



## WILLIAM E. BRYANT

CERTIFIED PUBLIC ACCOUNTANT

2524 ELEVENTH AVENUE SOUTH, MINNEAPOLIS, MINNESOTA 55404-4501

TEL. (612) 872-9684 FAX (612) 879-9954

Web Page: [www.accountant-city.com/bryant](http://www.accountant-city.com/bryant)

E-mail: [cpaweb@uswest.net](mailto:cpaweb@uswest.net)



Wednesday, January 10, 2001

The Honorable William Jefferson Clinton,  
President of the United States of America  
White House Office  
1600 Pennsylvania Avenue NW  
Washington, DC 20500

**RE: Fiscal Discipline & Economic Prosperity  
Omnibus Budget & Reconciliation Act of 1993 ("OBRA 93")**

Dear Mr. President,

As a private citizen, I feel compelled to express my sincere gratitude for your service as our President over the last 8 years. There were many political, social and economic issues that you have addressed that deserve much praise. For trying to heal the divisiveness of racism in America, to legislating common-sense gun control laws, for prohibiting tobacco companies from selling products to children, for protecting the environment, and for initiating a dialog of providing health care for many uninsured citizens. On the international stage, your peace efforts in the Middle East, Somalia, Kosovo and the Good Friday Peace Accord for Northern Ireland, speaks volumes of your ability to comprehend complex issues and to strive for innovative solutions. Each of these topics are lengthy talking points in their own right. Therefore, I wish to focus on commenting on just one aspect of your many successes.

Every businessman and citizen in America owes a world of thanks to you and your administration for the economic prosperity that we have enjoyed over the last 8 years. All of this prosperity can be directly attributed to the passage of the Omnibus Budget & Reconciliation Act of 1993 ("OBRA 93"), signed into law August 6, 1993. It is now hard to believe that this Act passed in the House of Representatives by only a vote of 218 to 216, with an even slimmer vote margin in the Senate of 51 to 50 (with Al Gore casting the deciding vote). It is interesting to note that not one single Republican voted to support this Act. However, for the first time in many years, the President and most members of Congress, finally worked together to address the problem of deficit spending and the ever increasing national debt. We understand why OBRA 93 was not a popular act. It raised taxes and sharply cut spending for many programs, so that a balanced budget could finally be achieved. Unfortunately, many Democratic members of Congress lost their bid for re-election in 1994 due to their support of OBRA 93. Everyone should praise those Congressional Members that had the courage to support OBRA 93. They made the right decision. Indeed, the passage of OBRA 93 has served as the foundation that underlies our economic prosperity today.

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During the previous Administration, many of my real estate clients felt the harmful effects of an overall "credit crunch" which served to stifle any development or long term planning. By the fall of 1992, we had been in the midst of another recession, one of many during the 1980's and early 1990's. The Republican philosophy of less government and supply side economics, by way of large tax cuts, may have served to initially reduce inflation in the short run. However, when left unchecked by both political parties, it also lead us on the path to create huge budget deficits and increase the national debt at an exponential rate.

Looking back, I find it hard to believe that when President Carter left office in 1981, the total National Debt was just under \$1 Trillion Dollars. By the time President Reagan left office in 1989, the National Debt was around \$2.7 Trillion Dollars, which is almost tripled in just 8 years. By the time President Bush left office in 1993, the National Debt was around \$4.2 Trillion Dollars, another more than 50% increase in just 4 short years. I was also amazed to learn that the portion of the National Debt held by the Public quadrupled during this same time period, from \$710 Billion Dollars in 1980 to \$3.0 Trillion Dollars in 1992.

Prior to OBRA 93, the Congressional Budget Office projected that the Debt Held by the Public would climb to around \$6.0 Trillion Dollars by the year 2000. This amount, combined with the \$2.0 Trillion Dollar Debt already held by the Government, would have brought our total debt obligation up to around \$8.0 Trillion Dollars. After paying the net interest on this amount of projected debt, along with other fixed expenditures and entitlement programs, there would be very little discretionary spending available for rebuilding our infrastructure or for funding incentive growth programs.

Needless to say, this type of fiscal policy served to effectively mortgage the future prosperity of later generations, in exchange for immediate and temporary short term gains that benefitted only a few. Many citizens were left out. The basic infrastructure of our inner cities were crumbling before our very eyes, with no real hope in site. Given the fact that the Federal Government was continuing to operate at \$250 to \$350 Billion Dollar deficits annually, it seemed almost impossible that government could play a significant role in any real economic solution. Indeed, a downward social and economic spiral was in the making. Enter President Clinton.

OBRA 93 represents a mutual effort between your Administration, some members of Congress and the Chairman of the Federal Reserve, to finally address the deficit spending and increasing national debt. At long last, the Federal Government could now project a decline in the annual deficits, a balance budget by fiscal 1997 and even produce surpluses for fiscal years thereafter. More investment dollars would now be diverted directly into the private sector of our economy, rather than being drained by the Government to sell debt instruments. An additional \$2.4 Trillion Dollars of private sector capital has been invested into our economy as a result of OBRA 93 (the difference between the projected debt held by the public of \$6.0 Trillion Dollars less the current \$3.6 Trillion Dollars actually held by the public today).

