Center for American Progress

Power of Progressive Economics: The Clinton Years

Looking Back at President Clinton's Achievements for What We Can Learn from Them Today

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Introduction

President Bill Clinton's economic strategy focused on policies that invested in people, innovation, and infrastructure—investments that strengthened communities and our middle class. By pairing that strategy with a smart fiscal approach, his administration and Congress during his two terms in office transformed a weak economy into a fundamentally strong one, turned deficits into surpluses, and created the conditions for strong future growth. And because he saw the changes globalization would bring to the world economy, his administration began to push for the kind of solutions our country would need to prosper in the 21st century as well.

Unfortunately, policymakers in the eight years that followed the Clinton presidency failed to build on this strategy, and the United States' position of strength was lost. As a result, the U.S. economy faces even greater challenges today than it faced when Clinton took office.

Unemployment and growth are still weak in the wake of the Great Recession, and technology and globalization have wrought deep structural changes that policymakers have not adequately addressed. Yet many of the strategies Clinton championed can and should be used now more than ever, to strengthen the middle class, invest in the future, and put the economy on a firm path to growth once again. This issue brief examines the accomplishments of the Clinton era and highlights the lessons we can learn for use today.

A record of accomplishment

In December 1992 President-elect Clinton convened business owners, labor leaders, and economists for an economic summit in Little Rock, Arkansas. He would be inaugurated in Washington only a month later but the experts who gathered there that day were deeply worried about the challenges the country faced when they took office. For one, the unemployment rate in 1992 was 7.5 percent, up from 6.9 percent the year before. And though the economy had started to grow again in 1992 after contracting in 1991, prospects for dramatic economic progress were still relatively dim. The Congressional Budget Office, for example, expected unemployment to remain above 6 percent for at least three more years, and they foresaw rather pedestrian overall economic growth. Just a month before Clinton's inauguration, The New York Times ran an article with the headline, "Gloomy Prospects Seen for Growth Worldwide in '93."[1]

This anemic economic growth was also doing less and less to benefit the middle class and those striving to join it but more to benefit the top earners. As then-Gov. Clinton said when he announced his run for president, the middle class was spending more time on the job, less time with their children, and bringing home less money to pay for more health care, housing, and education. While labor productivity increased 17 percent in the 1980s, real average hourly earnings in December 1992 were less than they were when President Ronald Reagan took office in 1981. At the same time the cost of health care was up more than 20 percent and the cost of housing had risen by 10 percent overall.

Finally, Clinton's incoming team was starting to realize that they were inheriting a tremendous fiscal challenge as well. In January 1993 the federal budget deficit for that year was expected to top $300 billion, or 5 percent, of gross domestic product—the broadest measure of our economy—and the Congressional Budget Office predicted that the United States would add more than $1.8 trillion to the national debt through 1998.

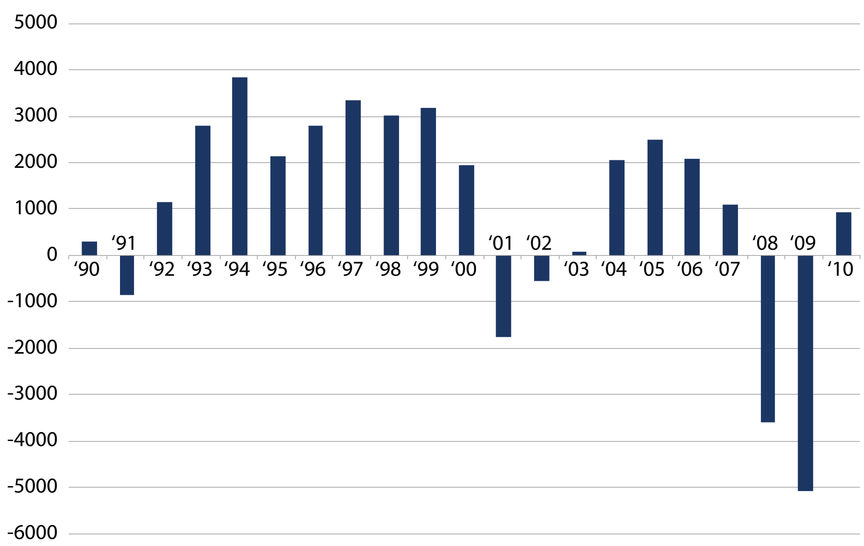
Yet over the next eight years, President Clinton presided over one of the most impressive economic turnarounds in modern history. By the end of his term, 22.7 million new jobs had been created, unemployment dropped to a 30-year low, and gross domestic product grew by 35 percent overall through the longest period of sustained growth in U.S. history.

