

lower of both offers that have been laid on the table in the last meetings that occurred on the balanced budget.

We are not so far apart. But the major difference is over the tax cut, about \$130 billion extra in tax breaks especially for upper income people. I am not talking about the lower tax cut for children. I am talking about the upper income tax breaks in the corporate welfare area and \$132 billion in extra cuts for Medicare, Medicaid, and the earned income tax credit. That really represents the see-saw, the difference between the two positions in negotiations.

There ought to be a way to bridge that, and I hope there will be. I hope, in the next month or so, this issue will be put behind us and we will have balanced the budget and we will have balanced the budget with a plan that does it in the right way for this country.

#### FLAT TAX

Mr. DORGAN. Mr. President, in just a couple of moments I wanted to make an observation about the topic of the week last week, and I expect the topic for the next couple of months, that will generate a lot of interest. That is the so-called flat tax, or the "Grey Poupon plan," I call it. The flat tax is a fascinating one. I call it that because it is kind of entertaining, always, for someone who comes from a small town of 300 people to watch a debate between millionaires and billionaires about who can propose a tax plan that will allow investors to get to a zero tax rate the most quickly.

We have the Armev plan, the Forbes plan, and some others. I just wanted to mention, in case people hear about flat taxes and they think, "Gee, that sounds like a good idea, flat, curved, rolling hills, up or down," I mean, I do not know what the geometry of all of this is. But if you think that we should not allow a deduction for your home mortgage interest on your tax return, then you would really like the flat tax because the flat tax says you cannot deduct your home interest mortgage. If you think you ought to be required to take your fringe benefits, like your health insurance that your employer might provide and now start paying taxes on that, declare it as income and pay taxes, then you would really like the flat tax because that is what you would have to do. No home mortgage interest deduction, no charitable deduction, and they would take all your fringe benefits, add them up, and you start paying taxes on that income.

Then they say flat tax, except it is not flat. It is a tax that has a flat rate for those who work and a zero tax rate for those who invest. Here is the way it works. You go to work every day and work and you are going to pay whatever flat tax rate they talk about. But if you happen to have an enormous amount of money and your income comes from dividends and interest and you make \$10 million a year in divi-

dends and interest and capital gains, your tax rate is not flat, it is zero—zero. So it is not appropriately called a flat tax. It is flat for people who work and zero for people who invest.

That might sound good, I guess, if you are a millionaire or billionaire and you might debate, if you are a millionaire or a billionaire, about which plan gets you to a zero rate first. But, in my judgment, the more the American people dissect this they will understand more what Mr. Forbes and others are talking about, that they really want to say, if you work for a wage you pay an income tax, but if you get your money through capital gains or interest or dividends and get \$10 million a year or \$1 million a year or \$50 million a year, guess what, you do not have to pay taxes in this country because you are going to get an exemption.

I tell you, I think our tax system is frightfully complicated. It needs to be radically simplified. But we do not need a plan that says, if you work you pay taxes, and if you invest you have a massive exemption. That is not a fair tax plan. They might call it flat, but it is flat and no tax, a flat tax and no tax, flat tax for those who work, no tax for those who invest. I think when the American people dissect it and take a good look at it, they are going to say, no, let us radically simplify the tax program, but let us have everybody pay a little something. If you make \$10 million from interest, dividends, or capital gains, you pay a tax. Maybe it is flat, maybe it is not, but it seems to me everybody ought to contribute.

I find it interesting in this discussion that we always hear people say, "Why should you penalize success?" Whenever they use those terms, they all define success as someone who has had a capital gain or gets a dividend or interest. What about the success of someone working? What about someone who goes to work every day all year and takes care of his or her family and earns a wage; is that not success? Of course it is. Working is achieving success as well. Work, investing, managing, entrepreneurship, all of that is success. It is not just investment that is successful. Work is successful. Let us just make sure we have a tax system that recognizes that all of those folks in this country are successful.

We do not want to create a circumstance where we say America has an income tax, but it only applies to those who work for a wage. Those who are fortunate enough to have inherited \$100 million or reached a position in life where they have \$50 million and they collect \$1 million or \$10 million a year in dividends, they have decided that they do not have to pay taxes.

So I hope, as we think through this this year, that we will come to an understanding of what all these proposals are and how they affect various parts of this country.

Let me end where I began, Mr. President. I know that no one is waiting for time, and you have been generous with the time today.

I hope that all of us, no matter how passionately we feel about all of these issues this year, will decide that we can work together. We might have deep disagreements about a lot of issues. But democracy only works if all of us in this room decide to work together to try to bridge our differences. We can spend all of our time building walls, or we can spend some of our time starting to build bridges. It makes a whole lot of sense for us to tone down the rhetoric just a bit and have the deep disagreements and work through these things but start solving problems for the American people rather than creating problems for the American people.

I hope that at the end of 1996 the legacy will have been that we turned the corner and created a much more productive role in the life of this country than we did in 1995.

Mr. President, I yield the floor.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MURKOWSKI. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MURKOWSKI. Mr. President, I ask unanimous consent that I may speak as in morning business for a few minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### THE PRESIDENT'S BUDGET PROPOSAL

Mr. MURKOWSKI. Mr. President, I recently returned from my State of Alaska, where I had the opportunity to speak to our legislature in a joint session and visit constituents in Juneau, Anchorage, and Fairbanks.

Mr. President, what I heard from my constituents was, I think, best reflected in their inability to simply understand why we could not reach an accord on a balanced budget. We have seen from the administration several budgets come before the Congress. I think we all recall the first one that came before this body, which did not receive one vote, neither Republican or Democrat.

Subsequently, we have had a series of more than five budgets, until the administration has progressed to the point where they claim they have submitted a balanced budget. But virtually everyone is aware of the reality that the sixth and seventh years are where the Clinton cuts occur. As a consequence, I think it is fair to say that virtually everyone who analyzes that proposal finds it unrealistic.

It is unrealistic for two reasons. First of all, in the sixth or seventh year, whatever Members are in office clearly are not going to have the ability to make those cuts in just 2 years. Those are going to be draconian cuts,