that invests in businesses in low-income communities. The New Markets Venture Capital (NMVC) program will create a new class of investment funds that can borrow up to $1.50 for each $1.00 they have in private capital. The NMVC program will also provide a matching grant to the private resources they raise for technical assistance to their portfolio companies.

• **Reauthorize and continue to expand the CDFI Fund.** Many small businesses receive their “gap financing” from community development financial institutions (CDFIs), specialized lenders and investors that specifically serve customers overlooked by mainstream financial institutions. These lenders include community development banks, community development credit unions, microenterprise funds, and community development venture capital funds. Al Gore and Joe Lieberman will work to reauthorize the CDFI Fund and to expand its funding and services.

• **Ensure funding for SBA’s 7(a) Small Business Guarantee Program.** This program guarantees a portion of a bank’s loan to a small business that does not otherwise meet underwriting criteria. However, this program has become a central part of small business credit markets. Congress has only reluctantly provided the small amount of funding to cover the credit subsidy for these loan guarantees, and not always in a timely fashion. Al Gore and Joe Lieberman will fight to keep this program strong and obtain the funding it deserves.

• **Funding for loans and technical assistance to microenterprises.** These very small businesses can generate important income for their owners, even owners who were formerly very low-income or coming off welfare. Al Gore and Joe Lieberman will fight to increase funding for the Small Business Administration’s Microloan program, which lends funds to microenterprise development organizations that, in turn, lend to microentrepreneurs. In addition, they will work to fund the recently enacted Program for Investment in Microenterprise (PRIME) Act, which would provide grants for pre-loan counseling to the very poorest microentrepreneurs.

• **Encourage more business-to-business partnerships to aid firms in distressed areas.** In 1998, Al Gore launched BusinessLINC, which stands for learning, investment, networking and collaboration. These are the ways the large and small firms can partner to make smaller firms more competitive. These strategies are sometimes called “business mentoring,” but they are often more akin to strategic partnerships. BusinessLINC is now a project endorsed by the Business Roundtable and has six local coalitions that foster connections between large and small firms to increase the capacity and the contracting opportunities for both firms. Al Gore and Joe Lieberman will keep encouraging more companies to participate,
and will urge seed funding for the local coalitions so that they can reach firms in the poorest communities.

**Streamline the Regulatory Process**

All firms must pay costs in order to comply with regulations and reporting requirements. For small firms these burdens can be disproportionately large and represent the difference between the success or failure of the entire enterprise. To streamline the regulatory process for small businesses, Al Gore and Joe Lieberman propose using “plain language” in the development of regulations so that small businesses know what is expected of them, and, where appropriate, exempt small businesses from regulations and reporting requirements; and use information technology so that small businesses can provide information to the government once, as opposed to having to submit it repeatedly.

**Promoting Trade and Opening Markets for Small Businesses**

Globalization is becoming increasingly important for the expansion and survival of small businesses. Many small businesses, however, often lack the management resources and access to information necessary to tap export markets. In order to open foreign markets for small businesses – and to help provide them with the tools and resources to take advantage of these opportunities – Al Gore and Joe Lieberman will expand export financing for smaller companies, create “virtual trade missions” that allow smaller companies to break into global markets using global electronic commerce, and strengthen efforts to put an “export advisor” on the desktop of every small business, with trade leads, tutorials on exporting, and “one stop” access to all government assistance for small business exporters.

**Helping Small Businesses Harness Innovation**

Although many small businesses are developing the technology of tomorrow, others are still using yesterday’s technology. Research indicates that it can be especially difficult and costly for small businesses to keep up with the increasingly rapid advances in science and technology. It is essential not just to foster a climate of innovation for small businesses, but also to help them take advantage of existing knowledge and ideas. In addition to the extending and enhancing the Research and Experimentation tax credit discussed earlier, Al Gore and Joe Lieberman will encourage firms to form mentor-protégé relationships with smaller firms; expand participation of small businesses in federal R&D through the Small Business Innovation Research program; and help small businesses adopt e-commerce technologies by providing technical assistance, using online learning and the national network of Small Business Development Centers.
IV. CONCLUSION

As we begin the 21st century and see its promise, we must realize that we can only continue to grow and prosper if we strengthen and build all the sectors of our economy. Al Gore and Joe Lieberman believe that some of the oldest parts of our economy – agriculture, small business, and manufacturing – are also some of the most important. They are committed to making sure that these critical sectors continue to grow and thrive.

A Gore-Lieberman Administration will not allow these areas of our economy to be overlooked and ignored. Rather, they will work hard to make sure that these businesses, factories, and farms – and those who work in these sectors – are able harness the power of new technologies to become more efficient, more productive, and create more jobs. Al Gore and Joe Lieberman will fight to make sure that the men and women who work in these sectors are able to share in our prosperity.
ADDENDUM

THE GORE-LIEBERMAN FEDERAL BUDGET AND SURPLUS PLAN

In the previous pages, Al Gore and Joe Lieberman have presented a plan that will expand our progress and build on our prosperity. This final section outlines how Al Gore and Joe Lieberman will use the unprecedented budget surpluses to make the goals and promises in the previous pages reality. The following tables provide a detailed economic projection of how the Gore-Lieberman plan will: make America debt-free by 2012; shore up Social Security and protect Medicare in a “lock box,” so its surpluses can only be used to pay down the national debt and to strengthen Social Security; make key investments in education, the environment, and health care; and provide $500 billion in middle-class tax cuts.