What's more, the growth was broadly shared and unemployment plummeted across the board, including those groups for whom the economy never worked very well. Average hourly wages increased by 6 percent after accounting for inflation, and median household income grew by 14 percent, the highest increase for a

FIGURE 1

Economy added 23 million new jobs under President Clinton, compared to just 2 million under President Bush

Annual change in total nonfarm employment, thousands



Source: Bureau of Labor Statistics

two-term president. The median income of African American families increased by a third and Hispanic families saw their median incomes rise by almost $7,000. Poverty rates dropped to near record lows. And of course the federal budget went from enormous deficits to enormous surpluses, with the federal government on track to becoming effectively debt free by 2009—for the first time since Andrew Jackson was president.

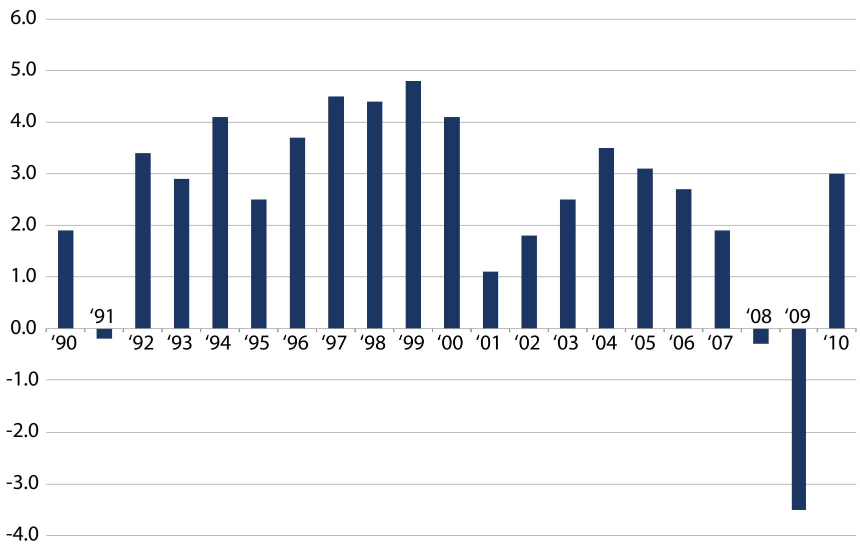
How did President Clinton take a badly struggling economy and turn it into one that hummed along at an average of 4 percent real growth over the entire eight-year presidency?

It turns out, policy matters. Of course, many factors beyond a president's control also shape economic outcomes. But bad economic policy can cause damaging distortions or hold the economy back, as President Clinton's predecessors experienced. Good policy, in contrast, can reduce economic obstacles, strengthen positive economic trends, and, most importantly, help lay the groundwork for future growth and prosperity. And fundamentally, the Clinton administration put our country on a stronger and more equitable fiscal and economic path for many years to come. Specifically, the Clinton administration made good policy decisions that:

FIGURE 2

President Clinton's economy grew at an average annual rate of nearly 4 percent

Real percent change in annual gross domestic product



Source: Bureau of Economic Analysis

- Grew and strengthened the middle class by rewarding work, modernizing the social safety net, and helping families lift themselves out of poverty

- Built the foundation of a 21st century economy through robust investments in education, science and technology, and infrastructure

- Encouraged investment in America's communities, particularly those located in inner-city and rural areas

- Accomplished all of the above while closing the fiscal gap

Taken together, these policies helped pull the economy out of the morass of slow growth and high unemployment that President Clinton inherited at the start of his term. And his policies laid the foundation on which the private sector and American workers could build eight years of unprecedented economic success. Let's explore each of these legacies in turn

Middle class led growth

Fundamentally, the middle class is the engine of U.S. economic growth and prosperity. A strong middle class will yield a strong economy while a stressed and stretched middle class will result in stagnation and even decline. The broad middle is where the next big idea comes from, where small-business owners start off, and where Fortune 500 companies turn to stock their offices and warehouses with talented, efficient employees. The middle class is what makes the United States the most lucrative and dynamic marketplace in the world.

Consequently, policies that aim to strengthen the middle class, make it possible for more people to join its ranks, and support those who are going through temporary stress to rebound are policies that help produce growth.[2] Over the course of the Clinton administration, the president and Congress agreed on a number of policies aimed directly and primarily at supporting working families to clear their path for success. They enacted:

