I urge that we spare no effort to combat this dreadful nuisance.

The SPEAKER pro tempore (Mr. SHUSTER). Under a previous order of the House, the gentleman from New York (Mr. ENGEL) is recognized for 5 minutes.

(Mr. ENGEL addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

JUMPSTARTING THE ECONOMY

The SPEAKER pro tempore. Under the Speaker's announced policy of January 3, 2001, the gentleman from Pennsylvania (Mr. TOOMEY) is recognized for 60 minutes as the designee of the majority leader.

Mr. TOOMEY. Mr. Speaker, today I would like to engage in a discussion about the economic situation we find ourselves in, the state of our economy and what it is that we are going to do about it, what we have done about it in the House, what needs to be done by the other body.

I would like to begin by just summarizing, reflecting briefly on something I hope we all understand, I hope we all appreciate, and that is the very difficult situation that we find ourselves in today. The fact is our economy had been in a slowdown mode. We had been slowing down the rate of growth of our economic output for over a year prior to September 11, 2001, and certainly since September 11 the downturn has accelerated. It has gotten to the point now where we know by various experts, government and private sector economists, that we no longer have economic growth that we can talk about. Today we are experiencing economic contraction.

The consensus is almost a half, four-tenths of a percent, anyway, of actual economic contraction in the third quarter of this year. There is very little reason to believe that the fourth quarter is going to turn around and show growth. Many believe that we started the contraction back in March. In any case, in all likelihood we are in a recession right now, and we are going to be in a recession for some time going forward.

Now, of course, one of the very most unfortunate, tragic things about a recession is the job losses that always result. Unemployment now is at a 5-year high, about 5.4 percent. Our Nation has lost literally hundreds of thousands of jobs since September 11 alone, when this downturn accelerated. Consumer confidence fell for the fifth straight month. It is now at its lowest level since 1994.

The bottom line is, the translation of all of that is people are out of work. People who want to be working and productive and supporting their families have lost their jobs and they are wondering how they will get back to work. Layoffs are impacting just about everywhere in our country and, as best as I can gather, certainly hitting my district. Good solid companies that have provided great jobs for years have had to lay off workers, and I know they do that reluctantly. And I hope those openings will come back, those jobs will come back. But for now, folks have been laid off at Kraft, at Rodale, at Lanco, at Pabst, Agere, all across my district. Good companies. Jobs have been lost. Nationally there are all kinds of job losses, Gateway, IBM. Boeing announced huge losses of jobs. Solid companies laying off thousands of workers, hundreds of thousands of workers all across the country.

So the question is what are we doing about this? What are we doing about this in the House? What have we already done about it in the House? What are our colleagues in the other body going to do about it, if anything?

I think we have got a responsibility to create an environment that maximizes the opportunity for our constituents to get back to work, for this economy to pick up steam, for companies to begin to hire back the people that they have laid off.

I think most of my colleagues share that view that that is our responsibility. I think one of things that divides us, one of the points on which we disagree, unfortunately, is how do you go about that. How do you best encourage that economic growth? And to simplify things a bit, but I do not think it is unfair, I think it is a reasonable simplification of the debate that has been carried on in this town, there are two schools of thought, maybe two major philosophies about how we ought to go about getting this economy moving again and getting people back to work.

One is the school that says the way you do this is government spending, big government spending program, new program on all kinds of things helps to get the economy going again. Some would describe that as priming the pump. There are lots of other expressions, but some think that is the way we ought to go. That has been proposed. Especially it had been advocated by the leadership of the other Chamber as the main thrust of how we ought to go forward here.

There are others who believe that there is an alternative that is a better, more effective, more constructive way to get the economy moving again, and that is major immediate tax relief, and that that would be much more effective both in the near term and in the long term than even more government spending.

□ 1715

So let us take a look at these alternatives. Let us discuss this a little bit. On the side of those who favor more government spending, it seems that that is the traditional approach taken by those who hold the Keynesian economic view, the demand-side model for how an economy works. And one of the ways to look at the premise behind that philosophy is that, in a way, it holds the view that the slowdown, an economic slowdown, is generally caused when a demand for goods and services is just too low; there is just not enough demand. That is what it is called the demand-side model sometimes. But this is a Keynesian idea. And if the demand is too low, then the way to solve the problem is to increase the demand. And the easiest way to increase demand is to flood the economy with money, so that people can go out and spend it. That creates demand. And we hear people talking about getting money out in the people's pockets as a way to get the economy going again.

Of course, for many who subscribe to this theory, they would, rather than have individuals have more money in their pockets to spend, they would rather just have the government do the spending. Because the government is part of the demand; government expenditure contributes to the total demand in the economy. So a lot of folks will say, just short-circuit the whole process, go right to a big government spending program, and that will get the economy going again.

Now, it is interesting to note that this, of course, is a convenient theory. It can be used to justify and rationalize some other objectives that some people might have. For instance, some people would like to redistribute income, to a very large degree, in our society. They like to take money from some people and give it to others, and they like to be in control of that process. Well, you can justify that a little bit better if you argue that this is all good for the economy too. And so often this becomes a convenient theory for those who really have ulterior motives.

But without getting into motives, because I do not want to dwell on that, I want to look at the question of whether this is really the best thing for the economy. Is a wave of government spending going to increase the demand? Is that going to solve our problem? Well, I suspect not, and I suspect not for several reasons, the most simple of which is that this model, this way of viewing the economy, just has not held up very well. The bottom line is I think that there has never been a strong correlation. I do not think anyone has been able to prove a correlation, much less a causation, between increases in government spending and economic growth and prosperity. The correlation does not exist. So that ought to give us some real pause.