The historic budget surplus presents both opportunities and challenges for the American people and their leaders. Because of all we have achieved, we have a chance that comes to few generations—to open an era of great progress, and great reforms. Al Gore and Joe Lieberman believe the American people have the right to know how they intend to grow our prosperity – how they will ensure that we meet this historic moment’s full promise.

In order to ensure a clear and accurate comparison of the economic plans of both candidates we have presented the following economic tables using numbers from both the Office of Management Budget (OMB), which prepares the budget for the President, and the Congressional Budget Office (CBO), which provides budget forecasts for the Congress. These two offices have produced different estimates of the surplus – as Table 1 illustrates. According to CBO estimates, the total “unified surplus” for the next ten years, assuming discretionary spending grows with inflation, will total $4.561 trillion. According to OMB estimates the same surplus will total $4.193 trillion. The Gore-Lieberman plan will balance the budget and pay down the debt within both surplus estimates.

The premise of the Gore-Lieberman budget, as discussed in Chapters 2 and 3, is setting aside the Social Security and Medicare surpluses, protecting them for debt reduction and to strengthen Social Security and Medicare. Of the $4.6 trillion surplus projected by CBO, $2.4 trillion is the Social Security surplus and $360 billion is the Medicare Part A surplus. Putting these in a secure lockbox is the key element of the Gore-Lieberman plan to pay off the debt by 2012. These surpluses are defined as “off-budget.”

Even with this debt reduction, there is still a projected $1.8 trillion “on-budget” surplus on CBO assumptions, i.e. the non-Social Security, non-Medicare surplus. This surplus is available to further strengthen Social Security and Medicare, to invest in key priorities, for targeted tax relief for working families, and for further debt reduction. Much of this debt reduction is achieved by saving Social Security and taking Medicare off-budget. As we saw in Chapter 2, debt reduction at
the federal level has important implications for families at the community level – mostly because when interest rates are low, families save money on everything from mortgages to car payments.

The following tables show how Al Gore and Joe Lieberman will allocate the projected surplus. By far the largest elements are debt reduction – with over $3 trillion of total debt reduction (based on CBO projections). Table 1 shows how Al Gore and Joe Lieberman will prioritize investments on the “on-budget” account. The on-budget surplus is divided into nine major categories. Figures in parentheses indicate the combined tax and non-tax expenditures for each category. These expenditures are detailed in Tables 2 and 3. Table 4 brings together the detail for the three major government accounts: on-budget, Medicare, and Social Security and adds them together into the unified totals.

These tables present Al Gore and Joe Lieberman’s allocation of the projected 10-year budget surplus. It is not a specific budget request for each and every discretionary account for fiscal year 2002. There are several specific discretionary initiatives proposed by the Clinton-Gore Administration and endorsed by Al Gore and Joe Lieberman, like school construction. In the Clinton-Gore Administration’s budget these initiatives are paid for in the context of a discretionary policy that maintains overall discretionary spending with inflation, and thus these programs are built into the Gore-Lieberman baseline and are not displayed in the allocation of the 10-year surplus.

Taken together, all of the Gore-Lieberman proposals – including tax cuts, a Medicare prescription drug benefit, and investments in education, health care, and the environment – would cost $1.206 trillion on the OMB baseline and $1.295 trillion on the CBO baseline (without associated interest). The major categories of Al Gore and Joe Lieberman’s allocation of the 10-year surplus are:

**Investing in Education and Learning: $115 Billion ($170 Billion With Tax Cuts)**

As we saw in Chapter 10, nothing is more important to success in the new economy than education. And while our public schools have been doing well, they face unprecedented challenges in the years to come. Al Gore and Joe Lieberman are proposing to invest $115 billion of the surplus in our public schools, hiring new teachers, expanding access to universal pre-school, and demanding more accountability. These investments are on top of the already considerable increases in education spending and in programs such as Head Start that occurred during the Clinton-Gore years.

In addition, the Gore-Lieberman plan includes $55 billion of targeted tax cuts to help pay for much needed school construction, to help families save for college, and to make tuition and training more affordable. This brings the total for education to $170 billion.
Improving and Expanding Quality Healthcare: $120 Billion ($197 Billion With Tax Cuts)

Al Gore and Joe Lieberman are also calling for substantial investments in children’s health coverage, in cancer and other medical research, mental health care and elder care for a total of $120 billion in surplus investment. In addition, the Gore-Lieberman plan includes $77 billion of targeted tax cuts to ensure equity for the individual purchase of health insurance, to pay for long-term care, and other health priorities. This brings the total investment to $197 billion.