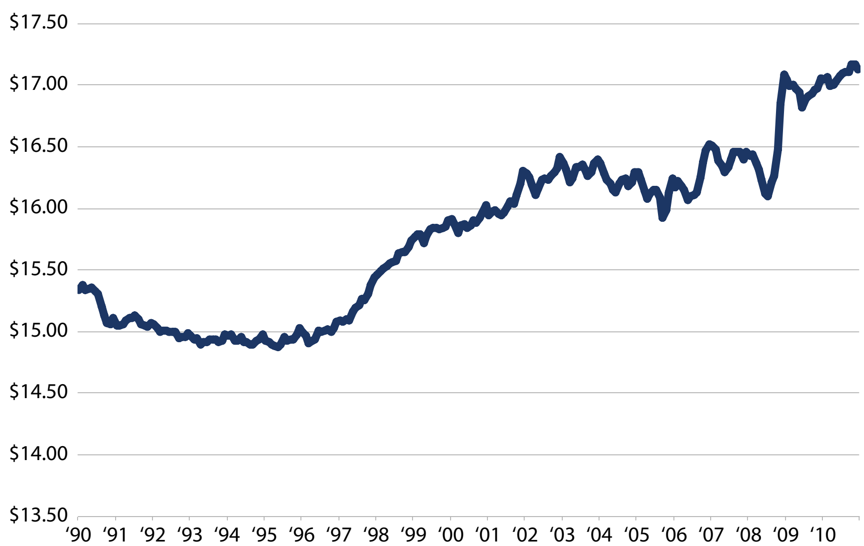
- **An increase in the minimum wage.** In 1996 Congress passed a 20 percent increase in the minimum wage, raising it from $4.25 to $5.15 in two steps. The wage increase boosted earnings for nearly 10 million Americans, almost half of whom were working full time. Furthermore, empirical studies conducted in the aftermath proved that there were no negative impacts on overall employment.[3]

- **The Family and Medical Leave Act.** The very first law that President Clinton signed was the Family and Medical Leave Act, which ensured parents could take up to 12 weeks of unpaid leave to care for a newborn or a sick relative without risking their job. Over the next eight years, more than 35 million workers took advantage of its protections. And though critics warned that the FMLA would hurt businesses, subsequent research showed that businesses had no trouble complying with the new law.[4]

FIGURE 3

By the end of President Clinton's term, average hourly earnings had grown 7 percent

Average hourly earnings, in inflation-adjusted 2005 dollars



Source: Bureau of Labor Statistics

- **The child tax credit.** Middle-class tax cuts were central to the budget deal President Clinton negotiated with Congress in 1997. The child tax credit included in that deal directly reduced a family's income tax bill by $500 per eligible child. This was estimated to direct between $16 billion and $19 billion a year in tax benefits to families with children.[5]

The Clinton administration also saw that they could grow the economy by opening up the middle class to everyone willing and able to take on the responsibility of work. To that end, Congress and the administration promoted smart labor market policies that included:

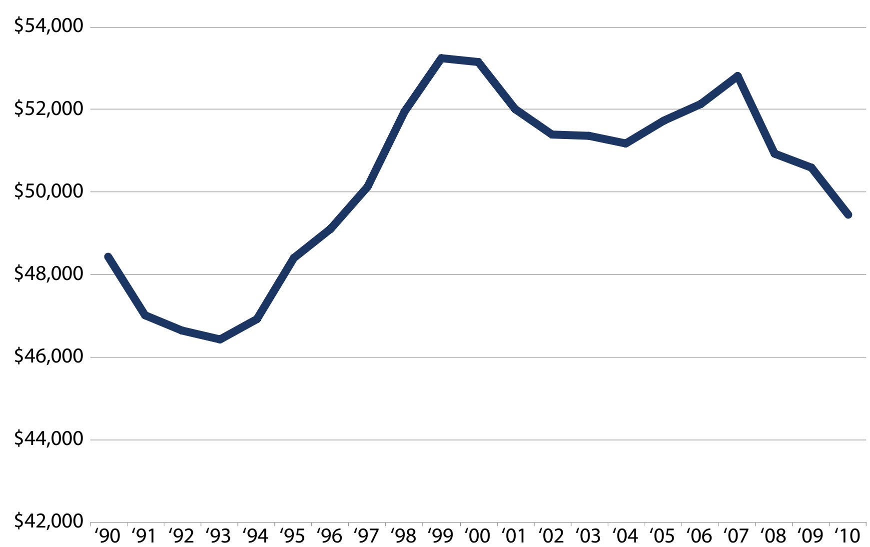
An expanded earned income tax credit. The EITC offsets federal income taxes, and for many low-income workers, portions of their payroll taxes as well. The EITC increases as earnings increase, up to a point, so it encourages additional work. In 1993, as part of his larger budget package, Clinton and Congress expanded the EITC to give a larger benefit to working families and allow childless workers to benefit as well.

Welfare reform that put Americans to work. Under the Clinton administration Congress provided $3 billion to reform welfare to help millions of Americans take responsibility for their future by giving them a greater opportunity to work. As part of those reforms, more than 200,000 people on welfare received housing vouchers to help them move closer to jobs. A welfare-to-work tax credit encouraged businesses to hire long-term welfare recipients. And communities received federal support to design transportation solutions to help low-income workers get to work. Between January 1993 and June 2000, the number of people on welfare fall by 60 percent, from 14.1 million to 5.6 million, reaching its lowest level since 1961.