Now, there are specific periods in times in history where we can look at this and examine what has happened and what has not happened. One case that comes to mind is the whole stagflation of the 1970s. Now, under the Keynesian model, high inflation and high unemployment are supposed to be impossible to occur at the same time. You could have one or the other, but you would not have both. And the reason is because of the idea that inflation is a manifestation of excess demand. If there is too much demand for products

and goods and services, then everybody must be working to provide those products and services so unemployment would be very low. Of course, we know in the 1970s that was not true. Unemployment was quite high.

Now, conversely, if you have high unemployment, that supposedly is a manifestation of inadequate demand. And if there is inadequate demand, then there is nobody out there bidding up prices for things, or certainly not a sufficient amount of that, and so we would have very low inflation. If we have high unemployment, we would have to have low inflation. That was not true. As I said, we had both. I think the real reason we had both is we had a weak dollar, which gave us inflation, and we had way excessive taxes, which caused an economic slowdown and huge unemployment.

In any case, whatever you think the cause was, the Keynesian model cannot explain what we know happened as a matter of historical fact in the 1970s. And there are other periods of time when we have seen huge government spending increases that have not resulted in economic growth. The chart that I have here to my left just touches on a few periods.

I will cite the very first here. In the 1930s, government spending tripled; massive government spending beginning in the 1930s. But yet during that very same decade, gross domestic product fell by 27 percent in the first 5 years; and by 1940, 10 years later, unemployment had doubled. Obviously, government spending did not solve the problem in the 1930s. Probably because a lack of government spending was not the cause of the problem we had in the 1930s, but rather protectionist barriers to trade and an increase in taxes probably had a lot more to do with the problems that we had in the 1930s.

It is interesting to take a look at what has happened in recent years. From 1992 to 2001, government spending has grown by 41 percent, and at the end of that period we have entered into a recession here. So, clearly, there is not a strong correlation between increases in government spending and an economic slowdown. But when we think about it, it makes sense. If government spending were all it took to get out of a recession, we would never have one. We would just ratchet up spending a little bit and sail along on our merry way.

As this evidence points out, we certainly would not be facing a slowdown now, because in recent years we have had a massive increase in government spending. As soon as the surpluses arrived, we lost the fiscal discipline that got us to that point in the first place, spending took off; and yet here we find ourselves in a recession.

There is another great example that I want to touch on, and then I will recognize some of my colleagues who have come to join me in this discussion, but the Japanese economy is a fascinating example of how this whole Keynesian demand-side, government-spending approach has not worked.

Beginning in 1991, the Japanese proceeded with this approach to dealing with a recession. Fact is they were 10 years into a terrible recession despite excessive waves of massive government spending. Arguably, they have had 10 different stimulus packages, largely based on public infrastructure spending, massive government spending, which has added up to trillions and trillions of yen, a quarter of a trillion U.S. dollars equivalent, a huge percentage of their economy, and where are they today? They are mired in a serious recession that continues well into its 10th year.

So, clearly, excessive government spending, an increase in government spending, is not the solution. But I will pause at this point and recognize my esteemed colleague, the gentleman from North Carolina (Mr. JONES), for any comments he may want to share with us.

Mr. JONES of North Carolina. I want to first thank the gentleman from Pennsylvania (Mr. TOOMEY), as well as the gentleman from Wisconsin (Mr. RYAN), who has just joined us, for their leadership, both of them, in the area of reducing spending and also reducing taxes. And that is what I want to take a couple of minutes to talk about.

As my colleagues know, we have had several conversations about the capital gains tax. I represent the Third Congressional District of North Carolina, which is a great district to represent; and we have a lot of retirees that have moved into our district. We are more than happy to have them living in the third district. Recently, with the downturn of the economy and what has happened in the stock market, I have had many of those retirees say to me, Congressman, why can you all not, in this stimulus package, reduce the capital gains tax?

Now, I realize that that would not in the short-term be the answer, but I think, and I would like to have my colleagues' comments, as to the benefit not only for our retirees but primarily those who have retired that are dependent on their investments that they worked 20, 25, or 30 years for.

And before I yield back to my colleagues for their answers, many times the other side, the liberals, when we start talking about the capital gains tax, they think we are talking about the rich of America. I am talking about middle-income people who have worked all their lives, and some that really are not middle income but are close to being middle income, who have worked their whole lives, they have invested, and now they are in their retirement years; and they are concerned, and rightly so, as to how they are going to live.

Mr. TOOMEY. I thank the gentleman from North Carolina for mentioning the capital gains tax, and our colleague from Wisconsin may want to comment on especially the job creation aspect of lowering this tax, but if I could follow up on one quick point.

The gentleman's point is exactly right. There just cannot be any question that the capital gains tax is really an irrational tax. In the first place, it is a punishment for saving and investing. Now, what society really wants to punish people for saving their money and investing it in the future? But that is what this tax does.

I think it is particularly unfair, especially to the those folks the gentleman is referring to, in the sense that if someone makes an investment in a stock, in a small business, in a piece of property, anything one can invest in, and that investment grows in value, but only maybe by the rate of inflation, a couple of percentage points here and there, but just pretty much tracks inflation, so that the individual has not really made any money, they have only kept pace with the general price structure of our economy, well, after 10 or 20 years, that is a significant amount of increase in the nominal value of that asset because inflation adds up to a lot over 10 or 20 years. But the individual has not really made a dime in terms of any real gains. All that person has done is kept pace. Yet, if they sell that asset, what do we do here in Washington? We attribute the entire increase to a capital gain and we take up to 20 percent of that, despite the fact that the person has truly made no money.

