

\$9 increase in their taxes while someone earning over \$100,000 a year will see a \$2,400 tax cut. That certainly seems to me not to be equitable, not to reward work, not to try and get money to the middle income that I think everybody agrees has been the group most strapped.

I hope these changes certainly can be addressed.

MEDICARE PRESERVATION ACT

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Minnesota [Mr RAMSTAD] is recognized for 5 minutes.

Mr. RAMSTAD. Mr. Speaker, today our House Committee on Ways and Means passed the Medicare Preservation Act to save Medicare, to keep the Medicare system solvent until the year 2010 and to let seniors have more choices in health care plans.

Our legislation keeps Medicare solvent, as I said, and lets seniors stay in the current fee-for-service system or choose a HMO, a preferred provider network or a medical savings account.

Why should seniors not have the same choices in health care that every other American has?

Mr. Speaker, also it is important to point out that this legislation increases Medicare spending about 6.5 percent a year, which means the average Medicare beneficiary will receive \$4,800 this year and \$6,700 in the year 2002.

The point I want to make tonight, Mr. Speaker, is that this legislation guarantees, guarantees that none of the Medicare savings will go for tax cuts. They will go into a lockbox to be used only to maintain the long-term solvency of Medicare.

Mr. Speaker, I ask that this article, this opinion piece by the well-respected economist, Robert Samuelson, which was published in today's Washington Post, be made part of the RECORD.

Economist Samuelson points out in this piece in today's Post, and I am quoting now, "Democrats cast Republicans as cutting everything from Medicare to college loans to pay for a tax cut for the rich. That is untrue." That is Mr. Samuelson's words.

To continue "To listen to the Democrats, you would think that every spending cut is needed to provide a tax cut for the rich. They say that Medicare is being cut to help the wealthy, to provide a tax cut for the rich." Mr. Samuelson goes on to say, "Perhaps this makes good rhetoric, but it flunks first-grade arithmetic."

Let me continue reading from this column: "In the Republican budget, spending is cut \$900 billion over the next 7 years. This is in the total budget. That is nearly 4 times the size of the tax cuts." Mr. Samuelson goes on to say: "The Democrats are double, triple, and quadruple counting spending cuts as an offset to the tax reduction. Even a 1-to-1 count, that is, \$250 billion in spending cuts for \$245 billion in tax

cuts, is a stretch," and then Mr. Samuelson goes on to explain in an academic, analytical, truthful way what we are doing.

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He explains that under the congressional budget resolution, the Republicans cannot enact a tax cut until the Congressional Budget Office certifies that our plan would balance the budget by the year 2002. Once that happens, the CBO assumes that interest rates will drop and economic growth will increase. In turn, these changes improve the budget balance by \$170 billion between now and the year 2002.

So from the balanced budget that we are putting forth here in Congress, interest rates will drop, economic growth will increase to the tune of \$170 billion, and in these extra savings will the tax cut be paid.

At least 70 percent of it will be paid from growth in the economy. So I think, Mr. Speaker, it is important that we get to the facts and the truth in talking about what we are doing with respect to Medicare. Nobody is cutting Medicare to provide any tax breaks whatsoever. What we are doing is balancing the budget in a responsible way. We have already provided for the tax cuts in today's legislation. To preserve Medicare is a big step forward, not only for the seniors of this country, but for future generations as well.

Mr. Speaker, I include for the RECORD the article quoted from.

[From the Washington Post, October 11, 1995]

BUDGETARY BOMBAST

(By Robert J. Samuelson)

The tax debate is a triumph of political rhetoric over common sense. Republicans and Democrats alike portray the Republicans' proposed tax cuts—\$245 billion between 1996 and 2002—as bigger and more important than they are. Each side has its reasons. Republicans say they're providing major tax relief for most ordinary Americans. Not true. Democrats cast Republicans as savagely cutting everything from Medicare to college loans to pay for "a tax cut for the rich." That, too, is untrue.

Just for the record, reject both the Republican tax cuts and the Democrats' critique. Lower taxes, in my view, shouldn't come until the budget is balanced. People should feel the price of government: taxes paid for services received. When the two are split, government becomes lax, because the price of more government is falsely seen as zero. But we are far beyond such a principled debate. Even Democrats advocate tax cuts, arguing that their plan is fairer. The debate gushes partisan clichés.

Start with Republican myths. The \$245 billion sounds like a huge tax cut. It isn't. Recall that it occurs over seven years. In this period, the Congressional Budget Office estimates that federal taxes (before the cut) will total \$12.8 trillion. The \$245 billion cut is about 1.9 percent of that. Of course, some people will get more. The plan's centerpiece is a \$500 tax credit for every dependent child. A family with moderate income (up to say \$40,000 to \$50,000) and two children would receive a noticeable tax cut.