FIGURE 4

Median household income grew by nearly 14 percent under President Clinton but stagnated under President Bush

Median household income, in inflation-adjusted 2010 dollars



Source: Current Population Survey, U.S. Census Bureau

Additionally, the Clinton administration strengthened those programs that help middle-class families weather economic storms, such as a major illness, a job loss, or a divorce. Those storms are common and can have huge effect on families' welfare. From 2002 to 2007, for example, almost a third of the population had at least one spell of poverty lasting two months more.[6] Under President Clinton's watch, the administration and Congress agreed to boost public policies that make it possible for families to recover and regain a foothold in the economy, including:

More federal funding for Head Start and child care. Head Start is a federal early childhood learning program for low-income families. In 1993, the first year of President

Clinton's administration, federal funding for Head Start totaled $3.3 billion (in constant 2000 dollars). After two major reauthorizations, funding for Head Start grew to $5.3 billion in the year 2000.

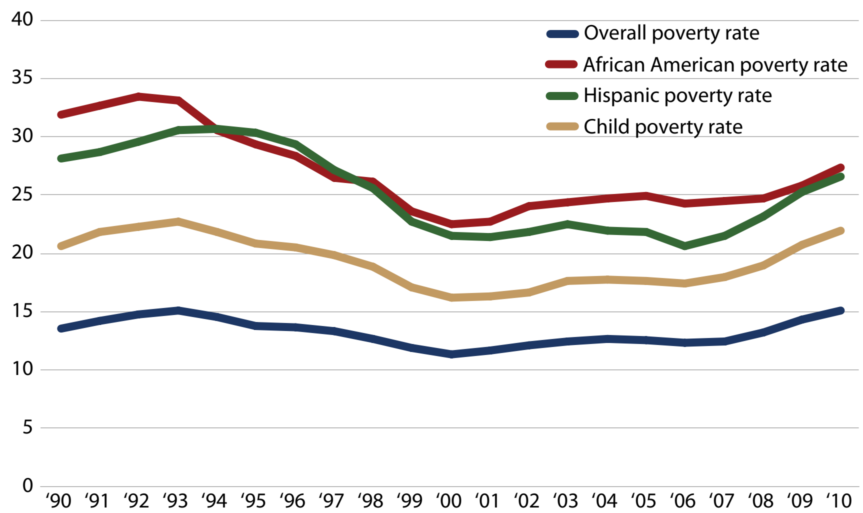
The Children's Health Insurance Program. In 1997, as part of a budget deal with congressional Republicans that cut spending overall, the Clinton administration and their allies in Congress created the Children's Health Insurance Program. CHIP delivered federal grants to states to provide health insurance for children whose families were not poor enough to qualify for Medicaid but who could not afford health insurance on their own. By the end of President Clinton's second term, the incredibly successful program insured approximately 2.5 million children—a tremendous boon to families who could not otherwise afford good care.

Better nutritional and housing support for low-income families. Under President Clinton's watch, Congress noticeably increased federal support for several critical nutritional and housing support programs. The Special Supplemental Nutrition Program for Women, Infants and Children—commonly known as WIC—went from average annual funding levels of $2.7 billion in the eight years before Clinton took office to $3.9 billion under his presidency, a 45 percent increase. The Food Stamp program went from an average of $21.3 billion a year to $24.9 billion, though spending on Food Stamps fell off dramatically as the economy improved. And funding for federal housing assistance grew from an average of $20.4 billion a year in the eight years before President Clinton's term to an average of $29 billion a year during his presidency.

FIGURE 5

Poverty rates fell across the board during the 1990s but began to creep back up under President Bush

Percent of all people, African Americans, Hispanics, and children living in poverty



Source: Current Population Survey, U.S. Census Bureau

Together, this broad mix of tax relief, wage increases, access to health and child care, and protections for working families helped grow and strengthen the middle class.

But as millions more Americans entered the middle class and real wages grew, President Clinton also met his goal of spending less on tax breaks for the wealthy and debt services—and giving the middle class more room to spend and grow the economy instead. And for the first time in 30 years, incomes of the bottom 20 percent of the workforce rose nearly as much as the top 20 percent, and the number of people living in poverty actually declined.

Building the foundation of a 21st century economy

If there is one thing that most economists agree is a crucial ingredient for economic growth, it is investment. Across countries, higher overall investment levels are strongly associated with faster productivity growth, higher incomes, and better standards of living.[7] No doubt, private investment is the main factor in overall investment levels but public funding has its place as well, especially in some key areas where, if left to itself, the private economy would tend to underinvest. And research shows that, in certain cases, public investments can actually help spur additional private investment as well. One 2003 study found that each dollar of government funding brought in an additional 70 cents of private investment that would not have otherwise been made.[8]

From the start President Clinton outlined an investment strategy designed to increase public and private investment in areas critical to our economic future. For instance, his first budget proposal included a $30 billion package to put people to work building highways and renovating housing, and create new job opportunities for our nation's youth. But the real accomplishments came later on in the investments Clinton championed and Congress made to prepare workers and students for a new information economy, to take advantage of the technology revolution emerging around the world, and to help high-tech industries prosper and grow.