That strikes me as egregiously unfair. But maybe our colleague, the gentleman from Wisconsin (Mr. RYAN), would like to share his thoughts on it.

Mr. RYAN of Wisconsin. Absolutely. When we take a look at the family farmer, who purchased an asset, or maybe inherited the family farm in their early years, went on to sell it later on, they are going to face a capital gains tax in excess of 20 percent, sometimes nearing as much as 100 percent, because they are taxed on that inflated gain on that asset.

As we take a look at what we can do to get this economy going again, because a lot of people have lost their jobs and a lot more are losing their jobs, the jobless rate is the highest rate of growth it has been since 1981, 1982, we know we need to get people back to work. And when we sit here in Congress trying to figure out how we can grow jobs and retain jobs through growing the economy, we look at what works and what does not work.

I notice my colleague from Pennsylvania was talking about what did the second largest economy in the world do; what have they been trying to do; what have we tried to do in our Nation's history. Look at Japan, and like the gentleman from Pennsylvania said, 10 different stimulus packages of federal infrastructure spending and rebate checks, and just as many recessions. They have a debt-to-GDP ratio of 130 percent. They have spent themselves deeply into debt. Their long-term interest rates are about 1.2 percent, their

short-term rates are about zero. They cannot cut interest rates any more. They cannot increase their money supply. They do not have an economy where they can even save. And what did they get from it? A huge debt.

Many around here are talking about doing the same thing the Japanese did: more public infrastructure spending, more rebates. Well, what we learned just 2 days ago from the NBER statistics would show us that we are technically in a recession as of March of this year. And they show us that it was not consumer spending that went down, it was not consumer income that went down, it was investment that dried up. It was business investment that dried up. Venture capital. That seed corn of entrepreneurial activity is down 72 percent.

Mr. TOOMEY. Reclaiming my time for just a moment, the gentleman is pointing to and getting exactly right to the crux of the problem here. What we are talking about is the difference between massive government spending and private sector investment.

I have had colleagues and I have constituents say, well, what difference does it really make, as long as somebody is doing the spending? If it is the government or the private sector, a dollar is a dollar, and the dollar does not really know who is spending it. Right? There is a huge difference for a lot of reasons, and I just want to touch on one.

If we stop and think about it, we all know what drives government spending is politics. What drives government spending is the political system we have, and whose political bed gets feathered by some spending is a big part of what does it. But there is no market force driving political spending or government spending. There is no competition within government over this, whether it is the Department of Housing and Urban Development or any other Department. It does not have a competing Department down the road that it has to outperform. So, basically, the money just gets spent as politicians see fit.

Whereas, in the market, it is a totally different mechanism. Consumers do not buy anything unless they think it is something worthwhile, something of value, something they want to have. Investors do not invest in anything unless they think it is a process, a business that is providing goods or services that people want. So we have a private sector mechanism that ensures that money goes to where it is needed and where it is wanted. And we have a public sector, a government system, that goes to where politicians want. And that is a big part of the reason why one is much more effective than the other.

I will yield back to my colleague from Wisconsin, but I want to say one more thing quickly, because I think all three of us agree on this issue, which is that there is a huge amount of government spending which is absolutely critical. In fact, right now I think we all agree that we need more government spending on intelligence gathering, on defense, and on homeland security. We need to increase spending there. There is no question. That is something only the government can do, the government must do. But I think it argues for even more restraint in the other areas, especially when we know those other areas are not terribly effective.

And did the gentleman from Wisconsin want to say something else?

□ 1730

Mr. RYAN of Wisconsin. Mr. Speaker, I think the gentleman hit the nail on the head. That is, if we thought more government spending was the answer to our economic ills, we would not be in a recession. We have the most spending we have had in the history of the Federal Government today. We have been increasing spending at a rate greater than inflation. If we thought more spending was the answer, why is Japan mired in a 10-year-long recession?

We know that when we see business investment dry up, job losses take place, we know that is where we need to focus; focus on getting people back to work and getting businesses back up and running. And that is not filtering money through Washington by keeping taxes higher and spending more, it is letting people keep more of what they earn so they can reinvest as they see fit.

When we look at the risk that is out there in the marketplace, when we look at the cost of doing business, government has a negative bias against investment. We have a bias in our Tax Code against saving and investing. If you make money and spend it, the Federal Government leaves you alone. But if you make money and save and invest it for your family and business, the government penalizes you with a high tax.

We can reduce the price of saving and investment by reducing the tax on it. Every time in this country in the last century when we cut the capital gains tax or cut income tax rates, we have grown the economy and encouraged more economic growth and activity. We have grown more revenues coming to those lower tax rates.

I think we see before us a plan that is not necessarily even based on ideology, but based on what works and does not work. Higher taxes and more spending has proven to be utterly useless. Lower spending and lower taxes has worked.

Mr. TOOMEY. Mr. Speaker, reclaiming my time, I thank the gentleman from Wisconsin (Mr. RYAN), and I yield to the gentleman from North Carolina (Mr. JONES).

Mr. JONES of North Carolina. Mr. Speaker, I came here in 1995 with Mr. Gingrich. We became the first majority House and Senate in 40-some years. We came here to reduce the size of government, and as the gentleman from Pennsylvania (Mr. TOOMEY) has said and as the gentleman from Wisconsin (Mr. RYAN) has said, we have not done the job. There is more that needs to be done.