Providing a Medicare Prescription Drug Benefit and Other Medicare Policies

As described in Chapter 3, Al Gore and Joe Lieberman would establish a new prescription drug benefit for all seniors under Medicare that is affordable both to the program and to all of its beneficiaries. The drug benefit is designed to be affordable, accessible, meaningful, and competitively administered.

In addition to a new prescription drug benefit, Al Gore and Joe Lieberman believe that we need to reform Medicare to make it more efficient and competitive, continue to root out fraud, waste, and abuse, and restore payments to teaching hospitals, nursing homes and others that were cut too deeply as a result of the Balanced Budget Act.

Estimates of the cost of these policies differ depending on whether they are estimated on an OMB baseline, which assumes lower baseline Medicare spending, or a CBO baseline, which assumes higher baseline Medicare spending. To ensure “apples to apples” budgeting, Al Gore and Joe Lieberman are consistent in using the CBO-estimated cost with the CBO-estimated surplus, and similarly for OMB. (Note that some of the cost of the Medicare prescription drug benefit and other Medicare policies would be incurred in Medicare Part A or, because of interactions, in Social Security. Table 4 breaks out the cost on the basis of these different accounts.)

Medicare Solvency Interest Savings Transfers: $75 Billion

As explained in Chapter 3, taking Medicare off-budget increases the total debt reduction. This produces interest savings. Al Gore and Joe Lieberman devote these interest savings, as part of a comprehensive plan, to extend the solvency of Medicare to at least 2030. These transfers are marked off the surplus, and are thus not available for other tax cuts or spending increases. This further pays down the debt, ensuring we will have the resources to meet our commitments to Medicare for the future.

Environment and Energy Security: $120 Billion ($171 Billion With Tax Cuts)

A strong economy requires a plan that ensures we reduce our dependence on unreliable sources of foreign oil and a cleaner, healthier environment. In addition to substantial tax credits to
help Americans buy energy-efficient products, the Gore-Lieberman budget invests $120 billion to make our electricity grid more reliable, clean up our aging power plants, expand transportation choices, clean up our water, and encourage private investment in new technologies that will create a cleaner environment. In addition, Al Gore and Joe Lieberman have proposed $51 billion of tax incentives to conserve land, clean up the environment, and encourage the purchase of energy equipment homes, autos, and equipment. This brings the total initiative to $171 billion.

**National Security: $100 Billion**

A strong national defense is central to protecting America and its interests abroad. Al Gore and Joe Lieberman understand that the U.S. must have a military capability that is second to none – with the resources, technology, and the well-trained, well-equipped manpower to engage where America’s national interests or values are at stake. Al Gore and Joe Lieberman will devote part of our budget surplus to improve the pay and quality-of-life benefits to ensure that the U.S. military continues to recruit the highest caliber personnel; modernize our military equipment and invest in tomorrow’s advanced weaponry; and improve the readiness of our troops to confront any conflict in a Global Age. Al Gore and Joe Lieberman will also invest in a policy of forward engagement – addressing problems early in their development before they become crises, addressing them as close to the source of the problem as possible, and having the forces and resources to deal with these threats as soon after their emergence as possible. This proposal adds $100 billion of the surplus for national security to the $112 billion agreed to last year by the White House, Pentagon, and Congress and which is already in the baseline.

**Targeted Tax Cuts: $480 Billion**

Al Gore and Joe Lieberman believe that a portion of the surplus should be used to cut taxes for hard-working families struggling to pay for child care, college tuition, long-term care, and saving for retirement. These tax cuts are detailed in Table 2.

This approach is fundamentally different from the approach taken by the Bush-Cheney ticket and the Republican Party. They advocate tax cuts that have the effect, as discussed in Chapter 7, of giving large windfalls to the wealthiest and small or no tax cuts to those at the bottom of the income ladder.

- **Tax cuts for education.** Even in good economic times, families have trouble saving for college and paying for college. Even when both parents have jobs, it is often difficult to pay for quality after school care. As Table 2 shows, Al Gore and Lieberman have promised $55 billion dollars in tax incentives to help make college more affordable, save for lifelong learning, and help rebuild our crumbling schools.
• **Tax cuts for health care.** Families also have trouble paying for health care – especially those families whose employers do not offer health care coverage. That is why Al Gore and Joe Lieberman have offered a tax credit for the purchase of health insurance for people who cannot get coverage through work. And many families know the difficulty of trying to provide for long term care. The Gore-Lieberman plan will use $77 billion of the surplus on tax incentives to improve and expand health care.

• **Tax cuts for the environment.** All families want cleaner air, water, more livable communities, and clean but reliable energy. As Chapter 10 discusses, the power of markets can provide the bond between economic growth and environmental protection. That’s why Al Gore and Joe Lieberman have chosen to cut taxes by $51 billion to help Americans buy cleaner cars and trucks and to live in more energy efficient homes and work in more energy efficient buildings. These tax cuts are designed to encourage new markets in environmentally friendly technologies and products.