But about half of families have no children, and nearly 30 percent of households are singles. Even for higher-income families with children, the effect of the child tax

credit would fade. (In 1994 a two-parent family with two children and \$75,000 of income paid about \$15,000 to \$16,000 in federal taxes.) And the rest of the tax cut—Congress is still working on details—is splintered among many, highly symbolic reductions.

Consider the most controversial proposal: a capital gains tax cut. Capital gains are profits from the sale of stocks, bonds and other assets. Now, these profits are taxed at a maximum of 28 percent. The House Republicans would reduce that to 19.8 percent, arguing that a lower rate would spur investment and risk-taking. Gee, there's already an investment boom, with ample risk-taking. The present capital gains tax isn't a major obstacle. A reduction would mostly benefit wealthier Americans by increasing their profits from the sale of existing stocks and bonds.

Although the Republican myths are outrageous, the Democratic myths are worse. To listen to Democrats, you'd think that every spending cut is needed to provide a "tax cut for the rich." Medicare is being cut to help the wealthy: so are Medicaid, the school lunch program and welfare. The litany is endless. Perhaps this makes good rhetoric, but it flunks first-grade arithmetic.

In the Republican budget, spending is cut about \$900 billion between 1996 and 2002 from the levels under present law. That's about 6.2 percent of what the CBO reckons would be spent and nearly four times the size of the tax cut. The Democrats are double, triple and quadruple counting spending cuts as an offset to the tax reduction. Even a one-for-one count (\$245 billion of spending cuts for \$245 billion of tax cuts) is a stretch. Here's why.

Under the congressional budget resolution, the Republicans can't enact a tax cut until the CBO certifies that their plan would balance the budget by 2002. Once that happens, the CBO assumes that interest rates will drop and economic growth will increase. In turn, these changes further improve the budget balance by about \$170 billion between now and 2002. It is these extra savings that, in theory, mainly finance the Republican tax cut. They account for about 70 percent of the total.

The point is that—without a huge tax increase, that almost no one favors—the Republican spending cuts are needed simply to balance the budget. If the Democrats don't want to balance the budget, they should say so. If they have \$900 billion of other spending cuts, they should say so. But their endless carping about the "tax cut for the rich" merely disguises their own unwillingness to confront the budget deficits. Republicans have made some unpopular choices about government; Democrats have not.

It is not that Republican choices are beyond criticism. Their plan to curb the Earned Income Tax Credit, which provides tax relief for the working poor, is mean and would shrink the net tax cut substantially. But the tax cut is not mainly a giveaway to the rich. Its effects are spread along the income distribution. Even if it were approved, the well-to-do would continue to pay most federal taxes. In 1994 the richest fifth of Americans (a group that begins at about \$75,000 of family income) paid 59 percent of federal taxes.

The trouble with the Republican plan is that it has warped the budget debate. Democrats have succeeded, temporarily at least, in turning it into an old-fashioned argument about class, when it ought to be about redefining the role of government. There are legitimate disagreements here, and they ought to be aired. But it is not true—as Democrats imply—that the whole process is being driven by a crass desire to aid the wealthy.

Ideally, Republicans would postpone tax cuts. Congress should discipline itself and

see if a projected balanced budget actually occurs. The prospect of future tax cuts would also dampen the temptation to undo some spending cuts. But the Republicans aren't likely to delay the tax cut, in part because they fear that doing so would trigger a voter backlash. This could be true, despite polls showing that tax cuts rank behind deficit reduction in popularity. Americans are so cynical about politics that they'll seize almost any reason to vindicate their cynicism.

But there is a next-best policy: strip the tax cut to its bare political minimum, the child tax credit. The cost would drop sharply (to about \$163 billion over seven years, which is almost exactly the size of CBO's expected "dividend" from balancing the budget). And it would be much harder to attack as a giveaway to the rich. The result would be to refocus the budget debate where it belongs: on what government should—and shouldn't—do.

FACTS BEING OVERLOOKED ON PROPOSED TAX CUT

The SPEAKER pro tempore (Mr. FOX of Pennsylvania). Under a previous order of the House, the gentleman from Tennessee [Mr. DUNCAN] is recognized for 5 minutes.

Mr. DUNCAN. Mr. Speaker, there has been so much talk lately about the proposed \$245 billion tax cut that some key facts are being overlooked or lost in all the political rhetoric.

First, this is not an all-at-once cut. It is spread over 7 years. This comes out to \$35 billion per year. This amounts to slightly less than 2 percent of Federal spending over this period. Federal spending has gone up almost 300 percent since 1980. The first Reagan budget was \$581 billion. We are at a figure almost triple that now, and will be at more than triple that during this 7-year budget period; in other words, a 300 percent increase in Federal spending in the last 15 years, while inflation during that time has averaged about 3 percent a year, or roughly 45 to 50 percent over that period.