I hope sincerely that the American people understand that this is their government and they need to speak through their elected officials in Congress and in the Senate to let people know that we need to return the money to the people, whether it be through capital gains tax, other tax reductions. But the whole key is what has been said; this government is growing too fast, is too large, and we need to do a better job of reducing the size of government so Americans can keep more of their money.

I thank the gentleman for taking the leadership on this Special Order. I will continue to work with the gentleman and my colleagues to do our very best to make sure that we reduce the size of government and we reduce taxes on the American people.

Mr. TOOMEY. Mr. Speaker, reclaiming my time, I hope that we will be able to move on to the discussion that the gentleman from Wisconsin (Mr. RYAN) introduced, the idea, which is the historical fact, that when taxes are excessively high and they are lowered, we get economic prosperity and growth and new jobs. There is a reason why. I would like to discuss why that works and why it has historically worked. But before I do that, I yield to the gentleman from Michigan (Mr. HOEKSTRA).

Mr. HOEKSTRA. Mr. Speaker, I thank the gentleman for taking the lead in having this discussion about economic stimulus. I think it is something that this Congress needs to act on, and we need to act relatively quickly. It is my hope and expectation before we recess for Christmas that we will complete a stimulus package, including many of the items that my colleague has talked about.

In particular, one of the items that I think is very important to a number of manufacturing companies in my district, and that is about the accelerated depreciation that was included in the House-passed economic stimulus package. It is not actually a tax reduction, it simply delays some of the taxes that corporations will pay and allows and encourages them to invest, to invest in new equipment, new products, new investments which will increase their productivity, make them more globally competitive, and it gets corporations buying again and investing, which is good for all of us, and it is good for their employees especially.

In Michigan, some have said this economic stimulus package is tax breaks for corporations, but it is tax breaks for corporations that kind of piggyback on the larger tax reduction package that we put in place this year which is all targeted at individuals and personal income taxes, so I think it is a very good balance. The end result is that it is corporations, and some corporations in my district have had to lay off 20 to 25 percent of their employees. It is our hope and expectation that if we can

pass the accelerated depreciation, get corporations buying again, it will enable these corporations to put these workers back to work.

The specific provision that we are talking about here is modeled after a provision that was put in place in the early 1980s. The impact in the 1980s was when we provided this accelerated depreciation, it spurred corporate spending, it spurred corporate investment and was really one of the things that enabled us to have the prosperity during the Reagan years. And as we all know, during the Reagan years the level of government revenues accelerated very, very quickly. It is good for all of us when we cut tax rates. Most importantly, it is good for American families because it puts workers back to work.

Mr. TOOMEY. Mr. Speaker, I thank the gentleman from Michigan (Mr. HOEKSTRA) for that observation on this particular provision in the bill which the House has passed, and the House has acted to try to lower the tax burden and get this economy moving again. It is our colleagues in the other body who refuse to do a thing about this, which I think is a disgrace given the level of unemployment we have.

The gentleman's point is right; when a business has the opportunity through an incentive in the Tax Code to have greater depreciation or even expensing of a capital item, it benefits the workers who are able to increase their productivity and hold on to their job because that business remains competitive. The other folks that it helps are the consumers. Who do people think pay taxes, corporate taxes? Corporations pass those costs on to the consumer through the form of their prices.

When we lower that burden, we lower the cost of doing business for that company. We enable them to hire more workers and lower their prices and benefit consumers and help accelerate transactions.

This gets into another theme, but at this point I yield to the gentleman from Arizona (Mr. FLAKE). I thank the gentleman for coming here, and salute the gentleman for all of the great work he has been doing to help lower the tax break for American people.

Mr. FLAKE. Mr. Speaker, there are a few comments I would like to make. When I talk to my constituents in Arizona, they are not clamoring for a few more months of unemployment or health care, they are clamoring to get their jobs back. The best way to do that is to recognize that we do not have such a problem with spending, as my colleague from Wisconsin pointed out very effectively. If the problem was spending, we would not have a problem. Government has grown over the past 6 or 7 years at the rate of, I think, an average of 6 percent a year. When we increase the baseline every year, that amounts to a whopping amount of spending. That is not the problem.

The problem is investment for the most part. We penalize investment, and we should not do so. What we need to do is lower the tax burden. The President has said a number of times, and the administration has indicated through a number of people, that the best thing to do is to cut marginal rates. In the President's tax package, we did that. We cut the marginal rate. The problem is that a lot of those cuts do not take effect for a number of years, particularly the rate cuts at the top end.

As our distinguished colleague Senator GRAMM on the other side of the Capitol likes to say, I never got a job from a poor man. We have to recognize that class envy simply does not cut it. We have to recognize that we cannot begrudge those who are making more than we are. We ought to encourage them to make more and invest more. We can do that by cutting the marginal rate at all levels; the top one at 39.6, accelerate that cut, and cut the lower rates as well. That is the first order.

The second thing has also been mentioned, cut capital gains. It has been noted earlier, that is one of the quickest ways to spur stock market, spur increased investment.

Mr. TOOMEY. Mr. Speaker, the gentleman has touched on something which is worth discussing. I have heard people suggest that if we cut the capital gains tax rate, it might be bad for the stock market. People might think the capital gain is lower so I should sell stock now while I enjoy a lower tax rate. I have heard people suggest if we ever cut the capital gains rate, we could have a collapse in the stock market.