• **Tax cuts for families.** Al Gore and Joe Lieberman want to help families get ahead and stay ahead. They are committed to substantially reducing the marriage penalty because they believe marriage should be encouraged, not penalized. They know working parents need help with child care, which is why Al Gore and Joe Lieberman have also proposed a substantial increase in the Child and Dependent Care Tax Deduction. And they know that low income working families need special help, through the Earned Income Tax Credit (EITC) and through programs that will improve their communities.

• **Tax cuts for retirement.** Families also need help saving for retirement. As Chapter 4 discusses, Americans at the top of the income distribution are rewarded handsomely, through the tax system, when they save for retirement while Americans at the lower end of the income distribution are not. The Retirement Savings Plus accounts outlined in Chapter 4 will help middle class and working families, who have not been able to save for retirement, build substantial nest eggs in addition to their guaranteed social security benefits. Al Gore and Joe Lieberman will dedicate over $200 billion of their tax cut to help American families save for retirement.

• **Tax cuts for innovation and growth.** As Chapter 11 outlines, technology and innovation have become the engine of America’s economic growth. To further that growth, the Gore-Lieberman tax plan dedicates money to make the Research and Experimentation Tax Credit permanent. In addition, their plan reduces the estate tax for small businesses and family farms, provides money for technology bonds, and provides a tax break for those who want to reduce the influence of special interests and restore faith in our democracy.
Supporting Families, Strengthening Communities, and Reducing Youth Smoking

Al Gore and Joe Lieberman have also planned for investments in areas critical to our economic future. They intend to continue the stunning progress made during the past eight years in moving people from welfare to work. To that end they have planned to allocate $3 billion of the surplus for the next critical phase of welfare reform and to promote responsible fatherhood. They invest $10 billion in improving child care. And to ensure we continue to reduce the crime rate, they will allocate over $8 billion of the surplus to help communities hire more police, more prosecutors, keep guns away from our kids and out of the hands of criminals, and win the war on drugs. In addition, they have plans to address hunger and help people with disabilities to work.

Al Gore and Joe Lieberman also believe that youth smoking is still too high and have proposed a policy that to discourage children from smoking and, by using a contingent mechanism, ensuring that tobacco companies do not have incentives to market to children.

In addition, Al Gore and Joe Lieberman support some further initiatives that are fully offset by user fees and other programmatic offsets. Some illustrative initiatives are shown in Table 3. They would also use the Quadrennial Defense Review and other reviews of the roles and missions of our armed forces to develop a plan to strengthen our defense capabilities and to identify savings, including documented savings in procurement through electronic commerce, for reinvestment in our military. They would also repeal the timing shifts in the FY2000 budget agreement, ensuring that spending is accounted for in the year it should be.

Reducing Poverty Among Elderly Women

As part of their plan to strength and modernize Social Security, Al Gore and Joe Lieberman have proposed policies to reduce poverty among elderly women living alone, including a targeted increase in the widow benefit and addressing the “motherhood penalty.” These investments would cost $97 billion over 10 years. These costs are more than offset over Social Security’s 75-year actuarial planning period, and together are part of a plan to extend solvency from 2037 to at least 2054. Under the accounting rules under current law, this proposal would be reflected in the off-budget account, and it is shown in Table 4.

Interest

The interest line reflects that any proposals that reduce debt reduction relative to the baseline increase the total interest costs on the debt relative to the baseline. Since CBO and OMB have different interest rate projections, the interest cost varies in the two columns.
**Surplus Reserve Fund**

There are two official estimates of the size of the surplus over the next ten years. The estimate prepared by CBO is larger than the estimate prepared by the OMB. The Gore-Lieberman plan will balance the budget and pay down the debt within both surplus estimates. Moreover, it leaves room to face the unforeseen.

No matter how much one uses conservative forecasts and tries to plan ahead, there is still the possibility of unexpected expenses. That is why Al Gore and Joe Lieberman are taking the rare position that Congress should set aside approximately $300 billion of its more optimistic surplus projections. These funds — nearly one dollar out of every six dollars of the non-Social Security/non-Medicare surplus — should not be spent, should not be promised, and should not be used for tax cuts.

Just as prudent families try to save extra for unanticipated costs, Al Gore and Joe Lieberman believe that it is fiscally prudent to set aside a substantial portion of the surplus for unforeseen events whether they be major natural disasters, military conflicts, or weaker economic growth.

If more conservative OMB projections are met, this will allow an additional $300 billion of debt reduction. If unexpected costs materialize, this surplus resource will prevent us from going back to the days of big deficits, high taxes, and deep spending cuts.

Such an approach is unprecedented for a Presidential candidate: indeed, the common practice is to spend every penny available for new programs or new tax cuts — and then some. But Al Gore and Joe Lieberman want to make sure that they do not over promise — and the Congress does not overspend. They don’t want to bring back the days of high deficits, soaring debt, and high interest rates. And the only way to do that is to set aside some of the surplus, under the Congressional estimates, and not spend it all.

