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Bush and Kerry both pepper their standard political speeches with misleading claims.

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Summary

It's not just the TV ads that contain bum information. Both Bush and Kerry pepper their "stump speeches" with dubious factual claims. In this article we examine three excerpts from each candidate's recent appearances.

In one of them Bush claims "real after-tax incomes are up almost 10 percent," and in another Kerry repeats his claim that jobs being created now "pay us \$9,000 less than the jobs that are going overseas." It's hard to imagine how both of those statements could be true. We find that both are distortions.

Kerry misrepresents Bush's position on Social Security. Bush cites a disputed cost estimate for Kerry's health-care plan. Kerry exaggerates the current cost of the Iraq war. Bush paints a rosy picture of job growth while failing to mention that there's been a net loss of jobs since he took office.

Analysis

Listening to the candidates on the campaign trail, it sometimes seems they are describing parallel universes. Bush claims income is increasing. Kerry claims jobs are going overseas and those that are left pay thousands less. Both are being deceptive.

Bush on Income

Colmar, PA: Sept 9, 2004 Bush: Because of tax relief, the middle class is paying less in federal taxes. The average family of four with an income of \$40,000 got nearly a \$2,000 tax cut. (Applause.) Real after-tax incomes are up almost 10 percent since December of 2000.

Bush seldom fails to tout the benefits of his tax cuts -- selectively -- and lately has added a claim that after-tax incomes have risen 10% since he took office, a figure that is deceptive.

He says "Real after-tax incomes are up almost 10 percent since December of 2000," Clinton's last full month in office. That's from the Department of Commerce, a statistic called "real disposable income." It refers to the total of all inflation-adjusted income earned by all persons, minus taxes.

Bush fails to mention that much of the increase is due to simple population growth. Adjust it for that, and the per-capita growth is less than 6%.

And even that doesn't tell you who got the income. Roughly half of all personal income goes to the most affluent one-fifth of the population.

Typical families and households haven't seen such an increase. The Census Bureau's annual survey shows that inflation-adjusted income for the median household -- the midpoint -- fell by \$1,535 in Bush's first 3 years, a decline of 3.4 percent.

In fairness, it should be noted that those Census figures don't reflect the improvement in the economy that's taken place in 2004, nor do they reflect Bush's tax cuts. The Census

figures on after-tax income for 2003 aren't yet available, but even after-tax income was still falling in 2002 according to the most recent Census figures available.

It is true as Bush claims that a family of four making \$40,000 a year got nearly a \$2,000 tax cut (when compared to tax rates in 2000), according to the independent Tax Policy Center and others. That is, if both children were under age 17 and so qualified for the doubled per-child tax credit. Bush doesn't mention that childless taxpayers didn't make out nearly so well, and those in high income brackets made out much better. We've pointed all that out before .

Kerry on Jobs

Kerry is still claiming that jobs being created now pay \$9,000 less than jobs that were lost, a fanciful figure as we've noted previously.

St. Louis, MO; Sept. 10, 2004 - Kerry: I think sending jobs overseas and having a tax cut - tax benefit that actually rewards the company that goes overseas, I think that's "W." Wrong choice, wrong direction, wrong leadership for America. And the right thing to do is to start creating those jobs here, and to do smart things that help us invest in science and technology, and create the high paying jobs of the future so we're not settling for jobs that pay us \$9,000 less than the jobs that are going overseas.

In a recent speech in St. Louis, for example, he referred to "jobs that pay us \$9,000 less than the jobs that are going overseas." But that relies on figures from the liberal Economic Policy Institute comparing average pay in broad industries, not the pay of specific jobs that have been lost or gained. Not even EPI claims that its figures show what Kerry says, a \$9,000 difference between new and old jobs.

And as we've pointed out before, more detailed government data that focus on occupations, rather than industries, tell a different story. Higher-paid occupations, like managers (who can be in any industry) and health professionals, are growing faster.

A new study of job quality, by economists at the Federal Reserve Bank of Chicago, states that "Recent estimates of higher-paying industry job growth have rebounded," as typically happens as the economy expands.

And if new jobs are really paying \$9,000 less than the old ones, as Kerry claims, how can average hourly earnings and average weekly earnings be going up? The latest figures on wages from the Bureau of Labor Statistics, released Sept. 16, show that average hourly earnings for rank-and-file workers (about 80% of the private workforce) were 2.6% higher in August than they had been when Bush took office, even after adjusting for inflation.

Kerry would be accurate in saying that today's jobs may be paying less. But the fact is economists disagree about that, and certainly can't calculate an average dollar difference.

Kerry's stump speech seldom fails to attack Bush for a "tax benefit that actually rewards the company that goes overseas," as he did in the St. Louis speech. But as we've said before, that tax provision was there long before Bush took office, and even liberal economists agree it's a pretty small influence on where companies locate factories. Changing that tax provision would do very little in terms of US jobs.

Bush on Kerry's Spending

Muskegon, MI; Sept 13, 2004 - Bush: ...today, there's a independent study, which has been released, which says that his plan would cost the taxpayers \$1.5 trillion in new government spending. Not only is his plan going to increase the power of bureaucrats in your lives, but he can't pay for it unless he raises your taxes.

Bush currently is quoting a new study estimating that Kerry's health-care plan will cost \$1.5 trillion over 10 years. "He can't pay for it unless he raises your taxes," Bush declares.