Education

The economic benefits of a quality education system are both obvious and well-researched. A highly trained, highly skilled workforce results in faster productivity gains, better adapts to changing circumstances, and produces more innovators and entrepreneurs. One recent study suggests that the United States would enjoy a $700 billion benefit if states with below-average educational performance managed to become merely average.[9]

President Clinton in particular understood that in a globalized world, where America is competing with an increasingly international workforce, we must invest in Americans' education at every level. And over the course of his administration, the federal government invested 10 percent more on average on education and workforce training than it had over the previous eight years. During his term, Congress also passed reforms that made higher education more affordable and more accessible. Specifically, Congress and the administration agreed to investments and reforms that:

- **Modernized primary and secondary education.** In the eight years before President Clinton took office, federal funding for primary and secondary education averaged $8.5 billion a year, but over Clinton's two terms that average rose to $11.1 billion. This substantial increase in funding was buttressed by the Improving America's Schools Act, which reauthorized the Elementary and Secondary Education Act to improve accountability in schools and help low-income students succeed, and gave schools new authority to incorporate technology into curricula so that every student would be able to benefit from the technology revolution and contribute to its next wave.

- **Improved access to college and workforce training.** Congress significantly expanded federal support for higher education under President Clinton's watch, increasing the maximum Pell Grant award and increasing funding levels for student financial assistance by 20 percent by the end of his term. The 1993 Student Loan Reform Act also introduced direct federal student loans, which resulted in both lower borrowing costs for students and billions in savings for the federal government. And in 1997, at President Clinton's urging, Congress passed two tax credits to help defray the costs of higher education: the Hope Scholarship tax credit and the Lifetime Learning tax credit. These two credits together were estimated to provide benefits totaling approximately $35 billion from 1998 through 2002.

Science and technology

When Clinton took office there were only 50 sites on the World Wide Web. By 2000 there were more than 50 million, and information technology accounted for a full third of U.S. economic growth. President Clinton credited this exponential growth to the early investments the U.S. made in the Internet, and during his term Congress and his administration directed similar investments toward other critical, innovative technologies and industries.[10] Some of these investments included:

- **Federal funding for scientific research.** Under President Clinton Congress increased funding for the National Science Foundation by more than 30 percent, boosting university-based research and investments to train the next generation of scientists and engineers, and the annual budget for the Department of Energy's Office of Science nearly doubled to $2.8 billion.

- **Strong support for the National Institutes of Health.** In the eight years before Clinton took office, the National Institutes of Health spent an average of $9 billion a year, but under President Clinton Congress boosted NIH funding by 40 percent to average $12.7 billion annually. By 2000 federal NIH funding had surpassed $15 billion a year, a 50 percent increase over NIH spending when he first took office, and the highest level of research funding ever spent on research on health and disease.

- **Mapping the human genome.** President Clinton strongly supported genetic research in the public and private sector alike. After scientists completed the sequencing of the human genome in 2000—what Clinton called "one of the most important, most wondrous maps ever produced by humankind"—the president renewed the United States' commitment to scientific research. And he laid out a vision for future scientific progress, fostered by public-private competition, cooperation, and a greater service to the common good.

Infrastructure

Roads and bridges, airports and seaports, highways and canals are all critical parts of a country's infrastructure. Without them, goods and services cannot move efficiently, raising costs for consumers and dramatically limiting the potential for growth. The Clinton administration recognized this and sought to increase investments in these areas. In 1992 federal spending on transportation infrastructure totaled $40.9 billion, in inflation-adjusted 2000 dollars. By the year 2000, the last year of President Clinton's term, that total was up 15 percent to nearly $47 billion.

But Clinton-era investments in infrastructure went beyond boosting funding for highway repair and airport upgrades. Under President Clinton Congress and the administration recognized early on that building a modern information and technology infrastructure was going to be just as important as improving traditional infrastructure elements. Some key investments in this emerging area included:

- **Community technology centers.** As the Internet revolution began, it quickly became clear that a "digital divide" was opening up between those who had access to the emerging technologies and those who did not. To help close some of that divide, the Clinton administration tripled funding for Community Technology Centers, which were located in urban and rural neighborhoods that had little or no Internet access. The centers provided both access and training.

- **Expanded educational technology.** In 1994 the federal government spent just $27 million on educational technology. By 2000 Congress had increased that investment 28 times over to $769 million. As part of the Telecommunications Act of 1996, Clinton also won the inclusion of "E-Rate," which subsidized Internet access for schools and libraries.

Certainly, President Clinton's investments took place alongside those of the private sector. But there can be no doubt that his policy decisions helped expand access to the Internet and helped lay the foundations for the modern networks we now enjoy. In 1994, for example, only one in three public schools had Internet access in any form. By 1999 fully 95 percent of public schools boasted Internet access.