Such a surplus reserve fund sends a clear and crisp message both to global markets and the American people that the era of fiscal discipline will be strengthened, not weakened, under a Gore-Lieberman Administration. This reserve fund builds on the fiscally disciplined effort that Al Gore has already called for in taking the Medicare surplus off-budget, something that would result more than $350 billion more of debt reduction over the next decade.
### TABLE 1 – ALLOCATION OF THE SURPLUS: OMB vs. CBO ($billions; 2001-10)

<table>
<thead>
<tr>
<th></th>
<th>CBO</th>
<th>OMB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Unified Surplus</td>
<td>4,561</td>
<td>4,193</td>
</tr>
<tr>
<td>Social Security and debt reduction lockbox&lt;sup&gt;1&lt;/sup&gt;</td>
<td>2,388</td>
<td>2,320</td>
</tr>
<tr>
<td>Medicare and debt reduction lockbox</td>
<td>360</td>
<td>403</td>
</tr>
<tr>
<td>On-budget Surplus</td>
<td>1,813</td>
<td>1,470</td>
</tr>
</tbody>
</table>

**Allocation of the on-budget surplus**

- Investing in Education and Learning (Total: $170; non-tax: $115) | 115 | 115 |
- Improving and Expanding Quality Healthcare (Total: $197; non-tax: $120) | 120 | 120 |
- Medicare Prescription Drug Benefit & Other Medicare Policies<sup>2</sup> | 340 | 255 |
- Medicare Solvency Interest Savings Transfers (Debt Reduction) | 75  | 75  |
- Environment and Energy Security (Total: $171; non-tax: $120) | 120 | 120 |
- National Security | 100 | 100 |
- Targeted Tax Cuts | 480 | 480 |
- Other Priorities, Offsets, and Reducing Youth Smoking | -90 | -90 |
- Interest<sup>3</sup> | 253 | 291 |

*Total cost of proposals, including debt reduction for Medicare solvency* | 1,513 | 1,466 |

- Surplus Reserve Fund | 300 | 4 |

**Memorandum: Total Debt Reduction** (see Table 4)

<table>
<thead>
<tr>
<th></th>
<th>CBO</th>
<th>OMB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security Surpluses for Debt Reduction</td>
<td>2,266</td>
<td>2,194</td>
</tr>
<tr>
<td>Medicare Solvency Lockbox</td>
<td>463</td>
<td>514</td>
</tr>
<tr>
<td>Surplus Reserve Fund</td>
<td>300</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total Debt Reduction</strong></td>
<td>3,029</td>
<td>2,712</td>
</tr>
</tbody>
</table>

---

1. A portion of this surplus is allocated to reducing poverty among elderly women. See Tables 3 and 4.
2. On-budget cost only. Scoring from OMB Mid-Session Review and CBO Economic and Budget Outlook, July.
3. Interest cost must be used to calculate the total drain on the surplus; these estimates are based on CBO’s and OMB’s projected interest rates respectively.
TABLE 2 – TARGETED TAX CUTS ($billions)