The study is from the American Enterprise Institute, a think tank in Washington that describes itself as favoring "limited government" and "private enterprise." Previously, the Bush campaign quoted a much lower estimate from Ken Thorpe of Emory University in Atlanta, a health-care finance expert who worked in the Clinton administration. Thorpe disputes the AEI study, saying it is full of mistakes. We can't resolve that argument, but whether the true cost is \$1.5 trillion or \$638 billion, Kerry's plan is clearly much more expensive than what Bush proposes.

But interestingly, both the Thorpe study and the AEI study agree on two things. First, both studies estimate that 27 million currently uninsured persons would get health coverage. By both estimates, Kerry's plan would cover several times more additional persons than what Bush proposes. The other thing both studies confirm is that Kerry's plan would reduce health-insurance premiums for those already covered, something it is designed to do. (The AEI study calls this a "windfall" and seems to see it as a flaw, rather than a positive factor.)

Bush's speech is misleading when he says Kerry would have to raise "your" taxes to pay for his health plan. Kerry does propose to raise federal income taxes, but only for those making \$200,000 a year or more. Bush would be accurate if he said Kerry would raise taxes for "some of you."

Bush on Jobs

Colmar, PA; Sept. 9, 2004 - Bush: Our country has now seen 12 straight months of job gains. Over the past year, we've added 1.7 million jobs. That is more than Germany, Japan, Great Britain, Canada and France combined. (Applause.) Unemployment is down to 5.4 percent. That is nearly a full point below the rate in the summer of 2003, and it is below the average of the 1970s, the 1980s and the 1990s. (Applause.)

Bush also says "over the past year" the economy has added 1.7 million jobs, and that's true. And he says the 5.4% unemployment rate for August is lower than the average rate for the 1970's, 1980's and 1990's, which is also true. Here are the averages for those decades, derived from Bureau of Labor Statistics figures:

Average Unemployment Rates

1970's . . . 6.2%

1980's . . . 7.3%

1990's . . . 5.8%

In fact, the current jobless rate is just a little better than the 5.6% average unemployment rate for each month since 1948, when the Bureau of Labor Statistics began keeping track.

What Bush leaves out, of course, is that 5.4% is slightly worse than the average for the full eight years of Clinton's two terms, which was 5.2%. And not nearly as good as the under-

4% rate reached in several months of Clinton's final year. Bush also says nothing about the fact that as of August, the number of persons employed in payroll jobs was still 913,000 below what it was when Bush took office in 2001. At the current rate of growth it is almost certain that Democrats will be proven right about Bush being the first President since Hoover to suffer a net job loss over a full four-year term.

Kerry on Iraq

Greensboro, NC.; Sept. 7, 2004 - Kerry: He promised America this war would cost \$1 billion, and that oil from Iraq would pay for it. It's almost \$200 billion now, and I say to everybody in North Carolina, that's \$200 billion that we're not investing in health care in America. That's \$200 billion we're not investing in schools in America. That's \$200 billion that we're not investing in prescription drugs for seniors.

Kerry's stump speech hammers away at Bush for spending money on Iraq instead of domestic needs, but he uses an inflated figure. "It's almost \$200 billion now," Kerry said Sept. 7 in Greensboro, NC. But that's too high.

As we pointed out in detail recently, Kerry is using Office of Management and Budget figures which put the cost at just under \$120 billion through the end of this fiscal year, which ends Sept. 30. That's what's actually been spent on military operations and reconstruction. Kerry then adds money that is to be spent in the future -- lumping in a lot of funds that actually won't go for Iraq at all, but are earmarked for Afghanistan (a military operation Kerry supports) and the Pentagon's domestic anti-terror operations, such as combat air patrols over US cities. For details see our earlier article .

Kerry on Social Security

Greensboro, NC.; Sept. 7, 2004 - Kerry: Now at that convention in New York last week George Bush actually stood up and said he had a new idea. And you know what that new idea was? The bad old idea of privatizing Social Security and cutting your benefits. So that's W, wrong choices, wrong direction, and we're going to make it right by never privatizing Social Security and never cutting people's benefits.

No Democratic stump speech would be complete without accusing Republicans of wanting to cut Social Security benefits, and Kerry's does not disappoint. He said Sept. 7 that Bush is proposing "the bad old idea of privatizing Social Security and cutting your benefits."

It is of course true that Bush generally favors creating private accounts that would allow younger workers to put aside some of their Social Security taxes into private accounts invested in government-approved mutual funds, a plan better characterized as partial privatization. But Kerry mischaracterizes Bush's position when he talks about "cutting benefits."

Bush has said repeatedly he wouldn't cut benefits for those already retired, or near retirement. His campaign website lists this as "President Bush's first Social Security reform principle," in fact.

What Bush generally favors (he hasn't proposed a specific plan) is to allow younger workers the option of investing part of their Social Security taxes in private accounts. That could lead to a better return and higher future benefits than under the current system, though there is a risk that it would not if the economy and stock market perform at less than their historical averages.

Kerry also fails to mention that the current Social Security system is unstable, and can't pay for all the benefits it now promises. According to the most recent report of the Social Security trustees, the system's actuaries calculate that it would take a 13% cut in benefits right now (or a 15% increase in payroll taxes on workers and their employers) to make the system secure for the next 75 years. That's a hard choice Kerry doesn't mention.

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