That strikes me as exactly the opposite of the likely effect. First of all, we have cut capital gains tax rates before, and the stock market has gone up. We cannot ignore the fact that we have historical evidence on this. We have seen this happen before. And the reason why, if we were to lower the capital gains rate tomorrow, we would immediately increase the value of every asset in America. Because what is the value of an asset? It is its ability to appreciate in value. If you diminish the amount that the government is going to take of that, it is worth more. So why would the stock market collapse when every company in America became more valuable?

The gentleman points out if we cut the capital gains rate, in fact it would help the stock market. That is counterintuitive to some people, for the reason I just mentioned, but it is exactly right.

Mr. FLAKE. Mr. Speaker, we have to look at history. It has been cut before, and the result has been an increase in asset values and more investment. People are not going to take that out and stick it under a mattress. They are going to invest again. There is a compounding effect, and it is beneficial for the entire economy. That is extremely important.

Congress needs to recognize that we have to stop the class warfare. We have to stop saying let us get on this populist theme of spend more, and get money in people's pockets. Let us make sure that Americans can invest. That is where we need help.

Mr. TOOMEY. Mr. Speaker, the gentleman's points are very well taken. Regarding class warfare, the gentleman from North Carolina made the argument that lowering the capital gains burden helps low-income and moderate-income people. It is a job-creation engine. It has nothing to do with class warfare.

As we move on in this discussion, I want to just touch on an issue that is raised sometimes. I think sometimes it is not obvious to see the connection between lowering taxes and economic growth. Why does that happen? How does it really generate economic growth? One of the ways that I think is useful to think about this is the fact that there are a lot of transactions that could be occurring in our economy, transactions on the margin, one more home being sold, one more car being built, and a few more services being provided. These are transactions that are not happening because buyer and seller cannot agree on a price. There are not enough buyers who can quite afford the price that the seller needs, or there are not enough sellers who can lower their price to the point that the consumer can afford. So there is this inability to get the transaction done.

What is one of the biggest costs to every producer, every potential seller of goods and services? It is their tax burden.

□ 1745

What is one of the biggest costs of every consumer that takes away their disposable income? It is the tax burden. So if you lower taxes on producers and you lower taxes on consumers, producers are suddenly able to pass on the lower costs in the form of lower prices and potential buyers have more disposable income so they can afford more, and all of a sudden you have these transactions that start occurring that cannot occur today. If that just happens on the margin with just a small percentage, it can have a huge impact on economic growth.

I think the gentleman from Wisconsin wanted to comment on that.

Mr. RYAN of Wisconsin. I just wanted to ask the gentleman a question. What you are basically saying is that the government actually controls to a large extent the price level of jobs, of retirement, of economic activity. The government through its taxes actually can control the price or the activity of job growth, investment, people's retirements, their take-home pay. So if we lower that price, we get more of it. Is that what you are saying? If we tax more of it, we get less of it; and if we tax less of it, we get more of it?

Mr. TOOMEY. That is absolutely another way to describe it. Another way that I think about it is there is this

barrier between buyers and sellers, between consumers and producers. The barrier is the cost imposed by government. It is not only taxes. It is regulation, it is tariffs, it is litigation that is encouraged or tolerated by the government, but taxes are the biggest part of it. That is why it is not just a coincidence that when we lower taxes, we see economic growth. It is because when we lower taxes, we allow more economic transactions and economic activity to take place. That is why every time in our history, as the gentleman from Wisconsin pointed out, that we have had a significant tax reduction, what have we seen without fail? Prosperity, economic growth, people getting back to work, people getting a raise, people having more disposable income. It helps all Americans.

I have on this chart a couple of examples from our history. We have really only had a few major, sweeping, across-the-board tax relief bills enacted in our Nation's history and it was in the 20th century. We have really had three prior to what we did earlier this year. The 1920s was the first. That is not on this board, but the 1920 tax cuts initiated by Treasury Secretary Mellon ushered in an era of unbelievable prosperity in the twenties. That era started to wane when taxes were raised and a trade war began.

But let us look at some other tax cuts. In the 1960s, President Kennedy had the good sense to realize that you lower taxes, you generate more economic output. Sure enough in the 1960s, gross domestic product grew by 50 percent. Staggering growth. The 1980s was the other great tax relief act of the 20th century. President Reagan pushed through a tax reduction. What resulted? Nothing less than the longest peacetime expansion in our history. And, as the gentleman from Michigan pointed out as we all know, a tremendous increase in revenue to the Federal Government.

There were deficits in the eighties, no question about it. It was not because we cut taxes. Cutting taxes caused revenue to double. It was because spending was out of control. Spending tripled. That was the problem that we had in the 1980s.

But further to that point or any other point he chooses to bring up, I would like to recognize the gentleman from Arizona (Mr. SHADEGG), the chairman of the Republican Study Committee, the distinguished member of the Committee on Commerce and the Committee on Financial Services.

Mr. SHADEGG. I thank the gentleman for yielding.

Let me first compliment the gentleman and his colleagues for this important hour discussing these issues. I want to touch on a point the gentleman just raised. It seems that the debate right now has our colleagues on the other side of the aisle saying that any tax cut is being done just to benefit the so-called rich. But I would like to put the lie to that by history and talk about it in terms that the average American can understand. I would just ask the gentleman a question. Was it not President Kennedy, a Democrat President, who cut taxes in 1960? And is he not the one who said in his famous phrase, a rising tide lifts all boats? And was that not a reference to the fact that if you cut Federal Government taxes when they become excessive that you stimulate the economy and the reference to a rising tide lifts all boats was that it did not just help some, it would help everybody. It is not just going to help the rich or those who are currently employed, it is going to help everybody, at every sector of our economy. And that is our goal. And specifically to help those who are unemployed.