Strengthening and empowering communities

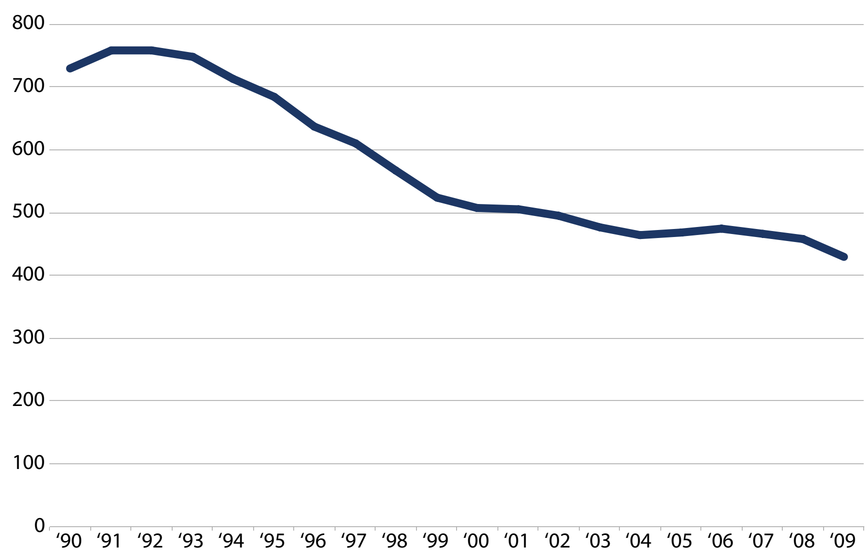
While conventional wisdom holds that there is a trade-off between equality and economic growth, President Clinton began to see that growth and equality can in fact go hand in hand. A growing body of research supports that view today. In particular, University of Southern California professor Manuel Pastor, analyzing the growth of 74 U.S. metropolitan regions in the 1980s, found that greater equality within regions corresponds with stronger regional economic growth.[11] And a later study by Pastor and professor Chris Benner at the University of California, Davis, found that concentrated poverty, income inequality, and racial segregation drags down growth in older industrial cities—where growth is most needed—far more than it does to cities with stronger markets.[12]

When President Clinton spoke about three values, he spoke about the importance of community, alongside opportunity for all and responsibility from all. And President Clinton believed a nation that lives as a community must value all its communities. Over the course of his administration, he promoted bold new programs to help American communities thrive—particularly those located in inner-city and poor rural areas—and to give residents of those cities the resources they needed to start a business, give back to their community, or feel safe on the streets. Those programs included:

FIGURE 6

The national crime rate fell dramatically under President Clinton and continued to fall, albeit more slowly, under President Bush

Violent crimes reported per 100,000 people



Source: Federal Bureau of Investigation

- **A stronger Community Reinvestment Act.** Under President Clinton's direction, lenders covered under the Community Reinvestment Act stepped up their efforts tremendously: From 1993 to 1999, banks and thrifts subject to CRA made $800 billion in sustainable home mortgage, small-business, and community development loans to low- and moderate-income borrowers and communities.

- **New Markets and Empowerment Zones.** In 2001 Congress passed the New Markets and Community Renewal initiative, which invested $25 billion in new incentives for growth in low-income communities to create nine new Empowerment Zones, bringing the total created under Clinton to 40; increased the low-income housing tax credit to build an additional 700,000 units of affordable housing; created the New Markets Tax Credit, which encouraged venture capital firms to support small-business startups and rural development; and created 40 Renewal Communities with targeted, pro-growth tax benefits to spur robust outside investment.

- **Community Development Banks.** Clinton called for a nationwide network of community development banks during his presidential campaign and created the Treasury

Department's Community Development Financial Institutions Fund to make that vision a reality. By 2000 the CDFI Fund had issued $436 million in total grants, loans, equity investments, and technical assistance to local financial institutions, banks, and thrifts—increasing their community development activities by upward of $2.4 billion.

- **Expanded national service.** In 1993 President Clinton promoted and Congress passed legislation creating AmeriCorps, a community service program that gave young people an opportunity to serve their communities and earn money for college or skills training. In just five years AmeriCorps enrolled nearly 200,000 young people, more than in the 40-year history of the Peace Corps.

- **Making America's communities safer.** Congress and the Clinton administration found room to invest in other programs that made life better for all Americans as well. In 2000 the Clinton administration met its commitment to helping communities put 100,000 new cops on the street ahead of schedule and under budget, contributing to the sharpest drop in crime the United States has ever known. President Clinton also advocated and secured the passage of the Brady Bill in 1993, which kept more than half a million felons, fugitives, and domestic abusers from buying guns. And Congress passed the Assault Weapons Ban in 1994 with the support of every law enforcement organization in the country.