Federal spending, in other words, Mr. Speaker, has increased at a rate roughly six times the rate of inflation over this period. Surely it is not asking too much for Federal bureaucrats to give back 2 percent a year when they have had such whopping increases, and an almost 300 percent increase over the last 15 years.

Federal taxes now take almost half of the average person's income. We are talking about the average person here, not the wealthy, but almost half of the average person's income when you consider taxes of all types: Federal, State, local, sales, property, income, gas, excise, Social Security, and so forth. When you consider the indirect taxes that we all pay in the form of higher prices because corporations do not pay any taxes, they have to pass their taxes on to the consumer in the form of higher prices for shirts, tires, shoes, food or everything that we buy.

Second, most of this proposed tax increase, over 70 percent, would go to people making less than \$50,000 per year. Somehow we never hear about that.

Third, one of our leaders, the gentleman from Texas [Mr. ARMEY], has proposed a flat tax which would totally exclude all income under \$38,000 for a married couple and \$26,000 for a single person. In other words, most of the people I represent would be totally excluded from Federal income taxes. They would still have to pay other taxes, but what this really means is that the position of most Republicans is that we would exclude lower income people from Federal income taxes altogether. Somehow, we never hear about that either.

Now, I voted for the \$245 billion tax cut, this 2 percent tax cut. But I also happen to be one of 10 Republicans who voted for a so-called compromise budget which would have put off any tax cut until we get the budget balanced. I am willing to accept less, but we should not exaggerate this \$245 billion tax cut all out of proportion just for partisan political purposes. We should not constantly call this a tax cut for the wealthy, when by far the majority of it goes to middle and lower income citizens.

Our very biased national media is reporting this tax cut in a very biased, very unfair manner. I believe the people of this country know better how to spend their money, far better how to spend their own money, than the bureaucrats in Washington do. I know, too, that even with this proposed 2 percent tax cut, the Federal Government would still be spending over \$1.6 trillion, rising to almost \$2 trillion over this next 7 years, even if we pass this very modest 2 percent tax cut.

The choice is simple: Are we going to side with the ordinary, hard working people and give them back 2 percent of their money, or are we going to side with the bureaucrats and say you really do not have to tighten your belts. You have had just a 300 percent increase over the last 15 years, but apparently that is not enough.

Despite the lies, despite the demagoguery, despite the distortions, despite all the propaganda, I believe the people still want us to cut spending and cut taxes and give some of their money, their hard earned money, back to them.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Tennessee [Mr. BRYANT] is recognized for 5 minutes.

[Mr. BRYANT of Tennessee addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

MEDICARE REFORM MUST BE BIPARTISAN

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas [Ms. JACKSON-LEE] is recognized for 5 minutes.

Ms. JACKSON-LEE. Mr. Speaker, the Ways and Means Committee has finally

completed marking up the Republican Medicare reform bill which has had no wide-spread review by all of those to be impacted by such drastic legislation. And as demonstrated throughout this saga, my Republican colleagues have shown a propensity for distorting the truth and stretching the facts. As evidence, I submit the following:

At the beginning of debate, Democrats protested that the Republican majority had delivered a new version of the bill with nine pages of revisions in the morning and had not explained them.

The changes proposed include a stipulation that any savings must be used to shore up the Medicare System, but this has been attacked by critics, as budget gimmickery because much of the Medicare revenues likely can still be tapped for other budget needs, under their plan.

It was brought to the attention of the Nation and the committee that a letter from Health Care Financing Administration head Bruce Vladeck claims the Republican proposal and the Democrats' cutting \$270 billion dollars from Medicare plan to reduce Medicare spending by \$90 billion over the same timeframe, both would extend the ailing Medicare trust fund to exactly the same date—2006. The question then is why this enormous cut by the Republicans is required.

Ways and Means Committee counsel Charles Kahn conceded during the markup that because of a bill passed by the House earlier this year rescinding a tax under which proceeds were earmarked for the Medicare trust fund, the net Republican savings would extend the life of the trust fund to only 2006, rather than 2010 as the Republicans have been claiming.

The committee's Democratic members unveiled a substitute consensus bill. It would continue to beef up the anti-fraud and abuse efforts, revise the way Medicare pays for graduate medical education, and create new Medicare benefits to pay for increased mammography screening, screening for colorectal cancer, and supplies for diabetics. Republicans rejected separate amendments to include the new benefits.

An amendment by Representative RANGEL to provide tax credits to primary care doctors and other health professionals who agree to serve patients in areas with a shortage of medical personnel was offered in a good faith effort to insure good health care for all Americans.

Medicare can be reformed in a bipartisan manner. Where are my Republican colleagues to join me in this effort. Do not destroy Medicare!

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Colorado [Mr. MCINNIS] is recognized for 5 minutes.

[Mr. MCINNIS addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]