I have close friends in Arizona, a close friend who has been unemployed now for quite some time. He does not want unemployment benefits. He wants his job back. And stimulating the economy. That is why I think it is so important. But is my history correct? Was it not President Kennedy that made those points?

Mr. TOOMEY. That is exactly right. Reclaiming my time for just a moment, when the President, President Kennedy at the time, made that observation, he was correct. He initiated a round of tax cuts that generated this prosperity. It is interesting that you pointed out, quite rightly, that lowering taxes really only works when taxes are excessively high. If we had extremely low taxes right now and an appropriate level of government spending, then I do not think we would be advocating for even further tax reductions. But right now we are at a record high. The Federal Government has not consumed as large a share of our total economic output as it does today since 1944.

Mr. SHADEGG. That was a war year, was it not?

Mr. TOOMEY. In 1944 there was a good reason. At this point we are not at that level where the expenditures justify that, that level, and certainly the taxes cannot be justified at this level. You are exactly right. I would make one other observation before yielding back to the gentleman from Arizona about the Kennedy tax cut which is the fact that the Kennedy tax cut was much larger than the tax relief that we passed this summer. The Bush tax cut plan which was originally $1.6 trillion, we ended up at about $1.3 trillion, as you know, over 10 years which we should not even be talking about that number, we never talk about spending over 10 years but we sometimes talk about tax cuts over 10 years. The fact is as a percentage of the economy, the Kennedy tax cut was much bigger.

Mr. SHADEGG. It was almost half again as big or even more, I believe.

Mr. TOOMEY. I think that is correct.

Mr. SHADEGG. It seems to me that this is an important concept for our colleagues and for the people across America to understand. The bottom line is that a stimulus package is not really a stimulus package if it just extends unemployment benefits. If that is all it does, it is not going to boost our economy. It may help people temporarily while they are out of a job, and perhaps we need to do that, but if we do not go beyond that, if we do not stimulate the economy by reducing taxes, those people are not going to get their jobs back. At the end of the day, the bottom line is unemployed Americans want to go back to work, and that is why it is called a stimulus package.

Mr. TOOMEY. If I could reclaim my time for a moment on that point, as the gentleman from Arizona and my other colleagues know very well, the bill that we passed in the House contained a measure to expand and extend unemployment benefits and even health care benefits through the States. It was $12 billion. This is probably very appropriate. It is probably an appropriate and necessary thing to do, but we ought to recognize it does not have anything to do with economic stimulus. That is a different thing. As the gentleman from Arizona pointed out quite rightly and others have, too, the people who have lost their jobs that I talk to, that I know of, they do not want to know how long can I stay out of work, they want to know how quickly can I get back to work. That is why while it is appropriate to make sure that there is an unemployment system that is going to be there to help people get a transition to regain their job, the most important thing is that they get that job back quickly.

Mr. SHADEGG. Just to comment a little bit further, President Bush's economic stimulus proposal would, according to a study by the Heritage Foundation, create 211,000 new jobs next year. It seems to me that is what a stimulus package ought to be about. The key elements of that are acceleration of the personal tax rate reductions, the tax package we passed earlier in the year. Let us move those dates up. The average American understands that that bill passed but that the rate reductions do not occur for years down the line. And a reduction in the capital gains tax. That is a reduction that would affect every American. It does not favor business; it favors every single American because we are all in an investing economy right now. It seems to me as the Senate and the House and our negotiators begin to go at this issue, it is not just critical that we pass a stimulus bill, it is critical that we pass a stimulus bill that will actually stimulate the economy and create the job growth that will put America back to work, which is where people want to go.

I compliment the gentleman and appreciate his efforts.

Mr. TOOMEY. Reclaiming my time, I want to thank the gentleman from Arizona and just to point out, as we all know, I think all of our colleagues need to be reminded, here in the House, we

have passed a bill that does those two things. It lowers the capital gains rate. Okay, not as much as I would like to see, but it is a movement in the right direction, and it accelerates the reduction in personal income tax rates that we already passed last summer. It makes some of it go into effect immediately. Okay, I would like to see more of it go into effect immediately, but still this is progress. This can only help the economy. But yet our colleagues in the other Chamber continue to do nothing. This is just not acceptable.

Mr. SHADEGG. They not only do nothing, but what they are demanding is pieces of this bill, large portions of it, their latest demand is that half of it not go to stimulus at all and the other half go to stuff that will not actually stimulate the economy. We do not need a stimulus bill that does not stimulate the economy.

Mr. TOOMEY. Even at that, they refuse to put even a proposal such as that on the Senate floor for debate.

I would be happy to yield to the gentleman from Michigan for his comments on this.

Mr. HOEKSTRA. I thank my colleague for yielding. Just building off the points, we maybe ought to start taking a look at this a little bit differently. Maybe we ought to listen to what the other body is saying. In the House bill, we had a pretty balanced approach. We put in the extended unemployment benefits. We put in the protections to ensure that more people would be able to keep their health care. That, I think, is the right thing to do, to provide the protection for these people in our districts who have been unfortunate and have lost their jobs. But our belief is that by doing the proper tax provisions and the proper incentives, we will stimulate the economy. But we ought to maybe just say, if you want to do some more of that spending or put some more of these government programs in place, put them in place, but give us the stimulus package, because we will recognize that if the stimulus package kicks in, the 13 or the 26 weeks of unemployment benefits will not be needed. And we know that if we got to next summer and they were needed, we would probably vote them in and through, anyway. Let us not be worried about an artificial number because the other thing that we saw in the eighties and again we saw with revenue growth in the nineties is that if the economy grows, what happened during much of the nineties, the economy grew so well, the biggest beneficiary was the Federal Government. And as surprising as it may sound, we could not spend it fast enough.