Fiscal discipline that asked the wealthy to pay their fair share

When the Clinton administration took office in January 1993, the federal budget deficit for that year was expected to top $300 billion, or 5 percent, of GDP. The Congressional Budget Office projected that the budget would remain deeply in the red for the foreseeable future, calling the outlook "grim."[13] Budget analysts from across the political spectrum believed the country was headed for a debt crisis. And years of big federal deficits had sapped investor confidence and forced interest rates up for everybody. Several months prior, in February 1992, consumer confidence had hit its lowest level since 1974.

President Clinton recognized that in order to ensure America's long-term growth and competitiveness, he first had to set the country on a stronger and more sustainable fiscal path. As President Clinton said in his first address to a joint session of Congress, "the more we spend paying off the debt, the less tax dollars we have to invest in jobs and education and the future of this country." So in addition to the robust investments his administration promoted in people, in technology, and in communities, they also worked with Congress to close the fiscal gap and make room for the investments the economy needed in order to grow.

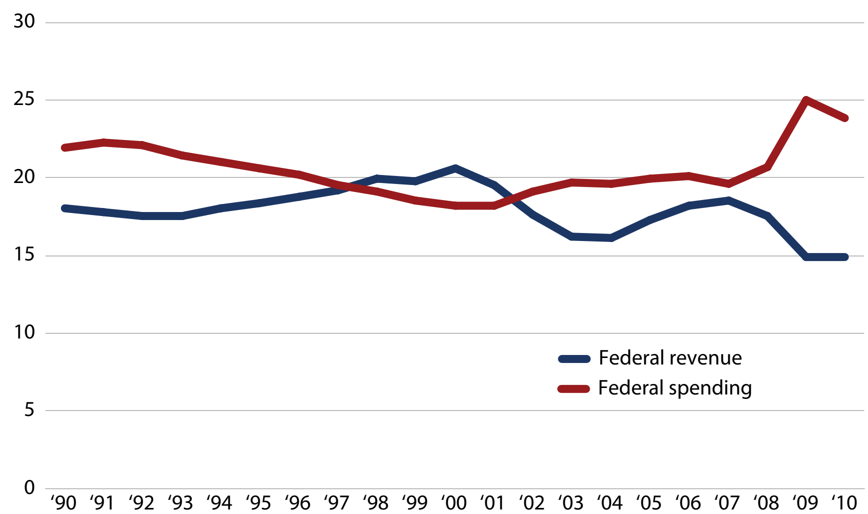
The Omnibus Budget Reconciliation Act of 1993 made significant cuts in spending, balanced over the course of five years. Just as important, President Clinton insisted that deficit reduction be accomplished such that the burden was borne fairly. That's why Clinton's 1993 budget, passed over the vociferous opposition of congressional Republicans, included revenue enhancements focused almost exclusively on those who benefited most from President Reagan's tax reductions 12 years earlier—large corporations and America's most affluent earners. These included:

- An increase in the top ordinary income tax rate from 31 percent to 39.6 percent
- Repealing the cap on earnings subject to the Medicare payroll tax
- Increasing the corporate income tax rate for profits above $10 million
- Reducing the deductibility of business meals and entertainment expenses

FIGURE 7

President Clinton inherited a massive deficit and turned it into a record surplus, which disappeared under President Bush

Federal revenue and spending as a share of gross domestic product



Source: Office of Management and Budget

As a result, the CBO projected at the time that the Omnibus Budget Reconciliation Act would raise $240 billion in additional revenue over the subsequent five years and would reduce spending by $191 billion over the same period. But because so many of OBRA's revenue provisions were targeted at the wealthy, as the economy grew and incomes grew even faster, those same provisions generated even more revenue than was originally expected. By 1998 the federal government enjoyed its first budget surplus in nearly three decades—on its way to four straight years in the black. In the seven years following OBRA's passage, business investment grew at a rate of 10.2 percent, compared to the growth rates of only 2.8 percent and 2.7 percent in the seven-year periods following the passage of President Reagan's 1981 tax cut and President George W. Bush's 2001 tax cut, respectively.

By turning the federal budget around, President Clinton accomplished three critical things. First, he reduced federal borrowing as the economy improved, allowing that capital to flow to more productive uses and giving the private sector a needed boost. Second, he allayed the fears of an impending debt crisis, taking that issue off the table. And third, the fiscal improvement allowed the government to focus on the other economic matters listed above—investing in the future, growing the middle class, mitigating poverty, and strengthening America's communities.

Keeping America competitive in a newly interconnected world

The Clinton administration also took steps to prepare the United States for the global economy of the future. President Clinton spoke frankly about the challenges globalization posed to workers and the economy, arguing that nations around the world could not dam up the tides of globalization nor tell their people to sink or swim on their own. Instead, he offered a clear vision for how America could thrive in the emerging global economy, both under his watch and long after his administration had come to a close.