<table>
<thead>
<tr>
<th>Category</th>
<th>2001-10</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investing in Education and Learning</strong></td>
<td></td>
</tr>
<tr>
<td>College Opportunity Tax Cut</td>
<td>36.0</td>
</tr>
<tr>
<td>401(j) Education and Training Accounts</td>
<td>3.0</td>
</tr>
<tr>
<td>National Tuition Savings Accounts</td>
<td>2.0</td>
</tr>
<tr>
<td>Training Tax Credit</td>
<td>0.6</td>
</tr>
<tr>
<td>School Construction Tax Credit</td>
<td>8.0</td>
</tr>
<tr>
<td>After-School Tax Credit</td>
<td>5.3</td>
</tr>
<tr>
<td><strong>Subtotal, Investing in Education and Learning</strong></td>
<td>54.9</td>
</tr>
<tr>
<td><strong>Improving and Expanding Quality Healthcare</strong></td>
<td></td>
</tr>
<tr>
<td>Tax Credit for Health Insurance</td>
<td>48.0</td>
</tr>
<tr>
<td>Small Business Health Insurance</td>
<td>0.3</td>
</tr>
<tr>
<td>Long-term Care Credit</td>
<td>26.6</td>
</tr>
<tr>
<td>Disability and Work Tax Credit</td>
<td>1.7</td>
</tr>
<tr>
<td><strong>Subtotal, Improving and Expanding Quality Healthcare</strong></td>
<td>76.6</td>
</tr>
<tr>
<td><strong>Rewarding Family, Reducing Poverty, and Empowering Communities</strong></td>
<td></td>
</tr>
<tr>
<td>Eliminate the Marriage Penalty for Millions of Working Families</td>
<td>66.2</td>
</tr>
<tr>
<td>Expand Child and Dependent Care Tax Credit</td>
<td>31.0</td>
</tr>
<tr>
<td>Expand the Earned Income Tax Credit</td>
<td>29.0</td>
</tr>
<tr>
<td>Increase the Low-Income Housing Tax Credit</td>
<td>5.7</td>
</tr>
<tr>
<td>Expand and Improve EZ/EC Incentives</td>
<td>4.4</td>
</tr>
<tr>
<td>New Markets</td>
<td>5.1</td>
</tr>
<tr>
<td>Close the Digital Divide</td>
<td>2.1</td>
</tr>
<tr>
<td>Technology Bonds</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Subtotal, Family, Poverty, and Communities</strong></td>
<td>144.1</td>
</tr>
<tr>
<td><strong>Cleaning Up the Environment and Enhancing Energy Security</strong></td>
<td></td>
</tr>
<tr>
<td>Conservation Tax Incentives</td>
<td>2.0</td>
</tr>
<tr>
<td>Description</td>
<td>Amount</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>Better America Bonds</td>
<td>3.1</td>
</tr>
<tr>
<td>Permanently Extend Brownfields Tax Credit</td>
<td>1.1</td>
</tr>
<tr>
<td>Encouraging Energy Efficient Homes, Buildings, Autos, and Other</td>
<td>45.1</td>
</tr>
<tr>
<td><strong>Subtotal, Environment and Energy Security</strong></td>
<td><strong>51.3</strong></td>
</tr>
<tr>
<td><strong>Making Retirement More Secure By Encouraging Savings</strong></td>
<td></td>
</tr>
<tr>
<td>Retirement Savings Plus</td>
<td>200.0</td>
</tr>
<tr>
<td>Tax Credit for Small Business Startup Pension Expenses</td>
<td>1.3</td>
</tr>
<tr>
<td>Simplify, Increase Portability of Pensions, Including 415</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Subtotal, Retirement Savings</strong></td>
<td><strong>202.4</strong></td>
</tr>
<tr>
<td><strong>Encouraging the Development of New Technologies and Other</strong></td>
<td></td>
</tr>
<tr>
<td>Permanent R&amp;E Tax Credit</td>
<td>23.8</td>
</tr>
<tr>
<td>Reduce the Estate Tax for Small Businesses and Family Farms</td>
<td>11.0</td>
</tr>
<tr>
<td>Democracy Endowment</td>
<td>2.1</td>
</tr>
<tr>
<td>Additional Unallocated Tax Cuts</td>
<td>9.0</td>
</tr>
<tr>
<td><strong>Subtotal, Technology and Other</strong></td>
<td><strong>45.9</strong></td>
</tr>
<tr>
<td><strong>GROSS TAX CUT</strong></td>
<td><strong>575.2</strong></td>
</tr>
<tr>
<td><strong>Close Corporate Shelters and Unwarranted Loopholes</strong>¹</td>
<td><strong>95.6</strong></td>
</tr>
<tr>
<td><strong>NET TAX CUT</strong></td>
<td><strong>479.6</strong></td>
</tr>
</tbody>
</table>

¹. See *Mid-Season Review*, Table 16 for details.
### TABLE 3 – INVESTMENTS IN PRIORITIES ($billions)

<table>
<thead>
<tr>
<th><strong>Investing in Education and Learning</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Universal Pre-school</td>
</tr>
<tr>
<td>Higher Standards and Greater Investments in Our Schools</td>
</tr>
<tr>
<td>Fixing Failing Schools</td>
</tr>
<tr>
<td>Smaller Schools and Classes</td>
</tr>
<tr>
<td>Special Education</td>
</tr>
<tr>
<td>Higher Standards / Higher Pay</td>
</tr>
<tr>
<td>One Million Teachers</td>
</tr>
<tr>
<td>Keeping Kids in School</td>
</tr>
<tr>
<td>After School</td>
</tr>
<tr>
<td>Charter Schools</td>
</tr>
<tr>
<td>Technology to Improve Education</td>
</tr>
</tbody>
</table>

**Subtotal, Pre-K through 12** 115.3

| College Opportunity Tax Cut                                                                          | 36.0 |
| 401(j) Education and Training Accounts                                                                 | 3.0  |
| Tuition Savings                                                                                        | 2.0  |
| Training                                                                                              | 0.6  |
| School Construction                                                                                   | 8.0  |
| After-school Tax Credit                                                                               | 5.3  |
| **Subtotal, tax proposals**                                                                           | 54.9 |

**Total for investing in education and learning** 170.2
### Improving and Expanding Quality Healthcare

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expanding Access to Health Care Coverage</td>
<td>95.0</td>
</tr>
<tr>
<td>Other Coverage Priorities</td>
<td>3.0</td>
</tr>
<tr>
<td>Cancer and Other Medical Research Priorities</td>
<td>18.0</td>
</tr>
<tr>
<td>Mental Health</td>
<td>2.9</td>
</tr>
<tr>
<td>Elder Care</td>
<td>1.2</td>
</tr>
<tr>
<td><strong>Subtotal, non-tax proposals</strong></td>
<td><strong>120.1</strong></td>
</tr>
<tr>
<td>Tax Credit for Health Insurance</td>
<td>48.0</td>
</tr>
<tr>
<td>Long-term Care Credit</td>
<td>26.6</td>
</tr>
<tr>
<td>Disabilities</td>
<td>1.7</td>
</tr>
<tr>
<td>Small Business Health Insurance</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Subtotal, tax proposals</strong></td>
<td><strong>76.6</strong></td>
</tr>
<tr>
<td><strong>Total for Improving and Expanding Quality Healthcare</strong></td>
<td><strong>196.7</strong></td>
</tr>
</tbody>
</table>