Mr. SHADEGG. I think the gentleman makes an excellent point. Both the 1960s tax cut and the 1980s tax cut stimulated the economy. Maybe we ought to agree, okay, we will expand the size of the unemployment benefits because as long as you will also give us the tax cuts because then we can stimulate the economy and at the end of the day those unemployment benefits will not be needed because America will go back to work. Historically it has proven true. It is the direction we need to go.

Mr. HOEKSTRA. The best thing for America is to get the stimulus package in place and get Americans back to work. It is the best thing for individual American families. It is the best thing for communities. Some of our communities are really hurting. If they have got some of their largest employers losing 20 to 25 percent of their employees, the whole community feels the pain. Our States are feeling the pain at the State level because of decreased revenues. We are not going to bail our way out of this by more government spending. But if the other body believes that that is the crutch that they want to build it off, we ought to maybe just say, fine, but what we want is we want the tax portions that will stimulate the economy because when we stimulate the economy, we will not need these programs so we may not in effect end up spending that money and we will get back to where we were in terms of before the recession hit and before the war hit, where we will be in a position that we will have a growing economy, people at work, we will lead globally, and we will be back to the position where we were which is paying down public debt and reducing taxes so that we can sustain this growth into the future.

Mr. TOOMEY. I thank the gentleman. I think it makes perfect sense. We have already demonstrated in the House that we fully recognize, our society wants to be there for people who lose their job and who are making every effort to find another one. Unemployment benefits occasionally need to be extended. If that has to happen, that is fine. I do not think any of us object to that. I think we all voted for the bill that would do that. But how much better if you never need to use them? Sure they can be there.

Mr. HOEKSTRA. But failure to act by the other body means that we do not get a stimulus package plus that our unemployed do not get the extension in unemployment benefits and they do not get the access to health care. So their inaction is hurting those that are out of work, short-term and long-term.

Mr. TOOMEY. Ironically, their inaction can guarantee a longer period of time when people are out of work while they have not done anything to help even those people. It is absolutely unacceptable.

I would be happy to yield to the gentleman from Arizona.

Mr. FLAKE. I thank the gentleman for yielding. I just want to echo some of the comments that have been made. My colleague from Arizona pointed out that the most important thing about a stimulus package is that it provide some stimulus. I am reminded of my growing-up years. I grew up on a ranch in Arizona; we often used when we had particularly ornery critters if we could not get them through the chute, we would use a cattle prod. It worked quite well, it stimulated them quite nicely and they ran up ahead. Sometimes by the end of the day the batteries would wear a little thin and we would be left with an instrument that did not do much. It might scare them the first time, but once you laid it on them, they would not move. It is much like the stimulus package. Once the batteries are gone, once that charge is out, once the incentive to invest, these items are out, you might as well go back to a 2 by 4 because the stimulus is not there. You can call it what you want. As my colleague from Michigan says, you might want to provide these other things, but do not call it a stimulus package. Do not assume that it is going to rev up the economy because it is not, because the items simply are not there to do it.

Mr. TOOMEY. Reclaiming my time, I would also observe that we have already engaged in a massive spending program very, very recently. By some accounts, we have spent over $105 billion of additional moneys just since the September 11 attack, emergency supplementals, victims' compensation, airline assistance, additional discretionary spending.

Mr. SHADEGG. It is not as though there is not any spending going on.

Mr. TOOMEY. No, it has been a staggering massive increase. And I think most of us feel it was necessary. These are areas that it was appropriate. But has it gotten the economy out of this recession? No.

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Mr. SHADEGG. For those of you who have been here a little less time than I have, I came in the 104th Congress and joined this body in 1995, and for years after that we grew the economy at three and four times the rate of inflation, grew the size of government at three and four times the rate of inflation, year after year after year. We were spending at 8 and 12 percent, year after year, and that did not stimulate the economy.

Indeed, that government spending, as you point out in your chart, from 1992 to 2001, if government spending was going to stimulate the economy, we would have a booming economy.

The reality is, to stimulate the economy in this kind of circumstance, you have to put some cash back into it. The way government can do that is by cutting taxes.

Mr. TOOMEY. Well, I thank the gentleman. At this point we are running low on time and I will probably wrap up with a few concluding thoughts if I could.

Mr. HOEKSTRA. We have about 10 minutes remaining.

Mr. TOOMEY. Anybody who has any further points they would like to add, by all means, let me know.

I think we have had a good discussion here about the fundamental flaws in

the premise of the other side, the fundamental flaws in the belief that by government spending, we are going to get out of this problem.

Now, we recognize there is spending we need to do right now, in intelligence gathering, in defense, in homeland security. It is critical. It is increases. We all voted for it and we are going to keep voting for it. But that is all the more reason to be cautious on the other areas that have nothing to do with the threat to our Nation, with the attack that we suffered.

We need to be cautious there and rein in the excessive tendencies, so we can at some point in the near future get back to balancing this budget, get back to retiring some debt. But, most of all, in the meantime, we have got to get this economy going. We have too many people out of work, and that is our obligation.