First, Clinton saw that the global economy was only as strong as the sum of the skills, the ideas, and the education of millions of individuals around the world. That's why in his "bridge to the 21st century" speech, Clinton put education first. "The single most critical thing we can do is to give every single American who wants it the chance to go to college," he said, "but we must demand excellence at every level of education." He insisted that students learn the basics they need for the next century, that every student should be able to read by the third grade, and that every library and classroom should be connected to the internet by the time he left office.

Second, President Clinton advocated for robust investment in science and the technologies that would provide the foundation for the future economy. Clinton unveiled a National Nanotechnology Initiative in his final budget that would have invested nearly $500 million in nanotechnology research, unlocking the potential for new scientific discoveries that advance our manufacturing, health care, environment, and national security goals. His final budget also requested a $2.8 billion increase in the "21st Century Research Fund" to invest in biomedical research, information technology, and clean energy. As Clinton told students at the California Institute of Technology in 2000, American technology leadership was central to the strong growth the country enjoyed under his administration—and robust future leadership would be needed for the United States to continue to benefit from all the advantages that leadership conferred in the future.

Third, President Clinton continued to press for open markets while laying out a vision of how trade could better benefit everyone. He argued that increased trade would boost U.S. exports, make cheaper goods available to American consumers, and spur innovation around the world—particularly in the information economy he felt was so important. But President Clinton also made clear that the international community had a fundamental responsibility to make sure that open trade actually lifted living standards and protected worker and human rights.

Finally, Clinton made it clear that in an age of instant global communications and emerging economies, the United States had to engage the global economy—but not by surrendering to a "race to the bottom," easing environmental regulations and allowing wages to fall. Rather than bringing America down, Clinton maintained that it was important to help the global economy lift up other nations and make life better for them and better for us.

To that end, he advocated for strong safety nets that empower the poorest people and make sure that everyone can weather increasingly global economic storms. He tried to provide for the workers who may be displaced by globalization both by beefing up our export promotion activities and by increasing funding for training displaced workers. He signed an executive order requiring careful environmental review of major trade agreements and urged global cooperation to help every nation develop along a cleaner path. And he emphasized the importance of helping workers everywhere feel the dignity of work, the respect of basic rights in the workplace, and the ability to help shape their own economic future.

Conclusion—looking forward

No president deserves total blame or total credit for the economic outcomes that arise under his watch. But undoubtedly President Clinton's policies helped spur the economy out of the doldrums by focusing on the middle class and by making targeted public investments. He removed potential obstacles by putting the federal budget onto a sustainable path that eventually resulted in surpluses, and by adroitly resolving international economic crises that threatened to derail U.S. progress. And he laid the foundation for continued growth by investing in infrastructure and education, and by protecting the safety net, bringing millions out of poverty and into the workforce. These are successful strategies that could and should be repeated.

Yet during the "lost decade" that followed in the first decade of the 21st century, many of these lessons were forgotten. Moreover, we lost a golden opportunity to build America's future from strength to strength. Rather than continuing to invest in people and innovation to prepare our economy for the looming challenges of globalization and technology, the Bush administration's policies:

- Fueled a housing and finance bubble
- Bestowed hundreds of billions of dollars in tax cuts on the wealthy
- Put the burden of fiscal imbalance on future generations
- Focused on the needs of the wealthy while neglecting the stagnant economic fortunes of the vast majority of Americans
- Diverted billions of dollars to fighting two foreign wars when we could have invested that money here in America

The consequences of that dangerous experiment are clear, and the missed opportunities cannot be regained.

But going forward we can learn lessons from what economists Alan Blinder and Janet Yellin called "the Fabulous Decade" of the Clinton administration to avoid reliving the lost one. Despite the fact that both Presidents Clinton and Obama inherited challenging economic circumstances from their predecessors, the situation today is far from analogous to the one in the early 1990s. Today we are facing the prospect of a long, hard climb out from, by far, the worst economic crisis in 70 years. In the fourth quarter of 2008, the quarter before President Obama took office, the economy contracted at an annualized rate of nearly 9 percent. That was the second-sharpest quarterly contraction on record, followed in the first quarter of 2009 by the fourth-sharpest contraction. In the worst quarter during the recession of the early 1990s, the economy shrank by 3.5 percent.

Nevertheless, as we do our best to emerge from the long shadow cast by the bursting of the housing bubble and the subsequent financial meltdown, we would do well to consider Clinton's record of success. Now, as then, we face an economy working for too few of us, and the top 1 percent not shouldering their share of the burdens to pay for the mistakes of our past or to invest in our future. Now, as then, our federal government has a role to play to lay the foundations for future growth and prosperity so that the private sector can do what America does best—innovate and lead. And now, as then, the middle class has been under assault and must be strengthened.

Endnotes

1 Steven Greenhouse, "Gloomy Prospects Seen for Growth Worldwide in '93," The New York Times, December 21, 1992.

2 Torsten Persson and Guido Tabellini, "Is Inequality Harmful for Growth?", American Economic Review 84 (3) (1994): 600–621.

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