Around \$687 Billion Dollars came from just the difference in the projections for fiscal year 2000. Instead of having a projected \$455 Billion Dollar deficit for fiscal year 2000 your economic policies produced an actual surplus of \$232 Billion Dollars, a swing of \$687 Billion Dollars. These facts support the obvious reasons as to why the stock market has more than tripled in the last 8 years. From an activity level of around 3500 points in 1993 to over 10500 today. The largest economic growth and expansion in history.

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Passing OBRA 93, a politically unpopular bill, enabled the Federal Reserve to view the economic future with new confidence. The Federal Government had finally taken the appropriate steps to become financially solvent. From the standpoint of the Federal Reserve, there was now less risk associated with the issuance of 30-year Government Bonds or "long bonds". The so called "Inflationary Premium" required for longer term treasuries over short term T-Bills, could now be reduced as a result of the perception of less risk. Accordingly, mortgage rates for 30 year loans were reduced by around 200 basis points. Making it possible for more people to purchase homes, refinance existing mortgages and create new equity lines for home improvements. Now, more than ever, all kinds of real estate, commercial and credit card loans were made available for development, business expansion and consumer spending, that were not available under the previous administration.

These are some of the many reasons why I had hoped that Vice President Al Gore would succeed you as our next President. He also has the talent and intellect to build upon your progressive social, political and economic policies. I was especially pleased to learn that under the Gore-Lieberman Plan, the \$3.6 Trillion Dollar Debt Held by the Public was projected to be paid off by the year 2012. Providing us a debt free government for the first time since 1835, to better ensure our future financial stability. Paying off this debt would save around \$225 Billion Dollars of net interest expenditures each year. It was interesting to note that of this \$225 Billion Dollar net interest expense, approximately \$150 Billion of that amount is the interest payable on the debt incurred from 1980 thru 1992.

A debt reduction policy would have made a significant impact on our economic outlook. Even though the annual net interest expenditures amount to only 11% of our current Budget Outlays, it represents a significant source of potential discretionary future funds, as more and more of the actual debt is paid off. All else being equal, most of the other expenditures in our budget are somewhat fixed, with very little flexibility and subject to spending increases. It is for this reason, that striving for a debt free government provides us the economic "buffer" that we need to ensure our continued prosperity and keep interest rates low.

Imagine for a moment, just a little more than 10 years from now, instead of paying \$225 Billion Dollars annually toward net interest expenses, we could be spending that money to rebuild our infrastructure, invest in research and technology, build modern classrooms, provide tax incentives for economic growth, promote home ownership, re-tool and modernize our heavy industries, upgrade our transportation and communication systems and so much more. Government could sponsor specific programs for the development of alternative energy sources, exploration of the stars, eradicate disease and protect our environment. All of these investments would create more jobs and improve the overall quality of life for every American. We would also be in a stronger position to improve the living standards of people living in underdeveloped nations. The possibilities are endless when we combine a debt free government with socially responsible and progressive thinking leaders. Unfortunately, as a result of the last Election, these ideas will have to put on hold - for now.

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Apparently, George W. Bush and not Al Gore, will be sworn in as our 43<sup>rd</sup> President. He inherits a financially solvent government with a projected unified budget surplus of \$4.9 Trillion Dollars over the next 10 years. I hope that the projected \$2.5 Trillion Dollar surplus from Social Security sources will remain in a trust fund, designated just for future Social Security Entitlement Payments. I also hope that the same is true for the projected Medicare surplus of \$500 Billion Dollars. Both of these surpluses should be set aside to replenish and strengthen those respective programs, as they were originally intended, so that future retirees can depend upon those pension sources. Of the remaining projected \$1.9 Trillion Dollar budget surplus, it is my understanding that the Republicans have already targeted \$600 Billion Dollars for various programs and the remaining \$1.3 Trillion Dollars for tax cuts. Leaving nothing for debt reduction. Under their proposal, we would remain at a constant \$2.8 Trillion Dollar Debt Held by the Public through the year 2012 and well beyond. They would not be able to follow your example of actually paying down the debt by \$569 Billion Dollars from the surpluses realized over the last few years.

It would be prudent to phase in some modest tax cuts, but only as the projected surpluses are realized and as the Public Debt is paid down. My fear is that if we should encounter periods of real recession, we run the risk of having no economic buffer to offset future revenue shortfalls. Returning us to the days of possible deficit spending and increasing the public debt.

The majority of Americans are very disappointed that Al Gore will not be able to continue the social and economic progress that you and your administration have advanced over the last 8 years. It appears that we will now return to the "status quo" mentality of the 1980's with no intellectual curiosity or progressive thinking. Their political motivation now appears to obtain short term economic gains for a few, rather than build for the future. I'm sure that the next Administration will try their best to "re-write" history to support their position, but most Americans will know better. We had within our grasp, the ability to achieve an Economic and Technological Renaissance in America, by continuing under your economic policy and progressive programs. I hope that we have a chance to re-visit this discussion in 2004.

On January 20, 2001 there will be many parades and celebrations that will take place in Washington DC for the next President. But in every other city, I know that many Americans will be celebrating your service as their President for the last 8 years. One of your lasting legacies will be the courage that you demonstrated to lead the support to pass OBRA 93. If we could, we should have special parades and celebrations in your honor for saving this country from an economic disaster. We should also be honoring your sincere efforts to create a better America, along with our new found prosperity. If I could attend such a parade, I would hold up high in my arms a sign that would simply say - **THANK YOU PRESIDENT CLINTON.**

Sincerely,

  
William E. Bryant, CPA, CVA

cc: File