Our responsibility is to create an environment where folks can get back to work, where our economy can flourish, where businesses can hire new workers. We started that process. In the House we passed a bill that will move us in that direction. The President supports our bill. The President, in fact, called for doing more than we did in the House. I wish we had. But at least we moved in that direction, significantly. And, yet, in the other chamber, we have not a bill on the Senate floor, we have no meaningful progress. It is really a disgrace.

I yield to the gentleman from Michigan.

Mr. HOEKSTRA. Mr. Speaker, I thank my colleague for yielding. I think that last point is the most important. We need to do a stimulus package, and the inability of the other body to even consider in debate a package is very disappointing. We do not help the workers that are unemployed today. We do not put in place a package of stimulus items that will help ensure that this is a short downturn and not a very deep downturn. And the third thing, I think, is that it is difficult to factor in, but it will send a psychological message that we are ready to move on, and that we are about focusing on domestic issues, as well as waging a war on the other side of the world; that we have not forgotten about the issues at home.

So, these three items coming out of the House and moving forward, I think, speaks well for our ability. It may not be a perfect bill, but it is a whole lot better than doing absolutely nothing and not even being willing to bring a bill to the floor for debate.

If our bill is not perfect, let the other body develop its own version and move forward and bring it to conference, so that by Christmas this President, this country and the American people will have a stimulus package. That is the way the process is supposed to work. But the shear inaction as our economy struggles is totally unacceptable.

I thank my colleague for inviting me here.

Mr. TOOMEY. I thank the gentleman from Michigan very much for participating in the discussion tonight and everything he added to that.

Mr. SHADEGG. If I could just briefly as we summarize here kind of reiterate an important point in this debate, because too often things get politicized and we miss the issue, some people have pointed out that we have already agreed in the House bill there needs to be an extension of unemployment benefits and health care benefits. We need to take care of people who have already lost their jobs.

But the other debate that goes on is a rejection of any kind of tax relief. I think it is important for the listening audience to remember that under both Democrat and Republican presidents, President Kennedy, a Democrat in the sixties, President Reagan, a Republican in the eighties, when we cut taxes, when they had become excessive and we cut taxes, we stimulated the economy, and, as President Kennedy, a Democrat, said, a rising tide lifts all boats. It put all Americans back to work. It stimulated the economy for all Americans.

Every time I hear this phrase that tax cuts are just for the rich or tax cuts for the rich, it enrages me, because the reality is the way to stimulate this economy is to give all Americans some tax relief. That is what we were proposing to do, that is what will stimulate the economy, and that ought to be a part of the package and will benefit every single American, not just one sector, as President Kennedy said.

Mr. TOOMEY. Well, the gentleman is exactly right. I would just conclude with one other thought. You know, many of the fundamentals for our economy are actually quite hopeful. There is reason to believe that we could come out of this and we could have a return to some real prosperity relatively soon if you look at some of those fundamentals.

Inflation is extremely low, our dollar is strong, and it is very clear that all around the world people have enormous confidence in the dollar. Our productivity levels are at an all time high. Never before have American workers been so enormously productive. Our national debt as a percentage of our GDP has declined dramatically, from 50 percent of our economic output around 1995 down to about a third today. It has also declined in absolute dollar terms.

So these fundamentals are strong. If we lower this tax burden now, resist the urge for wasteful, excessive and inappropriate spending, and lower the tax burden that is acting as a barrier between people who could get this economy moving again, we will do that exactly, and the folks who are out of work today can get back to work.

We have done our part in the House. We have taken an important and enormous step forward. I am urging my colleagues in the Senate to do likewise. It is long past time. It has been over 11 weeks since the terrible attack that accelerated the decline in our economy. It is overdue to have the kind of economic stimulus that we all need.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. KIRK). The Chair will remind all Members that it is improper in debate to characterize Senate action or inaction.

FAST TRACK PROFITEERING

The SPEAKER pro tempore. Under the Speaker's announced policy of January 3, 2001, the gentleman from Ohio (Mr. BROWN) is recognized for 60 minutes as the designee of the minority leader.

Mr. BROWN of Ohio. Mr. Speaker, I will be joined today by several Members. I am so far joined by my good friend the gentleman from New Jersey (Mr. PASCRELL), who in his several years in Congress has been a leader on trade issues and fighting for American jobs and American workers and raising labor standards and environmental standards, both in this country and throughout the developing world and in other nations around the world.

Before we talk about fast track, and that is what this special order is about, as some of us just could not resist listening to the last speakers who, already in the space of 11 months of a Republican administration with a Republican House of Representatives and formerly a Republican Senate, have already, through their huge tax cuts for the rich, have already brought on to our government a deficit. We had several years of positive, good budget situations. We are now already spending back into deficit because of these huge tax cuts for the rich.

Second, we are already in a recession. We have had a Republican President since January 20th. There are 1 million fewer jobs, industrial, manufacturing jobs in this country than there were a year ago. And when we talk like this, talk about tax cuts for the rich, my Republican friends love to say we are engaging in class warfare. But the fact is that every day in this chamber as Republicans try to cut spending on unemployment compensation, on health care, on Medicare cuts, on cuts that people in this country that need help would benefit from, that they make those cuts, at the same time they cut taxes on the rich, they commit class warfare in this society; when they are hurting working people and hurting the poor and helping their wealthiest contributors and wealthiest friends, whether they are the drug companies, or whether they are some of the wealthiest people like Rupert Murdoch and others that they seem to care so much about. So in other words, Mr. Speaker, they so often commit class warfare every day in this body. All we do is point out they are doing it, and they just seem to bristle from it.

Mr. Speaker, on the evening of September 11, several gas stations in my