### Strengthening and Modernizing Medicare

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare Prescription Drug Benefit</td>
<td>338.0 (-233.0)</td>
</tr>
<tr>
<td>Savings from Competition and Other Medicare Reforms¹</td>
<td>-27.0 (-29.0)</td>
</tr>
<tr>
<td>Provider Payment Restoration¹</td>
<td>42.0 (40.0)</td>
</tr>
<tr>
<td>Medicare Solvency Interest Savings Transfers (debt reduction)</td>
<td>75.0</td>
</tr>
<tr>
<td><strong>Total For Strengthening and Modernizing Medicare¹</strong></td>
<td><strong>428.0 (339.0)</strong></td>
</tr>
</tbody>
</table>

### Environment and Energy Security

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>More Reliable Electricity Grid</td>
<td>2.0</td>
</tr>
<tr>
<td>Technologies for Tomorrow’s Challenge</td>
<td>67.0</td>
</tr>
<tr>
<td>Private Investment in New Technology</td>
<td>5.0</td>
</tr>
<tr>
<td>Weatherization</td>
<td>1.5</td>
</tr>
<tr>
<td>Expanding Transportation Choices</td>
<td>24.5</td>
</tr>
<tr>
<td>Additional Unallocated Environmental Initiatives</td>
<td>20.0</td>
</tr>
<tr>
<td><strong>Subtotal, non-tax</strong></td>
<td><strong>120.0</strong></td>
</tr>
<tr>
<td>Conservation Tax Incentives</td>
<td>2.0</td>
</tr>
<tr>
<td>Better America Bonds</td>
<td>3.1</td>
</tr>
<tr>
<td>Permanently Extend Brownfields Tax Credit</td>
<td>1.1</td>
</tr>
<tr>
<td>Encouraging Energy Efficient Homes, Buildings, Autos, and Other</td>
<td>45.1</td>
</tr>
<tr>
<td>Category</td>
<td>Amount</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>Subtotal, tax</td>
<td>51.3</td>
</tr>
<tr>
<td><strong>Total for Environment and Energy Security</strong></td>
<td>171.3</td>
</tr>
<tr>
<td>National Security</td>
<td></td>
</tr>
<tr>
<td><strong>Total for National Security</strong></td>
<td>100.0</td>
</tr>
<tr>
<td>Other Priorities, Offsets, and Reduce Youth Smoking</td>
<td></td>
</tr>
<tr>
<td>Encouraging Fatherhood and Next Generation Welfare Reform</td>
<td>2.9</td>
</tr>
<tr>
<td>Ready to Learn and Improving Childcare</td>
<td>10.0</td>
</tr>
<tr>
<td>Expanding Education and Training for Dislocated Workers</td>
<td>2.1</td>
</tr>
<tr>
<td>Getting Tough on Crime</td>
<td></td>
</tr>
<tr>
<td>Stay Clean to Stay Out</td>
<td>5.0</td>
</tr>
<tr>
<td>10,000 Community Prosecutors</td>
<td>0.5</td>
</tr>
<tr>
<td>Other Crime Proposals</td>
<td>2.9</td>
</tr>
<tr>
<td>Subtotal, Getting Tough on Crime</td>
<td>8.4</td>
</tr>
<tr>
<td>Hunger</td>
<td>2.8</td>
</tr>
<tr>
<td>Disability</td>
<td>1.0</td>
</tr>
<tr>
<td>Additional Unallocated Surplus</td>
<td>10.0</td>
</tr>
<tr>
<td>QDR and Other Reviews to Improve Capabilities and Identify Savings</td>
<td>-30.0</td>
</tr>
<tr>
<td>Misc. Mandatory Initiatives&lt;sup&gt;1&lt;/sup&gt;</td>
<td>33.3</td>
</tr>
<tr>
<td>Misc. Mandatory Offsets&lt;sup&gt;2&lt;/sup&gt;</td>
<td>-35.7</td>
</tr>
<tr>
<td>Repeal Timing Shifts</td>
<td>-10.0</td>
</tr>
<tr>
<td>Reduce Youth Smoking</td>
<td>-65.9</td>
</tr>
<tr>
<td>Other Revenue Offsets&lt;sup&gt;4&lt;/sup&gt;</td>
<td>-19.3</td>
</tr>
<tr>
<td><strong>Total Other Initiatives and Offsets</strong></td>
<td>-90.4</td>
</tr>
<tr>
<td>Reduce Poverty Among Elderly Women&lt;sup&gt;3&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>Targeted Increase in the Benefit for Widows</td>
<td>50.0</td>
</tr>
<tr>
<td>Address the Motherhood Penalty</td>
<td>47.0</td>
</tr>
<tr>
<td><strong>Total, Reduce Poverty Among Elderly Women</strong></td>
<td>97.0</td>
</tr>
</tbody>
</table>

1. Unified-budget cost. See Table 6 for breakdown by on- and off-budget accounts.
2. OMB estimates are in parentheses.
3. See Mid-Session Review, Table 15 for illustrative details of potential additional initiatives that would be fully paid for by offsets.
4. See Mid-Session Review, Table 16 for details.
## Table 4 – Allocation of the Unified Surplus (CBO, $billions, 2001-10)

<table>
<thead>
<tr>
<th>Allocation Category</th>
<th>On-budget</th>
<th>Medicare</th>
<th>Social Security</th>
<th>Unified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline Surplus</td>
<td>1,813</td>
<td>360</td>
<td>2,388</td>
<td>4,561</td>
</tr>
<tr>
<td>Investing in Education and Learning</td>
<td>115</td>
<td>0</td>
<td>0</td>
<td>115</td>
</tr>
<tr>
<td>Improving and Expanding Healthcare</td>
<td>120</td>
<td>0</td>
<td>0</td>
<td>120</td>
</tr>
<tr>
<td>Medicare Prescription Drug Benefit</td>
<td>338</td>
<td>0</td>
<td>0</td>
<td>338</td>
</tr>
<tr>
<td>Savings from Competition and Other Reforms</td>
<td>-12</td>
<td>-16</td>
<td>1</td>
<td>-27</td>
</tr>
<tr>
<td>Provider Payment Restoration</td>
<td>14</td>
<td>28</td>
<td>0</td>
<td>42</td>
</tr>
<tr>
<td>Medicare Solvency Transfers</td>
<td>75</td>
<td>-75</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Environment and Energy Security</td>
<td>120</td>
<td>0</td>
<td>0</td>
<td>120</td>
</tr>
<tr>
<td>National Security</td>
<td>100</td>
<td>0</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Targeted Tax Cuts</td>
<td>480</td>
<td>0</td>
<td>0</td>
<td>480</td>
</tr>
<tr>
<td>Other Priorities, Offsets, and Youth Smoking</td>
<td>-90</td>
<td>0</td>
<td>0</td>
<td>-90</td>
</tr>
<tr>
<td>Reducing Poverty Among Elderly Women</td>
<td>0</td>
<td>0</td>
<td>97</td>
<td>97</td>
</tr>
<tr>
<td>Interest</td>
<td>253</td>
<td>-40</td>
<td>24</td>
<td>237</td>
</tr>
<tr>
<td><strong>Total Cost / Increase, Including Interest</strong></td>
<td>1,513</td>
<td>-103</td>
<td>122</td>
<td>1,532</td>
</tr>
<tr>
<td>Remaining Surplus / Debt Reduction</td>
<td>300</td>
<td>463</td>
<td>2,266</td>
<td>3,029</td>
</tr>
<tr>
<td>Memorandum: Total Cost, Excluding Interest</td>
<td>1,260</td>
<td>-63</td>
<td>98</td>
<td>1.295</td>
</tr>
</tbody>
</table>
NOTES

CHAPTER 1: GOALS: THE GORE-LIEBERMAN ECONOMIC PLAN


5 Tabulation of Federal Reserve Board, Survey of Consumer Finances data.


7 Calculations from Bureau of Labor Statistics data.

8 Bureau of the Census.

9 Calculations by the Department of the Treasury cited in White House Fact Sheet, July 26, 2000.


16 Bureau of the Census. “Number of People in Poverty by Definition of Income and Selected Characteristics.”


CHAPTER 2: FISCAL DISCIPLINE: A FOUNDATION FOR OUR PROSPERITY


6 Social Security and Medicare Trustees Reports, March 2000.


CHAPTER 3: USING TODAY’S PROSPERITY TO PREPARE FOR RETIREMENT


3 Health, United States, 2000. U.S. Department of Health and Human Services, CDC, NCHS.


8 Bureau of Labor Statistics data.


10 2000 Annual Report of the Board of Trustees of the Federal Hospital Insurance Trust Fund.


CHAPTER 4: HELPING FAMILIES SAVE FOR THE FUTURE


2 Department of the Treasury statistic cited in White House Fact Sheet, January 27, 2000.


4 Calculations from 1993 CPS SEB.


CHAPTER 7: TAX CUTS FOR WORKING FAMILIES


3 Citizens for Tax Justice, 11/17/95, 7/7/97, 1/20/99, and 5/1/99.

CHAPTER 8: BROADENING PROSPERITY’S REACH


4 U.S. Department of Treasury.

5 Bureau of the Census. “Number of People in Poverty by Definition of Income and Selected Characteristics.”

6 Calculations by Professor Jeffrey Liebman using data from the Bureau of the Census’s March Current Population Surveys.


11 National Center for Children in Poverty, Young Children in Poverty: A Statistical Update.


17 Analysis by the Department of Health and Human Services and Treasury Department.
CHAPTER 11: INNOVATION, TECHNOLOGY, AND AMERICA’S PROSPERITY


CHAPTER 12: CRITICAL SECTORS: AGRICULTURE, SMALL BUSINESS, AND MANUFACTURING

1 National Rural Health Association, May 1999.